



Mondi Group
Half-yearly results for the six months ended 30 June 2015

6 August 2015

Agenda



Highlights

Financial overview

Operational overview

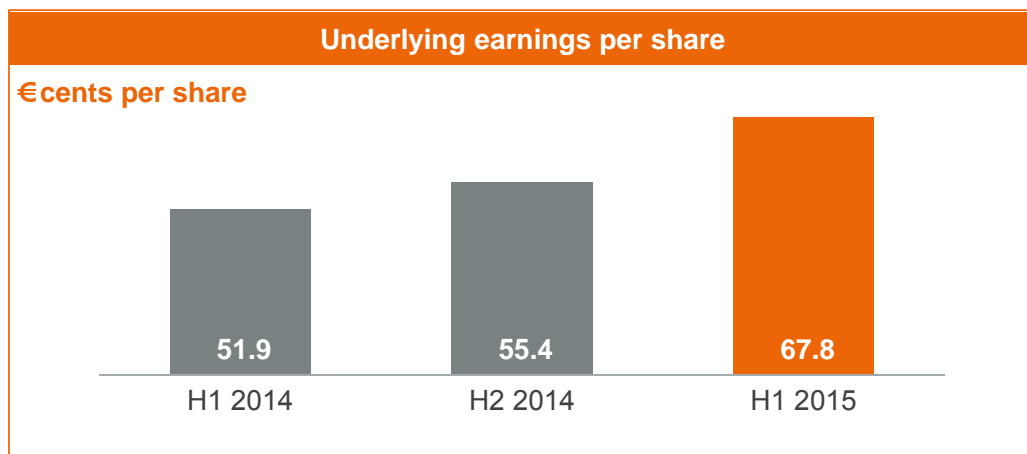
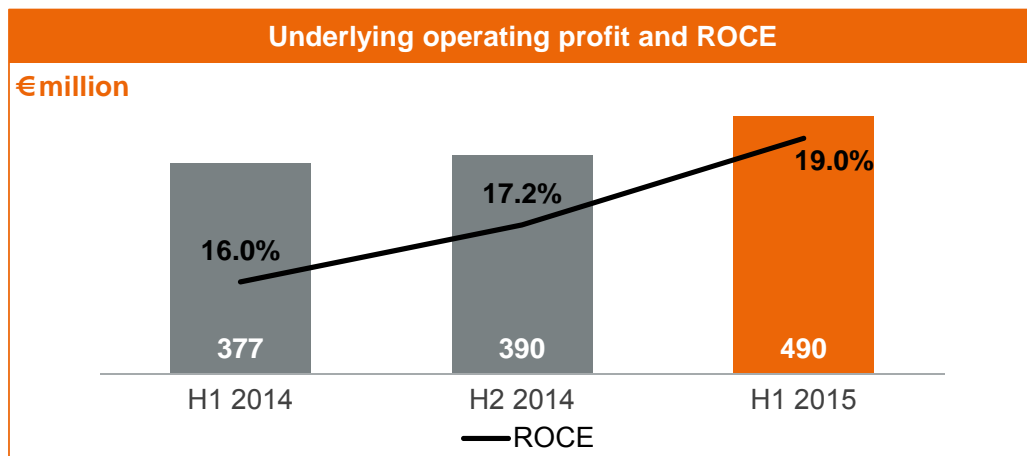
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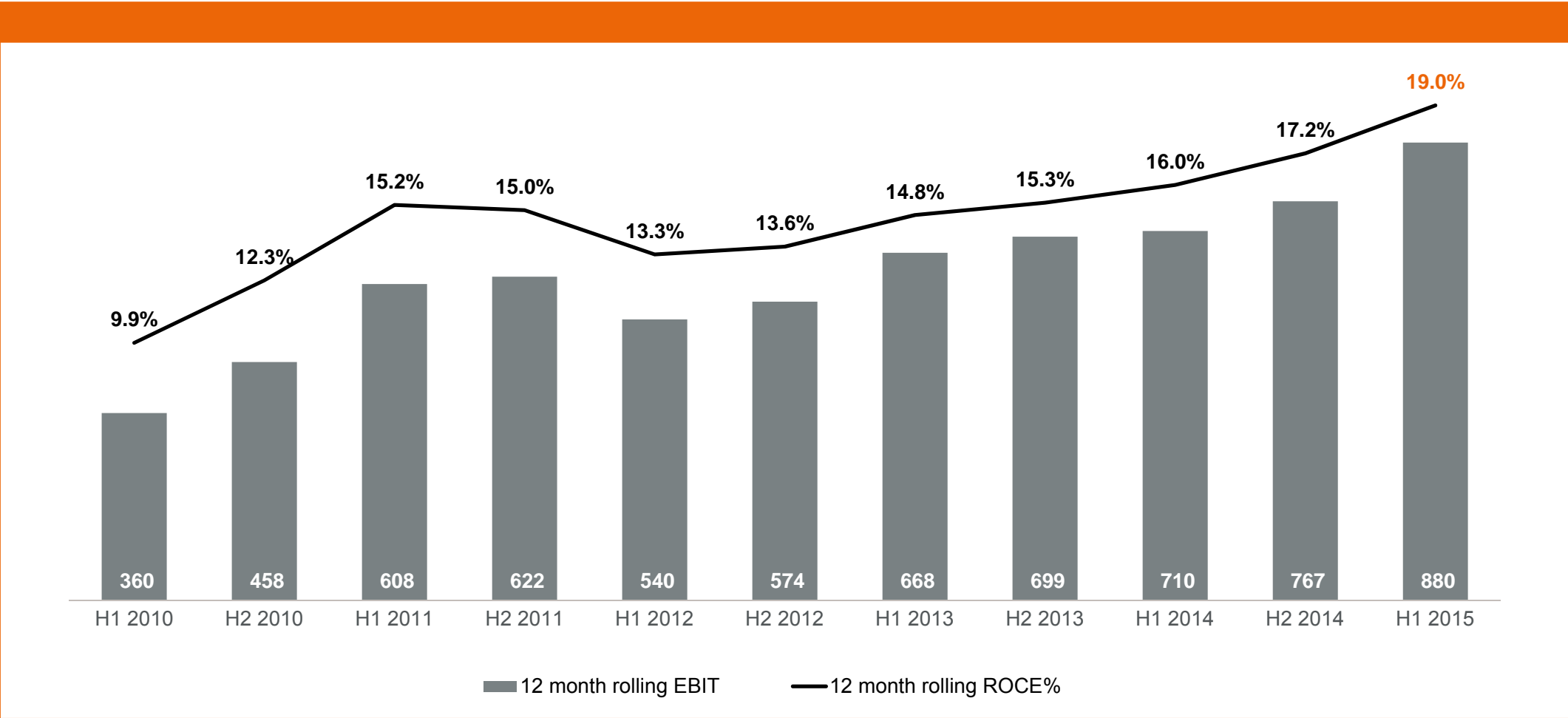


Highlights



- Excellent financial performance
 - Revenue up 10%
 - Supported by acquisitions, volume growth and price increases
 - Underlying operating profit up 30%
 - Underlying earnings per share up 31%
 - ROCE of 19.0%
- Significant improvement in results across all business units
- Completed capital projects delivering ahead of plan
- Ongoing major projects on time and on budget

Building on a track record of success



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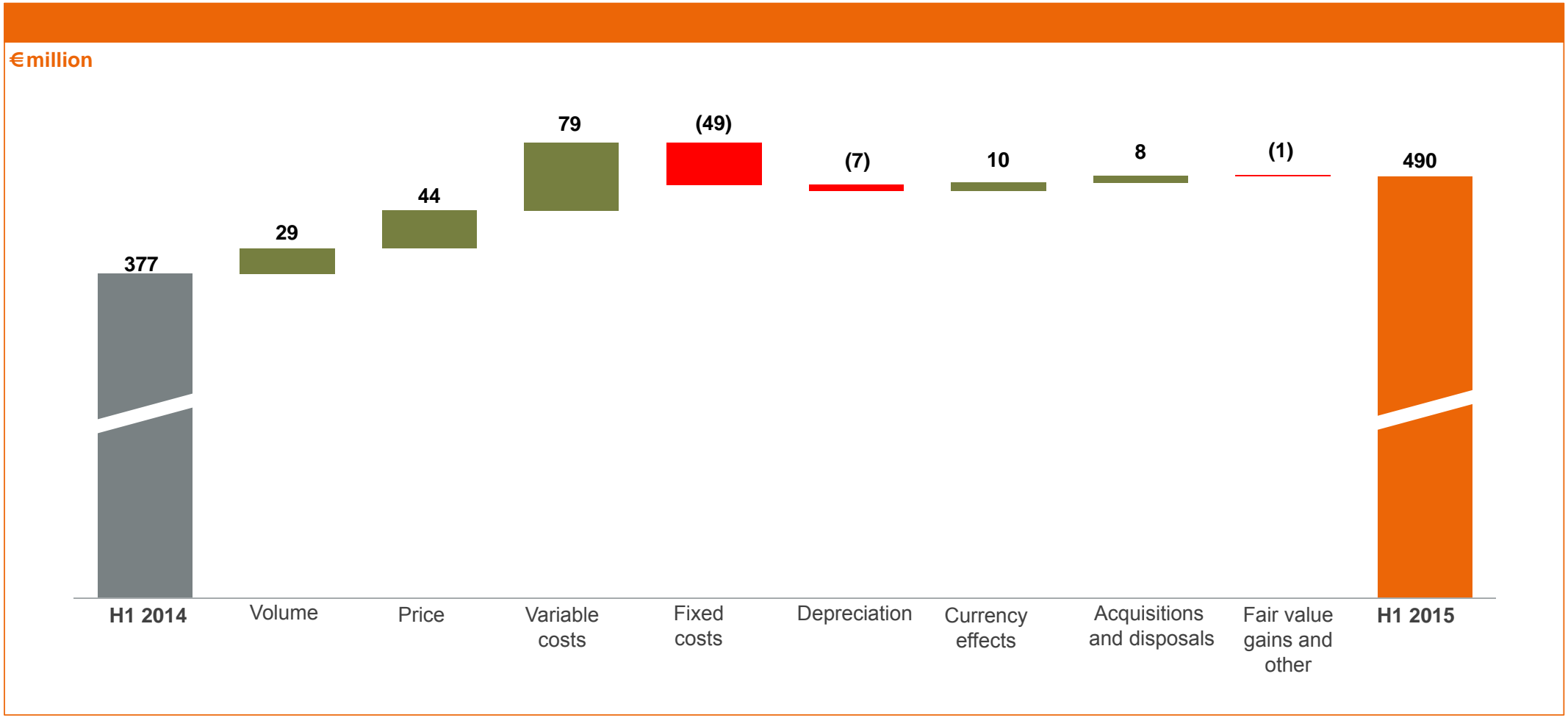


