



Mondi Group
Capital Markets Day | 2017

Uncoated Fine Paper:
Sustaining superior performance

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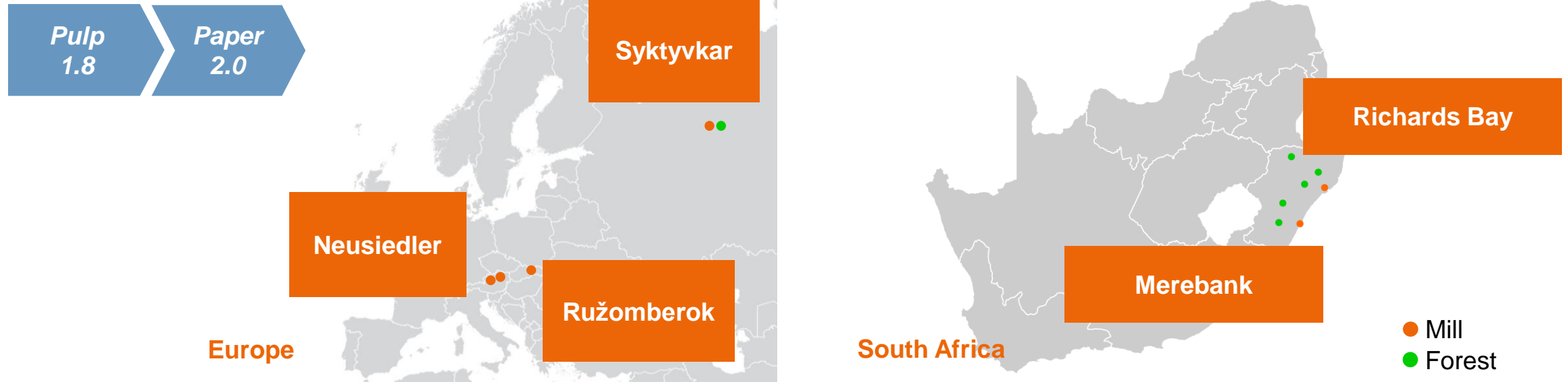
17 October 2017

Uncoated Fine Paper at a glance



Production facilities and capacities

Total capacity (mt)¹



Products

Around 60% mill brand share

Office paper



Folio/reel

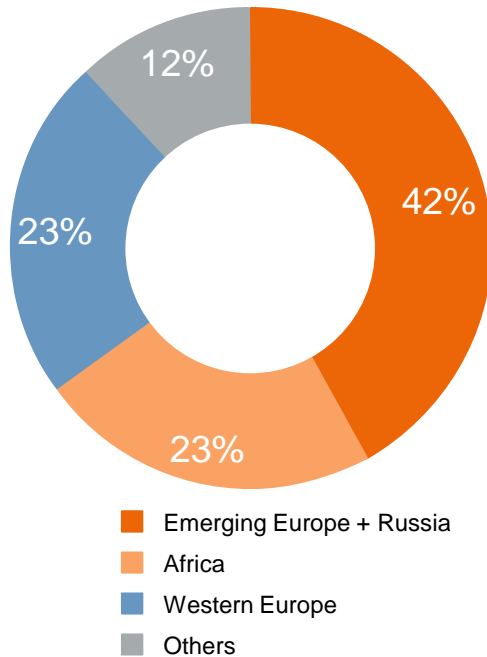


¹ Excludes 0.6mt of pulp capacity utilised by Packaging Paper. Includes 0.2mt of newsprint capacity at Syktyvkar. Capacities following closure of newsprint machine and recommissioning of UFP machine at Merbank.

