

Mondi plc

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

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

4 August 2022

Results for the six months ended 30 June 2022

Highlights

- **Strong performance across the business**
 - Margin expansion in all continuing businesses, supported by good selling price realisation and solid operating performance in challenging conditions
 - Key capital investments contributing to performance
 - Underlying EBITDA from continuing operations (excluding Russian operations) of €942 million, up 66% year-on-year
 - Total EBITDA including discontinued Russian operations (prior to special items) of €1,170 million, up 65% year-on-year
- **Around €1 billion of expansionary projects underway, approved or under advanced evaluation – capturing growth in our packaging markets, building on our leading market positions and adding to our strong track record of disciplined capital allocation**
- **Completed sale of the Personal Care Components business for an enterprise value of €615 million, delivering greater focus**
- **Process to dispose Russian operations ongoing - now reported as discontinued operations held for sale**
- **Continued progress on sustainability roadmap, Mondi Action Plan 2030 (MAP2030)**
- **Balance sheet at 0.8x net debt to underlying EBITDA (continuing operations)**
- **Interim dividend declared of 21.67 euro cents per share, up 8% year-on-year**
- **Well-positioned for the future, with unique portfolio of leading sustainable packaging solutions, cost-advantaged asset base, culture of continuous improvement and strong financial position**

Financial summary

As at 30 June 2022, the Group's operations in Russia are reported as discontinued operations held for sale.

€ million, except for percentages and per share measures	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 31 December 2021
From continuing operations (excluding Russian operations)			
Group revenue	4,505	3,283	3,691
Underlying EBITDA ¹	942	566	591
Profit before tax	933	354	358
Cash generated from operations	519	407	594
Basic underlying earnings per share ¹ (euro cents)	98.7	53.4	56.7
Basic earnings per share (euro cents)	148.4	54.4	57.6
Interim dividend per share (euro cents)	21.67	20.00	
Underlying EBITDA margin ¹	20.9%	17.2%	16.0%
Return on capital employed (ROCE) ¹	19.2%	12.8%	13.9%
Net debt ¹	1,220	1,926	1,689
From continuing and discontinued operations (including Russian operations)			
Total EBITDA (prior to special items) ¹	1,170	709	794
Basic total earnings per share (prior to special items) ¹ (euro cents)	129.3	70.7	83.3
Return on capital employed (ROCE) ¹	22.5%	14.8%	16.9%

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, are reconciled to IFRS measures in the notes to the condensed consolidated financial statements.

Andrew King, Mondi Group Chief Executive Officer, said:

"Performance was strong across the Group in the first half of 2022, with underlying EBITDA from continuing operations of €942 million, up 66% year-on-year. Our vertical integration, the agility of our organisation and strong collaboration with our customers ensured we delivered at a time when supply chains continued to be disrupted around the world. We achieved strong price realisation while maintaining tight cost control against a backdrop of strong inflationary pressures.

My sincere thanks goes to the teams across Mondi for their dedication and ongoing commitment, delivering so strongly in these challenging times.

Sustainable packaging continues to be a key priority for our customers and wider society. We are well placed to support our customers to achieve their environmental goals with circular driven solutions that are sustainable by design, a unique product portfolio, superior technical know-how, expertise in understanding the best material choices and leading innovation capabilities.

Our capital investments continue to generate value-accretive growth, enhance our cost competitiveness and drive sustainability benefits. We have an ambitious expansionary capital investment programme to further capture growth in our packaging markets, building on our leading market positions and long track record of disciplined capital allocation. Our pipeline currently includes around €1 billion of expansionary projects in our continuing operations already approved or under advanced evaluation, which we anticipate will generate mid-teen returns when in full operation. We continue to actively consider further capital investments for growth in the packaging markets in which we operate.

We are pleased to have completed the sale of the Personal Care Components business to Nitto ahead of schedule. This enables us to simplify our portfolio and focus on our strategic priority to grow in sustainable packaging.

Looking forward, pricing remains strong going into the second half, although we do anticipate continued inflationary pressures on our cost base and ongoing supply chain challenges. While significant geopolitical and macroeconomic uncertainties remain, we expect a year of good progress.

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

Group performance review

Mondi performed strongly in the first half of 2022. Underlying EBITDA from continuing operations of €942 million was up 66% compared to the first half of 2021, and up 59% compared to the second half of 2021 ('sequentially'). Including the Russian operations, total EBITDA (prior to special items) of €1,170 million was up 65% year-on-year.

The commentary below refers to the Group's continuing operations (which exclude the Russian operations) unless otherwise stated.

Our packaging businesses continued to demonstrate the benefits of our integrated value chain, our unique portfolio of innovative and sustainable packaging solutions and our attention to quality and service. Uncoated Fine Paper performance recovered strongly, benefiting from the successful commissioning of the rebuilt recovery boiler in Richards Bay (South Africa) in early 2022 and good price momentum in all markets. Our customers recognise the stability of a long-term supplier, the sustained quality of our products and our reliable and consistent service.

Revenue was up 37% on the comparable prior year period reflecting the benefit of the implemented selling price increases. Input costs were significantly up on the first half of 2021 and sequentially, due to materially higher energy, wood, resins, transport, chemical and paper for recycling costs. Energy costs were driven by sharp increases in the price of European gas and electricity. Our pulp and paper mills generate most of their energy needs internally, with biomass sources accounting for around 80% of the fuels used in this process, thereby mitigating the impact of the significant surge in external fuel costs.

Wood costs in Central and Eastern Europe were materially higher on the comparable prior year period and sequentially. Increasing demand for firewood as an alternative energy source to fossil fuels, coupled with reduced supply due to less calamity wood on the market and the impact of sanctions on Russian and Belarusian timber, have contributed to the tightness in Central European wood markets impacting both cost and availability.

Cash fixed costs were slightly higher, with inflationary cost pressures mitigated by ongoing cost reduction initiatives. The non-cash forestry fair value gain of €30 million in the first half was up €22 million on the prior year period.

The impact of planned maintenance shuts on underlying EBITDA during the period was around €40 million (2021: €25 million). 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 (2021: €140 million).

Currency movements had a net positive effect on underlying EBITDA versus the comparable prior year period as a result of the positive impact on certain of our export-oriented businesses of a stronger US dollar, partly offset by translation losses from a materially weaker Turkish lira relative to the euro.

Depreciation and amortisation charges were slightly up year-on-year as a result of our ongoing capital investment programme.

We are pleased to have completed the disposal of the Personal Care Components business ('PCC') at the end of June 2022 for an enterprise value of €615 million, allowing for greater focus on our strategic priority to grow in sustainable packaging. As a result of the sale, we recognised a pre-tax gain on disposal of €246 million.

As announced on 4 May 2022, having assessed all options for the Group's interests in Russia and recognising the Group's corporate values and stakeholder responsibilities, the Board decided to divest the Group's Russian assets. As at 30 June 2022, these operations have been classified as held for sale and presented as discontinued operations. The divestment process is underway. The disposal of such significant assets is operationally and structurally complex and it is being undertaken in an evolving political and regulatory environment.

Profit before tax was €933 million, up 164% on the comparable prior year period. Basic underlying earnings were 98.7 euro cents per share, up 85% year-on-year. After taking the effect of special items into account, basic earnings from continuing operations were 148.4 euro cents per share, up 173% compared to the prior year period.

An interim dividend of 21.67 euro cents per share has been declared, up 8% year-on-year. The Group has a strong financial position, with net debt to underlying EBITDA of 0.8 times at 30 June 2022, providing the strategic flexibility to pursue further organic growth projects, M&A opportunities and/or additional shareholder distributions, in line with our long-established capital allocation framework.

Mondi Action Plan 2030 (MAP2030)

Sustainability is at the centre of our purpose, strategy and culture. We recognise the importance of working with others across the value chain to drive positive change, and believe that being part of the solution to global sustainability challenges will secure the long-term success of our business and benefit our stakeholders.

Our sustainability framework, MAP2030, launched in 2021, builds on the strong progress we have made to date and sets out the actions we need to take over the next decade to achieve our ambitious goals. MAP2030 focuses on the areas where we can have the most impact - circular driven solutions, created by empowered people, taking action on climate. Each of these action areas has three high-level commitments underpinned by more detailed targets. The framework is founded on responsible business practices spanning business ethics and governance, human rights, communities, procurement and environmental impact.

Demand for sustainable products continues to grow, with brands and consumers wanting to contribute to a low carbon, circular economy. Our conversations with customers focus on how to design solutions that are efficient, fit-for-purpose and help to convey and deliver their sustainability commitments. Our unique product portfolio, expertise in understanding the best material choices and customer-focused innovation capabilities, mean we can create packaging solutions that are sustainable by design. This helps us to eliminate unsustainable packaging, lead the transition to a circular economy and grow our customer base of forward-thinking brands.

Building on almost two decades of progress, including science-based targets approved by the Science Based Targets initiative (SBTi) in 2019, we have accelerated our climate plans by committing to transition to Net-Zero by 2050. Our Net-Zero commitment has been developed to align with the SBTi's new Net-Zero Standard and commits Mondi to reducing greenhouse gas emissions across Scopes 1, 2 and 3 in line with a 1.5°C scenario. We are working with the SBTi to validate our new targets, while we continue to take action today to achieve our 2025 milestones.

For more details on our sustainability performance, please refer to our 2021 Sustainable Development report. You can find more details on our approach to sustainability and MAP2030 in a video with the Group CEO and other senior leaders at www.mondigroup.com/en/sustainability/approach.

Capital investments

Our disciplined approach to investigating, approving and executing capital projects is one of our key strengths and plays an important role in successfully delivering strong returns. Medium and long-term growth in the packaging markets we serve is underpinned by the structural drivers of eCommerce and the demand for more sustainable packaging. The Group's capital investment programme is focused on driving organic growth, enhancing our product offering, quality and service to customers, strengthening our cost competitiveness and improving our environmental footprint.

During the first half of the year, we invested €218 million (2021: €239 million) in our continuing operations' property, plant and equipment. In addition, investment in our South African forestry assets amounted to €25 million (2021: €23 million).

Our capital investment programme continues to deliver. We are seeing strong contributions from capital projects completed in 2021, such as the new 300,000 tonne per annum kraft top white machine at Ružomberok (Slovakia), the converted speciality kraft paper machine at Štětí (Czech Republic) and several other projects. The incremental underlying EBITDA contribution from capital investment projects from continuing operations in 2022 is expected to be around €60 million.

Looking forward, we continue to see the opportunity to accelerate growth across our packaging businesses supporting our customers and strengthening our leading market positions in our growing markets. We have an ambitious expansionary capital investment programme to support this growth. In this context, our pipeline currently includes around €1 billion of expansionary projects in our continuing operations already approved or under advanced evaluation, that we anticipate will generate mid-teen returns when in full operation. These investments, which include the projects below, will deliver volume growth, lower our cost base and enhance our environmental footprint.

In **Corrugated Packaging** we are investing €125 million in our Kuopio mill (Finland) to increase semi-chemical fluting capacity by around 55,000 tonnes, enhance product quality, drive cost competitiveness and strengthen the mill's environmental performance, with start-up expected in the fourth quarter of 2023. We are also investing €95 million to debottleneck kraftliner production by 55,000 tonnes at our Świecie mill (Poland), with commissioning expected during 2024.

To strengthen our leading market position, support growth in eCommerce and enhance our product and service offering, we are investing around €185 million across our Central and Eastern European Corrugated Solutions plant network.

In **Flexible Packaging**, to meet growing demand for sustainable paper-based flexible packaging, we are well advanced in the evaluation of an investment in a new 200,000 tonne kraft paper machine at Štětí for an anticipated total of around €350 million. We expect to be in a position to make a final decision on the investment in the second half of 2022.

We continue to expand the global reach of our leading Paper Bags business, ramping up production at our new plant in Cartagena (Colombia), growing capacity in Egypt, investing in a new plant in Morocco, upgrading the capabilities in our North American plants and expanding our capacity of paper-based flexible packaging solutions for eCommerce across Europe and the US.

