

A person in a blue shirt is packing a cardboard box. The box is filled with brown paper bags and a purple package. The person's hands are visible, one holding the purple package and the other near the box. The background is blurred, showing a white circular object and a blue wall.

Mondi Group

Capital Markets Day | 2017

Packaging Paper: Leveraging for growth the strong market fundamentals and our cost advantaged asset base

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17 October 2017

Packaging Paper at a glance



Virgin and recycled containerboard



- **Corrugated board** and boxes
- Corrugated packaging converters

Applications and customers

- **75% virgin** containerboard
- **85% net market exposure** in virgin grades

Market exposure

- **Europe**

Geographic focus

- **Downsizing** and **lightweighting** of packaging
- **E-commerce**
- Growing interest in **appearance** – shelf-ready packaging and good printability of paper

Trends

Sack and speciality kraft paper



- Industrial **bags**, **flexible packaging** and speciality applications
- Sack kraft paper and speciality kraft paper converters

- **Majority sack kraft paper**
- **35% net market exposure**

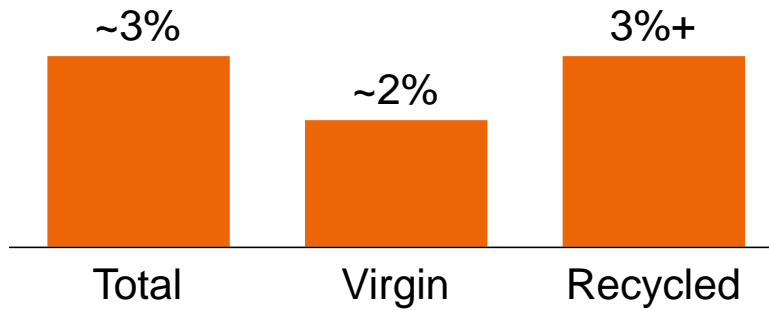
- Sack kraft paper – **global**
- Speciality kraft paper – Europe

- **Downsizing** and **lightweighting** of packaging
- Competition with plastic packaging

Strong market fundamentals



European demand growth (%) & capacities 2018-20E, Containerboard



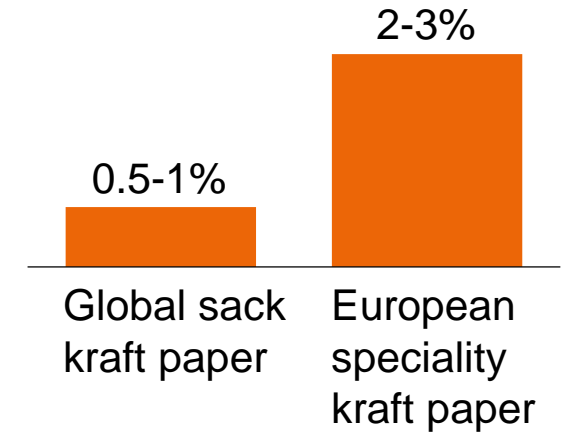
Market demand growth (mt)



Announced capacities (mt)



Demand growth (%) & capacities 2018-20E, Sack & speciality kraft paper



Market demand growth (mt)



Announced capacities (mt)



Source: RISI, AWA and Mondi estimates

Strategic value drivers in Packaging Paper



Value creation initiatives – some examples

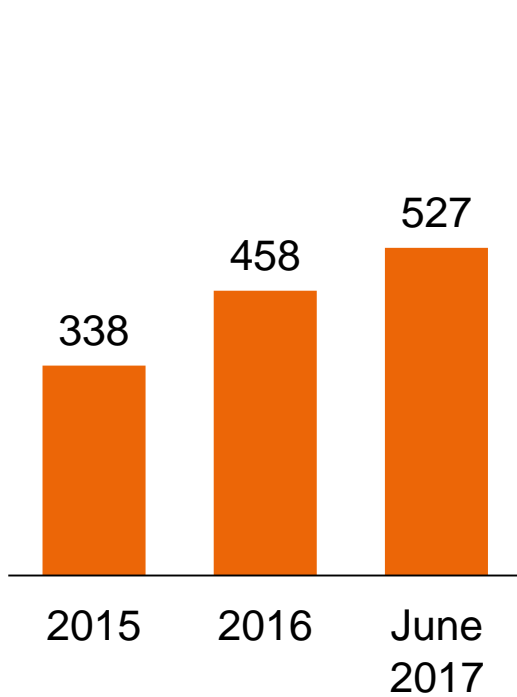
- 1 Continuous improvement to maintain leadership
- 2 Leveraging our cost advantage to roll-out innovative products
- 3 Pro-active initiatives to develop customer intimacy



