

Mondi plc

(Incorporated in England and Wales)
(Registered number: 6209386)
LEI: 213800LOZA69QFDC9N34

LSE share code: MNDI ISIN: GB00B1CRLC47
JSE share code: MNP

This announcement contains inside information.

6 August 2020

Half-year results for the six months ended 30 June 2020

Highlights

- **Robust financial performance in a challenging environment**
 - Underlying EBITDA of €738 million with margin of 21.4%
 - Profit before tax of €466 million
 - Basic underlying earnings of 73.0 euro cents per share
 - Cash generated from operations of €602 million
 - Return on capital employed of 17.1%
 - Strong balance sheet with 1.4 times net debt to 12-month trailing underlying EBITDA at 30 June 2020
- **Decisive and effective COVID-19 response**
 - Priority to protect our people, serve our customers and support our communities and partners
 - Tight cost control
 - Postponed planned maintenance shuts to second half
 - Reduced 2020 capital investments, while maintaining our programme to deliver growth through the cycle
 - Further strengthened liquidity, including issuing a €750 million 8-year Eurobond
- **Resuming dividend payments in line with policy**
 - 29.75 euro cents per share dividend relating to 2019 financial year declared
 - 19.00 euro cents per share 2020 interim ordinary dividend declared
- **Well positioned for recovery with resilient business model, cost-advantaged asset base, strong balance sheet and unique portfolio of sustainable packaging solutions**

Financial summary

€ million, except for percentages and per share measures	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 31 December 2019
Group revenue	3,452	3,771	3,497
Underlying EBITDA ¹	738	894	764
Underlying operating profit ¹	524	679	544
Operating profit	518	679	542
Profit before tax	466	632	471
Basic underlying earnings per share ¹ (euro cents)	73.0	96.2	74.9
Basic earnings per share (euro cents)	72.0	95.8	71.8
Dividend relating to 2019 financial year per share (euro cents)	29.75		
Interim ordinary dividend per share (euro cents)	19.00	27.28	
Cash generated from operations	602	737	898
Net debt ¹	2,039	2,358	2,207
Underlying EBITDA margin ¹	21.4%	23.7%	21.8%
Return on capital employed (ROCE) ¹	17.1%	23.2%	19.8%

Note:

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

Andrew King, Mondi Group Chief Executive Officer, said:

"Mondi delivered a robust performance in the first half of 2020, with underlying EBITDA of €738 million. This reflects the resilience of our business model, achieved despite starting the year with significantly lower average selling prices across our key pulp and paper grades and the challenges brought by COVID-19.

We took decisive action in the early stages of the pandemic, moving quickly to safeguard our people, support our communities and protect the profitability, liquidity and cash flow of the business while seeking to ensure we are well placed to benefit when the recovery comes.

Sustainable packaging continues to be a long-term priority for our customers and wider society. As a leading producer of both paper and flexible plastic-based packaging, we are in a unique position to support our customers' environmental goals with packaging that is sustainable by design adhering to our principle of *paper where possible, plastic when useful*.

The Board recognises the importance of dividends to shareholders. Having delivered a robust trading performance in the first half of the year and given our resilient business model and strong financial position, the Board has revisited the decision taken in April to suspend the final 2019 dividend and is pleased to resume the payment of dividends.

The Board has declared a dividend of 29.75 euro cents per share relating to 2019. Together with the 2019 interim ordinary dividend paid in September 2019, this results in a total dividend of 57.03 euro cents per share relating to the 2019 financial year, covered three times by 2019 underlying earnings per share. This is in line with our stated dividend policy of targeting a cover range on average of two to three times underlying earnings over the business cycle. Furthermore, the Board has declared a 2020 interim ordinary dividend of 19.00 euro cents per share, bringing the total dividend declared to 48.75 euro cents per share.

Going into the second half of 2020, heightened macro-economic uncertainties remain. Pricing across our key pulp and paper grades is below or in line with the average of the first half. Demand for packaging daily essentials remains robust while we continue to see weakness in certain industrial end-uses. Uncoated fine paper order books have picked up from the lows seen in the second quarter, albeit we do not expect a near-term recovery to pre-pandemic levels. We have rescheduled planned mill maintenance shuts which will have an impact on the second half of the year.

We are confident that the Group will continue to demonstrate its resilience in the event of a prolonged macro-economic downturn, while remaining well-positioned when the recovery takes place. This is underpinned by the Group's integrated high-quality, cost-advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our strong cash generation and financial position.

I firmly believe that our embedded safety culture was key in facilitating a fast and effective response to protect our people, communities and business partners during this pandemic. I am incredibly proud of how our teams have risen to the challenge and my thanks go to my colleagues for their endurance, enterprise and ongoing commitment."

Protecting our people, serving our customers and supporting our communities and partners

Our top priority has been the safety and well-being of the Group's employees and our communities. All of our sites have implemented personal protection measures and intensified social distancing and hygiene protocols that meet or exceed local and international guidelines, and, where appropriate, employees have been working remotely. We remain vigilant in our efforts to contain any potential spread of the virus in our operations and communities.

Our businesses have generally been designated as providing essential services by governments in the countries in which we operate, allowing us to play an important role in responding to the COVID-19 pandemic. Throughout the period under review we continued to provide essential materials and products to our customers, many of whom produce food and personal and home care products, as well as contributing to local services such as energy and waste water treatment at our larger operations. Our facilities have been in operation throughout the period, with the exception of the temporary closure of the Merebank paper mill (South Africa) for approximately five weeks in line with government regulation, and limited closures or other production interruptions at a small number of our paper bags converting plants. We have managed supply chain disruptions well.

We escalated our initiatives to support local communities, going beyond our existing programmes. We made significant financial and in-kind donations to support the pandemic response and provided food, fresh water and other supplies to people in need in the countries where we operate.

A multi-function response team continues to monitor the latest COVID-19 developments, assessing risks, providing guidance, and implementing preventative policies in line with individual government regulations and recommendations in the countries where we have a presence.

Group performance review

Underlying EBITDA for the half-year ended 30 June 2020 of €738 million was down 17% compared to the first half of 2019 and 3% compared to the second half of 2019 ('sequentially'), a robust performance in a challenging trading environment, marked by generally softer pricing and exacerbated by the impact of the COVID-19 pandemic and related lockdown measures implemented by authorities across the regions in which we operate.

Revenue was down on the comparable prior year period due to lower average selling prices across our key paper grades more than offsetting good volume growth in Corrugated Packaging and Flexible Packaging. Uncoated fine paper volumes were impacted by lower demand for commercial, professional and office printing as a result of the widespread lockdown measures.

We saw a positive contribution from our previously completed capital investment projects, while input costs were down on the comparable prior year period, with lower average wood, energy, chemicals, paper for recycling and resin costs. Cash fixed costs were stable with inflationary cost pressures offset by lower maintenance costs and our cost mitigation programmes. A €33 million lower forestry fair value gain was recognised versus the comparable prior year period.

To protect our employees and suppliers and minimise execution risk, we postponed most planned maintenance shuts to the second half of the year. Based on prevailing market prices, we estimate the full year impact on underlying EBITDA of the Group's planned maintenance shuts at around €100 million (2019: €150 million), of which the first half effect was around €10 million (H1 2019: €80 million).

Currency movements had a small positive impact on underlying EBITDA versus the comparable prior year period. The net positive impact of a stronger US dollar on sales of a number of the Group's globally traded products and the benefits to our South African export oriented business of a weaker South African rand were partly offset by translation losses from a weaker Turkish lira and Russian rouble relative to the euro.

Depreciation and amortisation charges were stable during the period as the impact of our capital investment programme was offset by currency effects. Basic underlying earnings were 73.0 euro cents per share, down 24% on the comparable prior year period. Including the effects of special items, which relate to costs initially recognised in prior years amounting to a charge of €5 million after tax in the first half (2019: €2 million charge), basic earnings were 72.0 euro cents per share.

We have a strong balance sheet, sector leading investment grade credit ratings and good relationships with a broad group of banks. We secured liquidity and demonstrated our access to debt capital markets with the successful launch of a €750 million 8-year Eurobond in April 2020 and the extension of our Syndicated Revolving Credit Facility's maturity to July 2022 with our core banking group.

The Board recognises the importance of dividends to shareholders. Having delivered a robust trading performance in the first half of the year and given our resilient business model and strong financial position, the Board has revisited the decision taken in April to suspend the final 2019 dividend and is pleased to resume the payment of dividends.

