



**Mondi Group
Results for the six months ended
30 June 2014**

7 August 2014

Agenda



Highlights

Financial overview

Operational overview

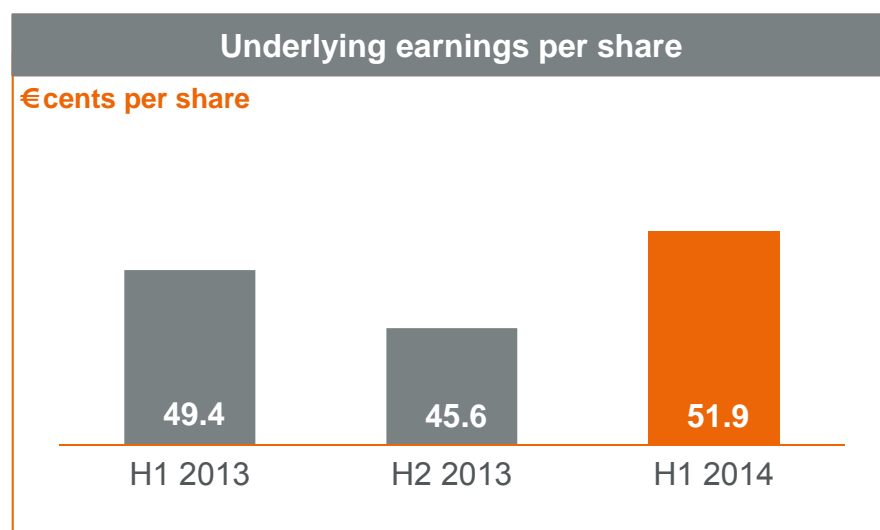
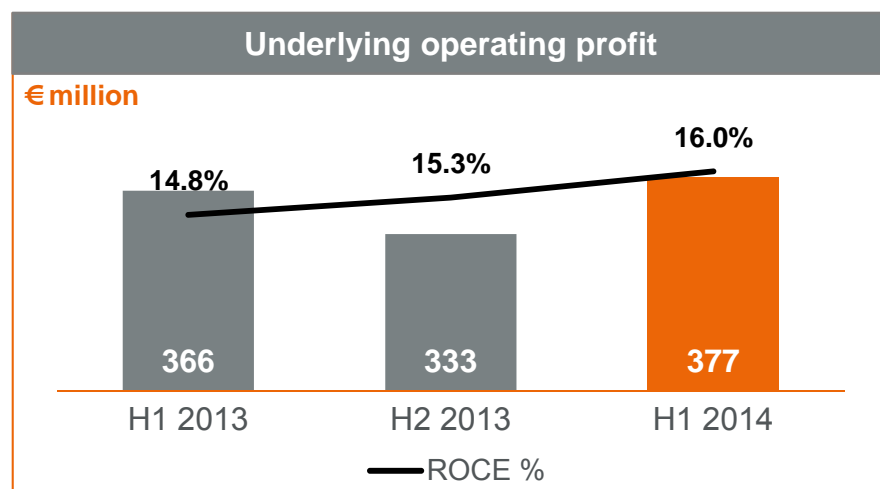
Capital allocation

