



**Mondi Group**  
**Half-yearly results for the six months ended 30 June 2017**

**3 August 2017**

# Agenda



## Highlights

Financial overview

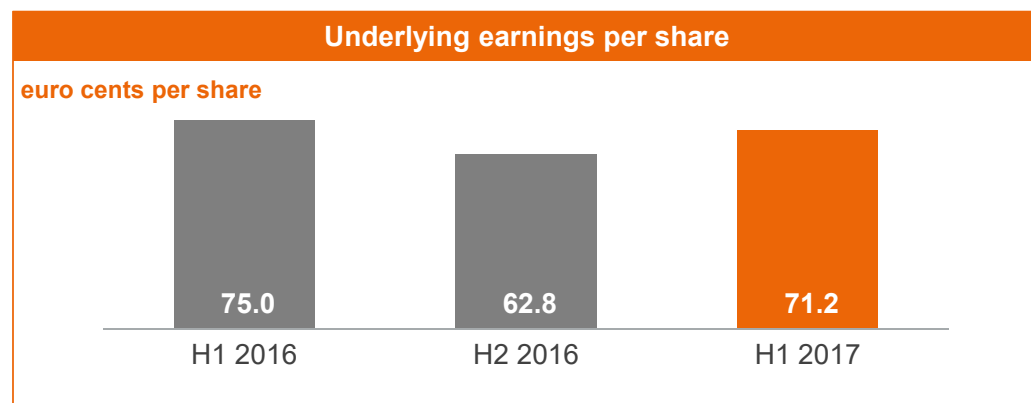
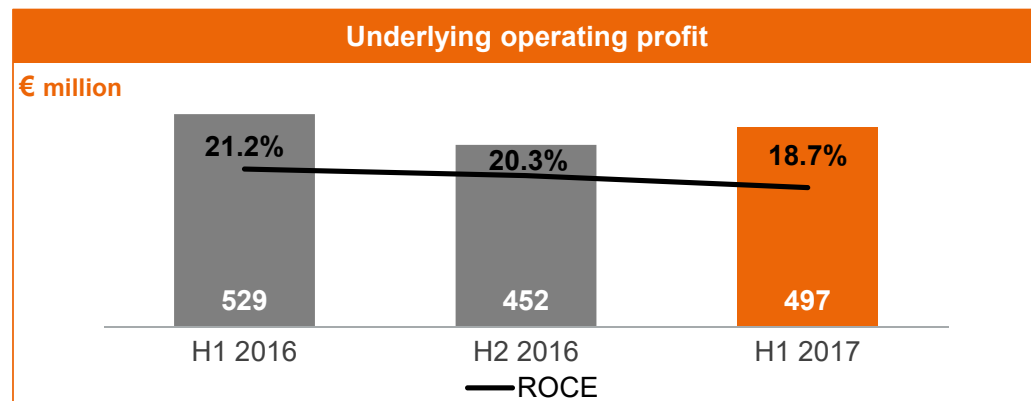
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# Highlights



- Continued robust financial performance
  - Revenue up 8%
  - Return on capital employed a strong 18.7%
  - Underlying operating profit of €497 million
  - Underlying EBITDA of €710 million
- Lower forestry fair value gain (down €28 million) and higher maintenance shuts (up €20 million) impacted first half
- Good progress in delivering on major capital investment projects and integrating recent acquisitions
- Implementation of price increases ongoing
- Interim dividend declared of 19.10 euro cents per share

**Continued robust financial performance**



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## Operating financial highlights



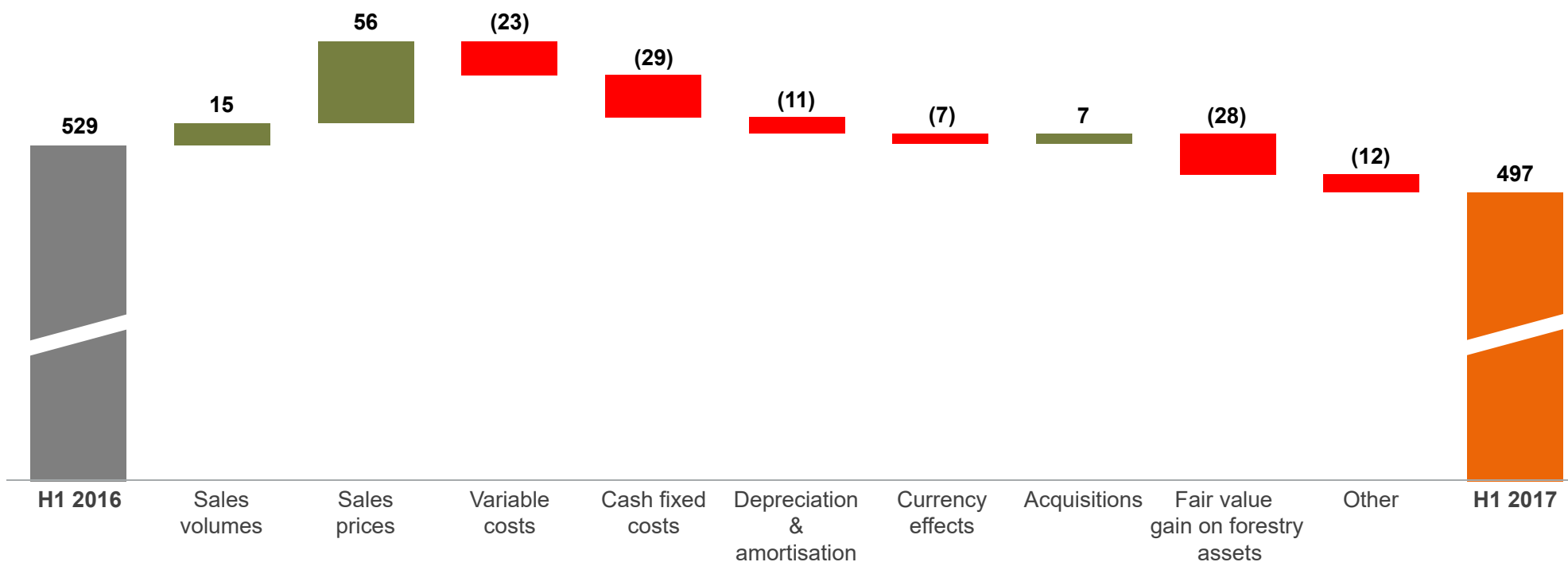
€ million	H1 2016	H2 2016	H1 2017	% change vs H1 2016	% change vs H2 2016
Group Revenue	3,312	3,350	<b>3,582</b>	8%	7%
Underlying EBITDA	714	652	<b>710</b>	(1%)	9%
% Margin	21.6%	19.5%	<b>19.8%</b>		
Underlying operating profit	529	452	<b>497</b>	(6%)	10%
% Margin	16.0%	13.5%	<b>13.9%</b>		
Group ROCE	21.2%	20.3%	<b>18.7%</b>		

- Revenue up 8%, up 4% on a like-for-like basis
- Underlying EBITDA adjusted for year-on-year movement in forestry fair value gain, up 3% on H1 2016
- Sequential improvement in profitability on price and volume gains

# Underlying operating profit development

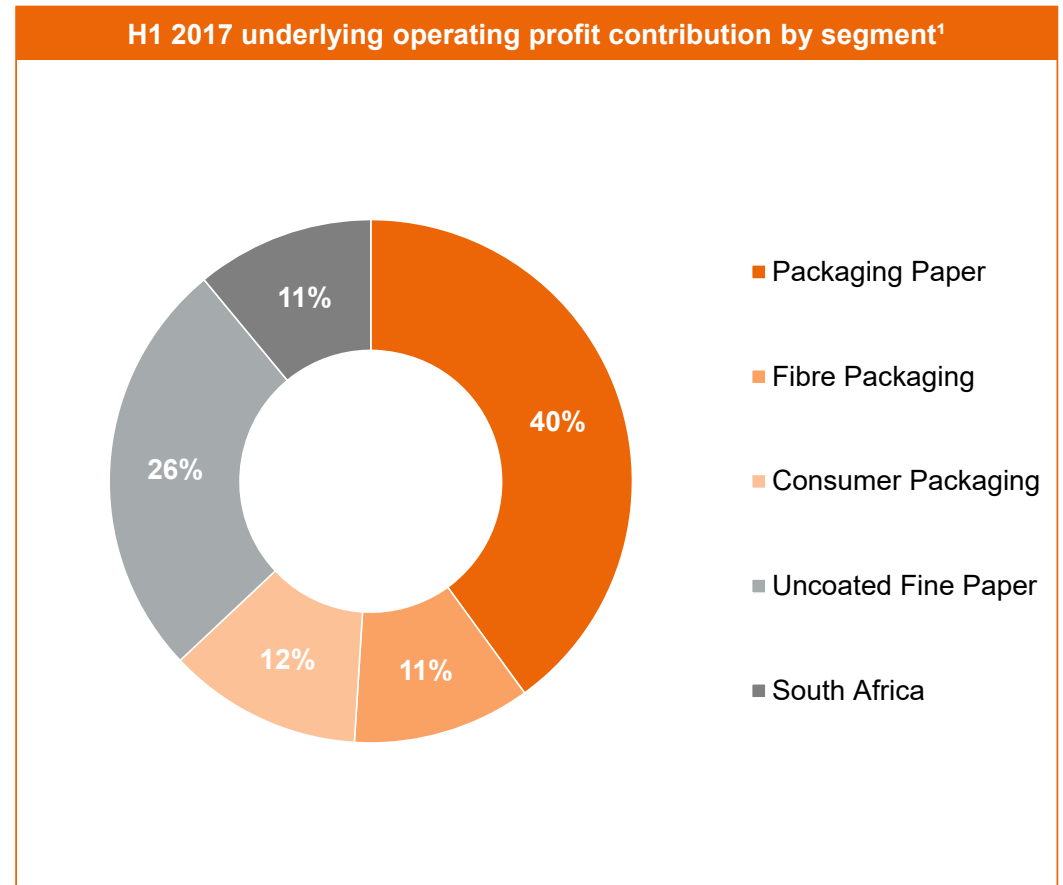
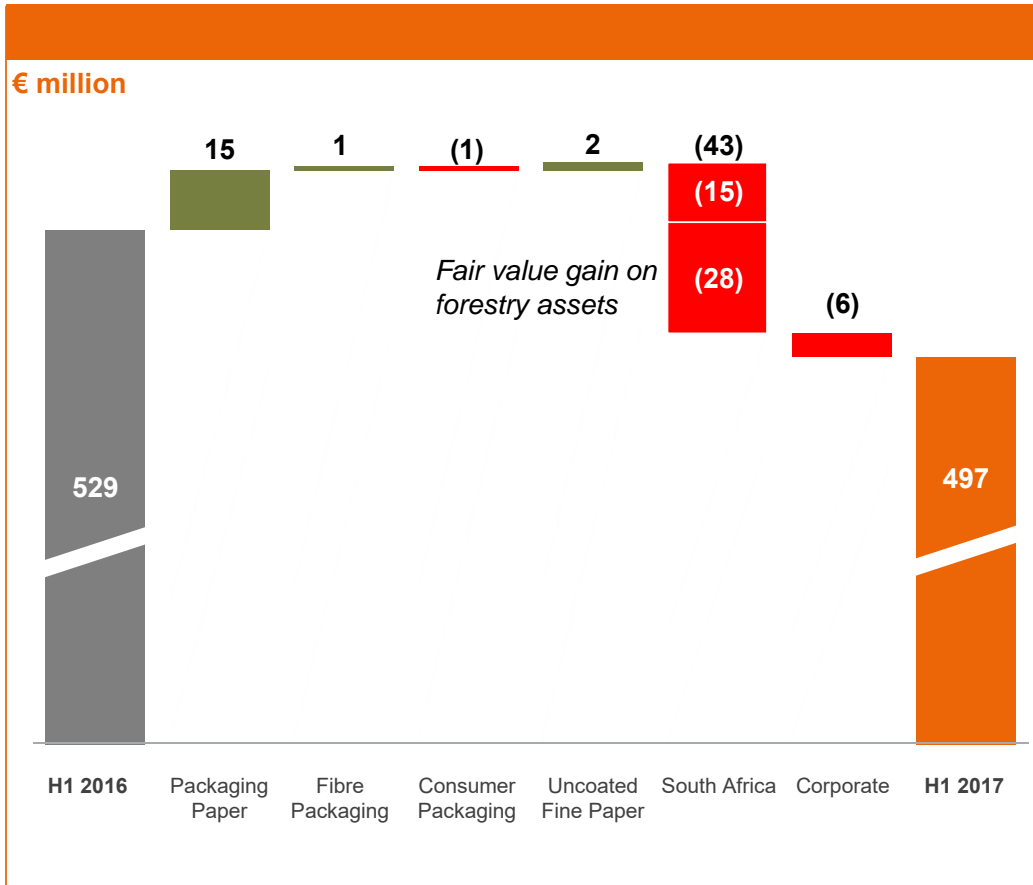


