

Mondi Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1967/013038/06)
JSE share code: MND ISIN: ZAE000156550

Mondi plc

(Incorporated in England and Wales)
(Registered number: 6209386)
JSE share code: MNP ISIN: GB00B1CRLC47
LSE share code: MNDI

As part of the dual listed company structure, Mondi Limited and Mondi plc (together 'Mondi Group') notify both the JSE Limited and the London Stock Exchange of matters required to be disclosed under the Listings Requirements of the JSE Limited and/or the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

Mondi Group: Trading update 11 May 2017

This trading update provides an overview of our financial performance and financial position since the year ended 31 December 2016, based on management information up to 31 March 2017 and estimated results for April 2017. These results have not been audited or reviewed by Mondi's external auditors.

Reviewed results for the half-year ending 30 June 2017 will be published on 3 August 2017.

Except as discussed in this update, there have been no significant events or transactions impacting either the financial performance or financial position of the Group since 31 December 2016 up to the date of this statement.

Group performance overview

Underlying operating profit for the first quarter of 2017 of €252 million was 6% down on the comparable prior year period (€269 million). Strong sales volume growth was more than offset by a significantly lower forestry fair value gain, inflationary cost pressures and lower average selling prices. Underlying operating profit was up 12% on the fourth quarter of 2016 (€225 million) as the Group benefited from higher sales volumes and prices.

Sales volumes grew across the Group's Packaging Paper, Fibre Packaging and Consumer Packaging business units compared to the first quarter of 2016. This was further enhanced by the acquisitions in our Corrugated and Consumer Packaging businesses during 2016.

Selling prices for the Group's main paper grades were, on average, below those of the comparable prior year period as prices decreased over the course of 2016. As previously highlighted, during the first quarter of 2017, we implemented price increases across a number of our paper grades, although these had only limited impact in the quarter.

Wood costs were higher than the comparable prior year period, while benchmark paper for recycling prices rose sharply, up 17% compared to the first quarter of 2016, and were at similar levels to the fourth quarter of 2016. Benchmark polyethylene prices were also higher, on the back of higher crude oil prices. Energy costs increased due to the weather conditions in Europe and higher energy input costs. Inflationary cost pressure resulted in higher fixed

costs and the depreciation charge was up due to the impact of the Group's capital investment programme.

Currency movements had a small net positive impact on operating profit versus the comparable prior year period and a small net negative impact when compared to the fourth quarter of 2016.

Planned maintenance shuts were completed in Packaging Paper during the quarter with an estimated impact on operating profit of €10 million. There were no significant maintenance shuts during the first quarter of 2016. Based on prevailing market prices, we continue to estimate that the impact of planned maintenance shuts on operating profit for 2017 will be around €80 million, of which around €35 million will be incurred in the first half of the year (€20 million in the first half of 2016).

Divisional overview

In **Packaging Paper**, average selling prices for containerboard were down on the comparable prior year period due to price erosion seen over the course of 2016. Compared to the first quarter of 2016, average benchmark European kraftliner prices were down 2.7%, recycled containerboard prices were down 5.8%, and white-top kraftliner prices were marginally down. Supported by strong demand, price increases were implemented in recycled containerboard, with a cumulative €80/tonne increase having been achieved by the beginning of the second quarter. In unbleached kraftliner grades, increases of €50/tonne were implemented towards the end of the first quarter, while increases of up to €30/tonne in white top kraftliner have been agreed for implementation in the second quarter of 2017. Given sustained good demand and a strong order position, we have announced a further price increase of €50/tonne for unbleached kraftliner grades to take effect during the second quarter of 2017.

Sales volumes for sack kraft paper remained at similar levels to the comparable prior year period. As previously indicated, selling prices were increased by 3-4% from the beginning of 2017 in all markets. Demand remains strong, particularly in our export markets, supporting further price increases during the second quarter of 2017 of 3-4% in our European business and, where not fixed by annual contracts, in overseas markets.