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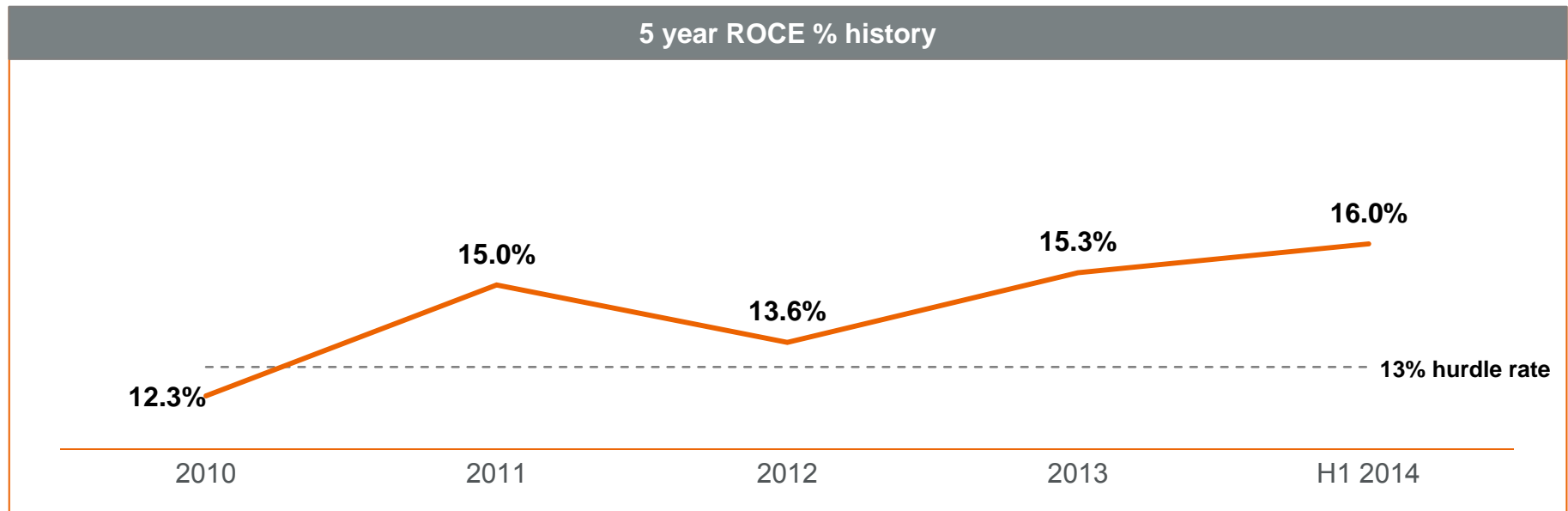
Financial

- Underlying operating profit up 3% on prior year and 13% sequentially
- ROCE of 16.0%
 - Well in excess of through-the-cycle hurdle rate of 13%
- Strong cash generation of €439 million
- Interim dividend of 13.23 euro cents per share up 39%

Operational and strategic

- Strong cost management
- Significant capital expenditure projects on time and within budget
 - Recently completed energy projects delivering on expectation
 - 155,000 tonne bleached kraft paper machine in Štětí successfully started up
- Graphic Packaging acquisition consolidates global market leadership position in Industrial Bags

Track record of strong returns



- Returns consistently above hurdle rate of 13%
- Achieved in conjunction with growth
 - Continual investment in our high quality, low cost asset base with capital expenditure of €1.8 billion, 104% of depreciation
 - €1.3 billion in acquisitions

