

Mondi plc

(Incorporated in England and Wales)
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5 August 2021

Results for the six months ended 30 June 2021

Highlights

- **Strong financial performance, good momentum**
 - Higher sales volumes, higher average selling prices and effective cost control
 - Underlying EBITDA of €709 million, with margin of 19.5%
 - Cash generated from operations of €552 million
 - Balance sheet at 1.5x net debt to underlying EBITDA
- **Investing through-the-cycle**
 - Completed acquisition of Olmuksan, strengthening our position in the fast growing Turkish corrugated market (€88 million on an implied 100% EV basis)
 - Good progress on capital investment projects, delivering growth, sustainability benefits and enhanced cost competitiveness (€286 million capital investments in the period)
 - Approved €125 million upgrade and expansion of Kuopio containerboard mill (Finland) and further investment in corrugated plants to support strong growth in eCommerce
- **Launched Mondi Action Plan 2030 (MAP2030), our sustainability framework for the next decade**
- **Signed €750 million revolving credit facility aligning financing with MAP2030 and extending debt maturity profile**
- **Interim dividend declared of 20.0 euro cents per share**
- **Well-positioned for growth in packaging markets, with cost-advantaged asset base, strong financial position and unique portfolio of sustainable solutions**

Financial summary

€ million, except for percentages and per share measures	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 31 December 2020
Group revenue	3,627	3,452	3,211
Underlying EBITDA ¹	709	738	615
Underlying operating profit ¹	497	524	401
Operating profit	503	518	350
Profit before tax	461	466	304
Basic underlying earnings per share ¹ (euro cents)	70.7	73.0	56.3
Basic earnings per share (euro cents)	71.8	72.0	48.0
Interim dividend per share (euro cents)	20.00	19.00	
Cash generated from operations	552	602	883
Net debt ¹	2,004	2,039	1,791
Underlying EBITDA margin ¹	19.5%	21.4%	19.2%
Return on capital employed (ROCE) ¹	14.8%	17.1%	15.2%

Note:

¹ The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to International Financial Reporting Standards (IFRS). These measures, referred to as Alternative Performance Measures (APMs), are defined at the end of this document and where relevant, reconciled to IFRS measures in the notes to the condensed consolidated financial statements.

Andrew King, Mondi Group Chief Executive Officer, said:

"We are pleased with our first half performance. Volume growth and pricing momentum in our packaging markets has been strong. Encouragingly, we have also seen improving uncoated fine paper markets. We exhibited strong cost control, against a backdrop of rising commodity input costs, whilst keeping a sharp focus on delivering our high-quality product and service offering to our customers. My thanks go to the teams across Mondi for their ongoing commitment and dedication.

Sustainable packaging is at the centre of what we do and top of our customers' agendas. With our leading offering in paper and flexible plastic-based packaging, I am confident we are well-positioned to support their goals with innovative solutions that are sustainable by design, based on our principle of *paper where possible, plastic when useful*.

We remained focused on driving organic growth through our capital investment programme. We successfully started up a new 300,000 tonne containerboard line at Ružomberok (Slovakia) and a repurposed machine in Štětí (Czech Republic) which is now dedicated to producing speciality kraft paper for eCommerce and retail shopping bags. Expansionary projects are also underway at a number of our converting packaging operations, enhancing our production capabilities and product offering to further support our customers, particularly in eCommerce. We also approved an expansion and upgrade of our semi-chemical fluting mill in Kuopio (Finland). We are excited by the possibilities offered by our cost-advantaged asset base and we continue to evaluate further development opportunities in our structurally growing packaging markets.

We completed the acquisition of Olmuksan, expanding our corrugated offering in the fast growing Turkish market, and welcome the team to the Mondi family.

While macroeconomic uncertainties remain, trading is positive. In the second half, we expect to see the full impact of the price increases implemented to date and the continued contribution from our capital investment projects. We also expect the impact of planned maintenance shuts and ongoing input cost pressures, which we aim to mitigate by our relentless focus on cost control.

Underpinned by the Group's integrated cost-advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our strong cash generation and financial position, the Group remains well-placed to deliver sustainably into the future."

Group performance review

We delivered strongly in the first half of the year with very strong volume growth in our packaging and paper businesses underpinned by our broad range of innovative, sustainable packaging solutions. Higher sales volumes, higher average selling prices and strong cost control contributed to our performance, against a backdrop of sharply rising input costs, as economies reopen, and negative currency effects.

Underlying EBITDA for the half-year ended 30 June 2021 of €709 million was down 4% compared to the first half of 2020, and up 15% compared to the second half of 2020 ('sequentially').

Revenue was up 5% on the comparable prior year period driven by higher sales volumes and pricing. Input costs were up with significantly higher paper for recycling, resins, energy and transport costs. Maintenance costs were higher driven by planned maintenance shuts while inflationary cost pressures were mitigated by ongoing cost reduction initiatives. The non-cash forestry fair value gain of €8 million in the first half was down €11 million on the prior year period. Based on current market conditions, we expect the forestry fair value gain in the second half of the year to be lower than in the first half.

In the first half of the year we completed a planned maintenance shut at Syktyvkar (Russia) and smaller shuts at some of our other mills. Based on prevailing market prices, we now estimate the full year impact on underlying EBITDA of the Group's planned maintenance shuts at around €150 million (2020: €100 million), of which the first half effect was around €50 million (2020: €10 million). This includes an extended project related shut at Richards Bay (South Africa) in the second half as part of the ongoing major modernisation programme at the mill.

Currency movements had a net negative effect on underlying EBITDA versus the comparable prior year period as a result of the negative impact on certain of our export oriented businesses of a weaker US dollar coupled with translation losses from a weaker Russian rouble and Turkish lira relative to the euro.

Depreciation and amortisation charges were broadly flat year-on-year. Profit before tax was €461 million, down 1% on the comparable prior year period. Basic underlying earnings were 70.7 euro cents per share, down 3% year-on-year. After taking the effect of special items into account, basic earnings were 71.8 euro cents per share, in line with the prior year period.

An interim dividend of 20.0 euro cents per share has been declared.

Mondi Action Plan 2030 (MAP 2030)

Sustainability lies at the centre of our purpose, culture and strategy to drive value accretive growth. Business has a leading role to play in helping to deliver the UN Sustainable Development Goals and being part of the solution to global sustainability challenges will secure the long-term success of our business and benefit our stakeholders.

At the start of 2021 we launched our new sustainability framework MAP2030, setting out the actions we need to take over the next decade to achieve our ambitious sustainability goals and build on the strong progress we have made to date. MAP2030 connects our 26,000 colleagues with a shared sense of purpose to contribute to a better world by making innovative, sustainable packaging and paper solutions. We believe we can have the most impact by focusing our efforts on circular-driven solutions, created by

empowered people, taking action on climate. Each of these action areas have three high-level commitments, which are underpinned by more detailed targets, with the overall plan grounded on a foundation of responsible business practices spanning business ethics and governance, human rights, communities, procurement and environmental impact.

Circular-driven solutions

We continue to collaborate along the value chain to eliminate unsustainable packaging and lead the transition to a circular economy. Our unique offering of paper-based and flexible plastic-packaging enables us to work with forward-thinking brands and retailers to find the most sustainable solution for each application using 'paper where possible, plastic when useful'. Our customers value our EcoSolutions approach of partnering to help achieve their sustainability goals. This means reducing raw material use, designing for recycling or compostability at end of life, and understanding the often complex trade-offs of various solutions. Wherever it makes sense, we use paper-based packaging to replace unnecessary plastic packaging. When certain functional barriers are required, lightweight plastic-based flexible packaging can deliver many benefits to protect food and other consumer goods when manufactured, used and disposed of appropriately.

In the first half of 2021 we delivered successes across our packaging offering. For example, we extended our range of paper-based eCommerce packaging for leading online retailers and collaborated with an Italian machine producer on a ground-breaking paper-based pallet wrapping solution. We closed the loop with Tesco Central Europe by purchasing its warehouse corrugated waste to create recycled paper for new Tesco shopping bags. We also worked with a customer in Germany on the world's first recycled paper-based release liner for labels. We launched recyclable functional paper-based solutions and new lightweight, mono-material, recyclable flexible-plastic packaging solutions for leading food brands in Europe.

Empowered people

Developing empowered and inclusive teams underpins our ability to contribute to a better world. We want to create a purposeful working environment where everyone understands the value of their work. This includes continuing to build skills that support long-term employability and embracing new ways of working. We have made further progress on our leadership approach to diversity and inclusion, and our task force on flexible working is looking at a global framework recognising the diversity of needs across our different businesses. The health and safety of our people remains our priority. In addition to the ongoing safety focus in our operations, we have provided mental and physical wellbeing support via our communication platforms.

Our long-term success is founded on the social, economic and environmental health of local communities and in the first half of the year we have continued with our community programmes and targeted COVID-19 related support.

Taking action on climate

We have a long-standing track record of reducing our carbon footprint. We have committed to reduce Scope 1 and 2 emissions 34% by 2025, and 72% by 2050 (per tonne of saleable production) against a 2014 baseline. These targets, approved by the Science Based Targets initiative back in 2019, cover more than 95% of Mondi's total Scope 1 and 2 emissions, including our energy sales. We are now exploring a science-based greenhouse gas ('GHG') reduction target for our Scope 3 emissions, which take the GHG emissions from our value chain into account.

In the next decade, in addition to reducing our GHG emissions, we plan to build on our climate resilience by maintaining zero deforestation in our wood supply, continuing to source wood sustainably from healthy and resilient forests, and safeguarding biodiversity and water resources in our operations and beyond. In July we announced a three-year partnership with the International Union of Forest Research Organizations (IUFRO) to identify science-based viable responses to climate-related threats to forests and forest-based industries. This will allow us to collaborate more actively with the scientific community in a structured way to address climate change challenges, gain broad access to research, and convert this into practical applications and improved operations. This know-how will also enable us to share our insight with other sectors and industries to mobilise change collaboratively.