Operating financial highlights

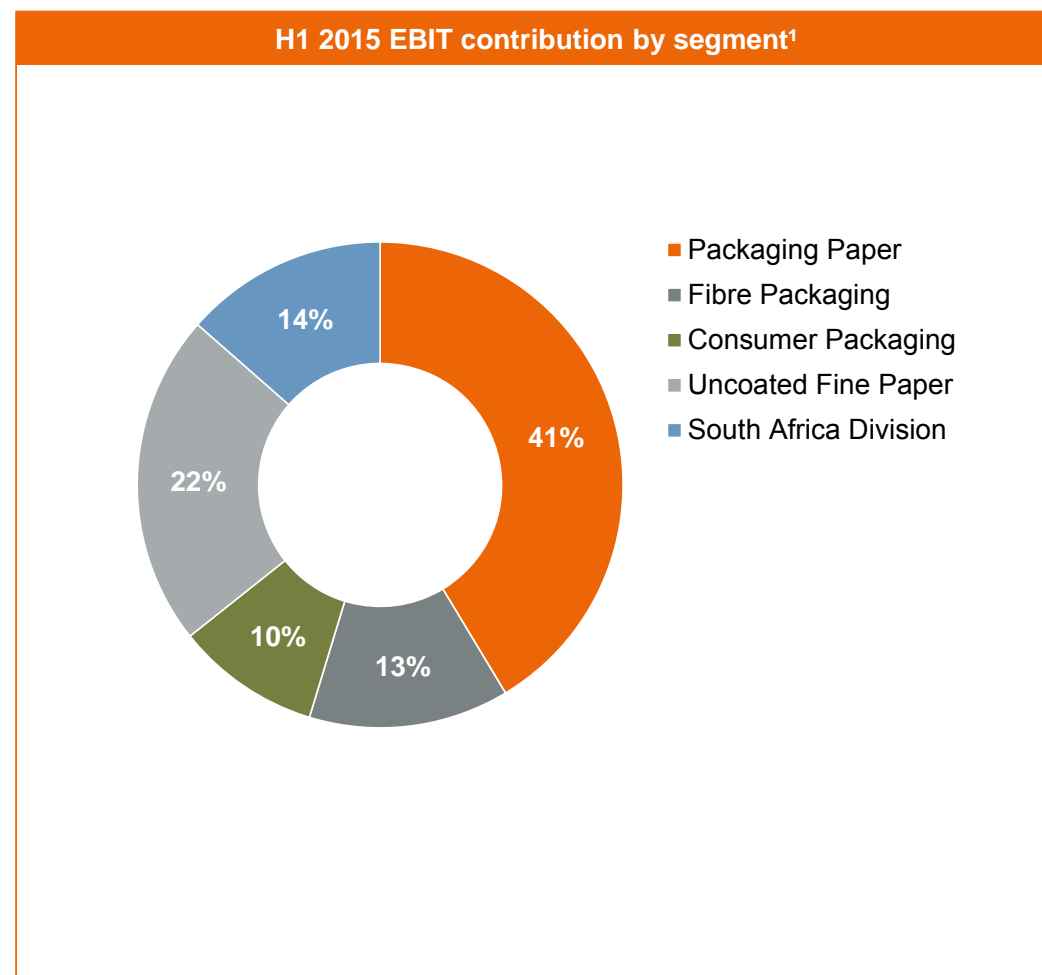
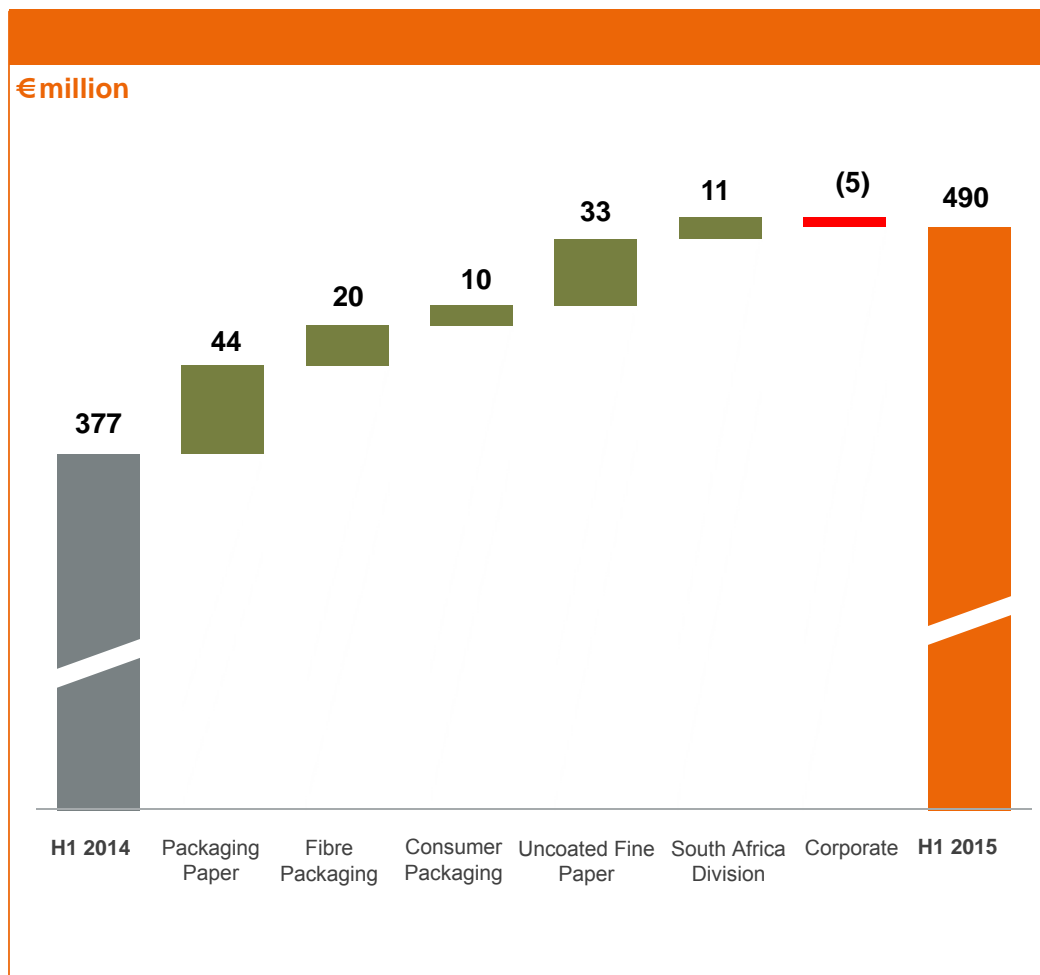


€ million	H1 2014	H2 2014	H1 2015	% change vs H1 2014	% change vs H2 2014
Group Revenue	3,148	3,254	3,459	10%	6%
Underlying EBITDA	553	573	671	21%	17%
% Margin	17.6%	17.6%	19.4%		
Underlying operating profit	377	390	490	30%	26%
% Margin	12.0%	12.0%	14.2%		
Group ROCE	16.0%	17.2%	19.0%	+300bps	+180 bps

Underlying operating profit development



Divisional operating profit contribution



¹ Excludes Corporate costs

Financial review



€ million	H1 2014	H2 2014	H1 2015	% change vs H1 2014	% change vs H2 2014
Underlying operating profit	377	390	490	30%	26%
Net underlying finance costs	(50)	(47)	(59)	(18%)	(26%)
Net profit from associates	1	-	-		
Underlying profit before tax	328	343	431	31%	26%
Tax before special items	(62)	(64)	(82)	(32%)	(28%)
Total non-controlling interests	(15)	(11)	(21)	(40%)	(91%)
Underlying earnings	251	268	328	31%	22%
Special items (after tax and non-controlling interests)	(16)	(32)	(36)		
Reported profit after tax and non-controlling interests	235	236	292	24%	24%
Basic earnings per share (€cents)	48.6	48.8	60.3	24%	24%
Underlying earnings per share (€cents)	51.9	55.4	67.8	31%	22%

Finance costs and taxation

Finance costs € million	H1 2014	H2 2014	H1 2015
Closing net debt	1,758	1,613	1,741
Average net debt	1,636	1,726	1,700
Finance costs	45	41	54
Net interest on defined benefit arrangements	5	6	5
Net underlying finance costs	50	47	59
Effective interest rate (before capitalised interest)	5.5%	5.3%	6.9%

Taxation € million	H1 2014	H2 2014	H1 2015
Underlying tax charge	62	64	82
Effective tax rate	19%	19%	19%

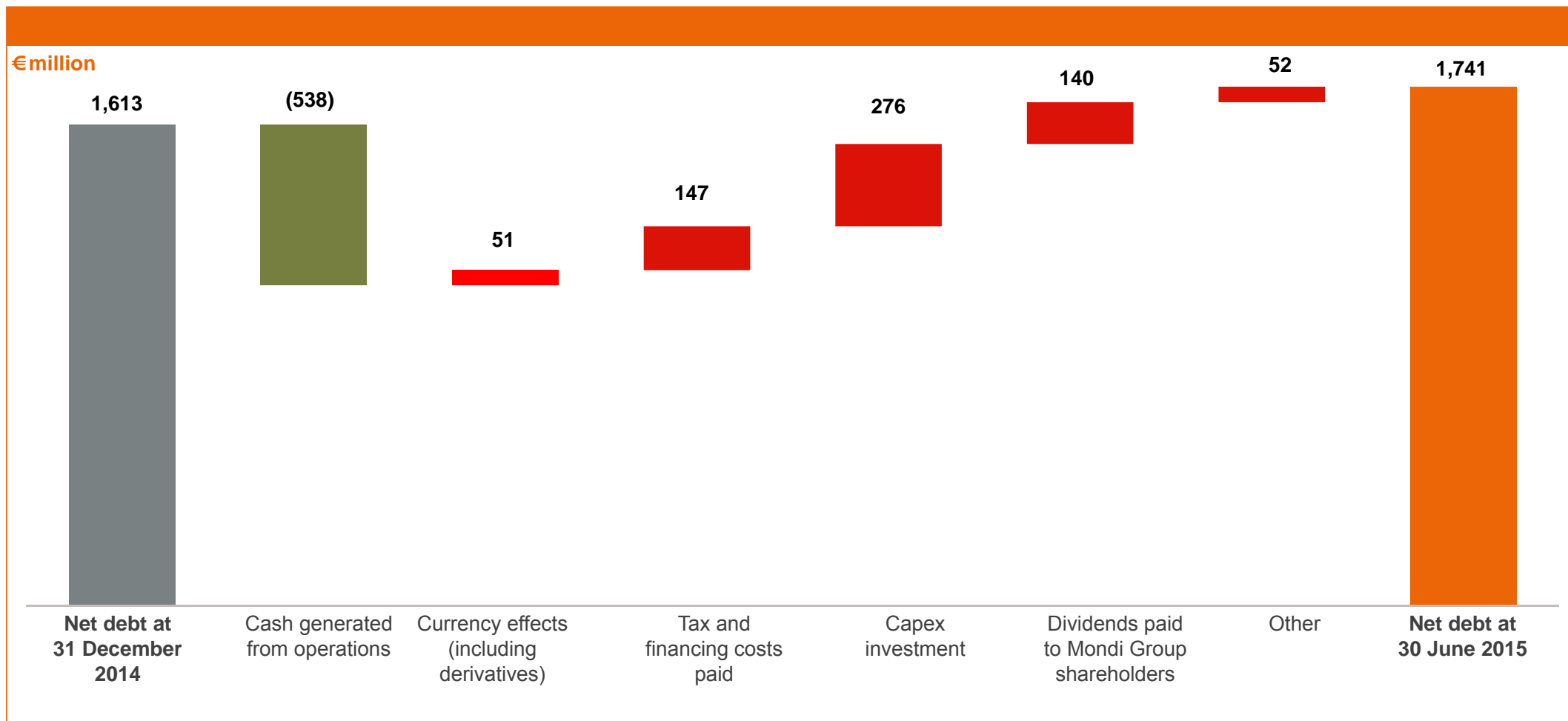
- Finance costs up 20% on prior year
 - Increase in interest rates in Russia
 - Average 3 month RUB Mosprime rate up from 8.7% to 15.9%
 - Non-recurring items
 - Interest paid down 11% due to benefits of Nordenia high-yield bond refinancing in 2014
-
- Reflects underlying profit mix of Group plus:
 - Benefits of incentives in eastern Europe
 - Recognition of accumulated tax losses in certain jurisdictions