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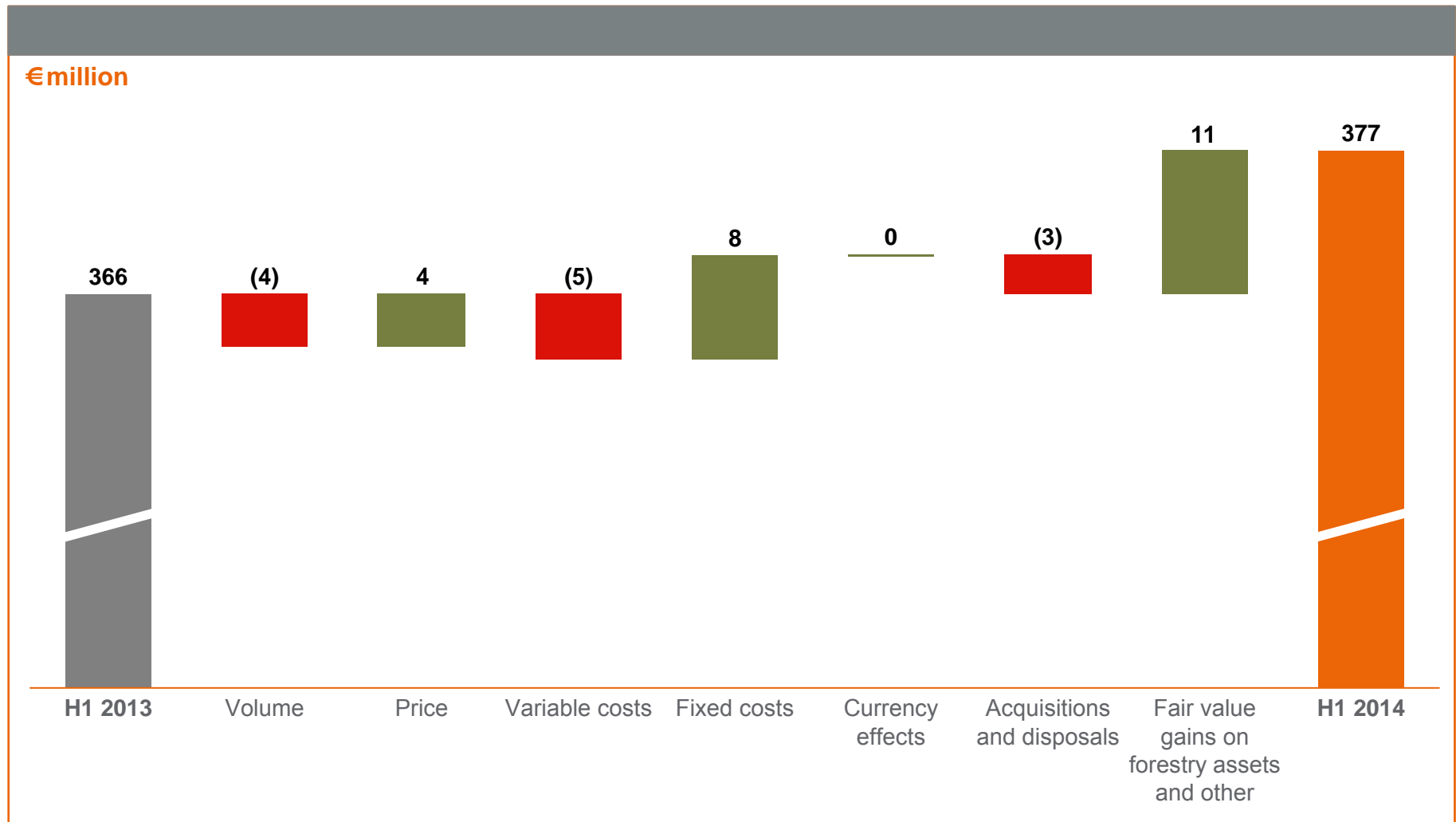