Our **Fibre Packaging** business benefited from good volume growth, particularly in Corrugated Packaging, and a positive contribution from the acquisitions completed during 2016. Recent paper price increases are impacting margins in the near term, while strong cost management continues to limit the impact of other inflationary cost pressures.

Consumer Packaging was impacted by inflationary cost pressures and negative sales mix effects which were offset by increased volumes and the contributions from recent acquisitions. Short term profit growth is proving challenging due to low growth in certain value added product areas.

Uncoated Fine Paper continued to perform strongly despite weaker European pricing, benefiting from good demand, stable Russian domestic pricing and a stronger Russian rouble. Average benchmark European selling prices were down 4% on the comparable prior year period. During the first quarter, price increases of around €15-€25 per tonne were

implemented in Europe. Given continued good demand, a further price increase of up to 6% was announced to be implemented in Europe during May.

Our **South Africa Division** was impacted by a significantly lower forestry fair value gain, lower average export selling prices for both hardwood pulp and white top kraftliner, and a stronger rand, which more than offset higher average domestic selling prices.

Capital investment projects

We are making good progress on our capital investment projects. The recently completed projects in our Richards Bay (South Africa) and Syktyvkar (Russia) mills are making good contributions. Ramp-up of the rebuilt paper and inline coating machine in Steti (Czech Republic) remains challenging. Our investment at Swiecie (Poland) to provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of lightweight kraftliner is currently in ramp-up. The process of obtaining approval for tax incentives and permitting for the proposed new paper machines at our Steti and Ruzomberok (Slovakia) mills is ongoing and work has started on the modernisation of the Steti pulp mill.

Cash flow and financing activities

Strong cash generation from operating activities more than offset the cash outflows related to our capital expenditure programme, acquisitions, and financing activities, resulting in a reduction in net debt during the quarter.

In April 2017, we redeemed our 5.75% €500 million Eurobond from available cash and committed undrawn debt facilities. This will result in a lower finance cost charge for 2017.

There have been no other significant changes in the Group's borrowing facilities since 31 December 2016.

Outlook

As previously advised, we are experiencing some inflationary cost pressures across the Group and the forestry fair value gain is expected to be lower than in 2016. Supported by good demand, we have successfully implemented price increases in a number of key paper grades and we expect to continue to benefit from our recently completed capital projects and acquisitions. We remain confident of making progress in the year and continuing to deliver industry leading returns.

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Conference call dial-in details

Please see below details of our dial-in conference call that will be held on 11 May 2017 at 7:30 (UK) and 8:30 (SA).

The conference call dial-in numbers are:

South Africa	0800 200 648 (toll-free)
UK	0808 162 4061 (toll-free)
Europe & Other	+800 246 78 700 (toll-free) or +27 10 201 6800

Should you have any issues on the day with accessing the dial-in conference call, please call +27 11 535 3600.

A replay facility will be available until 31 May 2017. Dial in: +27 (0)11 305 2030.

Pin no: 13034#

Editors' notes

We are Mondi: In touch every day

At Mondi, our products protect and preserve the things that matter.

Mondi is an international packaging and paper Group, employing around 25,000 people across more than 30 countries. Our key operations are located in central Europe, Russia, North America and South Africa. We offer over 100 packaging and paper products, customised into more than 100,000 different solutions for customers, end consumers and industrial end uses – touching the lives of millions of people every day. In 2016, Mondi had revenues of €6.7 billion and a return on capital employed of 20.3%.

The Mondi Group is fully integrated across the packaging and paper value chain - from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. Our innovative technologies and products can be found in a variety of applications including hygiene components, stand-up pouches, superstrong cement bags, clever retail boxes and office paper. Our key customers are in industries such as automotive; building and construction; chemicals; food and beverage; home and personal care; medical and pharmaceutical; packaging and paper converting; pet care; and office and professional printing.

Mondi has a dual listed company structure, with a primary listing on the JSE Limited for Mondi Limited under the ticker code MND and a premium listing on the London Stock Exchange for Mondi plc, under the ticker code MNDI.

For us, acting sustainably makes good business sense and is part of the way we work every day. We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.

Sponsor in South Africa: UBS South Africa (Pty) Ltd