Special items

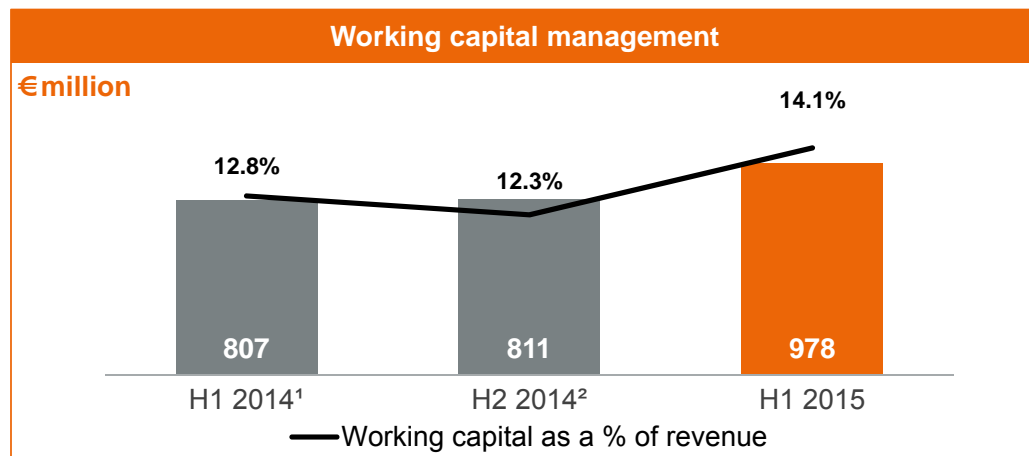
Operating special items – €36 million charge after tax

- Packaging Paper (€14 million charge)
 - Closure of Lohja speciality kraft paper mill in Finland
- Fibre Packaging (€10 million charge)
 - Further restructuring activities following the acquisition in mid-2014 of the bags business from Graphic Packaging in the United States
- Consumer Packaging (€15 million charge)
 - Closure of a plant in Spain (€12 million)
 - Write-off of receivable related to Nordenia acquisition (€3 million)

Cash flow effects - movement in net debt

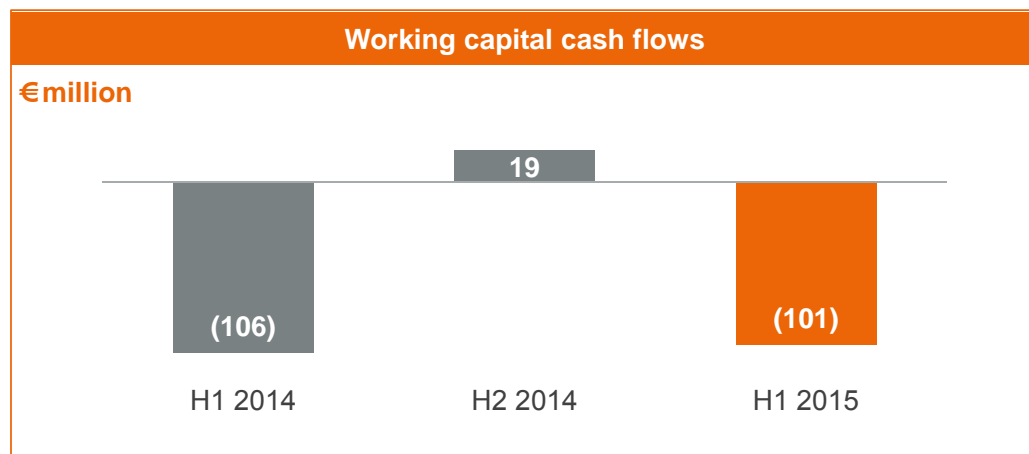


Working capital



- Higher working capital levels due to:
 - Industrial Bags acquisition in prior year
 - Higher working capital needs in Consumer Packaging
 - Seasonal and one-off effects

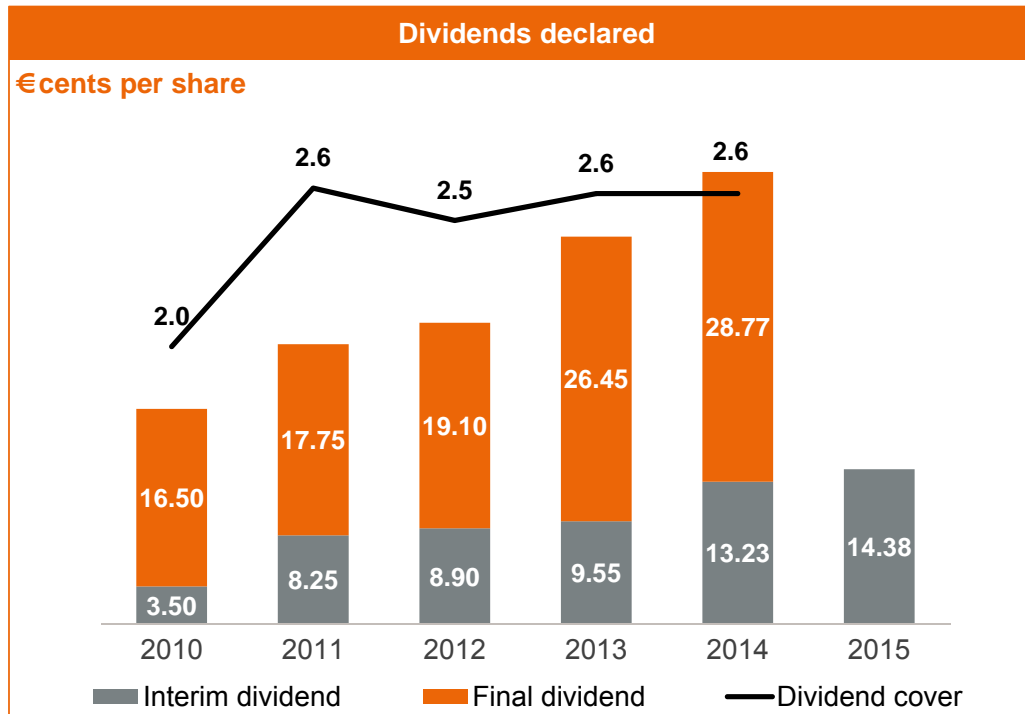
- Expect structurally higher working capital due to change in business mix – 12 to 14% of turnover



¹ Excludes acquisitions

² Working capital as a % of revenue is based on annualised revenue from acquisitions

Dividends



- Growth in dividend achieved on the back of strong earnings growth – CAGR +20% over past 5 years
- Interim dividend set at 14.38 euro cents per share, up 9% on the prior year

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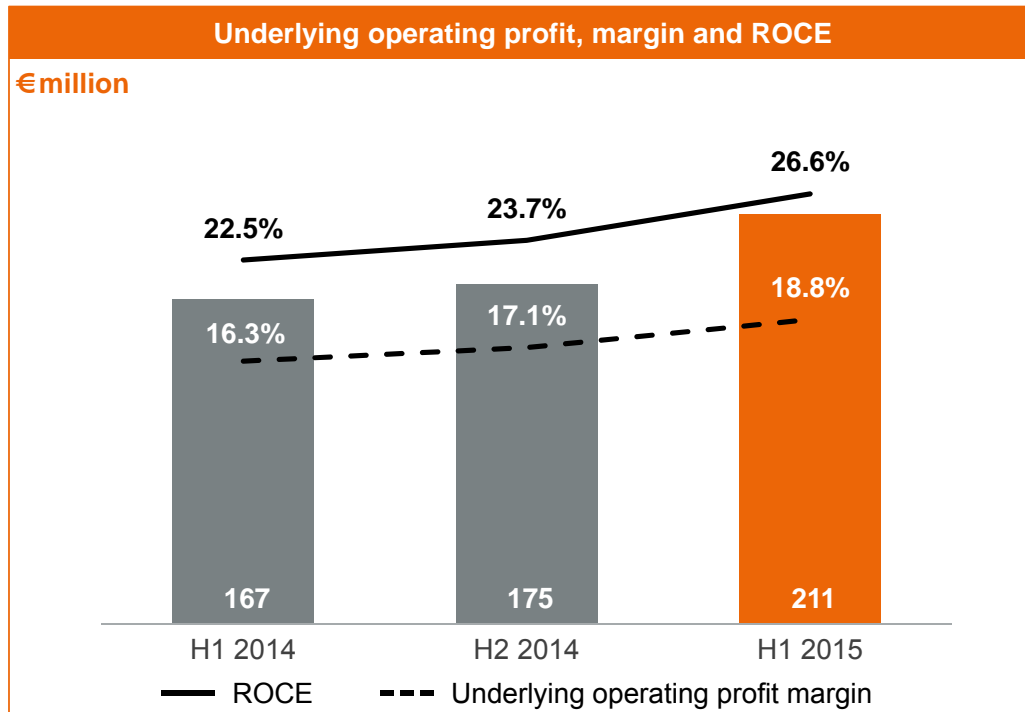
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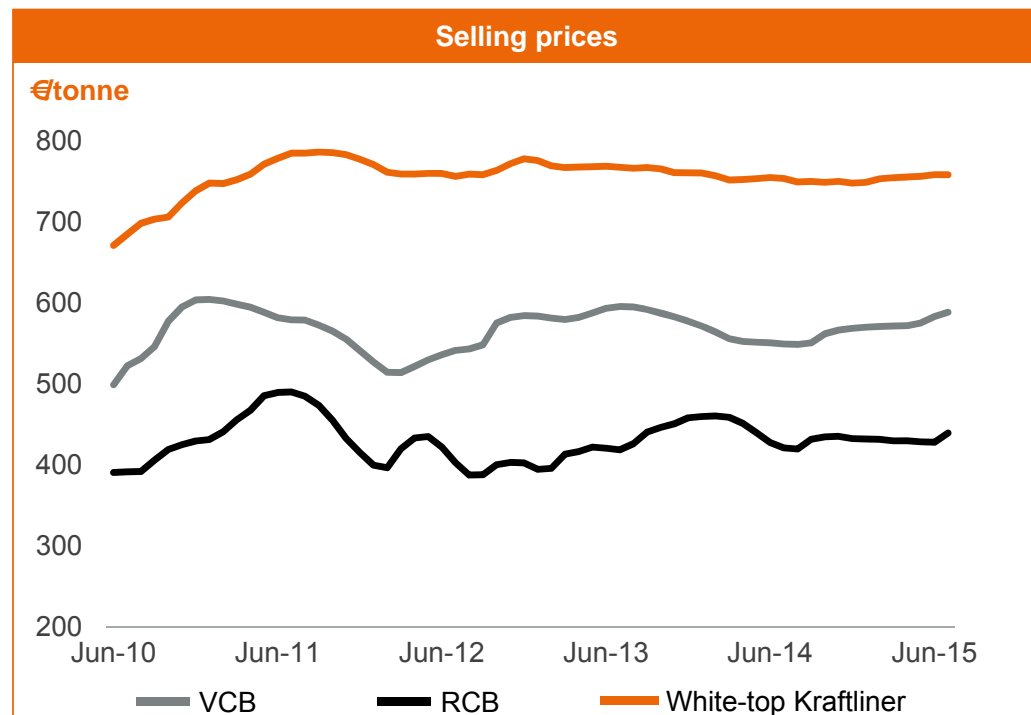


