Mondi Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1967/013038/06)
JSE share code: MND ISIN: ZAE000156550

Mondi plc
(Incorporated in England and Wales)
(Registered number: 6209386)
JSE share code: MNP ISIN: GB00B1CRLC47
LSE share code: MNDI

6 August 2015

As part of the dual listed company structure, Mondi Limited and Mondi plc (together "Mondi Group") notify both the JSE Limited and the London Stock Exchange of matters required to be disclosed under the Listings Requirements of the JSE Limited and/or the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

Half-yearly results for the six months ended 30 June 2015

Highlights

- Strong performance on all key financial metrics, with all business units delivering significantly improved results
    - Underlying operating profit of €490 million, up 30%
    - Underlying earnings of 67.8 euro cents per share, up 31%
    - Cash generated from operations of €538 million, up 23%
    - Return on capital employed of 19%
- Successful delivery on capital projects and acquisitions
    - Recently completed projects delivering ahead of plan
    - Current major projects on time and on budget
    - Turnaround of US Bags business acquired in 2014 on track
- Interim dividend of 14.38 euro cents per share, up 9%

Financial summary

€ million, except for percentages and per share measures	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Six months ended 31 December 2014
Group revenue	**3,459**	3,148	3,254
Underlying EBITDA[1]	**671**	553	573
Underlying operating profit[1]	**490**	377	390
Operating profit	**451**	374	354
Profit before tax	**392**	312	307
Per share measures			
Basic underlying earnings per share[1] (€ cents)	**67.8**	51.9	55.4
Basic earnings per share (€ cents)	**60.3**	48.6	48.8
Interim dividend per share (€ cents)	**14.38**	13.23	
Cash generated from operations	**538**	439	594
Net debt	**1,741**	1,758	1,613
Group return on capital employed (ROCE)[2]	**19.0%**	16.0%	17.2%

Notes:

[1] The Group presents underlying EBITDA, operating profit and related per share information as measures which exclude special items in order to provide a more effective comparison of the underlying financial performance between reporting periods.

[2] ROCE is the 12 month rolling average underlying operating profit expressed as a percentage of the average rolling 12 month capital employed, adjusted for impairments and spend on strategic projects which are not yet in operation.

David Hathorn, Mondi Group chief executive, said:

"I am pleased to report another strong performance, building on the good results achieved in the prior year. Improvements in underlying profit in all business units, driven by generally positive selling price and volume developments, coupled with good cost control and the contribution from recently completed capital projects, enabled the Group to deliver an impressive return on capital employed of 19%.

A focus during the period was on the optimisation of major capital projects completed in the prior year. It is pleasing to note all are performing ahead of expectation. Furthermore, all ongoing projects remain on time and on budget for completion over the coming two years.

We continue to assess opportunities for value-enhancing growth and cost optimisation through further major capital investments, centred on our high-quality, low-cost packaging paper assets in central Europe, while still being open to value-enhancing growth through acquisition. We recently announced the purchase of two plants from Walki Oy, subject to competition clearance, which will strengthen our position in the European extrusion coatings market.

As in prior years, the second half will be impacted by the seasonal downturn in our Uncoated Fine Paper business and planned annual maintenance shuts at a number of our mills. Price increases in certain paper grades should provide some positive momentum, offset in part by increases in various input costs and currency volatility.

With our robust business model, clear strategic focus and culture of continuous improvement, management remains confident of continuing to deliver industry leading performance and making good progress for the year."

Group performance review

Group underlying operating profit increased 30% to €490 million compared to the first half of the previous year. Strong performances across all business units were complemented by the full period contribution from a number of large capital projects completed during 2014.

Group revenue was up 10% due to higher sales volumes and prices, acquisitions and currency effects. Excluding the effects of acquisitions and disposals, revenue was up 3.9%.

Like-for-like sales volumes were up across all the Europe & International business segments despite the continued slow economic growth in Europe and ongoing structural decline in European uncoated fine paper markets. Sales from the South Africa Division were negatively impacted by the extended annual maintenance shut at Richards Bay.

Similarly, selling prices were, on average, higher than the comparable prior year period. Average European benchmark selling prices were 3% higher for virgin containerboard and sack kraft paper and prices for key paper grades sold in the Russian and South African markets were up on the comparable prior year period. This was partly offset by lower European recycled containerboard and uncoated fine paper prices. Price effects were mixed in the Consumer and Fibre Packaging businesses reflecting product mix changes and movements in input costs.

The Group benefited from generally lower input costs across most of its operations. Wood costs were lower in Europe, while in Russia the impact of the weaker rouble more than offset the increased domestic wood costs. Average benchmark paper for recycling prices were down on the first half of the previous year, although prices increased over the course of the second quarter. Energy costs were significantly lower than the comparable prior year period, impacted by lower average crude oil, coal and gas prices, together with the benefits of the energy investments completed in the prior year. Chemical prices were also lower, while supply interruptions led to significant volatility and higher average prices for polyethylene. In South Africa, input cost increases were contained to well within inflationary levels.

In the first half of the year, annual maintenance shuts took place at the Swiecie mill in Poland and Richards Bay mill in South Africa, and at two of the Group's kraft paper mills. The balance of the annual maintenance shuts are scheduled for the second half of the year. Based on prevailing market prices, the impact on underlying operating profit of the Group's maintenance shuts is estimated at around €90 million, of which the first half effect was around €35 million.

The strengthening of the US dollar versus the euro provided a net benefit to the Group, both through the translation of dollar denominated sales, mainly from the South Africa Division and the Industrial Bags segment, and through the support provided to European selling prices for a number of the Group's key paper grades. The weaker Russian rouble had a net negative impact on translation of the profits of the domestically focused uncoated fine paper business, although this was fully compensated by higher domestic selling prices and the transactional benefits enjoyed by the export oriented Russian packaging paper operations.

Underlying earnings per share increased 31% over the comparable prior year period to 67.8 euro cents per share, in line with the increase in underlying operating profit.

The Group remains strongly cash generative with cash generated from operations of €538 million, an increase of 23% over the first half of 2014.

The Group benefited from the ramp-up and full period contribution from a number of projects completed during 2014, including the 155,000 tonne per annum bleached kraft paper machine at Steti, Czech Republic, the recovery boiler replacement in Ruzomberok, Slovakia and the 100,000 tonne per annum pulp dryer in Syktyvkar, Russia. During the period, the incremental operating profit from strategic capital projects completed in 2014 amounted to approximately €35 million. It is anticipated that the full year incremental contribution will be around €60 million. This represents an increase of €10 million over the previous estimate, driven by a stronger than expected performance from all projects due to a combination of operating performance and strong market conditions. Ongoing major projects are proceeding on time and on budget.

Net debt of €1,741 million at 30 June 2015 was up €128 million from 31 December 2014. Excluding the impact of foreign exchange effects, net debt was up €77 million. This reflects the seasonally higher working capital levels at 30 June 2015 and the bias of the Group's financing outflows towards the first half of the year. In the absence of further strategic acquisitions, and despite an anticipated increase in the level of capital expenditure, de-leveraging in the second half is anticipated.

An interim dividend of 14.38 euro cents per share, up 9% on the prior year interim dividend of 13.23 euro cents per share, has been declared.

Europe & International – Packaging Paper

€ million, unless otherwise stated	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Six months ended 31 December 2014
Segment revenue	**1,122**	1,022	1,021
Underlying EBITDA	**266**	216	227
Underlying operating profit	**211**	167	175
% margin	***18.8%***	*16.3%*	*17.1%*
Capital expenditure	**104**	116	143
Operating net segment assets	**1,734**	1,627	1,588
ROCE	***26.6%***	*22.5%*	*23.7%*

Underlying operating profit of €211 million was 26% above that of the comparable prior year period on higher sales volumes, lower input costs, currency effects, and the benefits of strong contributions from recently completed capital projects.

Good sales volumes growth of over 4% was achieved in all containerboard grades, supported by a strong operating performance, European market growth and export sales. Demand remains robust going into the second half of the year.

Average European benchmark selling prices for unbleached virgin containerboard were 3% higher than the comparable prior year period. Selling price increases were achieved over the course of the reporting period, with the average benchmark price ending the period around 3% higher than that at the start of the period.

Average benchmark selling prices for recycled containerboard were approximately 4% lower than the comparable prior year period and broadly in line with prices in the second half of 2014. A €40/tonne price increase was successfully implemented at the beginning of the third quarter of 2015 on good demand and higher paper for recycling costs, with further increases announced for implementation in August.

Demand for sack kraft paper in Europe was stable over the reporting period. Sales volumes were higher than the prior year, largely as a result of the contribution from the kraft paper mill in the US acquired in mid-2014, some growth in export markets and increased paper integration following the ramp-up in the bleached kraft paper machine at Steti. Good demand was seen for the Group’s range of speciality kraft papers, although sales volumes were negatively impacted by the closure of the small kraft paper mill in Finland.