The Board has declared a dividend of 29.75 euro cents per share relating to 2019. Together with the 2019 interim ordinary dividend paid in September 2019, this results in a total dividend of 57.03 euro cents per share relating to the 2019 financial year, representing a dividend cover of three times 2019 underlying earnings per share and in line with our stated dividend policy of targeting a cover range on average of two to three times underlying earnings over the business cycle. Furthermore, the Board has declared a 2020 interim ordinary dividend of 19.00 euro cents per share. Both dividends, amounting to a total of 48.75 euro cents per share, will be paid as interim dividends in September 2020 (total of around €236 million).

This decision is consistent with our stated cover policy, while ensuring we retain the optionality for further value accretive growth provided by a strong financial position. Our dividend policy remains unchanged.

Corrugated Packaging

€ million	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 31 December 2019
Segment revenue	969	1,045	969
Underlying EBITDA	267	297	286
Underlying operating profit	207	235	224
Capital expenditure cash payments	124	93	164
Operating segment net assets	2,141	2,032	2,166
Underlying EBITDA margin	27.6%	28.4%	29.5%
ROCE	23.5%	30.2%	24.9%

Underlying EBITDA was down 10% on the comparable prior year period to €267 million. Sales volume growth and generally lower costs were more than offset by significantly lower average selling prices.

Containerboard sales volumes were up on the comparable prior year period while Corrugated Solutions achieved overall volume growth of 4% in the first half of the year, with strong volumes in our core markets of Central and Eastern Europe, testament to our innovative product portfolio and customer service offering. Demand was good as we started the year, further strengthening in March and early April as lockdown measures were implemented in Europe, before softening towards the end of the first half. The height of the lockdown period in Europe was characterised by strong demand in fast moving consumer goods and e-commerce coupled with value chain stocking, while industrial end-uses typically came under pressure. Encouragingly, we are seeing a pick-up in containerboard exports to China, mitigating the lower demand in European markets going into the second half of the year.

Overall, average selling prices during the first half were down on the prior year period as well as sequentially. Average benchmark European selling prices for unbleached kraftliner were down 15% on the comparable prior year period and 5% on the second half of 2019, while average benchmark European selling prices for recycled containerboard were down 16% on the first half of 2019, and 5% sequentially. Benchmark white top kraftliner and semi-chemical fluting prices were down 8% to 9% on the comparable year and 3% to 5% on the preceding six month period.

Input costs were on average lower year-on-year, with lower wood, energy and chemical costs. Paper for recycling costs were also lower in the first half of the year versus the comparable prior year period, although pricing increased sharply during the second quarter as a result of disruption in collection networks, peaking in June. Prices have since declined, as collection systems returned to normal operation, and they are today 9% higher compared to the average of the first half of the year. Mondi consumes annually approximately 1.3 million tonnes of paper for recycling. Cash fixed costs were slightly lower with higher personnel costs offset by lower maintenance shuts and cost control initiatives.

Planned maintenance shuts at all Corrugated Packaging mills are scheduled for the second half of the year.

Flexible Packaging

€ million	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 31 December 2019
Segment revenue	1,377	1,394	1,314
Underlying EBITDA	280	304	239
Underlying operating profit	202	229	160
Special items	(6)	—	(4)
Capital expenditure cash payments	86	131	117
Operating segment net assets	2,547	2,589	2,603
Underlying EBITDA margin	20.3%	21.8%	18.2%
ROCE	14.3%	15.5%	15.7%

Underlying EBITDA of €280 million was down 8% on the comparable prior year period. Higher sales volumes, the benefits of our integrated value chain, lower input costs and cost control initiatives largely offset significantly lower average selling prices. Kraft paper prices were down compared to the prior year period, as a result of price reductions seen in the second half of 2019 and into early 2020.

Kraft paper and paper bag demand remained resilient in Europe and North America, with building materials applications holding up well, strong demand from consumer and agricultural end-uses and weaker demand in industrial applications. We saw softer demand in other markets where we serve predominantly cement producers. Kraft paper sales volumes were up on the prior year period with an improved product mix, benefiting from our product development initiatives. Paper bags sales volumes were up 2% on the prior year. The drive to replace plastic-based packaging with paper-based alternatives where possible and consumer preferences for fibre-based primary packaging continue to support demand across our range of speciality kraft papers and paper bags. Consumer flexibles performed strongly during the period, benefiting from increased demand in fast moving consumer goods applications driven by at home consumption, an improved product mix and pricing discipline.

Flexible Packaging has continued to drive innovation to support our customers' transition to more sustainable packaging, replacing less sustainable solutions with paper packaging where possible and flexible plastic packaging when useful. We continue to partner along the value chain to create products fit for a circular economy, developing recyclable solutions and increasing recycled content in our packaging.

Input costs were down year-on-year, with lower wood, energy, chemicals and plastic resin costs. While cash fixed costs were higher due to increased costs to service our customers and inflationary effects, this was mitigated by our strong cost control initiatives.

Planned maintenance shuts at our kraft paper mills are scheduled for the second half of the year.

Engineered Materials

€ million	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 31 December 2019
Segment revenue	424	518	461
Underlying EBITDA	45	56	66
Underlying operating profit	27	38	48
Capital expenditure cash payments	46	12	20
Operating segment net assets	632	674	612
Underlying EBITDA margin	10.6%	10.8%	14.3%
ROCE	12.4%	11.4%	13.8%

Underlying EBITDA of €45 million was down 20% on the comparable prior year period, and down on the second half of 2019 (which included a one-off gain on disposal of a plant in Belgium of €9 million).

Engineered Materials saw good demand in consumer end-uses, in particular food, hygiene and home care applications as lockdown measures implemented in Europe and North America drove increased at home consumption and demand for cleaning and hygiene products. We saw softer demand in industrial and specialised end-uses, in particular in our release liner business, which serves a broad range of applications including graphic arts, industrial and other. As anticipated, volumes in personal care components were lower as a key product matures and we implement certain technology changes. While we continue to develop new products and innovative solutions to grow with our customers, we expect this area to continue to face pressure from declining volumes in the medium term.

Prices were lower on average, reflecting generally lower input costs, such as resin and speciality kraft paper. Cost control was strong and the business benefited from ongoing cost reduction programmes.

We are leveraging Engineered Materials' coating technologies together with Flexible Packaging's speciality kraft paper portfolio, customer relationships and converting capabilities to develop innovative sustainable packaging solutions that offer an exciting opportunity to grow with our customers.

Uncoated Fine Paper

€ million	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 31 December 2019
Segment revenue	774	913	845
Underlying EBITDA	164	254	190
Underlying operating profit	106	194	130
Special items	—	—	2
Capital expenditure cash payments	80	103	117
Operating segment net assets	1,621	1,663	1,758
Underlying EBITDA margin	21.2%	27.8%	22.5%
ROCE	17.7%	34.2%	25.1%

Underlying EBITDA of €164 million was down 35% on the comparable prior year period, with lower average uncoated fine paper prices, significantly lower pulp prices, lower uncoated fine paper volumes and a lower forestry fair value gain more than offsetting lower input costs and the effect of limited maintenance shuts.

Uncoated fine paper volumes were stable in the first quarter compared to the prior year period. Towards the end of the first quarter we saw a rapid deterioration in our uncoated fine paper order book as the effects of the various lockdown measures took hold, resulting in less professional, commercial and office printing. We temporarily stopped production at the Merebank mill (South Africa; 270,000 tonnes of annual production capacity) for five weeks following government regulation, restarting our operations in early May. To manage stock levels in the face of the weaker order situation, we took machine downtime or slowed down production at our other uncoated fine paper mills. Order books improved in June and into July as lockdown measures in key markets eased, albeit they remain below pre-pandemic levels. We remain strategically well positioned in the context of the current market challenges given our cost competitiveness, product diversification and geographic positioning. This is recognised by our customers who value the stability of a long-term supplier in this market.

Average benchmark European uncoated fine paper selling prices were down 6% on the comparable prior year period and 4% down sequentially, following price erosion during 2019 which continued in the first half of 2020. Average benchmark European bleached hardwood pulp prices were down 28% compared with the prior year period and down 9% sequentially. Including the pulp sales in our packaging businesses, we estimate the Group's pulp net long position in 2020 will be around 450,000 tonnes.

Input costs were down due to lower wood, energy and chemicals costs. Fixed costs were lower driven by our cost control programmes and reduced maintenance costs as a result of limited maintenance shuts carried out in the period.

The forestry assets' fair value is dependent on a variety of external factors over which we have limited control, the most significant being the export price of timber, the exchange rate and domestic input costs. Stable export prices and net volume increases during the period resulted in a forestry fair value gain of €19 million, down €33 million on the prior year period and flat sequentially. Based on current market conditions, we would expect a slightly lower forestry fair value gain in the second half of the year.