Packaging Paper



- Building on strong base, underlying profit up 26% on prior year
- Sales volumes up on prior year
 - Supported by good market growth
- Mixed pricing
 - Higher average virgin containerboard and kraft paper prices
 - Lower average recycled containerboard prices
- Project benefits from Štětí and Syktyvkar
- Lower average wood, paper for recycling and energy costs
- Net export margins from Russia and central Europe supported by currency

Packaging Paper | industry fundamentals



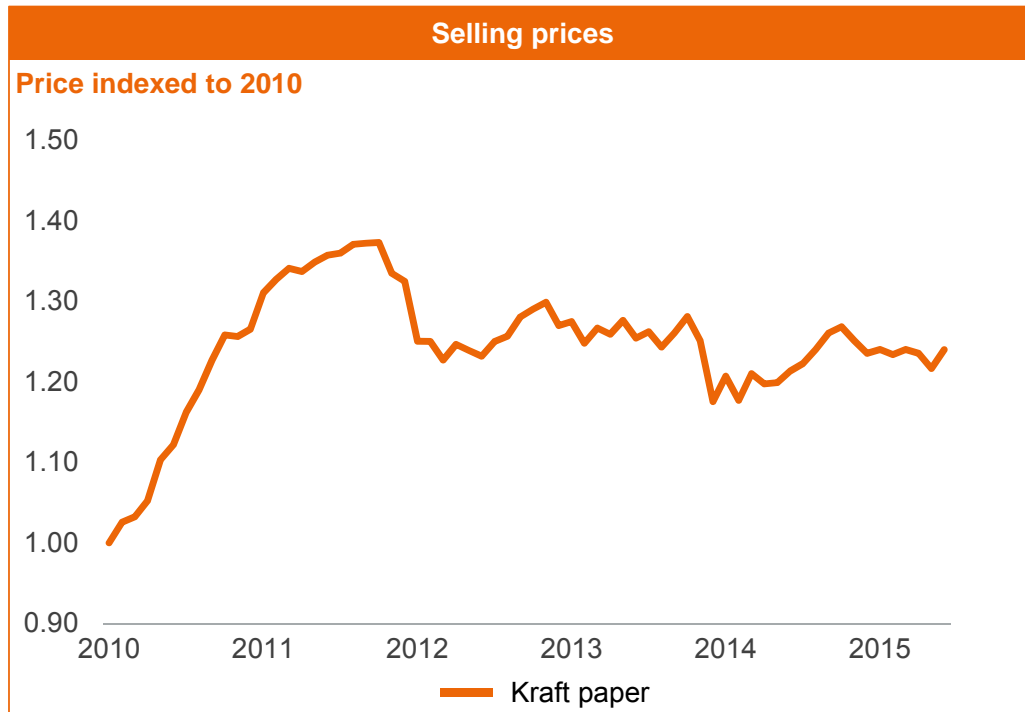
Virgin containerboard

- European selling price increase achieved in H1 on good demand and euro weakness (+3% year-on-year)
- Price increases in Russia
- Robust demand growth
- Capacity additions
 - Varkaus conversion, 2016 (+390 ktpa)
 - Husum conversion, 2017 (+200 ktpa)

Recycled containerboard

- Average benchmark price stable since December 2014 – down 4% on the prior year
- €40/tonne increase implemented from beginning of third quarter, with further increases announced for August
 - Robust demand and higher input costs
- Net capacity additions in 2015 estimated at 500 ktpa (±2%)

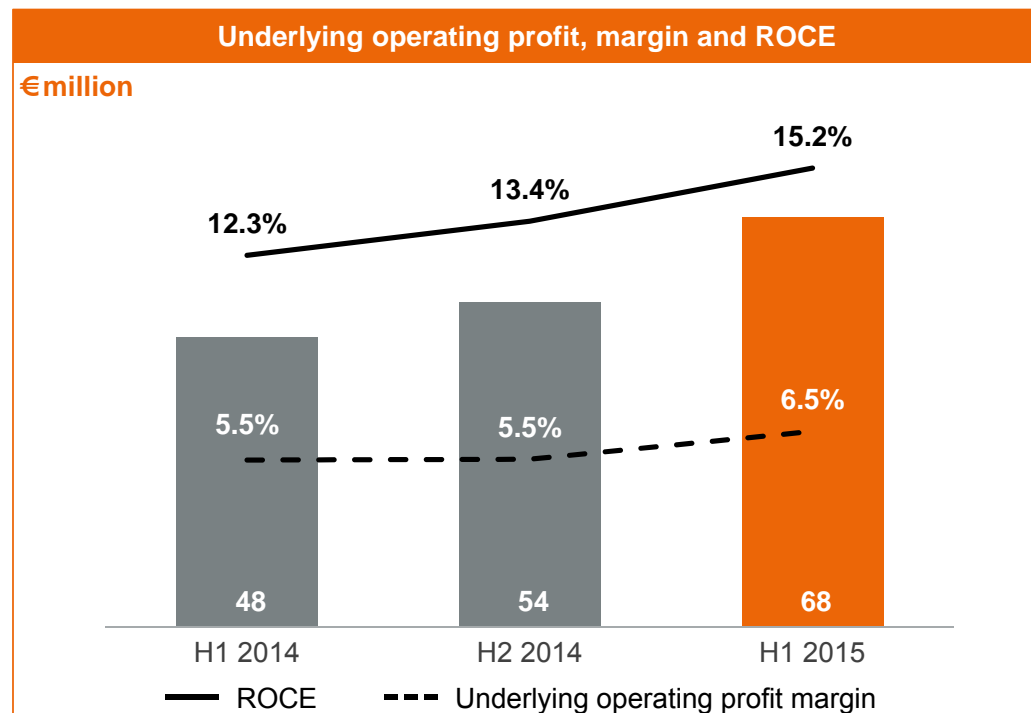
Packaging Paper | industry fundamentals



Kraft paper

- Higher average pricing +3%
- Sack kraft demand stable in Europe and continues to show positive growth in overseas markets
- No industry sack kraft capacity additions
- Speciality grades showing good growth

Fibre Packaging



- Underlying operating profit up 42% on prior year

Corrugated Packaging

- Continued good volume growth (+2.4%) and improved product mix
- Lower variable costs

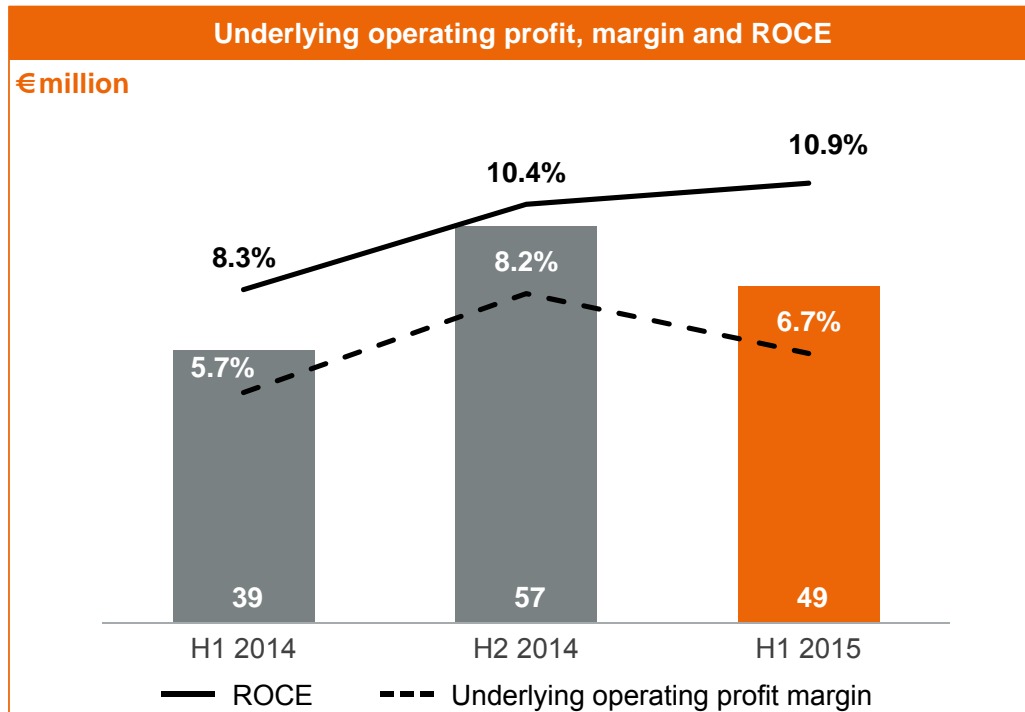
Industrial Bags

- Higher average selling prices
- Good cost control
- Improved performance from US bags business – turnaround progressing to plan