UFP focused on growing markets of emerging Europe, Russia and South Africa

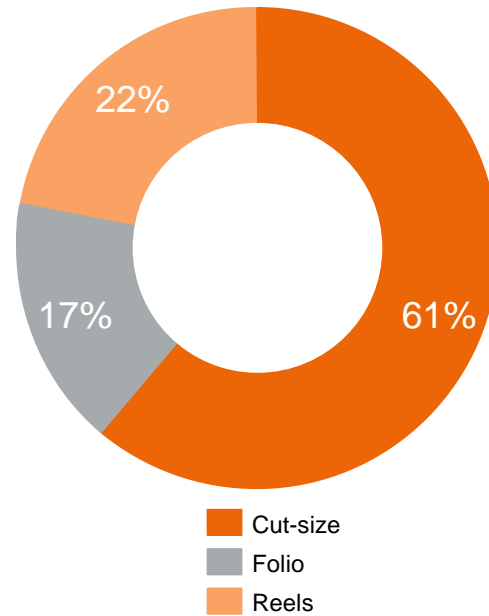


2016 revenue by destination %



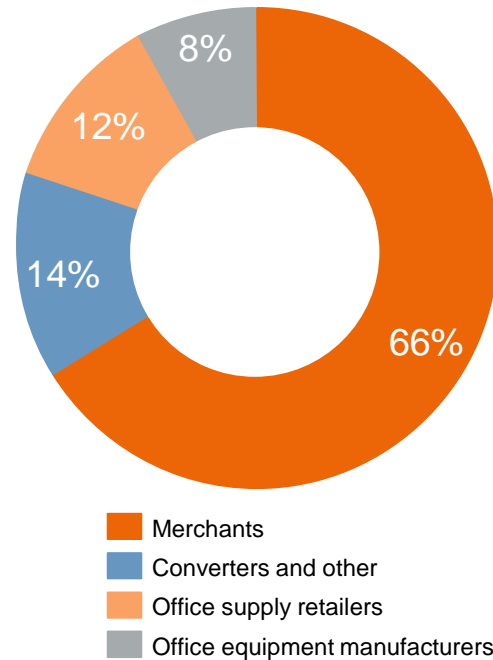
- **Emerging Europe and Russia/CIS:** growing by around +1%
- **South Africa:** growing by around +1%
- **Western Europe:** declining by around -2%

2016 UFP sales by product volume %



- Cut-size increasingly **standardised**, high importance of **mill brands** in emerging markets
- **Folio, reels** (professional print) - growth opportunities in certain **value added products**

2016 UFP sales by customer volume %



- **Complete product** offering secures **strong position** with major merchants
- Focus on **innovation and development** with OEMs

Strategic value drivers in Uncoated Fine Paper



Value creation initiatives – some examples

1 Syktyvkar:
From good to great



2 South Africa:
Our road to world-class forestry



1 From good to great: Syktyvkar's integrated operations



KOMI REPUBLIC

- 416,000 km² (about the size of Germany)
- 850,000 people, > 70% of area forest
- Capital city: Syktyvkar (240,000 people)



SYKTYVKAR MILL

- Forestry operations (2 million ha, half the size of Switzerland)
- 1.1 mtpa UFP, WTKL, newsprint and softwood market pulp production
- 580 buildings and constructions, >60 km of railway tracks
- Utilised area: >1,000 hectares (about 1,500 football pitches)
- 4,800 employees

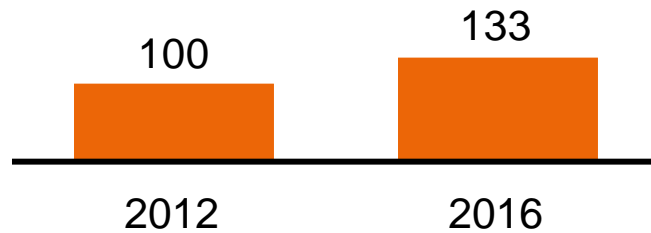
1 From good to great: Forest performance



Past improvements...

