



**Mondi Group**  
**Half-yearly results for the six months ended 30 June 2016**

4 August 2016

# Agenda



## Highlights

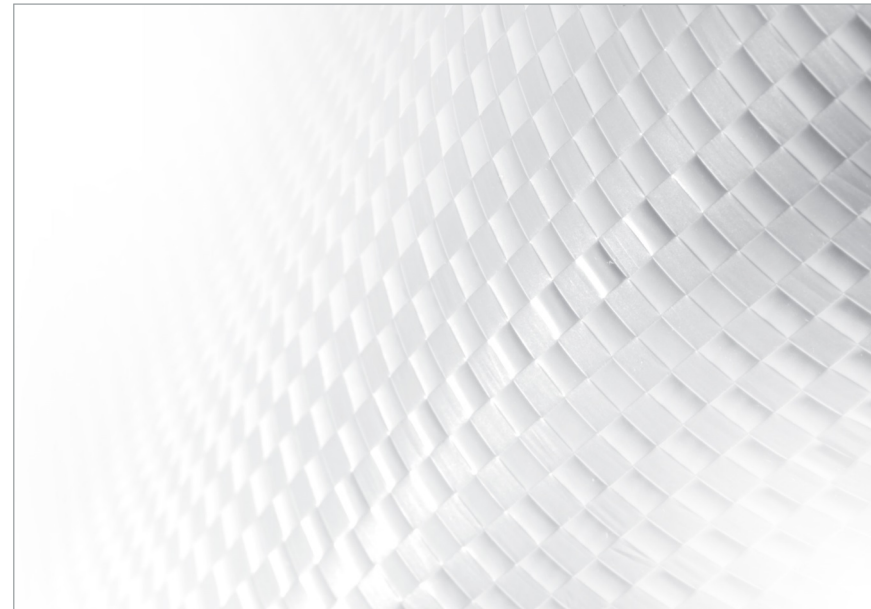
Financial overview

Operational overview

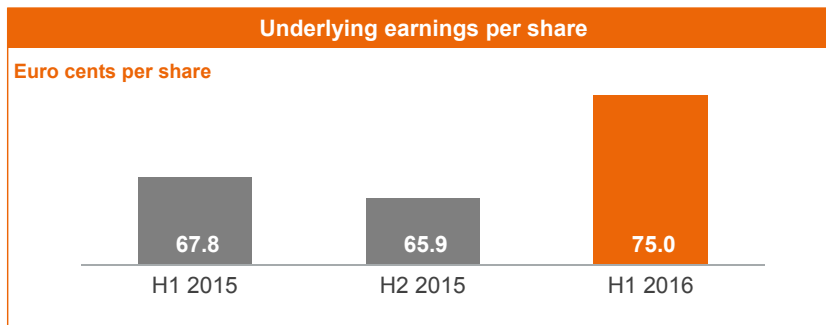
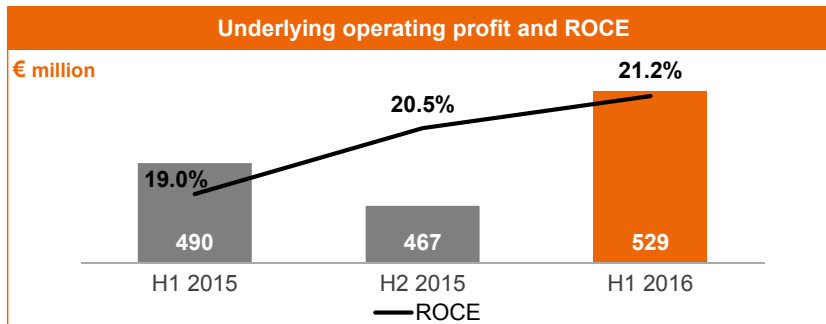
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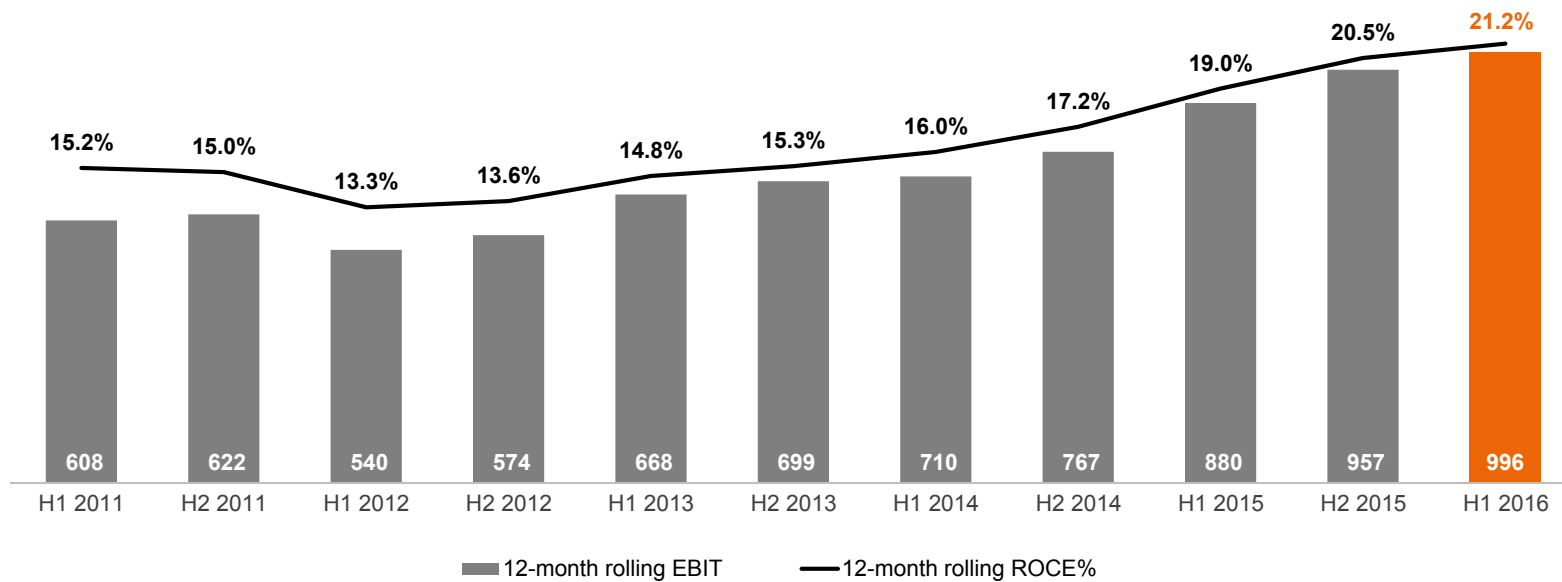


## Highlights



- Continued strong financial performance
  - Underlying operating profit up 8% on H1 2015
  - Underlying earnings up 11% on H1 2015
  - ROCE of 21.2%
- Capital projects delivering growth
  - On track to deliver €60 million incremental contribution to underlying operating profit in 2016
  - Strong capital investment pipeline
- Complemented by acquisitions
  - Acquisitions completed in prior year and current period successfully integrated
  - Two acquisitions completed in July to enhance product offering and geographic footprint in Consumer Packaging
- Interim dividend of 18.81 euro cents per share declared

## Building on a track record of success



**Growth in earnings and improvement in returns**

# Agenda



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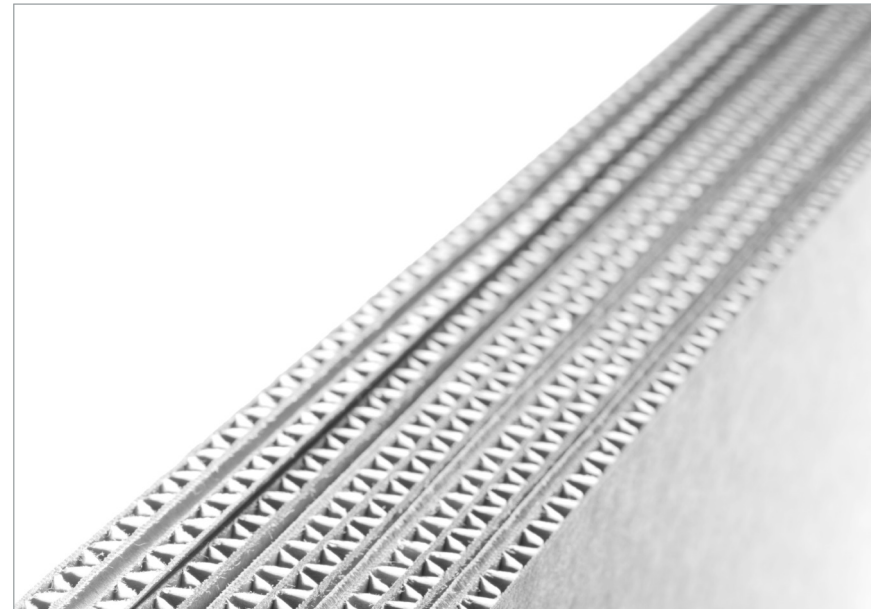
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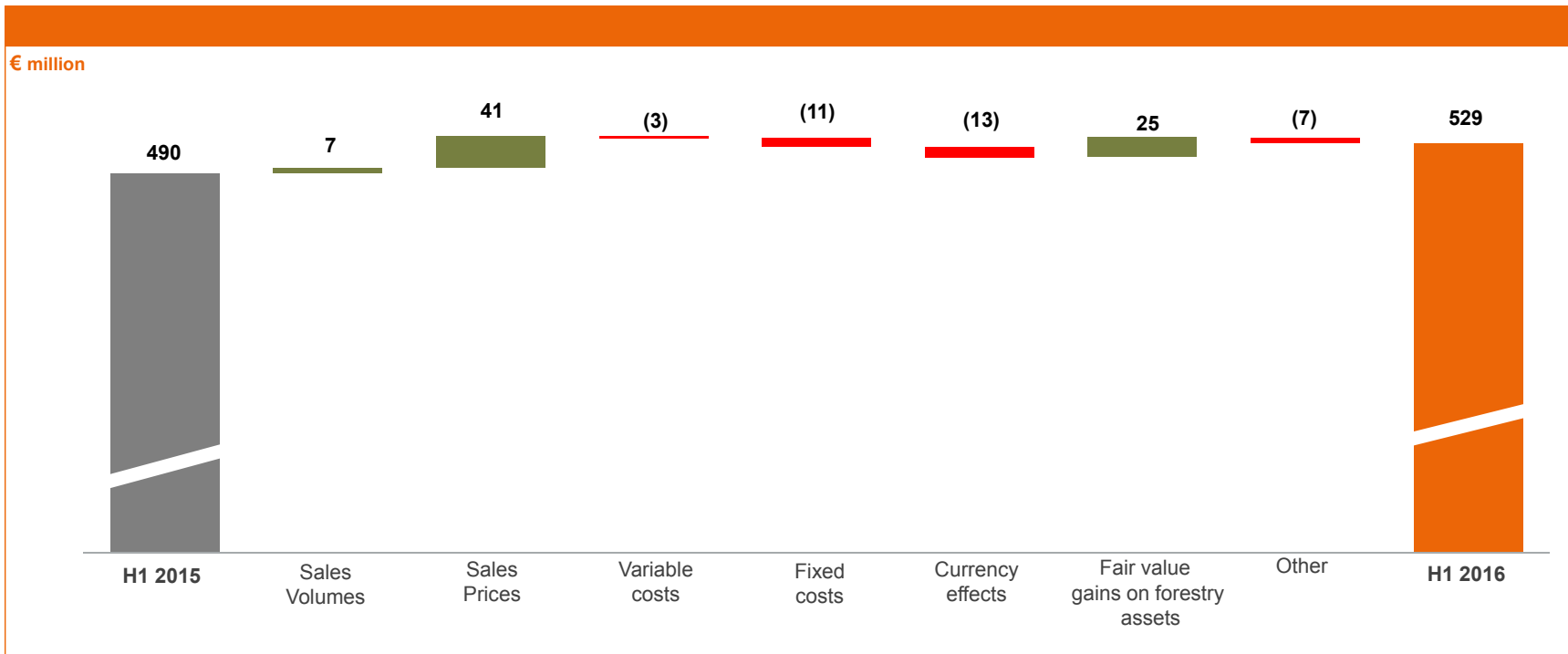
## Operating financial highlights