Corrugated Packaging

€ million	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 31 December 2020
Segment revenue	1,106	969	910
Underlying EBITDA	268	267	251
Underlying operating profit	203	207	190
Capital expenditure cash payments	106	124	125
Operating segment net assets	2,356	2,141	2,087
Underlying EBITDA margin	24.2%	27.6%	27.6%
ROCE	21.6%	23.5%	22.5%

Corrugated Packaging delivered a strong performance with higher average selling prices and strong Corrugated Solutions volume growth offsetting significantly higher input costs, the impact of planned maintenance shuts and negative currency effects.

Demand was very strong over the period, driven by growth in eCommerce and consumer goods together with a recovery in industrial and specialised applications. Containerboard sales volumes were up on the comparable prior year period. Corrugated Solutions achieved overall organic volume growth of 15% year-on-year, testament to our innovative product portfolio and strong customer service offering as well as the benefits from the ongoing investment in this business.

On the back of tight global markets, a series of price increases across our containerboard grades were implemented in the first half of the year leading to higher average selling prices than the comparable prior year period as well as sequentially, although the magnitude of the increase varied by grade. Average benchmark European selling prices for unbleached kraftliner were up 10% on the prior year period and 12% on the second half of 2020, while average benchmark European selling prices for recycled containerboard were up 23% on the first half of 2020, and 30% sequentially. By contrast, benchmark white top kraftliner and semi-chemical fluting prices were up 1% and 6%, respectively, on the comparable prior year period (3% and 8% sequentially).

In response to sustained good demand, a strong order position and higher input costs, we announced further price increases across our range of containerboard grades to take effect during July and August 2021.

We made good progress in passing on higher input paper costs through box price increases during the period.

Input costs were higher on average when compared to the prior year period, with significantly higher paper for recycling, energy and transport costs. Paper for recycling costs stabilised in the second quarter following a period of sharp increases. Average benchmark prices for the first half were around three times higher than the low levels seen in the first half of 2020. In 2021, we expect to consume approximately 1.5 million tonnes of paper for recycling.

Our strong cost control focus mitigated higher maintenance costs and inflationary effects.

We are pleased to have completed the acquisition of a 90% interest in Olmuksan in May. With this transaction, we significantly strengthened our position in the fast-growing Turkish corrugated market and can expand our offering to existing and new customers in the region.

We completed planned maintenance shuts at Syktyvkar (Russia) and Kuopio (Finland) during the first half. A maintenance shut at Świecie (Poland) and an extended project-related shut at Richards Bay (South Africa) are scheduled for the second half of the year.

Flexible Packaging

€ million	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 31 December 2020
Segment revenue	1,385	1,377	1,290
Underlying EBITDA	271	280	239
Underlying operating profit	193	202	160
Special items	(1)	(6)	(2)
Capital expenditure cash payments	93	86	76
Operating segment net assets	2,582	2,547	2,475
Underlying EBITDA margin	19.6%	20.3%	18.5%
ROCE	14.5%	14.3%	14.5%

Flexible Packaging delivered a good performance with strong volume growth, stable average pricing, the benefits of prior restructuring initiatives and tight cost control offset by negative currency effects and higher input costs. Underlying EBITDA of €271 million was down 3% on the comparable prior year period.

Demand for kraft paper and paper bags was strong across the regions where we operate, driven by strong demand for building materials, consumer end-uses, eCommerce paper-based bags and other innovative, sustainable packaging solutions across a range of applications. Kraft paper sales volumes were up on the comparable prior year period. Paper bags sales volumes were up in all regions, and in total 11% up on the prior year.

Pricing across the paper value chain was on average slightly lower compared to the prior year period as a result of price erosion seen in 2020. On the back of strong order books and tight market conditions, price increases across our range of kraft papers and paper bags have been implemented during the period and early in the second half, where not fixed by annual or semi-annual contracts.

Consumer flexibles benefited from an improved product mix and good demand in fast moving consumer goods applications driven by at home consumption. The business made progress in passing on significantly higher plastic resins costs.

We continue to innovate to support our customers' transition to more sustainable packaging, and to partner along the value chain to create products fit for a circular economy, incorporating paper where possible, developing recyclable flexible plastic-based packaging solutions as well as increasing recycled content in our packaging.

Input costs were up sharply year-on-year, with higher resins, energy and transport costs. Cash fixed costs were stable, with strong cost control and the benefits of restructuring initiatives offsetting inflationary effects and higher maintenance costs.

The majority of planned mill maintenance shuts are scheduled for the second half of the year.

Engineered Materials

€ million	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 31 December 2020
Segment revenue	429	424	377
Underlying EBITDA	38	45	35
Underlying operating profit	24	27	17
Special items	7	—	(49)
Capital expenditure cash payments	20	46	28
Operating segment net assets	610	632	589
Underlying EBITDA margin	8.9%	10.6%	9.3%
ROCE	7.3%	12.4%	7.5%

Engineered Materials' performance stabilised in the first half of the year, with underlying EBITDA of €38 million up on the second half of 2020, despite sharply rising resin and other input costs.

The business saw good demand in consumer end-uses, such as food, hygiene and home care applications and a strong recovery in most industrial and specialised end-uses, in particular in functional papers and films, which serves a broad range of applications including graphic arts, tapes, industrial and other. We continue to leverage Engineered Materials' coating technologies together with Flexible Packaging's speciality kraft paper portfolio, customer relationships and converting capabilities to develop innovative sustainable packaging solutions offering an exciting opportunity to grow with our customers.

We made good progress in the transformation of the personal care components area in the first half of the year. Volumes were lower as a key product matures and we implement certain technology changes while we saw the benefits of our product development initiatives and the restructuring programme. Production at our new sustainable wipes line started during the period.

Input costs were higher on average, driven by higher resin, energy and transport costs. Cash fixed costs were lower, as a result of restructuring initiatives and ongoing cost reduction focus.

Uncoated Fine Paper

€ million	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 31 December 2020
Segment revenue	810	774	711
Underlying EBITDA	149	164	102
Underlying operating profit	94	106	47
Capital expenditure cash payments	67	80	65
Operating segment net assets	1,643	1,621	1,582
Underlying EBITDA margin	18.4%	21.2%	14.3%
ROCE	10.4%	17.7%	11.3%

Uncoated Fine Paper trading improved in the first half of the year, delivering sequentially higher revenues and underlying EBITDA. When compared with the prior year period, underlying EBITDA of €149 million was down 9% with the impact of longer planned maintenance shuts, negative currency effects, and a lower forestry fair value gain more than offsetting higher volumes, higher pulp prices and strong cost control.

Uncoated fine paper sales volumes were up in the period and our order books are good. We estimate the European market grew 5-6% year-on-year, showing strong recovery from a very weak second quarter of 2020, while our sales volumes were up 15% overall and 20% in Europe. We increased our market share in all the key markets where we operate as our customers valued the stability of a long-term supplier and recognise the strength of our strategic position, underpinned by a broad product portfolio, excellent customer service and superior cost-competitiveness.

Average benchmark European uncoated fine paper selling prices were down 5% on the comparable prior year period and 1% down sequentially. However, on the back of recovering demand and increasing costs, we implemented price increases across our key markets during the period and early in the second half. Average benchmark European bleached hardwood pulp prices were up 19% compared with the prior year period and up 28% sequentially. Including the pulp sales in our packaging businesses, we estimate the Group's pulp net long position in 2021 will be around 250,000 tonnes.

Input costs were on average stable in local currency. In fixed costs, higher maintenance costs due to shut effects and inflationary pressures were largely offset by strong cost control.

The forestry assets' fair value is dependent on a variety of external factors over which we have limited control, the most significant being the export price of timber, the exchange rate and domestic input costs. The non-cash forestry fair value gain of €8 million in the first half was down €11 million on the prior year period and flat sequentially. Based on current market conditions, we expect the forestry fair value gain in the second half of the year to be lower than in the first half.

We suspended our operations in South Africa for 11 days in July following a period of civil unrest. The situation has since stabilised and we have returned to full operation. The estimated impact on the Group's underlying EBITDA is €10-15 million.

We completed a planned maintenance shut at Syktyvkar (Russia) during the first half. The balance of uncoated fine paper shuts are scheduled for the second half of the year, including an extended project-related shut at Richards Bay (South Africa).

Capital investments

Our disciplined approach to investigating, planning, approving and executing capital projects is one of our key strengths and continues to play an important role in successfully delivering strong returns through-the-cycle. We focus our capital investments on driving organic growth, strengthening our cost competitiveness, enhancing our product offering, quality and service to customers and improving our environmental footprint. Our ongoing investment in our cost-advantaged asset base supported by strong structural growth trends, including eCommerce and the trend to transition to more sustainable packaging solutions, enables us to continue to capture opportunities in our growing packaging markets.

During the first half of the year we invested €286 million (2020: €336 million), 140% of depreciation, in our property, plant and equipment. In addition, investment in forestry assets amounted to €23 million (2020: €22 million).

We benefited from the contribution of recently completed capital projects, including the new 300,000 tonne per annum kraft top white machine at Ružomberok (Slovakia) and the converted speciality kraft paper machine at Štětí (Czech Republic). Both were commissioned in January 2021 and are ramping up well. Customer feedback is very positive. The incremental underlying EBITDA contribution from capital investment projects in 2021 is expected to be around €50 million.

