



# UBS Basic Materials Conference

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10 June 2009

# Mondi at a glance



	Corrugated	Bags & Specialities	UCF	South Africa	MPSA	Newsprint and merchant
<b>Sales 2008 (1)</b>	€1.6B	€2.1B	€1.6B	€0.6B	€0.5B	€0.6B
<b>EBIT %</b>						
<b>Products</b>						
<b>Positions in relevant markets</b>	<ul style="list-style-type: none"> <li>No. 2 Kraftliner<sup>(2)</sup></li> <li>No. 4 Corrugated Packaging</li> </ul>	<ul style="list-style-type: none"> <li>No. 1 Kraft Paper<sup>(2)</sup></li> <li>No. 1 Bag Converting<sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>No. 2 Office Paper<sup>(2)</sup></li> <li>No. 2 UFP<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>No. 1 kraftliner<sup>(5)</sup></li> <li>No. 1 in Office Paper and UFP<sup>(5)</sup></li> </ul>	<ul style="list-style-type: none"> <li>No. 1 Corrugated Packaging in SA<sup>(3)</sup></li> <li>No. 1 Rigid Plastics in SA</li> <li>No. 1 in Cartonboard in SA</li> </ul>	<ul style="list-style-type: none"> <li>No. 1 Newsprint in South Africa<sup>(2)</sup></li> <li>Leading Positions in Emerging Europe<sup>(4)</sup></li> </ul>

(1) Segment revenues, including inter-segment revenues. EBIT% before special items. (2) Based on production capacity, excluding new Portucel machine. (3) Based on sales. (4) Management estimate based on sales. (5) Based on capacity. Sources: RISI, Pöyry Forest Industry Consulting, Freedonia, BMI Foodpack, PAMSA, Mondi

## A creditable performance in challenging conditions



€ millions	2008	2007	% Change
Group Revenue	6,345	6,269	+1
EBITDA <sup>1</sup>	814	870	-6
Underlying Operating Profit <sup>2</sup>	441	502	-12
Cash inflow from operations	795	957	-17
Net debt	1,690	1,507	+12
Group ROCE <sup>3</sup>	9.5%	10.6%	-10

<sup>1</sup>EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

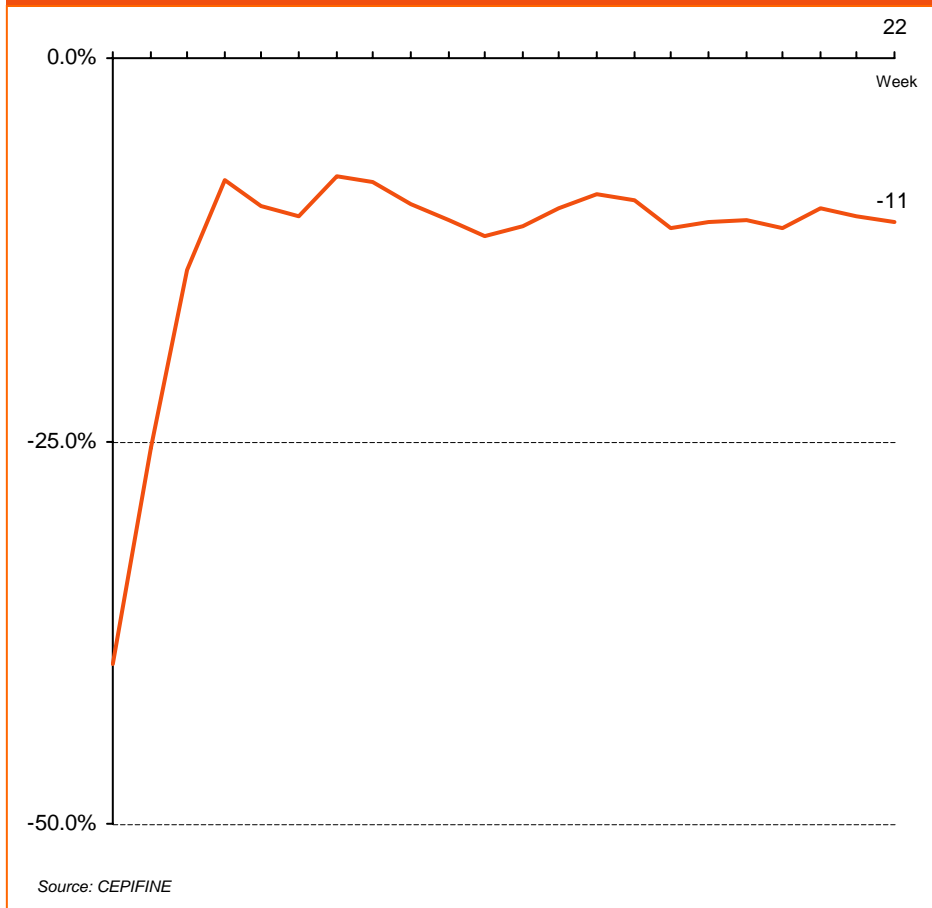
<sup>2</sup>Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.

<sup>3</sup>Group return on capital employed (ROCE) is an annualised measure based on underlying operating profit plus share of associates net earnings divided by average trading capital employed adjusted for assets not in use.

# Across Mondi's key grades, 2009 demand is weaker y-o-y but shows signs of recovery since early 2009 lows



UFP cumulative cut-size order inflow 2009 vs. 2008 (% growth)<sup>1</sup>



Weekly order book: total sack kraft paper (kt)<sup>2</sup>



<sup>1</sup>Note: Cumulative orders by European markets from CEPI countries (Finland, Sweden, Norway, Denmark, Belgium, Netherlands, U.K, Austria, Germany, Hungary, Poland, Slovakia, Switzerland, Italy, Spain, Portugal, France).

<sup>2</sup>Note: Order book made up of orders by all markets from CEPI countries.

