

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)
LEI: 213800LOZA69QFDC9N34

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' or 'Mondi') 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 Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority.

Mondi Group: Trading update 11 October 2018

This trading update provides an overview of our financial performance and financial position since the half year ended 30 June 2018, based on management information up to 30 September 2018. These results have not been audited or reviewed by Mondi's external auditors.

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 30 June 2018 up to the date of this statement.

Group performance overview

The Group delivered a strong performance in the third quarter, benefiting from higher average selling prices across Fibre Packaging and Uncoated Fine Paper, a very strong operational performance, good cost containment and contributions from recent acquisitions. Underlying EBITDA for the third quarter of 2018 of €466 million was 30% up on the comparable prior year period (€359 million – restated¹) and 4% up on the second quarter of 2018 (€447 million).

Like-for-like sales volumes for the quarter were up on the comparable prior year period due to good growth in the Fibre Packaging value chain. Selling prices for the Group's key paper grades were significantly up on the comparable prior year period and marginally up on the second quarter.

We continue to see manageable upward pressure on our cost base with input costs up on the comparable prior year period and more moderately up when compared to the second quarter. The notable exception was paper for recycling costs, where average benchmark European prices were down 42% on the prior year period and stable sequentially. Cash fixed costs were higher as a result of the impact of mill maintenance shuts and inflationary cost pressures, mitigated by ongoing cost reduction initiatives.

Planned mill maintenance shuts during the quarter had an estimated impact on underlying EBITDA of around €30 million (2017: €30 million). Based on prevailing market prices, we continue to estimate that the impact of maintenance shuts on underlying EBITDA for 2018 will be around €115 million (2017: €95 million).

Currency movements had a modest net negative impact on a sequential basis, with the strength of the US dollar and weakness of the South African rand relative to the euro during the period largely offsetting the negative impact from a weaker Russian rouble and Turkish lira.

Business unit overview

In **Fibre Packaging**, good containerboard and kraft paper demand coupled with limited industry capacity additions continued to support pricing. Average selling prices for the quarter were higher than the comparable prior year period and modestly up on the second quarter. Selling prices remain generally stable going into the fourth quarter, with price changes limited to modest increases implemented early in the fourth quarter in selected containerboard markets.

Going into the annual price negotiations in the fourth quarter, we see strong demand for kraft paper. This is supported in part by the drive to replace plastic carrier bags with paper-based alternatives and increasing demand for sustainable paper-based flexible packaging.

We saw good sales volume growth in Corrugated Packaging and Industrial Bags during the period, with Industrial Bags benefiting from strong sales volume growth in emerging Europe, Middle East and west Africa, partly offset by continued weakness in US markets. During the seasonally weaker fourth quarter, Industrial Bags will take further measures to optimise its mature market production footprint.

The €335 million modernisation of our Steti mill is progressing according to plan and commissioning is expected during the fourth quarter of the year. We are pleased with the progress achieved to date in the integration of Powerflute and its positive contribution during the quarter. The integration of the two plants recently acquired in Egypt, to build on our presence in the growing Middle East industrial bags market, is progressing well.

Consumer Packaging benefited from previously announced restructuring initiatives, product mix improvements and recently completed investments, although overall performance continues to be held back by declining volumes in personal care components. We continue to work actively with our customers, suppliers and other stakeholders to find innovative solutions that improve the sustainability of plastic packaging, based on circular economy principles. We are seeking opportunities to leverage our product know-how and customer relationships across our packaging businesses, as a leading producer of both plastic and paper based solutions.

Uncoated Fine Paper continues to perform strongly with higher average selling prices during the quarter offsetting higher input costs and negative currency effects. Further inflation-linked selling price increases were recently implemented in Europe and Russia. High pulp prices continue to put pressure on our unintegrated production in Europe.

Cash flow and financing activities

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

Finance charges were marginally up on the second quarter, as a consequence of higher average net debt, primarily due to the significant cash outflows during the first half of 2018 relating to the completion of acquisitions (€415 million) and the payment of a special dividend (€484 million).

There have been no significant changes in the Group's borrowing facilities since 30 June 2018.

Outlook

Going into the fourth quarter, we continue to benefit from stable pricing in key fibre based product segments. However, as expected, the quarter will be impacted by the large project related shut and ramp-up at our Steti mill, restructuring initiatives in Industrial Bags and continued pressure on the cost base across the Group, mitigated by our ongoing proactive and comprehensive cost reduction programmes.

With our robust business model and culture of driving performance, we remain confident of continuing to deliver an industry leading performance, and sustaining our track record of delivering value accretive growth.

(1) Restated following the implementation of the early-adopted new "Leases" accounting standard, IFRS 16.

Contact details:

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Conference call dial-in details

Please see below details of the dial-in conference call that will be held on 11 October 2018 at 8:00 (UK) and 9:00 (SA).

The conference call dial-in numbers are:

South Africa 0800 980 520
UK 0800 279 7204
Other +44 330 336 9411
Conference code: 4702938

Should you have any issues on the day with accessing the dial-in conference call, please call +44 330 336 9411.

A replay facility will be available until 31 October 2018 (Pin number: 4702938). The dial in details are:

South Africa 0800 980 995
United Kingdom 0808 101 1153
Other +44 207 660 0134

About Mondi

Mondi is a global leader in packaging and paper, delighting its customers and consumers with innovative and sustainable packaging and paper solutions. Mondi is fully integrated across the packaging and paper value chain - from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective industrial and consumer packaging solutions. Sustainability is embedded in

everything Mondi does. In 2017, Mondi had revenues of €7.10 billion and underlying EBITDA of €1.48 billion.

Mondi has a dual listed company structure, with a primary listing on the JSE Limited for Mondi Limited under the ticker MND, and a premium listing on the London Stock Exchange for Mondi plc, under the ticker MNDI. Mondi is a FTSE 100 constituent, and has been included in the FTSE4Good Index Series since 2008 and the FTSE/JSE Responsible Investment Index Series since 2007.

Sponsor in South Africa: UBS South Africa Proprietary Limited.