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

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

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

**Mondi Group: Interim Management Statement 14 May 2014**

This interim management statement provides an update on the financial performance and financial position of the Group since the year ended 31 December 2013, based on management accounts up to 31 March 2014 and estimated results for April 2014. These results have not been audited or reviewed by Mondi's external auditors.

Reviewed results for the half-year ending 30 June 2014 will be published on or around 7 August 2014.

Except as discussed in this interim management statement, there have been no significant events or transactions impacting either the financial performance or financial position of Mondi Group since 31 December 2013 up to the date of this statement.

**Group Performance Overview**

First quarter underlying operating profit of EUR183 million was 13% above the comparable prior year period (EUR162 million), 14% above the fourth quarter of 2013 (EUR161 million), and in line with management's expectations.

Sales volumes were broadly in line with the comparable prior year period, and above the previous quarter, mainly due to the scheduling of maintenance shuts in the second half of the prior year.

As expected, average selling prices in Europe for all key paper grades were lower than those in both the prior year comparable period and the previous quarter, with the exception of recycled containerboard. The corrugated packaging business benefited from further pass through of prior period recycled containerboard price increases, while pricing in the South African division was higher than the comparable prior year period in equivalent currency terms.

There was some increase in key input costs over the quarter, with increases in wood costs and paper for recycling affecting the European operations. Offsetting these increases is the benefit from the various energy optimisation projects and restructuring initiatives completed during the prior year. Furthermore, in the comparable prior year period, a write-down relating to the value of green energy credits on hand in Poland, amounting to EUR11 million was recognised.

There were no significant maintenance shuts during the quarter. The majority of the planned maintenance shuts will take place towards the end of the second quarter and into the second half of the year. The impact of maintenance shuts on annual operating profit is estimated to be between EUR50 million and EUR60 million.

Although there has been significant volatility in the key currencies to which the Group is exposed, the overall weakening trend in the Group's key operating currencies against the euro yielded a marginal net benefit. The businesses in Poland and South Africa were net beneficiaries, given their significant export exposure, but this was partially offset by the impact of the weaker Russian rouble on the Group's more domestically focused Russian businesses.

While the Group remains vigilant of the ongoing political developments in the Ukraine, to date they have had no material impact on the Group's operations.

## Divisional Overview

### Europe & International

As anticipated, profitability of **Packaging Paper** was impacted by lower average selling prices in the quarter for virgin containerboard grades and sack kraft paper, partly offset by higher average recycled containerboard prices.

Supported by good demand, price increases were announced during the quarter for unbleached kraftliner in the European markets. Negotiations with customers are ongoing, with a small increase already implemented.

Recycled containerboard prices came under some pressure towards the end of the quarter and into April, impacted by new capacity entering the market and falling costs of paper for recycling.

In kraft paper, average selling prices during the quarter were around 3% down on the previous quarter. Selling price increases for unbleached sack kraft paper have since been announced on the back of a strong pick-up in demand in the first quarter, with price increases expected to be realised in the second half of the year when a number of fixed price contracts come up for renewal.

In the **Fibre Packaging** business unit, price increases in corrugated packaging have been realised following the recycled containerboard price increases seen in the previous quarter. Sales volumes increased versus both the comparable prior year period and the prior quarter, reflecting improving demand in corrugated packaging whilst industrial bags benefited from the milder winter and earlier than usual start to the construction season. Sales volumes in the coatings business improved versus the prior quarter, reflecting seasonal effects and improving consumer demand.

**Consumer Packaging** performance has improved from a weak fourth quarter of 2013 benefiting from an improved product mix, despite constrained demand and the phasing out of mature products in the films and components segment. Trading conditions, particularly in the core European markets, remain challenging.

**Uncoated Fine Paper** was impacted by the anticipated price erosion in the European markets in the first quarter. However, good demand and tighter supply into European markets following significant capacity closures in the United States has encouraged the business to announce price increases of approximately 5% in all European markets.

The weaker Russian rouble had a detrimental impact on the profitability of the Group’s Russian business. Demand remains stable and price increases have been implemented in the domestic market, effective from the second quarter.

**South Africa Division**

The Division continued to benefit from good domestic demand, with selling prices rising in local currency terms during the quarter. Further benefits were realised from the weaker South African rand and higher fair value gains on forestry assets. Benchmark hardwood pulp sales prices came under increasing pressure during the quarter, with average euro prices around 1% lower than the prior quarter.

**Capital investment projects**

Good progress is being made on the Group's major capital investment projects, with all projects proceeding on schedule and within budget.

A recent highlight was the successful commercial production of bleached kraft paper from the new 155,000 tonne paper machine at the Steti mill in the Czech Republic in April, meeting a strong order book. Production will be ramped up over the course of the year.

**Financial position**

Net debt of EUR1,580 million at the end of the quarter was EUR41 million lower than the EUR1,621 million at 31 December 2013. Strong operating cash inflows were offset by a seasonal increase in working capital and higher capital investment cash flows as a number of the Group's strategic investments reach completion.

Finance charges were lower than that of the preceding quarter and the comparable prior year period, primarily as a result of the lower average net debt.

The average maturity of the Group's committed debt facilities at 31 March 2014 was 3.5 years. The Group had EUR787 million of committed, unutilised borrowing facilities available at 31 March 2014.

**Summary**

The trading environment remains mixed. As anticipated selling prices for a number of the Group's key paper grades are currently below those of the prior year. However, fundamentals in our core markets remain generally solid and price increases in certain grades are under discussion. Furthermore, the ongoing capital investment programme is already making an important contribution to the profitability of the Group, with further projects on track for completion over the course of this year. As such, we remain confident in the Group's ability to continue delivering an industry-leading performance.

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## Editors' notes

Mondi is an international packaging and paper Group, employing around 24,000 people in production facilities across 30 countries. In 2013, Mondi had revenues of EUR6.5 billion and a ROCE of 15.3%. The Group's key operations are located in central Europe, Russia, the Americas and South Africa.

The Mondi Group is fully integrated across the packaging and paper value chain - from the management of its own forests and the production of pulp and paper (packaging paper and uncoated fine paper), to the conversion of packaging paper into corrugated packaging, industrial bags, extrusion coatings and release liner. Mondi is also a supplier of innovative consumer packaging solutions, advanced films and hygiene products components.

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. The Group's performance, and the responsible approach it takes to good business practice, has been recognised by its inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index since 2007.

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