



## **MONDI LIMITED AND MONDI plc – 2017 ANNUAL GENERAL MEETINGS**

### **ADDRESS TO SHAREHOLDERS BY THE JOINT CHAIRMEN AND CHIEF EXECUTIVE OFFICER**

#### **Fred Phaswana, Joint Chairman, speaking from Johannesburg:**

Good morning, ladies and gentlemen. On behalf of the boards of Mondi Limited and Mondi plc, we welcome you to the Annual General Meetings of the Mondi Group. We are very pleased that you are again joining us here in Johannesburg and there in London. As is custom at our meetings, although we're on separate continents with the use of modern technology, David Williams and I, and our fellow board directors, take great pleasure in being able to talk to you this morning, as one.

As you know, we share the chair of the Mondi Group and David Williams and I would both like to say a few words about Mondi's progress over the last year. I will then report on the social and ethics committee before your chief executive, David Hathorn, reviews the Group's performance and strategy in a little more detail and updates you on the Group's trading update that we published earlier today.

After this we will be delighted, as a board, to take your questions.

As you know David Hathorn announced his retirement in February and is standing down as Group chief executive officer and as a director of Mondi Limited and Mondi plc at the conclusion of this Annual General Meeting. Peter Oswald then assumes full responsibility as your Group chief executive officer. I would like to recognise the immense contribution David has made to Mondi and the instrumental role he has had in the group's growth and success over many years. I thank him for his excellent leadership and also wish Peter Oswald much success in the future.

Let me now introduce you to your directors.

To my immediate left is David Hathorn, your chief executive officer. Next to him is Philip Laubscher, company secretary of Mondi Limited. And on his left is Andrew King, your chief financial officer.

With David Williams in London, we have John Nicholas, an independent non-executive director and chair of the DLC audit committee. Anne Quinn, our senior independent director and chair of the DLC remuneration committee and beside her Jenny Hampshire, company secretary of Mondi plc.

To David's right, we have Peter Oswald, chief executive officer designate. Dominique Reiniche, an independent non-executive director and, finally, our new independent non-executive director Tanya Fratto.

Unfortunately, due to illness, Stephen Harris, who would have joined us today in Johannesburg, is not able to attend. We send him our best wishes.



For the benefit of our new shareholders I should point out that, although the dual listed company structure means that Mondi Limited in South Africa and Mondi plc in the UK are separate corporate entities, each with its own board and shareholders, Mondi operates as a single corporate group, managed as a single economic enterprise. The two companies have the same board members and the same management team. The DLC structure means that shareholders in each company fully share in the performance of the Group as a whole.

Mondi again delivered excellent results and its strong financial performance and strong cash generation, enabled the group to continue to strengthen its financial position in 2016.

Given this solid performance we are pleased to continue to offer shareholders long-term dividend growth within the targeted dividend cover range of two to three times, on average, over the cycle. The Boards have recommended a final dividend of 38.19 euro cents per share. If approved, this dividend, together with the interim dividend, amounts to a total for the year of 57 euro cents per share, an increase of 10% from 2015.

Before I hand over to David Williams, I would just like to highlight a few areas.

At the end of 2016 Mondi employed some twenty five thousand people across more than thirty countries, with a particularly strong presence in central Europe, Russia, North America and South Africa. Often, we are the single largest employer in the areas in which we are located and with this comes a great responsibility, which we take very seriously. We want Mondi to be a sustainable, socially-responsible business that makes a real and lasting contribution to the communities within which we operate.

In 2016 we contributed eight million euros to corporate social investment projects and charitable donations with a focus mainly on education and health in our communities.

Here in South Africa, we continue to support the government's policy of broad-based black economic empowerment, which influences many of our employment and procurement practices.

Collaboration is fundamental to the way we do things and we work with many partners to find solutions to challenges and make progress together.

All of these developments are covered in detail in our integrated report and the sustainability section on our website, additional copies of our reports are available today – or you can download these from our web site.

With that, I'd like to hand over to my co-chairman, David Williams, in London. David.

**David Williams, joint chairman speaking from London:**

Thank you, Fred.

I would also like to take this opportunity to welcome you to the Mondi Annual General Meetings.

We would firstly like to welcome Tanya to our Boards following her appointment as a non-executive director earlier this year. Having served on the Boards since 2007, Anne will step down at the conclusion of these Annual General Meetings. We are extremely grateful to Anne



for her very valuable contribution to the Boards and committees and in her role as senior independent director, and we wish her well for the future.

Fred has explained the board structure and we are confident that our strong and effective governance framework is providing the right level of oversight and challenge to maintain an effective relationship with management in the best interests of you, our shareholders.

It is important to us that the Boards and the Group as a whole engage with the spirit of good governance, operate from a robust ethical foundation and demonstrate strong corporate values.

Creating lasting shareholder value is at the heart of Mondi's strategy and its success is closely linked to a highly disciplined and responsible approach to value enhancing growth, continuous productivity, quality improvement, cost optimisation and customer-led innovation.

In 2016 the Group continued to invest in its future, making good progress on major capital projects and completing acquisitions to grow our Consumer Packaging business in Turkey and Russia and our Corrugated Packaging business, in Poland and Russia.