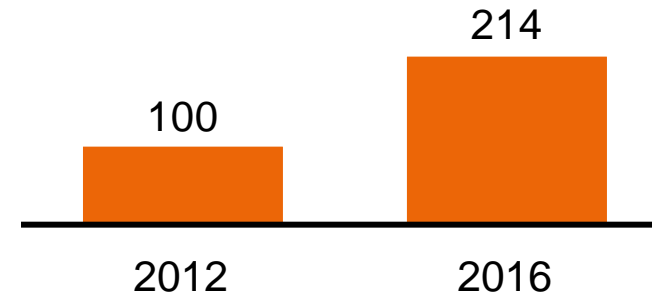
Harvester performance

m³/year, indexed



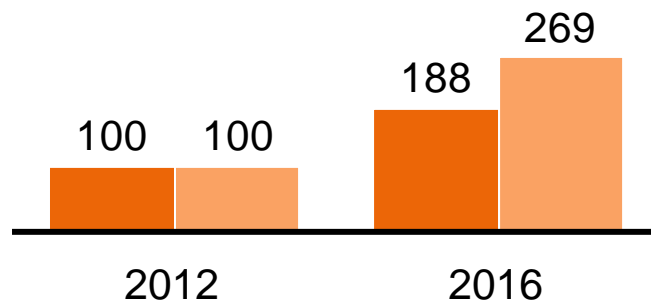
Truck performance

m³/year, indexed



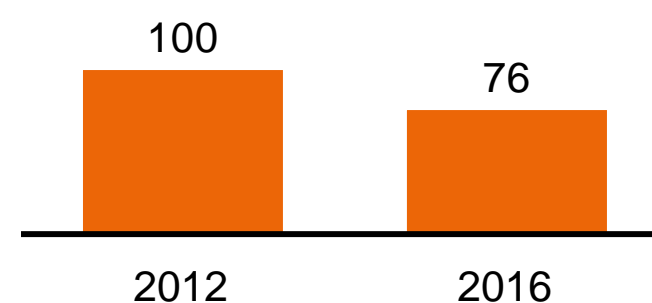
Saw log sales & chips supply

'000 m³, indexed



Wood cost

Constant RUB per m³, indexed



■ Saw log sales ■ Chips supply

...with more to come

- Improve forest **lease area mix**
- Capture opportunities for **forest thinning**
- Complete forest **road infrastructure**
- Continue with **harvester operators training**
- Fully modernise **truck fleet**
- **Reduce double handling**
- Partner with **local saw mills**
- **Centralise forest camp management**

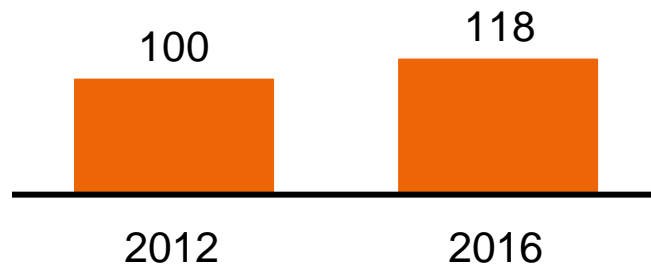
1 From good to great: Syktyvkar mill performance



Past improvement...

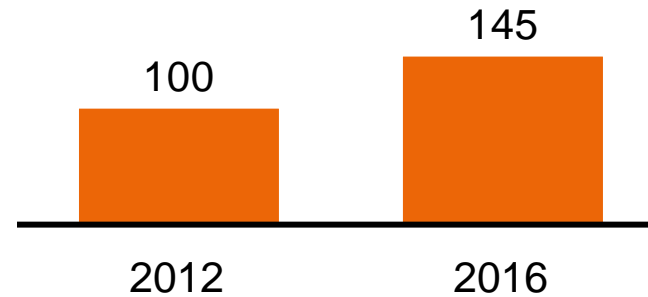
Output

tonnes, indexed



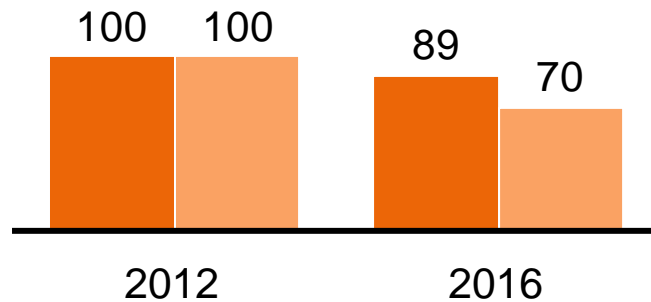
Productivity

tonne/employee, indexed



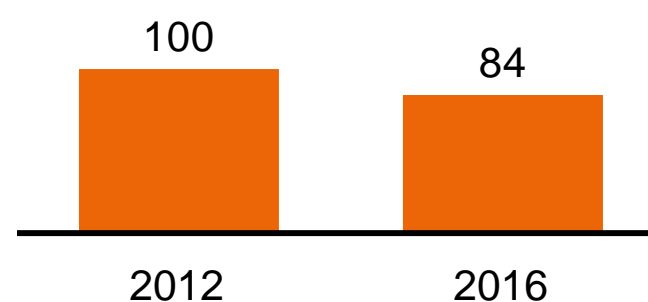
Environmental impact

indexed



Cash production costs

Constant RUB per tonne, indexed



■ Water consumption (m³/tonne) ■ Co2 emission (kg/tonne)