€ million	H1 2015	H2 2015	H1 2016	% change vs H1 2015	% change vs H2 2015
Group Revenue	3,459	3,360	<b>3,312</b>	(4.2%)	(1.4%)
Underlying EBITDA	671	654	<b>714</b>	6.4%	9.2%
% Margin	19.4%	19.5%	<b>21.6%</b>		
Underlying operating profit	490	467	<b>529</b>	8.0%	13.3%
% Margin	14.2%	13.9%	<b>16.0%</b>		
Group ROCE	19.0%	20.5%	<b>21.2%</b>		

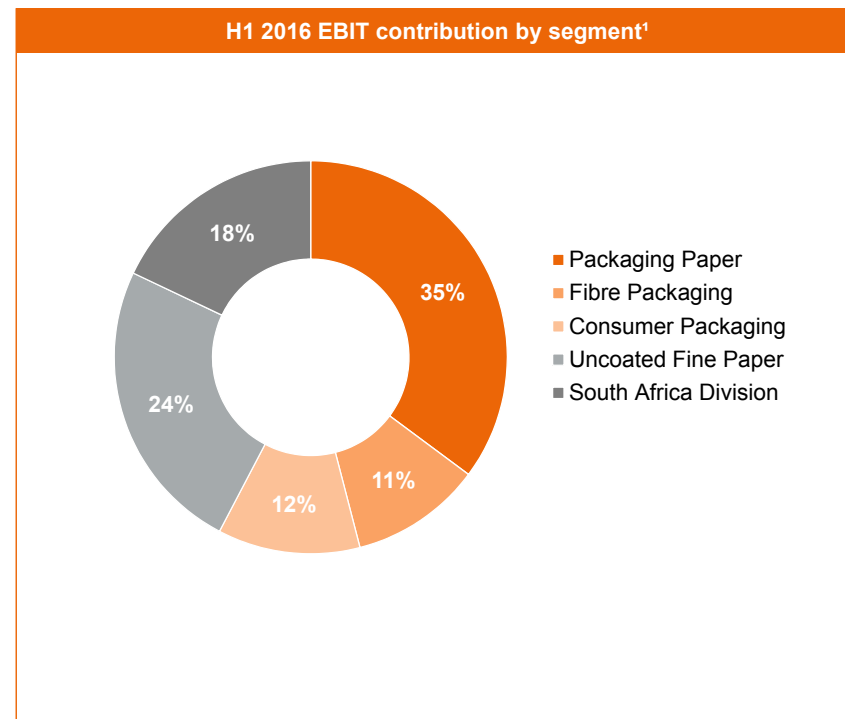
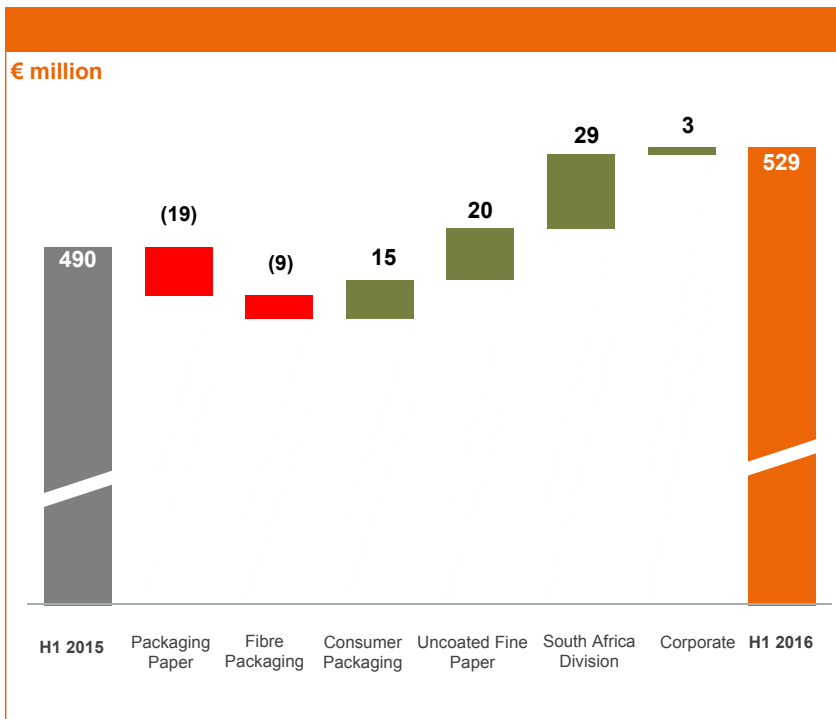
**8% increase in operating profit, revenue impacted by currency effects and disposals**

# Underlying operating profit development



**Price, strong cost management and fair value gains driving profitability**

# Divisional operating profit contribution



**Strong gains in Consumer Packaging, Uncoated Fine Paper and South Africa Division partly offset by pricing headwinds in Packaging Paper**

<sup>1</sup> Excludes Corporate costs



## Financial review



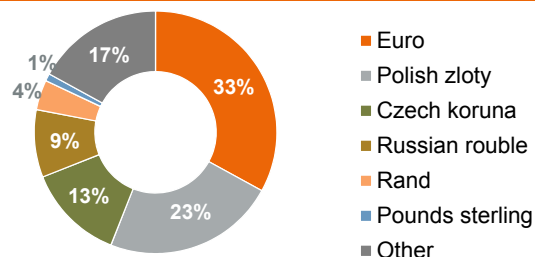
€ million	H1 2015	H2 2015	H1 2016	% change vs H1 2015	% change vs H2 2015
<b>Underlying operating profit</b>	490	467	<b>529</b>	8%	13%
Net underlying finance costs	(59)	(46)	<b>(47)</b>	20%	(2%)
Net profit from associates	-	1	-	-	-
<b>Underlying profit before tax</b>	431	422	<b>482</b>	12%	14%
Tax before special items	(82)	(79)	<b>(92)</b>	(12%)	(16%)
Total non-controlling interests	(21)	(24)	<b>(27)</b>	(29%)	(13%)
<b>Underlying earnings</b>	328	319	<b>363</b>	11%	14%
Special items (after tax and non-controlling interests)	(36)	(11)	-		
<b>Reported profit after tax and non-controlling interests</b>	292	308	<b>363</b>	24%	18%
<b>Basic earnings per share (euro cents)</b>	60.3	63.7	<b>75.0</b>	24%	18%
<b>Underlying earnings per share (euro cents)</b>	67.8	65.9	<b>75.0</b>	11%	14%

**Underlying earnings per share up 11%**

## Finance costs and net debt

€ million	H1 2015	H2 2015	H1 2016
<b>Net debt</b>	1,741	1,498	<b>1,491</b>
Average net debt	1,700	1,613	<b>1,462</b>
Net underlying finance costs	59	46	<b>47</b>
Effective interest rate (before capitalised interest)	6.9%	5.6%	<b>5.9%</b>
Committed facilities	2,096	2,002	<b>2,481</b>
Of which undrawn	502	598	<b>757</b>
Cash on hand	(6)	36	<b>293</b>
Net debt/12-month trailing EBITDA (times)	1.4	1.1	<b>1.1</b>