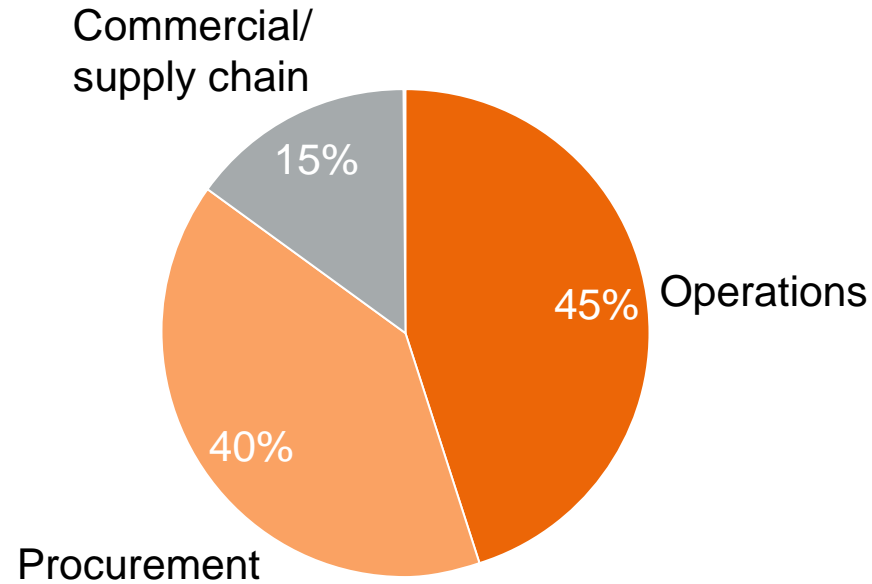
1 Continuous improvement initiatives



Number of projects



Source of operating profit¹ impact



- Unified and **embedded culture of continuous improvement**
- Regular tracking of **project pipeline** and project execution
- **Significant contribution** to business unit result