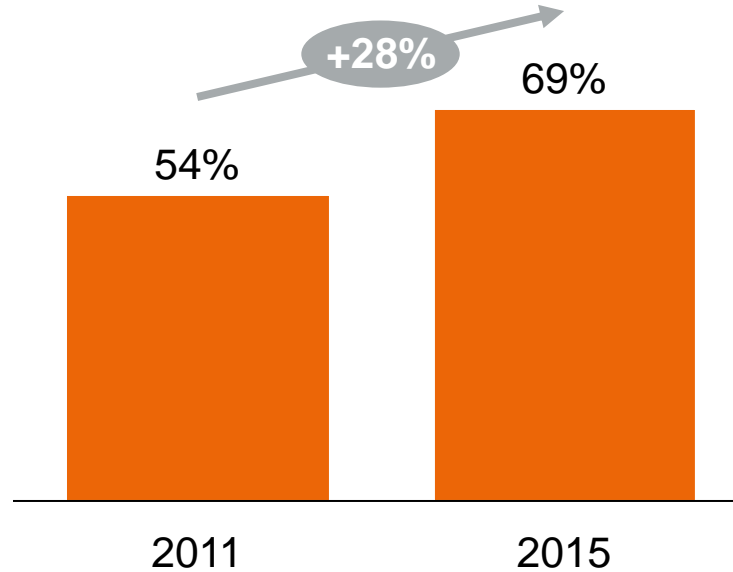
...with more to come

- Short term
 - Ongoing optimisation of **white-top kraftliner machine**
 - Add **buffer storage** to de-bottleneck and avoid unplanned shutdowns (+20kt output)
 - Modernise **power plant**
 - Reduce **support staff** by 25%
- Medium term
 - Invest to **increase saleable output** by 10%-15% and maintain asset competitiveness

1 From good to great: measurable impact from talent programme



Employee engagement progress¹, %



Engaged

- Belief in company goals and objectives
- Willingness to give extra effort to support success



Enabled

- Freedom from obstacles to succeed at work
- Availability of resources to achieve excellent performance



Energised

- Sustaining the energy needed at work
- Feelings of enthusiasm/ accomplishment at work

Talent development

- **Mondi Academy Russia** established with **75 courses** and more than **50 trainers**
- **65 talents** promoted
- **Leadership programme** completed by **274 managers**
- **36 strategic hires** completed
- **Succession plan improved by 12%** on average in all categories
- **9 educational partner** organisations
- **12 students** employed from **outside Komi**

¹ As measured through employee survey

2 South Africa: road to world-class forestry



Forestry

- Forestry land holdings primarily in Kwa-Zulu Natal
- 250,000 ha under management
- Fast growing plantations; 7 year rotation for eucalyptus¹
- Plantations FSC®, ISO 14001 & NOSA certified

Richards Bay Mill

- Pulp capacity 780 ktpa
- Virgin containerboard capacity 270 ktpa

Merebank Mill

- Uncoated fine paper capacity 340 ktpa



¹ Kwa-Zulu Natal

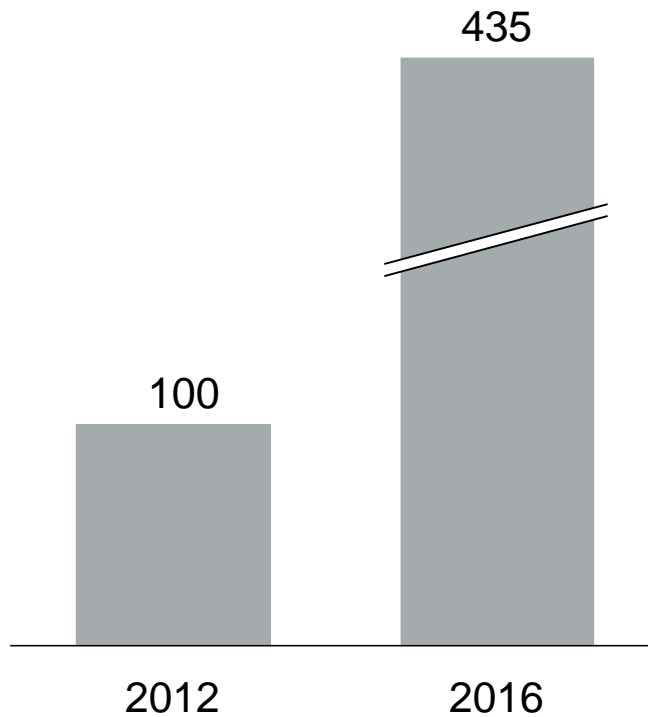
② Road to world-class forestry: increased productivity



Past improvements...

