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 Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority.

Mondi Group: Trading update 13 October 2016

This trading update provides an overview of our financial performance and financial position since the half year ended 30 June 2016. These results have not been audited or reviewed by our 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 2016 up to the date of this statement.

Group performance overview

Underlying operating profit for the third quarter of 2016 of €227 million was 3% above the comparable prior year period (€221 million). As anticipated, generally lower average selling prices and a significantly lower fair value gain on forestry assets resulted in a 12% reduction in underlying operating profit from the second quarter of 2016 (€259 million).

On a like-for-like basis, sales volumes of our key paper grades were in line with the comparable prior year period.

Of our key input costs, wood and chemical costs remained stable during the period. Energy costs were down on the comparable prior year period due to lower energy prices and the benefits of various energy efficiency investments. While we continue to benefit from the energy investments completed in 2015 at Swiecie, prices achieved for green energy resulting from these investments were significantly lower than both the comparable prior year period and the second quarter and remain under pressure going into the fourth quarter. The average cost per tonne of paper for recycling was up 8% on the comparable prior year period and up 10% on the second quarter. Polyethylene prices were down on the comparable prior year period and stable on the second quarter.

While generally weaker compared to the third quarter of 2015, the emerging market currencies in which we operate were relatively stable to stronger versus the Euro when compared to the second quarter of 2016.

We completed planned maintenance shuts at our Swiecie (Poland) and Ruzomberok (Slovakia) mills during the quarter. The estimated impact on operating profit was around €20 million (€35 million in Q3 2015) and we continue to estimate that the full year impact of planned maintenance shuts will be around €70 million (2015: €90 million). In the fourth quarter, maintenance shuts are planned at the Richards Bay mill (South Africa) and at our kraft paper operations, with an estimated impact on operating profit of around €30 million (Q4 2015: €20 million). In 2015, the Richards Bay shut took place in the first quarter.

Divisional overview

In **Packaging Paper**, average benchmark European virgin containerboard prices were similar to the previous quarter but over 7% down on the comparable prior year period. Supported by sustained good demand and a strong order position, a price increase of €20/tonne was implemented in August across all European markets excluding southern Europe, partly offsetting the price erosion seen over the course of the first half of the year. Average benchmark recycled containerboard prices were down by around 3% versus the previous quarter and around 7% down on the comparable prior year period.

Average kraft paper prices were marginally down versus the previous quarter and around 8% down on the comparable prior year period. During the quarter we announced a €60/tonne increase in sack kraft paper for all European markets and an 8-12% increase in export markets.

In the Industrial Bags segment of **Fibre Packaging**, while European markets remain robust, the business continued to be negatively impacted by challenging market conditions in the US and CIS. The fourth quarter will be impacted by the usual seasonal slowdown in demand. Corrugated Packaging achieved good organic volume growth, supplemented by the acquisition of SIMET S.A. earlier in the year. On 10 October 2016, we announced the acquisition of a corrugated packaging facility in Russia (LLC Beepack) for a consideration of RUB2,825 million (€41 million) on a cash and debt free basis, supporting the ongoing development of our Corrugated Packaging business in central and eastern Europe.

During the third quarter, we concluded the acquisitions of Kalenobel (Turkey) and Uralplastic (Russia), supporting the growth of our **Consumer Packaging** business. While the integration of these businesses is progressing, a small net charge to operating profit in the second half of 2016 is expected from these acquisitions due to the effects of acquisition accounting and transaction costs.

Benchmark European **uncoated fine paper** prices were down by around 1% versus the previous quarter and marginally down on the comparable prior year period. In Europe, prices were under pressure through the quarter from a combination of seasonally weak demand and an increase in imports, but recent indications are that pricing has stabilised as order books strengthen into the seasonally stronger winter months. Pricing in the CIS markets remains stable. The marginal strengthening of the rouble in the quarter gave rise to translation gains for our domestically focused Russian uncoated fine paper operations.

In our **South Africa Division**, the notable strengthening of the rand in the quarter and the continued weakness of the USD pulp price (down 16% on the comparable prior year period and down 3% on the previous quarter) negatively impacted the profitability of the export oriented pulp and containerboard operations. Forestry gains of €8 million were significantly lower than those recognised in the first half of the year (€48 million).

Capital investment programme

We continue to make good progress on our previously announced major capital investment projects at our high-quality, low-cost operations in central Europe and South Africa.

At our Richards Bay mill (South Africa) the projects to upgrade the woodyard and provide capacity to produce unbleached kraftliner are nearing completion with planned project tie-ins to be completed during the maintenance shut in October.

As a result of lower prices for green energy in Poland and the slower than anticipated ramp-up of the paper and in-line coating machine at Steti (Czech Republic), the incremental operating profit contribution in 2016 from our capital investment programme is now estimated to be €50 million (previously €60 million).

Cash flow

Strong cash generation from operating activities largely offset the cash outflows related to our capital expenditure programme, acquisitions totalling €132 million and payment of the interim dividend. Net debt increased during the quarter to €1,560 million (30 June 2016: €1,491 million).

Outlook

We expect to benefit from stable to higher selling prices in a number of key product segments as we move into 2017 following the downward pressure seen over the course of 2016. Costs remain generally stable, albeit with near-term pressure in certain areas. Our ongoing capital investment programme continues to deliver strong returns. With our clear strategy, robust business model and culture of continuous improvement, we remain confident of continuing to deliver an industry leading performance.

Contact details

Mondi Group

David Hathorn	+27 11 994 5418
Andrew King	+27 11 994 5415
Lora Rossler	+27 83 627 0292

FTI Consulting

Richard Mountain	+44 7909 684 466

Conference call dial-in details

Please see below details of our dial-in conference call that will be held on 13 October 2016 at 8:00 (UK) and 9:00 (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 October 2016. Dial in: +27 (0)11 305 2030,

Pin no: 53656#

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 2015, Mondi had revenues of €6.8 billion and a return on capital employed of 20.5%.

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, super-strong 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