€ million



**Higher average prices, volume growth and acquisitions offset by higher costs and one-off effects**

# Divisional operating profit contribution



**Gains in Packaging Paper offset by lower forestry fair value gain and currency effects in South Africa**

<sup>1</sup> Excludes Corporate costs

# Financial review



€ million	H1 2016	H2 2016	H1 2017	% change vs H1 2016	% change vs H2 2016
<b>Underlying operating profit</b>	529	452	<b>497</b>	(6%)	10%
Net finance costs	(47)	(54)	<b>(40)</b>	15%	26%
Net profit from equity accounted investees	-	1	-		
<b>Underlying profit before tax</b>	482	399	<b>457</b>	(5%)	15%
Tax before special items	(92)	(74)	<b>(87)</b>	5%	(18%)
Total non-controlling interests	(27)	(21)	<b>(25)</b>	7%	(19%)
<b>Underlying earnings</b>	363	304	<b>345</b>	(5%)	13%
Special items (after tax and non-controlling interests)	-	(29)	<b>5</b>		
<b>Reported profit after tax and non-controlling interests</b>	363	275	<b>350</b>	(4%)	27%
<b>Basic earnings per share (euro cents)</b>	75.0	56.8	<b>72.3</b>	(4%)	27%
<b>Underlying earnings per share (euro cents)</b>	75.0	62.8	<b>71.2</b>	(5%)	13%

**Lower net finance costs partly offset lower underlying operating profit**

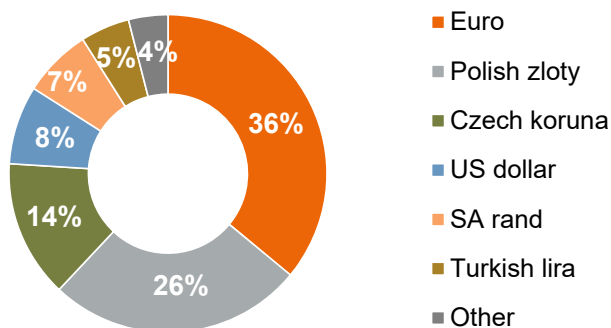


## Finance costs and net debt

€ million	H1 2016	H2 2016	H1 2017
<b>Net debt</b>	1,491	1,383	<b>1,468</b>
Average net debt	1,462	1,493	<b>1,377</b>
Net interest expense (before capitalised interest)	43	49	<b>36</b>
Effective interest rate	5.9%	6.6%	<b>5.3%</b>
Committed facilities	2,481	2,497	<b>2,005</b>
Of which undrawn	757	812	<b>667</b>
Cash on hand	293	377	<b>32</b>
Net debt/12-month trailing EBITDA (times)	1.1	1.0	<b>1.1</b>

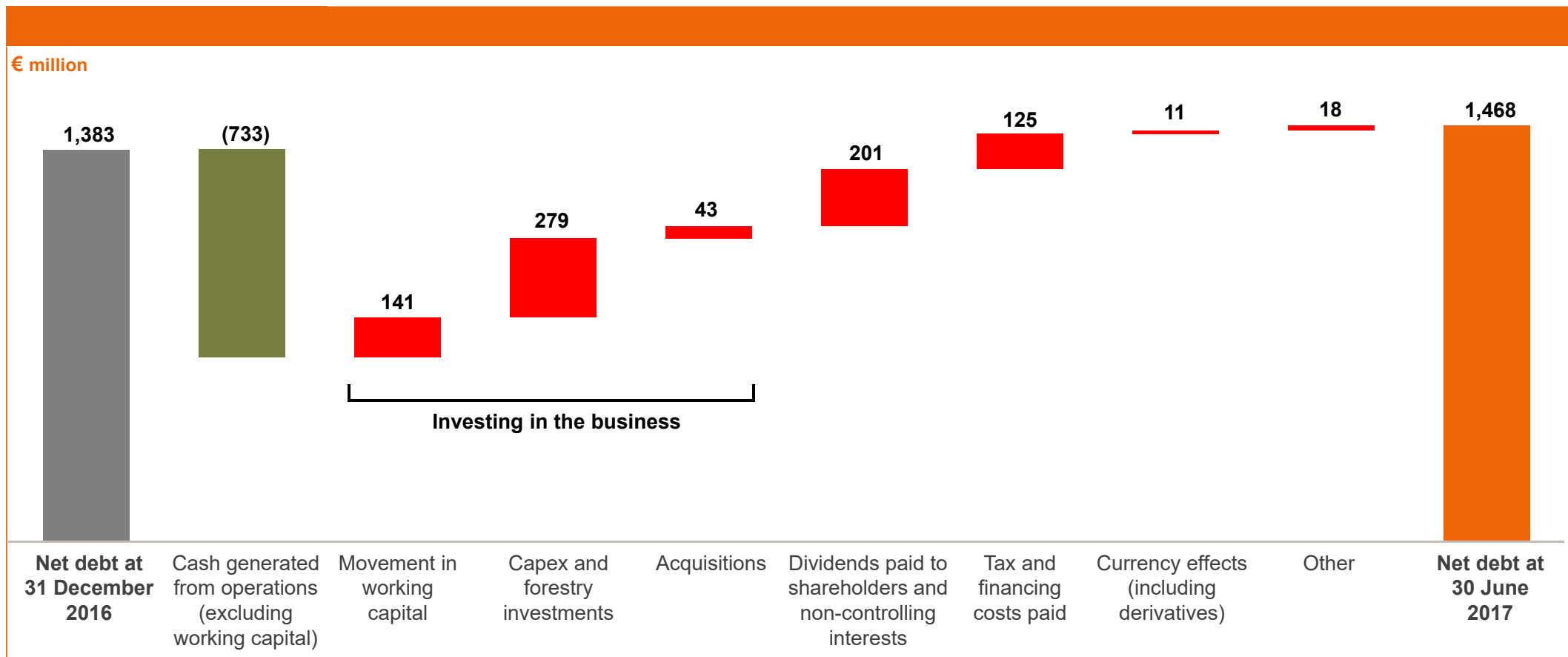
- Lower finance costs than in prior year period
  - Lower average net debt
  - Lower effective interest rate
  - Redeemed 5.75% €500 million Eurobond from available cash and undrawn debt facilities in April 2017
- Public credit ratings unchanged
  - Moody's Investors Service at Baa2 (stable outlook)
  - Standard & Poor's at BBB (positive outlook)

Currency split of net debt €1,468 million



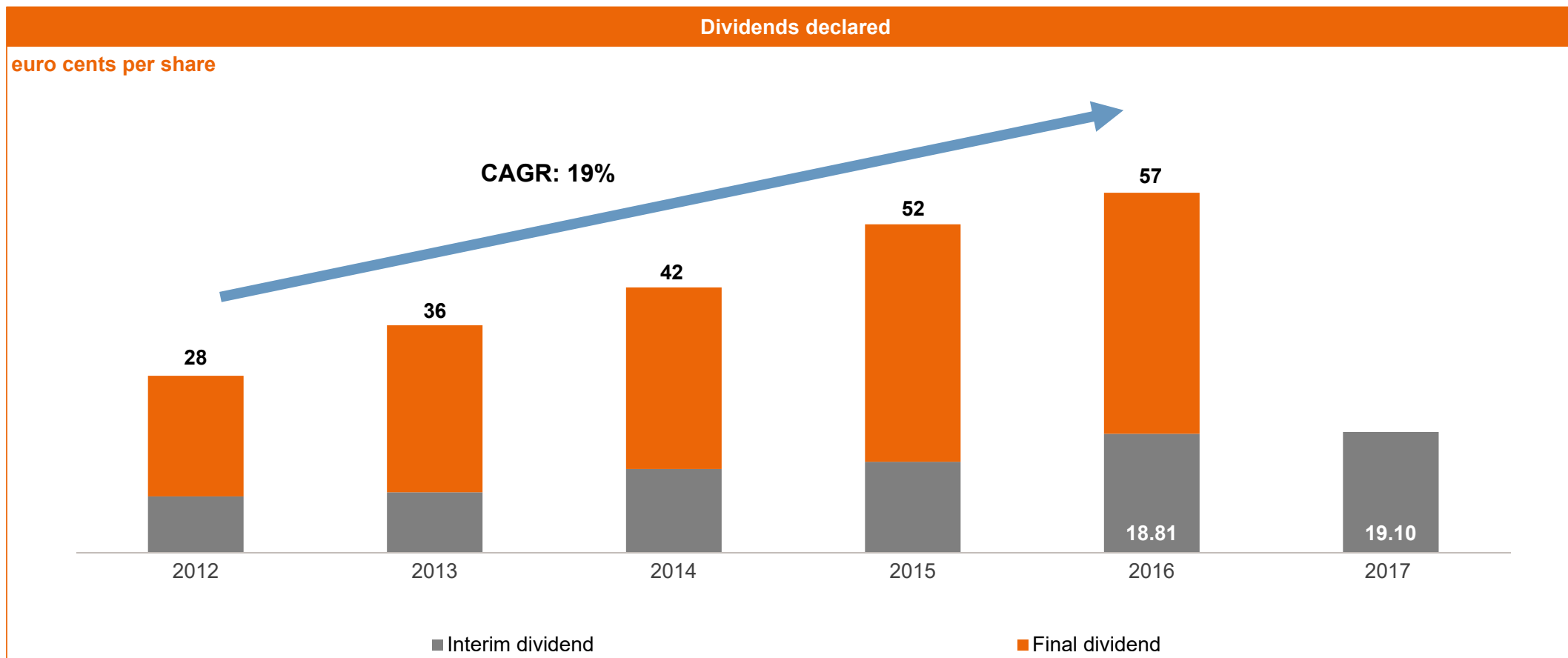
**Lower finance costs on bond redemption**