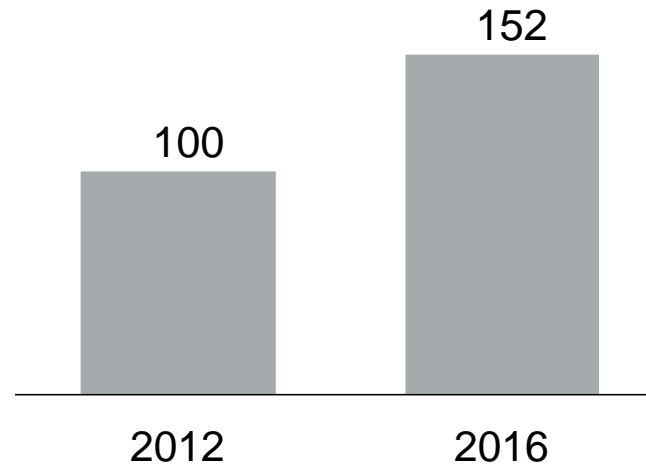
Harvesting productivity

T/person/annum, indexed



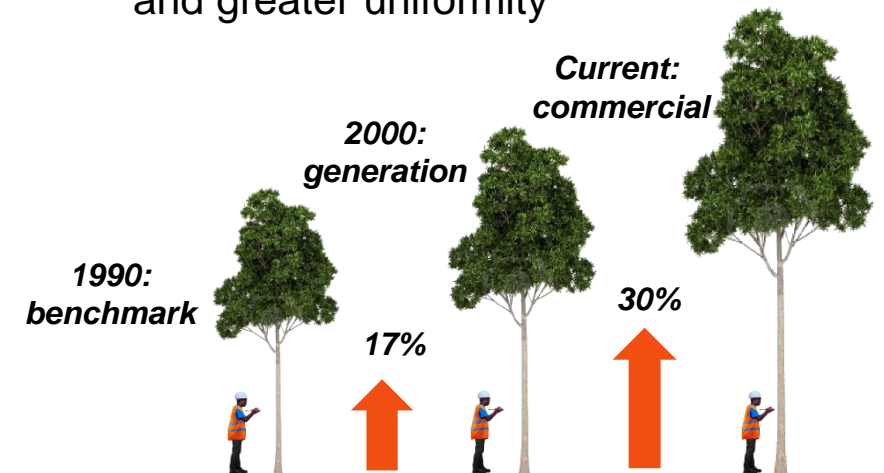
Silviculture productivity

Ha/person/annum, indexed



...with more to come

- More productive harvesting through **fewer debarking passes**
- **Integration of 2 or 3 silviculture activities** into 1 activity
- **Productivity** improvement (equipment tracking, monitoring & improvement)
- Increased **plant survival** after 30 days and greater uniformity



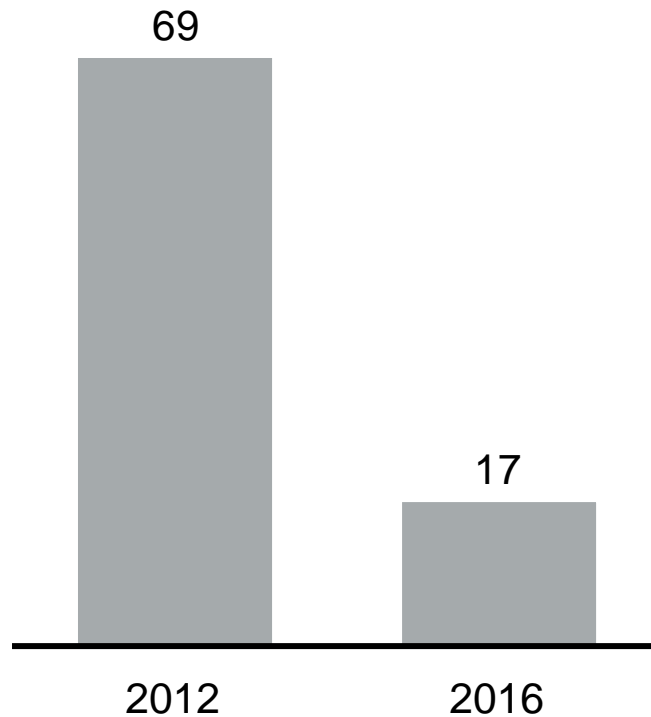
② Road to world-class forestry: increased safety and ergonomics



Past improvements...