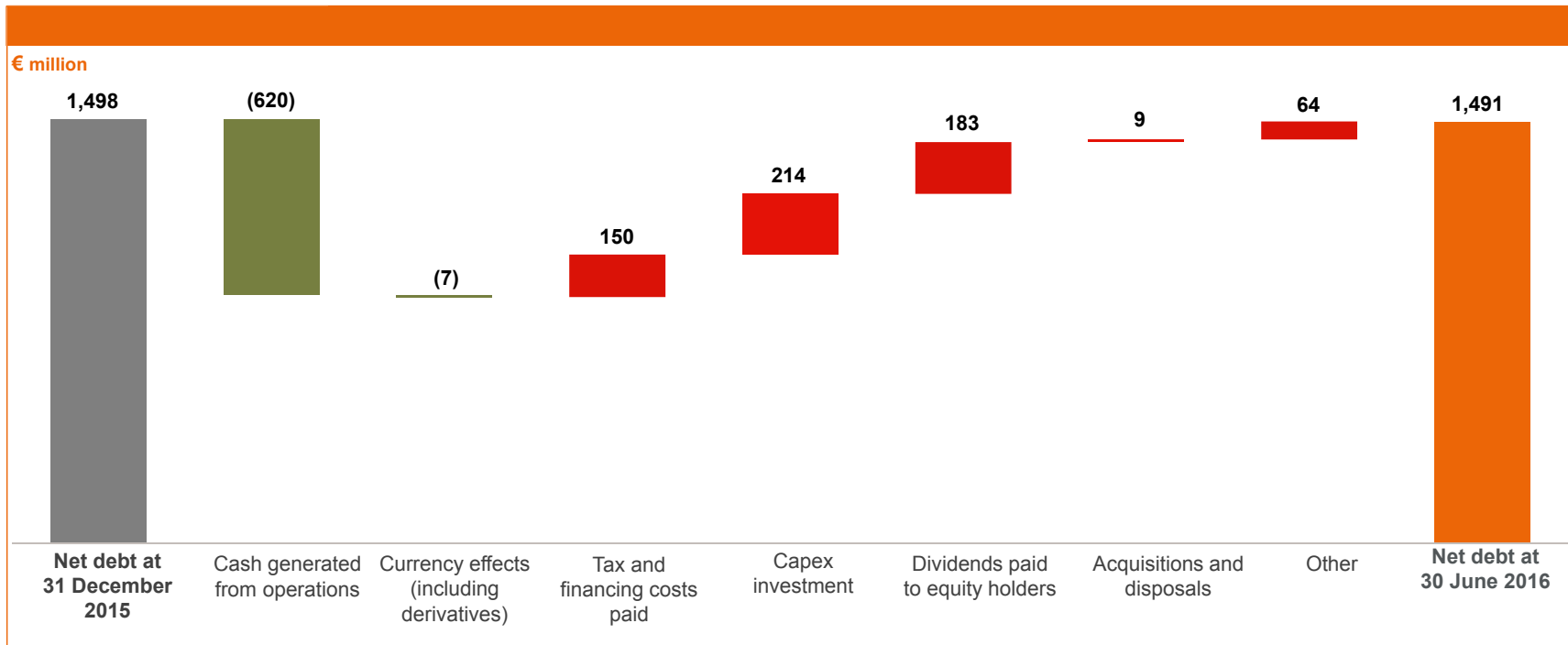
Currency split of net debt €1,491 million



- Net debt down due to strong cash generation, up 15% on H1 2015
- Lower finance costs than in prior year period
  - Lower effective interest rate
  - Lower average net debt
- Public credit ratings unchanged
  - Moody's Investors Service at Baa2 (stable outlook)
  - Standard & Poor's at BBB (stable outlook)
- €500 million 1.5% 8-year Eurobond issued in April 2016
  - Extends maturity profile
  - Ensures ample liquidity

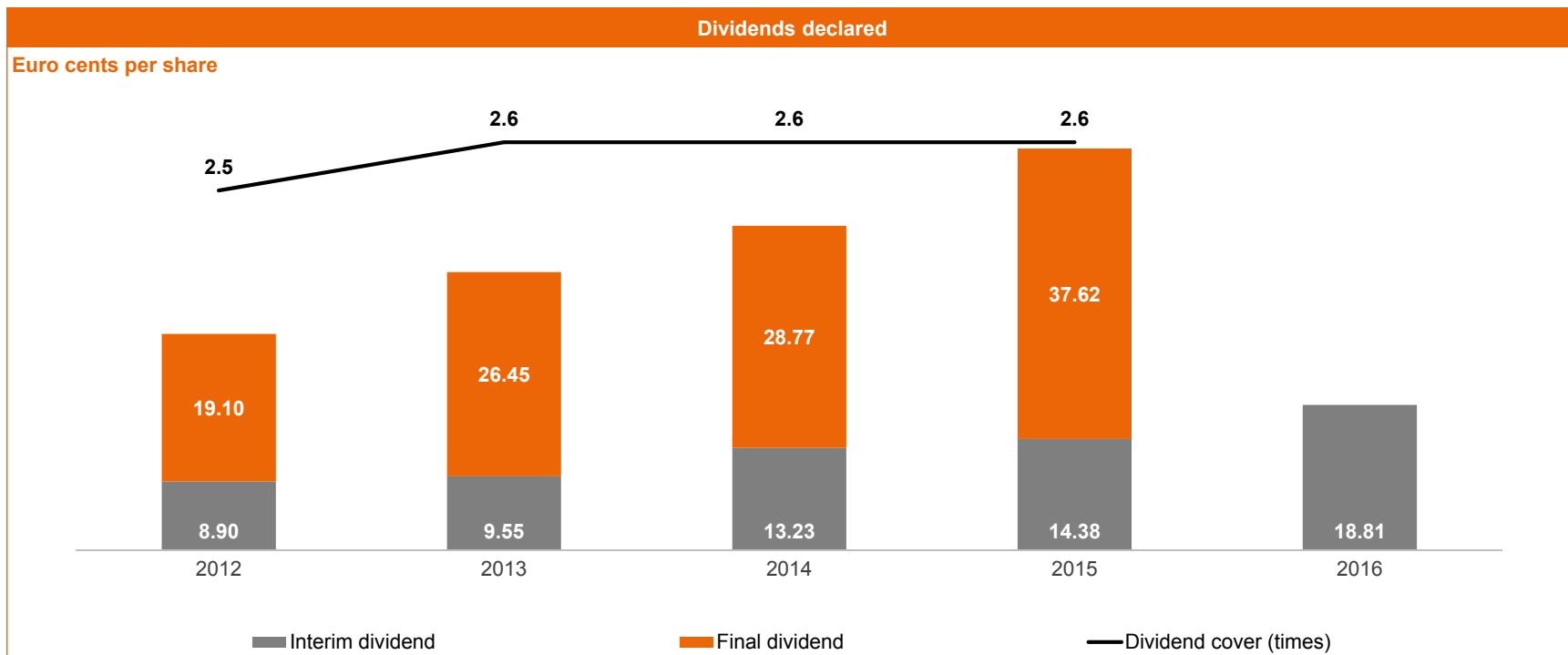
**Robust financial position**

## Cash flow effects – movement in net debt



**Strong cash generation**

## Continued growth in shareholder returns



**Interim dividend of 18.81 euro cents per share declared**

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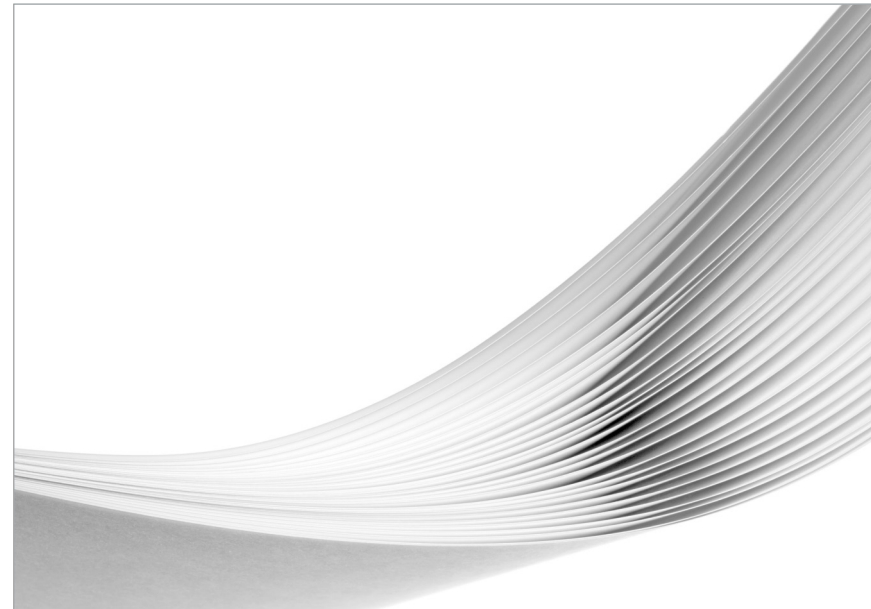
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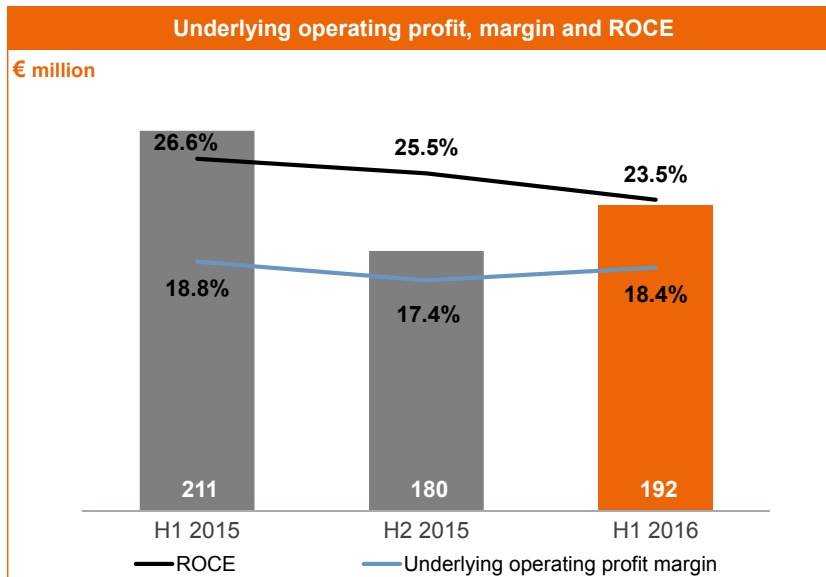
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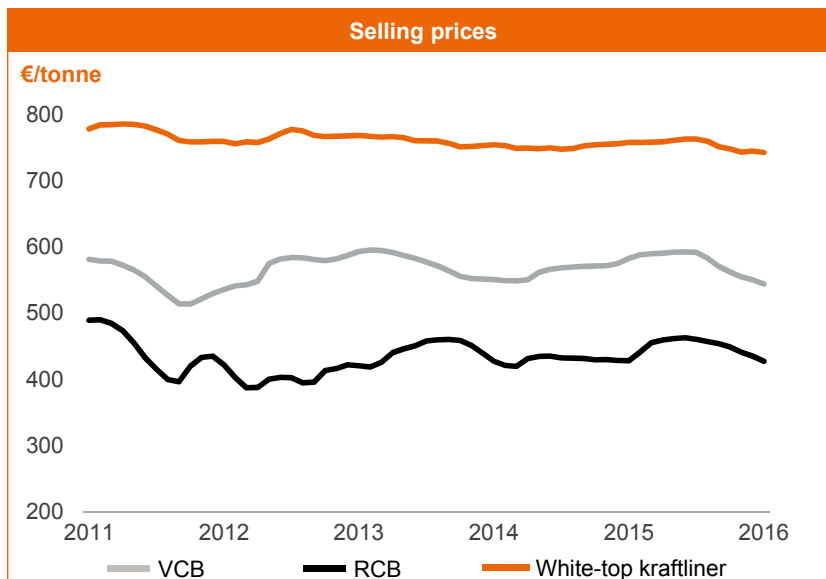