# Industry is responding, albeit slowly: more action needed



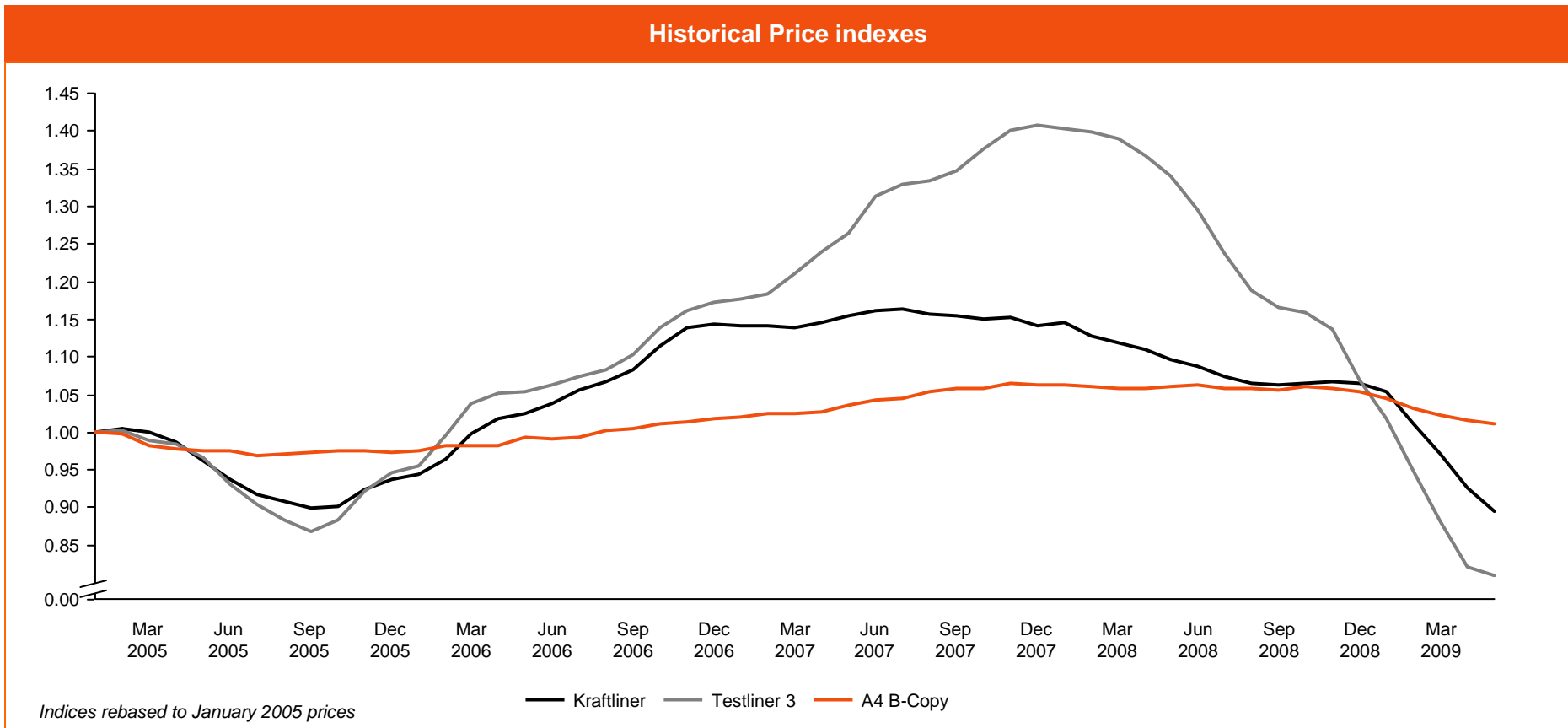
Grade	Announced Net capacity changes (kt) 2008	Announced Net capacity changes (kt) 2009 YTD	Announced Net capacity changes (kt) H2 2009 - 2010
<b>RCB (testliner / fluting)<sup>1</sup></b>			
New machines + rebuilds	660	260	1,520
Shutdowns	-425	-1,130	?
<b>Net capacity change</b>	<b>235</b>	<b>-870</b>	<b>1,520</b>
% of industry capacity	1%	-4%	7%
<b>VCB (Kraftliner)</b>			
<b>Net capacity change</b>	-	-	?
% of industry capacity	-%	-%	-%
<b>UCF</b>			
New machines + rebuilds	90	94	500
Shutdowns	-635	-647	?
<b>Net capacity change</b>	<b>-545</b>	<b>-553</b>	<b>500</b>
% of industry capacity	-6%	-6%	5%
<b>Kraft paper</b>			
New machines + rebuilds	20	-	-
Shutdowns	-	-305	?
<b>Net capacity change</b>	<b>20</b>	<b>-305</b>	<b>-</b>
% of industry capacity	1%	-12%	-%

Excludes Russia & CIS capacity changes and may not include all small (<50kt) capacity changes.

Source: RISI, EMGE, and Mondi estimates.

<sup>1</sup>Includes SAICA, Venizel (-90kt); Cartiera Cadidavid, La Veggia (-460kt) inactive since January 2009 but definitive closure not confirmed.

# Pricing under pressure as industry adjusts to softer demand environment



***How has Mondi responded to the downturn?***

## A strategy which remains very much intact



Leading market positions

**Build** on leading positions in packaging and Uncoated Fine Paper (UFP), particularly in **emerging markets**

High quality, low cost asset base

Maintain position as **lowest-cost producer** in our markets:

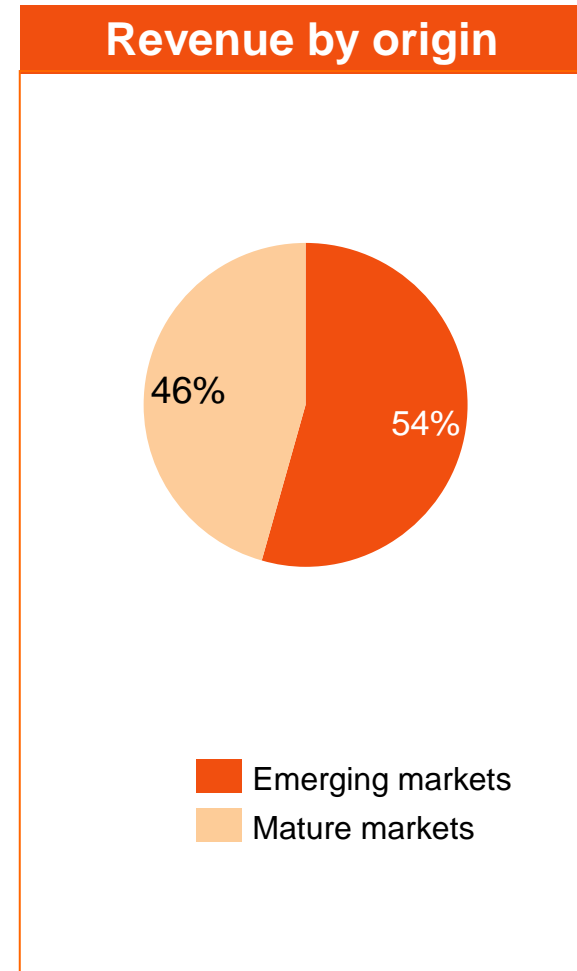
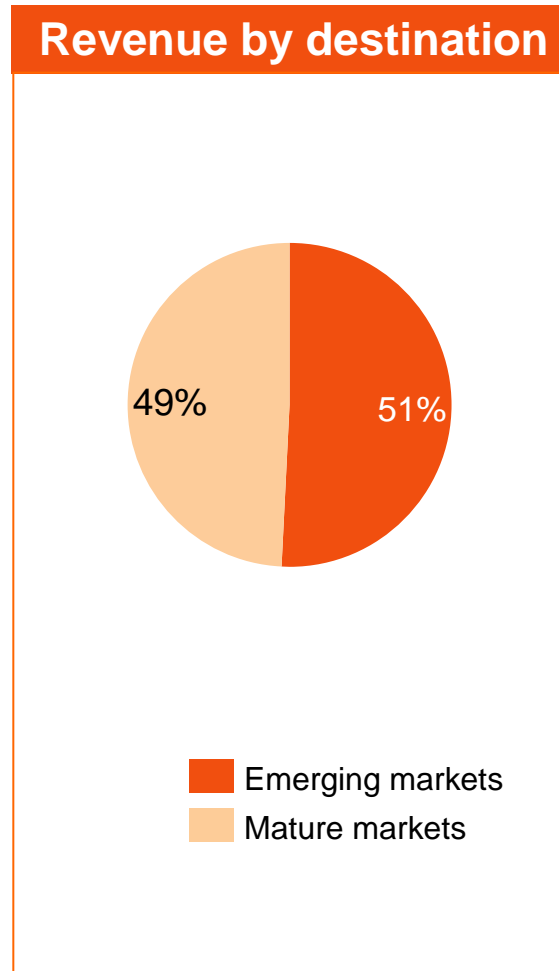
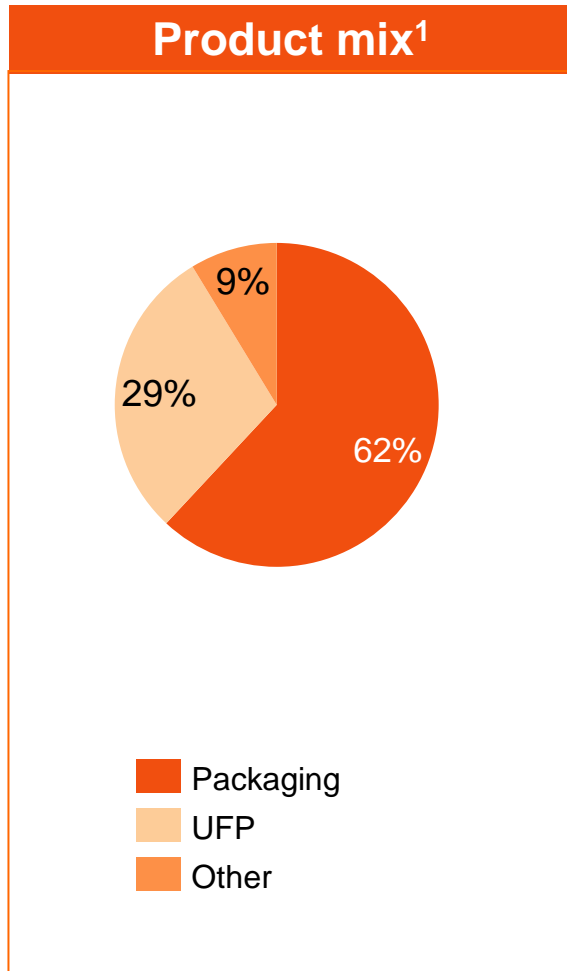
- Selectively investing in production capacity in lower-cost regions
- Exploiting benefits of upstream integration (including forestry)

