



MONDI GROUP

**Merrill Lynch Pan European Paper & Packaging
Forum 2011**

20 September 2011

London

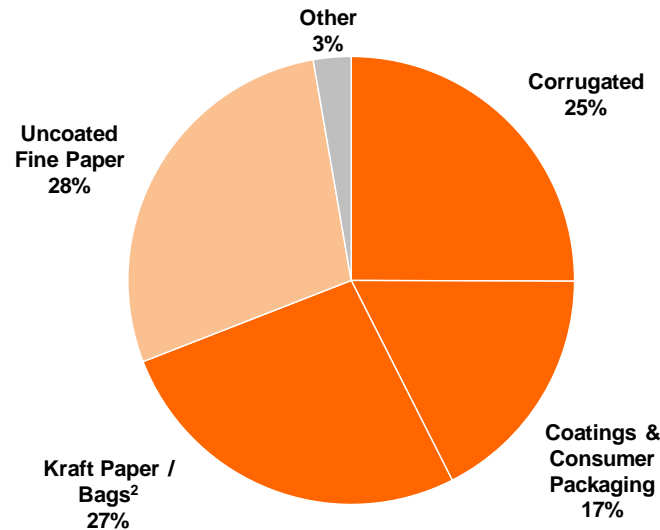
Mondi's strategic positioning

Sector fundamentals

Cash flow prioritisation

Appendices

Mondi Group segment/product¹ mix



Packaging

- Good fundamental demand dynamics
- Aside from sack kraft, no major substitution threats
- Demand growth robust in emerging markets

Uncoated Fine Paper (UFP)

- Structural decline in western Europe
- Emerging market expectations more robust

Limited exposure to grades suffering secular decline

Delivering on the key pillars to our strategy...



Leading market positions

Build on leading positions in packaging and Uncoated Fine Paper (UFP), particularly in emerging markets

High quality, low cost asset base

Maintain position as low-cost producer in our markets:

- Selectively investing in production capacity in lower-cost regions
- Exploiting benefits of upstream integration (including forestry)

Focus on performance

Focus on continuous productivity improvement and cost reduction, delivered through business excellence programmes and rigorous asset management

Attractiveness of emerging markets



Timber constraints

- Europe (ex. Russia) is short of timber
- No new virgin based capacity planned in Europe
- Mondi is potentially ~56% self-sufficient globally