Average European sack kraft prices were approximately 3% higher than the comparable prior year period, although this did represent a decline on the price levels achieved in the second half of last year. Prices for the speciality grades were, on average, higher than the comparable prior year period.

Lower average wood, paper for recycling and energy costs provided a net benefit. Green energy prices in Poland were lower than the prior year, reducing the contribution from sales of green energy credits. Paper for recycling costs increased around 16% over the course of the second quarter, which will impact margins in the second half of the year.

As a net exporter from Poland, Russia, the Czech Republic and Sweden, the weakness of these currencies relative to the euro and US dollar provided a net benefit to the Packaging Paper business.

The capital projects completed during 2014 made a significant contribution to the performance of the business. The most significant contributors were the bleached kraft paper machine in Steti and the pulp dryer in Syktyvkar.

A planned project implementation shut at the Swiecie mill took place towards the end of the second quarter. Planned maintenance shuts were also completed at two of the Group’s kraft paper mills. The remaining annual maintenance shuts are scheduled for the second half of the year, including a planned maintenance shut at Swiecie, which will also incorporate project implementation activities.

Europe & International – Fibre Packaging

€ million, unless otherwise stated	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Six months ended 31 December 2014
Segment revenue	**1,046**	868	984
Underlying EBITDA	**101**	78	88
Underlying operating profit	**68**	48	54
% margin	***6.5%***	*5.5%*	*5.5%*
Capital expenditure	**58**	30	47
Operating net segment assets	**963**	884	875
ROCE	***15.2%***	*12.3%*	*13.4%*

Underlying operating profit increased 42% to €68 million with a positive year-on-year contribution from all business segments.

The Corrugated Packaging segment benefited from like-for-like volume growth of around 2.4%. Margins were further supported by lower variable costs and improved product mix due to various commercial excellence initiatives. During the period, a number of capital projects were completed, positioning the business for further growth in its core markets.

The Industrial Bags segment benefited from modest underlying demand growth, higher average selling prices and foreign currency gains from sales in US dollars or US dollar linked currencies. Good cost control, the benefits of commercial excellence initiatives and a one-off gain from the sale of land and buildings in Italy also contributed to the positive results. Pleasingly, the business also saw an improved performance from the US Bags business, acquired in mid-2014, with the turnaround progressing according to plan.

Sales volumes in the Extrusion Coatings segment were at similar levels to the comparable prior year period with the business benefiting from product mix effects. Selling price increases were implemented to offset higher raw material input costs.

In May 2015, Mondi announced its intention to acquire two extrusion coatings plants located in Pietarsaari, Finland and Wroclaw, Poland from Walki Oy for a debt and cash free consideration of €60 million. The acquisition will strengthen the Group’s position in the European extrusion coatings market and increase the range of technical capabilities on offer to customers. The transaction remains subject to competition clearance and is expected to be concluded in the third quarter of 2015.

Europe & International – Consumer Packaging

€ million, unless otherwise stated	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Six months ended 31 December 2014
Segment revenue	**730**	685	694
Underlying EBITDA	**83**	69	89
Underlying operating profit	**49**	39	57
% margin	***6.7%***	*5.7%*	*8.2%*
Capital expenditure	**50**	35	45
Operating net segment assets	**1,065**	979	1,021
ROCE	***10.9%***	*8.3%*	*10.4%*

The Consumer Packaging business continued to show good progress with underlying operating profit of €49 million, 26% above that of the comparable prior year period.

The business benefited from ongoing initiatives to focus more on innovation and customer service and enhance sales and application engineering infrastructure.

In line with the business unit strategy, the steps taken to pro-actively phase out lower value-added mature products and substitute these volumes by sales into higher value-added segments yielded margin improvement. Good growth was achieved in the high value-added segments of consumer laminates and bags despite the closure of the Spanish plant in April, while the films and components segments showed flat to marginal growth as we exited some low margin business in these segments. Volume growth was supported by the ramp-up of the plant in China, opened in the first quarter of 2014, and the Polish plant acquired in July 2014.

Margins have been impacted by significant price volatility in input costs, particularly for polyethylene. Whilst mechanisms are in place to pass price changes in raw materials on to customers, high levels of volatility influence short-term selling prices and margins.

In July 2015, Mondi signed an agreement with POLIFILM Extrusion GmbH, to sell the film manufacturing site in Osterburken, Germany, subject to competition clearance. In August 2015, Mondi signed an agreement for the sale of its two film and packaging plants in Malaysia to Scientex Packaging Film Sdn Bhd. These sales enable Mondi to further refine its product portfolio, focusing on higher value added segments.

Europe & International – Uncoated Fine Paper

€ million, unless otherwise stated	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Six months ended 31 December 2014
Segment revenue	**626**	646	594
Underlying EBITDA	**152**	127	111
Underlying operating profit	**113**	80	68
% margin	***18.1%***	*12.4%*	*11.4%*
Capital expenditure	**32**	59	58
Operating net segment assets	**951**	1,113	922
ROCE	***19.4%***	*15.6%*	*16.1%*

Uncoated Fine Paper generated underlying operating profit of €113 million, up 41% on the comparable prior year period. Higher selling prices in Russia, generally lower costs and the benefits of recently completed capital projects more than offset negative currency effects and softer European pricing.

Despite demand contraction in the wider European and Russian markets, the business was able to marginally increase sales volumes of uncoated fine paper compared to the first half of 2014. Sales of market pulp increased due to the increased capacity in Ruzomberok following the successful start-up of the new recovery boiler in late 2014.

Average European benchmark selling prices were 2% lower than the comparable prior year period and 1% lower than the second half of 2014. Selling prices were increased in April 2015 by 2-3% in Europe. A further price increase of up to 12% has been announced for implementation during the third quarter of 2015 on the back of tightening supply and increased hardwood pulp prices.

Price increases were implemented in Russia in the first quarter of 2015 in response to rising domestic inflationary pressures driven by the sharp rouble devaluation. A partial reduction of these increases was implemented in the second quarter following the subsequent revaluation of the rouble. Should the recent renewed rouble weakness persist in the second half, it will negatively impact euro operating profit.

The business benefited from lower wood, chemical and energy costs. In Syktyvkar, higher domestic wood costs were more than offset by the weakening of the rouble. The business was also supported by a strong contribution from the recovery boiler investment in Ruzomberok.

In line with the previous year, the second half will be impacted by the expected seasonal slowdown in demand in the third quarter and annual maintenance shuts at all key facilities.

South Africa Division

€ million, unless otherwise stated	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Six months ended 31 December 2014
Segment revenue	**314**	284	312
Underlying EBITDA	**89**	78	75
Underlying operating profit	**69**	58	54
% margin	***22.0%***	*20.4%*	*17.3%*
Capital expenditure	**32**	9	20
Operating net segment assets	**672**	608	626
ROCE	***22.9%***	*20.5%*	*21.9%*

The South Africa Division continued to perform well, delivering underlying operating profit of €69 million, 19% above the comparable prior year period on higher average selling prices, the benefits of the stronger US dollar on exports, gains from the sale of land and a higher fair value gain on forestry assets.

The planned extended annual maintenance shut at the Richards Bay mill was successfully completed during the period. The shut resulted in lower sales volumes than the comparable prior year period.

Average domestic selling prices were above both the comparable prior year period and the second half of the previous year across all product grades. Export selling prices for both white-top containerboard and hardwood pulp were also up on the prior year.

Ongoing management focus ensured that input cost increases were contained below the levels of domestic inflation.

Forestry gains are dependent on a variety of factors over which the Group has limited control, the most significant of which is the market price of timber. Selling prices increased during the period, with the Division recognising a €23 million fair value gain in respect of its forestry assets, €3 million higher than the gain recognised in the comparable prior year period and €9 million higher than in the second half of 2014. This level of gain is not expected to recur in the second half given current market conditions.

Financial review

Tax

The Group's underlying effective tax rate of 19% is in line with the comparable prior year period, with the Group continuing to benefit from investment related incentives in Eastern Europe and the recognition of accumulated tax losses in certain jurisdictions.

Special items

The net special item charge of €39 million before tax is attributable to:

- €14 million charge in respect of the closure of the Group's speciality Kraft Paper mill in Finland;
- €12 million charge for the closure of a Consumer Packaging operation in Spain;
- €10 million charge in respect of further restructuring in the Group's Fibre Packaging operations in the United States following the acquisition of the bags business from Graphic Packaging in 2014; and
- €3 million charge for the write-off of a receivable related to the 2012 acquisition of Nordenia.

Cash flow

Cash generated from operations of €538 million, including the impact of an increase in working capital of €101 million, reflects the continued strong cash generating capacity of the Group.