Focus on performance

Focus on **continuous productivity improvement** and **cost reduction**, delivered through business excellence programmes and **rigorous asset management**



# Focus on packaging and UFP in emerging markets



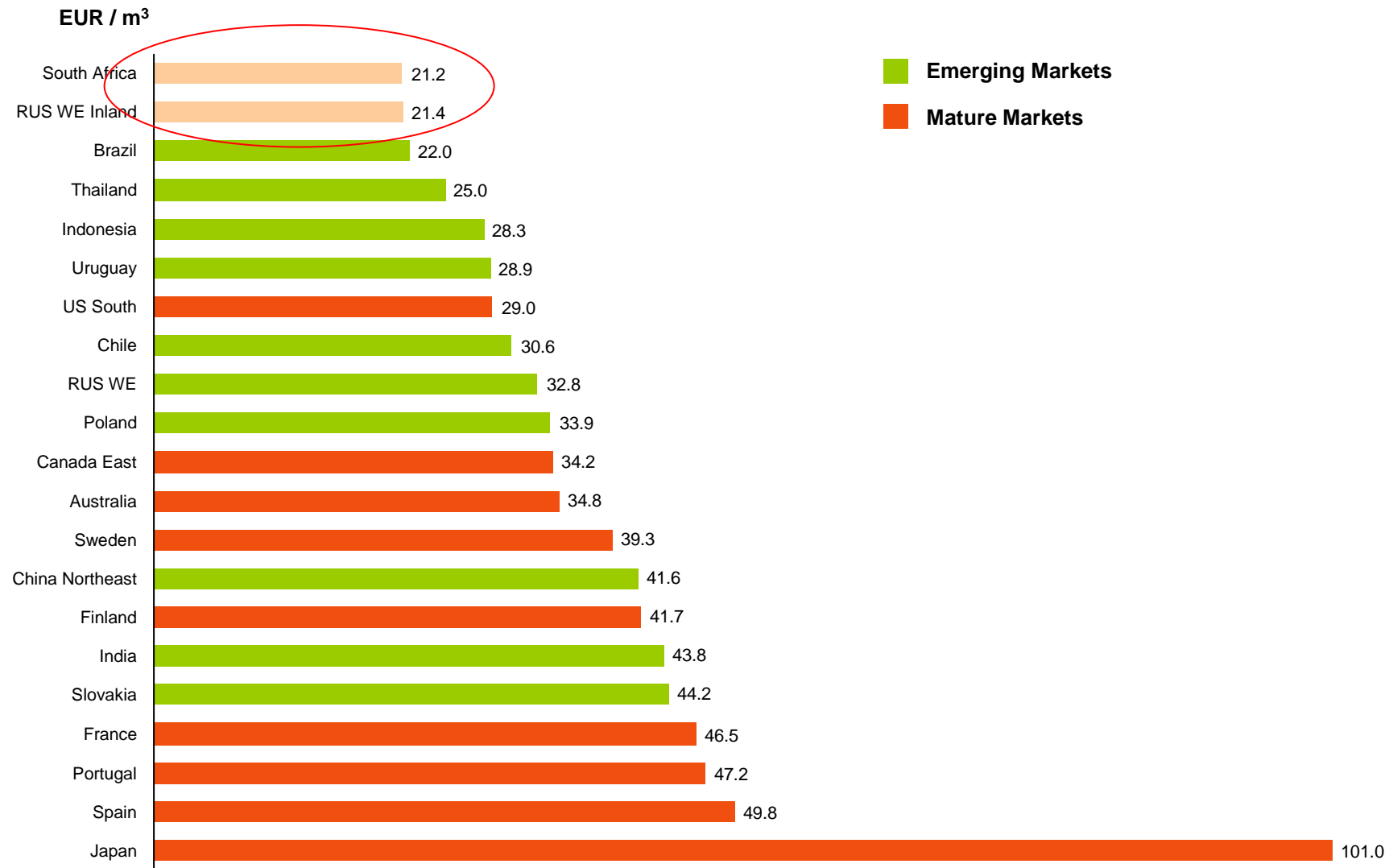
(1) Based on segment revenues, including inter-segment revenues.

## Emerging market asset base leads to low cost positions across the Group's main grades...



Grade	Percentage of Mondi Capacity in overall cost curve			
	1 <sup>st</sup> Quartile	2 <sup>nd</sup> Quartile	3 <sup>rd</sup> Quartile	4 <sup>th</sup> Quartile
WT Kraftliner	100%	-	-	-
Ubl. Kraftliner	95%	5%	-	-
Testliner	70%	8%	17%	5%
Kraft Paper	28%	35%	34%	3%
UFP (Universal)	55%	43%	2%	-
BHKP Pulp	100%	-	-	-

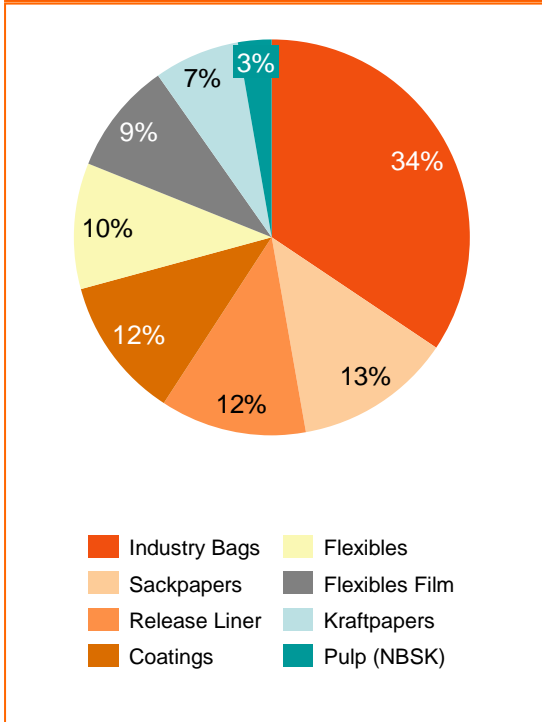
# Driven primarily by access to low cost wood (HW)