Emerging market growth

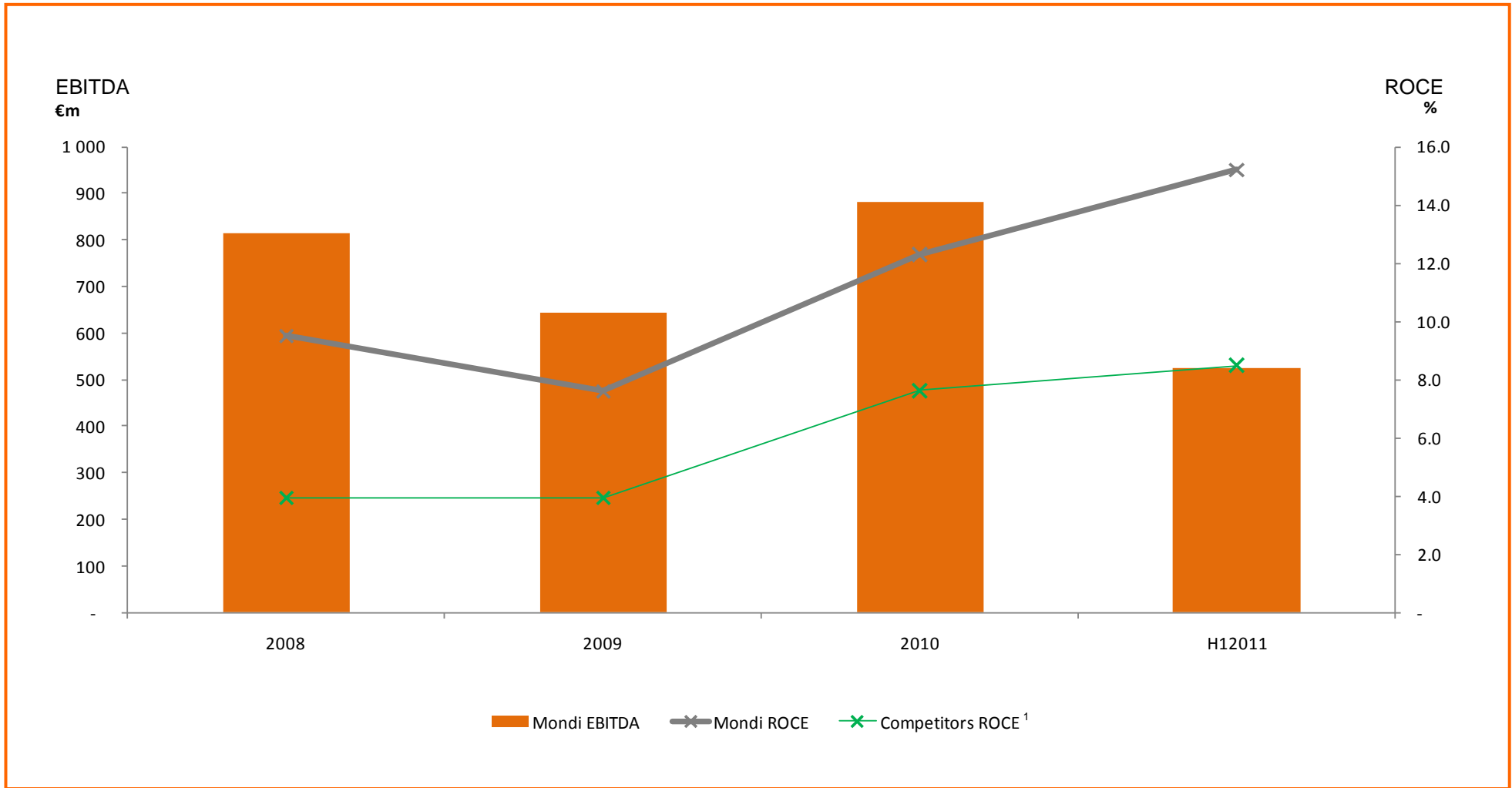
- Aside from Corrugated and Coatings, western markets maturing or in structural decline
- Emerging markets experiencing growth
 - Corrugated around 5%¹ - ongoing benefit of west-east industrial shift and generally higher GDP growth
 - UFP - around 2%¹ - higher GDP growth and improving PC penetration
 - Sacks - marginally positive¹ - ongoing construction activity in line with GDP growth offsetting substitution

Mondi's emerging market focus

- ~71% of net operating assets
- ~53% of revenue by destination

Mondi benefits from emerging market positioning

Delivering through the cycle



High quality, low cost, well invested asset base delivering superior returns

¹ Simple average of UPM, Stora Enso, M-Real, Smurfit Kappa Group, SCA, Sappi, Norske Skog, Billerud & DS Smith

... Supported by Balance Sheet Strength



€ Millions

Net debt

Committed facilities

Of which undrawn

Gearing (Net debt / Trading capital employed)

Net debt / 12 month trailing EBITDA (times)

	H1 2010	H2 2010	H1 2011
Net debt	(1 632)	(1 364)	(1 200)
Committed facilities	2 948	2 889	1 897
Of which undrawn	1 358	1 481	781
Gearing (Net debt / Trading capital employed)	35%	30%	27%
Net debt / 12 month trailing EBITDA (times)	2.2	1.5	1.3

● Good liquidity

- Average maturity of committed facilities is 4.1 years (2.6 years at 31 December 2010)
- Undrawn capacity on committed facilities of €781 million

● Credit strength

- Long term corporate credit ratings of Baa3 (stable outlook) from Moody's Investor Service and BB+ (positive outlook) from Standard & Poor's
- Targeting sustained investment grade credit metrics

Balance sheet strength a key differentiator

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Corrugated – Market fundamentals



Demand

- Structural demand growth¹
 - Western Europe 1% p.a.
 - Eastern Europe 4% p.a.
 - Average in Europe is around 2% p.a.