# Cash flow effects – movement in net debt



**Continued strong cash generation used for investment in our business and distribution of dividends**

# Continued growth in shareholder returns



**Interim dividend of 19.10 euro cents per share declared**



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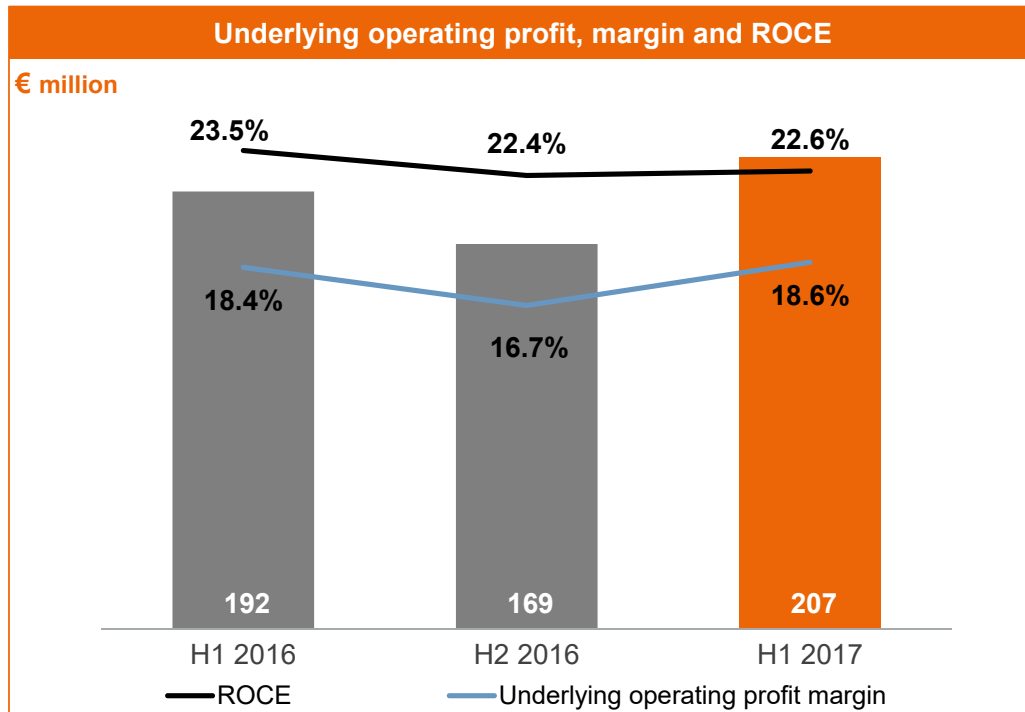
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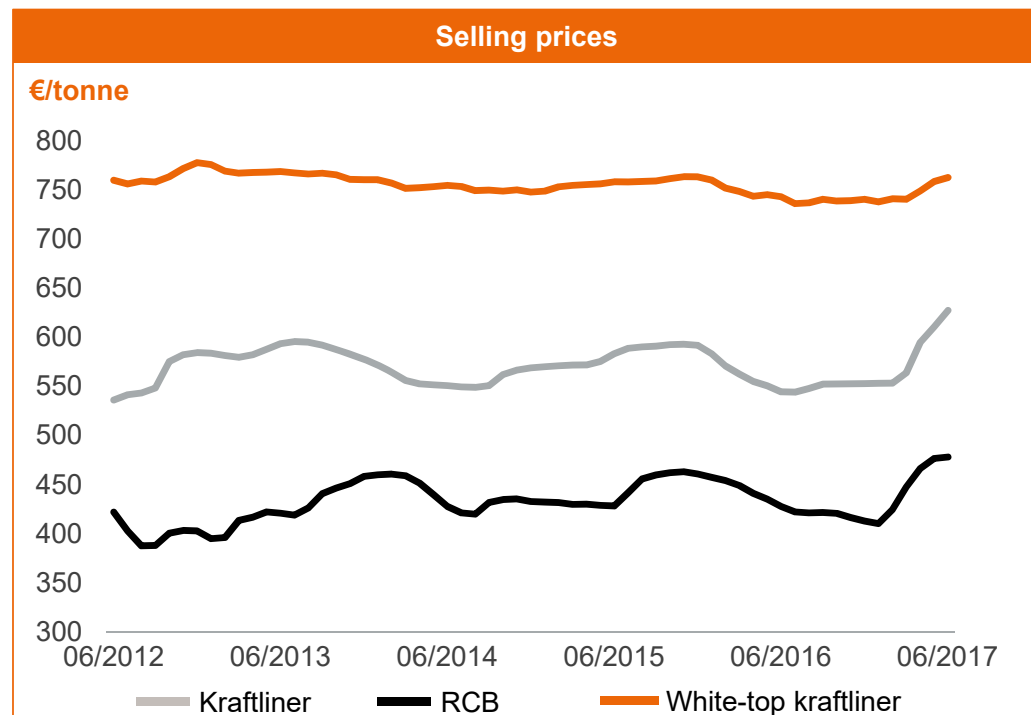
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# Packaging Paper



- Strong performance with underlying operating profit up 8% on H1 2016
- Driven by:
  - Higher average selling prices
  - Marginally higher sales volumes (constrained by project implementation)
  - Strong cost management
- Partly offset by higher costs:
  - Higher fibre and energy costs
  - Inflationary increases in cash fixed costs
  - Higher depreciation charge

# Packaging Paper | industry fundamentals



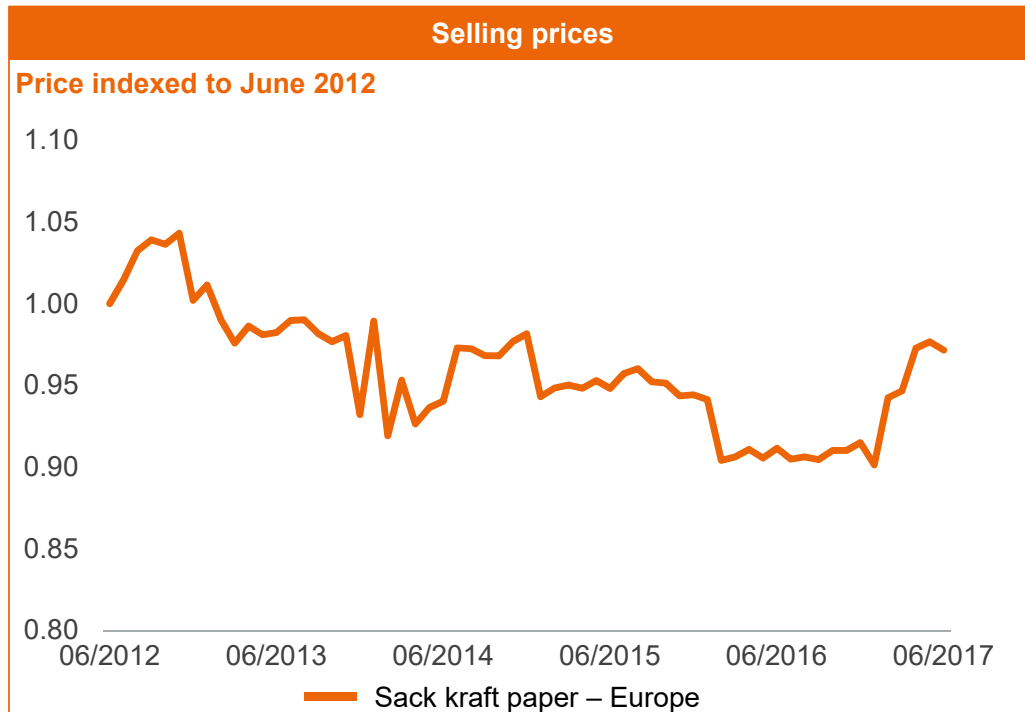
## Virgin containerboard (VCB)

- Unbleached kraftliner:
  - Strong demand during the period supported by limited capacity additions and lower imports into Europe
  - Average benchmark European selling prices up 4% on H1 2016, 6% on H2 2016
  - Further €50/tonne selling price increase announced from August 2017
- Semi-chemical fluting selling prices down on H1 2016. Limited price increases achieved to date
- White-top kraftliner average benchmark European selling prices similar to H1 2016. Limited price increases achieved to date

## Recycled containerboard (RCB)

- Strong demand, limited additional supply during the period
- Average benchmark European selling prices up 1% on H1 2016, up 7% on H2 2016
- Further price increases of €50/tonne announced from July 2017

# Packaging Paper | industry fundamentals



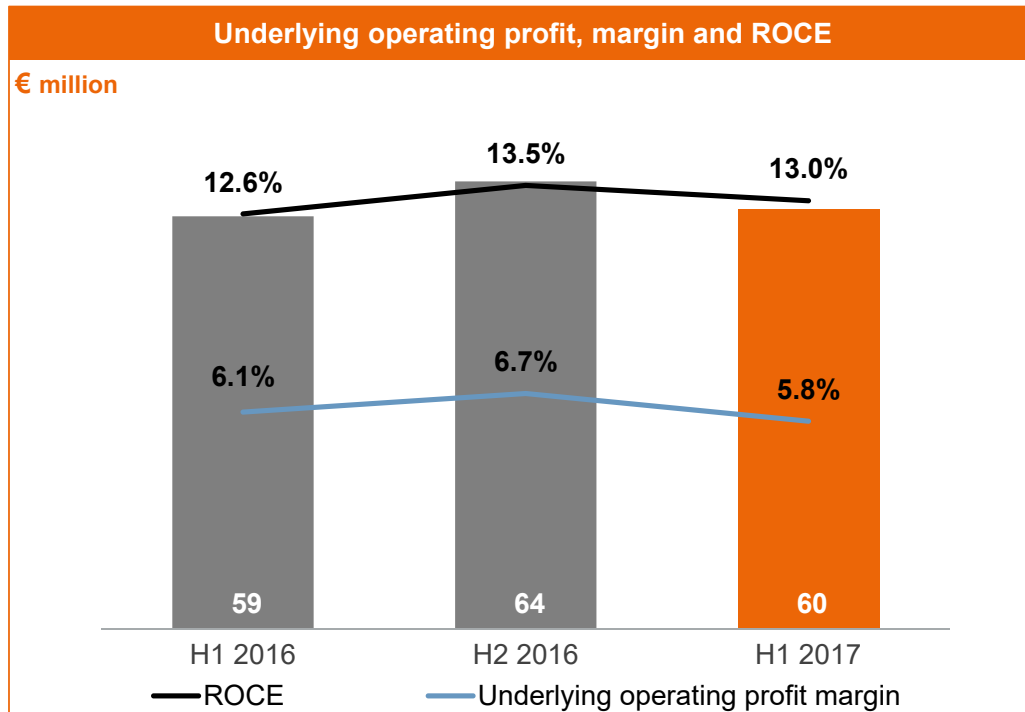
## Sack kraft paper

- Good demand, particularly in our export markets, coupled with constrained supply
- Selling price increases achieved:
  - 3-4% from beginning of 2017 in all markets
  - During the second quarter
    - 3-4% in Europe, but most volumes integrated
    - 6-7% in overseas markets for the limited volumes not fixed by annual contracts

## Speciality kraft paper

- Good demand growth
- Selling prices similar compared to H1 2016 and higher than the second half of 2016