We are investing €65 million in our consumer flexibles plants, cementing our leading position in the fast growing pet food packaging market. We also plan to invest around €50 million to enhance our coating capabilities and meet our customers' growing demand for innovative, sustainable paper-based packaging with the necessary barrier properties.

On the back of this programme, total capital expenditure for the Group's continuing operations is expected to be around €500-600 million in 2022 and around €750-850 million in 2023.

We continue to evaluate further capital investment projects for growth in the packaging markets where we operate, leveraging our high-quality, cost-advantaged asset base.

Corrugated Packaging (continuing operations)

€ million	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 31 December 2021
Segment revenue	1,564	1,037	1,312
Underlying EBITDA	375	218	325
Underlying EBITDA margin	24.0%	21.0%	24.8%
Underlying operating profit	308	164	262
Capital expenditure cash payments	86	89	100
Operating segment net assets	2,284	2,060	2,018
ROCE	28.9%	20.8%	24.3%

Corrugated Packaging delivered strongly in the first half, with underlying EBITDA of €375 million up 72% on the comparable prior year period, driven by significantly higher average selling prices achieved and the contribution from acquisitions and capital investment projects previously completed.

Containerboard sales volumes were up on the comparable prior year period supported by our broad, high-quality product offering and recently completed investments. Corrugated Solutions box volumes were up on the prior year including the effect of acquisitions and lower on a like-for-like basis. We continue to see the benefits of our innovative product portfolio, our strong customer proposition, disciplined pricing policy and the ongoing investment in the business. Generally softer demand in Central Europe and Turkey, when compared with the strong volume growth delivered in the prior year period, impacted volumes in these regions.

Selling prices were significantly higher than the comparable prior year period and higher sequentially, on the back of a series of price increases implemented in 2021 and the first half of 2022. Average benchmark European selling prices for unbleached kraftliner were up around 40% on the prior year period and 15% on the second half of 2021, while average benchmark European selling prices for recycled containerboard were up around 50% on the first half of 2021 and 20% sequentially. European benchmark semi-chemical fluting and white top kraftliner prices were up 20% to 25% on the comparable prior year period and around 10% sequentially. We were successful in passing on higher input paper costs through box price increases during the period.

Input costs were materially higher when compared to the prior year period, as well as sequentially, with higher energy, wood, transport, paper for recycling and chemicals costs. Our strong cost control focus mitigated fixed cost inflationary effects.

We completed planned maintenance shuts at Kuopio and Richards Bay during the first half. Maintenance shuts at Świecie and Ružomberok are planned for the second half.

Flexible Packaging (continuing operations)

€ million	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 31 December 2021
Segment revenue	2,082	1,594	1,698
Underlying EBITDA	416	295	272
Underlying EBITDA margin	20.0%	18.5%	16.0%
Underlying operating profit	328	212	187
Special items before tax	—	5	2
Capital expenditure cash payments	85	98	84
Operating segment net assets	3,053	2,770	2,822
ROCE	18.7%	14.8%	15.2%

Volume growth, significantly higher average selling prices and good cost control drove Flexible Packaging's underlying EBITDA up 41% on the comparable prior year period to €416 million.

Volume growth was supported by our innovative and sustainable packaging portfolio. We grew our volumes in retail applications, in particular paper-based shopping and eCommerce bags, as well as consumer applications, such as food and pet food, where we have leading market positions. Demand for building materials, construction and other specialised applications was also positive during the period. Functional paper and films (FPF) benefited from increased demand for sustainable packaging solutions although volumes were slightly lower mainly due to restructuring initiatives in the prior year.

Pricing across the paper value chain was significantly higher compared to the prior year period following price increases implemented in 2021 and the first half of 2022. On the back of strong order books and tight markets, further price increases were implemented early in the second half of the year across our range of kraft papers, paper bags and functional paper and films, where not fixed by annual or semi-annual contracts.

Input costs were materially up year-on-year and sequentially, with higher plastic resins, energy, wood, transport and chemical costs. While cash fixed costs were higher due to inflationary effects, this was mitigated by our strong cost control initiatives.

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

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

Uncoated Fine Paper (continuing operations)

€ million	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 31 December 2021
Segment revenue	793	590	604
Underlying EBITDA	171	58	(3)
Underlying EBITDA margin	21.6%	9.8%	(0.5%)
Underlying operating profit/(loss)	135	22	(39)
Capital expenditure cash payments	38	38	47
Operating segment net assets	1,234	1,196	1,119
ROCE	9.8%	0.9%	(1.7%)

Uncoated Fine Paper delivered a good performance, with underlying EBITDA of €171 million, up 195% on the prior year period. This was driven by our strong customer offering, significantly higher average uncoated fine paper and pulp prices, good operational performance following the successful commissioning of the rebuilt recovery boiler in Richards Bay in early 2022, and focused cost control.

The European uncoated fine paper market remains tight due to solid demand and recent capacity reductions. We grew our share of the European market, with our customers valuing us as a supplier of choice while capacity leaves the market, and recognising the strength of our strategic position, underpinned by a broad product portfolio and excellent service. Uncoated fine paper volumes in South Africa were lower than the prior year period, due to severe floods around the city of Durban in mid-April affecting production for most of the second quarter. Production has now resumed and we are working with our customers to restart deliveries. Pulp sales volumes were up sequentially following the start up of the rebuilt recovery boiler at Richards Bay.

Average benchmark European uncoated fine paper selling prices were up around 35% on the comparable prior year period and 30% up sequentially. Average benchmark European bleached hardwood pulp prices were up 50% compared with the prior year period and up 10% sequentially.

Input costs were up significantly with higher energy, chemical, wood and transport costs. Cash fixed costs were higher, mitigated by our cost control initiatives.

Higher export timber prices during the period resulted in a non-cash forestry fair value gain of €30 million in the first half, up €22 million on the prior year period. Based on current market conditions, we expect a similar level of forestry fair value gain in the second half.

A maintenance shut at Ružomberok is planned for the second half.

H1 2022 EBITDA reconciliation between prior and current reporting segments

€ million	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	PCC (divested)	Corporate	Group	Discontinued operations (Russian operations)
Underlying EBITDA per prior reported segments	451	380	36	324		(21)	1,170	
Reorganisation of FPF following PCC disposal		35	(36)		1			
Reclassification of Russian operations	(76)	1		(153)			(228)	228
Underlying EBITDA per segment (continuing operations) and EBITDA from discontinued operations	375	416		171	1	(21)	942	228
Post-tax profit from continuing / discontinued operations							777	148

Russian operations (discontinued operations)

As announced on 4 May 2022, having assessed all options for the Group's interests in Russia and recognising the Group's corporate values and stakeholder responsibilities, the Board decided to divest the Group's Russian assets. As at 30 June 2022, these operations have been classified as held for sale and presented as discontinued operations.

The divestment process is underway. The disposal of such significant assets is operationally and structurally complex and it is being undertaken in an evolving political and regulatory environment.

The Russian operations generated EBITDA of €228 million in the first half of the year (H1 2021: €143 million), of which around a third relates to corrugated packaging-related products and two thirds to uncoated fine papers. The Syktyvkar mill supplies the domestic uncoated fine paper market and has managed supply chain and operational constraints during the period. The mill also supplies white top kraftliner, a speciality containerboard product, to the local market and some export destinations. Sales of containerboard to Europe, which represented around a third of Syktyvkar's containerboard sales volumes in 2021, were stopped towards the end of the first quarter.

The Russian operations' profit after tax for the period amounted to €148 million.

Syktyvkar's planned maintenance shut is scheduled for the second half of the year.

As announced on 4 May 2022, all significant capital expenditure projects in Russia are suspended.

Please refer to note 16 for further information.

Special items

Special items during the period amounted to a net income of €241 million after tax as a result of the gain on disposal of PCC (2021: €5 million net income).

Tax

The underlying effective tax rate from continuing operations in the first half was 22% (2021: 22%), in line with our expectation.

Cash flow

Cash generated from continuing operations of €519 million (2021: €407 million), including the impact of an increase in working capital, reflects the continued strong cash generating capacity of the Group.

Working capital at 30 June 2022 was 14.5% of annualised revenue, below the prior year's level (30 June 2021: 15.0%). This reflects the normal seasonal increase in the first half of the year together with significantly higher selling prices.

Tax paid of €97 million in the first half (2021: €67 million) was higher mainly due to higher profitability, coupled with the timing of tax payments. Interest paid was €52 million (2021: €55 million).

We completed the disposal of PCC for an enterprise value of €615 million at the end of June 2022. Capital expenditure due to our ongoing capital expenditure programme amounted to €218 million (2021: €239 million).

We paid the 2021 final dividend to shareholders of €218 million.

Treasury and borrowings

The Group has a strong financial position. Continuing operations' net debt at 30 June 2022 was €1,220 million, down from €1,689 million at 31 December 2021, reflecting the Group's strong cash generation capacity, the disposal of PCC as well as the ongoing investment in the business, including the increase in working capital. Net debt to underlying EBITDA was 0.8 times.

At 30 June 2022, the Group's continuing operations have a strong liquidity position of around €1.6 billion, comprising €757 million of undrawn committed debt facilities and net cash of €870 million. The weighted average maturity of our committed debt facilities is 3.8 years. The Group's financing agreements do not contain financial covenants.

Net finance costs of €66 million were above those of the comparable prior year period (€40 million). This was driven by higher interest rates in Central and Eastern Europe, in particular in the Czech Republic and Poland, and currency mix effects.

The Group's credit is rated by Standard & Poor's and Moody's Investors Service at BBB+ (stable outlook) and Baa1 (negative outlook), respectively.

Dividend

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

An interim dividend of 21.67 euro cents per share, up 8% year-on-year, has been declared by the directors. The interim dividend will be paid on Thursday 29 September 2022 to those shareholders on the register of Mondi plc on Friday 26 August 2022. The dividend will be paid from distributable reserves.

Outlook

Looking forward, pricing remains strong going into the second half, although we do anticipate continued inflationary pressures on our cost base and ongoing supply chain challenges. While significant geopolitical and macroeconomic uncertainties remain, we expect a year of good progress.

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

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 2022, the Board conducted a robust assessment of the principal and emerging risks to which Mondi is exposed and it is satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established.

The Group's Integrated report and financial statements 2021 set out our principal risks on pages 86 to 97. To the extent there is a change in the assessment of those principal risks, it is reported below.

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

Pandemic risk (COVID-19)

COVID-19 continues to impact the way we do business due to various health, social and economic measures implemented by authorities around the world to combat the pandemic. The health, safety and welfare of the Group's employees and our communities remain our top priority.

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

Strategic risks

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

We have significant operations in Russia, including our integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). The Group also has three converting plants in Russia. All these facilities primarily serve the domestic market and have continued to operate through the six months ended 30 June 2022. As announced on 4 May 2022, having assessed all options for the Group's interests in Russia and recognising the Group's corporate values and stakeholder responsibilities, the Board decided to divest the Group's Russian assets. Further information is provided under the heading 'Russian operations (discontinued operations)' above.

In Ukraine, Mondi has one paper bag plant located in Lviv, west of the country, where production was temporarily suspended until it resumed gradually starting in the second quarter. We are actively monitoring the war, the international response and the implications for the Group.

We continue to track capacity announcements, demand developments and how consumers are demanding more sustainable packaging. We continue to increase our understanding of climate change-related risks and its impact whilst continuing to improve our disclosures and develop our responses.

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

Our principal strategic risks relate to the following:

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

Financial risks

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

An attentive approach to financial risk management remains in response to continued scrutiny of the tax affairs of multinational companies and ongoing short-term currency volatility.