Supply

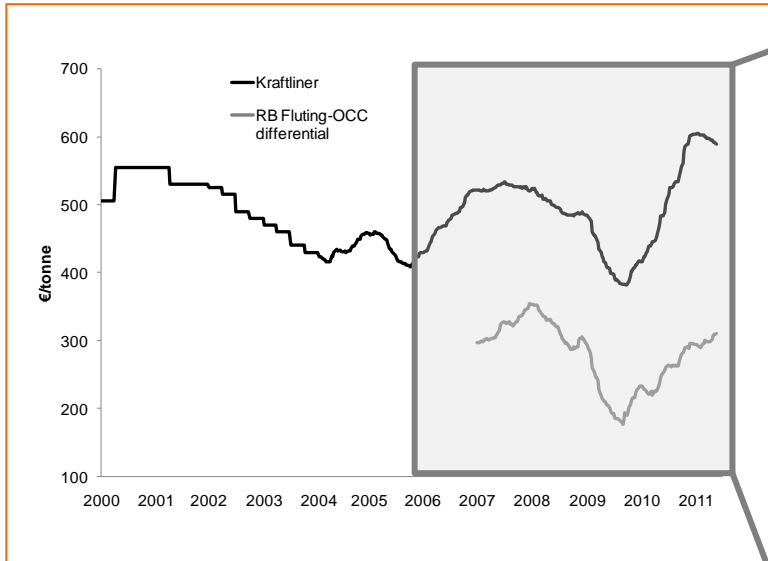
- Kraftliner
 - No new capacity
- Recycled Containerboard
 - New capacity announced of around 1.6 million tonnes (6.5% of market) to be introduced over the next 3 years
 - Expected to be absorbed by market growth

Solid fundamentals

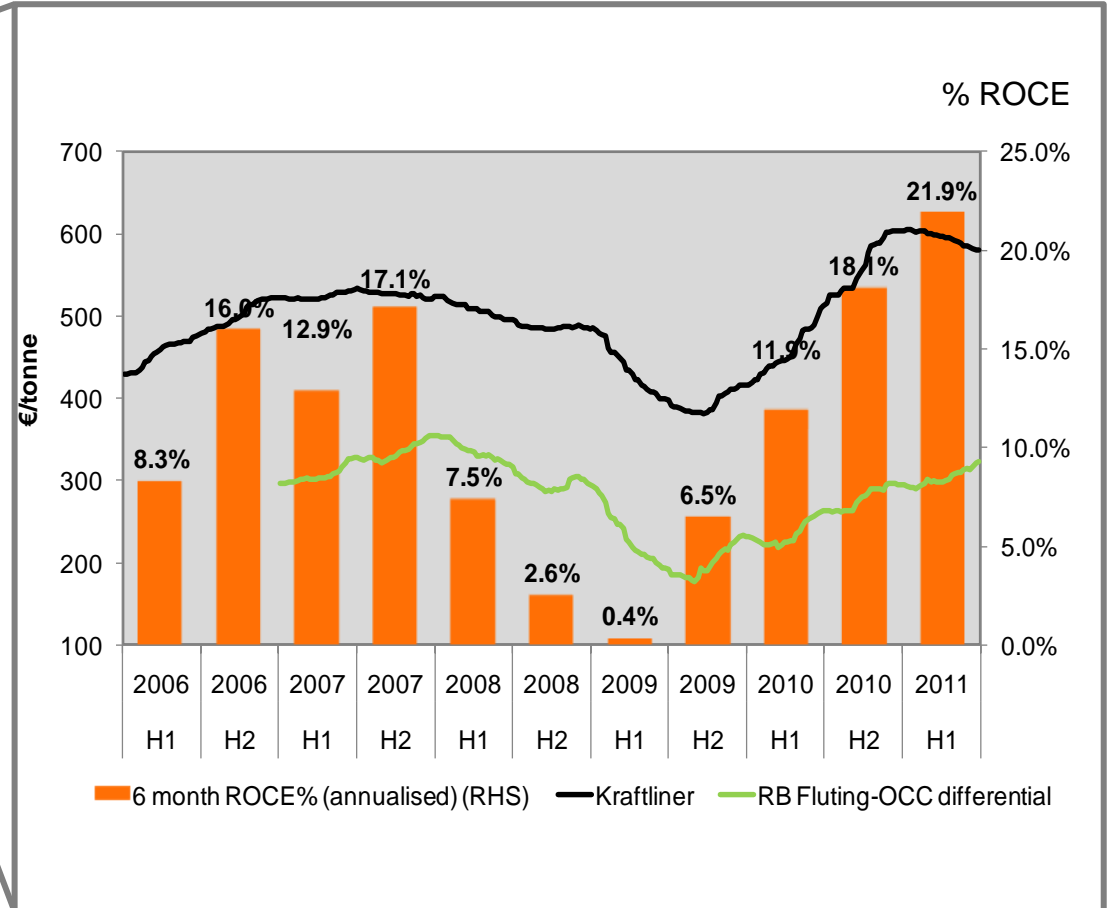
Corrugated – Commodity cycle and Mondi returns