Working capital at 30 June 2015 was 14.1% of revenue, above the year-end level of 12.3%. This reflected the usual seasonal uptick in the first half of the year, one-off effects, the increasing contribution from the more working capital intensive Industrial Bags business following the 2014 acquisition in the US, and an increase in working capital in Consumer Packaging as the business positions itself for an improved service offering.

Net cash outflows from financing activities of €208 million include the payment of dividends to holders of non-controlling interests, the payment of the final 2014 dividend in May 2015 and payment of the 5.75% coupon on the €500 million 2017 Eurobond.

Capital expenditure

Capital expenditure for the period amounted to €276 million. It is expected that the rate of capital expenditure will pick up in the second half as certain of the major capital projects near completion.

In July 2015, the first phase of the €166 million Swiecie recovery boiler project in Poland was commissioned according to schedule. The remainder of the first phase of the project and the second phase, to provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of kraftliner, remain on track for completion by the third quarter of 2016.

Good progress is being made on other major capital projects, with all projects on track and in line with budget. These include the upgrade to the wood yard at Richards Bay as well as a number of projects intended to modernise some of the Group's kraft paper and converting operations.

We continue to assess opportunities for value-enhancing growth and cost optimisation through further major capital investments, centred on our high-quality, low-cost packaging paper assets in central Europe. This includes a new MG kraft paper machine to replace capacity lost through grade conversion at the Steti mill and the closure of the high-cost Lohja mill in Finland.

Treasury and borrowings

Net debt at 30 June 2015 was €1,741 million, an increase of €128 million from 31 December 2014. The net debt to 12 month trailing EBITDA ratio was 1.4 times and gearing at 30 June 2015 was 36%.

At 30 June 2015, the Group had €2.1 billion of committed facilities of which €500 million were undrawn. The weighted average maturity of the committed debt facilities is approximately 4 years.

In May 2015, Standard and Poor's announced an upgrade of the Group's credit rating to BBB (stable outlook). This follows the upgrade of the Group's credit rating by Moody's Investor Services to Baa2 in October 2014.

Finance charges of €59 million were above those of the comparable prior year period. Average net debt was around 4% higher than the first half of 2014. The effective interest rate of 6.9% increased from 5.5% in the comparable prior year period, mainly as a result of higher average interest rates in Russia following the sharp increases in December 2014 and certain one-off effects. Cash interest paid was down 11% on the prior year at €57 million largely due to the refinancing of the Nordenia high-yield bond in July 2014.

Dividend

An interim dividend of 14.38 euro cents per share has been declared by the directors and will be paid on 15 September 2015 to those shareholders on the register of Mondi plc on 21 August 2015. An equivalent South African rand interim dividend will be paid on 15 September 2015 to shareholders on the register of Mondi Limited on 21 August 2015. The dividend will be paid from distributable reserves of Mondi Limited and of Mondi plc, as presented in the respective company annual financial statements for the year ended 31 December 2014.

Outlook

As in prior years, the second half will be impacted by the seasonal downturn in our Uncoated Fine Paper business and planned annual maintenance shuts at a number of our mills. Price increases in certain paper grades should provide some positive momentum, offset in part by increases in various input costs and currency volatility.

Given the Group's robust business model, clear strategic focus and culture of continuous improvement, management remains confident of continuing to deliver industry leading performance and making good progress for the year.

Supplementary information

Principal risks and uncertainties

Risk management is by nature a dynamic and ongoing process. Our risk management framework is designed to address all the significant strategic, sustainability, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives into the future. It 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.

Over the course of the year, the audit committee reviews each of the principal risks set out below. In evaluating the Group's risk management and internal control processes, the committee considers both internal and external audit reports and receives confirmation from the finance heads of the business units that financial control frameworks have operated satisfactorily.

The Boards are satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established by the Boards.

Industry capacity
Plant utilisation levels are the main driver of profitability in paper mills. New capacity additions are usually in large increments which, through their impact on the supply/demand balance, influence market prices. Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices.

We monitor industry developments in terms of changes in capacity as well as trends and developments in our own product markets. Our strategic focus on low-cost production and innovation activities to produce higher value added products, combined with our focus on growing markets, with consistent investment in our operating capacity ensures that we remain competitive.

Product substitution
Sustainability considerations and changes in consumer preferences affect the demand for packaging products. Factors such as the weight of packaging materials, increased use of recycled materials, electronic substitution of paper products, increasing demand for certified and labelled goods and specific material qualities all impact on the demand for the products Mondi produces.

Our ability to meet changes in consumer demand depends on our capacity to correctly anticipate such changes and develop new products on a sustainable, competitive and cost effective basis. Our focus for growth is on products enjoying positive substitution dynamics and growing regional markets. We work with our customers in developing new markets and new products. Our broad range of converting products provides some protection from the effects of substitution between paper and plastic based packaging products.

Selling price variability
Our selling prices are determined by changes in capacity and by demand for our products, which are, in turn, influenced by macroeconomic conditions, consumer spending preferences and inventory levels maintained by our customers. Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time and are unpredictable.

Our strategic focus is on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or a production cost advantage. We continue to invest in our low-cost, high quality production assets to ensure we maintain our competitive cost position. Our high levels of vertical integration reduce our exposure to price volatility of our key input costs. Our financial policies and structures are designed taking the inherent price volatility of the markets in which we operate into consideration.

Country risk
We have production operations across more than 30 countries, a number of which are in jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, nationalisation or expropriation of assets may have a material effect on our operations in those countries.

We actively monitor all countries and environments in which we operate and have established limits on exposure to any particular geographic environment. We engage in regular formal and informal interaction with the authorities to ensure we remain abreast of any new development. New investments are subject to rigorous strategic and commercial evaluation. Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduces our exposure to any specific jurisdiction.

Political and economic structural weaknesses in the Eurozone's single currency framework caused by the recent economic crisis in Greece have heightened uncertainty regarding the future of the Eurozone. This may result in substantial defaults on existing Euro sovereign debt and could lead to economic dislocation. It could also result in capital exchange controls being imposed, domestic banking failures or the expropriation of assets.

We have minimal exposure to Greece, with sales representing less than 1% of the Group's revenue.

We have around 11% of our capital employed in Russia and a limited presence in the Ukraine. The US, European Union and a number of other countries imposed economic sanctions and other measures on persons and corporate entities in Russia and the Ukraine. Possible additional sanctions and/or other measures on Russia could have a material adverse effect on our business. To date, the measures imposed have had no material impact on our operations.

Employee and contractor safety
We operate large facilities, often in remote locations. Accidents/incidents cause injury to our employees or contractors, property damage, lost production time and harm to our reputation.

We have a zero harm policy. We continually monitor incidents and close calls and actively transfer learnings across our operations. We apply an externally accredited safety management system and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose.

Fibre supply
Wood, pulp and paper for recycling comprise approximately a third of our input costs. We have access to our own sources of wood in Russia and South Africa and purchase wood, pulp and paper for recycling to meet our needs in the balance of our operations. Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for chain-of-custody certified or controlled wood, and initiatives to promote the use of wood as a renewable energy source.

We are committed to acquiring fibre from sustainable, responsible sources and avoiding the use of any controversial or illegal supply. The sustainable management of our forestry operations is key in managing our overall environmental impact, helping to preserve ecosystems and resilient landscapes. We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries. We maintain 100% FSC certification of our forests in Russia and South Africa. We have multiple suppliers for each of our mills and actively pursue longer term agreements with strategic suppliers of wood, pulp and paper for recycling. We work in collaboration with private and public sectors to address challenges in meeting the global demand for sustainable, responsible fibre.

Energy and related input costs
Energy and related input costs comprise approximately a third of our variable costs. Mondi is a significant consumer of electricity and both purchases electricity from external suppliers and generates it internally. To the extent that we don't generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal.

We monitor our electricity usage levels, emission levels and use of renewable energy. Most of our larger operations have high levels of electricity self-sufficiency. We focus on improving the efficiency of our operations and have invested in our operations to improve our energy profile and increase electrical self-sufficiency, while reducing ongoing operating costs and emission levels. To the extent that we generate electricity surplus to our own requirements, we may sell such surplus externally. We also generate revenue from the sale of green energy credits in certain of our operations, the prices of which are determined in the open market.

Environmental impact
We operate in a high-impact sector and need to manage the associated risks and responsibilities. Our operations are water, carbon and energy intensive; consume materials such as fibre, polymers, metals and chemicals; and generate emissions in the air, water and land. We are the custodian of more than two million hectares of forested land. We are subject to a wide range of international, national, state and local environmental laws and regulations as well as the requirements of our customers.

We ensure that we are complying with all applicable environmental, health and safety requirements where we operate. Our own policies and procedures, at or above local policy requirements, are embedded in all our operations. We focus on a clean production philosophy to address the impact from emissions, discharge and waste. We focus on increasing the energy efficiency of our operations and using biomass-based fuels, reducing our use of fossil-based energy sources. We emphasise the responsible management of forests and associated ecosystems, protecting high conservation value areas.