Our principal financial risks relate to the following:

- Capital structure
- Currency risk
- Tax risk

Operational risks

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

Our investments to improve our energy efficiency, engineer out our most significant safety risks and improve operating efficiencies continues to reduce the likelihood of operational risk events. Physical and transitional risks arising due to climate change are anticipated to have an operational impact on the Group, particularly on supply of wood fibre and energy within the EU.

The risk of energy security and higher energy costs has heightened during the period. Our pulp and paper mills generate most of their energy needs internally, with biomass sources accounting for around 80% of the fuels used in this process, thereby mitigating the impact of the significant surge in external fuel costs. However, certain Group operations are reliant on gas supply - we continue to actively monitor the supply situation, invest to diversify our fuels sources and drive energy efficiency.

Our principal operational risks relate to the following:

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

Compliance risk

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

Our principal compliance risk relates to Reputational risk.

Going concern

The directors have reviewed the Group's current financial position and performance expectations for the period until 30 June 2024, including consideration of the principal risks which may impact the Group's performance in the near term. The going concern assessment has been based on the Group's continuing operations (which exclude the Russian operations) unless otherwise stated.

The Group has a strong balance sheet. Continuing operations' net debt at 30 June 2022 was €1,220 million, down from €1,689 million at 31 December 2021 reflecting the Group's strong cash generation capacity, the disposal of PCC as well as the ongoing investment in the business, including the increase in working capital. Net debt to underlying EBITDA was 0.8 times. At 30 June 2022, the Group has a strong liquidity position of around €1.6 billion, comprising €757 million of undrawn committed debt facilities and net cash of €870 million. The weighted average maturity of our committed debt facilities is 3.8 years.

The Group has prepared a base case forecast for the Group's continuing operations (which exclude the Russian operations) reflecting recent trading performance in the first half of the year and expectations for market developments over the period to 30 June 2024. The base case forecasts were sensitised to reflect a severe but plausible downside scenario including possible future impacts of the principal risks on Group performance. In the severe but plausible downside scenario there remains significant liquidity headroom.

In addition to its modelled downside going concern scenario, the Board has reverse stress tested the model to determine the extent of downturn which would result in no liquidity headroom. A decline of around 75% to the planned underlying EBITDA in the period until 30 June 2024, well in excess of that contemplated in the plausible downside scenario, would need to persist throughout the observed period to result in no liquidity headroom, which is considered very unlikely. This stress test also does not incorporate mitigating actions like reductions and deferrals of capital and operational expenditure or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

Following its assessment, the directors have formed a judgement, at the time of approving the condensed consolidated financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the condensed consolidated financial statements for 30 June 2022.

Enquiries

Investors/analysts:

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

Media:

Kerry Cooper +44 788 145 5806
Mondi Group Communication Director

Richard Mountain (FTI Consulting) +44 790 968 4466

Audiocast and dial-in conference call details

Please see below details for the audiocast and conference call that will be held at 09:00 (BST) and 10:00 (CEST/SAST) today.

Audiocast:

An audiocast of the presentation will be accessible via <https://www.mondigroup.com/en/investors/>

A PDF of the slides will be available to download from the above website 30 minutes before the audiocast commences. Written questions can be submitted via the audiocast platform. If you wish to ask a question verbally, please connect via the dial-in conference call (details below).

For queries regarding access to the audiocast please e-mail group.communication@mondigroup.com.

A recording of the presentation will be available on Mondi's website during the afternoon of 4 August 2022.

Dial-in conference call:

To access the facility please register your name and contact details: <https://register.vevent.com/register/BI4efd3654616e47ad918c2020a236e0f9>

Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted for use in the United Kingdom and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority;
- the half-year results announcement includes a fair review of the significant events during the six months ended 30 June 2022 and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2022;
- there have been no significant individual related party transactions during the first six months of the financial year; and
- there have been no significant changes in the Group's related party relationships from those reported in the Integrated report and financial statements 2021.

The Group's condensed consolidated financial statements, and related notes, were approved by the Board and authorised for issue on 3 August 2022 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

3 August 2022

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 six month period ended 30 June 2022 (the "period").

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

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated income statement and the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

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. In preparing the half year results announcement, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the half year results announcement based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP

Chartered Accountants
London
3 August 2022

Condensed consolidated income statement for the six months ended 30 June 2022

€ million	Notes	Six months ended 30 June 2022			Restated ¹ Six months ended 30 June 2021			Restated ¹ Year ended 31 December 2021		
		Underlying	Special items (Note 5)	Total	Underlying	Special items (Note 5)	Total	Underlying	Special items (Note 5)	Total
From continuing operations										
Group revenue	4	4,505	—	4,505	3,283	—	3,283	6,974	—	6,974
Materials, energy and consumables used		(2,370)	—	(2,370)	(1,688)	—	(1,688)	(3,663)	—	(3,663)
Variable selling expenses		(362)	—	(362)	(267)	—	(267)	(547)	—	(547)
Gross margin		1,773	—	1,773	1,328	—	1,328	2,764	—	2,764
Maintenance and other indirect expenses		(155)	—	(155)	(137)	—	(137)	(328)	—	(328)
Personnel costs		(549)	—	(549)	(512)	3	(509)	(1,025)	5	(1,020)
Other net operating expenses		(127)	—	(127)	(113)	—	(113)	(254)	(2)	(256)
Gain on disposal of business, net of related transaction costs	17	—	246	246	—	—	—	—	—	—
EBITDA	4	942	246	1,188	566	3	569	1,157	3	1,160
Depreciation, amortisation and impairments		(194)	—	(194)	(181)	3	(178)	(375)	4	(371)
Operating profit	4	748	246	994	385	6	391	782	7	789
Net profit from joint ventures		3	—	3	3	—	3	6	—	6
Net monetary gain arising from hyperinflationary economies	2	2	—	2	—	—	—	—	—	—
Investment income	7	2	—	2	1	—	1	5	—	5
Foreign currency losses	7	(2)	—	(2)	—	—	—	(2)	—	(2)
Finance costs	7	(66)	—	(66)	(41)	—	(41)	(86)	—	(86)
Profit before tax		687	246	933	348	6	354	705	7	712
Tax (charge)/credit	8	(151)	(5)	(156)	(76)	(1)	(77)	(154)	2	(152)
Profit from continuing operations		536	241	777	272	5	277	551	9	560
From discontinued operations										
Profit from discontinued operations	16			148			84			213
Profit for the period				925			361			773
Attributable to:										
Non-controlling interests				57			13			17
Shareholders				868			348			756
Earnings per share (EPS) attributable to shareholders										
euro cents										
From continuing operations										
Basic EPS	9			148.4			54.4			112.0
Diluted EPS	9			148.4			54.4			111.9
Basic underlying EPS	9			98.7			53.4			110.1
Diluted underlying EPS	9			98.7			53.4			110.0
From continuing and discontinued operations										
Basic EPS	9			178.9			71.8			155.9
Diluted EPS	9			178.9			71.7			155.8
Basic total EPS (prior to special items)	9			129.3			70.7			154.0
Diluted total EPS (prior to special items)	9			129.2			70.7			153.9

Note:

1 The Group's operations in Russia are presented as held for sale as at 30 June 2022 and classified as discontinued operations for the period then ended. Accordingly, in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the comparative figures for the periods ended 31 December 2021 and 30 June 2021 were restated to separate the net profit and cash flows associated with the Russian operations. APMs, as defined at the end of this document, were accordingly restated to exclude the effect of the Russian operations. Refer to notes 1, 2 and 16 for further details.

Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2022

€ million	Notes	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Profit for the period		925	361	773
Items that may subsequently be reclassified to the condensed consolidated income statement				
Fair value gains/(losses) arising from cash flow hedges of continuing operations		1	(1)	(1)
Fair value gains arising from cash flow hedges of discontinued operations	16	5	—	—
Exchange differences on translation of foreign continuing operations		165	59	(16)
Exchange differences on translation of foreign discontinued operations	16	417	33	42
Reclassification of foreign currency translation reserve to the condensed consolidated income statement on disposal of business	17	(4)	—	—
Share of other comprehensive income of joint ventures		—	—	1
Items that will not subsequently be reclassified to the condensed consolidated income statement				
Remeasurements of retirement benefits plans of continuing operations		5	5	11
Remeasurements of retirement benefits plans of discontinued operations	16	2	—	1
Tax effect thereof		(2)	(2)	(4)
Other comprehensive income for the period		589	94	34
Total comprehensive income for the period		1,514	455	807
Attributable to:				
Non-controlling interests		77	11	13
Shareholders		1,437	444	794
Total comprehensive income for the period attributable to shareholders arises from:				
Continuing operations		865	327	538
Discontinued operations		572	117	256

Condensed consolidated statement of financial position
as at 30 June 2022

€ million	Notes	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Property, plant and equipment		4,083	4,822	4,870
Goodwill	11	788	929	926
Intangible assets		67	77	76
Forestry assets	12	389	387	348
Investments in joint ventures		20	15	17
Financial instruments		32	31	33
Deferred tax assets		37	33	43
Net retirement benefits asset	15	11	22	26
Other non-current assets		11	—	1
Total non-current assets		5,438	6,316	6,340
Inventories		1,191	1,007	1,099
Trade and other receivables		1,553	1,322	1,333
Current tax assets		4	8	12
Financial instruments		9	8	4
Cash and cash equivalents	18b	916	288	473
		3,673	2,633	2,921
Assets held for sale	16	1,695	1	—
Total current assets		5,368	2,634	2,921
Total assets		10,806	8,950	9,261
Short-term borrowings	14	(162)	(175)	(124)
Trade and other payables		(1,434)	(1,313)	(1,444)
Current tax liabilities		(153)	(92)	(116)
Provisions		(20)	(40)	(33)
Financial instruments		(15)	(7)	(18)
		(1,784)	(1,627)	(1,735)
Liabilities directly associated with assets held for sale	16	(391)	—	—
Total current liabilities		(2,175)	(1,627)	(1,735)
Medium and long-term borrowings	14	(1,975)	(2,121)	(2,104)
Net retirement benefits liability	15	(167)	(213)	(197)
Deferred tax liabilities		(270)	(302)	(283)
Provisions		(31)	(35)	(35)
Other non-current liabilities		(12)	(16)	(18)
Total non-current liabilities		(2,455)	(2,687)	(2,637)
Total liabilities		(4,630)	(4,314)	(4,372)
Net assets		6,176	4,636	4,889
Equity				
Share capital		97	97	97
Own shares		(14)	(16)	(18)
Retained earnings		5,411	4,449	4,760
Other reserves		223	(288)	(341)
Total attributable to shareholders		5,717	4,242	4,498
Non-controlling interests in equity		459	394	391
Total equity		6,176	4,636	4,889

The Group's condensed consolidated financial statements, and related notes 1 to 23, were approved by the Board and authorised for issue on 3 August 2022 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Mondi plc company registered number:

6209386

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2022

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2021	4,002	380	4,382
Total comprehensive income for the period	444	11	455
Dividends	(201)	(4)	(205)
Purchases of own shares	(5)	—	(5)
Acquisition of business	—	7	7
Other	2	—	2
At 30 June 2021	4,242	394	4,636
Total comprehensive income for the period	350	2	352
Dividends	(97)	(2)	(99)
Purchases of own shares	(2)	—	(2)
Other	5	(3)	2
At 31 December 2021	4,498	391	4,889
Hyperinflation monetary adjustment (see note 2)	(12)	(5)	(17)
Restated balance at 1 January 2022	4,486	386	4,872
Total comprehensive income for the period	1,437	77	1,514
Dividends	(218)	(4)	(222)
Purchases of own shares	(4)	—	(4)
Hyperinflation monetary adjustment (see note 2)	15	—	15
Other	1	—	1
At 30 June 2022	5,717	459	6,176