10 year price cycle (in EUR)



Mondi's ROCE (%), kraftliner price and RB fluting – OCC price differential (EUR/tonne)



Restructured business delivering strongly in cyclical upturn

Demand

- Structural demand decline for sack kraft in mature European markets
- Export sack kraft demand strong and structurally improved
- Coatings demand growth is positive in both west and east Europe

Supply

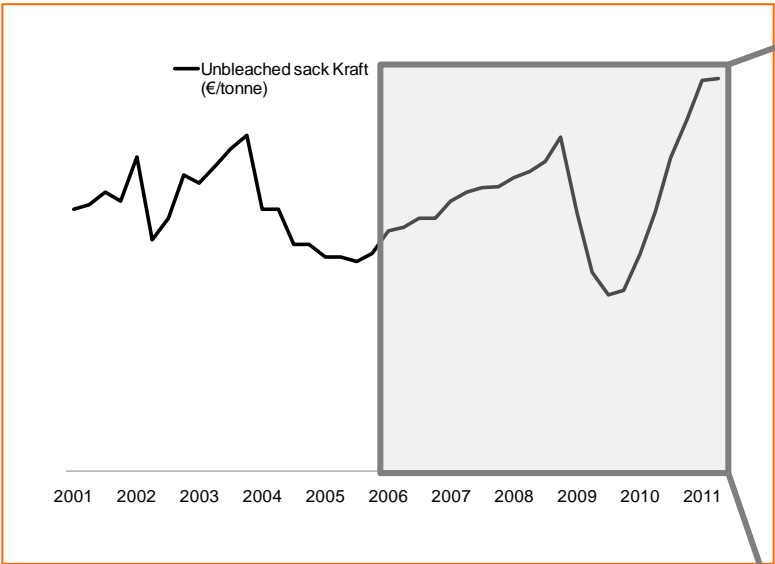
- Net sack kraft industry capacity reduction of $\pm 1\%$ ¹
- No new sack kraft capacity currently planned