Reputational risk
Non-compliance with the legal and governance requirements in any of the jurisdictions in which we operate could expose us to significant risk if not actively managed. These include laws relating to the environment, exports, price controls, taxation and labour.

We operate a comprehensive training and compliance programme, supported by self-certification and reporting. We also operate a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about conduct that may be contrary to our values.

Financial risks
Our trading and financing activities expose the Group to financial risks that, if left unmanaged, could adversely impact our financial position. These risks relate to the currencies in which we conduct our activities, interest rate and liquidity risks and exposure to customer credit risk. Our approach to financial risk management is described in notes 29 and 30 of the Group's annual financial statements for the year ended 31 December 2014.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, the most significant risks and the Group's related management and mitigating actions are set out above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the condensed financial statements.

Mondi's geographical spread, product diversity and large customer base mitigate potential risks of customer or supplier liquidity issues. Ongoing initiatives by management in implementing profit improvement initiatives which include ongoing investment in its operations, plant optimisation, cost-cutting and restructuring and rationalisation activities have consolidated the Group's leading cost position in its chosen markets. Working capital levels and capital expenditure programmes are strictly monitored and controlled.

The Group meets its funding requirements from a variety of sources. The availability of some of these facilities is dependent on the Group meeting certain financial covenants all of which have been complied with. Mondi had €500 million of undrawn committed debt facilities as at 30 June 2015 which should provide sufficient liquidity in the medium term.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, including an assessment of the current macroeconomic environment indicate that the Group should be able to operate well within the level of its current facilities and related covenants.

The directors have reviewed the overall Group strategy, the latest forecast for the remainder of 2015 and the budget for subsequent years, considered the assumptions contained in the forecasts and budget and reviewed the critical risks which may impact the Group's performance. After making such enquiries, the directors are satisfied that the Group remains solvent and has adequate liquidity in order to meet its obligations and continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing this report.

Related parties

As set out in the condensed combined and consolidated financial statements for the six months ended 30 June 2015, 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 to the Group's related party relationships as disclosed in note 31 of the Group's annual financial statements for the year ended 31 December 2014.

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 applicable law or any regulatory body applicable to Mondi, including the JSE Limited 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.

Contact details:

Mondi Group	
David Hathorn	+27 11 994 5418
Andrew King	+27 11 994 5415
Lora Rossler	+27 83 627 0292
FTI Consulting	
Richard Mountain	+44 7909 684 466
Roger Newby	+44 20 3727 1385

Conference call dial-in and audio cast details

Please see below details of our dial-in conference call and audio cast that will be held at 9:00 (UK) and 10:00 (SA).

The conference call dial-in numbers are:

South Africa	0800 200 648 (toll-free)
UK	0808 162 4061 (toll-free)
Europe & Other	+800 246 78 700 (toll-free) or +27 11 535 3600

An online audio cast facility will be available via: www.mondigroup.com/HYResults15.

The presentation will be available online via the above website address an hour before the audio cast commences. Questions can be submitted via the dial-in conference call or by e-mail via the audio cast.

Should you have any issues on the day with accessing the dial-in conference call, please call +27 11 535 3600.

Should you have any issues on the day with accessing the audio cast, please e-mail mondi@kraftwerk.co.at and you will be contacted immediately.

An audio recording of the presentation will be available on Mondi's website during the afternoon of 6 August 2015.

Editors' notes

We are Mondi: In touch every day

Mondi is an international packaging and paper Group, employing around 25,000 people across more than 30 countries. Our key operations are located in central Europe, Russia, North America and South Africa. We offer over 100 packaging and paper products, customised into more than 100,000 different solutions for customers and end consumers. In 2014, Mondi had revenues of €6.4 billion and a return on capital employed of 17.2%.

The Mondi Group is fully integrated across the packaging and paper value chain - from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. Our innovative technologies and products can be found in a variety of applications including hygiene components, stand-up pouches, super-strong cement bags, clever retail boxes and office paper. Our key customers are in industries such as automotive; building and construction; chemicals; food and beverage; home and personal care; medical and pharmaceutical; packaging and paper converting; pet care; and office and professional printing.

Mondi has a dual listed company structure, with a primary listing on the JSE Limited for Mondi Limited under the ticker code MND and a premium listing on the London Stock Exchange for Mondi plc, under the ticker code MNDI.

For us, acting sustainably makes good business sense. We don't just talk about sustainability; we make it part of the way we work every day. We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.

Directors’ responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and in particular with International Accounting Standard 34, ‘Interim Financial Reporting’;
- the half-yearly report includes a fair review of the significant events during the six months ended 30 June 2015 and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2015;
- 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.

The Group’s condensed combined and consolidated financial statements, and related notes, were approved by the Boards and authorised for issue on 5 August 2015 and were signed on their behalf by:

David Hathorn
Director

Andrew King
Director

5 August 2015

Independent auditors' review report on interim financial information to the shareholders of Mondi Limited

We have reviewed the condensed combined and consolidated financial statements of Mondi Limited contained in the accompanying interim report, which comprise the condensed combined and consolidated statement of financial position as at 30 June 2015 and the condensed combined and consolidated income statement, the condensed combined and consolidated statement of comprehensive income, condensed combined and consolidated statement of changes in equity and condensed combined and consolidated statement of cash flows for the six months then ended, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34,'Interim Financial Reporting' (IAS 34), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' (ISRE 2410). ISRE 2410 requires us to conclude whether anything 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 the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures to evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed combined and consolidated financial statements of Mondi Limited for the six months ended 30 June 2015 are not prepared, in all material respects, in accordance with IAS 34, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Deloitte & Touche
Registered Auditors

Per: Shelly Nelson
Partner
Sandton
5 August 2015

Building 1 and 2, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead, Sandton, Republic of South Africa

Independent review report to Mondi plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2015, which comprises the condensed combined and consolidated income statement, the condensed combined and consolidated statement of comprehensive income, the condensed combined and consolidated statement of financial position, the condensed combined and consolidated statement of cash flows, the condensed combined and consolidated statement of changes in equity and the related notes 1 to 20. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company 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' (ISRE 2410), issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34,'Interim Financial Reporting' (IAS 34), as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with ISRE 2410, issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

5 August 2015

Condensed combined and consolidated income statement

for the six months ended 30 June 2015

€ million		Notes	**(Reviewed) Six months ended 30 June 2015**			(Reviewed) Six months ended 30 June 2014			(Audited) Year ended 31 December 2014		
			Before special items	**Special items (note 5)**	**After special items**	Before special items	Special items (note 5)	After special items	Before special items	Special items (note 5)	After special items
Group revenue			**3,459**	**-**	**3,459**	3,148	-	3,148	6,402	-	6,402
Materials, energy and consumables used			(1,727)	-	(1,727)	(1,654)	-	(1,654)	(3,314)	-	(3,314)
Variable selling expenses			(264)	-	(264)	(251)	-	(251)	(499)	-	(499)
Gross margin			**1,468**	**-**	**1,468**	1,243	-	1,243	2,589	-	2,589
Maintenance and other indirect expenses			(146)	-	(146)	(120)	-	(120)	(283)	-	(283)
Personnel costs			(515)	(17)	(532)	(456)	(7)	(463)	(946)	(29)	(975)
Other net operating expenses			(136)	(18)	(154)	(114)	4	(110)	(234)	(4)	(238)
Depreciation, amortisation and impairments			(181)	(4)	(185)	(176)	-	(176)	(359)	(6)	(365)
Operating profit/(loss)			**490**	**(39)**	**451**	377	(3)	374	767	(39)	728
Net profit from associates			-	-	-	1	-	1	1	-	1
Total profit/(loss) from operations and associates			**490**	**(39)**	**451**	378	(3)	375	768	(39)	729
Net finance costs		7	**(59)**	**-**	**(59)**	(50)	(13)	(63)	(97)	(13)	(110)
Investment income			2	-	2	1	-	1	3	-	3
Foreign currency losses			-	-	-	(1)	-	(1)	-	-	-
Finance costs			(61)	-	(61)	(50)	(13)	(63)	(100)	(13)	(113)
Profit/(loss) before tax			**431**	**(39)**	**392**	328	(16)	312	671	(52)	619
Tax (charge)/credit		8	(82)	3	(79)	(62)	-	(62)	(126)	4	(122)
Profit/(loss) for the period			**349**	**(36)**	**313**	266	(16)	250	545	(48)	497
Attributable to:											
Non-controlling interests			21		**21**	15		15	26		26
Shareholders			328		**292**	251		235	519		471
Earnings per share (EPS) for profit attributable to shareholders											
Basic EPS	(€ cents)	9			**60.3**			48.6			97.4
Diluted EPS	(€ cents)	9			**60.2**			48.5			97.1
Basic underlying EPS	(€ cents)	9			**67.8**			51.9			107.3
Diluted underlying EPS	(€ cents)	9			**67.7**			51.8			107.0
Basic headline EPS	(€ cents)	9			**60.1**			48.3			99.5
Diluted headline EPS	(€ cents)	9			**60.0**			48.2			99.2