Equity attributable to shareholders

€ million	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Share capital	97	97	97
Own shares	(14)	(16)	(18)
Retained earnings	5,411	4,449	4,760
Cumulative translation adjustment reserve	(454)	(944)	(1,007)
Post-retirement benefits reserve	(34)	(48)	(43)
Share-based payment reserve	12	11	16
Cash flow hedge reserve	5	—	(1)
Merger reserve	667	667	667
Other sundry reserves	27	26	27
Total	5,717	4,242	4,498

Condensed consolidated statement of cash flows

for the six months ended 30 June 2022

€ million	Notes	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Cash flows from operating activities				
Cash generated from continuing operations	18a	519	407	1,001
Dividends received from other investments		—	—	1
Income tax paid		(97)	(67)	(138)
Net cash generated from operating activities from discontinued operations	16	193	132	286
Net cash generated from operating activities		615	472	1,150
Cash flows from investing activities				
Investment in property, plant and equipment		(218)	(239)	(481)
Investment in intangible assets		(4)	(8)	(16)
Investment in forestry assets	12	(25)	(23)	(45)
Investment in joint ventures		—	(1)	(1)
Proceeds from the disposal of property, plant and equipment		4	19	21
Proceeds from the disposal of business, net of cash and cash equivalents	17	646	—	—
Acquisition of businesses, net of cash and cash equivalents		—	(63)	(63)
Loans advanced to related and external parties		—	—	(1)
Interest received		1	1	3
Other investing activities		8	—	4
Net cash used in investing activities from discontinued operations	16	(33)	(47)	(91)
Net cash generated from/(used in) investing activities		379	(361)	(670)
Cash flows from financing activities				
Proceeds from other medium and long-term borrowings	18c	—	63	59
Repayment of other medium and long-term borrowings	18c	(49)	—	—
Net proceeds from/(repayment) of short-term borrowings	18c	12	11	(4)
Repayment of lease liabilities	18c	(11)	(10)	(21)
Interest paid		(52)	(55)	(67)
Dividends paid to shareholders	10	(218)	(201)	(298)
Dividends paid to non-controlling interests		(4)	(4)	(6)
Purchases of own shares		(4)	(5)	(7)
Non-controlling interests bought out		—	—	(3)
Net cash outflow from debt-related derivative financial instruments		(65)	(14)	(12)
Other financing activities		—	1	—
Net cash used in financing activities from discontinued operations	16	(11)	(7)	(13)
Net cash used in financing activities		(402)	(221)	(372)
Net increase/(decrease) in cash and cash equivalents		592	(110)	108
Cash and cash equivalents at beginning of period		455	348	348
Cash movement in the period	18c	592	(110)	108
Effects of changes in foreign exchange rates	18c	98	(1)	(1)
Cash and cash equivalents at end of period	18b	1,145	237	455

Notes to the condensed consolidated financial statements

for the six months ended 30 June 2022

1 Basis of preparation

These condensed consolidated financial statements as at and for the six months ended 30 June 2022 comprise Mondi plc and its subsidiaries (referred to as the 'Group'), and the Group's share of the results and net assets of its associates and joint ventures.

The Group's condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted for use in the United Kingdom (UK) and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. They should be read in conjunction with the Group's Integrated report and financial statements 2021, prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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, which is incorporated by reference into these condensed consolidated financial statements.

The financial information set out above does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2021 has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The financial information set out above has been reviewed, not audited.

These condensed consolidated financial statements have been prepared on the historical cost basis, as modified by forestry assets, pension assets, financial assets and financial liabilities held at fair value through profit and loss and accounting in hyperinflationary economies.

No changes in the provisional amounts of the fair value of the assets acquired and liabilities assumed for the acquisition of Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş on 31 May 2021 have been recognised during the six months ended 30 June 2022. Accounting for the transaction is finalised.

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 critical accounting judgements made by management in applying the Group's accounting policies and significant accounting estimates as identified in the Group's Integrated report and financial statements 2021 were largely the same, with the exception of the judgements applied in relation to the Group's Russian operations as to whether the Group should continue to consolidate its Russian businesses, if and when the businesses satisfied the requirements to be classified as held for sale, and whether the Russian businesses should be presented as discontinued operations, and significant estimates and assumptions in the valuation of its Russian assets (see note 16).

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 2022 as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except as follows:

- Non-current assets held for sale and discontinued operations

Non-current assets, and disposal groups, are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Non-current assets, and disposal groups, classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell from the date on which these conditions are met.

Any resulting impairment is reported through the condensed consolidated income statement. On classification as held for sale, the assets are no longer depreciated or amortised. Comparative amounts in the condensed consolidated statement of financial position are not adjusted.

Discontinued operations are either a separate major line of business or geographical area of operations that have been disposed of or are part of a single coordinated plan for disposal. Once an operation has been identified as discontinued, its net profit or loss, other comprehensive income or expense and cash flows are presented separately in the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows, including related notes to these statements, and comparative information is restated. The Group's assets and liabilities related to comparative periods are not separated between continuing and discontinued operations in the condensed consolidated statement of financial position

2 Accounting policies (continued)

- Hyperinflation accounting

Effective from 1 January 2022, the Group has applied IAS 29, Financial Reporting in Hyperinflationary Economies, for its subsidiaries in Turkey, whose functional currencies have experienced a cumulative inflation rate of more than 100% over the past three years. Assets, liabilities, the financial position and results of foreign operations in hyperinflationary economies are translated to Euro at the exchange rates prevailing on the reporting date. The exchange differences are recognised directly in other comprehensive income, and accumulated in the currency translation adjustment reserve in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the overseas operation.

Prior to translating the financial statements of foreign operations, the non-monetary assets and liabilities stated at historical cost are restated to account for changes in the general purchasing power of the local currencies based on the consumer price index (TÜFE, 2003=100) published by the Turkish Statistical Institute (TURKSTAT). The consumer price index for the six months ended 30 June 2022 increased by 42% from 687 at 31 December 2021 to 978 at 30 June 2022. On the date of first-time application, being 1 January 2022, the adjustment of the carrying amounts of non-monetary assets and liabilities was recognised in retained earnings in equity as presented in the condensed consolidated statement of changes in equity. The subsequent gains or losses resulting from the restatement of non-monetary assets and liabilities are recorded in the condensed consolidated income statement.

For the six months ended 30 June 2022, the adjustments from hyperinflationary accounting have resulted in an increase in total assets of €107 million, an increase in Group revenue of €47 million, a decrease in underlying EBITDA of €28 million and a net monetary gain of €2 million. Comparative amounts presented in Euro were not restated for subsequent changes in the price level or exchange rates.

The Group also operates a paper bags plant in Lebanon, which became a hyperinflationary economy in September 2020. IAS 29 has not been applied for this subsidiary as the impact from hyperinflation accounting is considered immaterial.

- A number of amendments to IFRS became effective for the financial period beginning on 1 January 2022, but the Group did not have to change its accounting policies or make any retrospective adjustments as a result of adopting these amendments.
- Consistent with previous half year reports, taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profits or losses.

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.

As at 30 June 2022, the Group's operations in Russia are presented as held for sale and classified as discontinued operations for the period then ended. For comparability purposes, the APMs based on amounts recognised in the condensed consolidated statement of financial position have been adjusted for the Russian assets and liabilities as described at the end of this document. Note, no restatement of the IFRS condensed consolidated statement of financial position has been made for such items. APMs measuring the profitability of the Group are presented for continuing operations (i.e. excluding the results for the Russian discontinued operations) and comparatives are presented on the same basis, consistent with the presentation of the IFRS condensed consolidated income statement. Where these changes have impacted the APMs for comparative periods as presented previously, these have been described as restated.

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 three (2021: four) distinct segments.

Each of the operating segments represents a reportable segment and derives its income from the sale of manufactured products.

The Group's operations in Russia, comprising its high-margin, cost-competitive, integrated pulp, packaging paper and uncoated fine paper mill in Syktyvkar (Komi Republic) and three converting plants, are reported as discontinued operations for the period ended 30 June 2022. The discontinued operations' net profit and cash flows are presented separately in the condensed consolidated income statement and condensed consolidated statement of cash flows for all periods presented. Financial information relating to the discontinued operations is provided in note 16.

Effective from 30 June 2022 and following the completion of the sale of the Personal Care Components (PCC) business, the Group reorganised its operating segments. Functional Paper and Films, previously part of the Engineered Materials operating segment, was moved to Flexible Packaging to strengthen integration along the kraft paper value chain and further support the development of innovative functional papers with barrier properties, fulfilling customers' needs for sustainable packaging. The remaining part of the previously reported Engineered Materials operating segment, namely the disposed PCC business (see note 17), has been reported in the Personal Care Components (divested) operating segment up to the date of disposal.

Accordingly, the Group has restated the previously reported segment information to present the Group's operations under the new organisational structure.

4 Operating segments (continued)

Six months ended 30 June 2022

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Uncoated Fine Paper	Corporate	Personal Care Components (divested)	Intersegment elimination	Total Continuing operations	Discontinued operations ¹	Intersegment elimination	Total Group
Segment revenue	1,564	2,082	793	—	181	(76)	4,544		(39)	4,505
Internal revenue	(35)	(25)	(43)	—	(12)	76	(39)		39	—
External revenue	1,529	2,057	750	—	169	—	4,505		—	4,505
Underlying EBITDA	375	416	171	(21)	1	—	942		—	942
Depreciation and impairments	(64)	(84)	(35)	—	(3)	—	(186)		—	(186)
Amortisation	(3)	(4)	(1)	—	—	—	(8)		—	(8)
Underlying operating profit/(loss)	308	328	135	(21)	(2)	—	748		—	748
Special items before tax	—	—	—	—	246	—	246		—	246
Profit from discontinued operations								148		148
Operating segment assets	2,624	3,809	1,562	9	—	(70)	7,934		(29)	7,905
Operating segment net assets	2,284	3,053	1,234	5	—	—	6,576		(16)	6,560
Trailing 12-month average capital employed	1,969	2,782	983	(90)	345	—	5,989	773	—	6,762
Additions to non-current non-financial assets	91	93	59	—	9	—	252		—	252
Capital expenditure cash payments	86	85	38	—	9	—	218		—	218
<i>Underlying EBITDA margin (%)</i>	<i>24.0</i>	<i>20.0</i>	<i>21.6</i>	—	<i>0.6</i>	—	20.9		—	20.9
<i>Return on capital employed (%)</i>	<i>28.9</i>	<i>18.7</i>	<i>9.8</i>	—	<i>1.1</i>	—	19.2		—	22.5
Average number of employees (thousands) ²	6.3	11.4	3.0	0.1	0.9	—	21.7	5.3	—	27.0

Notes:

- 1 The Group's assets and liabilities in Russia are classified as held for sale as at 30 June 2022 and its operations are reported as discontinued operations for the period then ended. The discontinued operations' net profit and cash flows are presented separately in the condensed consolidated income statement and condensed consolidated statement of cash flows and comparative information has been restated. The assets and liabilities related to comparative periods are not separated between continuing and discontinued operations in the condensed consolidated statement of financial position (see note 2)
- 2 Presented on a full time employee equivalent basis