Fundamentals remain positive

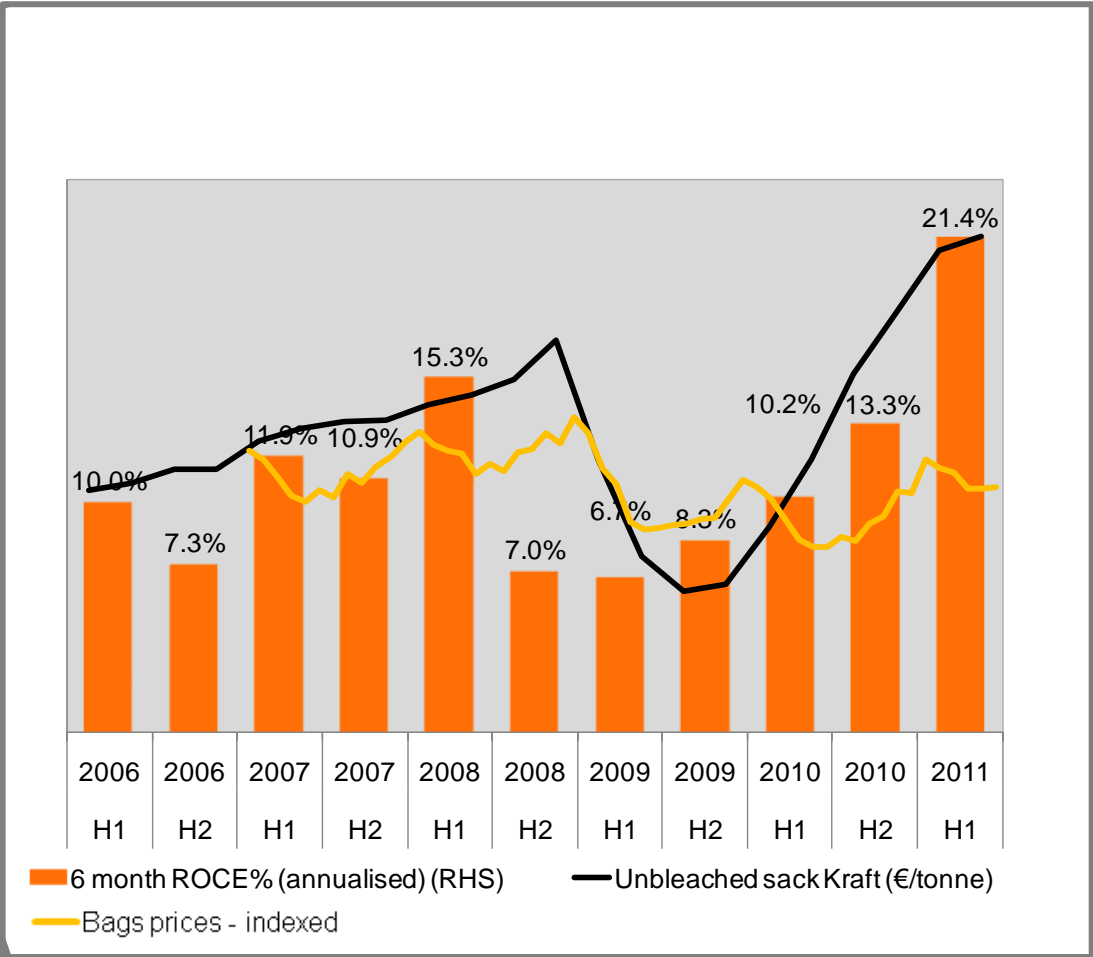
Bags & Coatings – Commodity cycle and Mondi returns



10 year price cycle (in EUR)



Mondi's ROCE (%), sack kraft and indexed bags price (EUR/tonne)



Excellent returns on very strong market recovery

Demand

- Structural decline in western Europe
- Continued growth in eastern Europe

Supply

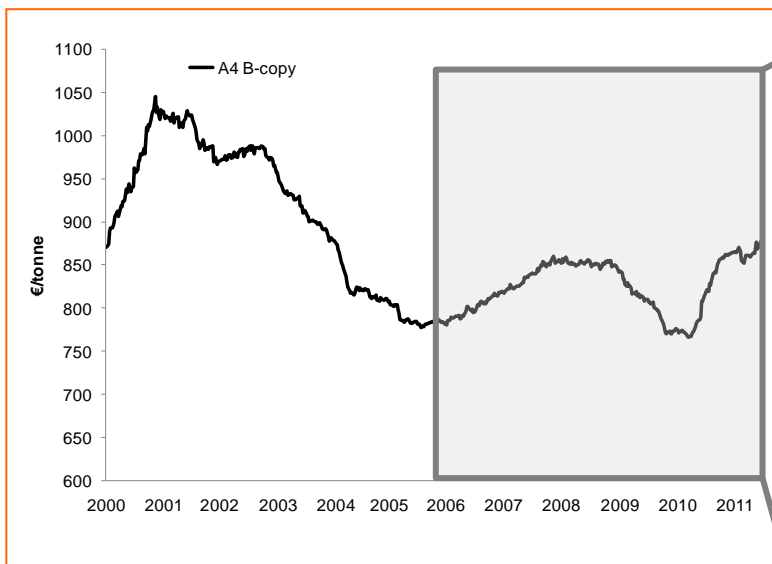
- Industry rationalisation continuing
- Expected future capacity increases
 - In Europe – no new machines planned or likely
 - Additional ~150 000 tons expected in Russia in 2013/4 – matched by anticipated demand growth
- Non-integrated mills remain under pressure