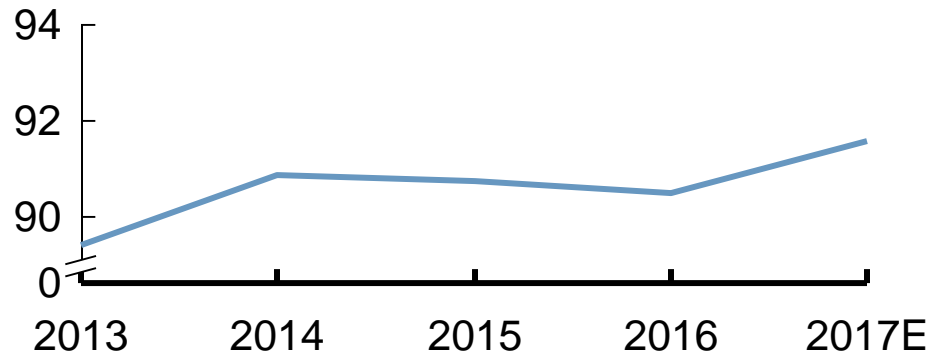
¹ Related to excellence initiatives

1 Operational excellence in action

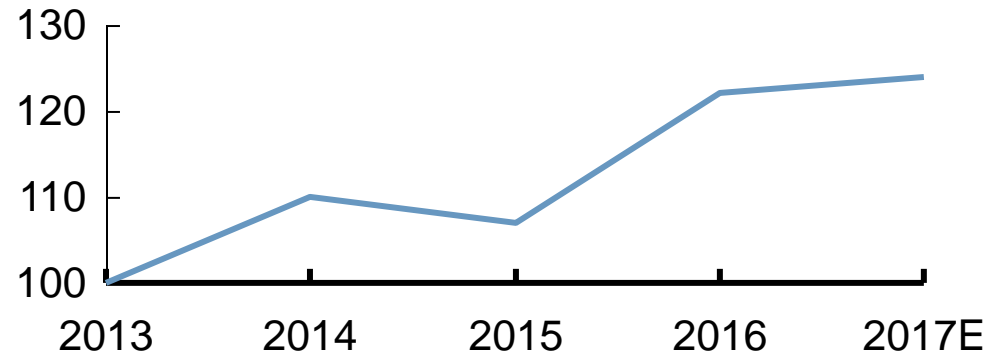


Mill example

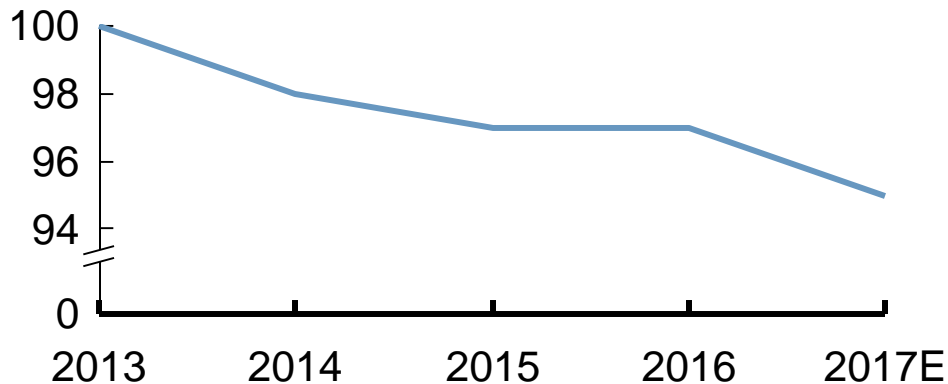
Total efficiency, %



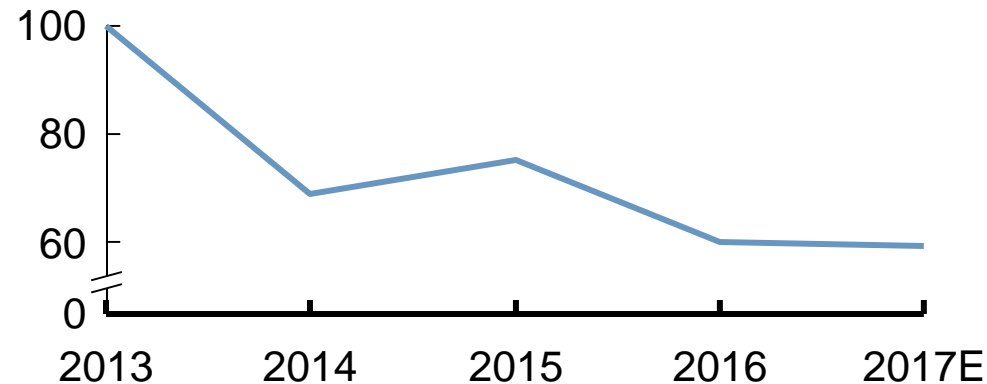
Output pulp mill (tonnes), indexed



Wood consumption (m³/adt), indexed



Energy cost (€/tonne produced), indexed



- **Kick-off 2014**
- **Supported by in-house excellence team**
- **Regular management reviews**
- **Significant operating profit impact**

