

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

Mondi Group: Interim Management Statement 16 October 2014

This interim management statement provides an update on the financial performance and financial position of the Group since the half year ended 30 June 2014, based on management accounts up to 30 September 2014 and estimated results for October 2014. These results have not been audited or reviewed by Mondi's external auditors.

Audited results for the year ending 31 December 2014 will be published on or around 24 February 2015.

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 2014 up to the date of this statement.

Group Performance Overview

Third quarter underlying operating profit of EUR174 million was in line with management's expectations, comparable to the prior year period and 10% below that of the previous quarter.

Like-for-like sales volumes were broadly in line with the comparable prior year period.

Previously announced price increases were successfully implemented in a number of the Group's key Packaging Paper markets, with increases implemented for unbleached kraft paper from the beginning of the third quarter, recycled containerboard from August and unbleached kraftliner from September.

Wood costs were lower on average than the previous quarter whilst paper for recycling costs were at similar levels. The business continued to benefit from its investments in energy related capital expenditure and lower European natural gas prices.

During the quarter, the major annual maintenance shuts scheduled for the Group's uncoated fine paper and containerboard facilities were completed according to plan. The major kraft paper maintenance shuts are scheduled for the fourth quarter. The impact on third quarter underlying operating profit from these shuts is estimated at around EUR30 million. Based on prevailing market prices, the fourth quarter impact will be around EUR15 million to EUR20 million.

The South Africa Division benefited from the stronger US dollar on its export sales whilst the weaker Russian rouble had a negative impact on the more domestically focused Russian businesses. The recent strengthening of the US dollar relative to the euro should support European pricing in packaging grades and provide a net benefit to the Group's export businesses.

The Group continues to monitor the developments in Russia and the Ukraine, however these have had minimal direct impact on operations to date.

Reorganisation of business segments

During the quarter, the Group refined its organisational structure, which has resulted in several changes within the Group's segmental reporting. The most significant of these changes were the:

- transfer of the release liner business from Fibre Packaging to Consumer Packaging to take advantage of identified synergies in customer relations, innovation and the global footprint of these businesses; and
- transfer of the 40,000 tonne per annum kraft paper machine at the Ruzomberok mill from Uncoated Fine Paper to Packaging Paper.

The restated segmental information is included as an appendix to this statement. The reorganisation had no impact on the overall Group result.

Divisional Overview

The **Packaging Paper** business saw selling price increases across a number of key grades. Unbleached kraft paper price increases of between EUR30/tonne and EUR40/tonne were implemented from July. Price increases for unbleached kraftliner and recycled containerboard of between EUR30/tonne and EUR40/tonne were achieved in steps during August and September. Prices for white-top kraftliner and speciality kraft paper were stable.

During the quarter, the Group announced the intention to close one of the two speciality kraft paper machines at its Lohja mill in Finland with capacity of 30,000 tonnes per annum. Closure and restructuring costs amounting to EUR6 million were recognised as a special item.

Fibre Packaging continued to perform well, with good year-on-year margin development in both Corrugated Packaging and Industrial Bags. Increasing paper input costs in the Corrugated Packaging segment and seasonally weaker demand in Industrial Bags are expected to put some pressure on margins in the fourth quarter.

During the quarter the sub-scale Moderbrugg corrugated packaging plant in Austria was sold.

The integration of the recently acquired Graphic Packaging industrial bags business in the US is progressing according to plan. Various restructuring activities have been announced, including the closure of a plant in Philadelphia. The closure and restructuring costs, which will be reflected as a special item, are estimated at EUR13 million.

Profitability in **Consumer Packaging** improved from the previous quarter, although the weak trading conditions in Europe continued to impact this business. A relocation of the head office activities of the business unit was implemented and costs amounting to EUR12 million reflected as a special item.

The **Uncoated Fine Paper** business was impacted by the seasonally weaker third quarter and the impact of planned maintenance shuts. Further weakening of the Russian rouble impacted the profitability of the business, although price increases achieved during the quarter in Russia partly offset this. The normal seasonal pick-up in demand following the European summer has been marginally weaker than anticipated with some price softness evident in key European market segments.

Lower export pulp sales prices and fair value gains on forestry assets resulted in lower profitability in the **South Africa Division** compared to the previous quarter. The weakness of the rand against the US dollar provided some offset.

Capital investment projects

The Group continues to make good progress on its major capital projects. The EUR128 million recovery boiler project at the Group's Ruzomberok mill and EUR30 million pulp dryer at the Syktyvkar mill are currently in commissioning phase.

Financial position

On 15 July 2014, as previously announced, the Group redeemed the 9.75% EUR280 million Eurobond, assumed as part of the Nordenia acquisition. The notes were redeemed utilising proceeds from existing borrowing facilities.

Net debt of EUR1,811 million at the end of the quarter was EUR60 million up on the half-year, impacted by a number of factors including the 31 July acquisition of the Printpack Inc. consumer packaging plant in Poland for USD23 million announced at the half-year, increased capital expenditure, payment of the interim dividend, interest on the 2020 EUR500 million Eurobond and currency effects.

Outlook

Recent price increases in a number of the Packaging Paper grades and continued strong operating performance across the Group should provide solid support for the Group to continue to deliver in line with management expectations.

Looking further forward, much depends on macroeconomic developments in the Group's core European markets. However, with the Group's low cost operating model in upstream businesses, to be further enhanced by the various capital projects nearing completion, and the benefits of strong vertical integration, management remains confident of continuing to deliver industry leading performance.