# In Europe, Mondi maintains a mix of industrial and end consumer customer exposure

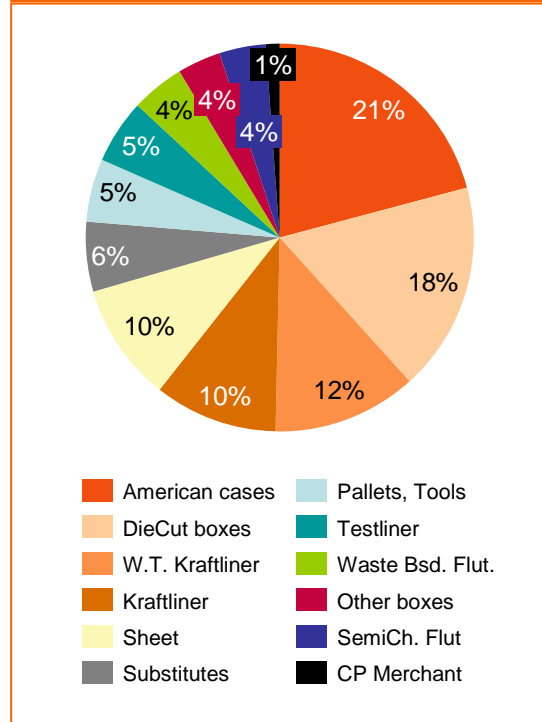


### Bags & Specialities<sup>1</sup>

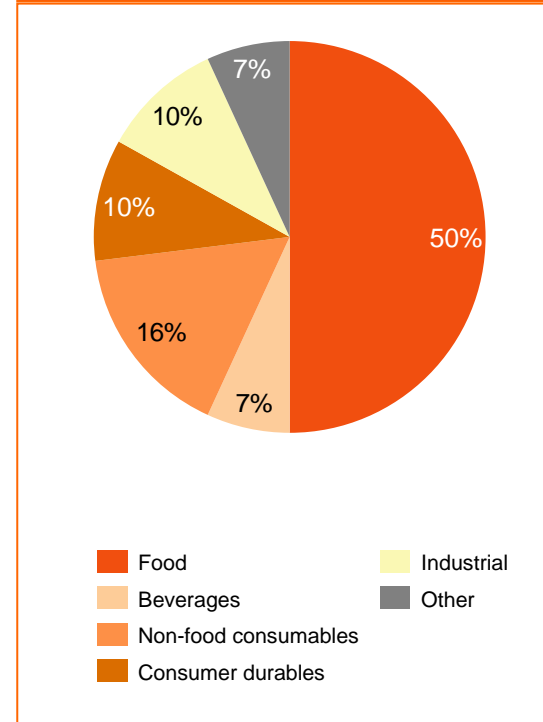


- ~60% Kraft paper sold in Europe
- ~60% Bags relates to building materials

### Corrugated<sup>1</sup>



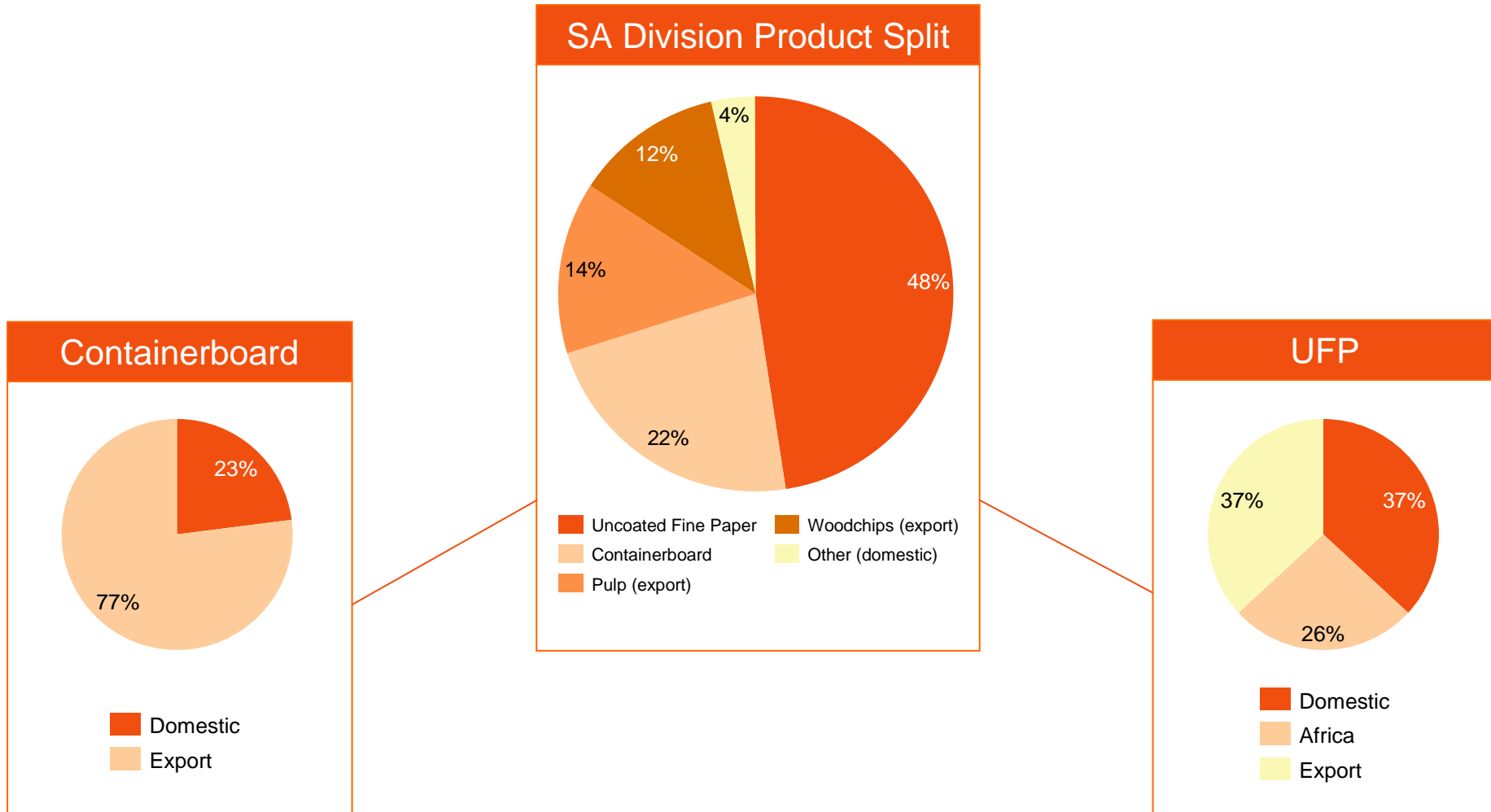