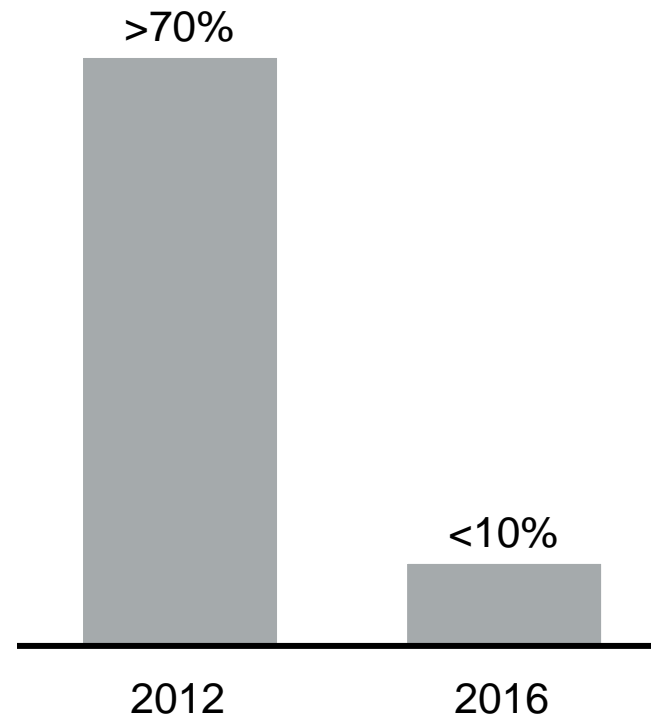
Safety improvement

Total recordable cases



Ergonomic challenging work

Percentage of forest work



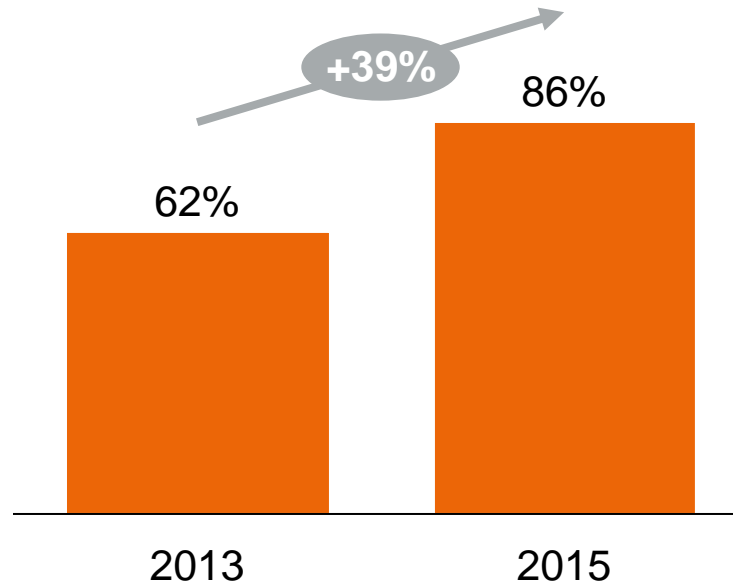
...with more to come

- Updated **fire fighting equipment**, e.g. CAF unit
- Better silviculture **machines & tools**
- Greater machine **operator comfort**
- Standardised **training** and skills development
- Fit for purpose **operator selection** (dexterity testing)
- Silviculture **steep slope** modernisation

② Road to world-class forestry: increasingly skilled and engaged workforce



Forests employees: sustainable engagement¹, %



Engaged

- Belief in company goals and objectives
- Willingness to give extra effort to support success



Enabled

- Freedom from obstacles to succeed at work
- Availability of resources to achieve excellent performance



Energised

- Sustaining the energy needed at work
- Feelings of enthusiasm/ accomplishment at work



Talent development

- **Strong pipeline of forester skills**, calibrated and benchmarked through a **Forestry Learning Centre**
- Ongoing **up-skilling of contractor workforce** through accredited training
- Expanding register of **Continuous Improvement projects**
- **Stronger teams** built through ‘**Diversity Dialogues**’
- Increasing performance through **job profile standards**



¹ As measured through employee survey

Uncoated Fine Paper: Sustaining superior performance

- Continuous focus on driving performance and optimising our operations
- Investing in our assets with cost advantage to sustain a leading competitive position
- Success through growing responsibly and developing our people



QUESTIONS



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