Planned maintenance shuts at all uncoated fine paper mills are scheduled for the second half of the year.

Tax

The underlying effective tax rate in the first half was 23% (2019: 23%), in line with the comparable prior year period and our expectation as previously disclosed.

Special items

Special items during the period amounted to a charge of €5 million after tax and relate to costs initially recognised in prior years (2019: €2 million charge).

Operating special items resulted in a cash outflow for the six months ended 30 June 2020 of €15 million (six months ended 30 June 2019: €15 million; year ended 31 December 2019: €22 million).

Further detail is provided in note 5 of the condensed consolidated financial statements.

Cash flow

Cash generated from operations of €602 million (2019: €737 million), reflects the continued strong cash generating capacity of the Group.

Working capital at 30 June 2020 was 15.5% of annualised revenue (30 June 2019: 15.0%), reflecting the normal seasonal increase in the first half of the year and mix effects, giving rise to a net cash outflow of €133 million in the period (2019: €104 million).

Tax paid of €111 million (2019: €167 million) was lower than the comparable prior year period as a result of lower profitability.

Capital expenditure amounted to €336 million (2019: €339 million), driven by our ongoing major capital expenditure programme.

Due to the challenges brought by COVID-19 and to ensure we remain well-placed to withstand an extended period of uncertainty, in April 2020, the Board suspended the recommendation to pay a 2019 final ordinary dividend with a view to revisiting the decision at a later date (dividend paid to ordinary shareholders in the first half of 2019: €264 million). As noted earlier in this announcement, the Board has now decided to resume dividend payments. Interest paid of €45 million (2019: €42 million) was in line with the comparable prior year period.

Capital investments

During the first half of the year we invested €336 million (2019: €339 million) in our property, plant and equipment. In addition, investment in forestry assets amounted to €22 million (2019: €23 million).

To both protect our employees by minimising non-operating people on-site during the lockdown period, and reduce near-term cash outflows, while seeking to ensure we are well placed to benefit when the recovery takes place, we have re-prioritised our near-term capital expenditure programme. As a result, we expect capital expenditure of around €600-650 million in 2020. This is likely to stay at similar levels for 2021 in the absence of any material change in trading conditions.

In the period, we benefited from the contribution from a number of our recently completed capital projects, in particular the modernisation of the Štětí mill (Czech Republic) completed in late 2018 and the rebuild of Ružomberok's pulp mill (Slovakia) completed at the end of 2019. The incremental operating profit contribution from capital investment projects in 2020 is expected to be around €40 million.

We are progressing with our major capital expenditure programme:

- As a consequence of COVID-19, works were slowed down in the second quarter on the new 300,000 tonne per annum kraft top white machine at Ružomberok and start-up is now expected in the first half of 2021. Due to the extended project duration, scope modifications and higher than expected civil construction and equipment costs, the total capital investment, including the rebuild of the pulp mill completed in 2019, is now expected at €370 million (previously €340 million).
- The €67 million capital investment project to convert a containerboard machine at Štětí to be fully dedicated to the production of speciality kraft paper with a mix of recycled and virgin fibre content for shopping bags applications is progressing according to plan. Supported by the drive to replace plastic carrier bags with paper-based alternatives, this project will result in an additional 75,000 tonnes per annum of speciality kraft paper capacity while reducing our containerboard capacity by around 30,000 tonnes per annum. Start-up is expected by the end of 2020.
- Our investment programme to upgrade Syktyvkar's (Russia) infrastructure, debottleneck production and maintain the mill's competitiveness, and the modernisation of our Richards Bay mill (South Africa), including upgrading the energy and chemical plants to improve reliability and avoid unplanned shutdowns, are both ongoing.
- We continue to invest in our packaging and Engineered Materials' converting plants to grow with our customers, enhance our product and service offering and reduce conversion costs.

Our recently completed and planned major capital projects in the Czech Republic, Slovakia and Russia are expected to increase our current saleable pulp and paper production by around 8% when in full operation.

Liquidity, treasury and borrowings

The Group has a strong balance sheet. Net debt at 30 June 2020 was €2,039 million, down from €2,207 million at 31 December 2019 and the net debt to 12-month trailing underlying EBITDA ratio was 1.4 times, well below our single bank debt covenant of 3.5 times (excluding the impact of IFRS16 adjustments).

In April 2020, we successfully issued a 2.375% €750 million 8-year Eurobond and extended the maturity date of our Syndicated Revolving Credit Facility from July 2021 to July 2022 with our core banking group.

At 30 June 2020, the Group has a strong liquidity position of around €1.4 billion, comprising €805 million of undrawn committed debt facilities and net cash of €606 million. The weighted average maturity of our committed debt facilities is 4.6 years. The Group has a €500 million Eurobond maturing in September 2020. There are no other material short-term debt maturities.

Net finance costs of €51 million were above those of the comparable prior year period (2019: €45 million before the impact of special items) mainly as a result of higher average gross debt and currency mix effects.

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

Further detail is provided in notes 13 and 15c of the condensed consolidated financial statements.

Dividend

The Board recognises the importance of dividends to shareholders. Having delivered a robust trading performance in the first half of the year and given our resilient business model and strong financial position, the Board has revisited the decision taken in April to suspend the final 2019 dividend and is pleased to resume the payment of dividends.

The Board has declared a dividend of 29.75 euro cents per share relating to 2019. Together with the 2019 interim ordinary dividend paid in September 2019, this results in a total dividend of 57.03 euro cents per share relating to the 2019 financial year, representing a dividend cover of three times 2019 underlying earnings per share and in line with our stated dividend policy of targeting a cover range on average of two to three times underlying earnings over the business cycle. Furthermore, the Board has declared a 2020 interim ordinary dividend of 19.00 euro cents per share. Both dividends, amounting to a total of 48.75 euro cents per share (total of around €236 million), will be paid as interim dividends on Tuesday 29 September 2020 to those shareholders on the register of Mondi plc on Friday 21 August 2020. The dividends will be paid from distributable reserves.

This decision is consistent with our stated cover policy, while ensuring we retain the optionality for further value accretive growth provided by a strong financial position. Our dividend policy remains unchanged.

Outlook

Going into the second half of 2020, heightened macro-economic uncertainties remain. Pricing across our key pulp and paper grades is below or in line with the average of the first half. Demand for packaging daily essentials remains robust while we continue to see weakness in certain industrial end-uses. Uncoated fine paper order books have picked up from the lows seen in the second quarter, albeit we do not expect a near-term recovery to pre-pandemic levels. We have rescheduled planned mill maintenance shuts which will have an impact on the second half of the year.

We are confident that the Group will continue to demonstrate its resilience in the event of a prolonged macro-economic downturn, while remaining well-positioned when the recovery takes place. This is underpinned by the Group's integrated high-quality, cost-advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our strong cash generation and financial position.

Principal risks and uncertainties

The Board is responsible for the effectiveness of the Group's risk management activities and internal control processes. It has put procedures in place for identifying, evaluating, and managing the significant risks that the Group faces. In combination with the audit committee, at the beginning of 2020, the Board conducted a robust assessment of the principal risks to which Mondi is exposed and it is satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established.

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

As we started 2020, and as indicated at the time of our 2019 full year results announcement, the Board was closely monitoring the COVID-19 outbreak and its impact on our business, global trade and the macro-economic outlook. While the principal risks faced by the Group remain substantially the same as those described on pages 52 to 60 of the Group's Integrated report and financial statements 2019, the Board has identified the implications of a pandemic, and in particular the COVID-19 pandemic as a new principal risk.

Pandemic risk (COVID-19)

A pandemic is unpredictable in nature and has the potential to affect our people, markets and operations in various ways. The pervasive impact of a pandemic means that it has the potential to affect various of our strategic, financial, operational and compliance risks in the long-term depending on how it evolves.

COVID-19, declared a global pandemic by the World Health Organisation in March 2020, has become a worldwide crisis and at the date of this report the situation continues to evolve. The rapid spread of COVID-19 has resulted in unprecedented health, social and economic measures implemented by authorities around the world which have materially impacted the Group's business, as described earlier in this announcement, and which should be read in conjunction with this section.

Since the start of the COVID-19 pandemic, the safety and welfare of the Group's employees and our communities has remained our top priority. The Group continues to monitor the specific consequences of the COVID-19 pandemic and its effect on the underlying principal strategic, financial, operational and compliance risks managed by the business. As a consequence of COVID-19 and/or the measures implemented by authorities to combat COVID-19, the Group may experience material labour shortages, supply chain or operational interruptions, higher input costs, increased cyber security attacks or changes in demand for its products that, if experienced in the Group's major facilities or on a widespread basis, could have a material adverse effect on the Group's business.