## Packaging Paper



- Lower average selling prices
- Like-for-like sales volumes marginally up on H1 2015
- Underlying operating profit down 9% on H1 2015
- Benefits from
  - Currency gains on exports
  - Good cost management and lower energy costs

## Packaging Paper | industry fundamentals



### Virgin containerboard (VCB)

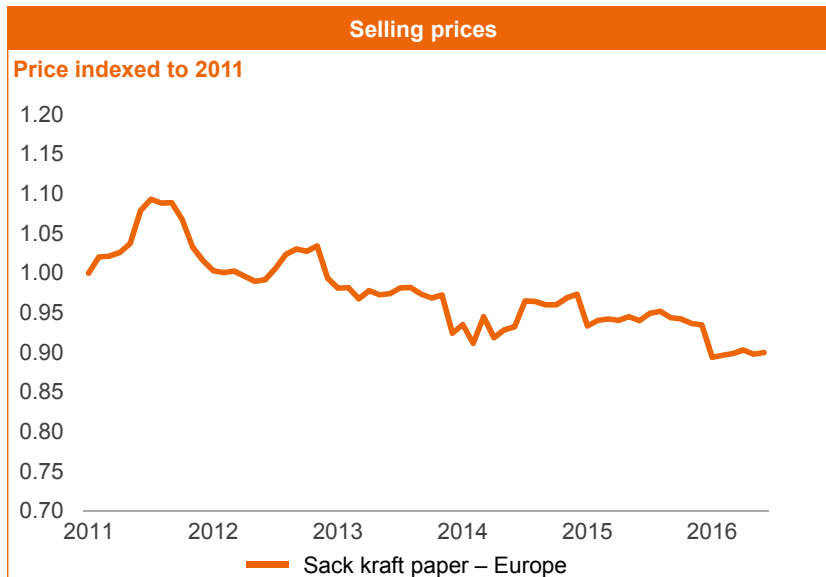
- Solid European demand growth of around 3% vs H1 2015
- Increased supply
  - Newly installed European capacity (Varkaus)
  - Imports from emerging markets
- Average European benchmark selling prices in unbleached kraftliner down 5% on H2 2015
- Selling price increases of €20/tonne implemented in Europe excluding southern Europe by August 2016

### Recycled containerboard (RCB)

- European demand growth of around 2% vs H1 2015
- Net industry capacity expansions during 2016 of around 600 ktpa ( $\pm 2\%$ )
- Average European benchmark selling prices down 3% on H2 2015

Source: FOEX Indexes Ltd and CEPI containerboard deliveries to Europe May YTD 2016

## Packaging Paper | industry fundamentals



### Sack kraft paper

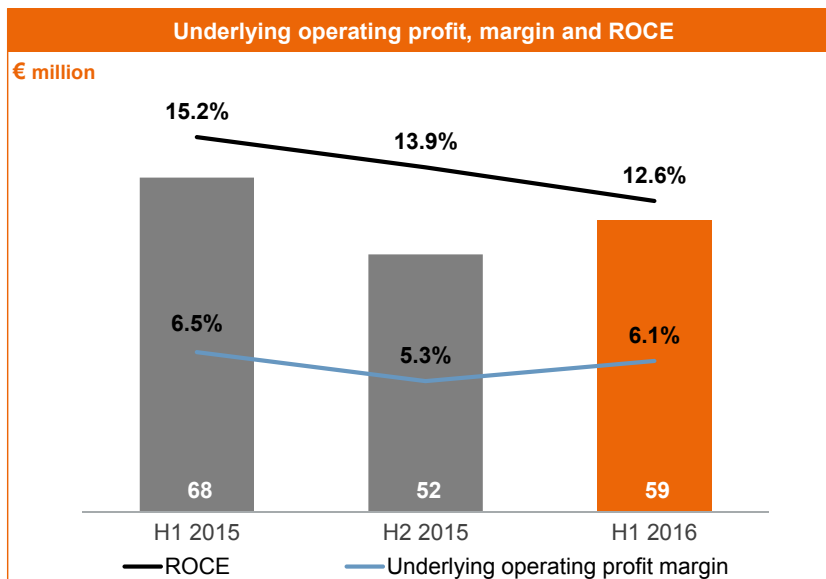
- Improving demand
  - Recovery in export markets of south east Asia and the Middle East
  - Seasonal pick up in demand in Europe
- No new capacity in 2016
- Prices stable at levels reported in early 2016
  - Down 5-6% on 2015 levels

### Speciality kraft paper

- Good demand growth
- Net capacity closures in 2015/2016
- Marginally higher selling prices than H1 2015



## Fibre Packaging



### Corrugated Packaging

- Sales volumes in line with H1 2015
  - Good growth in central Europe
  - Political instability in Turkey impacting sales volume growth
  - Russian embargo affecting Polish exports of fresh fruit and vegetables
- Negative currency impacts

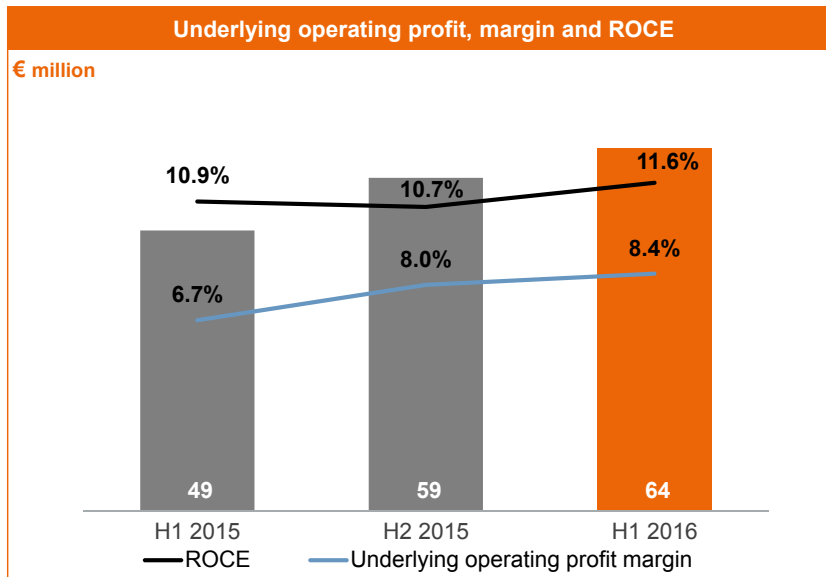
### Industrial Bags

- Higher European volumes – up around 3%
- Decline in sales volumes in US and CIS region vs H1 2015
  - Challenging market conditions
  - Capacity rationalisation
- Negative currency impacts
- Strong cost management

### Extrusion Coatings

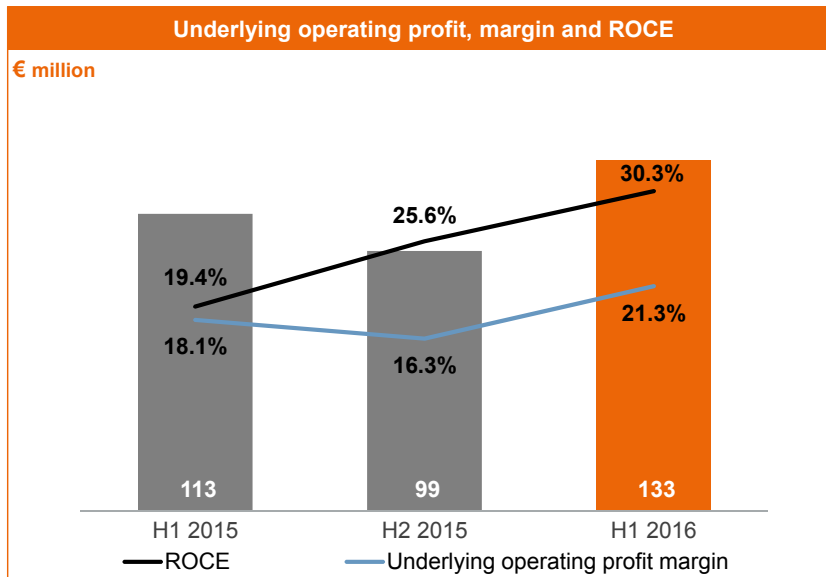
- Lower sales volumes than H1 2015
- Offset by improved sales margins

## Consumer Packaging



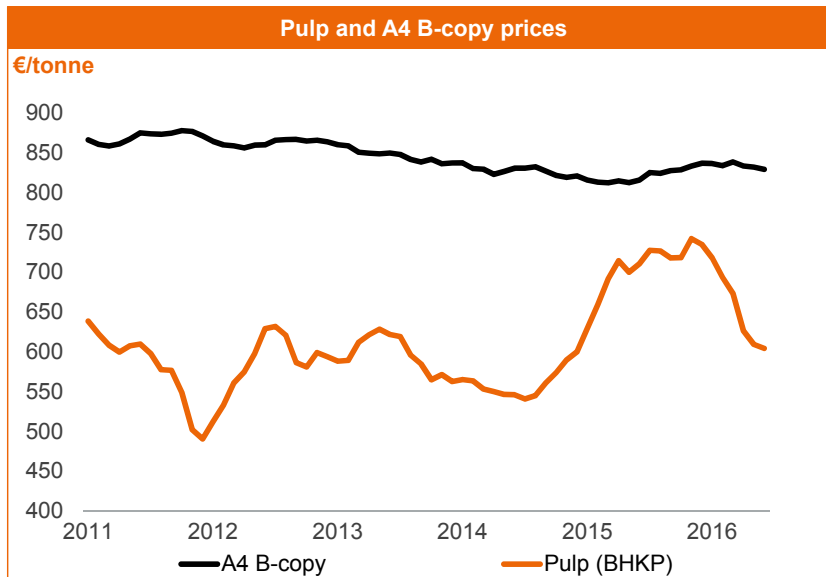
- Underlying operating profit up 31% on H1 2015
- Supported by
  - Strong volume growth in higher value-added segments
  - Benefits from commercial excellence initiatives
  - Good contribution from acquisitions in 2015 (Ascania and KSP)
- Acquisitions of Kalenobel (Turkey) and Uralplastic (Russia) completed in July 2016
  - Increase exposure to growing markets
  - Enhanced product offering

## Uncoated Fine Paper



- Strong performance with 18% increase in underlying operating profit vs H1 2015
- Selling prices stabilised following increases in H2 2015
- Stable sales volumes compared to H1 2015, despite industry demand contraction
- Benefits from lower input costs
- H2 2016 impacted by
  - Maintenance shut at Slovakian mill
  - Seasonal slowdown in demand