Condensed combined and consolidated statement of comprehensive income

for the six months ended 30 June 2015

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Profit for the period	**313**	250	497
Other comprehensive income/(expense)			
Items that may subsequently be reclassified to the condensed combined and consolidated income statement:			
Fair value gains on cash flow hedges	-	-	2
Gains on available-for-sale investments	-	-	1
Exchange differences on translation of foreign operations	92	(23)	(193)
Tax effect thereof	-	-	(1)
Items that will not subsequently be reclassified to the condensed combined and consolidated income statement:			
Remeasurements on retirement benefits plans	20	(16)	(46)
Asset ceiling movement	-	2	2
Tax effect thereof	(3)	3	9
Other comprehensive income/(expense) for the period, net of tax	**109**	(34)	(226)
Total comprehensive income for the period	**422**	216	271
Attributable to:			
Non-controlling interests	**22**	16	28
Shareholders	**400**	200	243

Condensed combined and consolidated statement of financial position

as at 30 June 2015

€ million	Notes	**(Reviewed) As at 30 June 2015**	(Reviewed) As at 30 June 2014	(Audited) As at 31 December 2014
Intangible assets		655	670	658
Property, plant and equipment		3,615	3,505	3,432
Forestry assets	11	260	233	235
Other non-current assets		49	37	42
Total non-current assets		**4,579**	4,445	4,367
Inventories		895	834	843
Trade and other receivables		1,147	1,058	966
Financial instruments		22	4	76
Cash and cash equivalents	15b	48	49	56
Other current assets		26	18	40
Total current assets		**2,138**	1,963	1,981
Total assets		**6,717**	6,408	6,348
Short-term borrowings	12	(299)	(458)	(176)
Trade and other payables		(1,064)	(1,028)	(998)
Other current liabilities		(164)	(142)	(149)
Total current liabilities		**(1,527)**	(1,628)	(1,323)
Medium and long-term borrowings	12	(1,506)	(1,343)	(1,565)
Net retirement benefits liability		(234)	(226)	(250)
Deferred tax liabilities		(261)	(254)	(259)
Other non-current liabilities		(56)	(52)	(57)
Total non-current liabilities		**(2,057)**	(1,875)	(2,131)
Total liabilities		**(3,584)**	(3,503)	(3,454)
Net assets		**3,133**	2,905	2,894
Equity				
Share capital and stated capital		542	542	542
Retained earnings and other reserves		2,321	2,103	2,086
Total attributable to shareholders		**2,863**	2,645	2,628
Non-controlling interests		270	260	266
Total equity		**3,133**	2,905	2,894

Condensed combined and consolidated statement of changes in equity

for the six months ended 30 June 2015

€ million	Equity attributable to shareholders	Non-controlling interests	**Total equity**
At 1 January 2014 (Audited)	2,591	255	**2,846**
Total comprehensive income for the period	200	16	**216**
Dividends paid	(129)	(11)	**(140)**
Purchase of treasury shares	(22)	-	**(22)**
Other	5	-	**5**
At 30 June 2014 (Reviewed)	2,645	260	**2,905**
Total comprehensive income for the period	43	12	**55**
Dividends paid	(64)	(5)	**(69)**
Other	4	(1)	**3**
At 31 December 2014 (Audited)	2,628	266	**2,894**
Total comprehensive income for the period	400	22	**422**
Dividends paid	(140)	(17)	**(157)**
Purchase of treasury shares	(31)	-	**(31)**
Other	6	(1)	**5**
At 30 June 2015 (Reviewed)	**2,863**	**270**	**3,133**

Equity attributable to shareholders *€ million*	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Combined share capital and stated capital	542	542	542
Treasury shares	(29)	(25)	(24)
Retained earnings	2,631	2,327	2,497
Cumulative translation adjustment reserve	(477)	(398)	(569)
Post-retirement benefit reserve	(75)	(68)	(92)
Share-based payment reserve	16	14	19
Cash flow hedge reserve	(1)	(2)	(1)
Statutory reserves	256	255	256
Total	**2,863**	2,645	2,628

Condensed combined and consolidated statement of cash flows

for the six months ended 30 June 2015

€ million	Notes	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Cash flows from operating activities				
Cash generated from operations	15a	538	439	1,033
Dividends from associates		-	-	2
Income tax paid		(90)	(49)	(106)
Net cash generated from operating activities		**448**	390	929
Cash flows from investing activities				
Investment in property, plant and equipment		(276)	(249)	(562)
Investment in forestry assets	11	(21)	(18)	(37)
Proceeds from the disposal of tangible and intangible assets		22	27	33
Acquisition of subsidiaries, net of cash and cash equivalents		-	(47)	(72)
Other investing activities		(1)	(1)	(5)
Net cash used in investing activities		**(276)**	(288)	(643)
Cash flows from financing activities				
(Repayment of)/proceeds from medium and long-term borrowings	15c	(69)	95	354
Proceeds from/(repayment of) short-term borrowings	15c	89	(45)	(375)
Interest paid		(57)	(64)	(125)
Dividends paid to shareholders	10	(140)	(129)	(193)
Dividends paid to non-controlling interests		(18)	(11)	(13)
Purchases of treasury shares		(31)	(22)	(22)
Net realised gain on held-for-trading derivatives		39	6	27
Other financing activities		(1)	5	7
Net cash used in financing activities		**(188)**	(165)	(340)
Net decrease in cash and cash equivalents		**(16)**	(63)	(54)
Cash and cash equivalents at beginning of period		9	64	64
Cash movement in the period	15c	(16)	(63)	(54)
Effects of changes in foreign exchange rates	15c	1	-	(1)
Cash and cash equivalents at end of period	15b	**(6)**	1	9

Notes to the condensed combined and consolidated financial statements
for the six months ended 30 June 2015

1 Basis of preparation

The Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a dual listed company (DLC) structure. The substance of the DLC structure is such that Mondi Limited and its subsidiaries, and Mondi plc and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc are reported on a combined and consolidated basis as a single reporting entity.

The Group's condensed combined and consolidated half-yearly financial statements and notes 1 to 20 for the six months ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and contain the information required by International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34). It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014, prepared in accordance with IFRS as issued by the IASB.

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and therefore the Group complies with Article 4 of the EU IAS Regulation. The Group has complied with the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council of South Africa.

The financial information set out above does not constitute statutory accounts as defined by section 434 of the UK Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2014 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the UK Companies Act 2006.

The condensed combined and consolidated financial statements have been prepared on a going concern basis as discussed in the Group performance review, under the heading 'Going concern'.

The condensed combined and consolidated financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments and forestry assets.

These financial statements have been prepared under the supervision of the Group chief financial officer, Andrew King CA (SA).

2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements for the six months ended 30 June 2015 as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

3 Seasonality

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

4 Operating segments

Identification of the Group's externally reportable operating segments

The Group's externally reportable segments reflect the internal reporting structure of the Group. The Group operates under two primary geographic regions reflecting its South African activities and assets, and its international, principally European, activities and assets. The broad Europe & International Division is further split by product segments.

Reorganisation of business segments

During the prior year, the Group refined its organisational structure, resulting in several changes to segmental reporting as described in note 2 of the Group's annual financial statements for the year ended 31 December 2014. Comparative segmental information for the six months ended 30 June 2014 has been restated. The reorganisation had no impact on the overall Group result.