Further supply rationalisation in western Europe likely

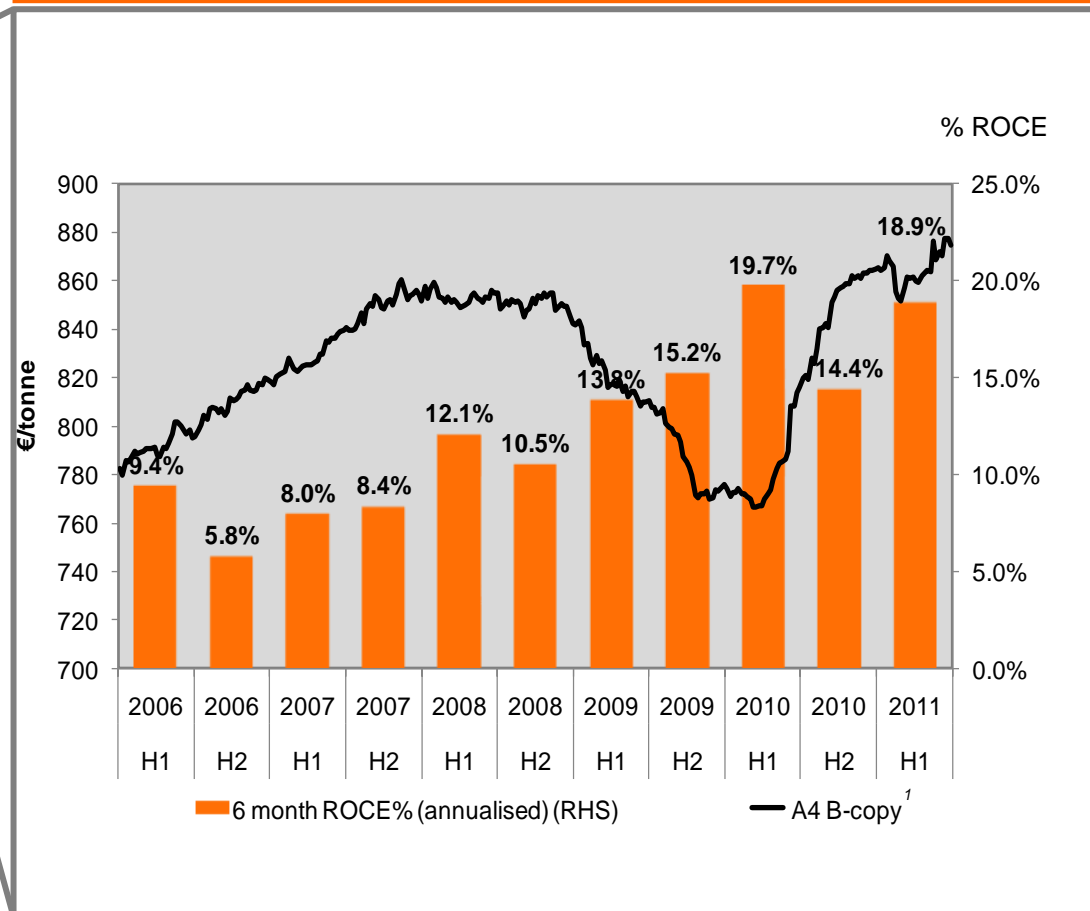
Uncoated Fine Paper – Commodity cycle and Mondi returns



10 year price cycle (in EUR)



Mondi's ROCE (%), Uncoated fine paper price (EUR/tonne)



Reaping rewards from integrated low-cost positioning

¹ Source: PIX – FOEX Indexes Ltd

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Strong free cash flow generation through the cycle