4 Operating segments (continued)

Six months ended 30 June 2021 (restated)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Uncoated Fine Paper	Corporate	Personal Care Components (divested)	Intersegment elimination	Total Continuing operations	Discontinued operations ¹	Intersegment elimination	Total Group
Segment revenue	1,037	1,594	590	—	160	(72)	3,309		(26)	3,283
Internal revenue	(27)	(25)	(32)	—	(14)	72	(26)		26	—
External revenue	1,010	1,569	558	—	146	—	3,283		—	3,283
Underlying EBITDA	218	295	58	(17)	12	—	566		—	566
Depreciation and impairments	(52)	(79)	(35)	—	(8)	—	(174)		—	(174)
Amortisation	(2)	(4)	(1)	—	—	—	(7)		—	(7)
Underlying operating profit/(loss)	164	212	22	(17)	4	—	385		—	385
Special items before tax	—	5	—	—	1	—	6		—	6
Profit from discontinued operations								84		84
Operating segment assets	2,406	3,346	1,454	4	424	(68)	7,566	918	(50)	8,434
Operating segment net assets	2,060	2,770	1,196	—	381	—	6,407	784	—	7,191
Trailing 12-month average capital employed	1,560	2,620	998	(97)	356	—	5,437	640	—	6,077
Additions to non-current non-financial assets	157	78	55	—	15	—	305		—	305
Capital expenditure cash payments	89	98	38	—	14	—	239		—	239
<i>Underlying EBITDA margin (%)</i>	<i>21.0</i>	<i>18.5</i>	<i>9.8</i>	—	<i>7.5</i>	—	<i>17.2</i>		—	<i>17.2</i>
<i>Return on capital employed (%)</i>	<i>20.8</i>	<i>14.8</i>	<i>0.9</i>	—	<i>2.5</i>	—	<i>12.8</i>		—	<i>14.8</i>
Average number of employees (thousands) ²	5.5	11.2	3.0	0.1	1.0	—	20.8	5.2	—	26.0

Notes:

1 The Group's assets and liabilities in Russia are classified as held for sale as at 30 June 2022 and its operations are reported as discontinued operations for the period then ended. The discontinued operations' net profit and cash flows are presented separately in the condensed consolidated income statement and condensed consolidated statement of cash flows and comparative information has been restated. The assets and liabilities related to comparative periods are not separated between continuing and discontinued operations in the condensed consolidated statement of financial position (see note 2)

2 Presented on a full time employee equivalent basis

4 Operating segments (continued)

Year ended 31 December 2021 (restated)

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Uncoated Fine Paper	Corporate	Personal Care Components (divested)	Intersegment elimination	Total Continuing operations	Discontinued operations ¹	Intersegment elimination	Total Group
Segment revenue	2,349	3,292	1,194	—	335	(133)	7,037		(63)	6,974
Internal revenue	(56)	(53)	(59)	—	(28)	133	(63)		63	—
External revenue	2,293	3,239	1,135	—	307	—	6,974		—	6,974
Underlying EBITDA	543	567	55	(34)	26	—	1,157		—	1,157
Depreciation and impairments	(112)	(160)	(70)	(1)	(16)	—	(359)		—	(359)
Amortisation	(5)	(8)	(2)	—	(1)	—	(16)		—	(16)
Underlying operating profit/(loss)	426	399	(17)	(35)	9	—	782		—	782
Special items before tax	—	7	—	—	—	—	7		—	7
Profit from discontinued operations								213		213
Operating segment assets	2,394	3,456	1,415	7	440	(89)	7,623	989	(87)	8,525
Operating segment net assets	2,018	2,822	1,119	(1)	394	—	6,352	844	—	7,196
Trailing 12-month average capital employed	1,754	2,667	983	(91)	359	—	5,672	677	—	6,349
Additions to non-current non-financial assets	258	174	133	6	24	—	595		—	595
Capital expenditure cash payments	189	182	85	2	23	—	481		—	481
<i>Underlying EBITDA margin (%)</i>	<i>23.1</i>	<i>17.2</i>	<i>4.6</i>	<i>—</i>	<i>7.8</i>	<i>—</i>	<i>16.6</i>		<i>—</i>	<i>16.6</i>
<i>Return on capital employed (%)</i>	<i>24.3</i>	<i>15.2</i>	<i>(1.7)</i>	<i>—</i>	<i>2.5</i>	<i>—</i>	<i>13.9</i>		<i>—</i>	<i>16.9</i>
Average number of employees (thousands) ²	5.9	11.2	3.0	0.1	1.0	—	21.2	5.2	—	26.4

Notes:

1 The Group's assets and liabilities in Russia are classified as held for sale as at 30 June 2022 and its operations are reported as discontinued operations for the period then ended. The discontinued operations' net profit and cash flows are presented separately in the condensed consolidated income statement and condensed consolidated statement of cash flows and comparative information has been restated. The assets and liabilities related to comparative periods are not separated between continuing and discontinued operations in the condensed consolidated statement of financial position (see note 2)

2 Presented on a full time employee equivalent basis

4 Operating segments (continued)

External revenue by location of production and by location of customer¹

€ million	External revenue by location of production			External revenue by location of customer		
	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Africa						
South Africa	229	235	451	207	192	394
Rest of Africa	39	28	56	191	131	272
Africa total	268	263	507	398	323	666
Western Europe						
Austria	874	641	1,280	105	75	159
Germany	486	420	877	618	467	996
United Kingdom	2	2	3	120	87	191
Rest of western Europe	411	317	699	1,024	742	1,511
Western Europe total	1,773	1,380	2,859	1,867	1,371	2,857
Emerging Europe						
Czech Republic	409	290	602	146	107	223
Poland	775	554	1,242	435	318	707
Turkey	331	171	434	404	202	512
Rest of emerging Europe ²	582	353	764	333	248	515
Emerging Europe total	2,097	1,368	3,042	1,318	875	1,957
Russia	—	—	—	14	17	34
North America	313	233	480	506	374	804
South America	1	—	—	85	56	128
Asia and Australia	53	39	86	317	267	528
Group total	4,505	3,283	6,974	4,505	3,283	6,974

Notes:

1 Excludes external revenue generated by the discontinued operations (see note 16)

2 External revenue for Rest of emerging Europe by location of production and customer has been further analysed to separately show revenue for Turkey.

Reconciliation of operating segment assets

€ million	As at 30 June 2022		As at 30 June 2021		As at 31 December 2021	
	Segment assets	Segment net assets	Segment assets	Segment net assets	Segment assets	Segment net assets
Group total	7,905	6,560	8,434	7,191	8,525	7,196
Unallocated						
Assets held for sale (see note 16)	1,695	1,304	—	—	—	—
Investments in joint ventures	20	20	15	15	17	17
Deferred tax assets/(liabilities)	37	(233)	33	(269)	43	(240)
Other non-operating assets/(liabilities)	226	(255)	173	(297)	201	(321)
Group capital employed	9,883	7,396	8,655	6,640	8,786	6,652
Financial instruments/(net debt)	923	(1,220)	295	(2,004)	475	(1,763)
Total assets/equity	10,806	6,176	8,950	4,636	9,261	4,889

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

5 Special items

The Group separately discloses special items, an APM as defined at the end of this document, on the face of the condensed consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year.

€ million	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Operating special items			
Reversal of impairment of assets	—	3	4
Restructuring and closure costs:			
Personnel costs	—	3	5
Other restructuring and closure costs	—	—	(2)
Gain on disposal of business, net of related transaction costs (see note 17)	246	—	—
Total special items before tax	246	6	7
Tax (charge)/credit (see note 8)	(5)	(1)	2
Total special items	241	5	9

The operating special items resulted in a cash outflow from operating activities for the six months ended 30 June 2022 of €8 million (six months ended 30 June 2021: €13 million; year ended 31 December 2021: €15 million). The net cash received from the sale of the Personal Care Components business totalled €646 million and is presented within cash flows from investing activities.

To 30 June 2022 (Reviewed)

The special items during the period comprised:

- Personal Care Components (divested)
 - €246 million gain on the sale of the Personal Care Components business to Nitto Denko Corporation. Transaction costs of €6 million were recognised in the prior year and were not treated as a special item. Further detail is provided in note 17.

To 31 December 2021 (Audited)

The special items during the year ended 31 December 2021 comprised:

- Flexible Packaging
 - Release of restructuring and closure provision of €2 million and partial reversal of impairment of assets of €3 million were recognised relating to the closure of a functional paper and films plant in the US. The credits are linked to a special item from the prior year, of which total costs accumulated to €9 million.
 - Release of restructuring and closure provision of €2 million, partly offset by additional restructuring costs of €1 million, and reversal of impairment of assets of €1 million were recognised. All credit/(charges) related to special items from prior years.

6 Write-down of inventories to net realisable value

€ million	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Write-down of inventories to net realisable value	(47)	(24)	(42)
Aggregate reversal of previous write-downs of inventories	29	19	30

7 Net finance costs

€ million	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Investment income	2	1	5
Net foreign currency losses	(2)	—	(2)
Finance costs			
Interest expense			
Interest on bank overdrafts and loans	(59)	(35)	(75)
Interest expense from lease liability	(4)	(3)	(7)
Net interest expense on net retirement benefits liability	(3)	(3)	(4)
Total interest expense	(66)	(41)	(86)
Total finance costs	(66)	(41)	(86)
Net finance costs	(66)	(40)	(83)

Net interest expense, an APM as defined at the end of this document, for the six months ended 30 June 2022 was €61 million (six months ended 30 June 2021 (restated): €37 million; year ended 31 December 2021 (restated): €77 million).

8 Tax charge

The Group's effective tax rate before special items, an APM as defined at the end of this document, was 22% for the six months ended 30 June 2022 (six months ended 30 June 2021: 22%; year ended 31 December 2021: 22%).

€ million	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
UK corporation tax at 19% (2021: 19%)	—	1	—
Overseas tax	149	69	160
Current tax in respect of prior periods	(5)	—	4
Current tax	144	70	164
Deferred tax in respect of the current period	15	9	(6)
Deferred tax in respect of prior periods	(4)	(3)	(4)
Deferred tax attributable to a change in the rate of domestic income tax	(4)	—	—
Tax charge before special items	151	76	154
Current tax on special items	5	—	(1)
Deferred tax on special items	—	1	(1)
Tax charge/(credit) on special items (see note 5)	5	1	(2)
Tax charge for the period	156	77	152
Current tax charge	149	70	163
Deferred tax charge/(credit)	7	7	(11)

9 Earnings per share (EPS)

euro cents	EPS attributable to shareholders		
	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
From continuing operations			
Basic EPS	148.4	54.4	112.0
Diluted EPS	148.4	54.4	111.9
Basic underlying EPS	98.7	53.4	110.1
Diluted underlying EPS	98.7	53.4	110.0
From discontinued operations			
Basic EPS	30.5	17.3	43.9
Diluted EPS	30.5	17.3	43.9
From continuing and discontinued operations			
Basic EPS	178.9	71.8	155.9
Diluted EPS	178.9	71.7	155.8
Basic total EPS (prior to special items)	129.3	70.7	154.0
Diluted total EPS (prior to special items)	129.2	70.7	153.9
Basic headline EPS	129.0	70.7	155.3
Diluted headline EPS	129.0	70.7	155.2

The calculation of basic and diluted EPS, basic and diluted total EPS (prior to special items) and basic and diluted headline EPS is based on the following data:

€ million	Earnings		
	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Profit for the period attributable to shareholders	868	348	756
Arises from:			
Continuing operations	720	264	543
Discontinued operations ¹	148	84	213
Special items (see note 5)	(246)	(6)	(7)
Related tax (see note 5)	5	1	(2)
Total earnings for the period (prior to special items)	627	343	747
Arises from:			
Continuing operations	479	259	534
Discontinued operations ¹	148	84	213
Special items not excluded from headline earnings	—	3	3
(Gain)/loss on disposal of property, plant and equipment	(2)	(1)	1
Related tax	1	(2)	2
Headline earnings for the period	626	343	753

Note:

¹ Profit from discontinued operations are wholly attributable to shareholders.

Underlying earnings, total earnings (prior to special items) and headline earnings represent APMs which are defined at the end of this document.

million	Weighted average number of shares		
	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Basic number of ordinary shares outstanding	485.1	485.0	485.0
Effect of dilutive potential ordinary shares	0.2	0.2	0.3
Diluted number of ordinary shares outstanding	485.3	485.2	485.3

10 Dividends

The interim dividend for the year ending 31 December 2022 of 21.67 euro cents per ordinary share will be paid on Thursday 29 September 2022 to those shareholders on the register of Mondi plc on Friday 26 August 2022. The dividend will be paid from distributable reserves of Mondi plc, as presented in the annual financial statements for the year ended 31 December 2021. The interim dividend is not recognised as a liability at 30 June 2022.

