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

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

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

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

Mondi Group: Trading update 11 October 2017

This trading update provides an overview of our financial performance and financial position since the half year ended 30 June 2017, based on management information up to 30 September 2017. These results have not been audited or reviewed by Mondi's external auditors.

Except as discussed in this update, there have been no significant events or transactions impacting either the financial performance or financial position of the Group since 30 June 2017 up to the date of this statement.

Group performance overview

Underlying operating profit for the third quarter of 2017 of €245 million was 8% above the comparable prior year period (€227 million). The Group benefited from higher average selling prices partly offset by higher costs and negative currency effects. Underlying operating profit was in line with the second quarter of 2017, with the positive pricing momentum seen across most product segments offset by rising costs, negative currency effects and the usual seasonal downturn in Uncoated Fine Paper.

Like-for-like sales volumes were above the comparable prior year period, driven by good growth in containerboard and Fibre Packaging. Selling prices for the Group's key paper grades were above those of both the comparable prior year period and the previous quarter as the upward momentum in pricing witnessed over the first half continued.

Costs were generally higher than the comparable prior year period and the previous quarter. Wood, energy and chemical costs were higher than the comparable prior year period while benchmark paper for recycling prices were up 15% compared to the third quarter of 2016, and 6% higher sequentially. Cash fixed costs were higher as a result of inflationary cost pressures and the impact of maintenance shuts, while depreciation and amortisation charges were up due to the impact of the Group's ongoing capital investment programme. Our recently completed projects in Packaging Paper and Fibre Packaging are making good contributions.

Currency movements had a net negative impact on operating profit versus the comparable prior year period driven mainly by a weaker US dollar and sharply weaker Turkish Lira. On a sequential basis, the weakening Russian rouble and US dollar contributed to a net negative impact.

Planned mill maintenance shuts were completed during the quarter with an estimated impact on operating profit of €30 million (2016: €20 million). Based on prevailing market prices, we continue to estimate that the impact of planned maintenance shuts on operating profit for 2017 will be around €90 million, with an expected impact in the fourth quarter of around €20 million (2016: €35 million).

Business unit overview

In **Packaging Paper**, containerboard markets remain strong with healthy demand and limited industry capacity additions continuing to support pricing, albeit with the level of price increases achieved varying by grade. Average benchmark European unbleached kraftliner prices were up 20% on the prior year comparable period, and up 8% sequentially. By contrast, benchmark European white-top kraftliner prices were up by a more moderate 4% on the prior year comparable period, and up 1% sequentially. Average benchmark European recycled containerboard prices were up 18% on the prior year, and up 5% sequentially. Price increases in recycled containerboard (€30/tonne) and unbleached kraftliner (€50/tonne) were implemented in July and August respectively.

The sack kraft paper market remains tight, supported by good demand growth in our export markets, stable core European markets, and constrained supply growth. Sales volumes for sack kraft paper remained at similar levels to the comparable prior year period and selling prices were higher following the implementation of previously announced price increases. On a sequential basis, prices were marginally up on average as most external volume is sold on fixed price annual contracts.

The €335 million modernisation of the Steti mill (Czech Republic) is progressing well. As previously announced, we have postponed the €135 million investment in a new 90,000 tonne per annum machine glazed paper machine at the same site due to concerns around a potential market imbalance following recently announced industry capacity expansions.

Our **Fibre Packaging** business continues to benefit from good volume growth, particularly in Corrugated Packaging. Recent paper price increases were partly recovered through box price increases during the quarter. In Industrial Bags the opportunity to recover paper price increases implemented early in the second quarter was limited due to annual fixed price contracts. Strong cost management continues to limit the impact of cost pressures.

Consumer Packaging delivered an improved performance in the quarter although low growth in certain value added product areas remains a challenge. In response, a programme has been launched to restructure the cost base and align capacity to current market requirements. This involves various initiatives, including the closure of a plant in Poland, streamlining the UK operations and reducing the fixed cost base across the business. As a result, a special item charge estimated at €45 million, including an asset impairment of €27 million, will be recognised during the second half of 2017.

The **Uncoated Fine Paper** business continues to perform strongly, although the quarterly performance was impacted by ongoing cost pressures, particularly in South Africa, planned maintenance shuts and limited pricing momentum**.** Average benchmark European uncoated fine paper prices were flat on the comparable prior year period and up 1% on the second quarter of 2017. Pricing in the domestic Russian and South African markets remained stable over the period. Supported by steady demand and cost pressures from rising pulp prices, price increases are currently in the process of implementation in the European, Russian and South African markets for selected products.