### Corr. packaging end use



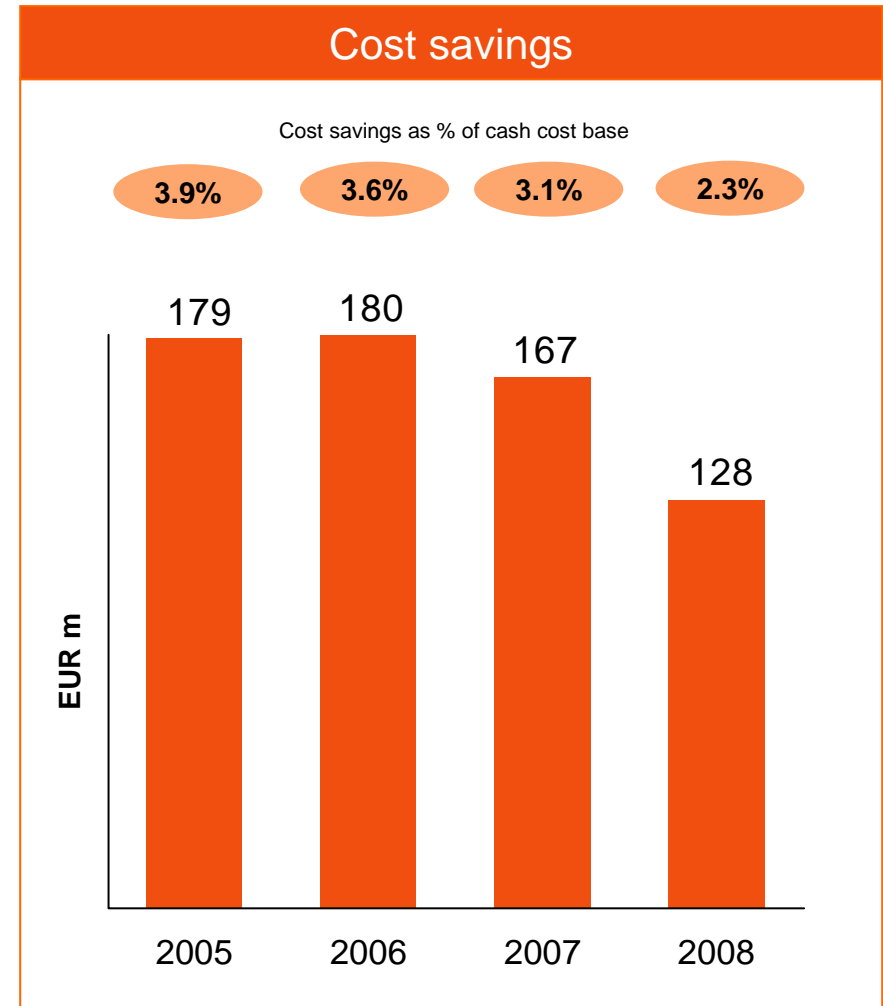
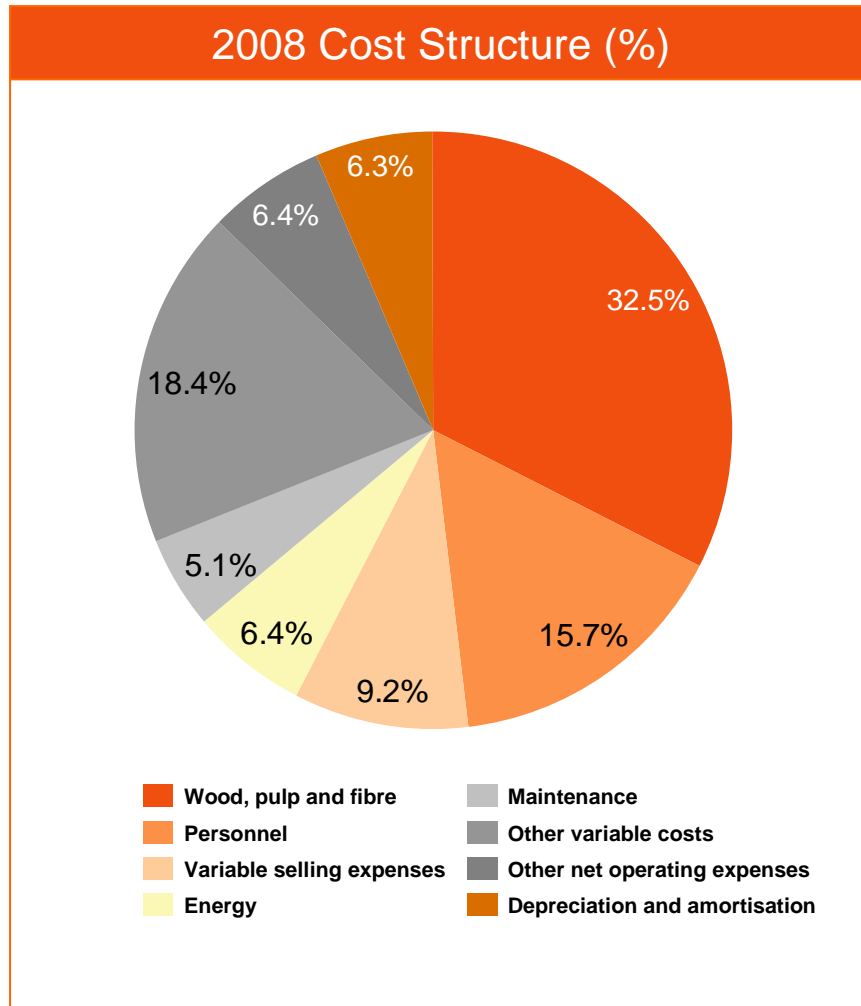
- 57% Corrugated Packaging exposure to the more resilient Food and Beverage sectors.

(1) Based on external revenue

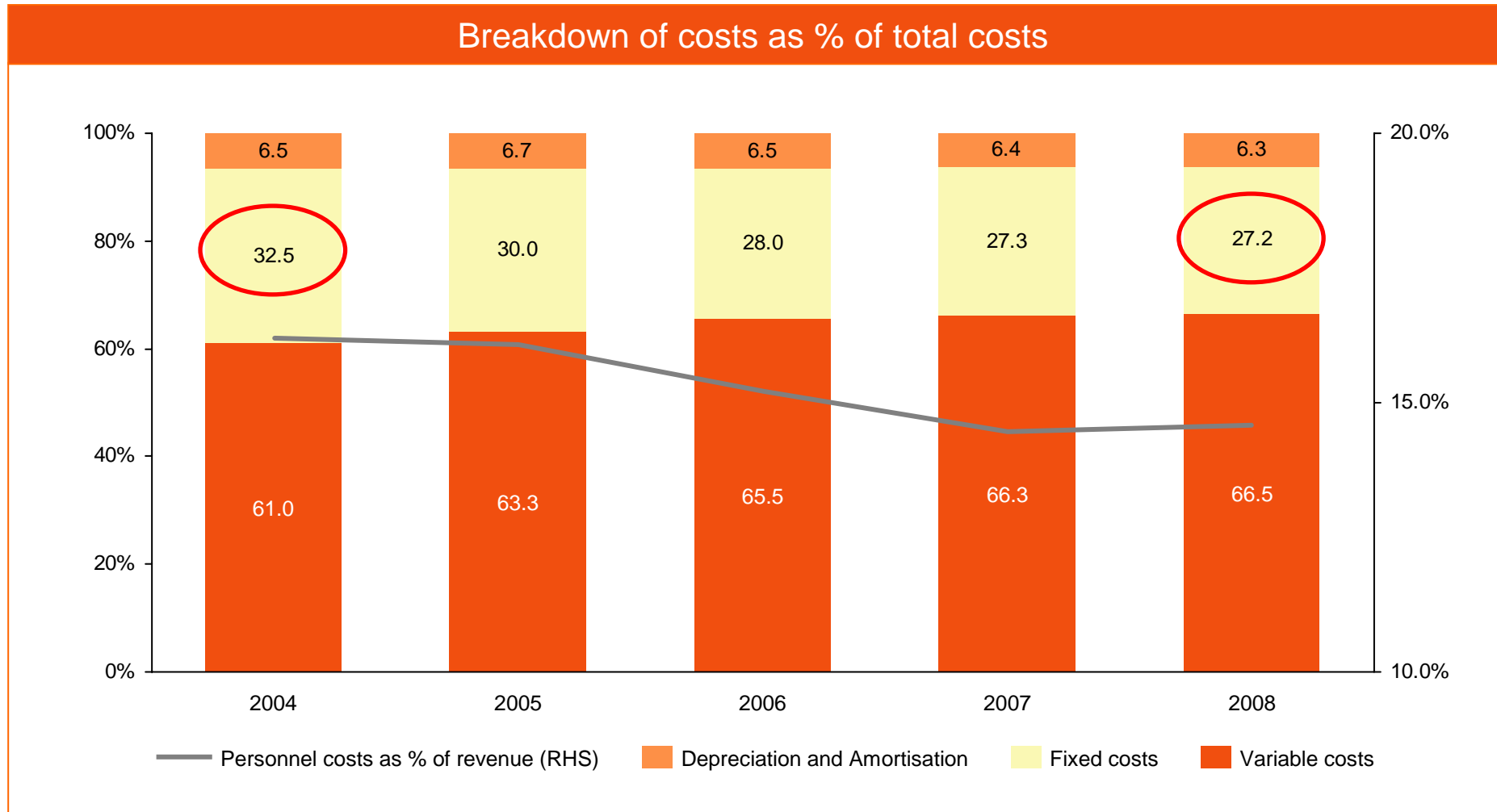
# Mondi's South Africa division is a key domestic and export producer