	Six months ended 30 June 2022		Year ended 31 December 2021	
	euro cents per share	€ million	euro cents per share	€ million
Final dividend in respect of prior year	45.00	218	41.00	201
Interim dividend in respect of current year	21.67	105	20.00	97

The interim dividend declared for the year ended 31 December 2021 of 20 euro cents per ordinary share was paid in September 2021.

Dividend timetable

The interim dividend for the year ending 31 December 2022 will be paid in accordance with the following timetable:

Last date to trade shares cum-dividend

JSE Limited	Tuesday 23 August 2022
London Stock Exchange	Wednesday 24 August 2022

Shares commence trading ex-dividend

JSE Limited	Wednesday 24 August 2022
London Stock Exchange	Thursday 25 August 2022

Record date

Friday 26 August 2022

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

Thursday 1 September 2022

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

South African Register	Friday 2 September 2022
UK Register	Monday 12 September 2022

Payment Date

Thursday 29 September 2022

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

UK Register	Monday 3 October 2022
South African Register	Wednesday 5 October 2022

Currency conversion dates

ZAR/euro	Thursday 4 August 2022
Euro/sterling	Friday 16 September 2022

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 24 August 2022 and Friday 26 August 2022, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between Wednesday 17 August 2022 and Friday 26 August 2022, 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 4 August 2022.

11 Goodwill

€ million	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Net carrying value			
At 1 January	926	923	923
Hyperinflation monetary adjustment (see note 2)	11	—	—
Restated balance at 1 January	937	923	923
Acquired through business combinations	—	2	—
Disposal of business (see note 17)	(141)	—	—
Reclassification to assets held for sale (see note 16)	(34)	—	—
Hyperinflation monetary adjustment (see note 2)	8	—	—
Currency movements	18	4	3
At 30 June / 31 December	788	929	926

12 Forestry assets

€ million	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
At 1 January	348	372	372
Investment in forestry assets	25	23	45
Fair value gains/(losses)	30	8	(7)
Felling costs	(34)	(37)	(62)
Currency movements	20	21	—
At 30 June / 31 December	389	387	348

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 21), consistent with prior years. The fair value of forestry assets continues to be determined using a market-based approach. The valuation process and key observable inputs were largely consistent with those applied for the year ended 31 December 2021, as described in note 14 of the Group's Integrated report and financial statements 2021. The main reason for the fair value gain for the six months ended 30 June 2022 was higher net selling prices during the period.

13 Leases

The Group has entered into various lease agreements. The Group's right-of-use assets were €120 million as at 30 June 2022 (€179 million as at 30 June 2021; €177 million as at 31 December 2021) and the related depreciation charge was €12 million for the six months ended 30 June 2022 (six months ended 30 June 2021 (restated): €11 million; year ended 31 December 2021 (restated): €22 million). The decrease in the right-of-use assets is mainly driven by the Russian forestry leases, which have been reclassified to assets held for sale in June 2022.

14 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 %	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Financing facilities					
Syndicated Revolving Credit Facility	June 2027	EURIBOR + margin	750	750	750
€500 million Eurobond	April 2024	1.500%	500	500	500
€600 million Eurobond	April 2026	1.625%	600	600	600
€750 million Eurobond	April 2028	2.375%	750	750	750
European Investment Bank Facility	June 2025	EURIBOR + margin	—	38	33
Long Term Facility Agreement	December 2026	EURIBOR + margin	30	70	70
Other	Various	Various	9	56	57
Total committed facilities			2,639	2,764	2,760
Drawn			(1,882)	(1,966)	(1,957)
Total committed facilities available			757	798	803

The effective interest rate, an APM as defined at the end of this document, was 5.8% for the trailing 12-month period to 30 June 2022 (30 June 2021 (restated): 4.0%; 31 December 2021 (restated): 4.3%). The Group's Eurobonds incur a fixed rate of interest but swapping this EUR debt into other currencies to fund subsidiaries exposes the Group to floating interest rates.

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

14 Borrowings (continued)

€ million	As at 30 June 2022			As at 30 June 2021			As at 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Secured									
Bank loans and overdrafts	1	1	2	3	2	5	2	1	3
Lease liabilities	19	111	130	20	184	204	20	184	204
Secured	20	112	132	23	186	209	22	185	207
Unsecured									
Bonds	—	1,842	1,842	—	1,839	1,839	—	1,840	1,840
Bank loans and overdrafts	138	21	159	125	96	221	77	79	156
Other loans	4	—	4	27	—	27	25	—	25
Total unsecured	142	1,863	2,005	152	1,935	2,087	102	1,919	2,021
Total borrowings	162	1,975	2,137	175	2,121	2,296	124	2,104	2,228
Committed facilities drawn			1,882			1,966			1,957
Uncommitted facilities drawn			255			330			271

The decrease in the lease liabilities is mainly driven by the Russian forestry leases, which have been reclassified to liabilities held for sale in June 2022.

15 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 2022. The net retirement benefits liability decreased by €30 million to €167 million as at 30 June 2022 (31 December 2021: €197 million) due to changes in assumptions, exchange rate movements and the reclassification of the liability in Russia to total liabilities directly associated with assets classified as held for sale (see note 16). The net retirement benefits asset decreased by €15 million to €11 million as at 30 June 2022 (31 December 2021: €26 million) which was caused by changes in assumptions and exchange rate movements. The assets backing the defined benefit scheme liabilities reflect their market values as at 30 June 2022. The net remeasurement gains of the continuing operations' retirement benefit plans, which arose from changes in assumptions, amounted to €5 million before tax and have been recognised in the condensed consolidated statement of comprehensive income.

16 Russian operations (discontinued operations)

The Group has significant operations in Russia, which generated segment revenue of €604 million, an EBITDA of €228 million and a profit from discontinued operations of €148 million for the six months ended 30 June 2022.

The most significant facility is a wholly owned integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). The Group also has three converting plants in Russia. All these facilities primarily serve the domestic market and have continued to operate throughout the six months ended 30 June 2022.

The Russian businesses have, to date, managed supply chain constraints. However, the situation remains fluid, with interruptions to pulp and paper production possible going forward. All significant capital expenditure projects in Russia are suspended.

On 4 May 2022, recognising its corporate values and wider stakeholder responsibilities, the Group decided to divest the Group's Russian assets. The divestment process for the Russian businesses is operationally and structurally complex and is being undertaken in an evolving political and regulatory environment. Accordingly, there can be no certainty when a transaction will be completed or as to the structure of any possible transaction.

In the context of an increased level of uncertainty, the Group has exercised critical judgements in applying its accounting policies as follows and as further described below:

- Control assessment: whether the Group should continue to consolidate its Russian businesses; and
- Held for sale and discontinued operation: if and when the businesses satisfied the requirements to be classified as held for sale, and whether the Russian businesses should be presented as discontinued operations.

In addition, the Group has also applied significant estimates and assumptions in the valuation of its Russian assets, as described below.

16 Russian operations (discontinued operations) (continued)

Impairment

The Syktyvkar mill and three converting plants each individually represent separate cash generating units (CGUs) for impairment assessment purposes. The Group has assessed whether each Russian CGU is impaired as a direct or indirect result of the war in Ukraine and the severe economic sanctions imposed by international and Russian governments.

Effective 24 February 2022, when the war in Ukraine started, the Group performed an impairment trigger assessment. Given the temporary deterioration of the Russian rouble and the sharp increase in interest rates, together with the increased uncertainty relating to the operational and financial performance of its businesses due to sanctions imposed by international governments and countermeasures implemented by the Russian state, management concluded that an impairment trigger existed and tested its CGUs in Russia for impairment using value-in-use calculations in accordance with IAS 36, Impairment of Assets.

The key assumptions reflected in the cash flow forecasts included sales volumes, sales prices and variable input cost assumptions derived from a combination of economic and industry forecasts for individual product lines and the latest internal management projections approved by the Board. The cash flow projections were prepared in Russian roubles and a post-tax discount rate of 15% (equivalent to a pre-tax rate of 18%) was used for impairment testing. Due to the increased uncertainty, no growth rate was assumed for the terminal value. At this time (at 24 February 2022), the carrying value of the Russian CGUs totalled RUB 66 billion (€677 million, at an exchange rate of 97.47 Russian rouble versus euro).

Due to the increased level of uncertainty resulting from the war in Ukraine, management determined the recoverable amount of the CGUs based on three probability-weighted scenarios. Aside from the base scenario derived from the then latest internal management projections, management included a more optimistic and a pessimistic scenario in the calculation of the recoverable amount to address the uncertainty associated with the cash flow forecasts. The impairment calculation is sensitive to changes in key assumptions, in particular in relation to cash flow forecasts and the probability-weighting of scenarios. Sensitivity analyses were performed by increasing the weighting of the pessimistic case and at the same time reducing the weighting of the optimistic case. At 24 February 2022, no impairment was identified.

Given, as described below, that in June the Board determined that the Russian assets satisfied the criteria to be classified as held for sale, a further impairment test had to be performed. At this time (mid June 2022), the carrying value of the Russian CGUs totalled RUB 66 billion (€1,079 million, at an exchange rate of 61.16 Russian rouble versus euro). This impairment test was again performed using three probability weighted scenarios under a value-in-use calculation based on similar assumptions as described above for the test performed effective 24 February 2022. No impairment had arisen.

Upon classification as held for sale in mid-June 2022, management also assessed the fair value less costs to dispose of the businesses, as required by IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations.' The fair value less costs to dispose was reassessed at the balance sheet date.

As at 30 June 2022, while dialogue was ongoing with a number of potential buyers, no committed offers had been received for the Russian operations. On that basis, management had to estimate the fair value of the businesses. In determining an appropriate fair value, management considered indicative offers received to date, its value-in-use calculations of recoverable amount (as described above) and typical, historical multiples of EBITDA to enterprise value for similar businesses, and the extent to which these value-in-use calculations and historical multipliers should be discounted, given the current situation in Russia, to derive an approximate fair value. While the estimates show a wide range of fair values, the estimates indicated that the carrying value of the Group's Russian businesses can be supported and hence no impairment was required.

The situation in Russia is highly complex and continues to evolve. For this reason, determination of fair value is particularly challenging, and the range of potential fair values is wide. In addition, depending on the structure of any disposal, it is likely that approval will be required by the Russian authorities, both of the disposal itself and the associated price. Furthermore, the Russian rouble to EUR foreign exchange rate has been volatile in recent months, which impacts both the EUR carrying value of the associated Russian net assets at any given time, and may also impact the disposal price that is achieved in EUR terms if it is determined in roubles.

For these reasons, there can be no certainty that the price ultimately achieved on disposal of the Russian businesses will be sufficient to support the carrying value.

Control assessment

The Group has applied judgement in regards to whether the Group continues to control its Russian subsidiaries due to the restrictions imposed by the Russian government or any other authority. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Russian government introduced various sanctions in recent months, including restrictions on the payment of dividends to "unfriendly states" that require consent from the Ministry of Finance of Russia. Since the Group continued to direct the operations and the Russian regulations currently do not prohibit the declaration and payment of dividends, the Group has taken the view that it has retained control through the six months ended 30 June 2022. Were the Group to conclude that it no longer retains control, the Russian operations would be treated as if they had been disposed of, with the associated assets and liabilities derecognised.

16 Russian operations (discontinued operations) (continued)

Held for sale and discontinued operation

On 4 May 2022, the Group decided to divest its Syktyvkar mill and three converting plants in Russia. Given progress with the divestment process, the Board subsequently concluded, in June 2022, that the Russian operations satisfied the criteria to be classified as held for sale and that they should also be classified as discontinued operations as at 30 June 2022 and for the six months then ended.

The Group has applied judgement as to whether the operations in Russia meet the held for sale presentation criteria at 30 June 2022 and whether these need to be reported as discontinued operations.