# Fibre Packaging



## Corrugated Packaging

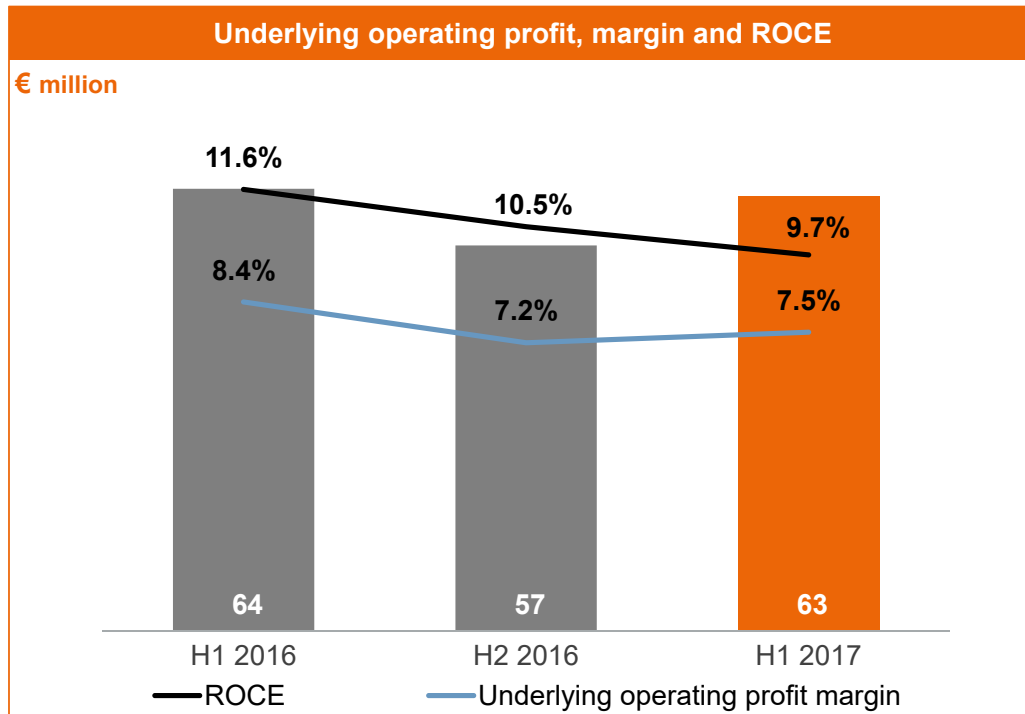
- 9% like-for-like volume growth compared to H1 2016
  - Good growth in central Europe and Turkey
  - E-commerce
  - Supported by capital investment programme
- Good progress made in implementing price increases to compensate for higher paper prices
- Strong cost management
- Negative currency impacts from the weaker Turkish lira

## Industrial Bags

- Volume growth of 1% compared to H1 2016
  - Strong growth in Africa, South East Asia and CIS
  - Softer European and North American volumes
- Benefiting from sales price increases and strong cost management partly offset by higher paper prices
- Selling price increases being negotiated in light of recent paper price increases

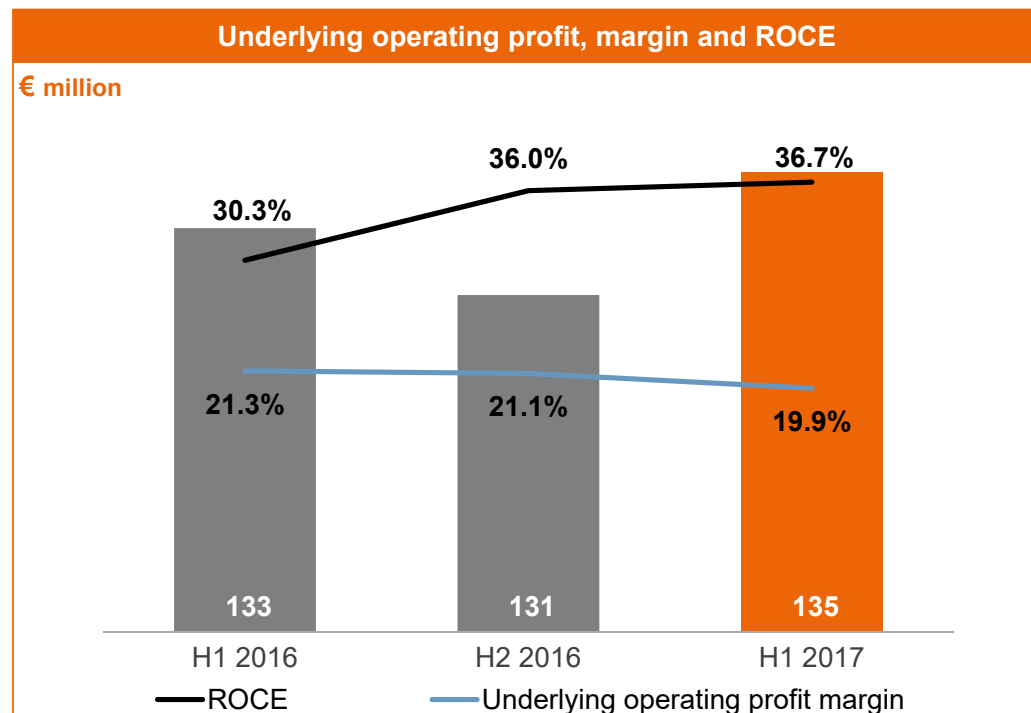


# Consumer Packaging



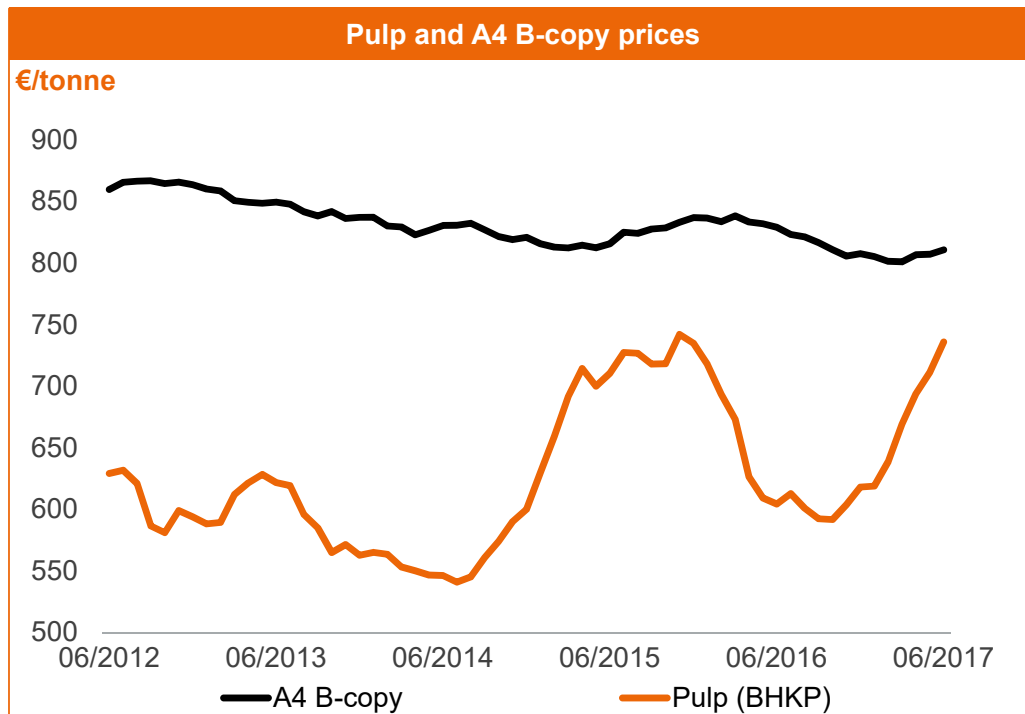
- Underlying operating profit marginally down on H1 2016, impacted by one-off effects in 2016
- Steady like-for-like performance
- Low growth in certain value-added product segments
- Margin pressure in the supply chain
- Positive net contribution from acquisitions completed in 2016 and early 2017
- Continue to make progress in initiatives to improve product and customer mix
- Investing for growth

# Uncoated Fine Paper



- Excellent performance delivering ROCE of 36.7%
- Benefited from
  - Marginally higher sales volumes compared to H1 2016
  - Ongoing cost improvement initiatives
  - Stable Russian domestic pricing
  - Foreign exchange gains from the strengthening Russian rouble
- Offset by lower average European selling prices and higher costs

# Uncoated Fine Paper | industry fundamentals



## Demand

- Demand decline in line with long term expectations of around 1-2% per annum in Europe

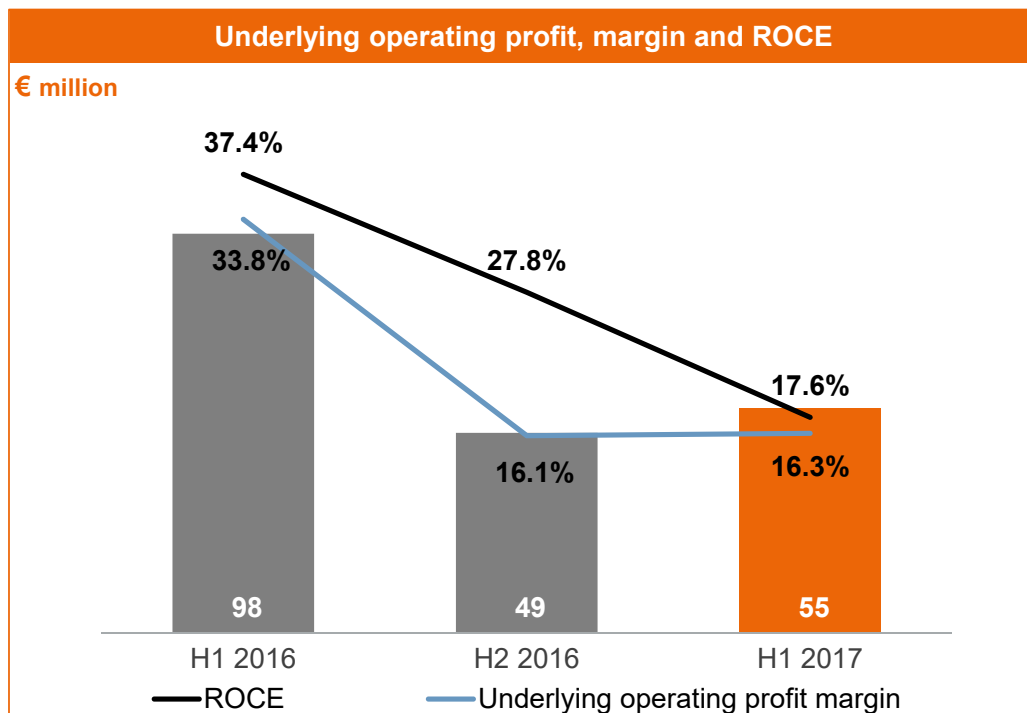
## Supply

- Stable supply in Europe
- Reduced imports compared to H1 2016

## Prices

- Average benchmark European pricing down over 3% compared to H1 2016
- Price increases totalling up to €50 per tonne successfully implemented in the European market during the period
- Russian domestic selling prices stable despite increasing pressure from imports

## South Africa



- Underlying operating profit down 44% on H1 2016
  - Fair value gain on forestry assets down €28 million on the unusually high gain recorded during H1 2016
  - Negative impact of a stronger rand
  - Higher input costs - wood costs impacted by forestry fair value gain
  - Inflationary pressures on fixed costs
  - Benefiting from higher average selling prices and volume growth