We are progressing with our other major capital expenditure projects in our upstream pulp and paper assets, including:

- Expanding and upgrading our mill in Kuopio, producing high performance, top quality, semi-chemical fluting. This recently approved €125 million investment will increase the facility's capacity by around 55,000 tonnes per annum to meet growing customer demand, enhance product quality and cost-competitiveness and strengthen the mill's environmental performance. The project includes an upgrade of the wood yard, fibre line, evaporation plant and paper machine. Start-up is planned for the fourth quarter of 2023.
- An investment programme in Syktyvkar to unlock production capacity and maintain competitiveness, including various enhancements of the mill infrastructure, a new evaporation plant and a pulp dryer upgrade.
- The modernisation of our Richards Bay mill, including upgrading the energy and chemical plants to improve reliability and avoid unplanned shutdowns as well as improve our environmental performance.

The recently commissioned and planned major upstream projects are expected to increase our saleable pulp and paper production by around 8% when in full operation.

We continue to invest in our downstream converting businesses, including our Corrugated Packaging and Flexible Packaging plants to grow with our customers, enhance our product and service offering, improve efficiency and reduce conversion costs. To support strong growth and enhance our offering in eCommerce, we are upgrading and expanding our network of corrugated solutions plants in Central and Eastern Europe and our paper eCommerce bags capacity across Europe. A new greenfield paper bag plant in Cartagena (Colombia) started up in the first half to serve our customers in the region and we have approved plans to expand our North African footprint, with a new paper bag plant in Tangier (Morocco).

Given the approved project pipeline, our capital expenditure is expected to be €600-700 million in 2021. We continue to evaluate further capital investment projects for growth in the packaging markets where we operate, leveraging our high-quality, cost-advantaged asset base.

Special items

Special items during the period amounted to a net income of €5 million after tax mainly relating to a reversal of impairments and release of provisions for costs initially recognised as special items in prior years (2020: €5 million net charge).

Tax

The underlying effective tax rate in the first half was 22% (FY 2020: 22%), in line with our expectation as previously disclosed.

Cash flow

Cash generated from operations of €552 million (2020: €602 million), including the impact of an increase in working capital, reflects the continued strong cash generating capacity of the Group.

Working capital at 30 June 2021 was 14.0% of annualised revenue (30 June 2020: 15.5%), reflecting the normal seasonal increase in the first half of the year, giving rise to a net cash outflow of €170 million in the period (2020: €133 million).

Tax paid of €80 million in the first half (2020: €111 million) was lower mainly due to the timing of payments. Capital expenditure amounted to €286 million (2020: €336 million), or around 140% of depreciation, driven by our ongoing capital expenditure programme.

During the period we completed the acquisition of a 90.38% interest in Olmuksan for a consideration of €66 million, which implies an enterprise value of €88 million on a 100% basis.

Interest paid was €60 million (2020: €45 million). We are pleased to also have paid the 2020 final dividend to shareholders (€201 million).

Treasury and borrowings

The Group retains a strong financial position. Net debt at 30 June 2021 was €2,004 million, up from €1,791 million at 31 December 2020 reflecting the Group's strong cash generation capacity as well as the ongoing investment in the business, including the acquisition of Olmuksan and an increase in working capital. Net debt to underlying EBITDA was 1.5 times as of 30 June 2021.

In June 2021, the Group entered into a new €750 million 5-year revolving multi-currency credit facility agreement ('RCF') to refinance the existing €750 million facility that was due to mature in July 2022. The agreement includes options to extend the RCF by one or two years with each bank's approval. The RCF incorporates key sustainability targets linked to MAP2030, classifying the facility as a Sustainability Linked Loan. Under the terms of the agreement, the margin will be adjusted according to the Group's performance against specified sustainability targets. The new RCF has no financial covenant.

At 30 June 2021, the Group has a strong liquidity position of around €1 billion, comprising €798 million of undrawn committed debt facilities and net cash of €237 million. The weighted average maturity of our committed debt facilities is 4.1 years.

Net finance costs of €45 million were below those of the comparable prior year period (€51 million) due to lower average net debt during the period and a lower average effective interest rate.

The Group's credit ratings were unchanged with Standard & Poor's at BBB+ (stable outlook) and Moody's Investors Service at Baa1 (stable outlook).

Dividend

The Board aims to offer shareholders long-term ordinary dividend growth within a targeted dividend cover range of two to three times on average over the cycle.

An interim dividend of 20.0 euro cents per share has been declared by the directors and will be paid on Thursday 30 September 2021 to those shareholders on the register of Mondi plc on Friday 27 August 2021. The dividend will be paid from distributable reserves.

Outlook

While macroeconomic uncertainties remain, trading is positive. In the second half, we expect to see the full impact of the price increases implemented to date and the continued contribution from our capital investment projects. We also expect the impact of planned maintenance shuts and ongoing input cost pressures, which we aim to mitigate by our relentless focus on cost control.

Underpinned by the Group's integrated cost-advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our strong cash generation and financial position, the Group remains well-placed to deliver sustainably into the future.

Principal risks and uncertainties

The Board is responsible for the effectiveness of the Group's risk management activities and internal control processes. It has put procedures in place for identifying, evaluating, and managing the significant risks that the Group faces. In combination with the Audit Committee, at the beginning of 2021, the Board conducted a robust assessment of the principal and emerging risks to which Mondi is exposed and it is satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established. There have been no significant changes to the principal risks since 31 December 2020 as described on pages 74 to 85 of the Group's Integrated report and financial statements 2020.

Risk management is by nature a dynamic and ongoing process. Our approach is flexible to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group's locations, markets and production processes. Our internal control environment is designed to safeguard the assets of the Group and to provide reasonable assurance that the Group's business objectives will be achieved.

Pandemic risk (COVID-19)

The rapid spread of COVID-19 resulted in unprecedented health, social and economic measures being implemented by authorities around the world. Since the start of the COVID-19 pandemic, the health, safety and welfare of the Group's employees and our communities have remained our top priority.

The Executive Committee and Board continue to monitor our exposure and the impact of COVID-19 on the Group and evaluate actions to mitigate the risk, and where possible, identify opportunities that have arisen. In future, these actions and other monitoring techniques which we have developed, will enable the Group to be dynamic in its reaction to the risk of a pandemic as it emerges.

Strategic risks

The industries and geographies in which we operate expose us to specific long-term risks which are accepted by the Board as a consequence of the Group's chosen strategy and operating footprint.

We continue to monitor recent capacity announcements and demand developments, how consumers are demanding more sustainable packaging, the developments after the UK ended its membership of the European Union and the increasing

prevalence of trade tariffs and economic sanctions. As mentioned earlier in this announcement, the Group is taking action on climate change. While we continue to increase our understanding of climate change related risks and the impacts become clearer, we will continue to improve our disclosures and develop our responses.

The Executive Committee and Board monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital allocation takes advantage of the opportunities arising from our deliberate exposure to such risks.

Our principal strategic risks relate to the following:

- Industry productive capacity
- Product substitution
- Fluctuations and variability in selling prices or gross margins
- Country risk
- Climate change related risk

Financial risks

We aim to maintain an appropriate capital structure and to manage our financial risk exposures in compliance with all laws and regulations.

Despite ongoing short-term currency volatility and increased scrutiny of the tax affairs of multinational companies, our overall residual risk exposure remains similar to previous years, reflecting our attentive approach to financial risk management.

Our principal financial risks relate to the following:

- Capital structure
- Currency risk
- Tax risk

Operational risks

As a Group we focus on operational excellence and investment in our people and are committed to the responsible use of resources.

Our investments to improve our energy efficiency, engineer out our most significant safety risks, improve operating efficiencies, and renew our equipment continue to reduce the likelihood of operational risk events. However, the potential impact of any such event remains unchanged.

Our principal operational risks relate to the following:

- Cost and availability of raw materials
- Energy security and related input costs
- Technical integrity of our operating assets
- Environmental impact
- Employee and contractor health and safety
- Attraction and retention of key skills and talent
- Cyber security risk

Compliance risks

We have a zero tolerance approach to compliance risks. Our strong culture and values, emphasised in every part of our business, with a focus on integrity, honesty, and transparency, underpins our approach.

Our principal compliance risks relate to the following:

- Reputational risk
- Information technology risk

Going concern

The directors have reviewed the Group's current financial position and performance expectations for the period until 31 December 2022, including consideration of the plausible future impact of the COVID-19 pandemic and the other principal risks which may impact the Group's performance in the near term.

The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the condensed consolidated financial statements. At 30 June 2021, Mondi had €798 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between less than 1 and 7 years, with a weighted average maturity of 4.1 years. In June 2021, the Group entered into a new €750 million 5-year revolving multi currency credit facility agreement (RCF) to refinance the existing €750 million facility that was due to mature in July 2022. It includes options to extend the RCF by one or two years with each bank's approval. The new RCF has no financial covenant and the facility was not drawn at 30 June 2021. The principal loan arrangements are disclosed in note 13 of the condensed consolidated financial statements. In addition, the Group has €237 million of cash and cash equivalents available to fund its short-term needs and has a strong balance sheet. At 30 June 2021, our net debt to underlying EBITDA ratio was 1.5 times.

The Group has prepared a base case forecast reflecting recent trading performance in the first half of the year and expectations for market developments over the period to 31 December 2022. The base case forecasts were sensitised to reflect a severe but plausible downside scenario including possible future impacts of the COVID-19 pandemic and other principal risks on Group performance. In the severe but plausible downside scenario there remains significant liquidity headroom.

In addition to its modelled downside going concern scenario, the Board has reverse stress tested the model to determine the extent of downturn which would result in no liquidity headroom. A decline of 66% to the planned underlying EBITDA in the period until 31 December 2022, well in excess of that contemplated in the plausible downside scenario, would need to persist throughout the observed period to result in no liquidity headroom, which is considered very unlikely. This stress test also does not incorporate mitigating actions like reductions and deferrals of capital and operational expenditure or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

Following its assessment, the directors have formed a judgement, at the time of approving the condensed consolidated financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the condensed consolidated financial statements for 30 June 2021.