Extrusion Coatings

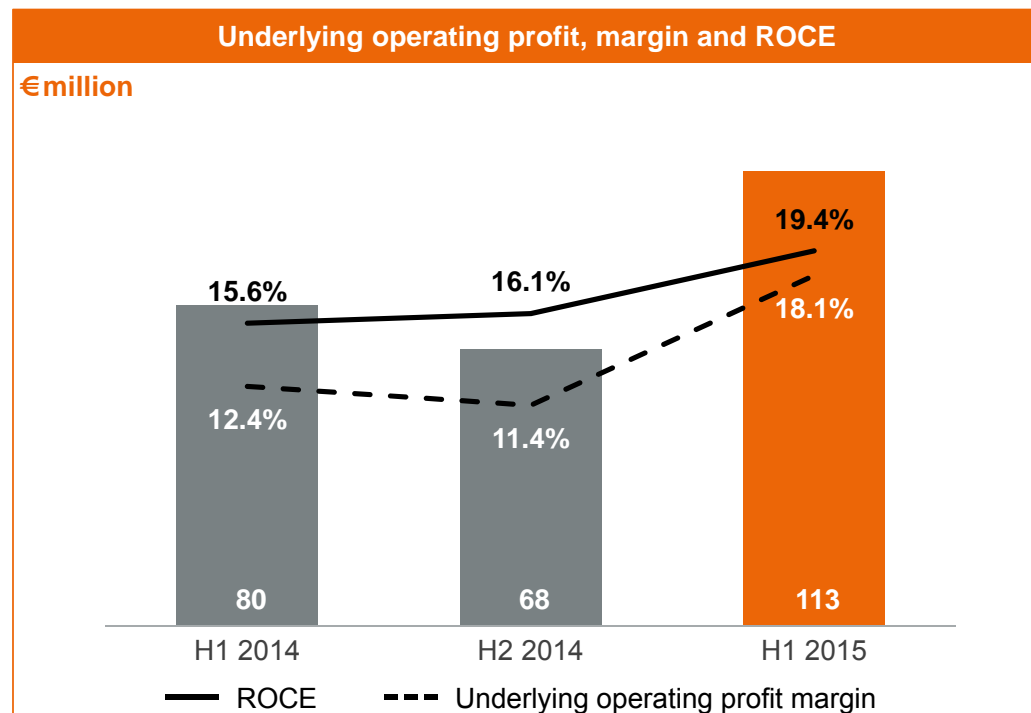
- Generally improving conditions
- Acquisition of plants from Walki Oy expected to be concluded in Q3 2015

Consumer Packaging



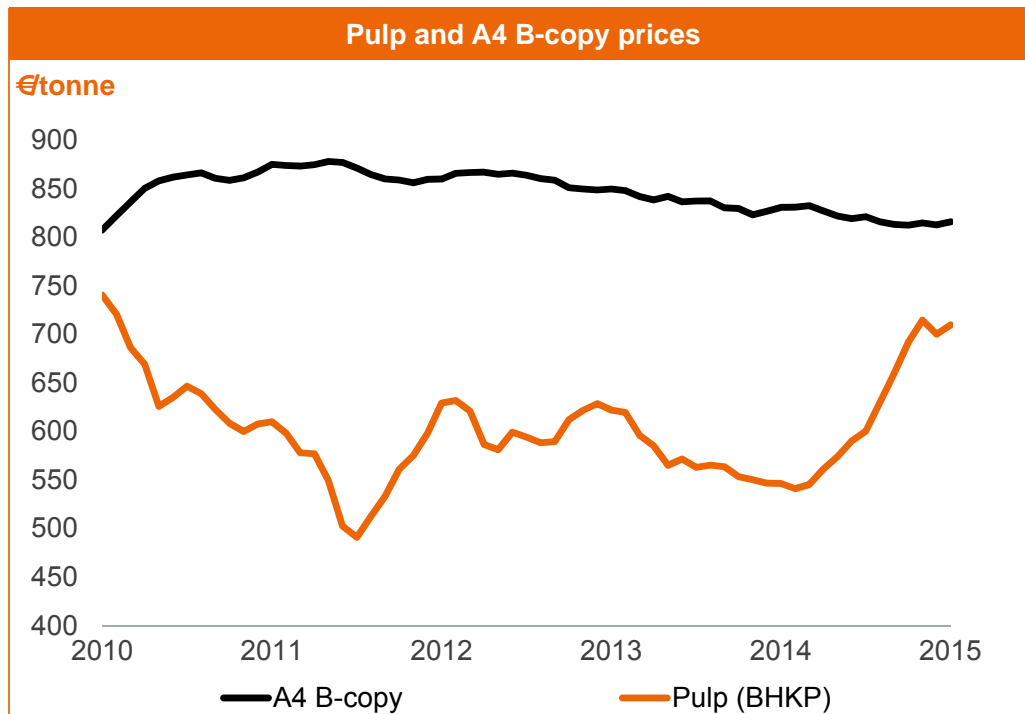
- Underlying operating profit up 26% on prior year
- Benefited from
 - Focus on innovation and customer service
 - Optimisation and specialisation of production facilities
 - Sales and application engineering infrastructure enhancement
- Volume growth supported by
 - Ramp-up of plant in China and Polish acquisition
- Margin improvement from sales into higher value-added product segments
 - Offset by volatility in input costs (particularly polyethylene)
 - Exited some low margin business

Uncoated Fine Paper



- Underlying operating profit up 41%
- Higher average selling prices in Russia
- Uncoated fine paper volumes marginally up despite market contraction
- Benefits of completed major projects
 - Increased pulp sales following start-up of Ružomberok recovery boiler
 - Cost benefits
- Lower wood, chemical and energy costs
- Maintenance shuts scheduled for second half

Uncoated Fine Paper | industry fundamentals



Demand

- Ongoing modest market demand contraction in European and Russian markets

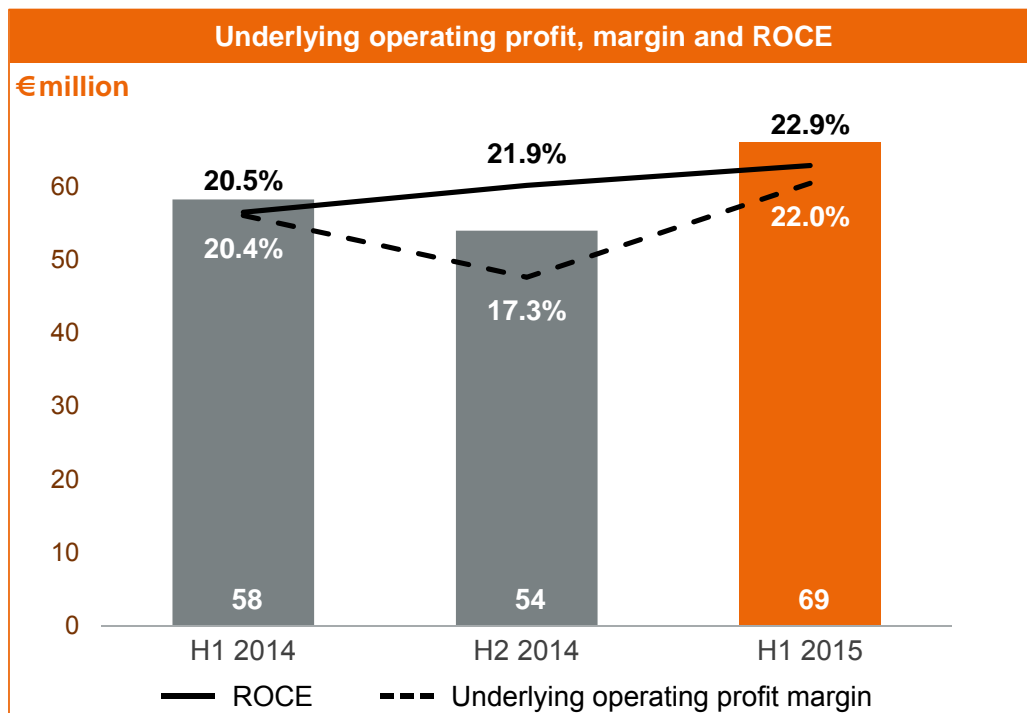
Supply

- Net capacity reduction expected with conversion of Varkaus (285 ktpa – Q4 2015) and Husum (350 ktpa – 2016) - $\pm 8\%$ of European supply

Prices

- European average benchmark pricing 2% lower than the prior year
 - Price increases of 2-3% in Europe in April 2015
 - Further increase of up to 12% announced for implementation in Q3 2015 on supply tightness and high pulp prices
- Higher Russian sales prices in H1
 - Driven by domestic inflation and weaker rouble
 - Partial reduction in Q2 following rouble appreciation

South Africa Division



- Strong performance, with underlying operating profit up 19% on prior year
- Benefited from
 - Higher average selling prices
 - Currency support for exports
 - Fair value gain on forestry assets of €23 million
 - Gain on sale of land
- Cost increases below inflation through good cost management
- Lower sales volumes due to extended maintenance shut at Richards Bay