Operating financial highlights

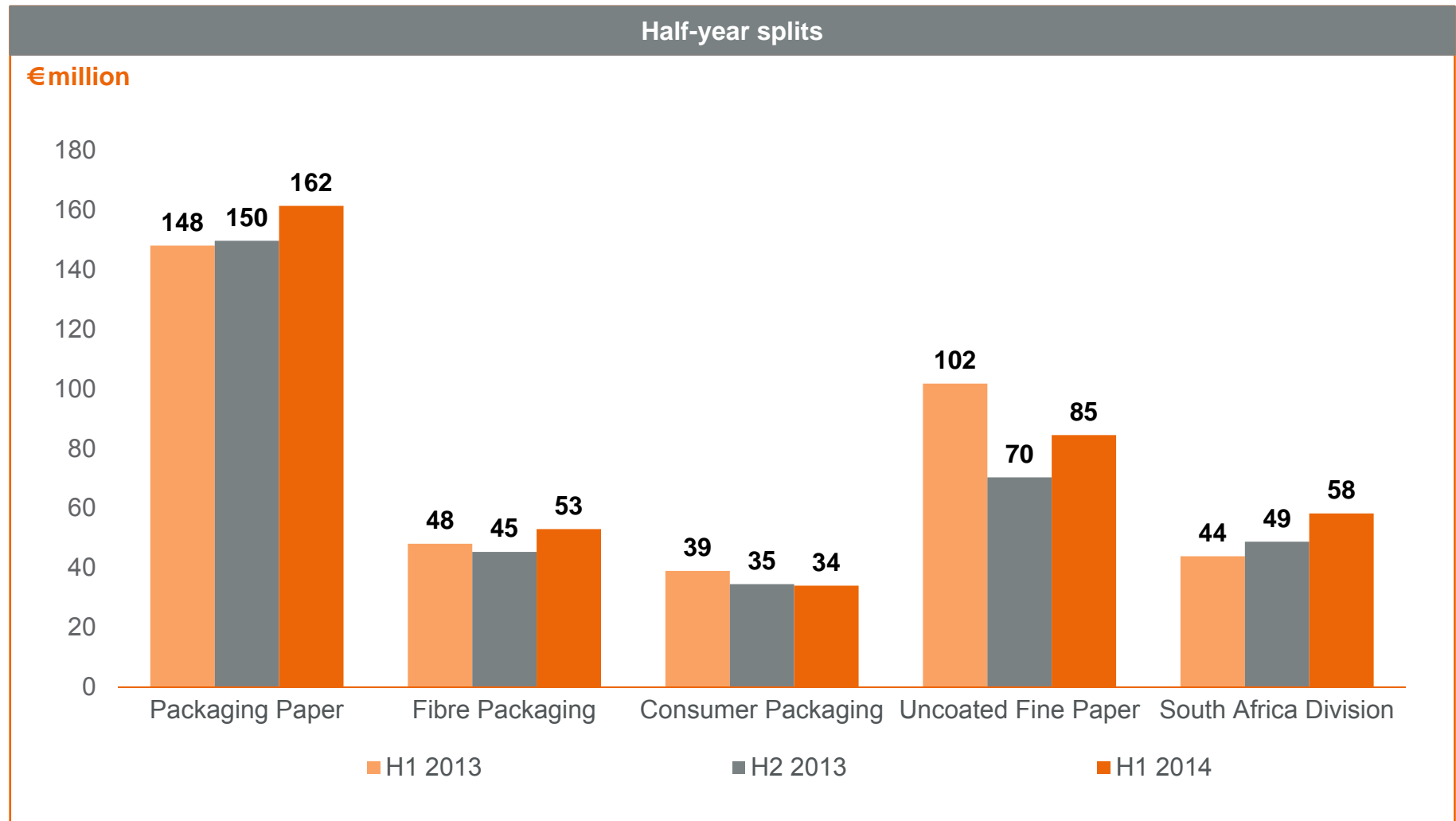


€million	H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Group Revenue	3,342	3,134	3,148	(6%)	-
Underlying EBITDA	554	514	553	-	8%
% margin	16.6%	16.4%	17.6%		
Underlying operating profit	366	333	377	3%	13%
% margin	11.0%	10.6%	12.0%		
Group ROCE	14.8%	15.3%	16.0%		

Underlying operating profit development



Divisional underlying operating profit



Financial review



€million	H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Underlying operating profit	366	333	377	3%	13%
Net finance costs	(57)	(58)	(50)	12%	14%
Underlying profit before tax	310	276	328	6%	19%
Tax	(56)	(42)	(62)	(11%)	(48%)
Non-controlling interests	(15)	(13)	(15)	-	(15%)
Underlying earnings	239	221	251	5%	14%
Special items (after tax and non-controlling interests)	(68)	(6)	(16)		
Reported profit after tax and non-controlling interests	171	215	235	37%	9%
Basic earnings per share (€cents)	35.3	44.5	48.6	38%	9%
Underlying earnings per share (€cents)	49.4	45.6	51.9	5%	14%