Assets are held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use provided the assets are available for immediate sale in their present condition and a sale is highly probable. The divestment process is operationally and structurally complex and is being undertaken in an evolving political and regulatory environment. There is uncertainty as to when a transaction will be completed and as to the structure of any possible transaction. However, the Group is committed to dispose of its Russian operations and has allocated relevant resources to complete a sale in due course, which is why the Group has determined that a sale is highly probable within the next 12 months and that, therefore, it is appropriate to adopt the held for sale presentation for the Group's assets and liabilities in Russia as at 30 June 2022.

From the point at which this classification was first applied, in mid-June 2022, depreciation on these Russian assets ceased. Notwithstanding that the Board has concluded that it considers a sale is highly probable, the evolving political and regulatory environment means that there can be no certainty as to whether a transaction will be concluded successfully, or what form any transaction might take. If the Board had concluded that a sale was not highly probable, the assets and liabilities would have continued to be consolidated on a line-by-line basis, as they had been historically, rather than presented separately as assets held for sale and liabilities directly associated with assets held for sale.

As the assets and liabilities of the Russian operations have been classified as held for sale, the Group has to separately consider whether these businesses also represent a discontinued operation, being a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The Russian operations represented around 12% of the Group's revenue by location of production in 2021 and generated around 20% of the Group's underlying EBITDA over the last three years. Taking into account its financial significance, the Group views the Russian operations as a distinct major geographical area of operations that, therefore, qualify for classification as discontinued operations. Hence, in accordance with IFRS 5, the Group has reported its Russian businesses as discontinued operations as at 30 June 2022 and for the six months then ended, with the comparative income statement and cash flow statement periods represented. Had the Group concluded that the businesses were not discontinued operations they would instead have continued to be reported as part of continuing operations.

The financial performance of the discontinued operations is set out below:

€ million	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Segment revenue	604	439	961
Internal revenue	(86)	(95)	(212)
External revenue	518	344	749
Operating expenses	(290)	(201)	(403)
EBITDA	228	143	346
Depreciation and amortisation ¹	(29)	(31)	(64)
Operating profit	199	112	282
Net finance costs	(11)	(5)	(11)
Profit before tax	188	107	271
Related tax charge	(40)	(23)	(58)
Profit for the period from discontinued operations attributable to shareholders	148	84	213
Fair value gains arising from cash flow hedges of discontinued operations	5	—	—
Exchange differences on translation of discontinued operations	417	33	42
Remeasurements of retirement benefits plans of discontinued operations	2	—	1
Other comprehensive income from discontinued operations attributable to shareholders	424	33	43
Total comprehensive income from discontinued operations attributable to shareholders	572	117	256

Note:

¹ On classification as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortised. Depreciation and amortisation for the six months ended 30 June 2022 covers the period until the classification as held for sale in mid-June 2022.

16 Russian operations (discontinued operations) (continued)

€ million	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Net cash generated from operating activities	193	132	286
Net cash used in investing activities	(33)	(47)	(91)
Net cash used in financing activities	(11)	(7)	(13)
Net increase in cash and cash equivalents from discontinued operations	149	78	182

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations as at 30 June 2022:

€ million	As at 30 June 2022
Property, plant and equipment	1,117
Goodwill (see note 11)	34
Intangible assets	9
Deferred tax assets	1
Inventories	142
Trade and other receivables	115
Financial instruments	2
Cash and cash equivalents	275
Total assets held for sale	1,695
Borrowings	(123)
Trade and other payables	(174)
Current tax liabilities	(6)
Provisions	(17)
Financial instruments	(2)
Net retirement benefits liability	(16)
Deferred tax liabilities	(53)
Total liabilities directly associated with assets classified as held for sale	(391)

The cumulative foreign exchange gain recognised in other comprehensive income in relation to the discontinued operations as at 30 June 2022 was €25 million and will be recycled through the income statement on the date of disposal.

17 Disposal of business

On 30 June 2022, the Group sold its Personal Care Components business (PCC) to Nitto Denko Corporation for an enterprise value of €615 million. The sale enables the Group to simplify its portfolio and focus on its strategic priority to grow in sustainable packaging. PCC, previously part of the Group's Engineered Materials operating segment, manufactured a range of components for personal and home care products needed in everyday life such as diapers, feminine care, adult incontinence and wipes.

€ million	Six months ended 30 June 2022
Proceeds from the disposal of business per the condensed consolidated statement of cash flows	646
Cash and cash equivalents disposed	15
Consideration in cash	661
Carrying amount of net assets disposed	(412)
Gain on reclassification of foreign currency translation reserve	4
Related transaction costs ¹	(7)
Gain on disposal of business, net of related transaction costs	246
Tax charge	(5)
Gain on disposal of business, net of related tax	241

Note:

¹ Excludes transaction costs of €6 million recognised in the prior year, which were not treated as a special item

17 Disposal of business (continued)

The carrying amounts of assets and liabilities as at the date of sale (30 June 2022) were:

€ million	Six months ended 30 June 2022
Property, plant and equipment	174
Goodwill	141
Intangible assets	2
Inventories	58
Trade and other receivables	88
Cash and cash equivalents	15
Total assets	478
Trade and other payables	(49)
Net retirement benefits liability	(4)
Deferred tax liabilities	(8)
Other liabilities	(5)
Total liabilities	(66)
Carrying amount of net assets disposed	412

The carrying amount of net assets disposed include an appropriate allocation of the goodwill previously allocated to the Engineered Materials operating segment between the value of the PCC business that was disposed of and the retained functional paper and films business.

18 Consolidated cash flow analysis

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

€ million	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Profit before tax from continuing operations	933	354	712
Depreciation, amortisation and underlying impairments	194	181	375
Share-based payments	5	4	9
Net pre-tax cash flow effect of current and prior period special items	(257)	(19)	(22)
Net finance costs	66	40	83
Net monetary gain arising from hyperinflationary economies	(2)	—	—
Net profit from joint ventures	(3)	(3)	(6)
Decrease in provisions	(1)	—	(7)
Decrease in net retirement benefits	(5)	(6)	(15)
Movement in working capital	(403)	(172)	(195)
Increase in inventories	(201)	(120)	(232)
Increase in operating receivables	(403)	(237)	(310)
Increase in operating payables	201	185	347
Fair value (gains)/losses on forestry assets	(30)	(8)	7
Felling costs	34	37	62
Gain on disposal of property, plant and equipment	—	(2)	—
Proceeds from insurance reimbursements for property damages	(8)	—	—
Other adjustments	(4)	1	(2)
Cash generated from continuing operations	519	407	1,001

18 Consolidated cash flow analysis (continued)

(b) Cash and cash equivalents

€ million	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Cash and cash equivalents per condensed consolidated statement of financial position	916	288	473
Cash and cash equivalents classified as assets held for sale (see note 16)	275	—	—
Bank overdrafts included in short-term borrowings	(46)	(51)	(18)
Cash and cash equivalents per condensed consolidated statement of cash flows	1,145	237	455

The cash and cash equivalents of €916 million (as at 30 June 2021: €288 million; as at 31 December 2021: €473 million) include money market funds of €559 million (as at 30 June 2021: €135 million; as at 31 December 2021: €340 million) valued at fair value through profit and loss, with the remaining balance carried at amortised cost.

The cash and cash equivalents classified as assets held for sale as per table above are held by the Group's Russian operations. These deposits are subject to regulatory restrictions, and therefore may not be available for general use by the other entities within the Group.

The fair value of cash and cash equivalents carried at amortised cost approximate their carrying values presented.

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Total assets	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2021	348	1	349	(94)	(2,050)	4	(2,140)	(1,791)
Cash flow	(110)	—	(110)	—	(63)	—	(63)	(173)
Additions to lease liabilities	—	—	—	(18)	(5)	—	(23)	(23)
Disposal of lease liabilities	—	—	—	2	—	—	2	2
Acquired through business combinations	—	—	—	(16)	(1)	—	(17)	(17)
Movement in unamortised loan costs	—	—	—	—	(1)	—	(1)	(1)
Net movement in fair value of derivative financial instruments	—	—	—	—	—	(1)	(1)	(1)
Reclassification	—	—	—	(5)	5	—	—	—
Currency movements	(1)	—	(1)	7	(6)	—	1	—
At 30 June 2021	237	1	238	(124)	(2,121)	3	(2,242)	(2,004)
Cash flow	218	—	218	27	4	12	43	261
Additions to lease liabilities	—	—	—	9	(21)	—	(12)	(12)
Disposal of lease liabilities	—	—	—	(1)	1	—	—	—
Movement in unamortised loan costs	—	—	—	—	(1)	—	(1)	(1)
Net movement in fair value of derivative financial instruments	—	—	—	—	—	(24)	(24)	(24)
Reclassification	—	—	—	(34)	34	—	—	—
Currency movements	—	—	—	17	—	—	17	17
At 31 December 2021	455	1	456	(106)	(2,104)	(9)	(2,219)	(1,763)
Cash flow	592	—	592	—	49	65	114	706
Additions to lease liabilities	—	—	—	(7)	(13)	—	(20)	(20)
Disposal of lease liabilities	—	—	—	1	1	—	2	2
Movement in unamortised loan costs	—	—	—	—	(1)	—	(1)	(1)
Net movement in fair value of derivative financial instruments	—	—	—	—	—	(55)	(55)	(55)
Reclassification	—	—	—	(16)	16	—	—	—
Currency movements	98	(1)	97	8	(42)	—	(34)	63
At 30 June 2022	1,145	—	1,145	(120)	(2,094)	1	(2,213)	(1,068)
Reclassifications to assets and liabilities classified held for sale (see note 16)	(275)	—	(275)	4	119	—	123	(152)
Net debt of continuing operations at 30 June 2022	870	—	870	(116)	(1,975)	1	(2,090)	(1,220)

18 Consolidated cash flow analysis (continued)

(c) Movement in net debt (continued)

Bank overdrafts of €46 million (as at 30 June 2021: €51 million; as at 31 December 2021: €18 million), presented in short-term borrowings in the condensed consolidated statement of financial position, are included in cash and cash equivalents (see note 18b).

Cash flow of cash and cash equivalents of €592 million include cash and cash equivalents disposed of €15 million (see note 17).

The Group expensed interest of €63 million relating to its bank overdrafts, loans and lease liabilities (six months ended 30 June 2021 (restated): €38 million; year ended 31 December 2021 (restated): €82 million) and paid interest of €52 million (six months ended 30 June 2021 (restated): €55 million; year ended 31 December 2021 (restated): €67 million).

19 Capital commitments

The continuing operations' capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is €460 million (as at 31 December 2021: €274 million).

20 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 30 June 2022 of €7 million (as at 30 June 2021: €3 million; as at 31 December 2021: €8 million) in respect of loans and guarantees given to banks and other third parties.

21 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 12.

As at 30 June 2022, the fair value of level 2 derivative financial assets is €9 million (as at 30 June 2021: €7 million; as at 31 December 2021: €4 million), whereas the fair value of level 2 derivative financial liabilities is €15 million (as at 30 June 2021: €7 million; as at 31 December 2021: €18 million).

Cash and cash equivalents include money market funds measured at fair value through profit and loss, with the remaining balance carried at amortised cost. As at 30 June 2022, the fair value of level 1 cash and cash equivalents is €559 million (as at 30 June 2021: €135 million; as at 31 December 2021: €340 million).

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2022.

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.

Specific valuation methodologies used to value financial instruments include:

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

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

€ million	Carrying amount			Fair value		
	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
Financial liabilities						
Borrowings	2,137	2,296	2,228	2,008	2,450	2,353

22 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with associated undertakings in which the Group has a material interest. The related party transactions entered into by the Group have been contracted on an arms-length basis and, in total, are not considered to be significant. The level of these transactions is consistent with prior year.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation. There have been no significant changes to the nature of its related party transactions as disclosed in note 30 of the Group's Integrated report and financial statements 2021.