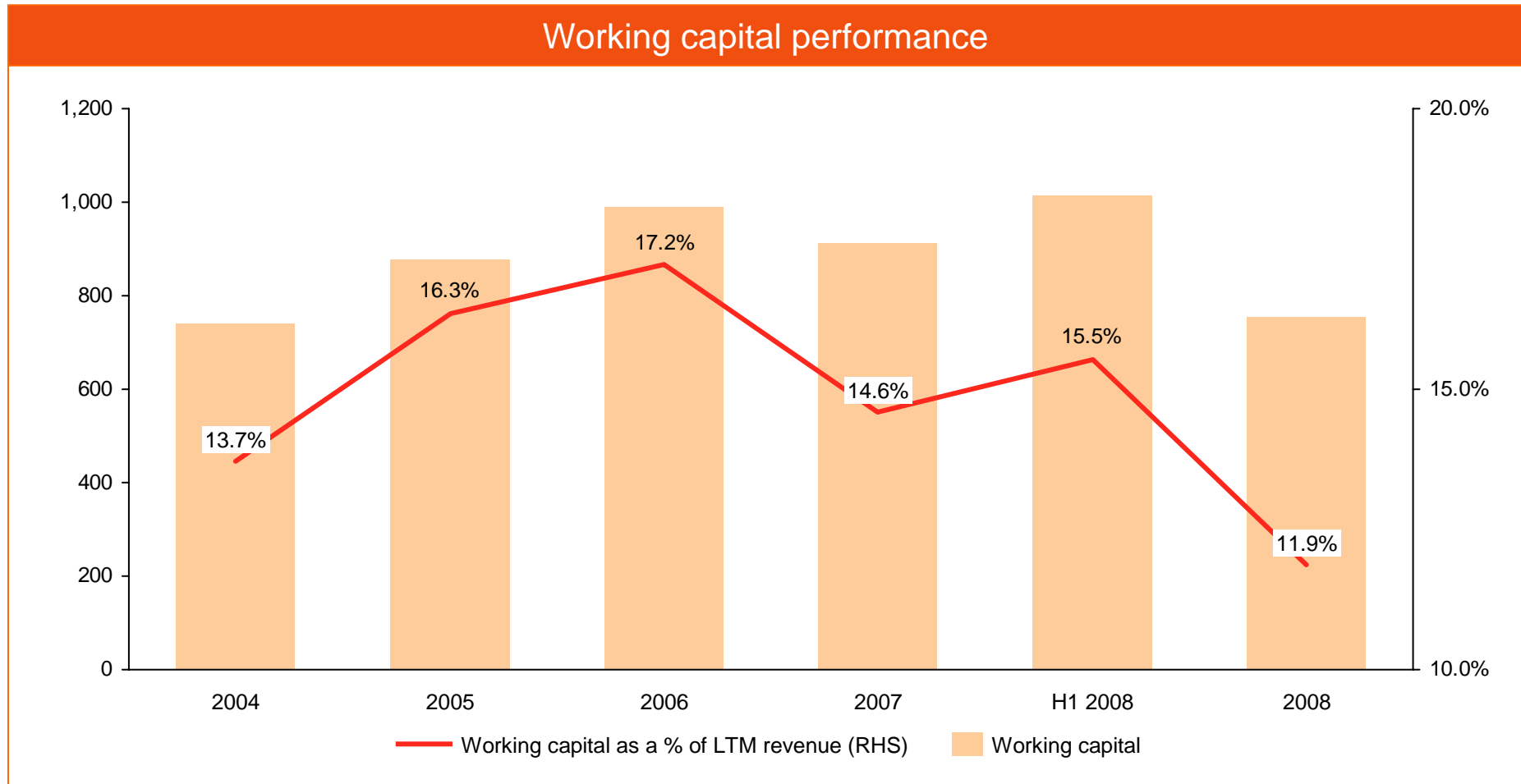
# The Group continues to focus on efficiency gains...



...resulting in a continuous reduction in fixed costs



# Action on working capital is taking effect



- In second-half of 2008 took downtime to balance inventories
- Q1 2009 working capital in line



# Mondi continues to rationalise its asset portfolio



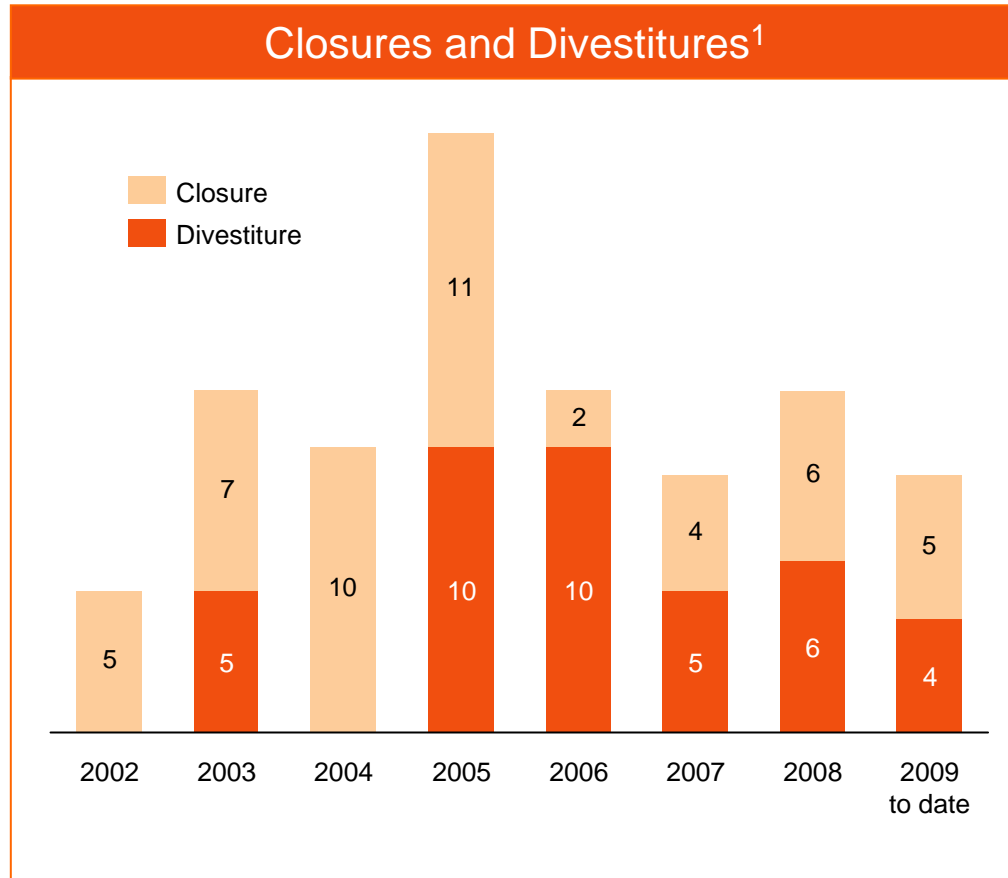
2008

Bags & Specialities	Corrugated	UFP
<ul style="list-style-type: none"> <li>● Closed Nyborg Bags &amp; Specialities plant in Denmark</li> <li>● Closed Zaragoza bag converting plant in Spain (55 million units)</li> <li>● Initiated restructuring of Finnish &amp; UK Coatings businesses</li> </ul>	<ul style="list-style-type: none"> <li>● Sold three sheet feeder plants (UK)</li> <li>● Sold Niedergösgen recycled containerboard mill in Switzerland (160,000 tonne)</li> <li>● Sale of two corrugated converting operations in France</li> <li>● Closed Holcombe (UK) recycled containerboard mill (110,000 tonne)</li> <li>● Initiated restructuring of Turkish corrugated businesses</li> </ul>	<ul style="list-style-type: none"> <li>● Hungary UFP mill closure (140,000 tonne) completed</li> <li>● European UFP reorganisation completed (Annualised €50m profit benefit)</li> </ul>