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# Key strategic developments during H1 2017



## Continue to integrate recent acquisitions

- SIMET (April 2016) and Lebedyan (October 2016) (Corrugated Packaging)
- Kalenobel and Uralplastic (July 2016) and Excelsior Technologies (February 2017) (Consumer Packaging)

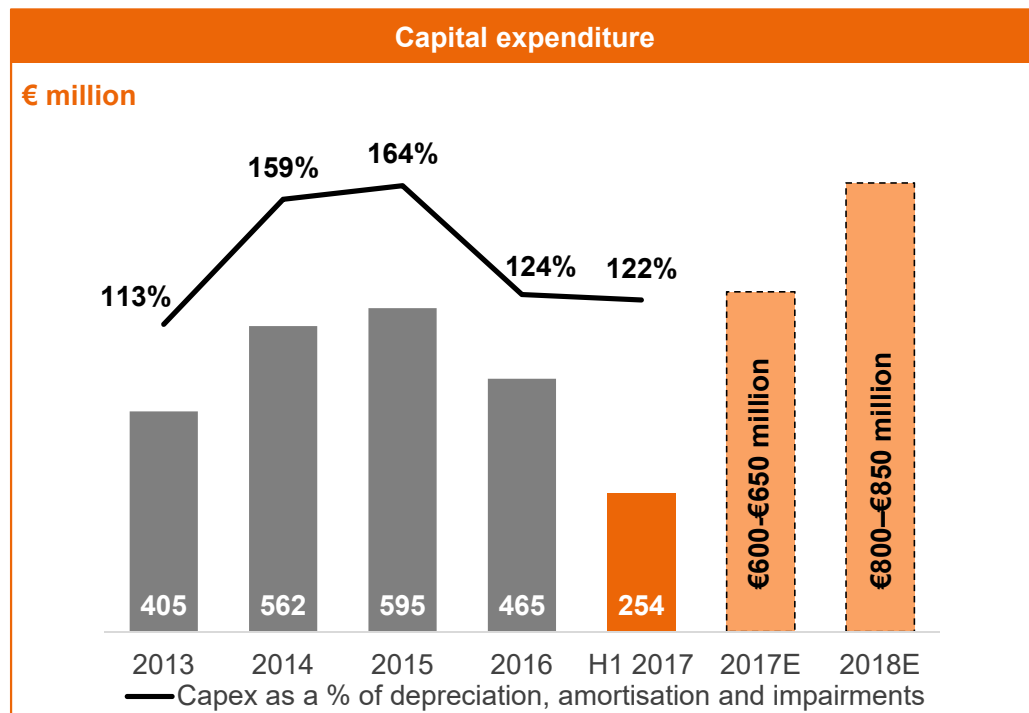
## Strategic CAPEX allocation and delivering on key projects

- Start up of Świecie phase II: 100 ktpa increased softwood pulp integrated to 80 ktpa lightweight kraftliner and increased share of kraft top liner
- Štětí kraft paper mill modernisation commenced
- Ružomberok kraft top white machine (300 ktpa): tax incentives received. Remains subject to permitting – ongoing process

## Continue to deliver value to our shareholders

- Interim dividend of 19.10 euro cents per share declared
- Continue to evaluate value accretive growth opportunities and/or increased shareholder distributions

## Growth options | Organic capital investments



- Strong contributions from recently completed capital projects in Packaging Paper, Fibre Packaging and South Africa
- Final phase of Świecie investment commissioned
- Progress achieved in ramping up production of the requisite quality at our rebuilt paper and inline coating machine in Štětí, although technical challenges remain
- Incremental operating profit contribution in 2017 from our capital investment programme now estimated to be €25 million (previously €30 million)
- Capital expenditure expected to come in at the lower end of the previously indicated ranges:
  - €600-€650 million for 2017
  - €800-€850 million for 2018

# Innovating with our customers



## Power(8)Box

- Unique 8 corner transport box for automated erecting
- Duo material construction reinforces walls with overall less material
- Packs up to 20kg of bulk or coarse goods, or such with round footprint
- Patent pending



## SKOG – natural packaging for food

- Mondi's FSC® kraft paper combined with extrusion coating technology
- First paper based biodegradable FFS solution
- Biopolymer based double side Sustainex® barrier
- Window feature
- Keeps food fresh and allows thermo-sealing
- Developed in co-operation with Silbo





## Reorganisation of business units

- From 1 October 2017, business units to be reorganised to reflect the nature of the underlying products produced
- Group's segmental reporting to change according to reorganised business units as follows:
  - Uncoated Fine Paper and South Africa (excluding containerboard operations) to be merged into a single business unit
  - South Africa containerboard operations to be merged into Packaging Paper
  - No changes to Fibre Packaging or Consumer Packaging business units
- Reorganisation both streamlines current organisational structure and offers the potential to deliver further synergies
- No impact on the overall Group result
- Restated segmental information to be published during Q4 2017



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# Outlook



The market outlook remains broadly positive. We saw strong demand across Packaging Paper and Corrugated Packaging in the first half and successfully implemented price increases across certain paper grades, the full effect of which is anticipated in the second half. The second half of the year will be impacted by planned maintenance shuts at a number of our mills and the usual seasonal downturn in Uncoated Fine Paper. While we continue to see some inflationary cost pressures, we remain confident of making progress in the year and continuing to deliver industry leading returns.

# Q&A



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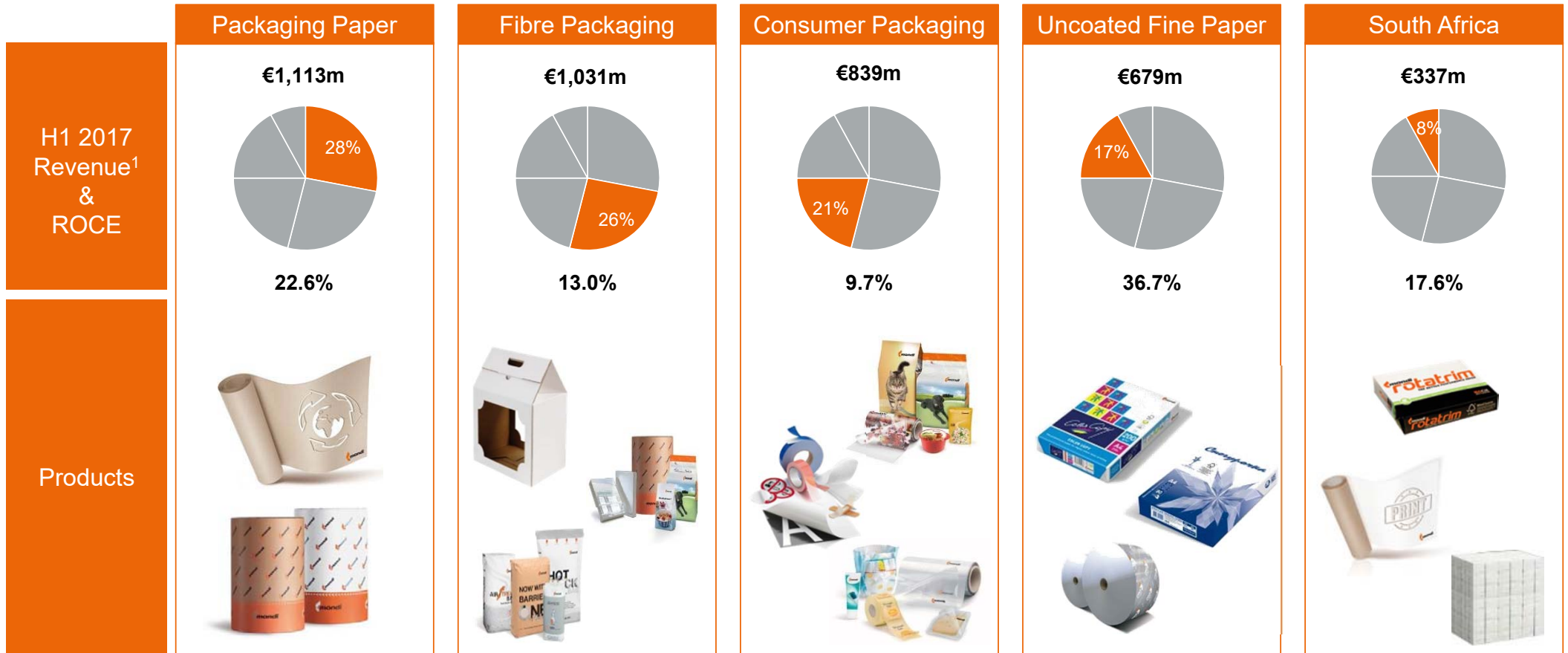
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# Mondi at a glance



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

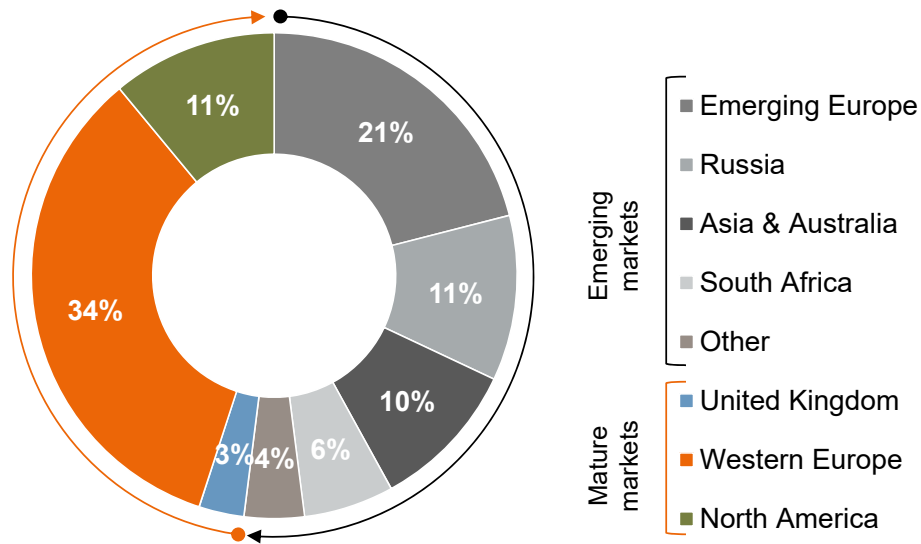
# Leading market positions



# Strong global presence

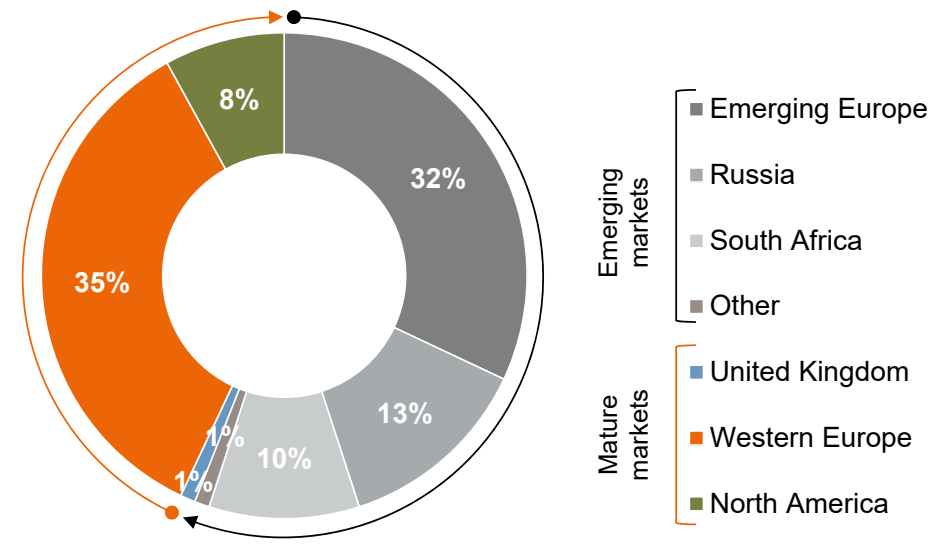


Sales by location of customer



Group Revenue €3,582m

Sales by location of production

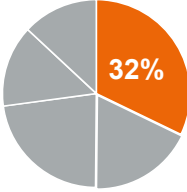
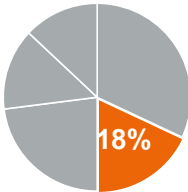
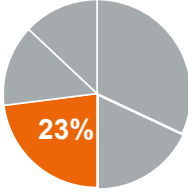
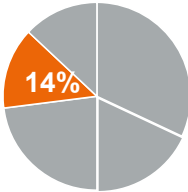
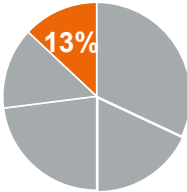