Safety remains an area of unwavering focus across our operations and we are pleased to report that we had no fatalities in 2016. However, we were deeply saddened by the fatality of a contractor in our South African forestry operations in February 2017. Our goal of zero harm remains a key objective for the business and we are fully committed to making it a reality. Sustainable development is a key component of our long-term profitable growth and during the course of the year we implemented our new growing responsibly model with 10 action areas, each supported by specific commitments to 2020 (2030 for climate change).

The passion and competence of Mondi's people at all levels of the organisation enable our plans to become a reality in a profitable way. We extend our sincere thanks to each and every person at Mondi who contributed to making 2016 another great year for us.

Before I hand you back to South Africa I would also like to say a few words to thank David Hathorn as he retires from the Group.

The Boards are extremely grateful to David for his contribution to Mondi. He has led the Group through major change, most notably in the establishment of Mondi as an independently listed group in 2007. Since then the market capitalisation of the Group has more than quadrupled, with a compound annual return to shareholders of over 18%. David, thank you for all your efforts and we wish you all the best for the future.

We are of course delighted to have someone of Peter Oswald's calibre and experience succeed David as CEO. Peter has held various leadership roles in Mondi including serving as an executive director and chief executive officer of the Europe & International division since January 2008. He is a proven leader with an intimate knowledge of our business, having been involved in the development of much of what comprises the group today and will bring continuity and his own dynamism to the role.

As required by South African regulation, Fred will now provide the report on the activities of the social and ethics committee. Fred.

**Fred Phaswana, joint chairman, speaking from Johannesburg:**



Thank you, David.

During the past year the committee focused on monitoring Mondi Limited's compliance with the various obligations under the South African companies act.

This included the areas of corporate citizenship which covers community development and corporate social investment initiatives, employment equity and broad-based black economic empowerment, labour and employment matters, consumer relations, environment, health and public safety and anti-corruption.

I am pleased to report a high level of compliance with statutory requirements and good progress with the many community-focused initiatives undertaken during 2016.

I would now like to go through just a few of the 2016 highlights.

An independent assessment confirmed that we retained our level three contributor status for another year under the generic broad based black economic empowerment codes.

Mondi Zimele, our small business development organisation, has been involved in the creation of some 2,800 jobs to date, mainly in rural areas.

87.1% of our employees received training as part of a continued investment in skills development.

In the environmental area, we reviewed Mondi Limited's performance relating to carbon dioxide emissions, carbon based energy consumption, the use of renewable energy and electrical self-sufficiency.

Further details of Mondi's approach, progress made and our many positive initiatives are provided in the group's integrated report and the printed and on-line sustainability reports.

I now hand you to your chief executive David Hathorn, David.

**David Hathorn, chief executive officer speaking from South Africa:**

Thank you, Fred.

In 2016 Mondi delivered another strong performance building on our track record of continuous improvement in profitability over the last five years.

Underlying operating profit was up 3% to 981 million euro and our return on capital employed was 20.3 percent.

We saw good contributions from all our businesses despite pricing headwinds in a number of key paper grades.

We completed four acquisitions totalling 185 million euro in 2016, to enhance our cost position, generate synergies through integration and enhance our product offering and geographic reach.



In February 2017 we announced the acquisition of Excelsior Technologies Limited in the UK, further supporting the development of our consumer goods packaging business in high-growth product applications.

We made considerable progress in driving growth through our capital investment programme, delivering incremental operating profit of around 50 million euro in 2016 from recently completed capital projects, with a further 30 million euro anticipated in 2017.

The second phase of our project at Świecie in Poland was successfully commissioned although at our Štětí mill in the Czech Republic, the ramp-up of our rebuilt paper and inline coating machine has been slower than anticipated. We have allocated additional capital to meet quality requirements that are higher than the original project specifications.

Towards the end of 2016 we completed the upgrade of the woodyard at our Richards Bay mill in South Africa, significantly improving efficiencies and reliability at the mill and in our forestry operations. Our investment to produce unbleached kraftliner, in addition to white-top kraftliner, gives us the opportunity to supply our customers with a wider product range.

We have a strong pipeline of large projects over the next few years, including the new kraft top white machine at Ružomberok. This project remains subject to obtaining approval of tax incentives from the European Commission and necessary permitting.

During 2016, the Boards approved a new woodyard and bleaching line modernisation at Štětí and in January 2017, the replacement of the recovery boiler and the rebuild of the fibre lines, the debottlenecking of the paper machines and an investment in a new machine glazed speciality kraft paper machine was approved. The pulp mill modernisation is underway, while the new paper machine project also remains subject to obtaining tax incentives and necessary permitting.

The group continues to be strongly cash generative with cash generated from operations well exceeding one billion euro.

I would now like to briefly summarise the main points from our trading update made earlier today.

Our first quarter underlying operating profit was 252 million euro, 6% down on the comparable prior year period, but up 12% on the fourth quarter of 2016.

Strong sales volume growth was more than offset by a significantly lower forestry fair value gain, inflationary cost pressures and lower average selling prices.

Sales volumes grew across our Packaging Paper, Fibre Packaging and Consumer Packaging business units compared to Q1 2016.

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.

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.

In closing, I would like to say a personal thank you to our shareholders for your support over many years, to the Mondi Boards for your guidance and active role, and to all my colleagues whom I have enjoyed working with so much. I have no doubt that Mondi will continue successfully under Peter Oswald's leadership. My very best wishes go to you all.

Now I would like to hand you back to our joint chairman, David Williams. David