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 JSE Listings Requirements and/or the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

Mondi Group: Interim Management Statement 6 November 2013

This interim management statement provides an update on the financial performance and financial position of the Group since the half-year ended 30 June 2013, based on management accounts up to 30 September 2013 and estimated results for October 2013. These results have not been audited or reviewed by Mondi's external auditors.

Audited results for the year ending 31 December 2013 will be published on or around 28 February 2014.

Except as discussed in this interim management statement, there have been no significant events or transactions impacting either the financial performance or financial position of Mondi Group since 30 June 2013 up to the date of this statement.

Group Performance Overview

Underlying operating profit of €172 million for the third quarter ended 30 September 2013 was 25% above the comparable prior year period (€138 million), the result of improved market conditions in Packaging Paper and the South Africa Division and the benefits from the acquisitions completed towards the end of 2012.

As previously announced, the performance for the quarter was impacted by the planned annual maintenance shuts at a number of the Group's larger operating sites. During the quarter, around half of the maintenance shuts scheduled for the second half of the year were completed, primarily at the Group's large European containerboard and uncoated fine paper mills. The balance of the planned shuts will take place during the fourth quarter. As previously indicated, the negative impact of these shuts on the second half 2013 underlying operating profit when compared to the first half is estimated at around €50 million to €60 million.

Sales volumes were broadly in line with the comparable prior year period (adjusted for acquisitions), but below the previous quarter due to the scheduled maintenance shuts and seasonally weaker demand for uncoated fine paper. The business benefited from increased recycled containerboard prices during the period, with other key packaging and uncoated fine paper prices remaining at similar levels to the previous quarter. Towards the end of the quarter, modest price declines were seen, particularly in virgin containerboard grades, uncoated fine paper and hardwood pulp.

The net impact of currency movements on underlying operating profit in the third quarter was limited. The Group generally benefited from weaker emerging market production currencies to which it is exposed. These gains were largely offset by the effects of a stronger euro versus the US dollar impacting profitability of US dollar denominated exports.

Divisional Overview

Europe & International

As anticipated, profitability of **Packaging Paper** was impacted by the effects of the planned annual maintenance shuts at the Group's key containerboard mills during the period.

Selling price increases were achieved in recycled containerboard grades during the quarter and further price increases have been announced to take effect in the final quarter of the year. European virgin containerboard prices were similar to the previous quarter but have come under modest pressure from increased imports on the back of the weaker US dollar and substitution by lower priced recycled grades.

In kraft paper, European pricing and sales volumes remained relatively stable throughout the quarter. While the important export markets also continued to perform well, the combined effects of increasing competition from other exporters to these regions and softer demand, caused by political unrest in certain of the important Middle-East and north African markets, is a concern going into 2014.

In the **Fibre Packaging** business unit, corrugated packaging remains under pressure from rising paper input costs. We expect to recover these input cost increases with the usual lag. In industrial bags, good cost control largely offset moderate selling price pressure in the third quarter. The fourth quarter will be impacted by the usual seasonal slowdown. The coatings business remains challenged by increased competitor capacity and weak demand, particularly in industrial applications.

Consumer Packaging is benefiting from further realisation of planned synergies related to the Nordenia acquisition in late 2012 and other cost reduction initiatives. We are however experiencing some volume and margin pressure in western Europe.

Uncoated Fine Paper was impacted during the third quarter by the planned maintenance shuts at the Syktyvkar and Ruzomberok mills and the usual seasonal slowdown in demand. The recent increases in capacity in both France and Russia in the face of the ongoing structural decline in demand in western Europe and cyclically softer demand in Russia remain a concern. Benchmark prices at the end of the quarter were around €10 per tonne lower than at the close of the previous quarter. The business benefited from ongoing cost management, particularly in the Russian forestry operations, with average wood costs continuing to decrease.

During the quarter, unutilised assets amounting to €9 million in the Syktyvkar mill were written off, recorded as an operating special item.

South Africa Division

The Division has benefited from strong domestic demand, with both sales prices and volumes increasing during the quarter, as well as the weaker South African rand. The business was, however, negatively affected by lower average benchmark hardwood pulp prices towards the end of the quarter. The maintenance shut at the Richards Bay mill took place during October.

Capital investment projects

Good progress is being made on the Group's major capital investment projects. The new recovery boiler at Frantschach was commissioned during the quarter, while the new steam turbine at Richards Bay and steam turbine and recovery boiler economiser at Stambolijski are on track for completion by the end of the year. The other major projects are on schedule for completion during 2014 and 2015. In September the Boards approved a €166 million investment at the Mondi Swiecie mill in Poland, bringing forward the planned replacement of the recovery boiler and the mill's coal fired boilers. Expected to be completed early in 2016, the new recovery boiler and conversion of the existing recovery boiler to a biofuel boiler will result in a reduction in ongoing maintenance costs, an improvement in overall energy efficiency, a reduction in CO_2 emissions and provide the mill with future potential capacity expansion opportunities.

Financial position

Net debt of €1,761 million at the end of the quarter reflected a decrease of €83 million from €1,844 million at 30 June 2013. The Group benefited from strong operating cash inflows, offset in part by the expected ramp-up in capital expenditure and outflows from financing activities, most notably the interim dividend in September.

Finance charges were similar to those of the previous quarter and above the comparable prior year period, reflecting the higher average net debt as a consequence of the acquisitions completed in the fourth quarter of 2012.

The average maturity of the Group's committed debt facilities at 30 September 2013 was 3.8 years. The Group had €797 million of committed, unutilised borrowing facilities available at 30 September 2013.

Summary

Management remains confident of delivering in line with its expectations for the full year.

The current low-growth environment, coupled with increased competition in certain areas of the business presents some challenges going into the new year. However, this is balanced by the expected benefits from the capital expenditure programme currently underway, further synergies from the large acquisitions made in 2012, and ongoing cost containment initiatives. Ultimately, the outlook for 2014 remains dependent on the nature and extent of the macroeconomic recovery and related demand for the Group's key products.

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Editors' notes

Mondi is an international packaging and paper Group, with production operations across 30 countries and revenues of €5.8 billion in 2012. The Group's key operations are located in central Europe, Russia, the Americas and South Africa and as at the end of 2012, Mondi employed 25,700 people.

Mondi Group is fully integrated across the packaging and paper value chain, from the growing of wood and the production of pulp and paper (packaging paper and uncoated fine paper), to the conversion of packaging paper into corrugated packaging, industrial bags, extrusion coatings and release liner. Mondi is also a supplier of innovative consumer packaging solutions, advanced films and hygiene products components.

Mondi Group 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. The Group has been recognised for its sustainability through its inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index since 2007. The Group was also included in the Carbon Disclosure Project's (CDP) Carbon Disclosure Leadership Index for the third year and in CDP's Carbon Performance Leadership Index (CPLI) for the first time in 2012.

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