23 Events occurring after 30 June 2022

Aside from the interim dividend declared for the six months ended 30 June 2022 (see note 10), there have been no material reportable events since 30 June 2022.

Production statistics

		Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Continuing operations				
Containerboard	000 tonnes	1,209	1,169	2,375
Kraft paper	000 tonnes	669	627	1,253
Uncoated fine paper	000 tonnes	487	550	1,068
Pulp	000 tonnes	1,816	1,798	3,398
Internal consumption	000 tonnes	1,626	1,562	3,007
Market pulp	000 tonnes	190	236	391
Corrugated solutions	million m ²	1,000	943	2,052
Paper bags	million units	3,083	2,971	5,928
Consumer flexibles	million m ²	1,098	1,041	2,057
Functional paper and films	million m ²	1,729	1,752	3,383
Personal care components	million m ²	801	914	1,746

Note:

The production statistics have been restated for comparability purposes to reflect the Group's new segment structure and to exclude the Russian discontinued operations (see note 4)

Exchange rates

versus euro	Average			Closing		
	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
South African rand	16.85	17.52	17.48	17.01	17.01	18.06
Czech koruna	24.65	25.85	25.64	24.74	25.49	24.86
Polish zloty	4.64	4.54	4.57	4.69	4.52	4.60
Pounds sterling	0.84	0.87	0.86	0.86	0.86	0.84
Russian rouble	85.55	89.55	87.15	56.55	86.77	85.30
Turkish lira ¹	16.26	9.52	10.51	17.32	10.32	15.23
US dollar	1.09	1.21	1.18	1.04	1.19	1.13

Note:

¹ Hyperinflation accounting was adopted in 2022 to report the Group's operations in Turkey (see note 2)

Alternative Performance Measures (APMs)

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

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

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management, the Executive Committee and the Board. Two of the Group's APMs (total EBITDA and ROCE of continuing and discontinued operations) form part of the executive directors and senior management remuneration targets. The Group has not adjusted its APMs for the impact of the COVID-19 pandemic.

As at 30 June 2022, the Group's operations in Russia are presented as held for sale and classified as discontinued operations for the period then ended. For comparability purposes, the APMs based on amounts recognised in the condensed consolidated statement of financial position have been adjusted for the Russian assets and liabilities as described below. Note, no restatement of the IFRS condensed consolidated statement of financial position has been made for such items. APMs measuring the profitability of the Group are presented for continuing operations (i.e. excluding the results for the Russian discontinued operations) and comparatives are presented on the same basis, consistent with the presentation of the IFRS condensed consolidated income statement. Where these changes have impacted the APMs for comparative periods as presented previously, these have been described as restated.

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

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Special items		
Special items are generally material, non-recurring items that exceed €10 million. The Audit Committee regularly assesses the monetary threshold of €10 million and considers the threshold in the context of both the Group as a whole and individual operating segment performance.	Note 5	None

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

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

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

Underlying EBITDA margin from continuing operations		
Underlying EBITDA expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the cash generating ability relative to revenue.		None

APM calculation:

€ million, unless otherwise stated	Six months ended	Restated	Restated
	30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Underlying EBITDA (see condensed consolidated income statement)	942	566	1,157
Group revenue from continuing operations (see condensed consolidated income statement)	4,505	3,283	6,974
Underlying EBITDA margin from continuing operations (%)	20.9	17.2	16.6

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
-----------------------------	-------------------------------	---------------------------------

Total EBITDA (prior to special items)

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

Total EBITDA from continuing and discontinued operations prior to special items is calculated to show as if the EBITDA of the Russian operations was not separately disclosed as arising from discontinued operations.

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
EBITDA from continuing operations	1,188	569	1,160
EBITDA from discontinued operations	228	143	346
Special items	(246)	(3)	(3)
Total EBITDA (prior to special items)	1,170	709	1,503

Underlying operating profit

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

Condensed consolidated income statement

Operating profit

Underlying operating profit margin from continuing operations

Underlying operating profit expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the profitability of the operations relative to revenue.

None

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Underlying operating profit (see condensed consolidated income statement)	748	385	782
Group revenue from continuing operations (see condensed consolidated income statement)	4,505	3,283	6,974
Underlying operating profit margin from continuing operations (%)	16.6	11.7	11.2

Net interest expense

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

None

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

APM calculation:

€ million	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Investment income (see note 7)	2	1	5
Interest on bank overdrafts and loans (see note 7)	(59)	(35)	(75)
Interest on lease liabilities (see note 7)	(4)	(3)	(7)
Net interest expense	(61)	(37)	(77)

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
-----------------------------	-------------------------------	---------------------------------

Effective interest rate

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

None

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

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Trailing 12-month net interest expense (see above)	101	74	77
Trailing 12-month average net debt of continuing operations	1,755	1,830	1,804
Effective interest rate (%)	5.8	4.0	4.3

Underlying profit before tax

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

Condensed consolidated income statement
Profit before tax

Effective tax rate

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

None

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

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Tax charge before special items (see note 8)	151	76	154
Underlying profit before tax (see condensed consolidated income statement)	687	348	705
Effective tax rate (%)	22	22	22

Underlying earnings (and per share measure)

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

Note 9
Profit for the period attributable to shareholders (and per share measure)

Total earnings (prior to special items) (and per share measure)

Net profit after tax attributable to shareholders, before special items, from continuing operations and discontinued operations.

Note 9
Profit for the period attributable to shareholders (and per share measure)

Headline earnings (and per share measure)

The presentation of headline earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 1/2021, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Note 9
Profit for the period attributable to shareholders (and per share measure)

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Dividend cover		
Basic underlying EPS from continuing operations divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to ordinary dividend payments.	None	None

Capital employed (and related trailing 12-month average capital employed)		
Capital employed comprises total equity and net debt. Trailing 12-month average capital employed is the average monthly capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production.	Note 4	Total equity

These measures provide the level of invested capital in the business. Trailing 12-month average capital employed is used in the calculation of return on capital employed.

Return on capital employed (ROCE)		
Trailing 12-month underlying operating profit, including share of associate's and joint ventures' 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 and is presented on the basis of continuing operations for comparability.		None

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Trailing 12-month underlying operating profit (see condensed consolidated income statement)	1,145	693	782
Trailing 12-month underlying net profit from joint ventures (see condensed consolidated income statement)	6	1	6
Trailing 12-month underlying profit from operations and joint ventures	1,151	694	788
Trailing 12-month average capital employed of continuing operations (see note 4)	5,989	5,437	5,672
ROCE (%) from continuing operations	19.2	12.8	13.9

The ROCE from continuing and discontinued operations is calculated to show as if the net profit of the Russian operations was not separately disclosed as arising from discontinued operations.

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Trailing 12-month underlying profit from operations and joint ventures	1,151	694	788
Trailing 12-month operating profit of discontinued operations (see note 16)	369	205	282
Trailing 12-month profit from operations and joint ventures of the Group before special items (incl. discontinued operations)	1,520	899	1,070
Trailing 12-month average capital employed of the Group (incl. discontinued operations) (see note 4)	6,762	6,077	6,349
ROCE (%) from continuing and discontinued operations	22.5	14.8	16.9

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Net debt (and related trailing 12-month average net debt)		
A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents, net of overdrafts, and current financial asset investments. Trailing 12-month average net debt is the average monthly net debt over the last 12 months. Net debt of continuing operations and trailing 12-month average net debt has been adjusted for net debt of the discontinued operations for comparability.	Note 18c	None

Net debt provides a measure of the Group's net indebtedness or overall leverage.

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Net debt (see note 18c)	1,068	2,004	1,763
Net (cash)/debt of discontinued operations	(152)	78	74
Net debt of continuing operations	1,220	1,926	1,689

Net debt to underlying EBITDA

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

None

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Net debt of continuing operations	1,220	1,926	1,689
Trailing 12-month underlying EBITDA (see condensed consolidated income statement)	1,533	1,058	1,157
Net debt to underlying EBITDA (times)	0.8	1.8	1.5

Operating segment assets and operating segment net assets

Operating segment assets and operating segment net assets comprise total assets (excluding financial instruments) and capital employed respectively but exclude assets and liabilities held for sale, investments in associates and joint ventures, deferred tax assets and liabilities and other non-operating assets and liabilities.

Note 4

Total assets
Net assets

Operating segment assets and operating segment net assets provide a measure of the assets and net assets required in the daily operation of the business.

Working capital as a percentage of revenue

Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue, which is calculated based on an extrapolation of average monthly year-to-date revenue. A measure of the Group's effective use of working capital relative to revenue. Working capital has been adjusted for working capital of the discontinued operations in comparative periods for comparability purposes.

None

APM calculation:

€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Inventories (see condensed consolidated statement of financial position)	1,191	1,007	1,099
Trade and other receivables (see condensed consolidated statement of financial position)	1,553	1,322	1,333
Trade and other payables (see condensed consolidated statement of financial position)	(1,434)	(1,313)	(1,444)
Working capital	1,310	1,016	988
Working capital of discontinued operations	—	31	44
Working capital of continuing operations	1,310	985	944
Annualised Group revenue (see condensed consolidated income statement)	9,010	6,566	6,974
Working capital as a percentage of revenue	14.5	15.0	13.5

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure	
Gearing			
Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group. Net debt and capital employed is adjusted for the discontinued operations for comparability.		None	
APM calculation:			
€ million, unless otherwise stated	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Net debt of continuing operations	1,220	1,926	1,689
Capital employed of continuing operations (see note 4)	6,111	5,934	5,892
Gearing (%)	20.0	32.5	28.7

Cash flow generation

A measure of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in associates and joint ventures, payment of dividends to shareholders, acquisition or sale of non-controlling interests in a subsidiary and proceeds from and repayment of borrowings. Cash flow generation is a measure of the Group's ability to generate cash through-the-cycle before considering deployment of such cash.

Net increase/(decrease) in cash and cash equivalents

The cash flow generation is adjusted for the cash flows from the discontinued operations for comparability and has been re-presented for the effect from non-controlling interests bought out of €3 million for the year ended 31 December 2021.

APM calculation:

€ million	Six months ended 30 June 2022	Restated Six months ended 30 June 2021	Restated Year ended 31 December 2021
Net increase/(decrease) in cash and cash equivalents	592	(110)	108
Net increase in cash and cash equivalents from discontinued operations	(149)	(78)	(182)
Investment in property, plant and equipment	218	239	481
Acquisition of businesses, net of cash and cash equivalents	—	63	63
Proceeds from the disposal of business, net of cash and cash equivalents	(646)	—	—
Investment in joint ventures	—	1	1
Dividends paid to shareholders	218	201	298
Non-controlling interests bought out	—	—	3
Net repayment of/(proceeds from) borrowings	48	(64)	(34)
Proceeds from other medium and long-term borrowings	—	(63)	(59)
Repayment of other medium and long-term borrowings	49	—	—
Net (proceeds from)/repayment of short-term borrowings	(12)	(11)	4
Repayment of lease liabilities	11	10	21
Cash flow generation from continuing operations	281	252	738

Forward-looking statements

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

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

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

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

Editors' notes

Mondi is a global leader in packaging and paper, contributing to a better world by making innovative solutions that are sustainable by design. Our business is integrated across the value chain – from managing forests and producing pulp, paper and films, to developing and manufacturing sustainable consumer and industrial packaging solutions using paper where possible, plastic when useful. Sustainability is at the centre of our strategy, with our ambitious commitments to 2030 focused on circular driven solutions, created by empowered people, taking action on climate.

In 2021, Mondi had revenues of €7.0 billion and underlying EBITDA of €1.2 billion from continuing operations, and employed 21,000 people worldwide. Mondi has a premium listing on the London Stock Exchange (MNDI), where the Group is a FTSE100 constituent, and also has a secondary listing on the JSE Limited (MNP).

mondigroup.com

Sponsor in South Africa: Merrill Lynch South Africa Proprietary Limited t/a BofA Securities.