## Uncoated Fine Paper | industry fundamentals



### Demand

- Decline in European demand estimated at 1-2%

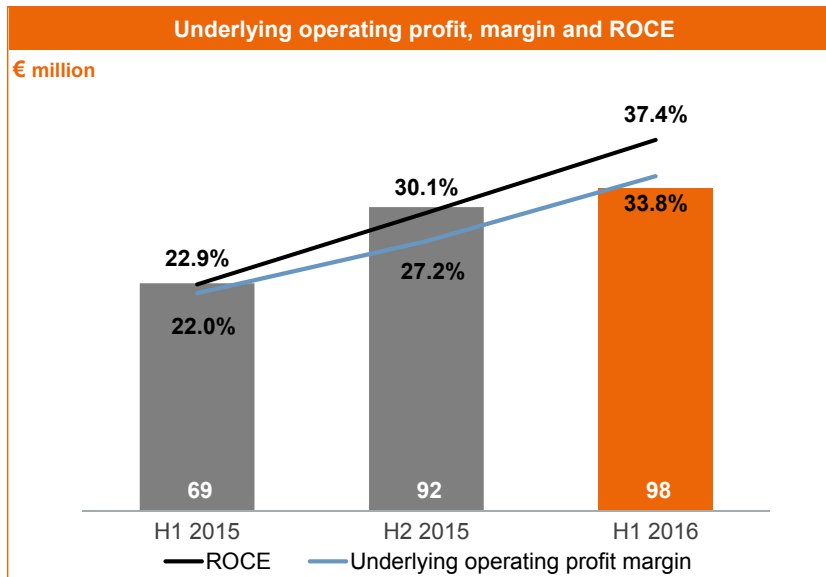
### Supply

- Net European capacity reductions in 2015/2016 of around 800 ktpa (7%)
- Growth in imports
  - Effect of US anti-dumping / countervailing duties

### Prices

- Average benchmark pricing in Europe in line with H2 2015
- Higher average selling prices in Russia

## South Africa Division



- Strong performance, underlying operating profit up 42% on H1 2015
- Higher average domestic selling prices across all grades offset by lower export pulp prices
- Fair value gains on forestry assets
  - €25 million up on H1 2015
  - Level of gain not expected to repeat in H2 2016
- Richards Bay shut scheduled for Q4 2016 (Q1 2015)

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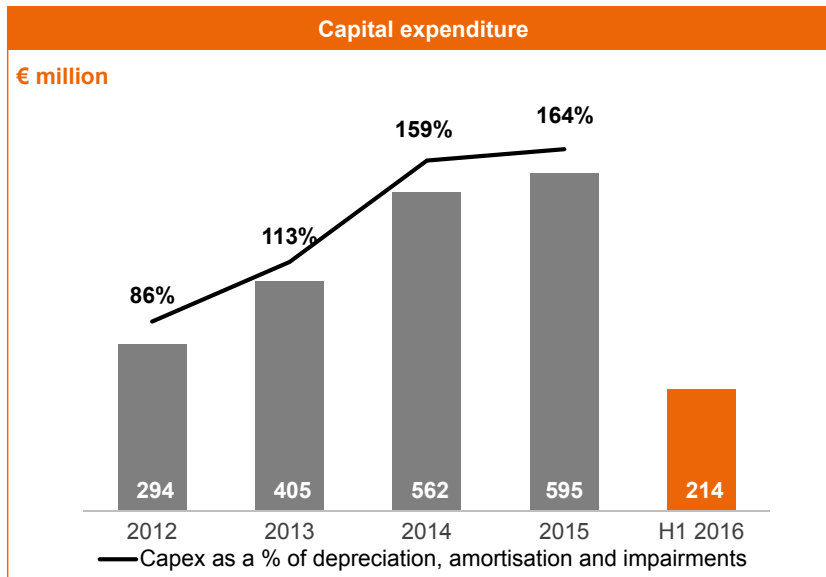
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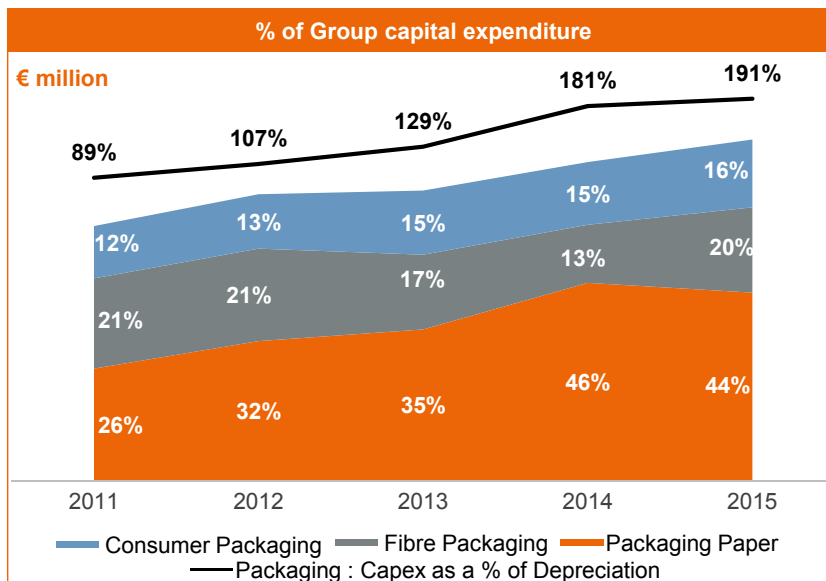


## Growth options | Organic capital investments



- Around €770 million committed to major projects over 2013-2016
- Completed major capital investments contributing meaningfully
  - Delivered incremental operating profit of around €100 million over past two years
  - On track to deliver incremental operating profit of around €60 million in 2016
- Capital expenditure expected to be in the range of €400-€450 million per annum in 2016 and 2017

## Capital investments in Packaging



- Strong pipeline of projects
  - New 300 ktpa kraft top white machine at Ružomberok, Slovakia (€310 million) approved, remains subject to tax incentives and permitting
  - New woodyard and bleaching line at Štětí, Czech Republic approved (€41 million) in first phase of modernisation
  - Under evaluation - further opportunities centred around our high-quality, low-cost packaging paper assets in central Europe
    - Replacement of the recovery boiler at Štětí mill
    - Installation of a 90 ktpa kraft paper machine at one of our central European operations



## Growing our packaging interests through acquisitions



### Kalenobel – completed in July 2016

- Acquisition of 90% of the outstanding share capital for around €90 million on a debt and cash-free basis
- Focused on the manufacture of flexible consumer packaging for ice cream and other applications as well as aseptic cartons
- Exports approximately 50% of production
- Headquartered in Istanbul, two production facilities in Kırklareli (around 150 km northwest of Istanbul)
- For the year ended 31 December 2015 Kalenobel generated revenue of around €63 million



### Uralplastic – completed in July 2016

- Acquisition of 100% of the outstanding share capital
- Operates one plant near Ekaterinburg, in the Ural region of Russia
- Manufactures a range of consumer flexible packaging products for food, hygiene, homecare and other applications
- For the year ended 31 December 2015 Uralplastic generated revenue of around €29 million



Supports the growth of our Consumer Packaging business, broadening our product portfolio and geographic reach to better serve our customers in growing markets

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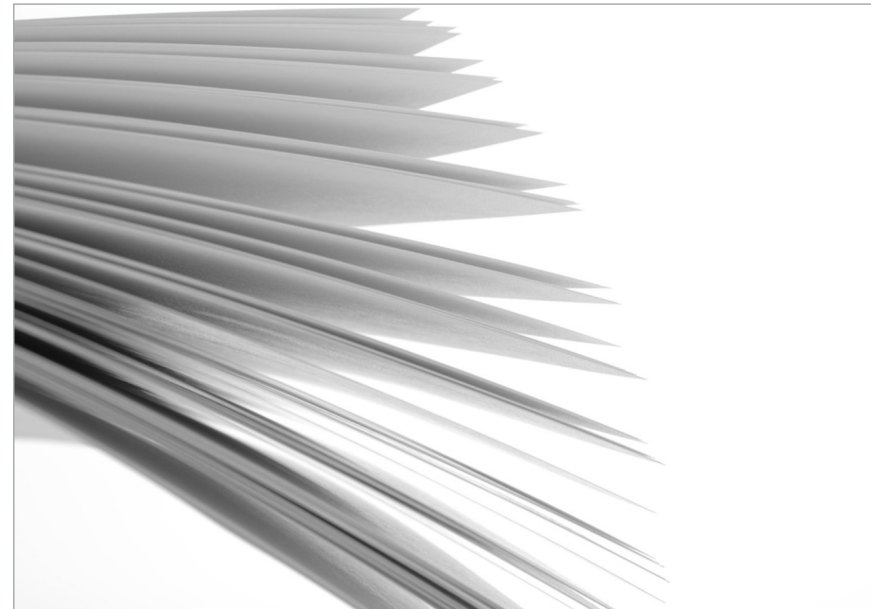
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## Outlook



While we saw some price weakness in certain of our packaging grades in the first half, demand for these products remains strong and pricing has generally stabilised with increases recently achieved in certain grades. The second half will be impacted by planned maintenance shuts at a number of our mills and the usual seasonal downturn in our Uncoated Fine Paper business. Furthermore, we anticipate a lower forestry fair value gain than was recognised in the first half. We expect to continue to benefit from stable input costs and incremental contributions from our capital investment programme, together with the stability afforded by our downstream converting businesses.

While mindful of the heightened macroeconomic and political uncertainties in Europe, we remain confident of continuing to deliver an industry leading performance in line with our expectations.