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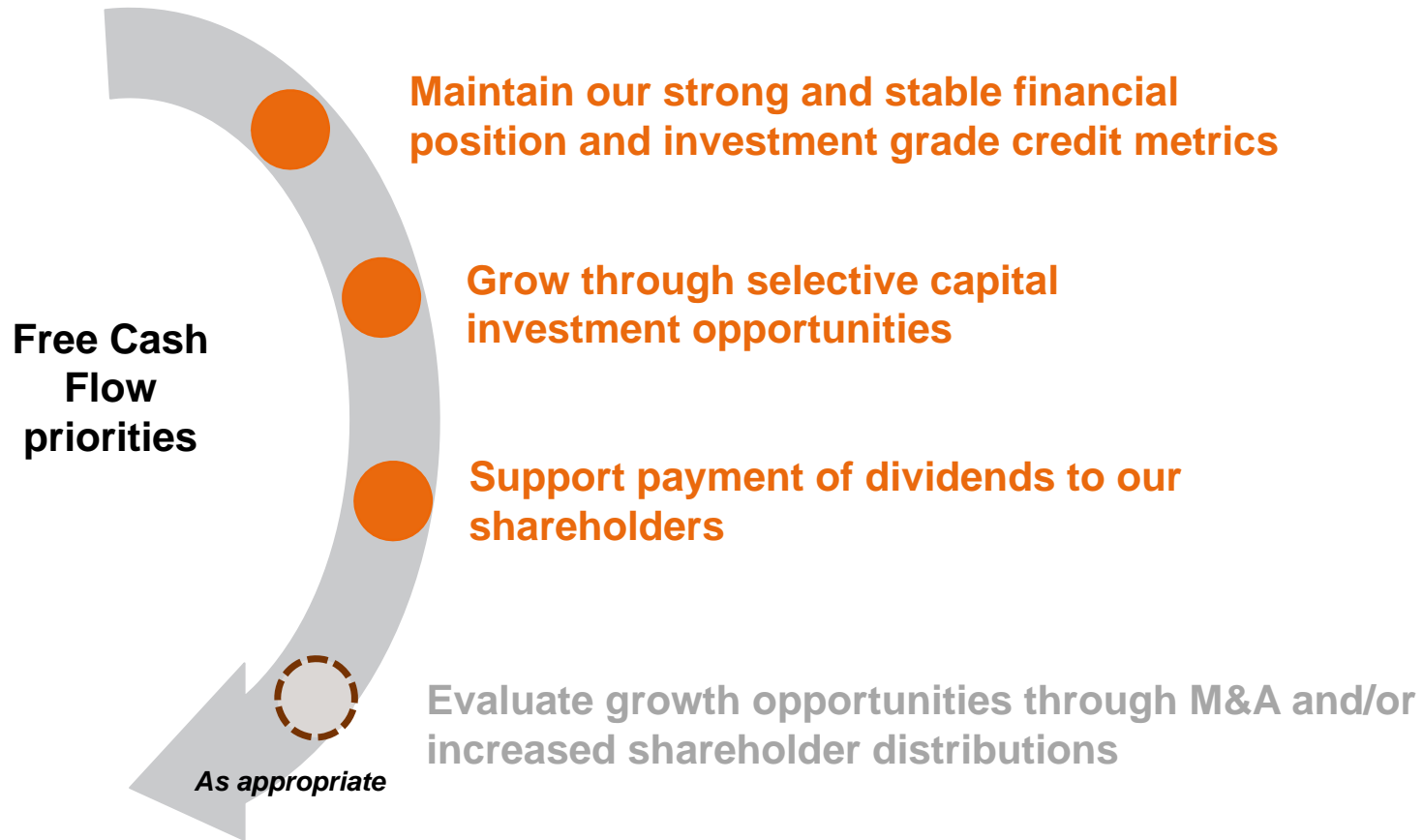
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Growing in line with our strategy

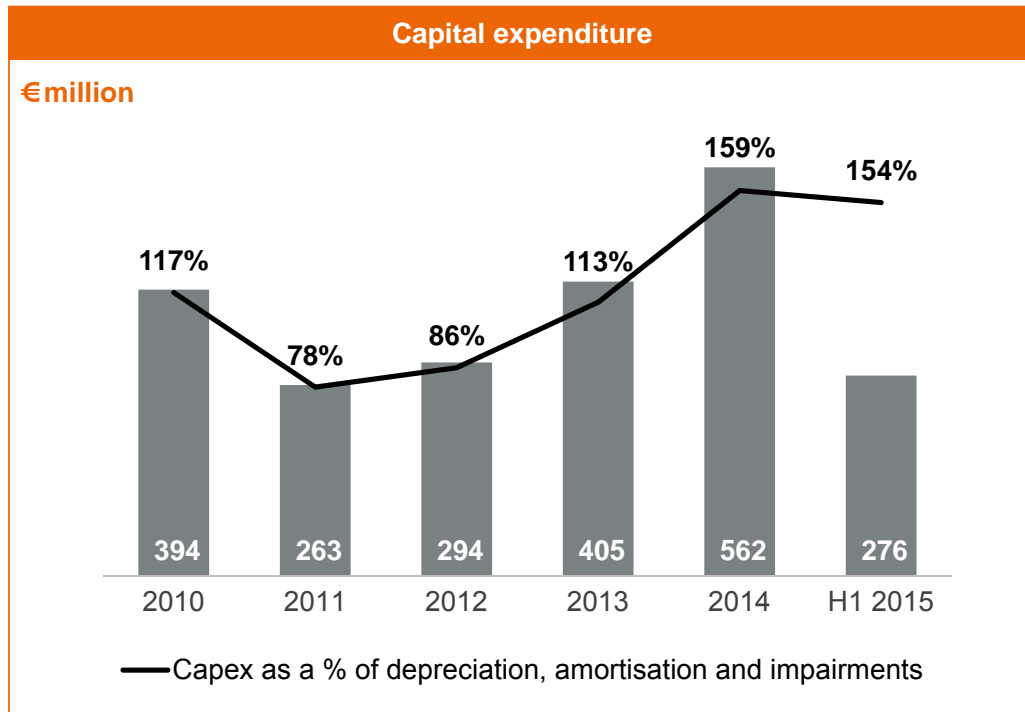


A strong financial position allows us to pursue growth options through capital investment and/or M&A

Growth options | M&A

- Focused around the Group's core packaging activities
- Around €160 million of bolt-on acquisitions delivered in past 18 months
 - Graphic US Bags business (Industrial Bags, Kraft Paper)
 - Printpack Polish plant (Consumer Packaging)
 - Intercell Bags plant Serbia (Industrial Bags)
 - Walki Extrusion Coatings plants (Extrusion Coatings)
- While M&A remains a growth option, we currently see more opportunity for value enhancing growth in organic capital investments

Growth options | Organic capital investments



- €770 million committed to major projects over 2013 – 2016
 - Already contributing meaningfully
 - Delivering incremental operating profit of €105 million in 2014/2015
 - Ongoing projects on time and on budget for delivery in late 2015 and 2016 – expected to deliver ROCE around 20%
- Currently evaluating further major projects
 - Centred around our high-quality, low-cost packaging paper assets in central Europe

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Outlook



As in prior years, the second half will be impacted by the seasonal downturn in our Uncoated Fine Paper business and planned annual maintenance shuts at a number of our mills. Price increases in certain paper grades should provide some positive momentum, offset in part by increases in various input costs and currency volatility.

With our robust business model, clear strategic focus and culture of continuous improvement, management remains confident of continuing to deliver industry leading performance and making good progress for the year.

Q&A

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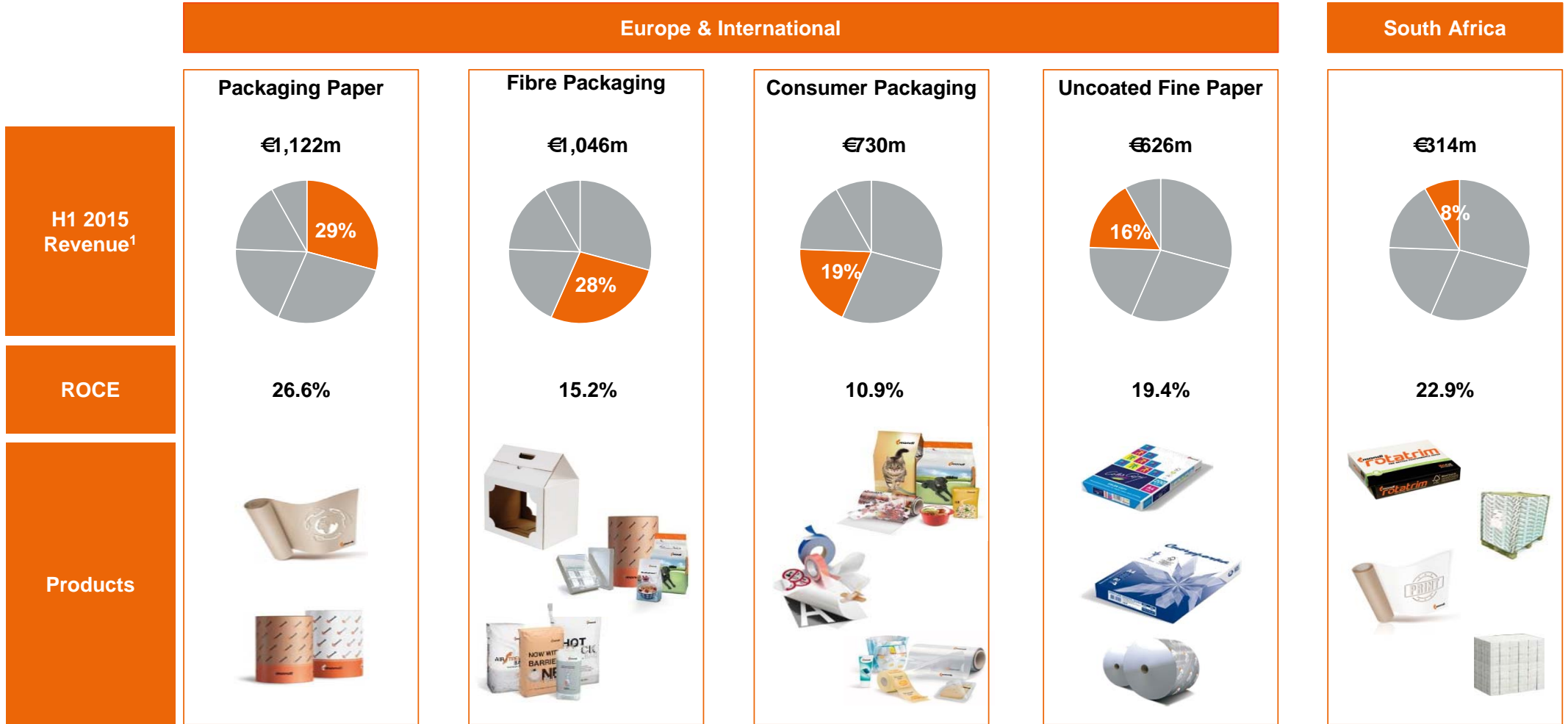
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Mondi at a glance