Enquiries

Investors/analysts:

Clara Valera +44 193 282 6357
Mondi Group Head of Strategy and Investor Relations

Media:

Suvra Jans +44 193 282 6333
Mondi Senior Media Relations Manager

Richard Mountain (FTI consulting) +44 790 968 4466

Conference call dial-in and webcast details

Please see below details for the conference call and webcast that will be held at 09:00 (UK) and 10:00 (CET/SA) today.

The conference call dial-in numbers are:

UK 0800 2796 619
South Africa 0800 014 552
Other +44 2071 928 338

Conference ID 2367067

The webcast will be available via www.mondigroup.com/en/investors/

The presentation will be available to download from the above website around 30 minutes before the webcast commences. Written questions can be submitted via the webcast. If you wish to ask a question verbally, please connect via the dial-in conference call.

Should you have any issues on the day with accessing the dial-in conference call facility, please call +44 2071 928 338. For queries regarding access to the webcast, please e-mail group.communication@mondigroup.com and you will be contacted as soon as possible. A video recording of the presentation will be available on Mondī's website during the afternoon of 5 August 2021.

Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted for use in the United Kingdom and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority;
- the half-year results announcement includes a fair review of the significant events during the six months ended 30 June 2021 and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2021;
- there have been no significant individual related party transactions during the first six months of the financial year; and
- there have been no significant changes in the Group's related party relationships from those reported in the Integrated report and financial statements 2020.

The Group's condensed consolidated financial statements, and related notes, were approved by the Board and authorised for issue on 4 August 2021 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

4 August 2021

Independent review report to Mondi plc

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Mondi plc's condensed consolidated financial statements (the "interim financial statements") in the half year results announcement of Mondi plc for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated income statement and the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year results announcement of Mondi plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half year results announcement, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half year results announcement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year results announcement based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year results announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

London

4 August 2021

Condensed consolidated income statement
for the six months ended 30 June 2021

€ million	Notes	(Reviewed)			(Reviewed)			(Audited)		
		Six months ended 30 June 2021			Six months ended 30 June 2020			Year ended 31 December 2020		
		Underlying	Special items (Note 5)	Total	Underlying	Special items (Note 5)	Total	Underlying	Special items (Note 5)	Total
Group revenue	4	3,627	—	3,627	3,452	—	3,452	6,663	—	6,663
Materials, energy and consumables used		(1,748)	—	(1,748)	(1,592)	—	(1,592)	(3,120)	—	(3,120)
Variable selling expenses		(308)	—	(308)	(294)	—	(294)	(558)	—	(558)
Gross margin		1,571	—	1,571	1,566	—	1,566	2,985	—	2,985
Maintenance and other indirect expenses		(172)	—	(172)	(149)	—	(149)	(346)	—	(346)
Personnel costs		(552)	3	(549)	(548)	(5)	(553)	(1,051)	(21)	(1,072)
Other net operating expenses		(138)	—	(138)	(131)	(2)	(133)	(235)	(10)	(245)
EBITDA	4	709	3	712	738	(7)	731	1,353	(31)	1,322
Depreciation, amortisation and impairments		(212)	3	(209)	(214)	1	(213)	(428)	(26)	(454)
Operating profit	4	497	6	503	524	(6)	518	925	(57)	868
Net profit/(loss) from equity accounted investees		3	—	3	(1)	—	(1)	(3)	—	(3)
Investment income	7	1	—	1	3	—	3	5	—	5
Finance costs	7	(46)	—	(46)	(54)	—	(54)	(100)	—	(100)
Profit before tax		455	6	461	472	(6)	466	827	(57)	770
Tax (charge)/credit	8	(99)	(1)	(100)	(107)	1	(106)	(180)	12	(168)
Profit for the period		356	5	361	365	(5)	360	647	(45)	602
Attributable to:										
Non-controlling interests		13	—	13	11	—	11	20	—	20
Shareholders		343	5	348	354	(5)	349	627	(45)	582
Earnings per share (EPS) attributable to shareholders										
euro cents										
Basic EPS	9			71.8			72.0			120.0
Diluted EPS	9			71.7			72.0			120.0
Basic underlying EPS	9			70.7			73.0			129.3
Diluted underlying EPS	9			70.7			73.0			129.3

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2021

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Profit for the period	361	360	602
Items that may subsequently be reclassified to the condensed consolidated income statement			
Fair value (losses)/gains arising from cash flow hedges	(1)	4	4
Exchange differences on translation of foreign operations	92	(290)	(367)
Items that will not subsequently be reclassified to the condensed consolidated income statement			
Remeasurements of retirement benefits plans	5	1	(2)
Tax effect thereof	(2)	—	(3)
Other comprehensive income/(expense) for the period	94	(285)	(368)
Total comprehensive income for the period	455	75	234
Attributable to:			
Non-controlling interests	11	4	11
Shareholders	444	71	223

Condensed consolidated statement of financial position
as at 30 June 2021

€ million	Notes	(Reviewed)	(Reviewed)	(Audited)
		As at 30 June 2021	As at 30 June 2020	As at 31 December 2020
Property, plant and equipment		4,822	4,614	4,641
Goodwill		929	931	923
Intangible assets		77	72	70
Forestry assets	11	387	342	372
Investment in equity accounted investees		15	12	10
Financial instruments		31	30	31
Deferred tax assets		33	44	39
Net retirement benefits asset	14	22	20	21
Total non-current assets		6,316	6,065	6,107
Inventories		1,007	971	849
Trade and other receivables		1,322	1,172	1,006
Current tax assets		8	5	11
Financial instruments		8	20	11
Cash and cash equivalents	16b	288	669	382
Assets held for sale		1	—	1
Total current assets		2,634	2,837	2,260
Total assets		8,950	8,902	8,367
Short-term borrowings	13	(175)	(660)	(128)
Trade and other payables		(1,313)	(1,073)	(1,116)
Current tax liabilities		(92)	(79)	(85)
Provisions		(40)	(34)	(55)
Financial instruments		(7)	(6)	(6)
Total current liabilities		(1,627)	(1,852)	(1,390)
Medium and long-term borrowings	13	(2,121)	(2,059)	(2,050)
Net retirement benefits liability	14	(213)	(213)	(215)
Deferred tax liabilities		(302)	(269)	(278)
Provisions		(35)	(34)	(35)
Other non-current liabilities		(16)	(15)	(17)
Total non-current liabilities		(2,687)	(2,590)	(2,595)
Total liabilities		(4,314)	(4,442)	(3,985)
Net assets		4,636	4,460	4,382
Equity				
Share capital		97	97	97
Retained earnings and other reserves		4,145	3,990	3,905
Total attributable to shareholders		4,242	4,087	4,002
Non-controlling interests in equity		394	373	380
Total equity		4,636	4,460	4,382

The Group's condensed consolidated financial statements, and related notes 1 to 21, were approved by the Board and authorised for issue on 4 August 2021 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Mondi plc company registered number:

6209386

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2021

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2020 (Audited)	4,015	370	4,385
Total comprehensive income for the period	71	4	75
Dividends	—	(1)	(1)
Purchases of treasury shares	(6)	—	(6)
Other	7	—	7
At 30 June 2020 (Reviewed)	4,087	373	4,460
Total comprehensive income for the period	152	7	159
Dividends	(237)	(3)	(240)
Other	—	3	3
At 31 December 2020 (Audited)	4,002	380	4,382
Total comprehensive income for the period	444	11	455
Dividends	(201)	(4)	(205)
Purchases of treasury shares	(5)	—	(5)
Acquisition of business	—	7	7
Other	2	—	2
At 30 June 2021 (Reviewed)	4,242	394	4,636

Equity attributable to shareholders

€ million	(Reviewed) As at 30 June 2021	(Reviewed) As at 30 June 2020	(Audited) As at 31 December 2020
Share capital	97	97	97
Treasury shares	(16)	(19)	(18)
Retained earnings	4,449	4,313	4,300
Cumulative translation adjustment reserve	(944)	(963)	(1,038)
Post-retirement benefits reserve	(48)	(51)	(51)
Merger reserve	667	667	667
Other reserves	37	43	45
Total	4,242	4,087	4,002

Condensed consolidated statement of cash flows
for the six months ended 30 June 2021

€ million	Notes	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Cash flows from operating activities				
Cash generated from operations	16a	552	602	1,485
Dividends received from other investments		—	—	1
Income tax paid		(80)	(111)	(168)
Net cash generated from operating activities		472	491	1,318
Cash flows from investing activities				
Investment in property, plant and equipment		(286)	(336)	(630)
Investment in intangible assets		(8)	(6)	(18)
Investment in forestry assets	11	(23)	(22)	(43)
Investment in equity accounted investees		(1)	—	—
Proceeds from the disposal of property, plant and equipment		19	6	12
Proceeds from the disposal of financial asset investments		—	—	1
Acquisition of businesses, net of cash and cash equivalents	15	(63)	—	—
Loans advanced to related and external parties		—	—	(1)
Interest received		1	1	4
Net cash used in investing activities		(361)	(357)	(675)
Cash flows from financing activities				
Proceeds from Eurobonds	16c	—	744	744
Repayment of Eurobonds	16c	—	—	(500)
Proceeds from other medium and long-term borrowings	16c	63	—	—
Repayment of other medium and long-term borrowings	16c	—	(100)	(86)
Net proceeds from/(repayment) of short-term borrowings	16c	11	(129)	(136)
Repayment of lease liabilities	16c	(11)	(13)	(24)
Interest paid		(60)	(45)	(82)
Dividends paid to shareholders	10	(201)	—	(237)
Dividends paid to non-controlling interests		(4)	(1)	(4)
Purchases of treasury shares		(5)	(6)	(6)
Net cash (outflow)/inflow from derivatives		(15)	34	59
Other financing activities		1	2	4
Net cash (used in)/generated from financing activities		(221)	486	(268)
Net (decrease)/increase in cash and cash equivalents		(110)	620	375
Cash and cash equivalents at beginning of period		348	(7)	(7)
Cash movement in the period	16c	(110)	620	375
Effects of changes in foreign exchange rates	16c	(1)	(7)	(20)
Cash and cash equivalents at end of period	16b	237	606	348

Notes to the condensed consolidated financial statements

for the six months ended 30 June 2021

1 Basis of preparation

These condensed consolidated financial statements as at and for the six months ended 30 June 2021 comprise Mondi plc and its subsidiaries (referred to as the 'Group'), and the Group's share of the results and net assets of its associates and joint ventures.