# Q&A

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# Mondi at a glance



	<b>Packaging Paper</b>	<b>Fibre Packaging</b>	<b>Consumer Packaging</b>	<b>Uncoated Fine Paper</b>	<b>South Africa</b>
<b>H1 2016 Revenue<sup>1</sup> &amp; ROCE</b>	€1,045m 28% 23.5%	€968m 26% 12.6%	€765m 21% 11.6%	€625m 17% 30.3%	€290m 8% 37.4%
<b>Products</b>					
<b>Market positions</b>	<b>Europe</b>	#1 Kraft paper #2 Virgin containerboard	#1 Industrial bags <sup>2</sup> #1 Uncoated fine paper	#1 Commercial release liner #2 Extrusion coatings	<b>South Africa</b>
	<b>Emerging Europe</b>	#1 Containerboard	#3 Corrugated packaging		#1 BHKP #1 White-top kraftliner #1 Uncoated fine paper

<sup>1</sup> Segment revenues, before elimination of inter-segment revenues  
<sup>2</sup> Also #1 industrial bags producer in North America

## Divisional financial highlights H1 2016



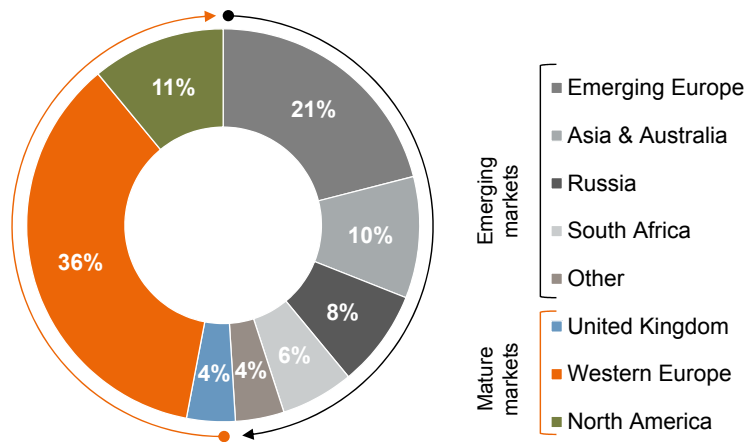
	Segment Revenue <sup>1</sup>		Segment EBIT		ROCE %
	€ million	% change vs H1 2015	€ million	% change vs H1 2015	
Packaging Paper	1,045	(7%)	192	(9%)	23.5
Fibre Packaging	968	(7%)	59	(13%)	12.6
Consumer Packaging	765	5%	64	31%	11.6
Uncoated Fine Paper	625	-	133	18%	30.3
South Africa Division	290	(8%)	98	42%	37.4
Corporate			(17)	15%	
<b>Group</b>	<b>3,312</b>	<b>(4%)</b>	<b>529</b>	<b>8%</b>	<b>21.2</b>

<sup>1</sup> Segment revenues, before elimination of inter-segment revenues

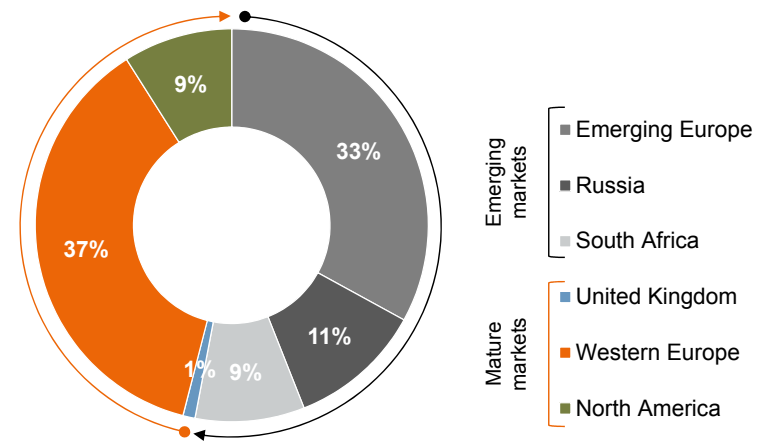
# Strong global presence



Sales by location of customer €3,312 million



Sales by location of production €3,312 million





# Strategic value drivers

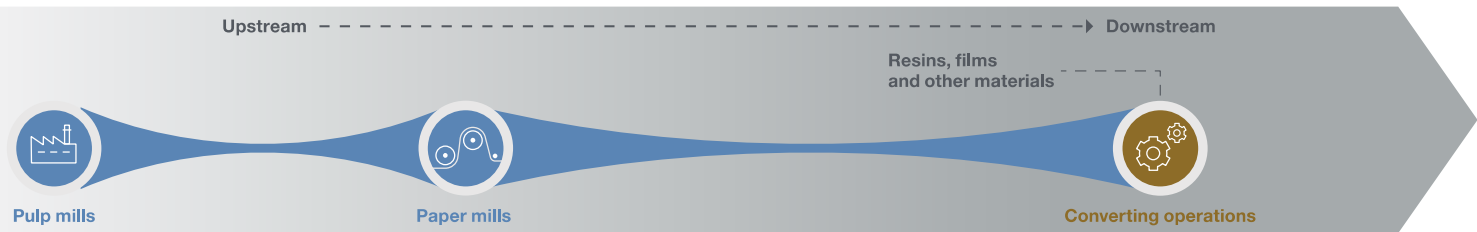


## Strategic value drivers

**We are passionate about performance**  
driving productivity, efficiency and margin improvement

**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



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

## ... with different priorities across business units



### Strategic value drivers



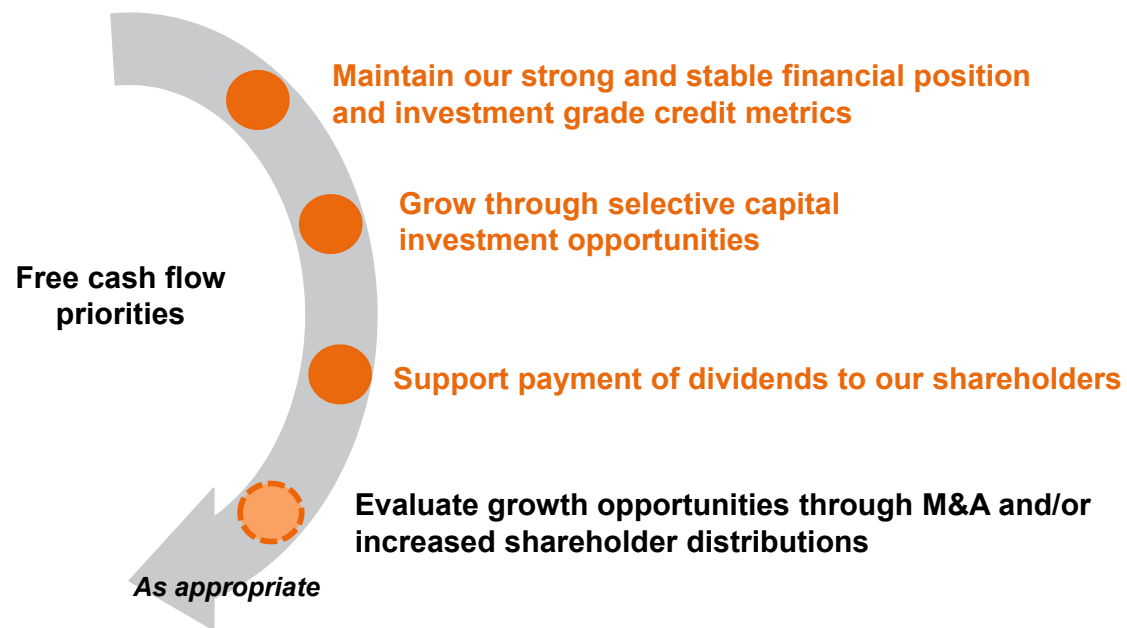
#### Upstream

- Products are generally more commoditised
- Low-cost production base is key to long-term competitive advantage
  - Access to low-cost wood
  - Electricity self-sufficiency
  - Economies of scale
  - Focus on markets offering inherent cost advantages

#### Downstream

- Customers closer to end user and require more tailored solutions
- Developing cutting edge products and customised solutions for each client is key
- R&D and innovation along the value chain critical
- Focus on markets where we can leverage our competencies

## Our cash flow priorities remain unchanged



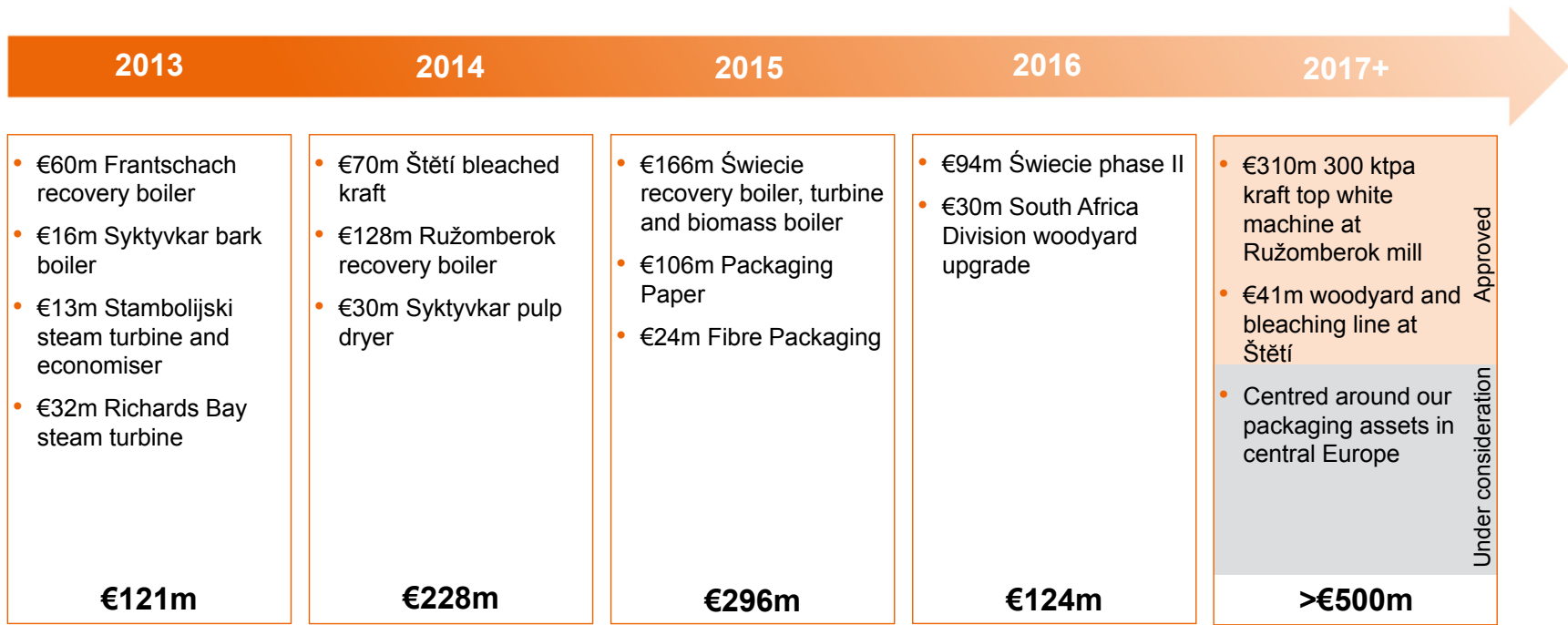
## New €310 million, 300 ktpa kraft top white machine investment