Due to the accelerated rate of local demand decline, the decision has been taken to cease production of newsprint at our Merebank mill (South Africa). A special item charge of around €15 million will be recognised during the second half of 2017. During the quarter, we restarted an idled uncoated fine paper machine which will produce annually around 70,000 tonnes of uncoated fine paper to serve the local market, displacing imports.

Cash flow and financing activities

Strong cash generation from operating activities more than offset the cash outflows related to our capital expenditure programme and financing activities, resulting in a reduction in net debt during the quarter.

Finance charges were lower than the comparable prior year period and in line with the previous quarter primarily due to the 5.75% 2017 Eurobond maturing in the first half of the year.

There have been no other significant changes in the Group's borrowing facilities since 30 June 2017.

During the quarter, Moody's Investors Service upgraded the Group's credit rating from Baa2 to Baa1 (stable outlook).

Outlook

We remain confident of making progress for the year and expect a strong final quarter, supported by generally higher average selling prices and good growth. However, continuing cost pressures and negative currency impacts are expected to result in an underlying performance for the year modestly below market expectations.

With our robust business model, strong project pipeline and culture of driving performance, we remain confident of continuing to grow and deliver industry leading returns.

Reorganisation of business segments

As previously announced, effective from 1 October 2017, the Group reorganised its business units to reflect the nature of the underlying products produced. The changes to the Group's business units, and consequently to the Group's segmental reporting, are as follows:

- Uncoated Fine Paper and South Africa, excluding the containerboard operations, were merged into a single business unit;
- the containerboard operations of South Africa were merged into Packaging Paper; and
- there were no changes to the Fibre Packaging or Consumer Packaging business units.

Restated segmental information is included as an appendix to this statement. The reorganisation had no impact on the overall Group result.

Operating segments (restated)

Six months ended 30 June 2017

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,141	1,031	839	947	—	(376)	**3,582**
Internal revenue	(333)	(17)	(2)	(24)	—	376	**—**
External revenue	808	1,014	837	923	—	—	**3,582**
Underlying EBITDA	296	98	106	232	(22)	—	**710**
Depreciation and impairments	(69)	(35)	(32)	(59)	(1)	—	**(196)**
Amortisation	(2)	(3)	(11)	(1)	—	—	**(17)**
Underlying operating profit/(loss)	225	60	63	172	(23)	—	**497**
Special items	5	—	—	—	—	—	**5**
Operating segment assets	2,338	1,390	1,555	1,751	7	(202)	**6,839**
Operating net segment assets	2,020	1,049	1,312	1,437	4	—	**5,822**
Additions to non-current non-financial assets	120	49	76	76	—	—	**321**
Capital expenditure cash payments	122	47	36	49	—	—	**254**
Operating margin (%)	*19.7*	*5.8*	*7.5*	*18.2*	—	—	***13.9***
Return on capital employed (%)	*23.1*	*13.0*	*9.7*	*27.6*	—	—	***18.7***
Average number of employees (thousands)[1]	5.4	8.1	6.0	6.8	0.1	—	**26.4**

Six months ended 30 June 2016

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,065	968	765	853	—	(339)	**3,312**
Internal revenue	(302)	(17)	(2)	(18)	—	339	**—**
External revenue	763	951	763	835	—	—	**3,312**
Underlying EBITDA	274	94	100	263	(17)	—	**714**
Depreciation and impairments	(62)	(33)	(28)	(50)	—	—	**(173)**
Amortisation	(1)	(2)	(8)	(1)	—	—	**(12)**
Underlying operating profit/(loss)	211	59	64	212	(17)	—	**529**
Operating segment assets	2,180	1,288	1,347	1,663	7	(165)	**6,320**
Operating net segment assets	1,821	993	1,148	1,395	6	—	**5,363**
Additions to non-current non-financial assets	68	65	40	56	—	—	**229**
Capital expenditure cash payments	78	50	42	44	—	—	**214**
Operating margin (%)	*19.8*	*6.1*	*8.4*	*24.9*	—	—	***16.0***
Return on capital employed (%)	*24.5*	*12.6*	*11.6*	*32.5*	—	—	***21.2***
Average number of employees (thousands)[1]	5.3	7.6	4.9	7.0	0.1	—	**24.9**