The Group's condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted for use in the United Kingdom (UK), and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. They should be read in conjunction with the Group's Integrated report and financial statements 2020, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). On 31 December 2020, IFRS as adopted by the EU at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its condensed consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

The condensed consolidated financial statements have been prepared on a going concern basis as discussed in the commentary under the heading 'Going concern' on page 8, which is incorporated by reference into these condensed consolidated financial statements.

The financial information set out above does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2020 has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated financial statements have been prepared on the historical cost basis, as modified by forestry assets, pension assets, financial assets and financial liabilities held at fair value through profit and loss and assets acquired and liabilities assumed in a business combination.

The preparation of these condensed consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from these estimates.

Management continued to consider the impact of the COVID-19 pandemic on the estimates and judgements it has to exercise in applying the accounting policies, including impairment of property, plant and equipment and goodwill, recoverability of trade receivables and net realisable value of inventories. No material adjustments have been made to the carrying values of the Group's assets and liabilities for the six months ended 30 June 2021 as a result of the COVID-19 pandemic.

In preparing these condensed consolidated financial statements, the judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were largely the same as those that applied to the Group's Integrated report and financial statements 2020, with the exception of changes in estimates that are required in determining the provision for income taxes for an interim period.

2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2021 as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except as follows:

- A number of amendments to IFRS became effective for the financial period beginning on 1 January 2021, but the Group did not have to change its accounting policies or make any retrospective adjustments as a result of adopting these amendments.
- Consistent with previous half year reports, taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profits or losses.
- The Group business combinations accounting policy was applied for accounting for an acquisition (see note 15). This policy was applied consistently and with no changes since the previous Group acquisition:

Business combinations

The identifiable assets, liabilities and contingent liabilities of an acquiree are recorded at their fair values on acquisition date. Assets and liabilities which cannot be measured reliably are recorded at provisional fair values, which are finalised within 12 months of the acquisition date.

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred.

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the condensed consolidated financial statements that are not defined or specified according to IFRS. These measures, referred to as APMs, are defined at the end of this document and where relevant reconciled to IFRS in the notes to the condensed consolidated financial statements, and are prepared on a consistent basis for all periods presented.

3 Seasonality

The seasonality of the Group's operations had no significant impact on the condensed consolidated financial statements.

4 Operating segments

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the executive committee, the chief operating decision-making body. The operating segments are managed based on the nature of the underlying products produced by those businesses and comprise four distinct segments.

Each of the reportable segments derives its income from the sale of manufactured products.

Six months ended 30 June 2021 (reviewed)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,106	1,385	429	810	—	(103)	3,627
Internal revenue	(21)	(43)	(18)	(21)	—	103	—
External revenue	1,085	1,342	411	789	—	—	3,627
Underlying EBITDA	268	271	38	149	(17)	—	709
Depreciation and underlying impairments	(62)	(74)	(13)	(54)	—	—	(203)
Amortisation	(3)	(4)	(1)	(1)	—	—	(9)
Underlying operating profit/(loss)	203	193	24	94	(17)	—	497
Special items	—	(1)	7	—	—	—	6
Operating segment assets	2,722	3,094	740	1,958	4	(84)	8,434
Operating segment net assets	2,356	2,582	610	1,643	—	—	7,191
Trailing 12-month average capital employed	1,816	2,433	579	1,346	(97)	—	6,077
Additions to non-current non-financial assets	175	73	21	85	—	—	354
Capital expenditure cash payments	106	93	20	67	—	—	286
<i>Underlying EBITDA margin (%)</i>	24.2	19.6	8.9	18.4	—	—	19.5
<i>Return on capital employed (%)</i>	21.6	14.5	7.3	10.4	—	—	14.8
Average number of employees (thousands) ¹	7.0	10.5	2.2	6.2	0.1	—	26.0

Six months ended 30 June 2020 (reviewed)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	969	1,377	424	774	—	(92)	3,452
Internal revenue	(17)	(35)	(17)	(23)	—	92	—
External revenue	952	1,342	407	751	—	—	3,452
Underlying EBITDA	267	280	45	164	(18)	—	738
Depreciation and underlying impairments	(57)	(73)	(14)	(57)	—	—	(201)
Amortisation	(3)	(5)	(4)	(1)	—	—	(13)
Underlying operating profit/(loss)	207	202	27	106	(18)	—	524
Special items	—	(6)	—	—	—	—	(6)
Operating segment assets	2,374	3,030	741	1,888	8	(80)	7,961
Operating segment net assets	2,141	2,547	632	1,621	6	—	6,947
Trailing 12-month average capital employed	1,835	2,528	603	1,337	(75)	—	6,228
Additions to non-current non-financial assets	118	66	43	88	—	—	315
Capital expenditure cash payments	124	86	46	80	—	—	336
<i>Underlying EBITDA margin (%)</i>	27.6	20.3	10.6	21.2	—	—	21.4
<i>Return on capital employed (%)</i>	23.5	14.3	12.4	17.7	—	—	17.1
Average number of employees (thousands) ¹	6.7	10.4	2.2	6.3	0.1	—	25.7

Note:

¹ Presented on a full time employee equivalent basis

4 Operating segments (continued)

Year ended 31 December 2020 (audited)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,879	2,667	801	1,485	—	(169)	6,663
Internal revenue	(32)	(66)	(31)	(40)	—	169	—
External revenue	1,847	2,601	770	1,445	—	—	6,663
Underlying EBITDA	518	519	80	266	(30)	—	1,353
Depreciation and underlying impairments	(115)	(146)	(27)	(111)	(1)	—	(400)
Amortisation	(6)	(11)	(9)	(2)	—	—	(28)
Underlying operating profit/(loss)	397	362	44	153	(31)	—	925
Special items	—	(8)	(49)	—	—	—	(57)
Operating segment assets	2,331	2,942	695	1,873	5	(96)	7,750
Operating segment net assets	2,087	2,475	589	1,582	(3)	—	6,730
Trailing 12-month average capital employed	1,764	2,468	590	1,349	(96)	—	6,075
Additions to non-current non-financial assets	268	178	73	183	—	—	702
Capital expenditure cash payments	249	162	74	145	—	—	630
<i>Underlying EBITDA margin (%)</i>	27.6	19.5	10.0	17.9	—	—	20.3
<i>Return on capital employed (%)</i>	22.5	14.5	7.5	11.3	—	—	15.2
Average number of employees (thousands) ¹	6.7	10.4	2.2	6.3	0.1	—	25.7

Note:

¹ Presented on a full time employee equivalent basis

External revenue by location of production and by location of customer

€ million	External revenue by location of production			External revenue by location of customer		
	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Africa						
South Africa	230	217	409	192	157	309
Rest of Africa	28	28	55	131	138	254
Africa total	258	245	464	323	295	563
Western Europe						
Austria	574	555	1,062	75	72	140
Germany	422	391	766	467	447	863
United Kingdom	2	21	28	87	90	179
Rest of western Europe	317	335	641	745	715	1,344
Western Europe total	1,315	1,302	2,497	1,374	1,324	2,526
Emerging Europe						
Czech Republic	290	276	520	107	90	178
Poland	554	492	983	318	277	548
Rest of emerging Europe	525	428	833	460	407	791
Emerging Europe total	1,369	1,196	2,336	885	774	1,517
Russia	413	422	796	328	324	622
North America	233	252	481	374	387	731
South America	—	—	—	56	54	107
Asia and Australia	39	35	89	287	294	597
Group total	3,627	3,452	6,663	3,627	3,452	6,663

4 Operating segments (continued)

Reconciliation of operating segment assets

€ million	(Reviewed) As at 30 June 2021		(Reviewed) As at 30 June 2020		(Audited) As at 31 December 2020	
	Segment assets	Segment net assets	Segment assets	Segment net assets	Segment assets	Segment net assets
Group total	8,434	7,191	7,961	6,947	7,750	6,730
Unallocated						
Investment in equity accounted investees	15	15	12	12	10	10
Deferred tax assets/(liabilities)	33	(269)	44	(225)	39	(239)
Other non-operating assets/(liabilities) ¹	173	(297)	198	(235)	177	(328)
Group capital employed	8,655	6,640	8,215	6,499	7,976	6,173
Financial instruments/(net debt)	295	(2,004)	687	(2,039)	391	(1,791)
Total assets/equity	8,950	4,636	8,902	4,460	8,367	4,382

Note:

1 Includes non-current financial instruments, current tax assets/(liabilities), provisions for restructuring costs, employee related and other provisions, derivative financial instruments and other non-operating receivables/(payables)

5 Special items

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Operating special items			
Impairment of assets	—	—	(27)
Reversal of impairment of assets	3	1	1
Restructuring and closure costs:			
Personnel costs	3	(5)	(21)
Other restructuring and closure costs	—	(1)	(9)
Settlement of claim relating to the 2012 Nordenia acquisition	—	(1)	(1)
Total special items before tax	6	(6)	(57)
Tax (charge)/credit (see note 8)	(1)	1	12
Total special items	5	(5)	(45)

The special items during the period comprised:

- Flexible Packaging
 - Closure of two consumer flexibles plants in the UK. Additional restructuring and closure costs of €1 million were recognised. These costs are a continuation of the special item from prior year with total costs in excess of €10 million.
- Engineered Materials
 - Closure of a functional paper and films plant in the US. Release of restructuring and closure provision of €3 million and partial reversal of impairment of assets of €3 million were recognised relating to a special item from prior year.
 - Restructuring of a personal care components focused operation in Gronau (Germany). Release of restructuring provision of €1 million was recognised relating to a special item from prior year with total costs in excess of €10 million.