Group Revenue €3,582m

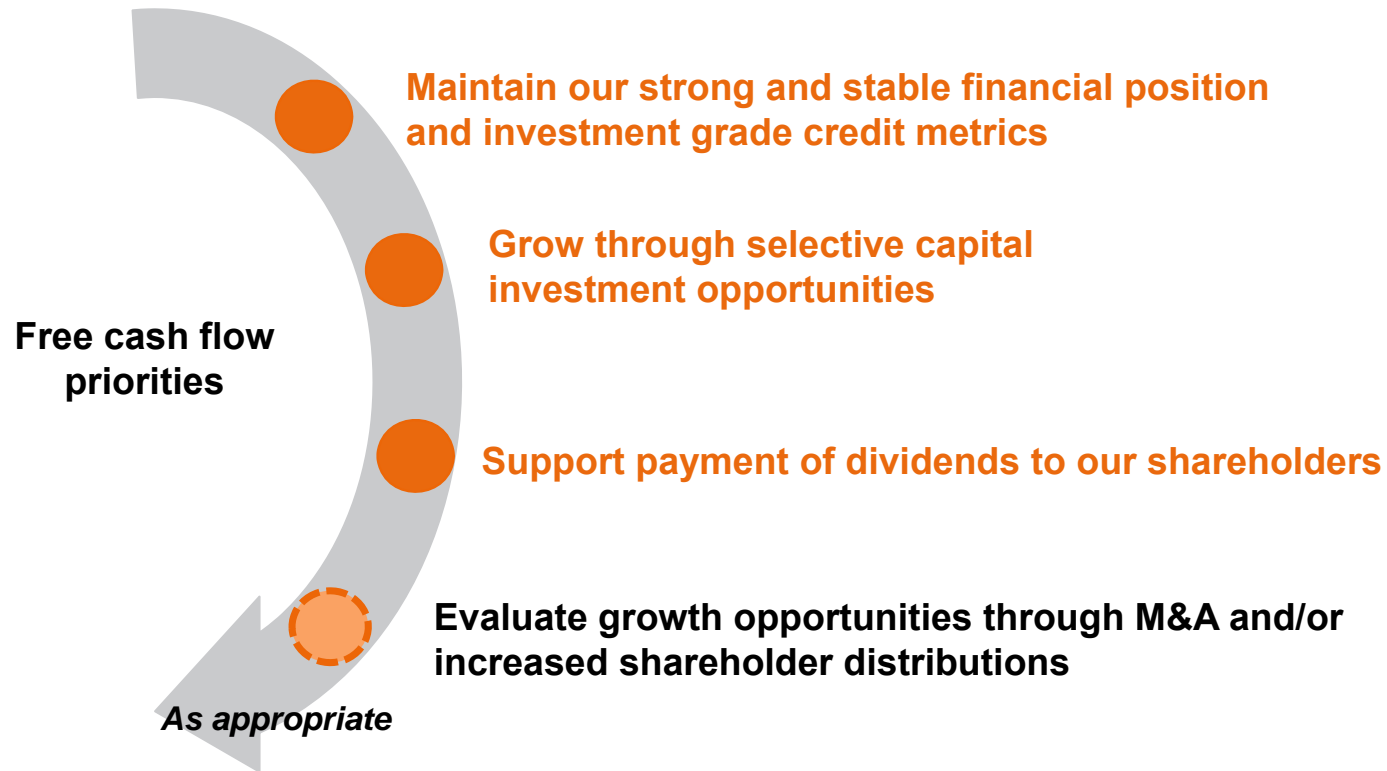


# Consistent, clear strategic focus



	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa
<b>Net segment assets (June 2017)</b>	€1,893m 	€1,049m 	€1,312m 	€829m 	€735m 
<b>Capex 2012 – H1 2017</b>	€1,026m	€482m	€396m	€408m	€263m
<b>Capex as a % of D&amp;A 2012 – H1 2017</b>	176%	137%	118%	83%	112%
<b>Acquisitions 2012 – H1 2017</b>	±€400 million <ul style="list-style-type: none"> <li>• Świecie minorities and power plant (2012)</li> <li>• Kraft paper of Graphic Packaging in the US (2014)</li> </ul>	±€300 million <ul style="list-style-type: none"> <li>• 2 Duropack plants (2012)</li> <li>• Industrial bags business of Graphic Packaging in the US (2014)</li> <li>• Intercell (2014)</li> <li>• SIMET S.A. (2016)</li> <li>• Lebedyan (2016)</li> </ul>	±€900 million <ul style="list-style-type: none"> <li>• Nordenia (2012)</li> <li>• Kutno (2014)</li> <li>• Ascania (2015)</li> <li>• KSP (2015)</li> <li>• Kalenobel (2016)</li> <li>• Uralplastic (2016)</li> <li>• Excelsior Technologies (2017)</li> </ul>		

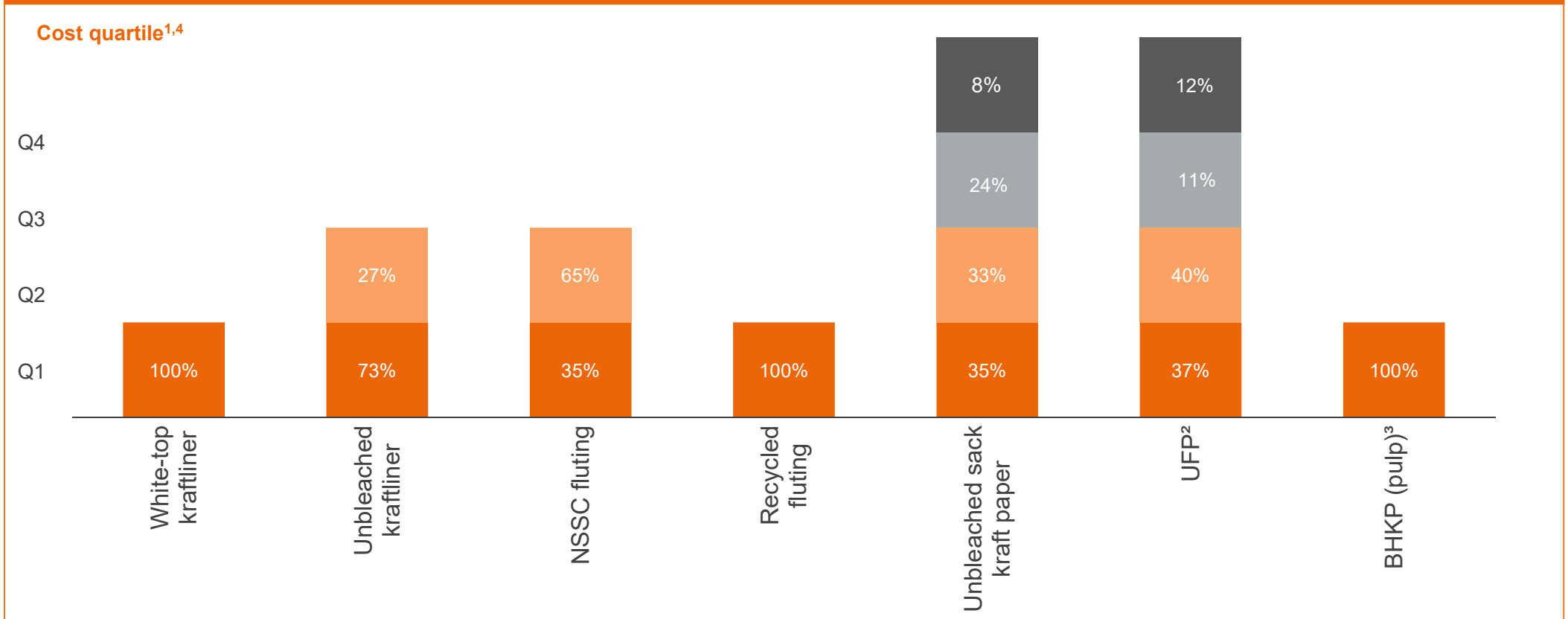
# Our cash flow priorities remain unchanged



# Our low-cost operations



Emerging market asset base leads to low cost positions across the Group's main grades



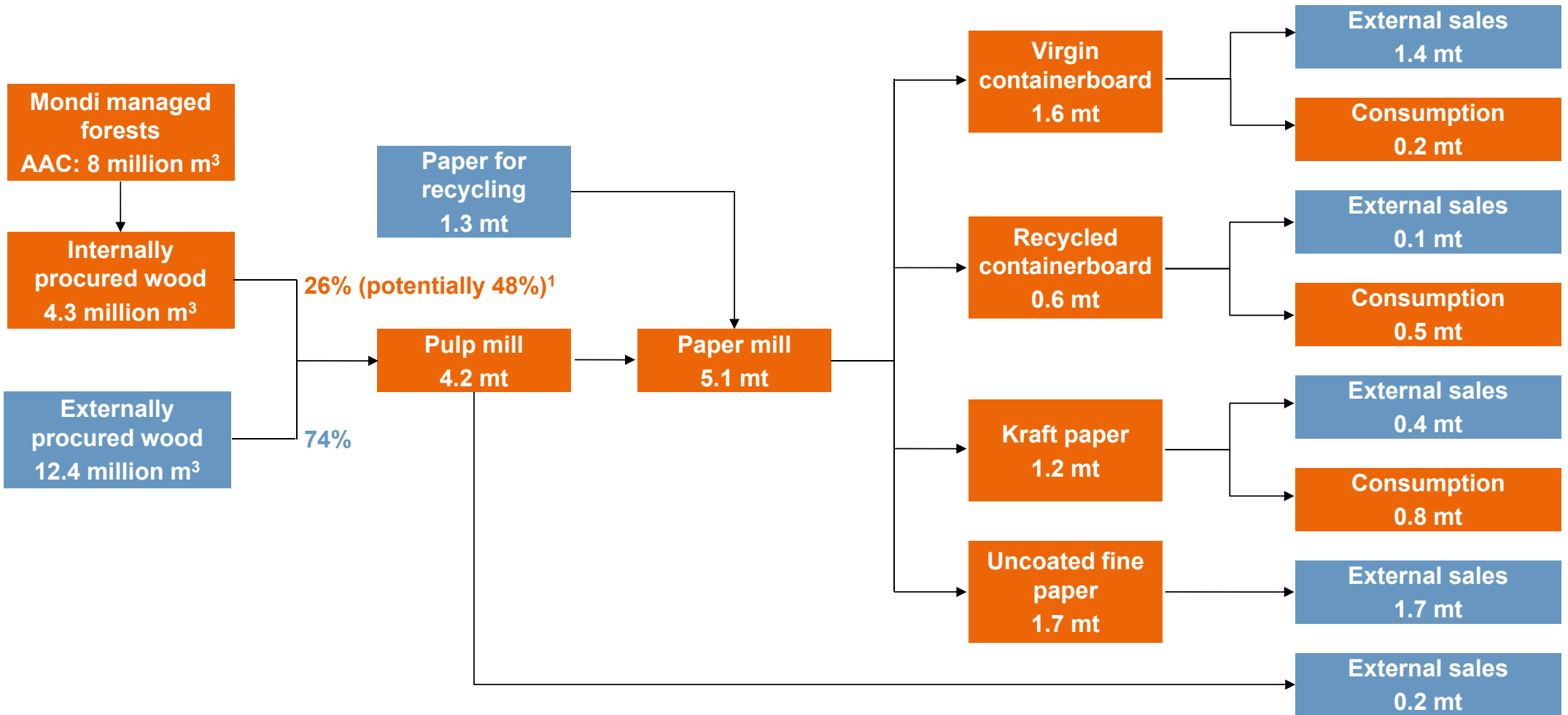
1 Delivered to Frankfurt except where noted  
Source: RISI and Mondi estimates (Q1 2017)