2009

<ul style="list-style-type: none"> <li>➤ Decided to mothball integrated Stambolijski kraft paper mill in Bulgaria (110,000tpa), and the Dynäs PM5 Kraft paper machine (75,000 tpa) in Sweden</li> <li>➤ Closed 4 bag converting plants in South Eastern Europe</li> </ul>	<ul style="list-style-type: none"> <li>➤ Sold St Quentin since year end (France)</li> <li>➤ Sale of two further corrugated converting plants in France</li> <li>➤ Closed one corrugated converting plant in UK</li> </ul>	
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# Cutting back to low cost, high quality, well invested asset base



~600,000 tonne high cost paper removed

- 14% reduction of Europe & International's capacity
- 5% reduction in average production cost per tonne of relevant grades

- **2008:** rationalised 12 sites
- **2009:** rationalised a further 9 converting sites

<sup>1</sup>Note: excludes previously announced mothballed operations Dynas PM5 and Stambolijski.

## In response to the downturn, Mondi targets to limit capital expenditure approvals to 40% of depreciation



€ millions	2008	% of depreciation	2007	% of depreciation
Major Projects	324	87%	40	11%
Other	369	99%	366	99%
<b>Capital Expenditure</b>	<b>693</b>	<b>186%</b>	<b>406</b>	<b>110%</b>
Depreciation	373		368	

- **Mondi is well invested**
  - Extensive programme of mill modernisation since 2001 (> €1.2 billion)
  - On completion of the Syktyvkar capex programme, all our major mills have seen substantial investment
  
- Major Polish (mid-late 2009) and Russian (2010) projects, on track and budget.  
Approximately €511 million to spend as at 31 December 2008
  
- Aim to offset expenditure on major projects with reduction in other capital expenditure approvals to below 40% of depreciation

# Key strategic projects to lower Mondi's cost base are on track



- Both projects on time and within budgeted capital cost
- Swiecie box plant (€45m)
- Targeted completion dates:
  - Swiecie – mid to late 2009
  - Syktyvkar – 2010

## Syktyvkar - €525m



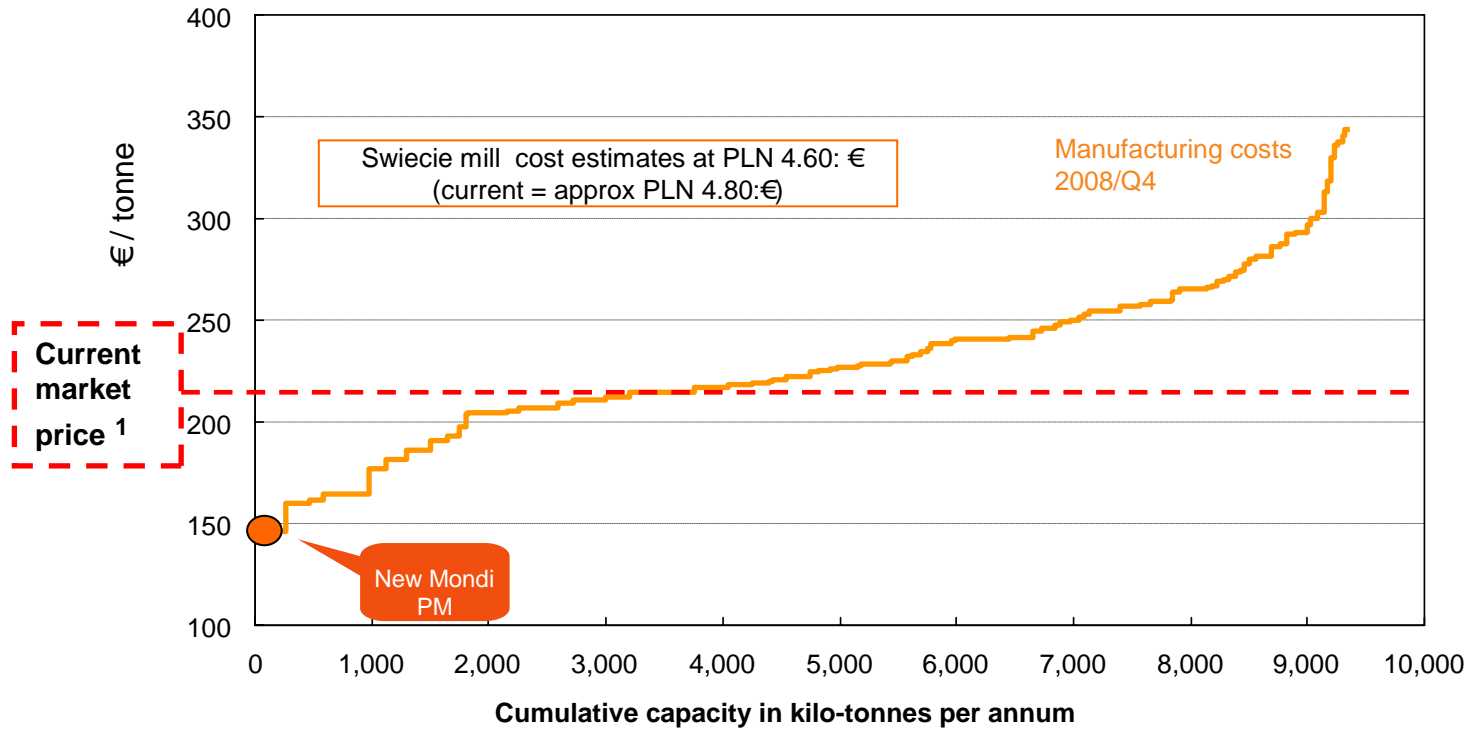
Fibreline – civils

## Swiecie PM7 - €305m



**BOTH PROJECTS WILL SUSTAINABLY  
LOWER COST BASE**

# Polish expansion project puts Mondi at the bottom of the RCB cost curve



Brown field expansion gives:

- ~€70m capital cost benefit
- ~€30-€40 / tonne operating cost benefit

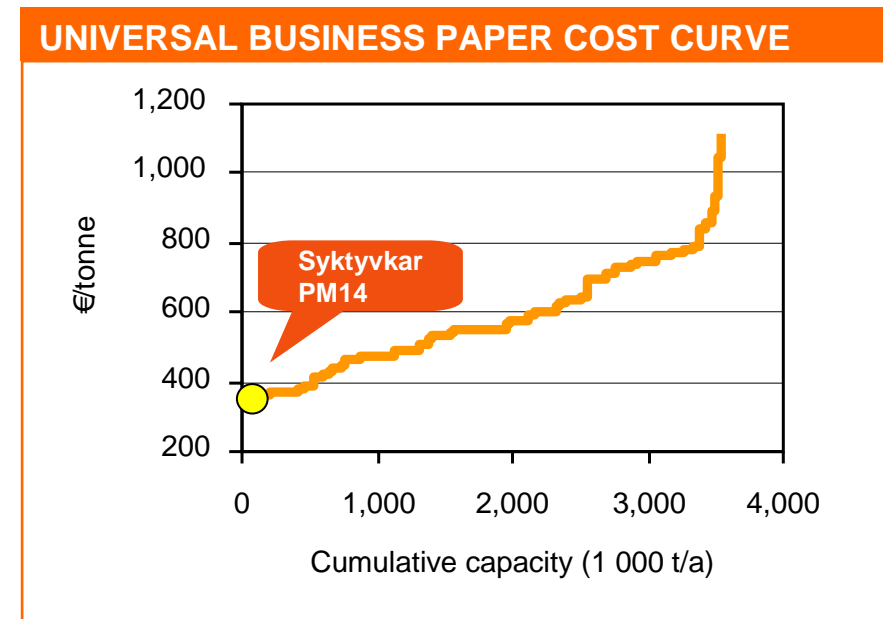
- Circa 50% of production will be consumed in own plants