¹ Segment revenues, before elimination of inter-segment revenues

Our strategic value drivers



Our clear strategic focus is on growth in packaging

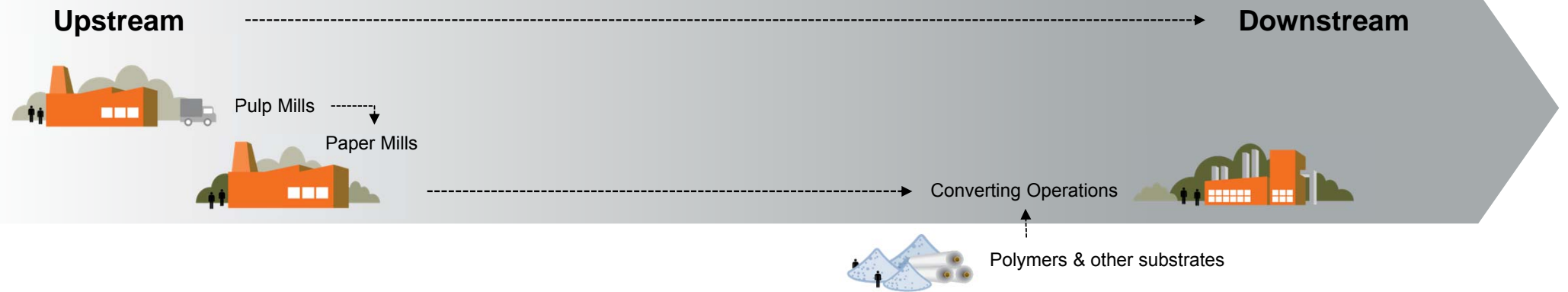
We invest in our high-quality, low-cost assets

keeping us competitive and giving us sustainable cost advantages

We work with our customers to find innovative solutions

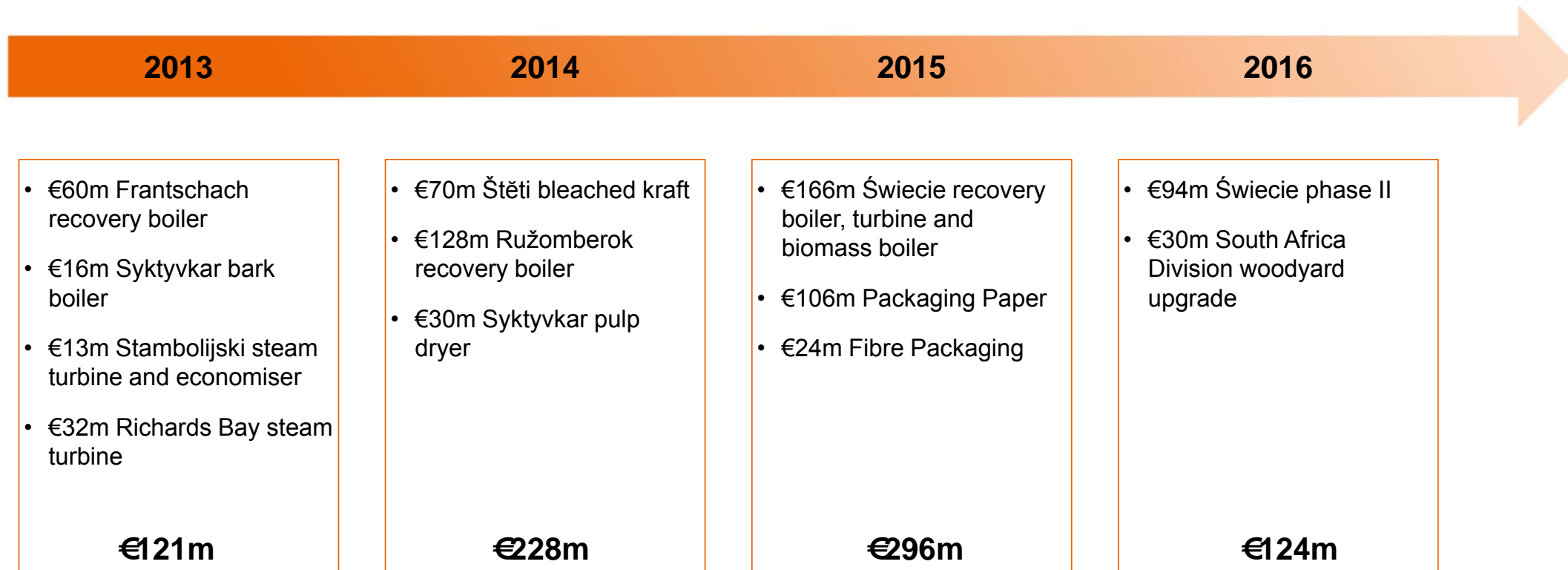
growing our product range and geographic reach

We are passionate about performance
driving productivity and efficiency / margin improvement



While all three strategic drivers are relevant to each business, priorities differ across our value chain

Major project pipeline delivering strongly...



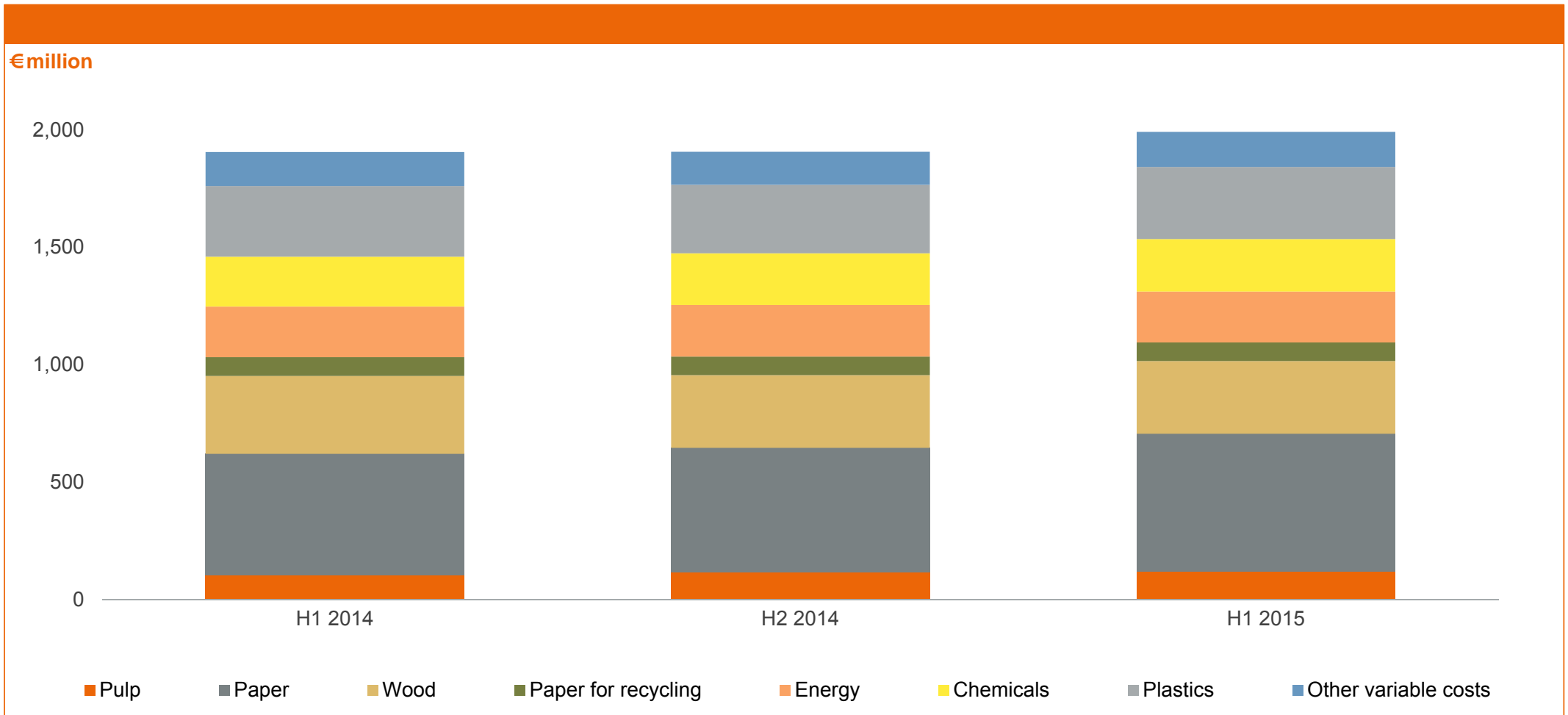
€45 million incremental operating profit delivered from major projects in 2014
€60 million incremental operating profit benefit expected in 2015

... with limited market risk

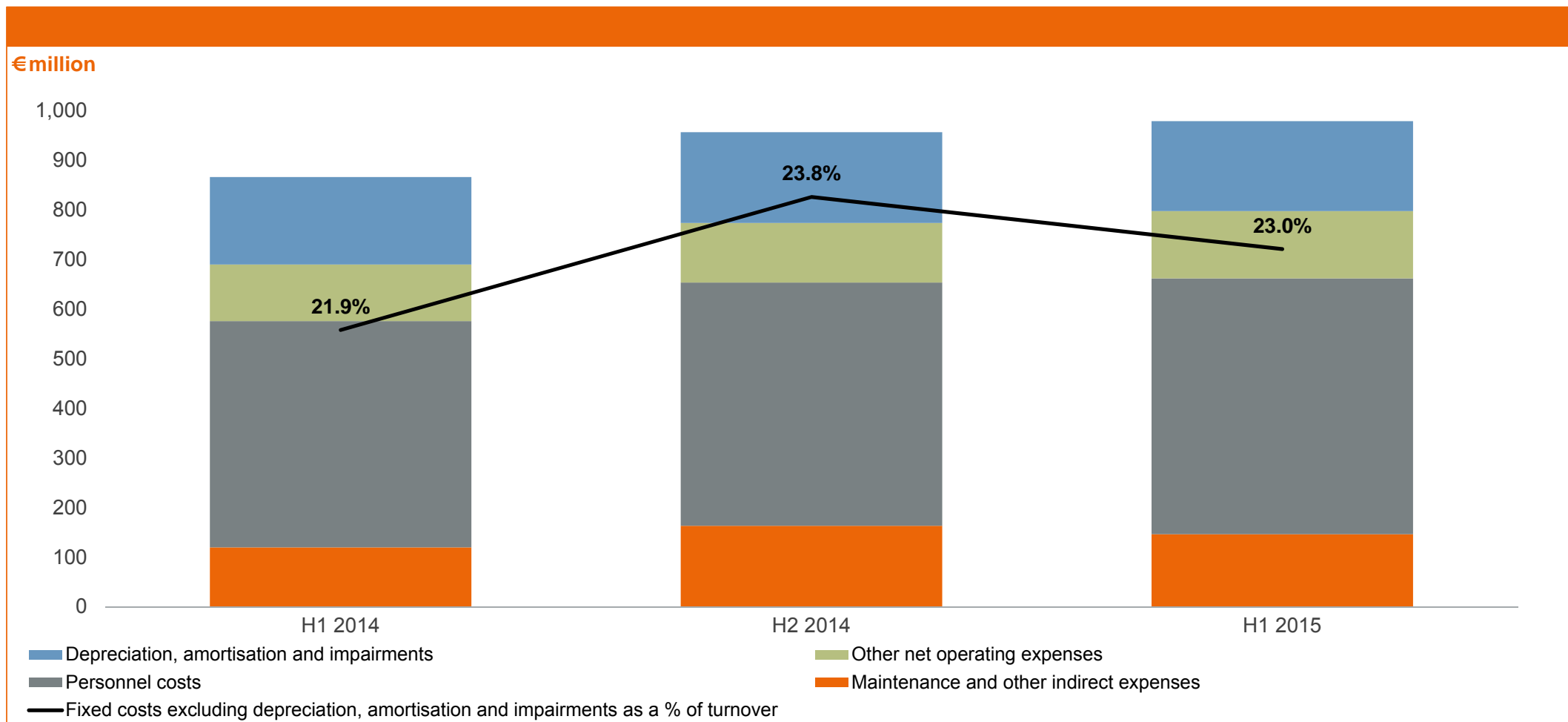


Project Description	Project Value	Key benefits	Market risk
Świecie recovery boiler, turbine and biomass boiler	€166 million	<ul style="list-style-type: none"> • Energy efficiencies • Green energy sales • Cost optimisation 	Low
Packaging Paper – various projects	€106 million	<ul style="list-style-type: none"> • Improved product mix • Cost optimisation 	Low
Fibre Packaging – various projects	€24 million	<ul style="list-style-type: none"> • Capability enhancement in high growth CEE markets 	Medium
Świecie phase II	€94 million	<ul style="list-style-type: none"> • 80,000 tonne per annum kraftliner • 100,000 tonne per annum softwood pulp capacity • Improved product mix • Cost optimisation 	Medium
South Africa Division woodyard upgrade	€30 million	<ul style="list-style-type: none"> • Cost optimisation 	Low