€ Millions	2008	2009	2010	H1 2011
Net cash inflow from operating activities	726	837	734	358
Capex, excluding major projects	(376)	(222)	(238)	(109)
% of depreciation	103%	65%	66%	60%
Investment in forestry	(43)	(40)	(46)	(23)
	307	575	450	226
Major projects capex	(324)	(300)	(160)	(18)
Net cash inflow after investing activities	(17)	275	290	208

- Approximately €32m left to spend on major projects
- Excluding further major projects, capex estimated at around 80% of depreciation

Increasing free cash flow as major projects completed

Free Cash Flow Priorities



1

- Support dividends
- Achieve/maintain investment grade credit metrics
- Selective capital expenditure opportunities, mainly around cost optimisation

2

- M&A, if appropriate
- Increased shareholder distributions

Continued disciplined cash flow allocation

Summary



- Industry dynamics
 - Supply-side fundamentals generally remain strong in the Group's key paper grades
 - Macro-economic uncertainties a concern for demand in near-term

- Mondi's consistent strategy leaves it well-positioned to benefit
 - Favourable product and geographic exposures,
 - Integrated low cost position and
 - Focus on performance

- Supported by a strong balance sheet with ample liquidity

- Major projects largely complete and performing well

- Free cash flow priorities:
 - Support dividends
 - Achieve/maintain investment grade credit metrics
 - Selective capital expenditure opportunities, mainly around cost optimisation
 - M&A, if appropriate
 - Increased shareholder distributions

Well positioned to continue delivering shareholder value

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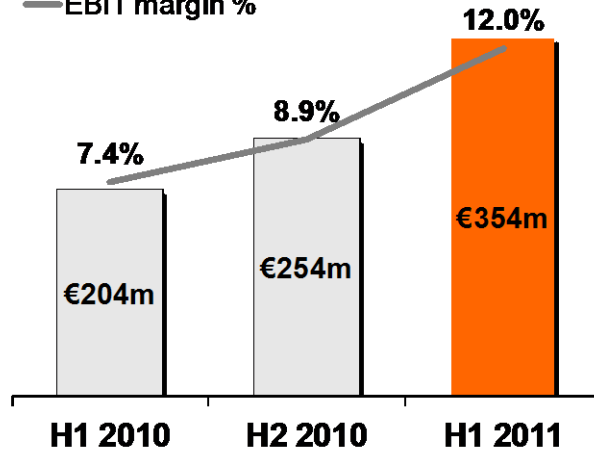
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H1 2011 - Highlights



Underlying operating profit¹

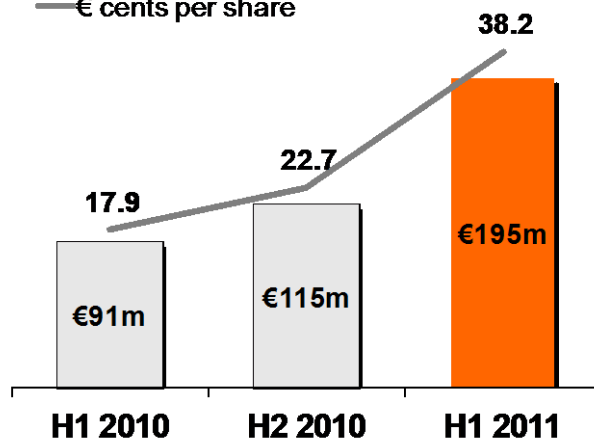
— EBIT margin %



- Earnings significantly up versus 2010 on all measures
- Group ROCE² of 15.2%
- Cash generated from operations of €403 million
- Interim dividend of 8.25 euro cents per ordinary share

Underlying earnings¹

— € cents per share



- Refinancing of revolving credit facility completed
- Completion of Mpack demerger and related Mondi Ltd share consolidation

Positive trading environment and strong operational performance

¹ From continuing operations, therefore excluding Mpack
² Return on capital employed, 12 month trailing, excluding Mpack