The Group will continue to utilise monitoring and mitigating activities to reduce the impact of this risk. For any new infectious diseases that are flagged as critical and could be likely to develop into a pandemic, the Group will employ its own internal monitoring and mitigating activities in line with our safety protocols, government regulations and additional measures developed during the current COVID-19 pandemic.

In response to COVID-19, the Group has developed various monitoring and mitigating activities, including:

- a multi-function response team which closely monitors the latest developments, assessing risks, providing guidance, and implementing preventative policies in line with individual government regulations and recommendations in the countries in which we operate;
- the implementation of personal protection measures at all of our sites and intensified hygiene and social distancing protocols that meet or exceed local and international guidelines, and, where possible, the option of remote working for employees;
- raising employee awareness of the cyber security risks and implementing additional security measures related to remote working;
- controlling costs and slowing down capex to protect cash flow and securing robust liquidity;
- bolstering the Group's liquidity position; and
- monitoring the impact on business operations, such as the Group's supply chain, credit risk events and business interruptions and implementing prompt interventions when necessary.

Strategic risks

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

There have been no significant changes in our strategic risk exposure during the year. We continue to monitor recent capacity announcements and demand developments, how consumers are demanding more sustainable packaging, the developments in the transition period after the UK ended its membership of the European Union, the stability of the Eurozone and the increasing prevalence of trade tariffs and economic sanctions. Furthermore, while we continue to increase our understanding of climate change related risks and the impacts become clearer, we will continue to improve our disclosures and develop our responses.

The executive committee and Board monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital investments and acquisitions take advantage of the opportunities arising from our deliberate exposure to such risks.

Our principal strategic risks relate to the following:

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

Financial risks

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

The Group continues to carefully manage its capital structure and react to changes in capital markets whilst maintaining its strong and stable financial position. Financial scenario planning continues to be an important tool in monitoring and managing our financial risks. Despite ongoing short-term currency volatility and increased scrutiny of the tax affairs of multinational companies, our overall residual risk exposure remains similar to previous years, reflecting our conservative approach to financial risk management.

Our principal financial risks relate to the following:

- Capital structure
- Currency risk
- Tax risk

Operational risks

A low residual risk tolerance is demonstrated through our focus on operational excellence, investment in our people and commitment to the responsible use of resources.

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

Our principal operational risks relate to the following:

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

Compliance risks

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

Our principal compliance risks relate to the following:

- Reputational risk
- Information technology risk

Going concern

The directors have reviewed the Group's current financial position and performance expectations for the next twelve months, including consideration of the anticipated impact of the COVID-19 pandemic and the other principal risks which may impact the Group's performance in the near term.

The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the financial statements. At 30 June 2020, Mondi had €805 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between less than 1 and 8 years, with a weighted average maturity of 4.6 years. In addition, the Group has €606 million of cash and cash equivalents available to fund its short-term needs.

The Group's single bank debt covenant ratio requires that its net debt to 12-month trailing underlying EBITDA ratio must not exceed 3.5 times. The ratio at 30 June 2020 was substantially below the maximum covenant level at 1.4 times.

The current and plausible future impact of COVID-19 and related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. Whilst the situation is uncertain and evolving, the Group has prepared a base case forecast reflecting recent trading performance in the first half of the year and expectations for market developments over the period to 31 December 2021. The base case forecasts were sensitised to reflect a severe but plausible downside scenario including worse than anticipated impacts of the COVID-19 pandemic on Group performance. In the severe but plausible downside scenario, the Group remains within its single bank debt covenant ratio.

In addition to its modelled downside going concern scenario, the Board has reverse stress tested the model to determine the extent of downturn which would result in a breach of its single bank debt covenant. A decline in underlying EBITDA well in excess of that contemplated in the plausible downside scenario would need to persist throughout the period to 31 December 2021 for a covenant breach to occur, which is considered very unlikely. This stress test also does not incorporate certain mitigating actions or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

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

Enquiries

Investors/analysts:

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

Media:

Kerry Cooper +44 193 282 6323
Mondi Group Head of External Communication

Richard Mountain (FTI consulting) +44 790 968 4466

Conference call dial-in and webcast details

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

The conference call dial-in numbers are:

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

Conference ID 6253268

The webcast will be available via www.mondigroup.com/hyresults20

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

Should you have any issues on the day with accessing the dial-in conference call facility, please call +44 2071 928 338. For queries regarding access to the webcast, please e-mail group.communication@mondigroup.com and you will be contacted as soon as possible. A video recording of the presentation will be available on Mondi's website during the afternoon of 6 August 2020.

Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in particular with International Accounting Standard 34, 'Interim Financial Reporting';
- the half-year results announcement includes a fair review of the significant events during the six months ended 30 June 2020 and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2020;
- there have been no significant individual related party transactions during the first six months of the financial year; and
- there have been no significant changes in the Group's related party relationships from that reported in the Integrated report and financial statements 2019.

The Group's condensed consolidated financial statements, and related notes, were approved by the Board and authorised for issue on 5 August 2020 and were signed on its behalf by:

Philip Yea
Chair

Andrew King
Director

5 August 2020

Independent review report to Mondi plc

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Mondi plc's condensed consolidated financial statements (the "interim financial statements") in the half-year results announcement of Mondi plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated income statement and the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP

Chartered Accountants
London
5 August 2020

Condensed consolidated income statement
for the six months ended 30 June 2020

€ million	Notes	(Reviewed)			(Reviewed)			(Audited)		
		Six months ended 30 June 2020			Six months ended 30 June 2019			Year ended 31 December 2019		
		Underlying	Special items (Note 5)	Total	Underlying	Special items (Note 5)	Total	Underlying	Special items (Note 5)	Total
Group revenue	4	3,452	—	3,452	3,771	—	3,771	7,268	—	7,268
Materials, energy and consumables used		(1,592)	—	(1,592)	(1,792)	—	(1,792)	(3,449)	—	(3,449)
Variable selling expenses		(294)	—	(294)	(282)	—	(282)	(549)	—	(549)
Gross margin		1,566	—	1,566	1,697	—	1,697	3,270	—	3,270
Maintenance and other indirect expenses		(149)	—	(149)	(171)	—	(171)	(363)	—	(363)
Personnel costs		(548)	(5)	(553)	(546)	—	(546)	(1,072)	40	(1,032)
Other net operating expenses		(131)	(2)	(133)	(86)	—	(86)	(177)	(1)	(178)
EBITDA		738	(7)	731	894	—	894	1,658	39	1,697
Depreciation, amortisation and impairments		(214)	1	(213)	(215)	—	(215)	(435)	(41)	(476)
Operating profit		524	(6)	518	679	—	679	1,223	(2)	1,221
Net loss from equity accounted investees		(1)	—	(1)	—	—	—	—	—	—
Investment income	7	3	—	3	4	—	4	8	—	8
Foreign currency losses	7	—	—	—	(1)	—	(1)	(3)	—	(3)
Finance costs	7	(54)	—	(54)	(48)	(2)	(50)	(109)	(14)	(123)
Profit before tax		472	(6)	466	634	(2)	632	1,119	(16)	1,103
Tax (charge)/credit	8	(107)	1	(106)	(146)	—	(146)	(257)	—	(257)
Profit for the period		365	(5)	360	488	(2)	486	862	(16)	846
Attributable to:										
Non-controlling interests		11	—	11	22	—	22	33	1	34
Shareholders		354	(5)	349	466	(2)	464	829	(17)	812
Earnings per share (EPS) attributable to shareholders										
euro cents										
Basic EPS	9			72.0			95.8			167.6
Diluted EPS	9			72.0			95.7			167.6
Basic underlying EPS	9			73.0			96.2			171.1
Diluted underlying EPS	9			73.0			96.2			171.1

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2020

€ million	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Profit for the period	360	486	846
Items that have been or may subsequently be reclassified to the condensed consolidated income statement			
Cash flow hedges	4	(4)	(4)
Exchange differences on translation of foreign operations	(290)	102	143
Items that will not subsequently be reclassified to the condensed consolidated income statement			
Remeasurements of retirement benefits plans	1	(32)	(21)
Tax effect thereof	—	4	3
Other comprehensive (expense)/income for the period	(285)	70	121
Total comprehensive income for the period	75	556	967
Attributable to:			
Non-controlling interests	4	13	25
Shareholders	71	543	942