The operating special items resulted in a cash outflow for the six months ended 30 June 2021 of €13 million (six months ended 30 June 2020: €15 million; year ended 31 December 2020: €28 million).

To 31 December 2020 (Audited)

The special items during the year ended 31 December 2020 comprised:

- Flexible Packaging
 - Closure of two consumer flexibles plants in the UK. Additional restructuring and closure costs of €8 million and related reversal of impairment of assets of €1 million were recognised. These costs are a continuation of the special item from prior year with total costs in excess of €10 million.
 - Additional costs of €1 million for the settlement of a claim relating to the 2012 Nordenia acquisition were recognised. The costs relate to a special item from prior years with total costs in excess of €10 million.
- Engineered Materials
 - Closure of a functional paper and films plant in the US. Restructuring and closure costs of €5 million and related impairment of assets of €9 million were recognised.
 - Restructuring of a personal care components focused operations in Gronau (Germany). Restructuring costs of €17 million and related impairment of assets of €18 million were recognised.

6 Write-down of inventories to net realisable value

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Write-down of inventories to net realisable value	(26)	(31)	(41)
Aggregate reversal of previous write-downs of inventories	21	18	23

7 Net finance costs

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Investment income	1	3	5
Finance costs			
Interest expense			
Interest on bank overdrafts and loans	(37)	(45)	(83)
Interest expense from lease liability	(6)	(6)	(12)
Net interest expense on net retirement benefits liability	(3)	(3)	(6)
Total interest expense	(46)	(54)	(101)
Less: Interest capitalised	—	—	1
Total finance costs	(46)	(54)	(100)
Net finance costs	(45)	(51)	(95)

Net interest expense, as defined at the end of this document, for the six months ended 30 June 2021 was €42 million (six months ended 30 June 2020: €48 million; year ended 31 December 2020: €90 million).

8 Tax charge

The Group's effective rate of tax before special items for the six months ended 30 June 2021 was 22% (six months ended 30 June 2020: 23%; year ended 31 December 2020: 22%).

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
UK corporation tax at 19% (2020: 19%)	1	1	—
Overseas tax	87	96	155
Current tax in respect of prior periods	—	1	5
Current tax	88	98	160
Deferred tax in respect of the current period	14	12	26
Deferred tax in respect of prior periods	(3)	(3)	(6)
Tax charge before special items	99	107	180
Current tax on special items	—	—	(5)
Deferred tax on special items	1	(1)	(7)
Tax charge/(credit) on special items (see note 5)	1	(1)	(12)
Tax charge for the period	100	106	168
Current tax charge	88	98	155
Deferred tax charge	12	8	13

9 Earnings per share (EPS)

	EPS attributable to shareholders		
	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
euro cents			
Basic EPS	71.8	72.0	120.0
Diluted EPS	71.7	72.0	120.0
Basic underlying EPS	70.7	73.0	129.3
Diluted underlying EPS	70.7	73.0	129.3
Basic headline EPS	70.7	71.6	123.9
Diluted headline EPS	70.7	71.6	123.9

The calculation of basic and diluted EPS, basic and diluted underlying EPS and basic and diluted headline EPS is based on the following data:

	Earnings		
	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
€ million			
Profit for the period attributable to shareholders	348	349	582
Special items (see note 5)	(6)	6	57
Related tax (see note 5)	1	(1)	(12)
Underlying earnings for the period	343	354	627
Special items not excluded from headline earnings	3	(6)	(31)
Gain on disposal of property, plant and equipment	(1)	(2)	(2)
Related tax	(2)	1	7
Headline earnings for the period	343	347	601

	Weighted average number of shares		
	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
million			
Basic number of ordinary shares outstanding	485.0	484.8	484.9
Effect of dilutive potential ordinary shares	0.2	—	—
Diluted number of ordinary shares outstanding	485.2	484.8	484.9

10 Dividends

The interim dividend for the year ending 31 December 2021 of 20.00 euro cents per ordinary share will be paid on Thursday 30 September 2021 to those shareholders on the register of Mondi plc on Friday 27 August 2021. The dividend will be paid from distributable reserves of Mondi plc, as presented in the annual financial statements for the year ended 31 December 2020.

	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
	euro cents per share		
Final dividend paid (in respect of prior year)	41.00	—	—
Interim dividend paid			48.75
Paid in respect of the prior year			29.75
Paid in respect of the current year			19.00
Interim dividend declared for the six months ended 30 June	20.00	48.75	
Declared in respect of prior year	—	29.75	
Declared in respect of current year	20.00	19.00	

10 Dividends (continued)

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Final dividend paid (in respect of prior year)	201	—	—
Interim dividend paid			237
Paid in respect of the prior year			145
Paid in respect of the current year			92
Total dividends paid	201	—	237
Interim dividend declared for the six months ended 30 June	97	236	
Declared in respect of prior year	—	144	
Declared in respect of current year	97	92	
Declared by Group companies to non-controlling interests	4	1	4

Dividend timetable

The interim dividend for the year ending 31 December 2021 will be paid in accordance with the following timetable:

Last date to trade shares cum-dividend

JSE Limited	Tuesday 24 August 2021
London Stock Exchange	Wednesday 25 August 2021

Shares commence trading ex-dividend

JSE Limited	Wednesday 25 August 2021
London Stock Exchange	Thursday 26 August 2021

Record date

Friday 27 August 2021

Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants

Thursday 2 September 2021

Last date for DRIP elections to UK Registrar and South African Transfer Secretaries:

South African Register	Friday 3 September 2021
UK Register	Monday 13 September 2021

Payment Date

Thursday 30 September 2021

DRIP purchase settlement dates (subject to market conditions and the purchase of shares in the open market):

UK Register	Monday 4 October 2021
South African Register	Wednesday 6 October 2021

Currency conversion dates

ZAR/euro	Thursday 5 August 2021
Euro/sterling	Friday 17 September 2021

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 25 August 2021 and Friday 27 August 2021, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between Wednesday 18 August 2021 and Friday 27 August 2021, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi plc shareholders on the South African branch register will be announced separately, together with the ZAR/euro exchange rate to be applied, on or shortly after Thursday 5 August 2021.

11 Forestry assets

€ million	(Reviewed)	(Reviewed)	(Audited)
	As at 30 June 2021	As at 30 June 2020	As at 31 December 2020
At 1 January	372	411	411
Investment in forestry assets	23	22	43
Fair value gains	8	19	27
Felling costs	(37)	(32)	(59)
Currency movements	21	(78)	(50)
At 30 June / 31 December	387	342	372

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 19), consistent with prior years. The fair value of forestry assets continues to be determined using a market approach. The valuation process and key observable inputs were consistent with those applied for the year ended 31 December 2020.

12 Leases

The Group has entered into various lease agreements. The Group's right-of-use assets were €179 million as at 30 June 2021 (€166 million as at 30 June 2020; €162 million as at 31 December 2020) and the related depreciation charge was €12 million for the six months ended 30 June 2021 (six months ended 30 June 2020: €12 million; year ended 31 December 2020: €23 million).

13 Borrowings

Financing facilities

Group liquidity is provided through a range of committed debt facilities. The principal loan arrangements in place are the following:

€ million	Maturity	Interest rate %	(Reviewed)	(Reviewed)	(Audited)
			As at 30 June 2021	As at 30 June 2020	As at 31 December 2020
Financing facilities					
Syndicated Revolving Credit Facility	July 2022	EURIBOR/LIBOR + margin	—	750	750
Syndicated Revolving Credit Facility	June 2026	EURIBOR + margin	750	—	—
€500 million Eurobond	September 2020	3.375%	—	500	—
€500 million Eurobond	April 2024	1.500%	500	500	500
€600 million Eurobond	April 2026	1.625%	600	600	600
€750 million Eurobond	April 2028	2.375%	750	750	750
European Investment Bank Facility	June 2025	EURIBOR + margin	38	48	43
Long Term Facility Agreement	December 2026	EURIBOR + margin	70	—	70
Other	Various	Various	56	69	59
Total committed facilities			2,764	3,217	2,772
Drawn			(1,966)	(2,412)	(1,903)
Total committed facilities available			798	805	869

The effective interest rate was 4.4% for the six months ended 30 June 2021 (six months ended 30 June 2020: 4.6%; year ended 31 December 2020: 4.5%).

On 3 June 2021, the Group entered into a new €750 million 5-year revolving multi currency credit facility agreement (RCF) to refinance the existing €750 million facility that was due to mature in July 2022. It includes options to extend the RCF by one or two years with each bank's approval. The new RCF has no financial covenant and the facility was not drawn at 30 June 2021. The RCF incorporates key sustainability targets linked to MAP2030 (Mondi's Action Plan to meet its ambitious 2030 sustainability goals), classifying the facility as a Sustainability Linked Loan. Under the terms of the agreement, the margin will be adjusted according to the Group's performance against specified sustainability targets.

Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable).