Delivering on major projects



Świecie's RCB machine

- 410,580 tonnes production in 2010
 - Full design capacity ~470,000 tonnes
 - well ahead of business plan
 - further >10% increase in output in 2011
- Additional volumes lifting Corrugated Business operational results
- Demand for lightweight grades firm
 - Good pricing levels achieved
 - Offset by waste paper input cost pressures
 - Further price increases announced

Syktyvkar mill modernisation

- Largest capital project in Mondi history, delivering
 - Reduced environmental footprint
 - Input cost efficiencies in wood and energy
 - Now self-sufficient in pulp requirements
 - Volume growth in Uncoated Fine Paper, Virgin Containerboard, pulp and energy
- Commissioned on schedule and within estimated capital cost (~€545 million)
- Strong first quarter operating performance
 - Underpinning very strong Uncoated Fine Paper Business result

Major projects largely complete and delivering value

Effects of Mpack demerger and related share consolidation



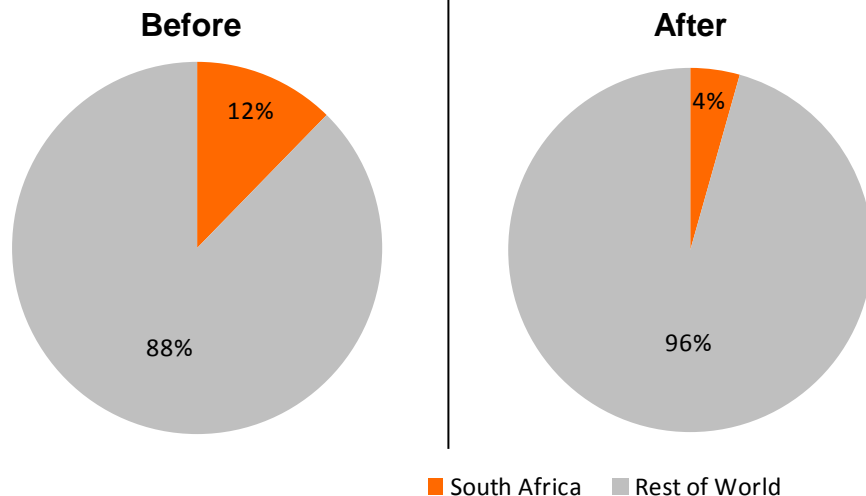
Underlying operating profit (€ million)

Underlying net profit (€ million)²

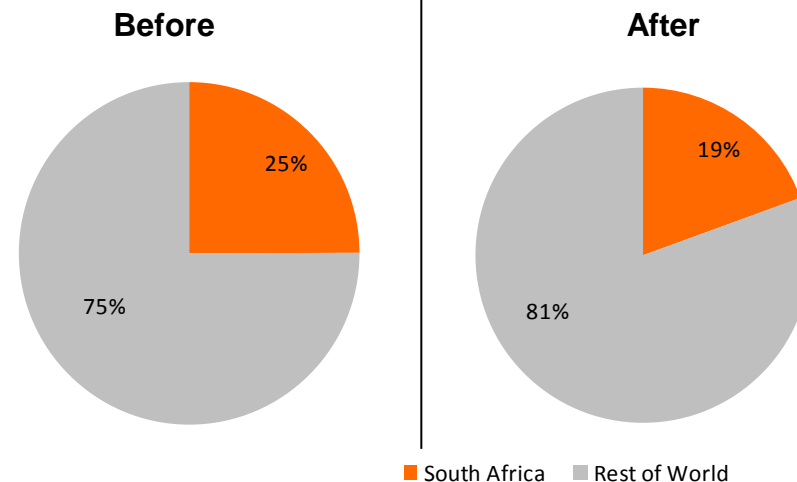
Underlying earnings per share (€ cent per share)

6 months		12 month trailing ¹	
Including Mpack	Excluding Mpack and after share consolidation	Including Mpack	Excluding Mpack and after share consolidation
373	354	660	608
208	201	344	323
40.8	41.7	67.4	67.0

TURNOVER BY DESTINATION



NET SEGMENT ASSETS



Transaction EPS neutral on trailing 12 months basis

¹ Calculated as H1 2011 + Full year 2010 – H1 2010

² After deducting non-controlling interest