4 Operating segments (continued)

Six months ended 30 June 2015 (Reviewed)

€ million, unless otherwise stated	Europe & International: Packaging Paper	Europe & International: Fibre Packaging	Europe & International: Consumer Packaging	Europe & International: Uncoated Fine Paper	South Africa Division	Corporate & other	Intersegment elimination	**Segments total**
Segment revenue	1,122	1,046	730	626	314	-	(379)	**3,459**
Internal revenue	(307)	(19)	(3)	(3)	(47)	-	379	**-**
External revenue	815	1,027	727	623	267	-	-	**3,459**
EBITDA	266	101	83	152	89	(20)	-	**671**
Depreciation, amortisation and impairments	(55)	(33)	(34)	(39)	(20)	-	-	**(181)**
Underlying operating profit/(loss)	211	68	49	113	69	(20)	-	**490**
Special items	(14)	(10)	(15)	-	-	-	-	**(39)**
Operating segment assets	2,125	1,285	1,250	1,128	791	8	(183)	**6,404**
Operating net segment assets	1,734	963	1,065	951	672	9	-	**5,394**
Additions to non-current non-financial assets	106	57	37	20	52	1	-	**273**
Capital expenditure cash payments	104	58	50	32	32	-	-	**276**
Operating margin (%)	*18.8*	*6.5*	*6.7*	*18.1*	*22.0*	-	-	***14.2***
Return on capital employed (%)	*26.6*	*15.2*	*10.9*	*19.4*	*22.9*	-	-	***19.0***
Average number of employees (thousands)	5.3	7.8	4.7	6.0	1.6	0.1	-	**25.5**

Six months ended 30 June 2014 (Restated) (Reviewed)

€ million, unless otherwise stated	Europe & International: Packaging Paper	Europe & International: Fibre Packaging	Europe & International: Consumer Packaging	Europe & International: Uncoated Fine Paper	South Africa Division	Corporate & other	Intersegment elimination	**Segments total**
Segment revenue	1,022	868	685	646	284	-	(357)	**3,148**
Internal revenue	(282)	(20)	(3)	(4)	(48)	-	357	**-**
External revenue	740	848	682	642	236	-	-	**3,148**
EBITDA	216	78	69	127	78	(15)	-	**553**
Depreciation, amortisation and impairments	(49)	(30)	(30)	(47)	(20)	-	-	**(176)**
Underlying operating profit/(loss)	167	48	39	80	58	(15)	-	**377**
Special items	-	(7)	4	-	-	(13)	-	**(16)**
Operating segment assets	1,988	1,170	1,140	1,301	728	6	(177)	**6,156**
Operating net segment assets	1,627	884	979	1,113	608	7	-	**5,218**
Additions to non-current non-financial assets	135	27	33	50	29	23	-	**297**
Capital expenditure cash payments	116	30	35	59	9	-	-	**249**
Operating margin (%)	*16.3*	*5.5*	*5.7*	*12.4*	*20.4*	-	-	***12.0***
Return on capital employed (%)	*22.5*	*12.3*	*8.3*	*15.6*	*20.5*	-	-	***16.0***
Average number of employees (thousands)	4.9	6.6	4.5	6.6	1.6	0.1	-	**24.3**

4 Operating segments (continued)

Year ended 31 December 2014 (Audited)

€ million, unless otherwise stated	Europe & International: Packaging Paper	Europe & International: Fibre Packaging	Europe & International: Consumer Packaging	Europe & International: Uncoated Fine Paper	South Africa Division	Corporate & other	Intersegment elimination	**Segments total**
Segment revenue	2,043	1,852	1,379	1,240	596	-	(708)	6,402
Internal revenue	(559)	(41)	(5)	(6)	(97)	-	708	-
External revenue	1,484	1,811	1,374	1,234	499	-	-	6,402
EBITDA	443	166	158	238	153	(32)	-	1,126
Depreciation, amortisation and impairments	(101)	(64)	(62)	(90)	(41)	(1)	-	(359)
Underlying operating profit/(loss)	342	102	96	148	112	(33)	-	767
Special items	(6)	(16)	(17)	-	-	(13)	-	(52)
Operating segment assets	1,961	1,165	1,185	1,089	743	4	(166)	5,981
Operating net segment assets	1,588	875	1,021	922	626	2	-	5,034
Additions to non-current non-financial assets	279	104	109	125	68	-	-	685
Capital expenditure cash payments	259	77	80	117	29	-	-	562
Operating margin (%)	*16.7*	*5.5*	*7.0*	*11.9*	*18.8*	-	-	*12.0*
Return on capital employed (%)	*23.7*	*13.4*	*10.4*	*16.1*	*21.9*	-	-	*17.2*
Average number of employees (thousands)	5.0	7.3	4.6	6.5	1.6	0.1	-	25.1

Reconciliation of operating profit before special items to profit before tax

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Operating profit before special items	**490**	377	767
Special items (see note 5)	(39)	(16)	(52)
Net profit from associates	-	1	1
Net finance costs (excluding financing special item)	(59)	(50)	(97)
Profit before tax	**392**	312	619

Reconciliation of total profit from operations and associates to EBITDA

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Total profit from operations and associates	**451**	375	729
Special items (see note 5) (excluding financing special item)	39	3	39
Depreciation, amortisation and impairments	181	176	359
Net profit from associates	-	(1)	(1)
EBITDA	**671**	553	1,126

4 Operating segments (continued)

Reconciliation of operating segment assets

	(Reviewed) As at 30 June 2015		(Restated) (Reviewed) As at 30 June 2014		(Audited) As at 31 December 2014	
€ million	**Segment assets**	**Net segment assets**	Segment assets	Net segment assets	Segment assets	Net segment assets
Segments total	**6,404**	**5,394**	6,156	5,218	5,981	5,034
Unallocated						
Investments in associates	4	4	6	6	5	5
Deferred tax assets/(liabilities)	17	(244)	4	(250)	10	(249)
Other non-operating assets/(liabilities)	223	(280)	193	(311)	224	(283)
Group capital employed	**6,648**	**4,874**	6,359	4,663	6,220	4,507
Financial instruments/(net debt)	69	(1,741)	49	(1,758)	128	(1,613)
Total assets/equity	**6,717**	**3,133**	6,408	2,905	6,348	2,894

	External revenue by location of production			**External revenue by location of customer**		
€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Revenue						
Africa						
South Africa	312	284	596	226	192	419
Rest of Africa	6	6	10	104	111	216
Africa total	318	290	606	330	303	635
Western Europe						
Austria	509	494	960	77	79	153
Germany	469	463	931	483	505	966
United Kingdom	21	18	34	128	118	236
Rest of western Europe	321	348	664	717	690	1,331
Western Europe total	1,320	1,323	2,589	1,405	1,392	2,686
Emerging Europe						
Poland	458	440	873	255	242	484
Rest of emerging Europe	635	582	1,144	444	434	857
Emerging Europe total	1,093	1,022	2,017	699	676	1,341
Russia	335	350	685	253	282	559
North America	341	135	437	396	174	515
South America	-	-	-	36	32	61
Asia and Australia	52	28	68	340	289	605
Group total	**3,459**	3,148	6,402	**3,459**	3,148	6,402

There are no external customers which account for more than 10% of the Group’s total external revenue.

4 Operating segments (continued)

External revenue by product type

€ million	**(Reviewed) Six months ended 30 June 2015**	(Restated) (Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Products			
Fibre packaging products	1,013	831	1,776
Packaging paper products	787	716	1,435
Consumer packaging products	614	687	1,385
Uncoated fine paper	735	611	1,185
Pulp	150	114	240
Newsprint	68	75	146
Other	92	114	235
Group total	**3,459**	3,148	6,402

5 Special items

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Operating special items			
Asset impairments	(4)	-	(6)
Restructuring and closure costs:			
Personnel costs relating to restructuring	(17)	(7)	(29)
Restructuring and closure costs excluding related personnel costs	(15)	-	(9)
Subsequent adjustments relating to Nordenia acquisition	(3)	4	4
Transaction costs for US acquisition	-	-	(2)
Gain on settlement of 2007 legal case	-	-	3
Total operating special items	**(39)**	(3)	(39)
Financing special item			
Net charge on early redemption of €280 million Eurobond	-	(13)	(13)
Total special items before tax and non-controlling interests	**(39)**	(16)	(52)
Tax (see note 8)	3	-	4
Total special items attributable to shareholders	**(36)**	(16)	(48)

Operating special items

Operating special items during the period comprise:

- Packaging Paper
  - o Closure of a small speciality kraft paper mill in Finland. Restructuring costs of €11 million and related impairment of assets of €3 million were recognised;
- Fibre Packaging
  - o Further restructuring (€10 million) following the acquisition of the bags business from Graphic Packaging in the US in 2014;
- Consumer Packaging
  - o Closure of a plant in Spain. Restructuring costs of €11 million and related impairment of assets of €1 million were recognised; and
  - o Write-off of receivable of €3 million related to 2012 Nordenia acquisition.

6 Write-down of inventories to net realisable value

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Write-down of inventories to net realisable value	(15)	(9)	(24)
Aggregate reversal of previous write-down of inventories	11	4	16

7 Net finance costs

Net finance costs and related foreign exchange losses are presented below:

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Investment income			
Interest on bank deposits, loan receivables and other	**2**	1	3
Foreign currency losses			
Foreign currency losses	**-**	(1)	-
Finance costs			
Interest expense			
Interest on bank overdrafts and loans	(60)	(47)	(94)
Net interest expense on net retirement benefits liability	(5)	(5)	(11)
Total interest expense	**(65)**	(52)	(105)
Less: interest capitalised	4	2	5
Total finance costs before special item	**(61)**	(50)	(100)
Financing special item (see note 5)	**-**	(13)	(13)
Total finance costs after special item	**(61)**	(63)	(113)
Net finance costs	**(59)**	(63)	(110)

8 Tax charge

The Group's effective rate of tax before special items for the six months ended 30 June 2015, calculated on profit before tax before special items and including net profit from associates, is 19% (six months ended 30 June 2014: 19%; year ended 31 December 2014: 19%).