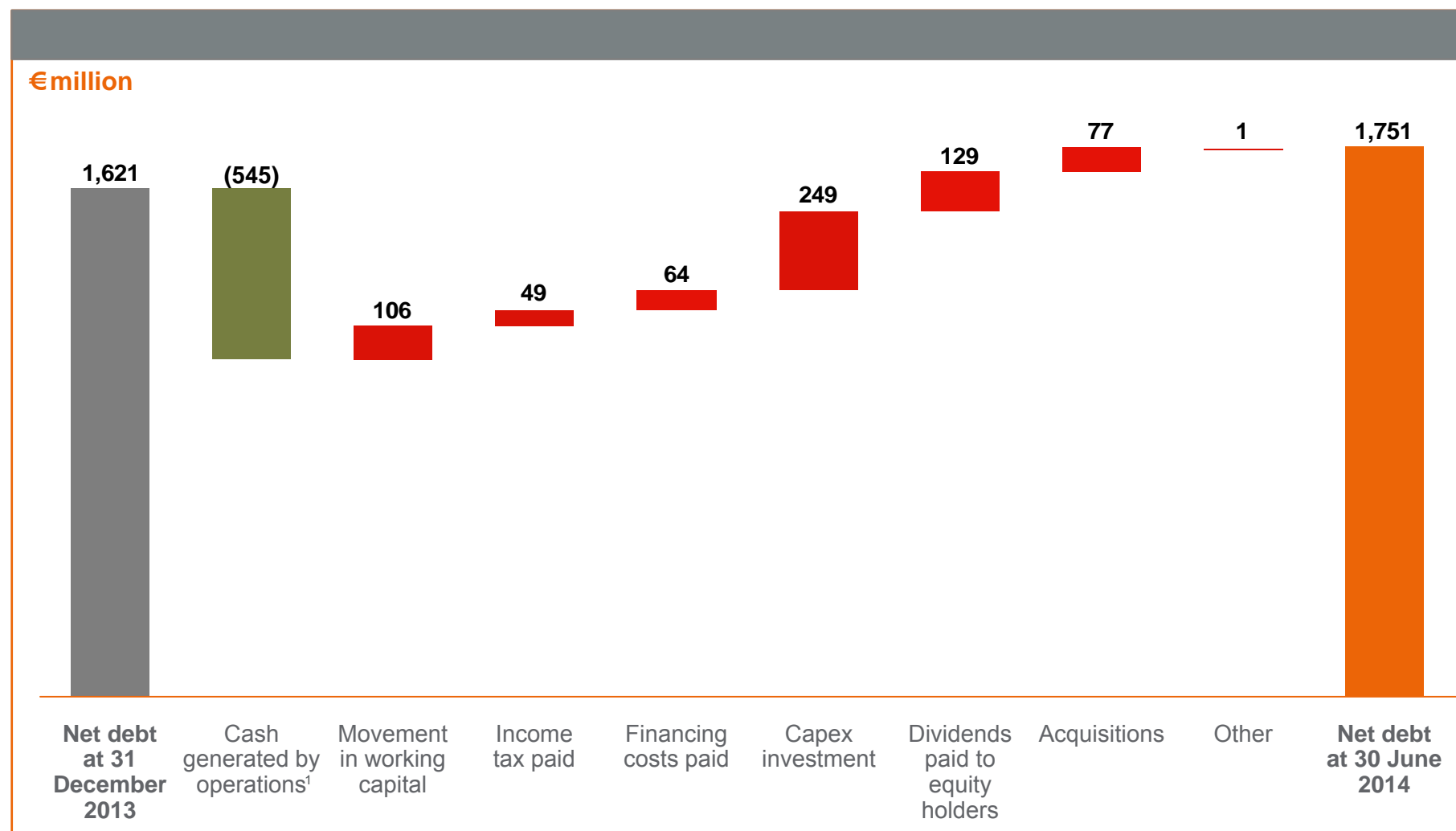
Finance costs



€million	H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Closing net debt	1,844	1,621	1,751	5%	(8%)
Average net debt	1,851	1,740	1,638		
Finance costs	52	52	45	13%	13%
Net interest on defined benefit arrangements	5	6	5	-	17%
Net finance costs (excluding special item)	57	58	50	12%	14%
Effective interest rate (before capitalised interest)	5.5%	6.1%	5.5%		

