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 16 May 2018

This trading update provides an overview of our financial performance and financial position since the year ended 31 December 2017, based on management information up to 31 March 2018 and estimated results for April 2018. These results have not been audited or reviewed by Mondi's external auditors.

Reviewed results for the half-year ending 30 June 2018 will be published on 3 August 2018.

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 2017 up to the date of this statement.

Group performance overview

Underlying operating profit for the first quarter of 2018 of €295 million was 15% above the comparable prior year period (€256 million – restated[1]) and 6% up on the fourth quarter of 2017 (€279 million - restated[1]). Higher average selling prices and profit improvement initiatives across the Group more than offset higher operating costs, the impact of maintenance shuts and negative currency effects.

Like-for-like sales volumes were stable on the comparable prior year period, with growth in Packaging Paper offset by lower volumes in Uncoated Fine Paper due to the extended maintenance shut at Richards Bay (South Africa). Selling prices for the Group's key paper grades were, on average, above both the comparable prior year period and the previous quarter as the upward pricing momentum witnessed during 2017 continued.

Costs were generally higher than the comparable prior year period and the previous quarter. Among key input costs, wood, energy and chemical costs were higher than the comparable prior year period. The notable exception was paper for recycling costs, where average benchmark European prices were down 15% compared to the first quarter of 2017, and 16% lower sequentially, as the Chinese import ban continued to impact global trade. Cash fixed costs were higher, largely as a result of the impact of maintenance shuts.

Currency movements had a net negative impact on operating profit versus the comparable prior year period, driven mainly by a weaker US dollar and Russian rouble relative to the euro, and a net negative impact when compared to the fourth quarter of 2017 mainly as a result of a stronger South African rand.

As previously disclosed, a prolonged maintenance shut at our Richards Bay mill took place during the first quarter. The estimated impact on operating profit of maintenance shuts completed during the period was around €35 million (2017: €10 million). Based on prevailing market prices, we estimate that the impact of maintenance shuts on operating profit for 2018 will be around €115 million (2017: €95 million), slightly above our previous estimate, of which around half will be incurred in the first half of the year (H1 2017: €40 million).

Business unit overview

In **Packaging Paper**, containerboard markets remain robust with good demand and limited industry capacity additions continuing to support pricing. Average selling prices were up significantly on the prior year period and more modestly up sequentially, on the back of implemented price increases through the course of 2017 and in the first quarter of 2018. Volumes were up on the comparable prior year period due to the timing of maintenance shuts and the ramp-up of production from expansionary projects completed in 2017.

The sack kraft paper market remains tight, supported by good demand and constrained supply growth. Sales volumes for sack kraft paper were up compared to the first quarter of 2017, while selling prices were higher both compared to the comparable prior year period and sequentially following price increases implemented in all markets from the beginning of the year.

In April 2018, we signed an agreement to sell our flat sack kraft paper mill in Pine Bluff, Arkansas (USA), with 130,000 tonnes annual production capacity, to Twin Rivers Paper Company LLC. The transaction remains subject to customary closing conditions and is expected to complete in the second quarter of 2018.

Fibre Packaging made good progress in implementing price increases to compensate for the significantly higher packaging paper input costs. As previously reported, in Industrial Bags, annual contracts for 2018 were finalised during the first quarter, with price increases implemented that largely reflect the full impact on the cost base of the paper price increases that took effect from the beginning of the year. Industrial Bags also benefited from good volume growth, particularly in emerging Europe and the Middle East. In Corrugated Packaging, good progress has been made in recovering the paper price increases, with efforts in this regard ongoing, while volumes were flat on a very strong comparable prior year period and pricing discipline.

In April 2018, we signed an agreement to acquire an industrial bags plant near Cairo, Egypt, for a total consideration of EGP510 million (€24 million) on a debt and cash free-basis. Together with the previously announced agreement to acquire a control position in another plant near Cairo, this further expands our production network in the fast growing Middle East region. We anticipate completion of these acquisitions towards the end of the second quarter.

Consumer Packaging benefited from the ongoing initiatives to improve the product mix and the programme launched in the second half of 2017 to restructure the cost base, although near term performance continues to be held back by declining volumes in personal care components and the generally challenging trading conditions. In continuing to drive performance by aligning capacity to current market requirements, we initiated a consultation process in April 2018 regarding a plan to cease production at our consumer goods packaging plant in Scunthorpe (UK) by the end of the year, while continuing to serve our customers from our other plants.

Uncoated Fine Paper continues to perform strongly, although the first quarter was impacted by ongoing cost pressures, the extended maintenance shut at our Richards Bay mill and a lower forestry fair value gain, which more than offset the benefit of higher average selling prices during the quarter. As a result of continued cost pressures, price increases were implemented on our range of uncoated fine papers from the end of March 2018. While difficult to estimate, should the strength in the South African rand and current timber export pricing levels prevail, we would expect a lower forestry fair value gain in 2018 than recorded in the previous year.

Capital investment projects

We are making good progress on our previously announced major capital investment projects at our Steti (Czech Republic), Ruzomberok (Slovakia) and Syktyvkar (Russia) mills and the smaller expansionary projects at a number of our packaging operations. Technical challenges remain in the ramp-up of our rebuilt paper and inline coating machine at Steti.

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 and lower net debt at the end of the quarter compared to restated[1] net debt as of 31 December 2017.

Finance charges were lower than the comparable prior year period, primarily due to the redemption of the 5.75% €500 million Eurobond on maturity in April 2017.

In April 2018, we issued a 1.625% €600 million Eurobond with an 8-year term under our Euro Medium Term Note Programme, thereby extending the Group's maturity profile and ensuring strong liquidity.

Standard & Poor's upgraded the Group's credit rating to BBB+ (stable outlook) from BBB, while we retained our Baa1 (stable outlook) credit rating by Moody's Investors Service.

Outlook

Our outlook for the business remains positive. We continue to experience a strong pricing environment in a number of our key product segments, supported by good demand growth, although we do continue to see inflationary cost pressures across the Group and currencies are currently a headwind. With our robust business model, clear customer focus and culture of driving performance, we remain confident of sustaining our track record of delivering value accretive growth.

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

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Conference call dial-in details

Please see below details of the dial-in conference call that will be held on 16 May 2018 at 7:30 (UK) and 8:30 (SA).

The conference call dial-in numbers are:

South Africa	0800 980 520
UK	0800 279 7204
Other	+44 330 336 9411

Conference code: 4677705

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 May 2018. The dial in details are:

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

Pin number: 4677705

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 €1.44 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.