13 Borrowings (continued)

€ million	(Reviewed) As at 30 June 2021			(Reviewed) As at 30 June 2020			(Audited) As at 31 December 2020		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Secured									
Bank loans and overdrafts	3	2	5	3	—	3	2	3	5
Lease liabilities	20	184	204	21	175	196	18	169	187
Secured	23	186	209	24	175	199	20	172	192
Unsecured									
Bonds	—	1,839	1,839	500	1,838	2,338	—	1,838	1,838
Bank loans and overdrafts	125	96	221	134	40	174	86	39	125
Other loans	27	—	27	2	6	8	22	1	23
Total unsecured	152	1,935	2,087	636	1,884	2,520	108	1,878	1,986
Total borrowings	175	2,121	2,296	660	2,059	2,719	128	2,050	2,178
Committed facilities drawn			1,966			2,412			1,903
Uncommitted facilities drawn			330			307			275

14 Retirement benefits

All assumptions related to the Group's material defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually and the remaining defined benefit schemes and unfunded statutory retirement obligations were re-assessed in aggregate for the six months ended 30 June 2021. Due to changes in assumptions and exchange rate movements, the net retirement benefits liability decreased by €2 million to €213 million as at 30 June 2021 (31 December 2020: €215 million) and the net retirement benefits asset increased by €1 million to €22 million as at 30 June 2021 (31 December 2020: €21 million). The assets backing the defined benefit scheme liabilities reflect their market values as at 30 June 2021. Net remeasurement gains arising from changes in assumptions amounting to €5 million before tax have been recognised in the condensed consolidated statement of comprehensive income.

15 Business combinations

To 30 June 2021 (Reviewed)

Acquisition of Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş

On 31 May 2021, Mondi acquired 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş (Olmuksan) for a total consideration of €66 million, which implies an enterprise value of €88 million on a 100% basis. Olmuksan is a leading and well-established corrugated packaging producer in Turkey, listed on the Istanbul stock exchange. Its network of five plants provides a diverse customer base with high-quality sustainable packaging for food, beverage, agriculture and industrial applications. Following the completion of the transaction, Mondi launched a mandatory tender offer to acquire the remaining 9.62% of outstanding shares in Olmuksan held by minority shareholders. The mandatory tender offer was completed on 26 July 2021 with an offer liability of €3 million to acquire an additional 1.62% of the outstanding shares.

Property, plant and equipment has been measured at fair value using relevant valuation methods accepted under IFRS 13, with related deferred tax adjustments. The fair value uplift on intangible assets arises from long lasting customer relationships. The provisional goodwill of €2 million arising on the acquisition is attributable to the anticipated synergies from integrating Olmuksan into the Group and the expansion of the geographic reach of Mondi's corrugated solutions business. It has been allocated to the Corrugated Packaging segment.

Olmuksan's revenue for the six months ended 30 June 2021 was €101 million with a profit after tax of €8 million. Olmuksan's revenue of €17 million and profit after tax of €1 million since the date of acquisition have been included in the condensed consolidated income statement.

15 Business combinations (continued)

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	(Reviewed)		
	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	24	33	57
Intangible assets	—	6	6
Deferred tax asset	3	(3)	—
Inventories	27	—	27
Trade and other receivables	62	—	62
Cash and cash equivalents	3	—	3
Total assets	119	36	155
Trade and other payables	(54)	—	(54)
Income tax liabilities	(1)	—	(1)
Other current liabilities	(4)	—	(4)
Net retirement benefits liability	(2)	—	(2)
Deferred tax liabilities	—	(6)	(6)
Total liabilities (excluding debt)	(61)	(6)	(67)
Short-term borrowings	(16)	—	(16)
Medium and long-term borrowings	(1)	—	(1)
Debt assumed	(17)	—	(17)
Net assets acquired	41	30	71
Goodwill arising on acquisition			2
Non-controlling interests in equity			(7)
Cash acquired net of overdrafts			(3)
Net cash paid per condensed consolidated statement of cash flows			63

Transaction costs of €4 million were charged to underlying other net operating expenses in the condensed consolidated income statement.

The fair values of assets acquired and liabilities assumed in business combinations are level 3 measures in terms of the fair value measurement hierarchy (see note 19). Goodwill arising on the above business combination is not tax deductible.

The fair value accounting of this acquisition is provisional in nature. The nature of the business is such that further adjustments to the carrying values of acquired assets and/or liabilities, and adjustments to the purchase price, are possible as the details of the acquired business is evaluated post acquisition. If necessary, any adjustments to the fair values recognised will be made within 12 months of the acquisition date.

In respect of trade and other receivables, the gross contractual amounts receivable less the best estimates at the acquisition dates of the contractual cash flows not expected to be collected approximate the book values as presented.

To 31 December 2020 (Audited)

There were no business acquisitions during the year ended 31 December 2020.

16 Consolidated cash flow analysis

(a) Reconciliation of profit before tax to cash generated from operations

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Profit before tax	461	466	770
Depreciation, amortisation and underlying impairments	212	214	428
Share-based payments	4	5	8
Net cash flow effect of current and prior period special items	(19)	(9)	29
Net finance costs	45	51	95
Net (profit)/loss from equity accounted investees	(3)	1	3
Decrease in provisions and net retirement benefits	(7)	(10)	(9)
(Increase)/decrease in inventories	(121)	(32)	68
(Increase)/decrease in operating receivables	(253)	(128)	8
Increase in operating payables	204	27	49
Fair value gains on forestry assets	(8)	(19)	(27)
Felling costs	37	32	59
Gain on disposal of property, plant and equipment	(1)	(2)	(2)
Other adjustments	1	6	6
Cash generated from operations	552	602	1,485

(b) Cash and cash equivalents

€ million	(Reviewed) As at 30 June 2021	(Reviewed) As at 30 June 2020	(Audited) As at 31 December 2020
Cash and cash equivalents per condensed consolidated statement of financial position ¹	288	669	382
Bank overdrafts included in short-term borrowings	(51)	(63)	(34)
Cash and cash equivalents per condensed consolidated statement of cash flows	237	606	348

Note:

¹ Includes money market funds of €135 million (as at 30 June 2020: €147 million; as at 31 December 2020: €136 million) valued at fair value through profit and loss, with the remaining balance carried at amortised cost

The fair value of cash and cash equivalents approximate their carrying values presented.

16 Consolidated cash flow analysis (continued)

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Total assets	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2020 (Audited)	(7)	1	(6)	(699)	(1,496)	(6)	(2,201)	(2,207)
Cash flow	620	—	620	142	(644)	34	(468)	152
Additions to lease liabilities	—	—	—	(2)	(7)	—	(9)	(9)
Disposal of lease liabilities	—	—	—	2	—	—	2	2
Movement in unamortised loan costs	—	—	—	—	(1)	—	(1)	(1)
Net movement in derivative financial instruments	—	—	—	—	—	(18)	(18)	(18)
Reclassification	—	—	—	(49)	49	—	—	—
Currency movements	(7)	—	(7)	9	40	—	49	42
At 30 June 2020 (Reviewed)	606	1	607	(597)	(2,059)	10	(2,646)	(2,039)
Cash flow	(245)	—	(245)	518	(14)	25	529	284
Additions to lease liabilities	—	—	—	(3)	(10)	—	(13)	(13)
Disposal of lease liabilities	—	—	—	(1)	2	—	1	1
Movement in unamortised loan costs	—	—	—	—	(1)	—	(1)	(1)
Net movement in derivative financial instruments	—	—	—	—	—	(31)	(31)	(31)
Reclassification	—	—	—	(22)	22	—	—	—
Currency movements	(13)	—	(13)	11	10	—	21	8
At 31 December 2020 (Audited)	348	1	349	(94)	(2,050)	4	(2,140)	(1,791)
Cash flow	(110)	—	(110)	—	(63)	—	(63)	(173)
Additions to lease liabilities	—	—	—	(18)	(5)	—	(23)	(23)
Disposal of lease liabilities	—	—	—	2	—	—	2	2
Acquired through business combinations (see note 15)	—	—	—	(16)	(1)	—	(17)	(17)
Movement in unamortised loan costs	—	—	—	—	(1)	—	(1)	(1)
Net movement in derivative financial instruments	—	—	—	—	—	(1)	(1)	(1)
Reclassification	—	—	—	(5)	5	—	—	—
Currency movements	(1)	—	(1)	7	(6)	—	1	—
At 30 June 2021 (Reviewed)	237	1	238	(124)	(2,121)	3	(2,242)	(2,004)

16 Consolidated cash flow analysis (continued)

(d) Cash flow generation

€ million	(Reviewed) Six months ended 30 June 2021	(Reviewed) Six months ended 30 June 2020	(Audited) Year ended 31 December 2020
Net (decrease)/increase in cash and cash equivalents	(110)	620	375
Investment in property, plant and equipment	286	336	630
Acquisition of businesses, net of cash and cash equivalents	63	—	—
Investment in equity accounted investees	1	—	—
Dividends paid to shareholders	201	—	237
Net (proceeds from)/repayment of borrowings	(63)	(502)	2
Proceeds from Eurobonds	—	(744)	(744)
Repayment of Eurobonds	—	—	500
Proceeds from other medium and long-term borrowings	(63)	—	—
Repayment of other medium and long-term borrowings	—	100	86
Net (proceeds from)/repayment of short-term borrowings	(11)	129	136
Repayment of lease liabilities	11	13	24
Cash flow generation	378	454	1,244

17 Capital commitments

Capital commitments are based on capital projects approved to date and the budget approved by the Board. Capital expenditure for 2021 is expected to be in the range of €600 - €700 million. These capital projects are expected to be financed from existing cash resources and borrowing facilities.

18 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 30 June 2021 of €3 million (as at 30 June 2020: €3 million; as at 31 December 2020: €3 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's condensed consolidated statement of financial position for all periods presented.

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. The Group may not be insured fully, or at all, in respect of such risks. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Group considers that no material loss to the Group is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

19 Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in the notes to the condensed consolidated financial statements, are based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 11 and certain assets acquired or liabilities assumed in business combinations as set out in note 15.

As at 30 June 2021, the fair value of level 2 derivative financial assets is €7 million (as at 30 June 2020: €19 million; as at 31 December 2020: €10 million), whereas the fair value of level 2 derivative financial liabilities is €7 million (as at 30 June 2020: €6 million; as at 31 December 2020: €6 million).