2 Includes specialities

3 Delivered to Rotterdam

4 European capacity except white-top kraftliner, unbleached sack kraft paper and BHKP (global)

# Integrated value chain



Figures above based on year ending 31 December 2016. External sales / consumption figures represent the net exposure per grade.  
 1 Annual allowable cut (AAC) of 8 million m<sup>3</sup> represents 48% of total wood requirements. However due to commercial, logistic and sustainability considerations, the actual percentage of own wood consumed was 26%.

# Ongoing major capital investment projects



Ružomberok mill, Slovakia (€310 million)



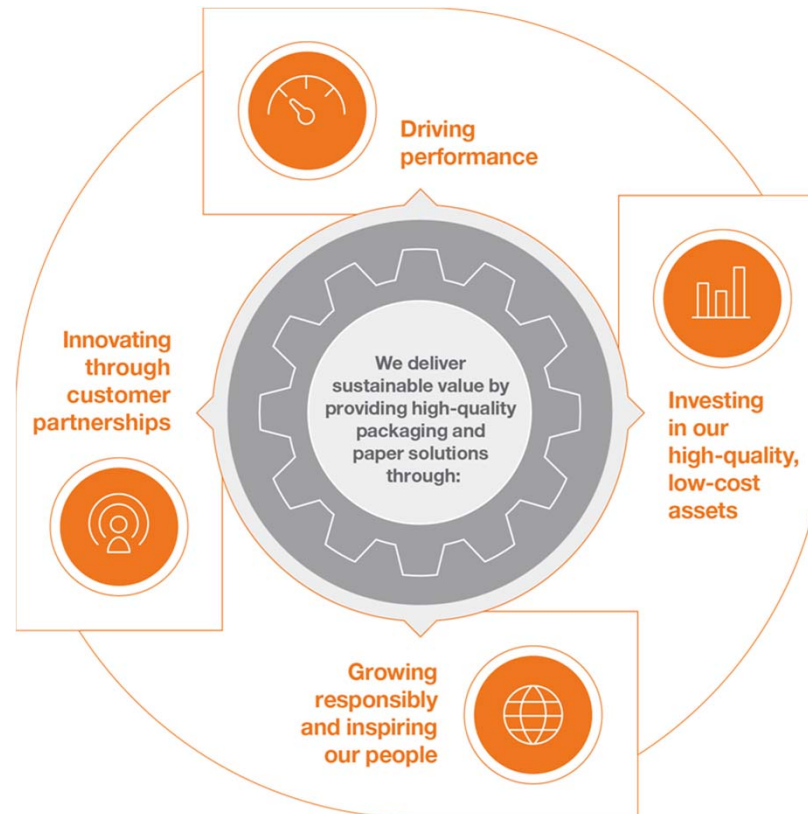
- 300,000 tonne per annum kraft top white machine
- Debottlenecking pulp mill – increasing capacity by 100,000 tonnes per annum
- Incentives received
- Still subject to necessary permitting, which is taking longer than originally anticipated. Process in progress
- Expected start-up 2020

Štětí mill, Czech Republic (€470 million)



- Replacement of recovery boiler, rebuild of fibre lines and debottlenecking of existing paper machines approved and in progress
- New 90,000 tonne per annum machine glazed speciality kraft paper machine remains subject to obtaining approval for tax incentives
- Expected start-up:
  - New recovery boiler and rebuilt fibre lines – late 2018
  - New paper machine – 2019

# Creating sustainable value – our Strategy



# Integrated approach to sustainable development

## Growing responsibly

Looking ahead to 2020: 16 commitments across 10 action areas

### Employee and contractor safety

- Promote a safe and healthy workplace
- Our goal is zero harm to employees and contractors

### A skilled and committed workforce

- Engage with our people to create a better workplace

### Fairness and diversity in the workplace

- Promote fair working conditions in the workplace

### Sustainable fibre

- Maintain 100% FSC® certification in owned and leased forestry operations
- Procure minimum of 70% of wood from FSC or PEFC™ CoC-certified sources

### Climate change

- By 2030, reduce specific CO<sub>2</sub>e emissions by 15%<sup>1</sup>

### Constrained resources and environmental impacts

- Reduce specific contact water consumption (5%)<sup>2</sup>, waste to landfill (7.5%)<sup>2</sup>, NOx emissions (7.5%)<sup>3</sup> and effluent load (5%)<sup>4</sup>

### Biodiversity and ecosystems

- Promote ecosystem stewardship

### Supplier conduct and responsible procurement

- Encourage supply chain transparency and promote fair working conditions together with key suppliers

### Relationships with communities

- Enhance social value to our communities

### Solutions that create value for our customers

- Encourage sustainable, responsibly produced products

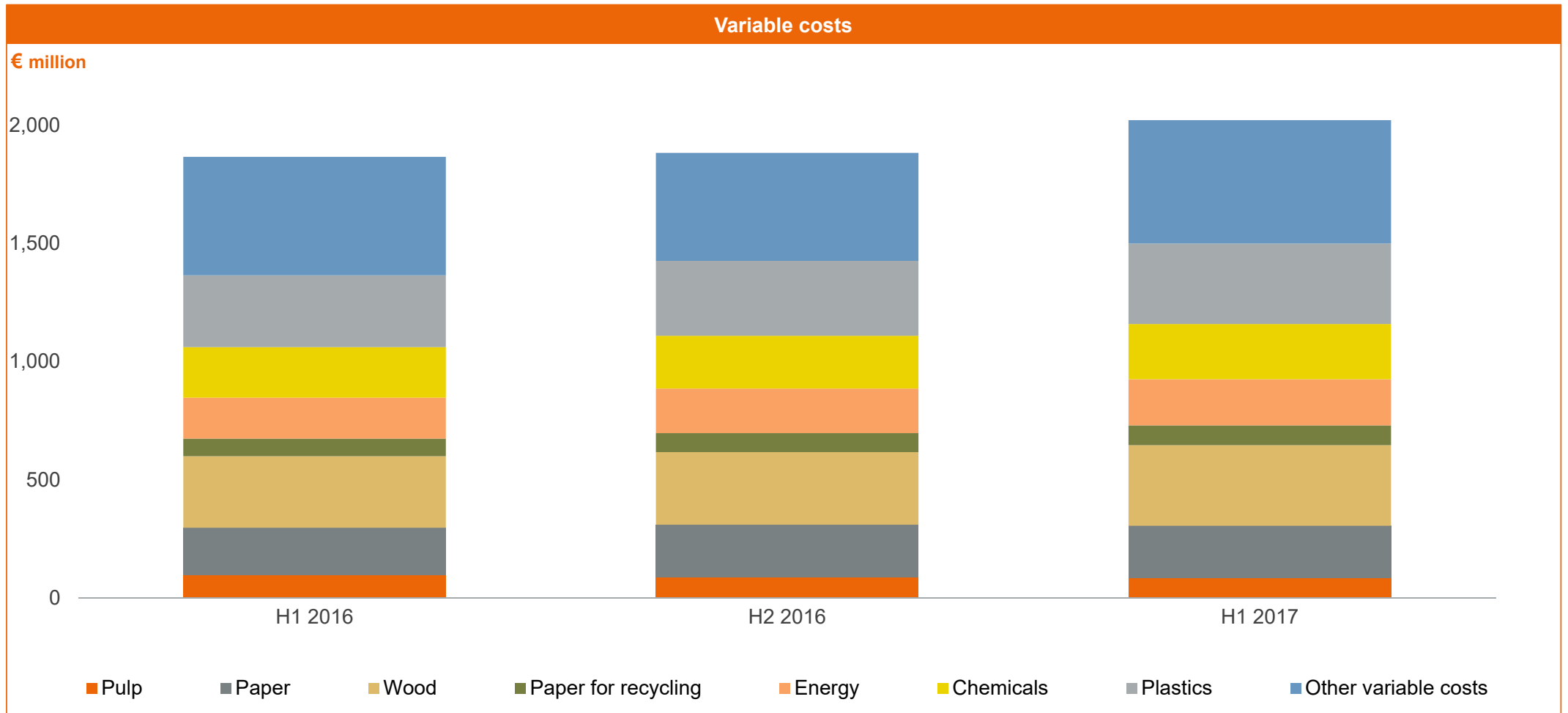
1 Pulp and paper mills against a 2014 baseline