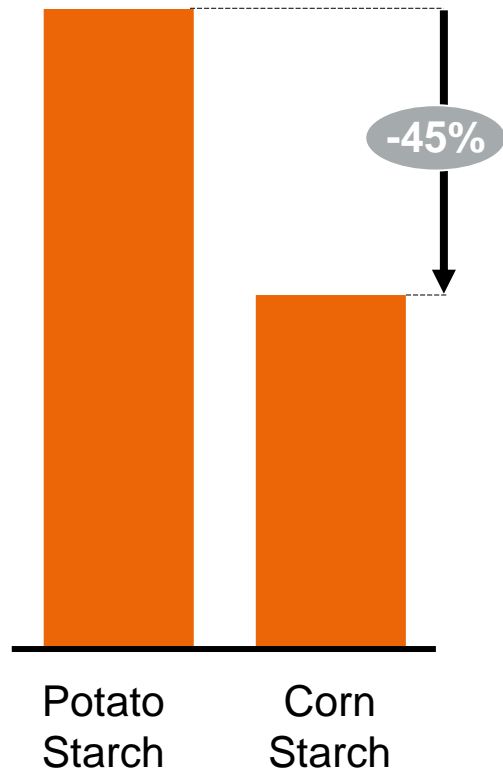
1 Deep-dive single initiative



Starch example

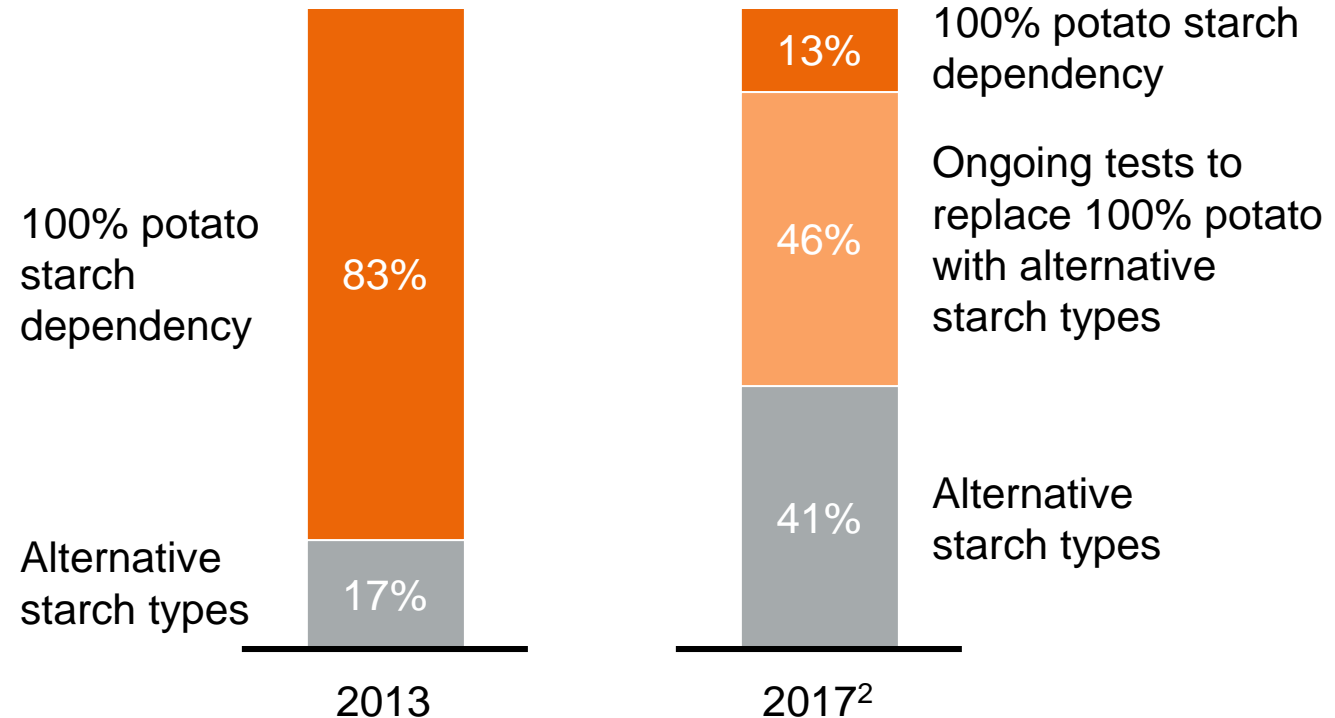
Price differential native starch¹

January 2017



Roll-out status

% of total starch use



¹ Paperchem – European price index

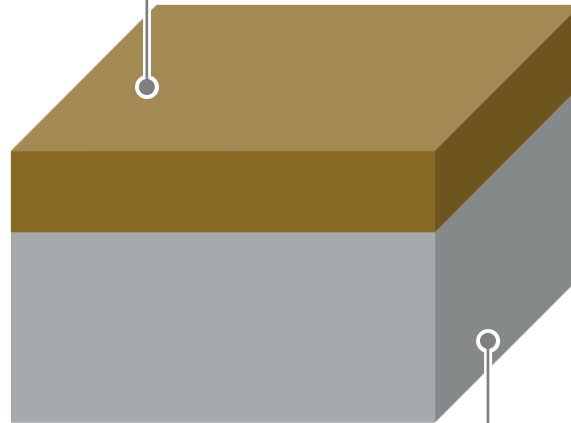
² Alternative starch types include corn starch and blends