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
UK corporation tax at 20.5% (2014: 21.5%)	-	-	1
SA corporation tax at 28% (2014: 28%)	13	16	30
Overseas tax	87	56	86
Current tax	**100**	72	117
Deferred tax	(18)	(10)	9
Total tax charge before special items	**82**	62	126
Current tax on special items	(3)	-	-
Deferred tax on special items	-	-	(4)
Total tax credit on special items (see note 5)	**(3)**	-	(4)
Total tax charge	**79**	62	122

9 Earnings per share

€ cents per share	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Profit for the period attributable to shareholders			
Basic EPS	**60.3**	48.6	97.4
Diluted EPS	**60.2**	48.5	97.1
Underlying earnings for the period			
Basic underlying EPS	**67.8**	51.9	107.3
Diluted underlying EPS	**67.7**	51.8	107.0
Headline earnings for the period			
Basic headline EPS	**60.1**	48.3	99.5
Diluted headline EPS	**60.0**	48.2	99.2

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		
€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Profit for the period attributable to shareholders	**292**	235	471
Special items (see note 5)	39	16	52
Related tax (see note 5)	(3)	-	(4)
Underlying earnings for the period	**328**	251	519
Special items not excluded from headline earnings	(32)	(16)	(46)
Profit on disposal of property, plant & equipment and intangible assets	(11)	(1)	-
Impairments not included in special items	1	-	4
Related tax	5	-	4
Headline earnings for the period	**291**	234	481

	Weighted average number of shares		
million	**(Reviewed) As at 30 June 2015**	(Reviewed) As at 30 June 2014	(Audited) As at 31 December 2014
Basic number of ordinary shares outstanding	**483.9**	483.5	483.6
Effect of dilutive potential ordinary shares	0.9	1.3	1.3
Diluted number of ordinary shares outstanding	**484.8**	484.8	484.9

10 Dividends

Dividends paid to the shareholders of Mondi Limited and Mondi plc are presented on a combined basis.

€ cents per share	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Final dividend paid (in respect of prior year)	28.77	26.45	26.45
Interim dividend paid	-	-	13.23
Interim dividend declared for the six months ended 30 June	**14.38**	13.23	
Final dividend proposed for the year ended 31 December			28.77

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Final dividend paid (in respect of prior year)	140	129	129
Interim dividend paid	-	-	64
Interim dividend declared for the six months ended 30 June	**70**	64	
Final dividend proposed for the year ended 31 December			139
Declared by Group companies to non-controlling interests	17	11	16

The interim dividend for the year ending 31 December 2015 of 14.38 euro cents per ordinary share will be paid on 15 September 2015 to those shareholders on the register of Mondi plc on 21 August 2015. An equivalent South African rand interim dividend will be paid on 15 September 2015 to shareholders on the register of Mondi Limited on 21 August 2015. The dividend will be paid from distributable reserves of Mondi Limited and of Mondi plc, as presented in the respective company annual financial statements for the year ended 31 December 2014.

The interim dividend for the year ending 31 December 2015 will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	14 August 2015	14 August 2015
London Stock Exchange	Not applicable	19 August 2015
Shares commence trading ex-dividend		
JSE Limited	17 August 2015	17 August 2015
London Stock Exchange	Not applicable	20 August 2015
Record date		
JSE Limited	21 August 2015	21 August 2015
London Stock Exchange	Not applicable	21 August 2015
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	27 August 2015	27 August 2015
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	28 August 2015	21 August 2015*
Payment Date		
South African Register	15 September 2015	15 September 2015
UK Register	Not applicable	15 September 2015
DRIP purchase settlement dates (subject to the purchase of shares in the open market)	23 September 2015	17 September 2015**
Currency conversion dates		
ZAR/euro	6 August 2015	6 August 2015
Euro/sterling	Not applicable	28 August 2015

* 28 August 2015 for Mondi plc South African branch register shareholders
** 23 September 2015 for Mondi plc South African branch register shareholders

10 Dividends (continued)

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 17 August 2015 and 23 August 2015, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 12 August 2015 and 23 August 2015, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi Limited shareholders and 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 6 August 2015.

11 Forestry assets

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
At 1 January	235	233	233
Capitalised expenditure	19	17	35
Acquisition of assets	2	1	2
Fair value gains	23	20	34
Disposal of assets	-	(13)	(13)
Felling costs	(25)	(27)	(54)
Reclassified to assets held for sale	-	-	(11)
Currency movements	6	2	9
Closing balance	**260**	233	235

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 18) and this category is consistent with prior periods. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Group's owned forestry assets, discounted based on a pre tax real yield on long-term bonds over the last five years. All fair value gains originate from South Africa.

12 Borrowings

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Secured			
Bank loans and overdrafts	7	7	4
Obligations under finance leases	1	6	2
Total secured	**8**	13	6
Unsecured			
Bank loans and overdrafts	786	495	723
Bonds	996	1,274	995
Bonds		1,332	
Call option derivative		(58)	
Other loans	15	19	17
Total unsecured	**1,797**	1,788	1,735
Total borrowings	**1,805**	1,801	1,741
Maturity of borrowings			
Current	**299**	458	176
Non-current	**1,506**	1,343	1,565

12 Borrowings (continued)

Financing facilities

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

€ million	Maturity	Interest rate %	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Financing facilities					
Syndicated Revolving Credit Facility	July 2020	EURIBOR / LIBOR + margin	750	750	750
€500 million Eurobond	April 2017	5.75%	500	500	500
€500 million Eurobond	September 2020	3.375%	500	500	500
€280 million Eurobond	July 2014	9.75%	-	280	-
Export Credit Agency Facility	June 2020	EURIBOR + margin	82	101	92
European Investment Bank Facility	June 2025	EURIBOR + margin	95	100	100
Other	Various	Various	169	220	164
Total committed facilities			**2,096**	2,451	2,106
Drawn			(1,594)	(1,706)	(1,650)
Total committed facilities available			**502**	745	456
Expiry date of facilities					
Within one year			68	88	59
Two to six years			434	657	397

Both the €500 million Eurobonds contain a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if Mondi fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa2, outlook stable) and Standard & Poor's (BBB, outlook stable).

13 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 Group defined benefit schemes and unfunded statutory retirement obligations were re-assessed in aggregate for the six months ended 30 June 2015. The net retirement benefit obligation decreased by €16 million mainly due to changes in assumptions. The assets backing the defined benefit scheme liabilities reflect their market values as at 30 June 2015. Any movements in the assumptions have been recognised as a remeasurement in the condensed combined and consolidated statement of comprehensive income.

14 Business combinations

To 30 June 2015

There were no acquisitions completed during the six months ended 30 June 2015.

In May 2015, Mondi announced that it had signed an agreement with Walki Oy for the acquisition of two extrusion coatings plants located in Pietarsaari, Finland and Wroclaw, Poland. The consideration to be paid on a debt and cash-free basis amounts to €60 million. For the twelve months ended 30 April 2015, the plants generated combined revenues of €113 million and EBITDA of €9 million.

The acquisition will strengthen the Group's position in the European extrusion coatings market and increase the range of technical capabilities on offer to customers. The transaction remains subject to competition clearance and other customary closure conditions and is expected to be completed during the third quarter of 2015.

14 Business combinations (continued)

To 31 December 2014

On 30 June 2014, Mondi acquired the bags and kraft paper business of Graphic Packaging International Inc, a wholly-owned subsidiary of Graphic Packaging Holding Company, for a total consideration of US$101 million (€74 million) on a debt and cash-free basis.

On 31 July 2014, a consumer packaging plant in Poland was acquired from Printpack Inc, for US$23 million (€17 million) on a debt and cash-free basis.

On 31 October 2014, the industrial bags business was acquired from Inn_Flex S.r.L. & David Tomasin (Intercell), for US$12 million (€9 million) on a debt and cash-free basis.

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

€ million	**Book value**	**Revaluation**	**Fair value**
Net assets acquired			
Intangible assets	-	1	1
Property, plant and equipment	97	(48)	49
Inventories	62	(7)	55
Trade and other receivables	33	(1)	32
Cash and cash equivalents	6	-	6
Total assets	198	(55)	**143**
Trade and other payables	(31)	(3)	(34)
Net retirement benefits liability	(1)	-	(1)
Deferred tax liabilities	-	(1)	(1)
Total liabilities (excluding debt)	(32)	(4)	**(36)**
Short-term borrowings	(30)	-	**(30)**
Medium and long-term borrowings	(2)	-	**(2)**
Net assets acquired	**134**	**(59)**	75
Transaction costs expensed			3
Cash acquired net of overdrafts			(6)
Net cash paid per combined and consolidated statement of cash flows			**72**

€ million	**Net assets**	**Net cash paid**
Graphic	44	46
Printpack	23	17
Intercell	8	9
Other acquisitions total	**75**	**72**

The fair value accounting of the Printpack and Intercell acquisitions is provisional in nature. The nature of these businesses is such that further adjustments to the carrying values of acquired assets and/or liabilities are possible as the detail of the acquired businesses is evaluated post acquisition. If necessary, any adjustments will be made within 12 months of the acquisition dates.