### Ružomberok mill, Slovakia

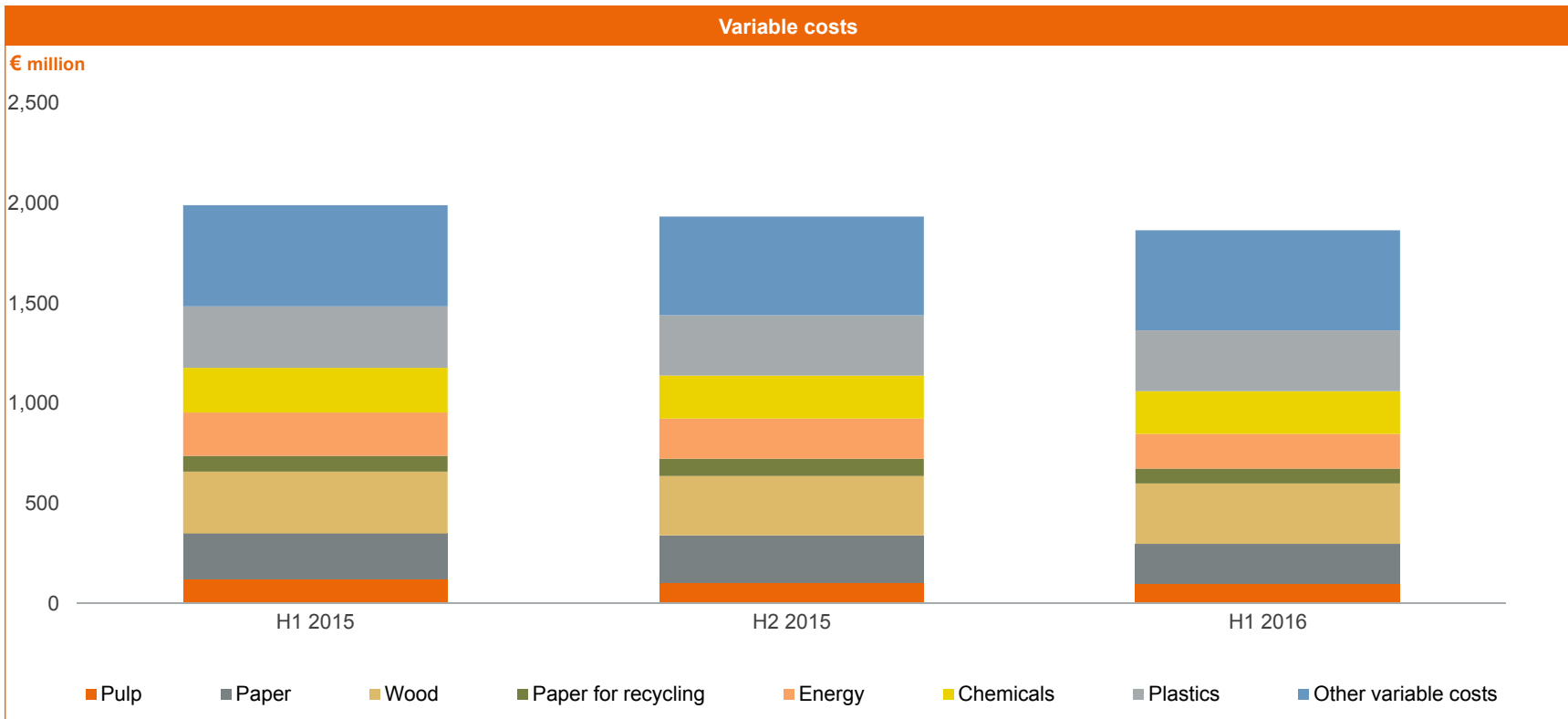
<b>Project description</b>	<ul style="list-style-type: none"> <li>● 300,000 tonne per annum kraft top white machine</li> <li>● Debottlenecking pulp mill – increasing capacity by 100,000 tonnes per annum</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>● Unique product offering                             <ul style="list-style-type: none"> <li>○ targeted at fast growing white-top testliner and white-top kraftliner end uses</li> <li>○ virgin top layer provides higher brightness, printability and stability while recycled layer provides a cost advantage for customer</li> <li>○ based on Mondi's proven concept of unbleached kraft top liner grades</li> </ul> </li> <li>● Improves pulp production costs and the mill's energy balance further benefiting Ružomberok's overall cost position</li> </ul>
<b>ROCE %</b>	In excess of Group's 13% hurdle rate for new investments within 3 years of start-up
<b>Expected Start-up</b>	Mid 2019
<b>Conditions</b>	<ul style="list-style-type: none"> <li>● Tax incentives</li> <li>● Necessary permitting</li> </ul>

## Major project pipeline delivering strongly

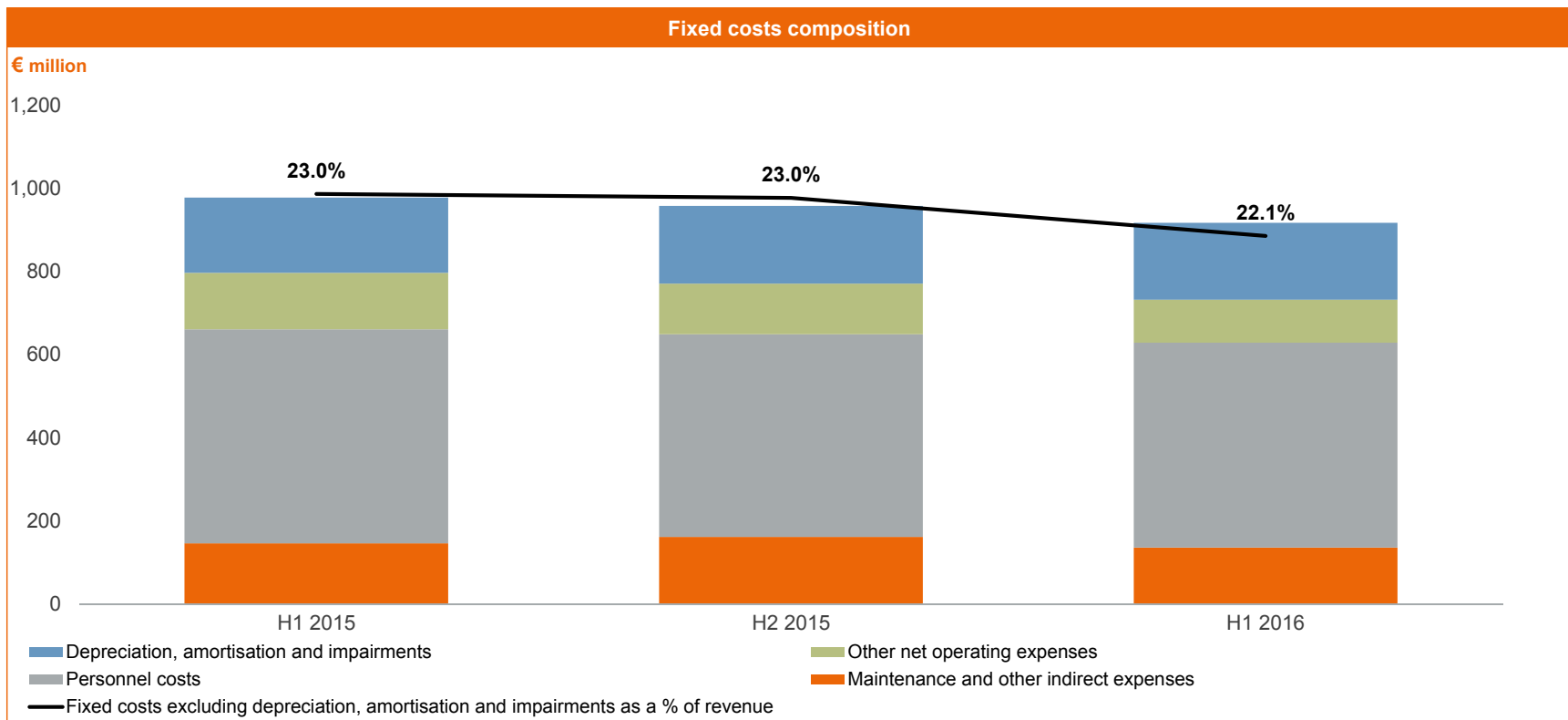


**€100 million** incremental operating profit delivered from major projects in 2014/2015  
**€60 million** incremental operating profit benefit expected in 2016

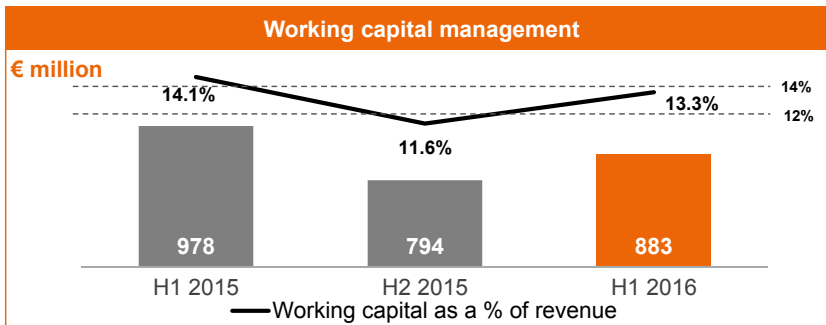
# Input costs



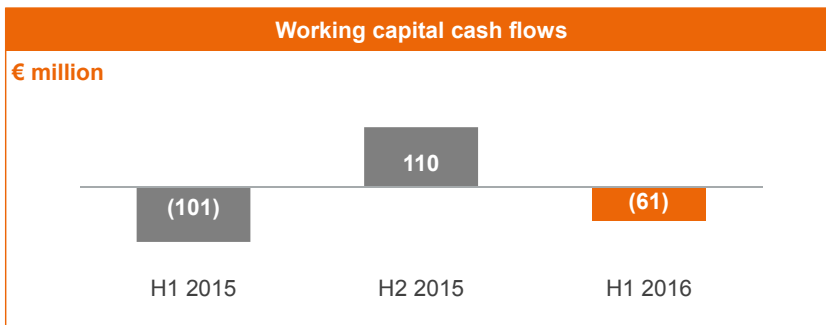
# Fixed costs



## Working capital



- Working capital as a percentage of revenue in line with target range of 12-14%





## Taxation



€ million	H1 2015	H2 2015	H1 2016
Tax charge	82	79	<b>92</b>
Cash tax paid	90	70	<b>104</b>
Effective underlying tax rate	19%	19%	<b>19%</b>