② Innovative products: our success with unbleached kraft top liner



Product concept

100% unbleached
softwood pulp on top ply
(30% of thickness)



100% unbleached recycled
pulp on bottom ply
(70% of thickness)

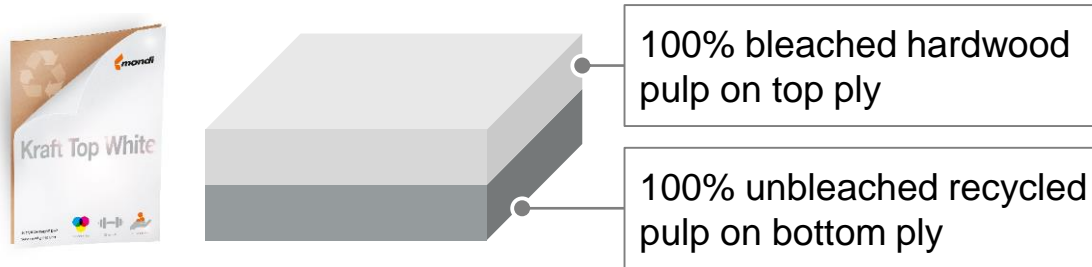
Product description and end-uses

- **Market created by Mondi** and developed to +300kt of sales
- **Customer advantages**
 - Similar **appearance** to **virgin grades**
 - **Higher performance** than recycled grades
- Highly attractive to Mondi
 - Manufactured in **locations with cost advantage** (Świecie and Štětí)
 - Strong **profitability** (by using 50% less virgin pulp than standard product)

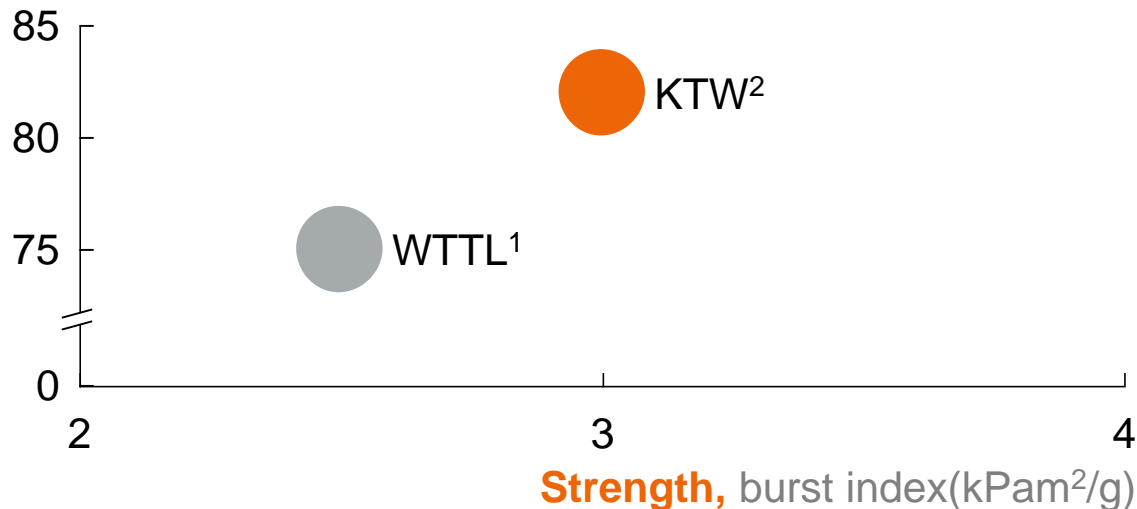
② Innovative products: we plan to do it again with Kraft Top White