Note:

1 Presented on a full time employee equivalent basis.

Year ended 31 December 2016

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,103	1,929	1,562	1,720	—	(652)	**6,662**
Internal revenue	(579)	(32)	(4)	(37)	—	652	**—**
External revenue	1,524	1,897	1,558	1,683	—	—	**6,662**
Underlying EBITDA	527	194	198	481	(34)	—	**1,366**
Depreciation and impairments	(126)	(66)	(59)	(104)	(1)	—	**(356)**
Amortisation	(4)	(5)	(18)	(2)	—	—	**(29)**
Underlying operating profit/(loss)	397	123	121	375	(35)	—	**981**
Special items	—	(13)	(19)	(6)	—	—	**(38)**
Operating segment assets	2,215	1,315	1,502	1,781	4	(161)	**6,656**
Operating net segment assets	1,876	1,006	1,270	1,466	—	—	**5,618**
Additions to non-current non-financial assets	168	161	217	134	—	—	**680**
Capital expenditure cash payments	175	107	91	92	—	—	**465**
Operating margin (%)	*18.9*	*6.4*	*7.7*	*21.8*	—	—	***14.7***
Return on capital employed (%)	*23.1*	*13.5*	*10.5*	*32.3*	—	—	***20.3***
Average number of employees (thousands)[1]	5.3	7.7	5.3	7.0	0.1	—	**25.4**

Year ended 31 December 2015

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,213	2,031	1,469	1,764	—	(658)	**6,819**
Internal revenue	(578)	(37)	(4)	(39)	—	658	**—**
External revenue	1,635	1,994	1,465	1,725	—	—	**6,819**
Underlying EBITDA	547	187	177	448	(34)	—	**1,325**
Depreciation and impairments	(121)	(63)	(54)	(105)	(1)	—	**(344)**
Amortisation	(3)	(4)	(15)	(2)	—	—	**(24)**
Underlying operating profit/(loss)	423	120	108	341	(35)	—	**957**
Special items	(14)	(21)	(22)	—	—	—	**(57)**
Operating segment assets	2,202	1,224	1,333	1,542	6	(148)	**6,159**
Operating net segment assets	1,861	935	1,146	1,276	1	—	**5,219**
Additions to non-current non-financial assets	302	118	173	139	1	—	**733**
Capital expenditure cash payments	278	118	92	107	—	—	**595**
Operating margin (%)	*19.1*	*5.9*	*7.4*	*19.3*	—	—	**14.0**
Return on capital employed (%)	*25.9*	*13.9*	*10.7*	*27.0*	—	—	**20.5**
Average number of employees (thousands)[1]	5.6	7.7	4.6	7.3	0.1	—	**25.3**

Note:

1 Presented on a full time employee equivalent basis.

Capital Markets Day 2017

Mondi will hold a Capital Markets Day on the morning of Tuesday 17 October in London, and a site visit to two consumer packaging plants in Germany on Wednesday 18 October. This event will give attendees the opportunity to meet our leadership team and gain insights into how we operate the business in line with our strategic priorities.

The London presentations and a link to the live webcast of the event will be available at www.mondigroup.com/CMD2017. Registration is still open for the London event, please email CMD.Info@mondigroup.com if you would like to attend.

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Conference call dial-in details

Please see below details of our dial-in conference call that will be held on 11 October 2017 at 8:00 (UK) and 9:00 (SA).

The conference call dial-in numbers are:

South Africa	0800 200 648 (toll-free)
UK	0808 162 4061 (toll-free)
Europe & Other	+800 246 78 700 (toll-free) or +27 10 201 6800

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

A replay facility will be available until 31 October 2017. Dial in: +27 (0)11 305 2030.

Pin no: 17568#

Editors' notes

We are Mondi: In touch every day

At Mondi, our products protect and preserve the things that matter.

Mondi is an international packaging and paper Group, employing around 25,000 people across more than 30 countries. Our key operations are located in central Europe, Russia, North America and South Africa.

We offer over 100 packaging and paper products, customised into more than 100,000 different solutions for customers, end consumers and industrial end uses – touching the lives of millions of people every day. In 2016, Mondi had revenues of €6.7 billion and a return on capital employed of 20.3%.

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

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

For us, acting sustainably makes good business sense and is part of the way we work every day. We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.

Sponsor in South Africa: UBS South Africa (Pty) Ltd