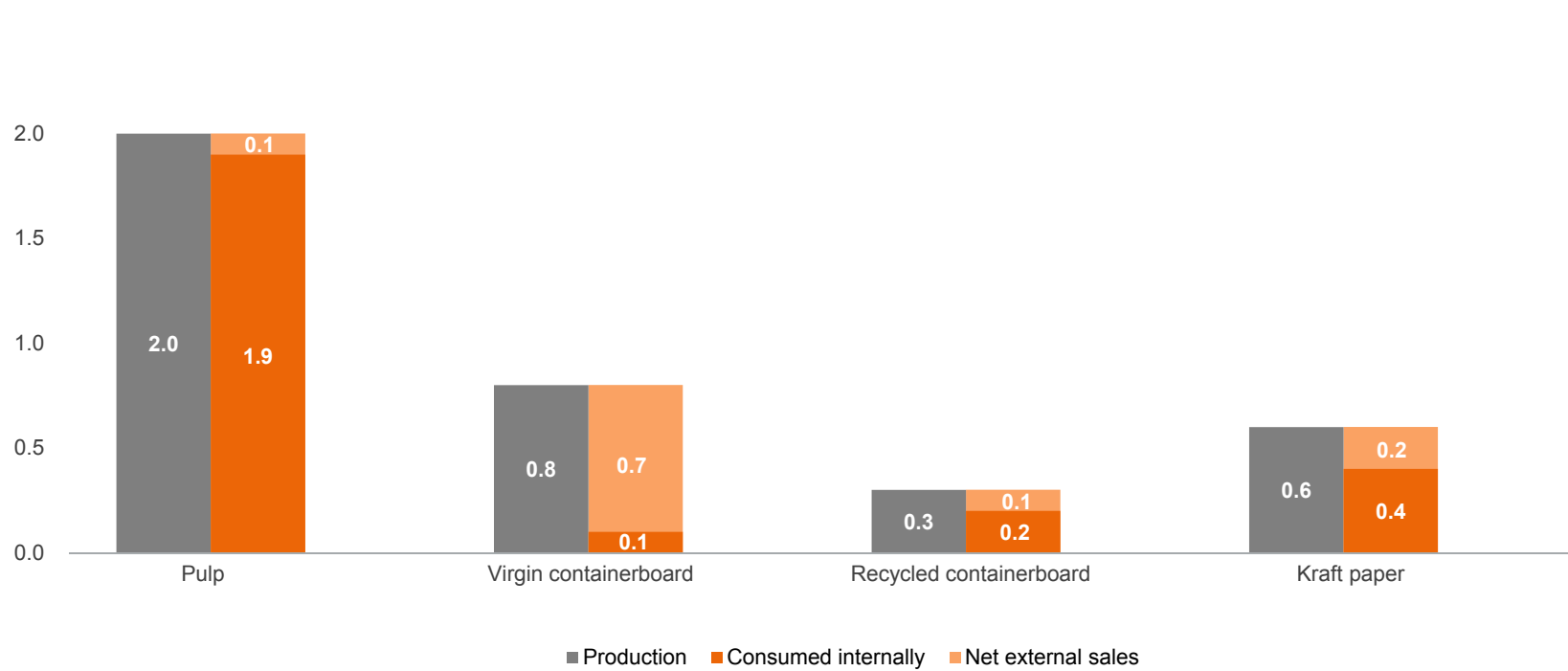
- Effective tax rate reflects underlying profit mix of Group plus
  - Benefits of tax incentives related to our capital investments in Poland, Slovakia and Russia

## Our integrated low-cost operations

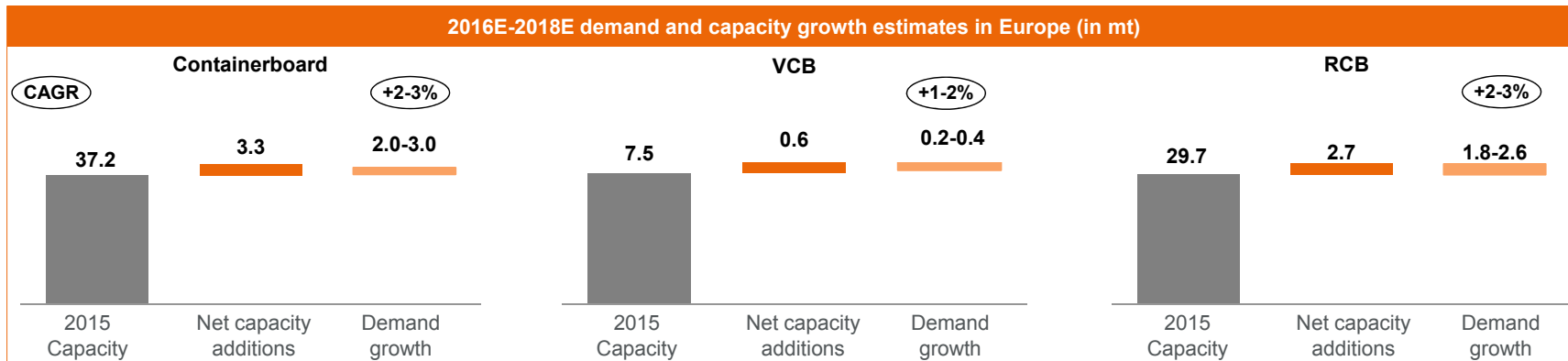


Integrated value chain – total production H1 2016

Million tonnes



## Incremental containerboard supply expected to be absorbed by demand in the medium term



- Overall containerboard capacity expected to grow in line with demand over 2016-2018
- In H1 2016 containerboard demand growing in line with medium-term expectations (2%) and VCB growing above expectations (3%)
- In VCB grades, announced capacity increase likely to be compensated by grade substitution and/or reduction in net imports
  - Net imports of 0.6 million tonnes estimated in 2015
  - In H1 2016, US imports lower but less than anticipated and increased imports from emerging markets

## Cash flow (reconciling to movement in net debt)



€ million	H1 2015	H2 2015	H1 2016	% change vs H1 2015	% change vs H2 2015
<b>Underlying EBITDA</b>	671	654	<b>714</b>	6%	9%
Working capital movements	(101)	110	<b>(61)</b>		
Other operating cash flow items	(32)	(23)	<b>(33)</b>		
<b>Cash generated from operations</b>	538	741	<b>620</b>	15%	(16%)
Taxes paid	(90)	(70)	<b>(104)</b>	(16%)	(49%)
<b>Net cash inflow from operating activities</b>	448	671	<b>516</b>	15%	(23%)
Capital expenditure, excluding intangible assets	(276)	(319)	<b>(214)</b>	22%	33%
Investment in intangibles and forestry assets	(21)	(29)	<b>(23)</b>	(10%)	(21%)
Acquisitions <sup>1</sup>	-	(94)	<b>(9)</b>		
Disposals	-	56	-		
Financing costs	(57)	(36)	<b>(46)</b>	19%	(28%)
Dividends paid to shareholders and non-controlling interests	(158)	(51)	<b>(213)</b>		
Currency movement (including derivatives)	(51)	45	<b>7</b>		
Other investing and financing activities	(13)	-	<b>(11)</b>		
<b>Net decrease/(increase) in net debt</b>	(128)	243	<b>7</b>		

<sup>1</sup> On a debt and cash-free basis

## Statement of financial position



€ million	H1 2015	H2 2015	H1 2016
Property, plant and equipment	3,615	3,554	3,598
Goodwill	549	590	592
Working capital	978	794	883
Other assets	447	422	457
Other liabilities	(715)	(675)	(679)
<b>Net assets excluding net debt</b>	<b>4,874</b>	<b>4,685</b>	<b>4,851</b>
Equity	<b>2,863</b>	<b>2,905</b>	<b>3,078</b>
Non-controlling interests in equity	270	282	282
Net debt	1,741	1,498	1,491
<b>Capital employed</b>	<b>4,874</b>	<b>4,685</b>	<b>4,851</b>

## Production volumes



		H1 2015	H2 2015	H1 2016	% change vs H1 2015	% change vs H2 2015
<b>Europe &amp; International</b>						
Containerboard	'000 tonnes	1,086	1,052	1,001	(8%)	(5%)
Kraft paper	'000 tonnes	606	556	601	(1%)	8%
Softwood pulp	'000 tonnes	1,083	1,025	1,119	3%	9%
Corrugated board and boxes	million m <sup>2</sup>	668	682	681	2%	-
Industrial bags	million units	2,506	2,419	2,523	1%	4%
Extrusion coatings	million m <sup>2</sup>	735	654	651	(11%)	-
Consumer packaging	million m <sup>2</sup>	3,330	3,264	3,511	5%	8%
Uncoated fine paper	'000 tonnes	696	683	704	1%	3%
Hardwood pulp	'000 tonnes	583	578	604	4%	4%
Newsprint	'000 tonnes	97	100	102	5%	2%
<b>South Africa Division</b>						
Containerboard	'000 tonnes	113	134	127	12%	(5%)
Uncoated fine paper	'000 tonnes	117	123	129	10%	5%
Hardwood pulp	'000 tonnes	292	327	305	4%	(7%)
Newsprint	'000 tonnes	56	57	55	(2%)	(4%)
Softwood pulp	'000 tonnes	59	79	75	27%	(5%)

## Exchange rates



	H1 2015	H2 2015	H1 2016	% change vs H1 2015	% change vs H2 2015
<b>Closing rates against the euro</b>					
South African rand	13.64	16.95	<b>16.45</b>	(21%)	3%
Czech koruna	27.25	27.02	<b>27.13</b>	-	-
Polish zloty	4.19	4.26	<b>4.44</b>	(6%)	(4%)
Pounds sterling	0.71	0.73	<b>0.83</b>	(16%)	(13%)
Russian rouble	62.36	80.67	<b>71.52</b>	(15%)	11%
Turkish lira	3.00	3.18	<b>3.21</b>	(7%)	(1%)
US dollar	1.12	1.09	<b>1.11</b>	1%	(2%)
<b>Average rates for the year against the euro</b>					
South African rand	13.31	15.01	<b>17.20</b>	(29%)	(15%)
Czech koruna	27.50	27.07	<b>27.04</b>	2%	-
Polish zloty	4.14	4.23	<b>4.37</b>	(6%)	(3%)
Pounds sterling	0.73	0.72	<b>0.78</b>	(6%)	(8%)
Russian rouble	64.60	71.42	<b>78.31</b>	(21%)	(10%)
Turkish lira	2.86	3.18	<b>3.26</b>	(14%)	(2%)
US dollar	1.12	1.10	<b>1.12</b>	-	(1%)



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