Operating segments (restated)

Six months ended 30 June 2014

€ million, unless otherwise stated	Europe & International				South Africa Division	Corporate & other	Intersegment elimination	Segments total
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper				
Segment revenue	1,022	868	685	646	284	-	(357)	3,148
Internal revenue	(282)	(20)	(3)	(4)	(48)	-	357	-
External revenue	740	848	682	642	236	-	-	3,148
EBITDA	216	78	69	127	78	(15)	-	553
Depreciation, amortisation and impairments	(49)	(30)	(30)	(47)	(20)	-	-	(176)
Underlying operating profit/(loss)	167	48	39	80	58	(15)	-	377
Special items	-	(7)	4	-	-	(13)	-	(16)
Operating segment assets	1,975	1,075	1,140	1,301	728	6	(177)	6,048
Operating net segment assets	1,621	814	979	1,113	608	7	-	5,142
Additions to non-current non- financial assets	135	27	33	50	29	23	-	297
Capital expenditure cash payments	116	30	35	59	9	-	-	249
<i>Operating margin (%)</i>	16.3	5.5	5.7	12.4	20.4	-	-	12.0
<i>Return on capital employed (%)</i>	22.5	12.3	8.3	15.6	20.5	-	-	16.0

Six months ended 30 June 2013

€ million, unless otherwise stated	Europe & International				South Africa Division	Corporate & other	Intersegment elimination	Segments total
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper				
Segment revenue	1,078	856	721	711	325	-	(349)	3,342
Internal revenue	(265)	(23)	(2)	(3)	(56)	-	349	-
External revenue	813	833	719	708	269	-	-	3,342
EBITDA	202	75	74	150	67	(14)	-	554
Depreciation, amortisation and impairments	(48)	(31)	(32)	(53)	(23)	(1)	-	(188)
Underlying operating profit/(loss)	154	44	42	97	44	(15)	-	366
Special items	-	-	(13)	(50)	(18)	-	-	(81)
Operating segment assets	1,859	1,069	1,160	1,328	810	7	(129)	6,104
Operating net segment assets	1,498	839	993	1,144	687	7	-	5,168
Additions to non-current non- financial assets	59	22	27	32	34	-	-	174
Capital expenditure cash payments	56	31	27	36	14	-	-	164
<i>Operating margin (%)</i>	14.3	5.1	6.0	13.6	13.5	-	-	11.0
<i>Return on capital employed (%)</i>	20.0	13.4	7.3	17.2	12.8	-	-	14.8

Year ended 31 December 2013

€ million, unless otherwise stated	Europe & International				South Africa Division	Corporate & other	Intersegment elimination	Segments total
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper				
Segment revenue	2,073	1,690	1,414	1,335	624	-	(660)	6,476
Internal revenue	(506)	(43)	(4)	(6)	(101)	-	660	-
External revenue	1,567	1,647	1,410	1,329	523	-	-	6,476
EBITDA	408	146	143	266	135	(30)	-	1,068
Depreciation, amortisation and impairments	(100)	(60)	(64)	(102)	(42)	(1)	-	(369)
Underlying operating profit/(loss)	308	86	79	164	93	(31)	-	699
Special items	-	(3)	(13)	(60)	(11)	-	-	(87)
Operating segment assets	1,905	1,001	1,121	1,270	731	2	(140)	5,890
Operating net segment assets	1,543	771	964	1,099	622	1	-	5,000
Additions to non-current non- financial assets	165	66	65	85	93	-	-	474
Capital expenditure cash payments	141	71	61	80	52	-	-	405
<i>Operating margin (%)</i>	14.9	5.1	5.6	12.3	14.9	-	-	10.8
<i>Return on capital employed (%)</i>	21.7	11.8	8.7	16.0	16.0	-	-	15.3

Year ended 31 December 2012

€ million, unless otherwise stated	Europe & International				South Africa Division	Corporate & other	Intersegment elimination	Segments total
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper				
Segment revenue	1,970	1,583	765	1,415	702	-	(645)	5,790
Internal revenue	(470)	(50)	(4)	(13)	(108)	-	645	-
External revenue	1,500	1,533	761	1,402	594	-	-	5,790
EBITDA	334	151	57	292	125	(32)	-	927
Depreciation, amortisation and impairments	(98)	(58)	(34)	(106)	(56)	(1)	-	(353)
Underlying operating profit/(loss)	236	93	23	186	69	(33)	-	574
Special items	-	(16)	(11)	-	6	(70)	-	(91)
Operating segment assets	1,896	1,065	1,156	1,410	975	5	(150)	6,357
Operating net segment assets	1,523	821	985	1,215	821	1	-	5,366
Additions to non-current non- financial assets	256	129	631	58	94	-	-	1,168
Capital expenditure cash payments	95	62	36	58	43	-	-	294
<i>Operating margin (%)</i>	12.0	5.9	3.0	13.1	9.8	-	-	9.9
<i>Return on capital employed (%)</i>	17.8	13.9	5.6	16.7	9.6	-	-	13.7

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Editors' notes

Mondi is an international packaging and paper Group, employing around 26,000 people in production facilities across 31 countries. In 2013, Mondi had revenues of EUR6.5 billion and a ROCE of 15.3%. The Group's key operations are located in central Europe, Russia, the Americas and South Africa.

The Mondi Group is fully integrated across the packaging and paper value chain - from the management of its own forests 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 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's performance, and the responsible approach it takes to good business practice, has been recognised by its inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index since 2007.

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