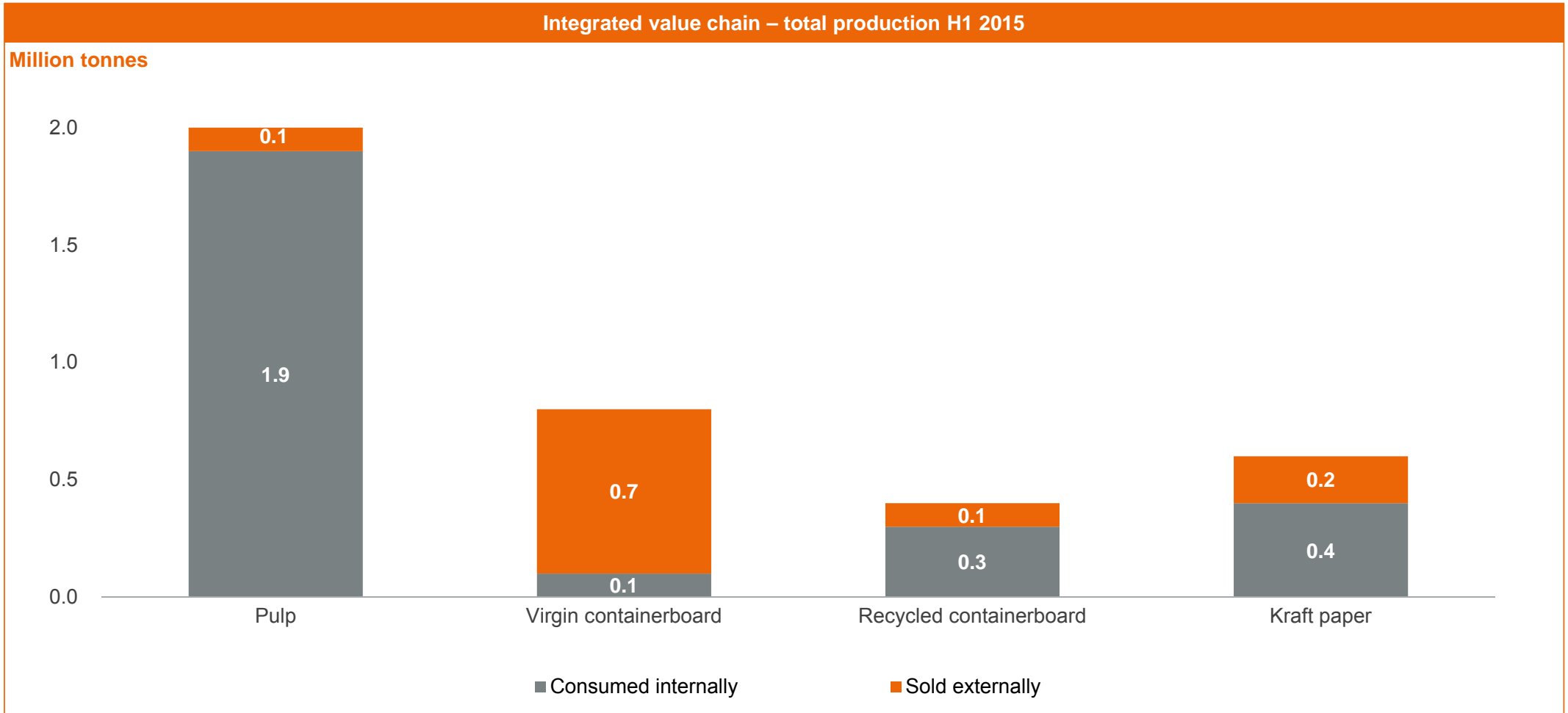
Input costs



Fixed costs



Our integrated low-cost operations



Non-controlling interests

Non-controlling interests			
€ million	H1 2014	H2 2014	H1 2015
Profit attributable to non-controlling interests	15	11	21
• <i>Ružomberok</i>	12	11	17
• <i>Other</i>	3	-	4
% of net underlying profit	5.6%	3.9%	6.0%

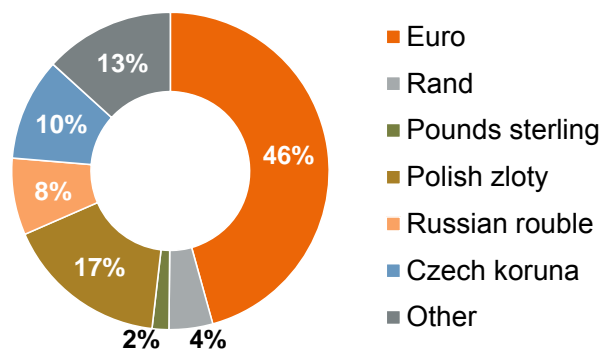
- Continued good profitability of Ružomberok operations

Debt facilities

€ million	H1 2014	H2 2014	H1 2015
Net debt	1,758	1,613	1,741
Committed facilities	2,451	2,106	2,096
Of which undrawn	745	456	502
Gearing (Net debt / Trading capital employed)	38%	36%	36%
Net debt / 12 month trailing EBITDA (times)	1.6	1.4	1.4

- Subsidiaries generally funded in their functional currencies
- Public credit ratings
 - Moody's Investor Services at Baa2 (outlook stable)
 - Standard & Poor's at BBB (outlook stable) – upgraded

Currency split of net debt €1,741 million



Cash flow



€ million	H1 2014	H2 2014	H1 2015	% change vs H1 2014	% change vs H2 2014
Underlying EBITDA	553	573	671	21%	17%
Working capital movements	(106)	19	(101)		
Other operating cash flow items	(8)	2	(32)		
Cash generated from operations	439	594	538	23%	(9%)
Dividends from financial investments and associates	-	2	-		
Taxes paid	(49)	(57)	(90)	(84%)	(58%)
Net cash inflow from operating activities	390	539	448	15%	(17%)
Capital expenditure, excluding intangible assets	(249)	(313)	(276)	(11%)	12%
Investment in forestry assets	(18)	(19)	(21)	(17%)	(11%)
Acquisitions ¹	(77)	(27)	-		
Interest paid	(64)	(61)	(57)	11%	7%
Dividends paid (including non-controlling shareholders)	(140)	(66)	(158)		
Other investing and financing activities	15	24	28		
Net (increase)/decrease in net debt	(143)	77	(36)		

¹ Includes net debt acquired

Statement of financial position



€ million	H1 2014	H2 2014	H1 2015
Property, plant and equipment	3,505	3,432	3,615
Forestry assets	233	235	260
Other non-current assets	707	700	704
Total non-current assets	4,445	4,367	4,579
Total current assets	1,963	1,981	2,138
Total assets	6,408	6,348	6,717
Total current liabilities	(1,628)	(1,323)	(1,527)
Medium and long-term borrowings	(1,343)	(1,565)	(1,506)
Other non-current liabilities	(532)	(566)	(551)
Total non-current liabilities	(1,875)	(2,131)	(2,057)
Total liabilities	(3,503)	(3,454)	(3,584)
Net assets	2,905	2,894	3,133
Total attributable to shareholders	2,645	2,628	2,863
Non-controlling interests	260	266	270
Total equity	2,905	2,894	3,133

Production volumes



		H1 2014	H2 2014	H1 2015	% change vs H1 2014	% change vs H2 2014
Europe & International						
Containerboard	Tonnes	1,075,226	1,085,259	1,086,057	1%	-
Kraft paper	Tonnes	531,040	599,180	605,741	14%	1%
Softwood pulp	Tonnes	1,025,692	1,059,499	1,082,595	6%	2%
Corrugated board and boxes	M m ²	672	671	668	(1%)	-
Industrial bags	M units	2,133	2,313	2,506	17%	8%
Extrusion coatings	M m ²	730	671	735	1%	10%
Consumer packaging	M m ²	3,249	3,148	3,330	2%	6%
Uncoated fine paper	Tonnes	684,678	676,565	696,231	2%	3%
Newsprint	Tonnes	104,574	97,424	97,113	(7%)	-
Hardwood pulp	Tonnes	567,432	560,162	583,033	3%	4%
South Africa						
Containerboard	Tonnes	124,157	128,369	112,980	(9%)	(12%)
Uncoated fine paper	Tonnes	126,907	131,176	116,768	(8%)	(11%)
Hardwood pulp	Tonnes	311,914	336,721	291,311	(7%)	(13%)
Softwood pulp	Tonnes	75,675	62,965	59,462	(21%)	(6%)
Newsprint	Tonnes	58,859	58,228	55,805	(5%)	(4%)

Exchange rates



	H1 2014	H2 2014	H1 2015	% change vs H1 2014	% change vs H2 2014
Closing rates against the euro					
South African rand	14.46	14.04	13.64	6%	3%
Czech koruna	27.45	27.74	27.25	1%	2%
Polish zloty	4.16	4.27	4.19	(1%)	2%
Pounds sterling	0.80	0.78	0.71	11%	9%
Russian rouble	46.38	72.34	62.36	(34%)	14%
Turkish lira	2.90	2.83	3.00	(3%)	(6%)
US dollar	1.37	1.21	1.12	18%	7%
Average rates for the period against the euro					
South African rand	14.67	14.14	13.31	9%	6%
Czech koruna	27.44	27.63	27.50	-	-
Polish zloty	4.18	4.20	4.14	1%	1%
Pounds sterling	0.82	0.79	0.73	11%	8%
Russian rouble	48.01	53.84	64.60	(35%)	(20%)
Turkish lira	2.97	2.85	2.86	4%	-
US dollar	1.37	1.29	1.12	18%	13%

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