Cash and cash equivalents include money market funds measured at fair value through profit and loss, with the remaining balance carried at amortised cost. As at 30 June 2021, the fair value of level 1 cash and cash equivalents is €135 million (as at 30 June 2020: €147 million; as at 31 December 2020: €136 million).

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2021.

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during the period.

19 Fair value measurement (continued)

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using generally accepted valuation techniques. These valuation techniques maximise the use of observable market data and rely as little as possible on Group specific estimates.

Specific valuation methodologies used to value financial instruments include:

- the fair values of foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Except as detailed below, the directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements are approximately equal to their fair values.

€ million	Carrying amount			Fair value		
	(Reviewed)	(Reviewed)	(Audited)	(Reviewed)	(Reviewed)	(Audited)
	As at 30 June 2021	As at 30 June 2020	As at 31 December 2020	As at 30 June 2021	As at 30 June 2020	As at 31 December 2020
Financial liabilities						
Borrowings	2,296	2,719	2,178	2,450	2,824	2,361

20 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with equity accounted investees and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. The level of these transactions is consistent with prior year.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation. There have been no significant changes to the nature of its related party transactions as disclosed in note 28 of the Group's Integrated report and financial statements 2020.

21 Events occurring after 30 June 2021

Aside from the interim dividend declared for the six months ended 30 June 2021 (see note 10), there have been no material reportable events since 30 June 2021.

Production statistics

		Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Containerboard	000 tonnes	1,328	1,304	2,525
Kraft paper	000 tonnes	627	595	1,145
Uncoated fine paper	000 tonnes	789	706	1,422
Newsprint	000 tonnes	95	86	169
Pulp	000 tonnes	2,281	2,322	4,484
Internal consumption	000 tonnes	2,005	1,987	3,767
Market pulp	000 tonnes	276	335	717
Corrugated solutions	million m ²	1,008	855	1,771
Paper bags	million units	2,971	2,701	5,435
Consumer flexibles	million m ²	1,320	1,340	2,472
Engineered materials	million m ²	2,519	2,668	5,068

Exchange rates

versus euro	Average			Closing		
	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
South African rand	17.52	18.31	18.77	17.01	19.44	18.02
Czech koruna	25.85	26.33	26.46	25.49	26.74	26.24
Polish zloty	4.54	4.41	4.44	4.52	4.46	4.56
Pounds sterling	0.87	0.87	0.89	0.86	0.91	0.90
Russian rouble	89.55	76.67	82.72	86.77	79.63	91.47
Turkish lira	9.52	7.15	8.05	10.32	7.68	9.11
US dollar	1.21	1.10	1.14	1.19	1.12	1.23

Alternative Performance Measures (APMs)

The Group presents certain measures of financial performance, position or cash flows in the condensed consolidated financial statements that are not defined or specified according to IFRS in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management, the executive committee and the Board. Two of the Group's APMs (underlying EBITDA and ROCE) form part of the executive directors and senior management remuneration targets.

The most significant APMs used by the Group are described below, together with a reconciliation to the equivalent IFRS measure. The reconciliations are based on Group figures. The reporting segment equivalent APMs are measured in a consistent manner.

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Special items		
Special items are generally material, non-recurring items that exceed €10 million.	Note 5	None

The Group separately discloses special items on the face of the condensed consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year.

Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.

Underlying EBITDA

Operating profit before special items, depreciation, amortisation and impairments not recorded as special items provides a measure of the cash generating ability of the business that is comparable from year to year.	Condensed consolidated income statement	Operating profit
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Underlying EBITDA margin

Underlying EBITDA expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the cash generating ability relative to revenue.		None
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APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Underlying EBITDA (see condensed consolidated income statement)	709	738	1,353
Group revenue (see condensed consolidated income statement)	3,627	3,452	6,663
Underlying EBITDA margin (%)	19.5	21.4	20.3

Underlying operating profit

Operating profit before special items provides a measure of operating performance that is comparable from year to year.	Condensed consolidated income statement	Operating profit
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Underlying operating profit margin

Underlying operating profit expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the profitability of the operations relative to revenue.		None
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APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Underlying operating profit (see condensed consolidated income statement)	497	524	925
Group revenue (see condensed consolidated income statement)	3,627	3,452	6,663
Underlying operating profit margin (%)	13.7	15.2	13.9

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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Net interest expense

Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income.

None

Net interest expense provides an absolute measure of the net cost of borrowings.

APM calculation:

€ million	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Investment income (see note 7)	1	3	5
Interest on bank overdrafts and loans (see note 7)	(37)	(45)	(83)
Interest on lease liabilities (see note 7)	(6)	(6)	(12)
Net interest expense	(42)	(48)	(90)

Effective interest rate

Trailing 12-month net interest expense expressed as a percentage of trailing 12-month average monthly net debt over the period.

None

Effective interest rate provides a measure of the net cost of borrowings.

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Trailing 12-month net interest expense (see above)	84	100	90
Trailing 12-month average net debt	1,896	2,189	2,012
Effective interest rate (%)	4.4	4.6	4.5

Underlying profit before tax

Profit before tax and special items. Underlying profit before tax provides a measure of the Group's profitability before tax that is comparable from year to year.

Condensed consolidated income statement
Profit before tax

Effective tax rate

Underlying tax charge expressed as a percentage of underlying profit before tax.

None

A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Tax charge before special items (see note 8)	99	107	180
Underlying profit before tax (see condensed consolidated income statement)	455	472	827
Effective tax rate (%)	22	23	22

Underlying earnings (and per share measure)

Net profit after tax attributable to shareholders, before special items.

Note 9

Profit for the period attributable to shareholders (and per share measure)

Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's earnings that is comparable from year to year.

Headline earnings (and per share measure)

The presentation of headline earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 1/2019, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Note 9

Profit for the period attributable to shareholders (and per share measure)

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
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Dividend cover

Basic underlying EPS divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to ordinary dividend payments.	None	None
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Capital employed (and related trailing 12-month average capital employed)

Capital employed comprises total equity and net debt. Trailing 12-month average capital employed is the average monthly capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production.	Note 4	Total equity
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These measures provide the level of invested capital in the business. Trailing 12-month average capital employed is used in the calculation of return on capital employed.

Return on capital employed (ROCE)

Trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed. ROCE provides a measure of the efficient and effective use of capital in the business.		None
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APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Trailing 12-month underlying operating profit (see condensed consolidated income statement)	898	1,068	925
Trailing 12-month underlying net loss from equity accounted investees (see condensed consolidated income statement)	1	(1)	(3)
Trailing 12-month underlying profit from operations and equity accounted investees	899	1,067	922
Trailing 12-month average capital employed (see note 4)	6,077	6,228	6,075
ROCE (%)	14.8	17.1	15.2

Net debt

A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents, net of overdrafts, and current financial asset investments.	Note 16c	None
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Net debt provides a measure of the Group's net indebtedness or overall leverage.

Net debt to underlying EBITDA

Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability.		None
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APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Net debt (see note 16c)	2,004	2,039	1,791
Trailing 12-month underlying EBITDA (see condensed consolidated income statement)	1,324	1,502	1,353
Net debt to underlying EBITDA (times)	1.5	1.4	1.3

Operating segment assets and operating segment net assets

Operating segment assets and operating segment net assets comprise total assets (excluding financial instruments) and capital employed respectively but exclude investments in equity accounted investees, deferred tax assets and liabilities and other non-operating assets and liabilities.	Note 4	Total assets Net assets
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Operating segment assets and operating segment net assets provide a measure of the assets and net assets required in the daily operation of the business.

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure	
Working capital as a percentage of revenue			
Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue, which is calculated based on an extrapolation of average monthly year-to-date revenue. A measure of the Group's effective use of working capital relative to revenue.		None	
APM calculation:			
€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Inventories (see condensed consolidated statement of financial position)	1,007	971	849
Trade and other receivables (see condensed consolidated statement of financial position)	1,322	1,172	1,006
Trade and other payables (see condensed consolidated statement of financial position)	(1,313)	(1,073)	(1,116)
Working capital	1,016	1,070	739
Annualised Group revenue (see condensed consolidated income statement)	7,254	6,904	6,663
Working capital as a percentage of revenue	14.0	15.5	11.1

Gearing

Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group. None

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Net debt (see note 16c)	2,004	2,039	1,791
Capital employed (see note 4)	6,640	6,499	6,173
Gearing (%)	30.2	31.4	29.0

Cash flow generation

A measure of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in equity accounted investees, payment of dividends to shareholders and proceeds from and repayment of borrowings. Cash flow generation is a measure of the Group's ability to generate cash through-the-cycle before considering deployment of such cash. Note 16d Net increase/ (decrease) in cash and cash equivalents

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. These forward-looking statements speak only as of the date on which they are made.

No assurance can be given that such future results will be achieved; various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include in particular but without any limitation: (1) operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Mondi's patents and other intellectual property rights and the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for Mondi's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of Mondi and potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in Mondi's principal geographical markets or fluctuations of exchange rates and interest rates.

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by the Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation or applicable law or any regulatory body applicable to Mondi, including the JSE Limited, the FCA and the LSE.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

Editors' notes

Mondi is a global leader in packaging and paper, contributing to a better world by making innovative packaging and paper solutions that are sustainable by design. Our business is integrated across the value chain – from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective industrial and consumer packaging solutions. Sustainability is at the centre of our strategy and intrinsic in the way we do business. We lead the industry with our customer-centric approach, EcoSolutions, where we ask the right questions to find the most sustainable solution. In 2020, Mondi had revenues of €6.66 billion and underlying EBITDA of €1.35 billion.

Mondi has a premium listing on the London Stock Exchange (MNDI), and a secondary listing on the JSE Limited (MNP). Mondi is a FTSE 100 constituent, and has been included in the FTSE4Good Index Series since 2008 and the FTSE/JSE Responsible Investment Index Series since 2007.

Sponsor in South Africa: UBS South Africa Proprietary Limited.