Product concept



Printability (brightness), %

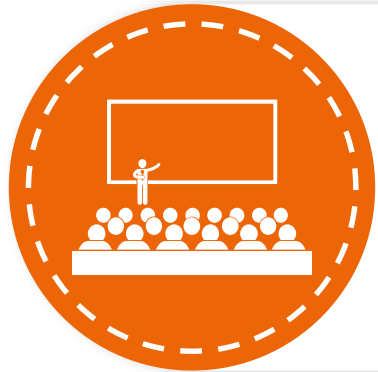


1 White top testliner 2 Kraft Top White

Product description and end-uses

- **Fast growing product** (uncoated white top grades consumption Europe 3.5mt at +2.5-3.0% p.a.)
- **Superior product for customer**
 - **Surface quality** like white top kraftliner
 - **10% less weight** than white top testliner
- New business opportunity for Mondi
 - Produced on new machine in a **location with cost advantage** – Ružomberok
 - **Integrated bleached hardwood pulp**
 - Cost advantage **difficult to replicate**
- Expected **start-up 2020**

3 Pro-active initiatives to develop customer intimacy



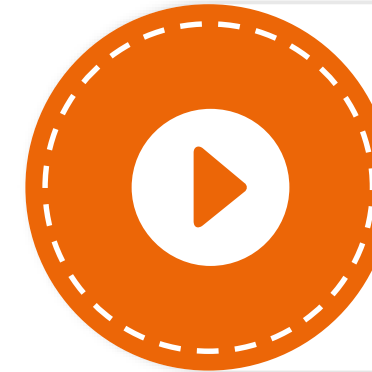
Seminar
“from fibre to
corrugated
board”

- 3 day **seminar with 300 customers**
- Started in 2002, 8th edition in 2017, now every 3 years



EDI¹
connection
with customers

- **Direct connection to customers'** ERP systems
- **Automates** order placement, confirmation, delivery notification and invoicing
- Started in 2015; 2017 volume: 16% and growing



Corrugated
board online
platform
(launch
October 2017)

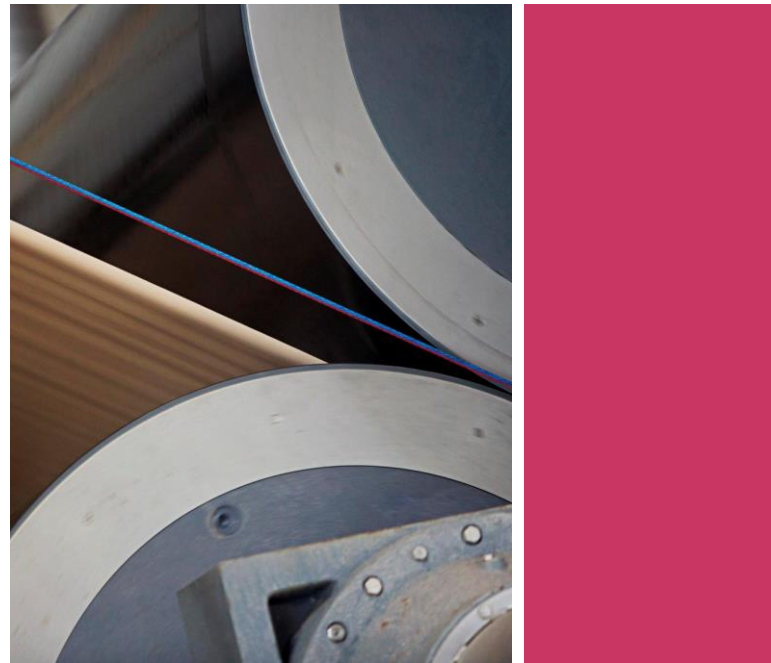
- Online tool for **customers** to **submit questions** to Mondi experts
 - Cost/weight optimisation for box design
 - Runability of paper
- Online tools for **product optimisation**
- 24/7 customer support

1 Electronic Data Interchange

Packaging Paper:

Leveraging for growth the strong market fundamentals and our cost advantaged asset base

- Strong market fundamentals, especially in virgin grades
- Continuously improving the business through capital investments and systematically capturing cost out opportunities
- Creating opportunities through customer-centered innovations in products and processes



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