Condensed consolidated statement of financial position
as at 30 June 2020

€ million	Notes	(Reviewed)	(Reviewed)	(Audited)
		As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
Property, plant and equipment		4,614	4,520	4,800
Goodwill		931	946	948
Intangible assets		72	82	81
Forestry assets	11	342	391	411
Other non-current assets		106	96	111
Total non-current assets		6,065	6,035	6,351
Inventories		971	1,035	984
Trade and other receivables		1,172	1,255	1,111
Cash and cash equivalents	15b	669	78	74
Other current assets		25	36	20
Total current assets		2,837	2,404	2,189
Total assets		8,902	8,439	8,540
Short-term borrowings	13	(660)	(318)	(780)
Trade and other payables		(1,073)	(1,159)	(1,143)
Other current liabilities		(119)	(160)	(157)
Total current liabilities		(1,852)	(1,637)	(2,080)
Medium and long-term borrowings	13	(2,059)	(2,101)	(1,496)
Net retirement benefits liability	14	(213)	(265)	(225)
Deferred tax liabilities		(269)	(270)	(301)
Other non-current liabilities		(49)	(58)	(53)
Total non-current liabilities		(2,590)	(2,694)	(2,075)
Total liabilities		(4,442)	(4,331)	(4,155)
Net assets		4,460	4,108	4,385
Equity				
Share capital		97	542	97
Retained earnings and other reserves		3,990	3,215	3,918
Total attributable to shareholders		4,087	3,757	4,015
Non-controlling interests in equity		373	351	370
Total equity		4,460	4,108	4,385

The Group's condensed consolidated financial statements, and related notes 1 to 20, were approved by the Board and authorised for issue on 5 August 2020 and were signed on its behalf by:

Philip Yea
Chair

Andrew King
Director

Mondi plc company registered number:

6209386

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2020

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2019 (Audited)	3,485	340	3,825
Total comprehensive income for the period	543	13	556
Dividends	(264)	(2)	(266)
Purchases of treasury shares	(12)	—	(12)
Other	5	—	5
At 30 June 2019 (Reviewed)	3,757	351	4,108
Total comprehensive income for the period	399	12	411
Dividends	(132)	(1)	(133)
Issue of ordinary shares, net of expenses	(6)	—	(6)
Other	(3)	8	5
At 31 December 2019 (Audited)	4,015	370	4,385
Total comprehensive income for the period	71	4	75
Dividends	—	(1)	(1)
Purchases of treasury shares	(6)	—	(6)
Other	7	—	7
At 30 June 2020 (Reviewed)	4,087	373	4,460

Equity attributable to shareholders	(Reviewed)	(Reviewed)	(Audited)
€ million	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
Share capital	97	542	97
Treasury shares	(19)	(21)	(25)
Retained earnings	4,313	3,784	3,963
Cumulative translation adjustment reserve	(963)	(718)	(680)
Post-retirement benefits reserve	(51)	(94)	(52)
Merger reserve	667	259	667
Other reserves	43	5	45
Total	4,087	3,757	4,015

Condensed consolidated statement of cash flows
for the six months ended 30 June 2020

€ million	Notes	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Cash flows from operating activities				
Cash generated from operations	15a	602	737	1,635
Dividends received from other investments		—	—	1
Income tax paid		(111)	(167)	(248)
Net cash generated from operating activities		491	570	1,388
Cash flows from investing activities				
Investment in property, plant and equipment		(336)	(339)	(757)
Investment in forestry assets	11	(22)	(23)	(48)
Investment in equity accounted investees		—	(6)	(5)
Proceeds from the disposal of businesses, net of cash and cash equivalents		—	—	20
Other investing activities		1	(4)	(4)
Net cash used in investing activities		(357)	(372)	(794)
Cash flows from financing activities				
Proceeds from Eurobonds		744	—	—
Proceeds from medium and long-term borrowings		—	98	—
Repayment of medium and long-term borrowings		(100)	—	(48)
Net (repayment)/proceeds from short-term borrowings		(129)	2	(20)
Repayment of lease liabilities		(13)	(11)	(23)
Interest paid		(45)	(42)	(96)
Transaction costs relating to the issue of share capital		—	—	(6)
Dividends paid to shareholders	10	—	(264)	(396)
Dividends paid to non-controlling interests		(1)	(2)	(3)
Purchases of treasury shares		(6)	(12)	(12)
Financing special item		—	(1)	(14)
Net cash inflow from derivatives		34	—	3
Other financing activities		2	—	5
Net cash generated from/(used in) financing activities		486	(232)	(610)
Net increase/(decrease) in cash and cash equivalents		620	(34)	(16)
Cash and cash equivalents at beginning of period		(7)	8	8
Cash movement in the period	15c	620	(34)	(16)
Effects of changes in foreign exchange rates	15c	(7)	—	1
Cash and cash equivalents at end of period	15b	606	(26)	(7)

Notes to the condensed consolidated financial statements

for the six months ended 30 June 2020

1 Basis of preparation

These condensed consolidated financial statements as at and for the six months ended 30 June 2020 comprise Mondi plc and its subsidiaries (referred to as the 'Group'), and the Group's share of the results and net assets of its associates and joint ventures.

The Group's condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, 'Interim Financial Reporting'. They should be read in conjunction with the Group's Integrated report and financial statements 2019, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Article 4 of the IAS Regulation, with no material difference to IFRS as issued by the International Accounting Standards Board (IASB).

The condensed consolidated financial statements have been prepared on a going concern basis as discussed in the commentary under the heading 'Going concern' on page 9.

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 2019 has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments, forestry assets and post retirement benefit assets.

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

In preparing these condensed consolidated financial statements, the judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were largely the same as those that applied to the Group's Integrated report and financial statements 2019, with the exception of changes in estimates that are required in determining the provision for income taxes for an interim period.

Impact of COVID-19 on the condensed consolidated financial statements at 30 June 2020

Management has considered the impact of the COVID-19 pandemic on the judgements and estimates it has to exercise in applying its accounting policies. This has included its assessment of the risk of impairment of assets held by the Group as a result of an increased level of macroeconomic uncertainty and the associated impact on both recent and forecast trading performance.

Impairment tests of goodwill are performed at least annually and for other assets when indications of impairment are identified. As required by IAS 36, 'Impairment of Assets', management assessed whether any indicators of impairment existed as at 30 June 2020 in relation to either the Group's goodwill or any of the Group's other assets, in particular property, plant and equipment.

Given the results in the period and related macroeconomic uncertainty created by COVID-19, indicators of impairment were identified and, therefore, impairment tests were performed related to the goodwill associated with the Engineered Materials and Uncoated Fine Paper business units, with goodwill balances as at 30 June 2020 of €214 million and €31 million respectively. In addition, a number of other impairment tests were performed at CGUs related to the property, plant and equipment held at certain individual plants and mills.

The impairment tests were performed using value-in-use calculations for each CGU in relation to property, plant and equipment or group of CGUs in relation to goodwill. There has been no change in the identification of CGUs in the period.

Discount rates and medium-term growth rates are key assumptions on which management has based its cash flow projections in its impairment testing. The pre-tax discount rates used for impairment testing of goodwill ranged from 8.4% to 11.3% (31 December 2019: 9.1% to 11.4%).

The cash flow projections are derived from the latest management forecast prepared in June 2020 and covering the period to 31 December 2022. The key assumptions reflected in the cash flow forecasts include sales volumes, sales prices and variable input cost assumptions derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance, and announced and expected industry capacity changes.

Cash flow projections for the next seven years beyond 31 December 2022 are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates, and were between 0.0% and 2.0% (31 December 2019: 0.0% and 1.6%) for impairment tests of goodwill. Growth rates between 0.0% and 2.0% (31 December 2019: 0.0%) were assumed thereafter into perpetuity.

No impairment was identified from the tests performed. The directors do not believe that a reasonably possible change in key assumptions could result in an impairment of goodwill or give rise to a significant risk of a material adjustment to the carrying value of the non-financial assets of any individual CGU in the next twelve months.

In addition, expected credit losses for the Group's trade debtors and the net realisable value of inventory have been reassessed. No material adjustments have been made in relation to these estimates in the six months ended 30 June 2020.

2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed consolidated financial statements for the six months ended 30 June 2020 as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except as follows:

- A number of amendments to IFRS became effective for the financial period beginning on 1 January 2020, but the Group did not have to change its accounting policies or make any retrospective adjustments as a result of adopting these new standards.
- Consistent with previous half year reports, taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profits or losses.