2 Against a 2015 baseline

3 Pulp and paper mills against a 2015 baseline

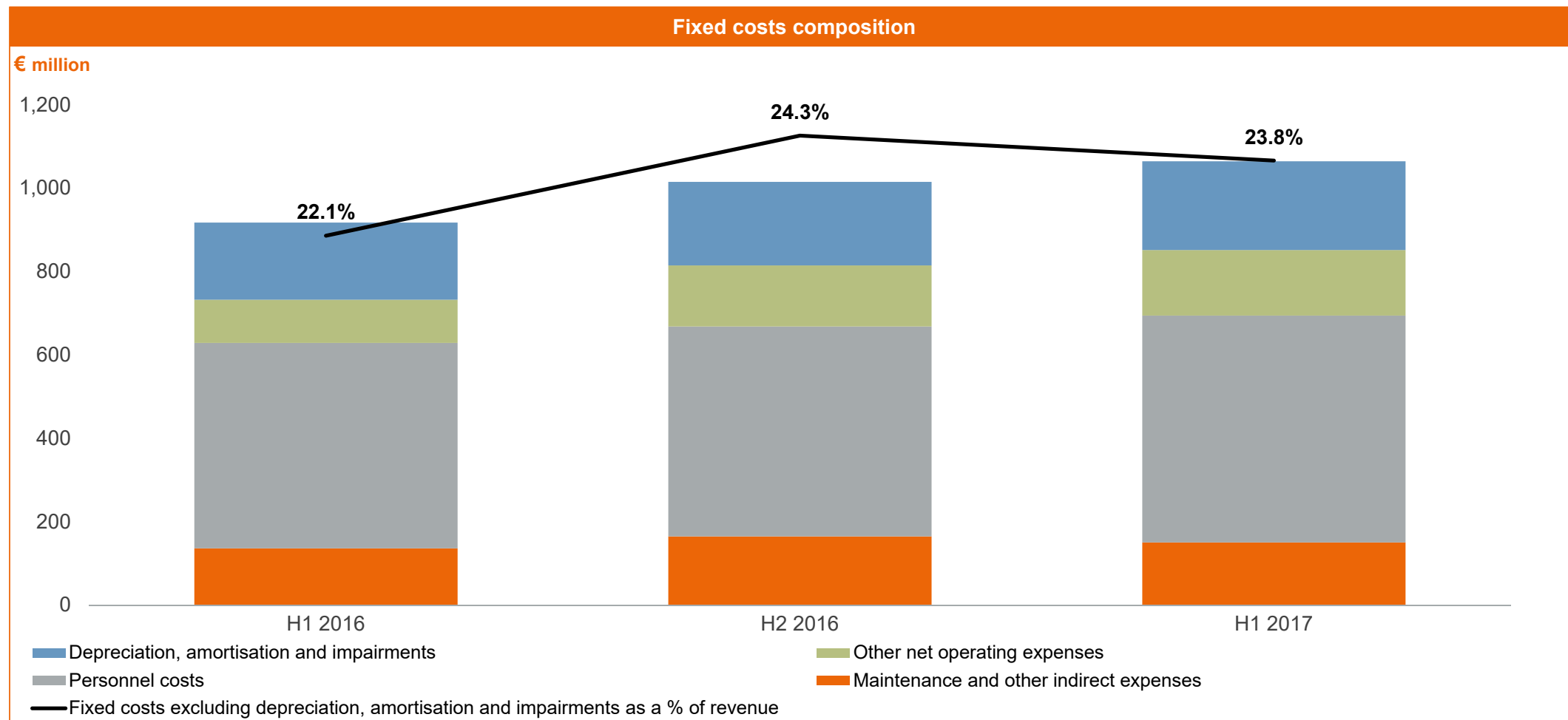
4 Measure COD against a 2015 baseline

# Input costs





# Fixed costs



## Special items

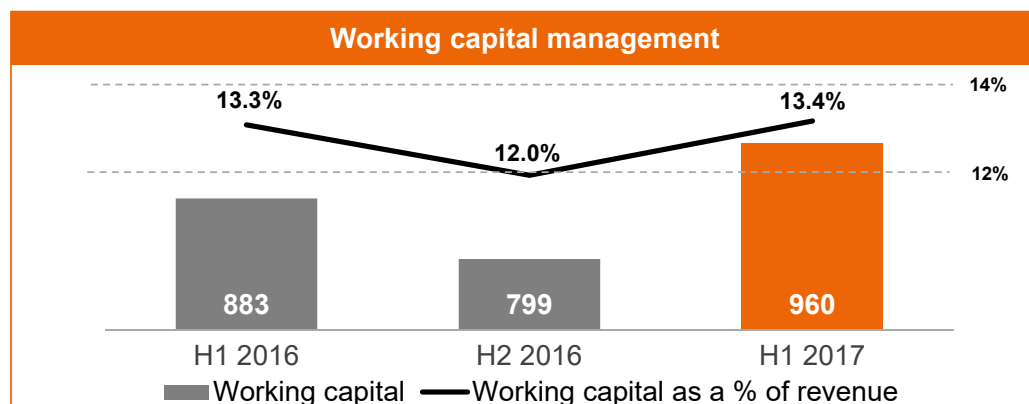
### Operating special items – €5 million Packaging Paper

- Gain of €5 million recognised on the release of restructuring and closure provisions following finalisation of the sale of our speciality kraft paper mill in Finland

Restructuring and closure costs and related impairment of assets of €14 million for this mill were previously recognised in special items in 2015

## Taxation and Working capital

Taxation				%	%
€ million	H1 2016	H2 2016	H1 2017	change vs H1 2016	change vs H2 2016
Tax charge	92	74	<b>87</b>	5%	(18%)
Cash tax paid	104	69	<b>73</b>	30%	(6%)
Effective tax rate	19%	19%	<b>19%</b>		



### Taxation

- Effective tax rate of 19%
  - Benefits of tax incentives related to our capital investments in Poland and Russia
  - Recognition of deferred tax assets related to previously unrecognised tax losses
- Tax rate expected to move upwards to 22% over next three years
  - Based on current geographic profit mix and prevailing tax rates
  - In the absence of further investment related tax incentives

### Working capital

- Outflow of €141 million (2016: €61 million) – seasonal uptick and increasing average volumes and prices

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



€ million	H1 2016	H2 2016	H1 2017	% change vs H1 2016	% change vs H2 2016
<b>Underlying EBITDA</b>	714	652	<b>710</b>	(1%)	9%
Working capital movements	(61)	129	<b>(141)</b>		
Other operating cash flow items	(33)	-	<b>23</b>		
<b>Cash generated from operations</b>	620	781	<b>592</b>	(5%)	(24%)
Taxes paid	(104)	(69)	<b>(73)</b>	30%	(6%)
Dividends received from equity accounted investees	-	1	-		
<b>Net cash inflow from operating activities</b>	516	713	<b>519</b>	1%	(27%)
Capital expenditure, excluding intangible assets	(214)	(251)	<b>(254)</b>	(19%)	(1%)
Investment in forestry assets	(18)	(27)	<b>(25)</b>	(39%)	7%
Acquisitions <sup>1</sup>	(9)	(189)	<b>(43)</b>		
Financing costs	(46)	(36)	<b>(52)</b>	(13%)	(44%)
Dividends paid to shareholders and non-controlling interests	(213)	(94)	<b>(201)</b>		
Other investing and financing activities	(9)	(8)	<b>(29)</b>		
<b>Net decrease/(increase) in net debt</b>	7	108	<b>(85)</b>		

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

# Statement of financial position



€ million	H1 2016	H2 2016	H1 2017
Property, plant and equipment	3,598	3,788	3,822
Goodwill	592	681	696
Working capital	883	799	960
Other assets	457	532	515
Other liabilities	(679)	(721)	(700)
<b>Net assets excluding net debt</b>	<b>4,851</b>	<b>5,079</b>	<b>5,293</b>
Equity	3,078	3,392	3,520
Non-controlling interests in equity	282	304	305
Net debt	1,491	1,383	1,468
<b>Capital employed</b>	<b>4,851</b>	<b>5,079</b>	<b>5,293</b>

# Production volumes



		H1 2016	H2 2016	H1 2017	% change vs H1 2016	% change vs H2 2016
<b>Packaging Paper</b>						
Containerboard	'000 tonnes	1,001	999	<b>987</b>	(1%)	(1%)
Kraft paper	'000 tonnes	601	603	<b>606</b>	1%	-
Softwood pulp	'000 tonnes	950	920	<b>952</b>	-	3%
Hardwood pulp	'000 tonnes	181	183	<b>183</b>	1%	-
<b>Fibre Packaging</b>						
Corrugated board and boxes	million m <sup>2</sup>	681	767	<b>820</b>	20%	7%
Industrial bags	million units	2,523	2,358	<b>2,513</b>	-	7%
Extrusion coatings	million m <sup>2</sup>	651	598	<b>667</b>	2%	12%
<b>Consumer Packaging</b>						
	million m <sup>2</sup>	3,511	3,645	<b>3,783</b>	8%	4%
<b>Uncoated Fine Paper</b>						
Uncoated fine paper	'000 tonnes	704	704	<b>697</b>	(1%)	(1%)
Softwood pulp	'000 tonnes	169	165	<b>175</b>	4%	6%
Hardwood pulp	'000 tonnes	423	430	<b>420</b>	(1%)	(2%)
Newsprint	'000 tonnes	102	100	<b>106</b>	4%	6%
<b>South Africa</b>						
Containerboard	'000 tonnes	127	126	<b>132</b>	4%	5%
Uncoated fine paper	'000 tonnes	129	129	<b>121</b>	(6%)	(6%)
Hardwood pulp	'000 tonnes	305	297	<b>322</b>	6%	8%
Newsprint	'000 tonnes	55	56	<b>53</b>	(4%)	(5%)
Softwood pulp	'000 tonnes	75	73	<b>75</b>	-	3%

# Exchange rates



	H1 2016	H2 2016	H1 2017	% change vs H1 2016	% change vs H2 2016
<b>Closing rates against the euro</b>					
South African rand	16.45	14.46	<b>14.92</b>	(9%)	3%
Czech koruna	27.13	27.02	<b>26.20</b>	(3%)	(3%)
Polish zloty	4.44	4.41	<b>4.23</b>	(5%)	(4%)
Pounds sterling	0.83	0.86	<b>0.88</b>	6%	2%
Russian rouble	71.52	64.30	<b>67.54</b>	(6%)	5%
Turkish lira	3.21	3.71	<b>4.01</b>	25%	8%
US dollar	1.11	1.05	<b>1.14</b>	3%	9%
<b>Average rates for the period against the euro</b>					
South African rand	17.20	15.35	<b>14.31</b>	(17%)	(7%)
Czech koruna	27.04	27.03	<b>26.78</b>	(1%)	(1%)
Polish zloty	4.37	4.36	<b>4.27</b>	(2%)	(2%)
Pounds sterling	0.78	0.86	<b>0.86</b>	10%	-
Russian rouble	78.31	70.02	<b>62.76</b>	(20%)	(10%)
Turkish lira	3.26	3.43	<b>3.94</b>	21%	15%
US dollar	1.12	1.10	<b>1.08</b>	(4%)	(2%)

# Market positions sources and definitions



## Mondi region definitions:

Europe - Europe including Russia and Turkey

Emerging Europe - Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey, Ukraine

North America: Canada, Mexico, USA

## Sources for market position estimates:

Virgin containerboard (VCB) Europe and Containerboard emerging Europe based on capacity - Source: RISI European Paper Packaging Capacity Report and Mondi estimates

Kraft paper Europe based on capacity - Source: RISI European Paper Packaging Capacity Report, RISI Mill Asset Database, Pöyry Smart Terminal Service and Mondi estimates

Industrial bags Europe based on sales volume - Source: Eurosac, Freedonia World Industrial Bags 2016 study and Mondi estimates

Industrial bags North America based on sales volumes - Source: Mondi estimates

Corrugated packaging emerging Europe based on production - Source: Henry Poole Consulting and Mondi estimates

Extrusion coatings Europe based on sales volumes - Source: AWA Extrusion Coated Materials European Market Study version 2015 and Mondi estimates

Commercial release liner Europe based on sales volumes - Source: AWA European Release Liner Market Study 2016 and Mondi estimates

Uncoated Fine Paper (UFP) Europe based on sales volumes, Ilim JV considered separate from IP – Source: Euro-Graph delivery statistics, EMGE Woodfree Forecast, EMGE World Graphic Papers, Pyrabelisk / Eastconsult and Mondi estimates

Bleached Hardwood Kraft Pulp (BHKP), White-top Kraftliner (WTKL) and UFP South Africa based on management estimates

Consumer goods packaging Europe based on sales – Source: PCI Wood Mackenzie - The European Flexible Packaging Market to 2021



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