15 Consolidated cash flow analysis

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

€ million	**(Reviewed) Six months ended 30 June 2015**	(Reviewed) Six months ended 30 June 2014	(Audited) Year ended 31 December 2014
Profit before tax	**392**	312	619
Depreciation and amortisation	180	176	355
Impairment of property, plant & equipment and intangible assets (not included in special items)	1	-	4
Share-based payments	6	5	10
Non-cash effect of special items	17	(7)	15
Net finance costs (including financing special item)	59	63	110
Net profit from associates	-	(1)	(1)
Decrease in provisions and net retirement benefits	(5)	(9)	(10)
Increase in inventories	(25)	(30)	(71)
Increase in operating receivables	(163)	(82)	(2)
Increase/(decrease) in operating payables	87	6	(14)
Fair value gains on forestry assets	(23)	(20)	(34)
Felling costs	25	27	54
Profit on disposal of property, plant & equipment and intangible assets	(11)	(1)	-
Other adjustments	(2)	-	(2)
Cash generated from operations	**538**	439	1,033

(b) Cash and cash equivalents

€ million	**(Reviewed) As at 30 June 2015**	(Reviewed) As at 30 June 2014	(Audited) As at 31 December 2014
Cash and cash equivalents per condensed combined and consolidated statement of financial position	48	49	56
Bank overdrafts included in short-term borrowings	(54)	(48)	(47)
Net cash and cash equivalents per condensed combined and consolidated statement of cash flows	**(6)**	1	9

15 Consolidated cash flow analysis (continued)

(c) Movement in net debt

The composition of net debt has been revised to take into account the Group's debt-related derivative financial instruments. Comparative information has been restated.

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Debt due within one year	Debt due after one year	Current financial asset investments	Debt-related derivative financial instruments	**Total net debt**
At 1 January 2014 (Audited)	64	(115)	(1,571)	1	2	**(1,619)**
Cash flow	(63)	45	(95)	-	-	**(113)**
Business combinations	-	(30)	-	-	-	**(30)**
Movement in unamortised loan costs	-	-	13	-	-	**13**
Net movement in derivative financial instruments	-	-	-	-	(9)	**(9)**
Reclassification	-	(306)	306	-	-	**-**
Currency movements	-	(4)	4	-	-	**-**
At 30 June 2014 (Reviewed) (Restated)	1	(410)	(1,343)	1	(7)	**(1,758)**
Cash flow	9	330	(259)	(1)	-	**79**
Business combinations	-	-	(2)	-	-	**(2)**
Movement in unamortised loan costs	-	-	3	-	-	**3**
Net movement in derivative financial instruments	-	-	-	-	79	**79**
Reclassification	-	(82)	82	-	-	**-**
Currency movements	(1)	33	(46)	-	-	**(14)**
At 31 December 2014 (Audited)	9	(129)	(1,565)	-	72	**(1,613)**
Cash flow	(16)	(89)	69	-	-	**(36)**
Movement in unamortised loan costs	-	-	(2)	-	-	**(2)**
Net movement in derivative financial instruments	-	-	-	-	(65)	**(65)**
Reclassification	-	(21)	21	-	-	**-**
Currency movements	1	(6)	(29)	-	9	**(25)**
At 30 June 2015 (Reviewed)	**(6)**	**(245)**	**(1,506)**	**-**	**16**	**(1,741)**

The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

16 Capital commitments

Capital commitments and expenditure is based on capital projects approved to date and the budget approved by the Boards.

As previously indicated, capital expenditure is expected to average around €550 million per annum over the next two years in the absence of any further major projects. Given the timing of the anticipated major project cash outflows, it is expected that there will be a bias towards 2015.

These capital projects are expected to be financed from existing cash resources and borrowing facilities.

17 Contingent liabilities and contingent assets

Contingent liabilities comprise aggregate amounts as at 30 June 2015 of €15 million (as at 30 June 2014: €26 million; as at 31 December 2014: €26 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 combined and consolidated statement of financial position for all periods presented.

18 Fair value disclosures

Financial instruments that are measured in the condensed combined and consolidated statement of financial position at fair value or where the fair value of financial instruments have been disclosed in notes to the condensed combined and consolidated financial statements require disclosure of fair value measurements by level 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 Group does not hold any financial instruments categorised as level 3 financial instruments. The only 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.

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

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

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- the Group's commodity price derivatives are fair valued by independent third parties, who in turn calculate the fair values as the present value of expected future cash flows based on observable market data; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

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

	Carrying amount			**Fair value**		
€ million	**(Reviewed) As at 30 June 2015**	(Reviewed) As at 30 June 2014	(Audited) As at 31 December 2014	**(Reviewed) As at 30 June 2015**	(Reviewed) As at 30 June 2014	(Audited) As at 31 December 2014
Financial liabilities						
Borrowings	**1,805**	1,801	1,741	**1,894**	1,920	1,852

19 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. These transactions, in total, are not considered to be significant. Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation.

There have been no significant changes to the related parties as disclosed in note 31 of the Group's annual financial statements for the year ended 31 December 2014.

20 Events occurring after 30 June 2015

The following events have occurred after 30 June 2015:

- The Boards proposed an interim dividend of 14.38 euro cents per share (refer to note 10).
- Announcement of the sale of the Consumer Packaging operation in Osterburken, Germany, subject to competition approval.
- Announcement of the sale of two film and packaging plants in Malaysia.

Production statistics

		Six months ended 30 June 2015	(Restated) Six months ended 30 June 2014	Year ended 31 December 2014
Packaging Paper				
Containerboard	Tonnes	1,086,057	1,075,226	2,160,485
Kraft paper	Tonnes	605,741	531,040	1,130,220
Softwood pulp	Tonnes	1,082,595	1,025,692	2,085,191
Internal consumption	Tonnes	1,004,719	950,545	1,970,491
Market pulp	Tonnes	77,876	75,147	114,700
Fibre Packaging				
Corrugated board and boxes	million m²	668	672	1,343
Industrial bags	million units	2,506	2,133	4,446
Extrusion coatings	million m²	735	730	1,401
Consumer Packaging				
Consumer packaging	million m^2	3,330	3,249	6,397
Uncoated Fine Paper				
Uncoated fine paper	Tonnes	696,231	684,678	1,361,243
Newsprint	Tonnes	97,113	104,574	201,998
Hardwood pulp	Tonnes	583,033	567,432	1,127,594
Internal consumption	Tonnes	527,729	529,482	1,041,104
Market pulp	Tonnes	55,304	37,950	86,490
South Africa Division				
Containerboard	Tonnes	112,980	124,157	252,526
Uncoated fine paper	Tonnes	116,768	126,907	258,083
Hardwood pulp	Tonnes	291,311	311,914	648,635
Internal consumption	Tonnes	147,686	164,112	332,085
Market pulp	Tonnes	143,625	147,802	316,550
Softwood pulp – internal consumption	Tonnes	59,462	75,675	138,640
Newsprint	Tonnes	55,805	58,859	117,087

Exchange rates

	Average			Closing		
versus euro	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Year ended 31 December 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Year ended 31 December 2014
South African rand	13.31	14.67	14.42	13.64	14.46	14.04
Czech koruna	27.50	27.44	27.53	27.25	27.45	27.74
Polish zloty	4.14	4.18	4.18	4.19	4.16	4.27
Pounds sterling	0.73	0.82	0.81	0.71	0.80	0.78
Russian rouble	64.60	48.01	50.73	62.36	46.38	72.34
Turkish lira	2.86	2.97	2.91	3.00	2.90	2.83
US dollar	1.12	1.37	1.33	1.12	1.37	1.21

Glossary of financial terms

This report contains a number of terms which are explained below:

EBITDA	Operating profit before special items, depreciation, amortisation and impairments.
Underlying operating profit	Operating profit before special items.
Special items	Those non-recurring financial items which the Group believes should be separately disclosed on the face of the combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group.
Underlying earnings	Net profit after tax before special items attributable to shareholders.
Headline EPS	The presentation of headline earnings per share (EPS) is mandated under the Listings Requirements of the JSE Limited. Headline earnings has been calculated in accordance with Circular 2/2014, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.
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 and current financial asset investments.
Return on capital employed (ROCE)	Trailing 12 month underlying operating profit, including share of associates' net profit, divided by trailing 12 month average capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on those strategic projects which are not yet in production.

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