Alternative Performance Measures

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

3 Seasonality

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

4 Operating segments

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

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

Six months ended 30 June 2020 (reviewed)

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

Note:

1 Presented on a full time employee equivalent basis

4 Operating segments (continued)

Six months ended 30 June 2019 (reviewed)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,045	1,394	518	913	—	(99)	3,771
Internal revenue	(15)	(36)	(24)	(24)	—	99	—
External revenue	1,030	1,358	494	889	—	—	3,771
Underlying EBITDA	297	304	56	254	(17)	—	894
Depreciation and impairments	(59)	(69)	(14)	(59)	—	—	(201)
Amortisation	(3)	(6)	(4)	(1)	—	—	(14)
Underlying operating profit/(loss)	235	229	38	194	(17)	—	679
Special items	—	—	—	—	(2)	—	(2)
Operating segment assets	2,291	3,083	780	2,024	4	(82)	8,100
Operating segment net assets	2,032	2,589	674	1,663	1	—	6,959
Trailing 12-month average capital employed	1,834	2,286	637	1,229	(91)	—	5,895
Additions to non-current non-financial assets	81	123	11	110	—	—	325
Capital expenditure cash payments	93	131	12	103	—	—	339
<i>Underlying EBITDA margin (%)</i>	28.4	21.8	10.8	27.8	—	—	23.7
<i>Return on capital employed (%)</i>	30.2	15.5	11.4	34.2	—	—	23.2
Average number of employees (thousands) ¹	6.7	10.5	2.4	6.3	0.1	—	26.0

Year ended 31 December 2019 (audited)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,014	2,708	979	1,758	—	(191)	7,268
Internal revenue	(30)	(71)	(45)	(45)	—	191	—
External revenue	1,984	2,637	934	1,713	—	—	7,268
Underlying EBITDA	583	543	122	444	(34)	—	1,658
Depreciation and impairments	(118)	(142)	(28)	(118)	(1)	—	(407)
Amortisation	(6)	(12)	(8)	(2)	—	—	(28)
Underlying operating profit/(loss)	459	389	86	324	(35)	—	1,223
Special items	—	(4)	—	2	(14)	—	(16)
Operating segment assets	2,407	3,094	723	2,082	7	(117)	8,196
Operating segment net assets	2,166	2,603	612	1,758	(7)	—	7,132
Trailing 12-month average capital employed	1,846	2,485	622	1,290	(81)	—	6,162
Additions to non-current non-financial assets	275	256	37	310	—	—	878
Capital expenditure cash payments	257	248	32	220	—	—	757
<i>Underlying EBITDA margin (%)</i>	28.9	20.1	12.5	25.3	—	—	22.8
<i>Return on capital employed (%)</i>	24.9	15.7	13.8	25.1	—	—	19.8
Average number of employees (thousands) ¹	6.7	10.4	2.4	6.3	0.1	—	25.9

Note:

1 Presented on a full time employee equivalent basis

4 Operating segments (continued)

€ million	External revenue by location of production			External revenue by location of customer		
	(Reviewed)	(Reviewed)	(Audited)	(Reviewed)	(Reviewed)	(Audited)
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Africa						
South Africa	217	260	539	157	199	402
Rest of Africa	28	18	50	138	151	289
Africa total	245	278	589	295	350	691
Western Europe						
Austria	555	588	1,097	72	78	150
Germany	391	444	856	447	494	939
United Kingdom	21	23	43	90	109	205
Rest of western Europe	335	381	720	715	759	1,437
Western Europe total	1,302	1,436	2,716	1,324	1,440	2,731
Emerging Europe						
Czech Republic	276	289	536	90	94	184
Poland	492	554	1,059	277	315	599
Rest of emerging Europe	428	478	891	407	426	829
Emerging Europe total	1,196	1,321	2,486	774	835	1,612
Russia	422	445	889	324	362	707
North America	252	245	490	387	388	757
South America	—	—	—	54	51	112
Asia and Australia	35	46	98	294	345	658
Group total	3,452	3,771	7,268	3,452	3,771	7,268

Reconciliation of operating segment assets

€ million	(Reviewed)		(Reviewed)		(Audited)	
	As at 30 June 2020		As at 30 June 2019		As at 31 December 2019	
	Segment assets	Segment net assets	Segment assets	Segment net assets	Segment assets	Segment net assets
Group total	7,961	6,947	8,100	6,959	8,196	7,132
Unallocated						
Investment in equity accounted investees	12	12	14	14	14	14
Deferred tax assets/(liabilities)	44	(225)	46	(224)	49	(252)
Other non-operating assets/(liabilities) ¹	198	(235)	195	(283)	204	(302)
Group capital employed	8,215	6,499	8,355	6,466	8,463	6,592
Financial instruments/(net debt)	687	(2,039)	84	(2,358)	77	(2,207)
Total assets/equity	8,902	4,460	8,439	4,108	8,540	4,385

Note:

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

The financial instruments segment assets as at 30 June 2020 include funds from the €750 million Eurobond issued in April 2020 that have been placed on short-term deposit.

5 Special items

€ million	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Operating special items			
Impairment of assets	—	—	(42)
Reversal of impairment of assets	1	—	1
Restructuring and closure costs:			
Personnel costs	(5)	—	(1)
Other restructuring and closure costs	(1)	—	4
Third party contribution relating to the Group's Austrian health insurance fund	—	—	41
Provision relating to the 2012 Nordenia acquisition	(1)	—	(5)
Total operating special items	(6)	—	(2)
Financing special item			
Simplification of corporate structure	—	(2)	(14)
Total special items before tax	(6)	(2)	(16)
Tax credit (see note 8)	1	—	—
Total special items	(5)	(2)	(16)
Attributable to:			
Non-controlling interests	—	—	1
Shareholders	(5)	(2)	(17)

The special items during the period comprised:

- Flexible Packaging
 - Closure of two consumer flexibles plants in the UK. Additional restructuring and closure costs of €6 million and related reversal of impairment of assets of €1 million were recognised. These costs are a continuation of the special item from prior year with total costs expected to exceed €10 million.
 - Additional costs of €1 million for the settlement of a claim relating to the 2012 Nordenia acquisition were recognised. The costs relate to a special item from prior years.

The operating special items resulted in a cash outflow for the six months ended 30 June 2020 of €15 million (six months ended 30 June 2019: €15 million; year ended 31 December 2019: €22 million).

6 Write-down of inventories to net realisable value

€ million	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Write-down of inventories to net realisable value	(31)	(18)	(37)
Aggregate reversal of previous write-downs of inventories	18	9	21

7 Net finance costs

€ million	(Reviewed)	(Reviewed)	(Audited)
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Investment income	3	4	8
Net foreign currency losses	—	(1)	(3)
Finance costs			
Interest expense			
Interest on bank overdrafts and loans	(45)	(40)	(90)
Interest expense from lease liability	(6)	(7)	(13)
Net interest expense on net retirement benefits liability	(3)	(4)	(9)
Total interest expense	(54)	(51)	(112)
Less: Interest capitalised	—	3	3
Total finance costs	(54)	(48)	(109)
Net finance costs before special item	(51)	(45)	(104)
Financing special item			
Simplification of corporate structure	—	(2)	(14)
Net finance costs after special item	(51)	(47)	(118)

Net interest expense, as defined at the end of this document, for the six months ended 30 June 2020 was €48 million (six months ended 30 June 2019: €43 million; year ended 31 December 2019: €95 million).

8 Tax charge

The Group's effective rate of tax before special items for the six months ended 30 June 2020 was 23% (six months ended 30 June 2019: 23%; year ended 31 December 2019: 23%).