<sup>1</sup> Mondi estimate of current ex-mill prices, net of discounts

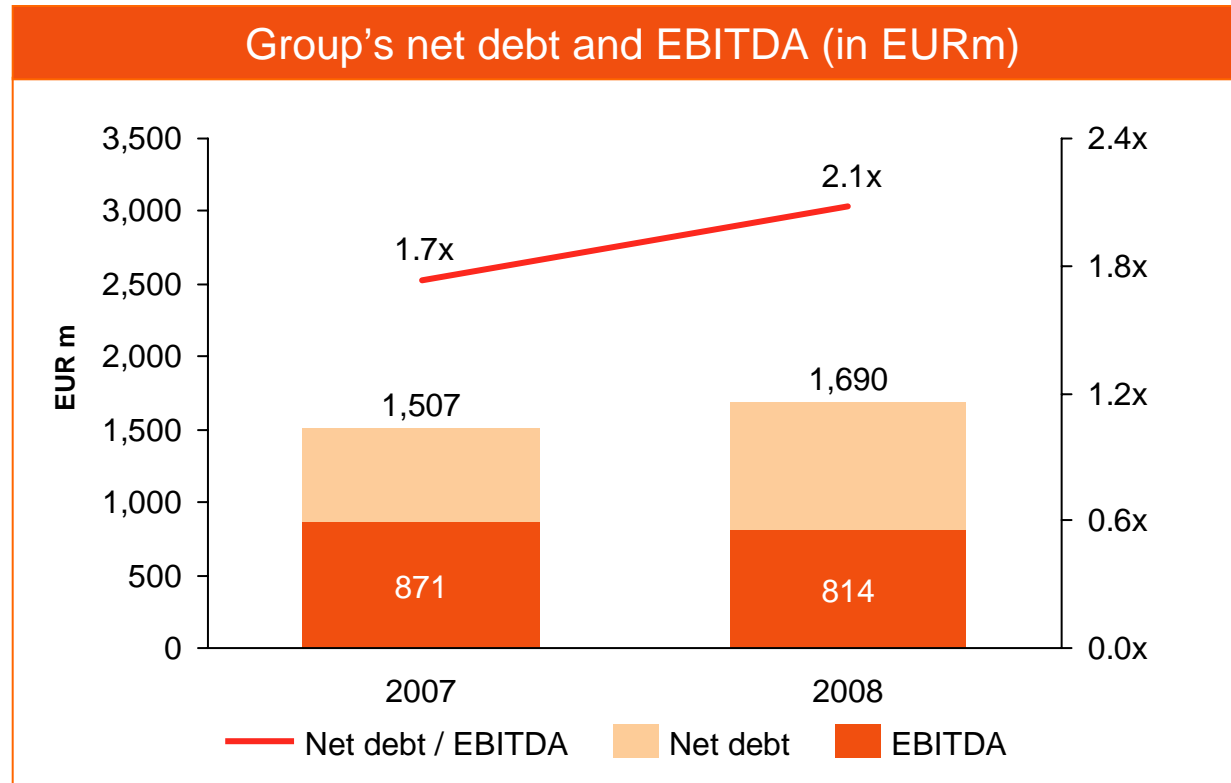
# The Syktyvkar mill modernisation will further enhance Mondi's low cost position



- On track for 2010
- Within capital cost target
- Returns come from:
  - Cost reduction
  - Energy production and sales
  - Modest increase in paper volumes

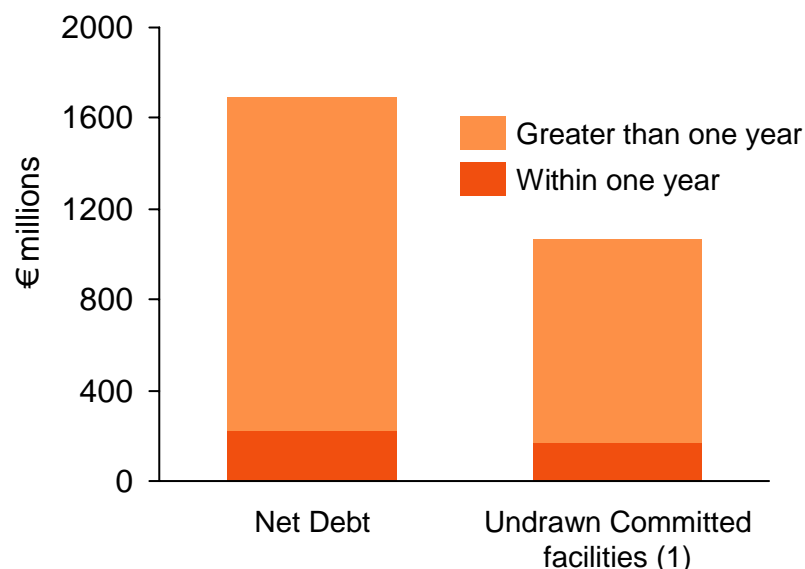


# Mondi's debt remains under control despite major project spend



- Increase in debt attributable to major expansionary projects (€324m spent) offset by strong working capital control and cashflow generation out of existing businesses.

# Mondi retains substantial headroom on committed facilities



€ millions	Committed Facilities	Net debt	Undrawn
Operating position as at 1 Jan. 2008	2,678	1,507	1,171
Repaid / expired	(196)	(238)	
New facilities	386	543	
Exchange translation	(116)	(136)	
Other movements incl. M&A	-	14	
<b>Closing position at 31 Dec. 2008</b>	<b>2,752</b>	<b>1,690</b>	<b>1,062</b>

(1) no undrawn facilities mature in 2010/2011

- Average maturity of committed facilities of 3.4 years
- €223 million of short term debt, net of cash
- Nearly €1.1 billion undrawn committed facilities as at 31 December
- Main facility is €1.55 billion syndicated revolver maturing on 21 June 2012 of which €720 million is undrawn



## Outlook<sup>1</sup>



*“Despite some evidence that the rapid de-stocking, which started in the fourth quarter of 2008, is coming to an end, there remains a high level of global economic uncertainty. This will undoubtedly continue to create challenges for the remainder of 2009. In this fast changing economic environment we have acted early and decisively to reduce capacity, lower the overall cost base and optimise cash flows. These actions coupled with Mondi’s sound financial position and low cost, high quality asset base will leave us well placed to benefit when market conditions improve.”*

## Summary

- While current trading remains difficult we believe we are well positioned to weather the downturn due to our focus on cash and costs
  - Working capital management
  - Reducing capital expenditure
  - Asset base rationalisation
  - 2009 target cost savings of €180 million
  
- Strategy remains intact:
  - Achieving cost leadership in chosen markets by focussing on maintaining and selectively investing in low cost, high quality assets. Major projects will further reduce cost base.
  - Drive efficiency in downstream converting operations



Mondi's Strategic focus on continuous productivity improvement and cost reduction as well as its low cost high quality assets will leave it well placed to benefit from improved market conditions in the economic upturn