€ million	(Reviewed)	(Reviewed)	(Audited)
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
UK corporation tax at 19% (2019: 19%)	1	1	1
Overseas tax	96	127	218
Current tax in respect of prior periods	1	(1)	(1)
Current tax	98	127	218
Deferred tax in respect of the current period	12	19	47
Deferred tax in respect of prior periods	(3)	—	(8)
Tax charge before special items	107	146	257
Current tax on special items	—	—	(1)
Deferred tax on special items	(1)	—	1
Tax credit on special items (see note 5)	(1)	—	—
Tax charge for the period	106	146	257

9 Earnings per share (EPS)

euro cents	EPS attributable to shareholders		
	(Reviewed)	(Reviewed)	(Audited)
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Basic EPS	72.0	95.8	167.6
Diluted EPS	72.0	95.7	167.6
Basic underlying EPS	73.0	96.2	171.1
Diluted underlying EPS	73.0	96.2	171.1
Basic headline EPS	71.6	95.6	172.5
Diluted headline EPS	71.6	95.5	172.5

9 Earnings per share (EPS) (continued)

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

€ million	Earnings		
	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Profit for the period attributable to shareholders	349	464	812
Special items (see note 5)	6	2	17
Related tax (see note 5)	(1)	—	—
Underlying earnings for the period	354	466	829
Special items not excluded from headline earnings	(6)	(2)	25
Gain from disposal of property, plant and equipment	(2)	(2)	(2)
Net gain on disposal of businesses	—	—	(9)
Impairments not included in special items	—	1	2
Related tax	1	—	(9)
Headline earnings for the period	347	463	836
	Weighted average number of shares		
	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
million			
Basic number of ordinary shares outstanding	484.8	484.5	484.6
Effect of dilutive potential ordinary shares	—	0.1	—
Diluted number of ordinary shares outstanding	484.8	484.6	484.6

10 Dividends

The Board has declared a dividend of 29.75 euro cents per ordinary share relating to 2019. Furthermore, the Board has declared a 2020 interim ordinary dividend of 19.00 euro cents per ordinary share. Both dividends will be paid as interim dividends on Tuesday 29 September 2020 to those shareholders on the register of Mondi plc on Friday 21 August 2020. The dividends will be paid from distributable reserves of Mondi plc, as presented in the annual financial statements for the year ended 31 December 2019.

euro cents per share	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Final ordinary dividend paid (in respect of prior year)	—	54.55	54.55
Interim ordinary dividend paid			27.28
Dividend relating to the 2019 financial year declared for the six months ended 30 June	29.75		
Interim ordinary dividend declared for the six months ended 30 June	19.00	27.28	

Subsequent to the release of the results for the year ended 31 December 2019 the Board decided to suspend the recommendation to pay a final dividend for the year ended 31 December 2019 due to the uncertainty of the effects of COVID-19 on the Group's business and outlook.

€ million	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Final ordinary dividend paid (in respect of prior year)	—	264	264
Interim ordinary dividend paid			132
Total ordinary dividends paid	—	264	396
Dividend relating to the 2019 financial year declared for the six months ended 30 June	144		
Interim ordinary dividend declared for the six months ended 30 June	92	132	
Declared by Group companies to non-controlling interests	1	2	3

10 Dividends (continued)

Dividend timetable

The dividend of 29.75 euro cents per ordinary share relating to 2019 and the 2020 interim ordinary dividend of 19.00 euro cents per ordinary share, will both be paid as interim dividends in accordance with the following timetable:

Last date to trade shares cum-dividend	
JSE Limited	Tuesday 18 August 2020
London Stock Exchange	Wednesday 19 August 2020
Shares commence trading ex-dividend	
JSE Limited	Wednesday 19 August 2020
London Stock Exchange	Thursday 20 August 2020
Record date	Friday 21 August 2020
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	
	Thursday 27 August 2020
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries:	
South African Register	Friday 28 August 2020
UK Register	Monday 7 September 2020
Payment Date	Tuesday 29 September 2020
DRIP purchase settlement dates (subject to market conditions and the purchase of shares in the open market):	
UK Register	Thursday 1 October 2020
South African Register	Monday 5 October 2020
Currency conversion dates	
ZAR/euro	Thursday 6 August 2020
Euro/sterling	Tuesday 15 September 2020

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 19 August 2020 and Friday 21 August 2020, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between Wednesday 12 August 2020 and Friday 21 August 2020, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi plc shareholders on the South African branch register will be announced separately, together with the ZAR/euro exchange rate to be applied, on or shortly after Thursday 6 August 2020.

11 Forestry assets

€ million	(Reviewed)	(Reviewed)	(Audited)
	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
At 1 January	411	340	340
Investment in forestry assets	22	23	48
Fair value gains	19	52	71
Felling costs	(32)	(31)	(64)
Currency movements	(78)	7	16
At 30 June / 31 December	342	391	411

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 18), consistent with prior years. The fair value of forestry assets continues to be determined using a market approach.

12 Leases

The Group has entered into various lease agreements. The Group's right-of-use assets were €166 million as at 30 June 2020 (€148 million as at 30 June 2019; €184 million as at 31 December 2019) and the related depreciation charge was €12 million for the six months ended 30 June 2020 (six months ended 30 June 2019: €13 million; year ended 31 December 2019: €25 million).

13 Borrowings

Financing facilities

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

€ million	Maturity	Interest rate %	(Reviewed)	(Reviewed)	(Audited)
			As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
Financing facilities					
Syndicated Revolving Credit Facility	July 2021/2022 ¹	EURIBOR/LIBOR + margin	750	750	750
€500 million Eurobond	September 2020	3.375%	500	500	500
€500 million Eurobond	April 2024	1.500%	500	500	500
€600 million Eurobond	April 2026	1.625%	600	600	600
€750 million Eurobond	April 2028	2.375%	750	—	—
European Investment Bank Facility	June 2025	EURIBOR + margin	48	57	52
Export Credit Agency Facility	June 2020	EURIBOR + margin	—	5	2
Other	Various	Various	69	65	72
Total committed facilities			3,217	2,477	2,476
Drawn			(2,412)	(1,954)	(1,816)
Total committed facilities available			805	523	660

Note

¹ €75 million of the Syndicated Revolving Credit Facility is due in July 2021

In February 2020 the Group entered into a €250 million debt facility maturing in August 2021, which was subsequently cancelled upon the issuance of a €750 million Eurobond, as described below.

In April 2020 the Group issued a €750 million Eurobond maturing in 2028 at a coupon rate of 2.375% per annum. The Eurobond has been issued under the Group's Guaranteed Euro Medium Term Note Programme.

In April 2020 the Group extended the maturity of €675 million of the €750 million Syndicated Revolving Credit Facility by one year to July 2022.

The €500 million Eurobond maturing in 2020 contains a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if the Group 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 (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable).

€ million	(Reviewed) As at 30 June 2020			(Reviewed) As at 30 June 2019			(Audited) As at 31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Secured									
Bank loans and overdrafts	3	—	3	5	—	5	—	—	—
Lease liabilities	21	175	196	20	165	185	25	193	218
Secured	24	175	199	25	165	190	25	193	218
Unsecured									
Bonds	500	1,838	2,338	—	1,593	1,593	500	1,094	1,594
Bank loans and overdrafts	134	40	174	286	337	623	250	204	454
Other loans	2	6	8	7	6	13	5	5	10
Total unsecured	636	1,884	2,520	293	1,936	2,229	755	1,303	2,058
Total borrowings	660	2,059	2,719	318	2,101	2,419	780	1,496	2,276
Committed facilities drawn			2,412			1,954			1,816
Uncommitted facilities drawn			307			465			460

14 Retirement benefits

All assumptions related to the Group's material defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually and the remaining defined benefit schemes and unfunded statutory retirement obligations were re-assessed in aggregate for the six months ended 30 June 2020. Due to changes in assumptions and exchange rate movements, the net retirement benefits liability decreased by €12 million to €213 million as at 30 June 2020 (31 December 2019: €225 million) and the net retirement benefits asset increased by €3 million to €20 million as at 30 June 2020 (31 December 2019: €17 million). The assets backing the defined benefit scheme liabilities reflect their market values as at 30 June 2020. Net remeasurement gains arising from changes in assumptions amounting to €1 million before tax have been recognised in the condensed consolidated statement of comprehensive income.

15 Consolidated cash flow analysis

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

€ million	(Reviewed) Six months ended 30 June 2020	(Reviewed) Six months ended 30 June 2019	(Audited) Year ended 31 December 2019
Profit before tax	466	632	1,103
Depreciation and amortisation	214	214	433
Impairment of property, plant and equipment and intangible assets (not included in special items)	—	1	2
Net effect of current and prior period operating special items	(9)	(13)	(6)
Net finance costs after financing special item	51	47	104
Decrease in provisions and net retirement benefits	(10)	(19)	(23)
Movement in working capital	(133)	(104)	35
Fair value gains on forestry assets	(19)	(52)	(71)
Felling costs	32	31	64
Profit on disposal of property, plant and equipment	(2)	(2)	(2)
Net gain on disposal of businesses	—	—	(9)
Other adjustments	12	2	5
Cash generated from operations	602	737	1,635

(b) Cash and cash equivalents

€ million	(Reviewed) As at 30 June 2020	(Reviewed) As at 30 June 2019	(Audited) As at 31 December 2019
Cash and cash equivalents per condensed consolidated statement of financial position ¹	669	78	74
Bank overdrafts included in short-term borrowings	(63)	(104)	(81)
Cash and cash equivalents per condensed consolidated statement of cash flows	606	(26)	(7)

Note:

¹ Cash and cash equivalents as at 30 June 2020 include funds from the €750 million Eurobond issued in April 2020 that have been placed on short-term deposit

15 Consolidated cash flow analysis (continued)

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total net debt
At 1 January 2019 (Audited)	8	1	(224)	(2,002)	(3)	(2,220)
Cash flow	(34)	—	9	(98)	—	(123)
Additions to lease liabilities	—	—	(3)	(8)	—	(11)
Disposal of lease liabilities	—	—	2	6	—	8
Movement in unamortised loan costs	—	—	—	(1)	—	(1)
Net movement in derivative financial instruments	—	—	—	—	(15)	(15)
Reclassification	—	—	(6)	6	—	—
Currency movements	—	—	8	(4)	—	4
At 30 June 2019 (Reviewed)	(26)	1	(214)	(2,101)	(18)	(2,358)
Cash flow	18	—	34	146	—	198
Additions to lease liabilities	—	—	(7)	(40)	—	(47)
Disposal of lease liabilities	—	—	—	3	—	3
Disposal of businesses	—	—	1	—	—	1
Movement in unamortised loan costs	—	—	—	(1)	—	(1)
Net movement in derivative financial instruments	—	—	—	—	12	12
Reclassification	—	—	(511)	511	—	—
Currency movements	1	—	(2)	(14)	—	(15)
At 31 December 2019 (Audited)	(7)	1	(699)	(1,496)	(6)	(2,207)
Cash flow	620	—	142	(644)	—	118
Additions to lease liabilities	—	—	(2)	(7)	—	(9)
Disposal of lease liabilities	—	—	2	—	—	2
Movement in unamortised loan costs	—	—	—	(1)	—	(1)
Net movement in derivative financial instruments	—	—	—	—	16	16
Reclassification	—	—	(49)	49	—	—
Currency movements	(7)	—	9	40	—	42
At 30 June 2020 (Reviewed)	606	1	(597)	(2,059)	10	(2,039)

15 Consolidated cash flow analysis (continued)

(d) Cash flow generation

€ million	(Reviewed)	(Reviewed)	(Audited)
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Net cash generated from operating activities	491	570	1,388
Investing activities	(21)	(25)	(50)
Net cash used in investing activities	(357)	(372)	(794)
Investment in property, plant and equipment	336	339	757
Investment in equity accounted investees	—	6	5
Proceeds from the disposal of businesses, net of cash and cash equivalents	—	—	(20)
Acquisition of businesses, net of cash and cash equivalents	—	2	2
Financing activities	(16)	(57)	(123)
Interest paid	(45)	(42)	(96)
Dividends paid to non-controlling interests	(1)	(2)	(3)
Purchases of treasury shares	(6)	(12)	(12)
Transaction costs relating to the issue of share capital	—	—	(6)
Financing special item	—	(1)	(14)
Net cash inflow from derivatives	34	—	3
Other financing activities	2	—	5
Cash flow generation	454	488	1,215

16 Capital commitments

Capital commitments are based on capital projects approved to date and the budget approved by the Board as adjusted by the recent review of capital expenditures. Capital expenditure for 2020 is expected to be in the range of €600-€650 million. These capital projects are expected to be financed from existing cash resources and borrowing facilities.

17 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 30 June 2020 of €3 million (as at 30 June 2019: €6 million; as at 31 December 2019: €3 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's condensed consolidated statement of financial position for all periods presented.

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

18 Fair value measurement

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

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

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 11.

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

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

18 Fair value measurement (continued)

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 fair values of the Group's commodity price derivatives are calculated 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 below, the directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements are approximately equal to their fair values.

€ million	Carrying amount			Fair value		
	(Reviewed)	(Reviewed)	(Audited)	(Reviewed)	(Reviewed)	(Audited)
	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
Financial liabilities						
Borrowings	2,719	2,419	2,276	2,824	2,495	2,343

At 30 June 2020, the fair value of level 2 derivative financial assets is €19 million (as at 30 June 2019: €9 million; as at 31 December 2019: €5 million), whereas the fair value of derivative financial liabilities is €6 million (as at 30 June 2019: €21 million; as at 31 December 2019: €9 million).

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. The level of these transactions is consistent with prior year.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation. There have been no significant changes to the related parties as disclosed in note 28 of the Group's Integrated report and financial statements 2019.

20 Events occurring after 30 June 2020

With the exception of the interim dividend declared for the six months ended 30 June 2020 (see note 10), there have been no material reportable events since 30 June 2020.

Production statistics

		Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
Containerboard	000 tonnes	1,304	1,234	2,524
Kraft paper	000 tonnes	595	622	1,162
Uncoated fine paper	000 tonnes	706	770	1,526
Newsprint	000 tonnes	86	104	201
Pulp	000 tonnes	2,322	2,182	4,387
Internal consumption	000 tonnes	1,987	1,964	3,883
Market pulp	000 tonnes	335	218	504
Corrugated solutions	million m ²	855	816	1,653
Paper bags	million units	2,701	2,683	5,228
Consumer flexibles	million m ²	1,340	1,272	2,457
Engineered materials	million m ²	2,668	2,858	5,506

Exchange rates

versus euro	Average			Closing		
	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
South African rand	18.31	16.04	16.18	19.44	16.12	15.78
Czech koruna	26.33	25.68	25.67	26.74	25.45	25.41
Polish zloty	4.41	4.29	4.30	4.46	4.25	4.26
Pounds sterling	0.87	0.87	0.88	0.91	0.90	0.85
Russian rouble	76.67	73.75	72.45	79.63	71.60	69.96
Turkish lira	7.15	6.35	6.36	7.68	6.57	6.68
US dollar	1.10	1.13	1.12	1.12	1.14	1.12

Alternative Performance Measures (APMs)

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

The most significant APMs are:

Special items (note 5)

Those financial items which the Group considers should be separately disclosed on the face of the condensed consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Such items are generally material by nature and exceed €10 million and the Group, therefore, excludes these items when reporting underlying earnings and related measures in order to provide a measure of the underlying performance of the Group on a basis that is comparable from year to year. Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.

Underlying EBITDA (condensed consolidated income statement)

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

Underlying EBITDA margin (note 4)

Underlying EBITDA expressed as a percentage of revenue provides a measure of the cash generating ability relative to revenue.

Underlying operating profit (condensed consolidated income statement)

Operating profit before special items. Underlying operating profit provides a measure of operating performance that is comparable from year to year.

Underlying operating profit margin

Underlying operating profit expressed as a percentage of revenue provides a measure of the profitability of the operations relative to revenue.

Underlying profit before tax (condensed consolidated income statement)

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

Underlying earnings (and per share measure) (note 9)

Net profit after tax attributable to shareholders, before special items. Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's earnings that is comparable from year to year.

Headline earnings (and per share measure) (note 9)

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

Return on capital employed (ROCE) (note 4)

Trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed. ROCE provides a measure of the efficient and effective use of capital in the business.

Capital employed (and related trailing 12-month average capital employed) (note 4)

Capital employed comprises equity, non-controlling interests in equity and net debt providing a measure of the level of invested capital in the business. Trailing 12-month average capital employed is the average capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production.

Net debt (note 15c)

A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents, net of overdrafts, and current financial asset investments. Net debt provides a measure of the Group's net indebtedness or overall leverage.

Operating segment assets and operating segment net assets (note 4)

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

Working capital as a percentage of revenue

Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue. A measure of the Group's effective use of working capital relative to revenue.

Net interest expense (note 7)

Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income providing an absolute measure of the cost of borrowings.

Effective interest rate

Annualised net interest expense expressed as a percentage of trailing average net debt over the period provides a measure of the cost of borrowings.

Effective tax rate (note 8)

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

Net debt to 12-month trailing underlying EBITDA

Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability.

Gearing

Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group.

Ordinary dividend cover

Basic underlying EPS divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to its deployment towards ordinary dividend payments.

Cash flow generation (note 15d)

A measurement of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in equity accounted investees and payment of dividends to shareholders. Cash flow generation is a measure of the Group's ability to generate cash through the cycle before considering deployment of such cash.

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.

Editors' notes

Mondi is a global leader in packaging and paper, contributing to a better world by making innovative packaging and paper solutions that are sustainable by design. Our business is fully integrated across the value chain – from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective industrial and consumer packaging solutions. Sustainability is at the centre of our strategy and intrinsic in the way we do business. We lead the industry with our customer- centric approach, EcoSolutions, where we ask the right questions to find the most sustainable solution. In 2019, Mondi had revenues of €7.27 billion and underlying EBITDA of €1.66 billion.

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

Sponsor in South Africa: UBS South Africa Proprietary Limited.