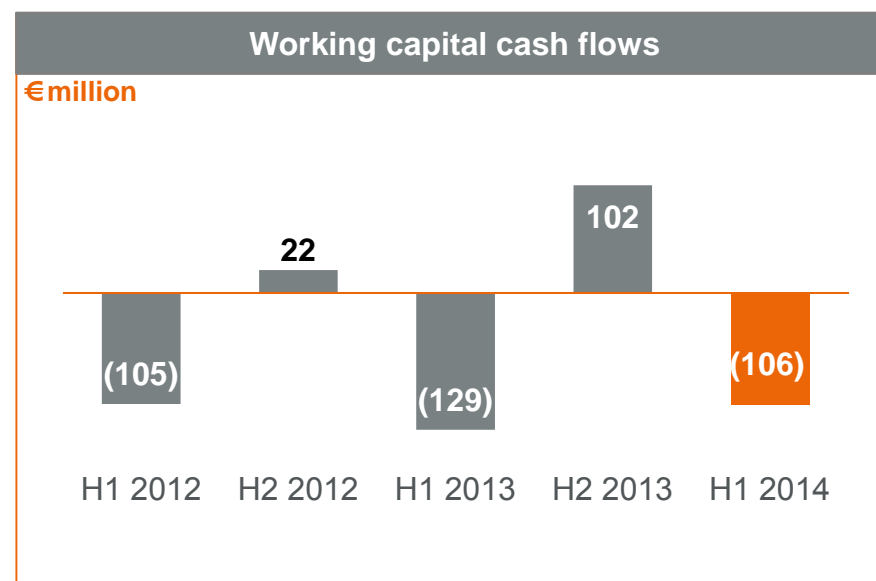
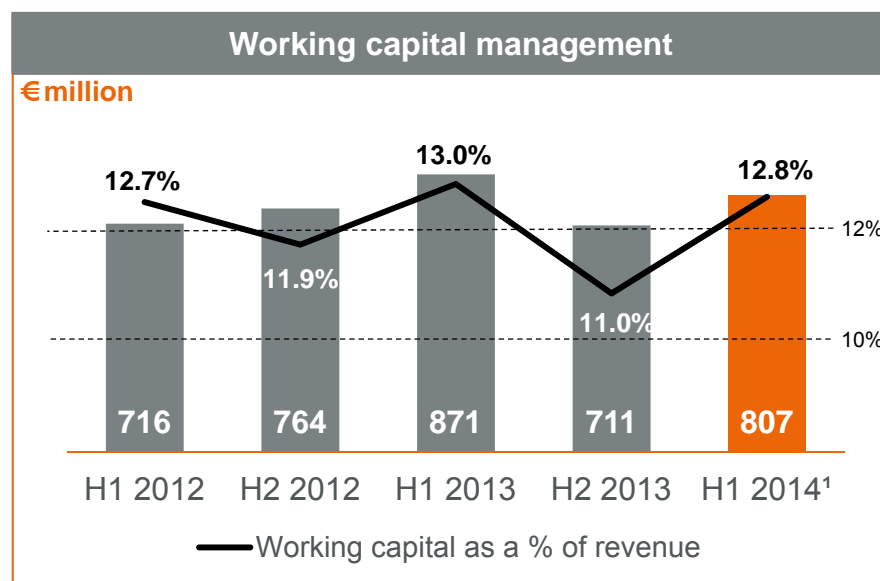
- Finance costs down on lower average net debt
- Cash net interest paid of €64 million (H1 2013: €68 million)
- Net charge on early redemption of €280 million Eurobond treated as a financing special item (€13 million)

Cash flow effects - movement in net debt



¹ Before movements in working capital.

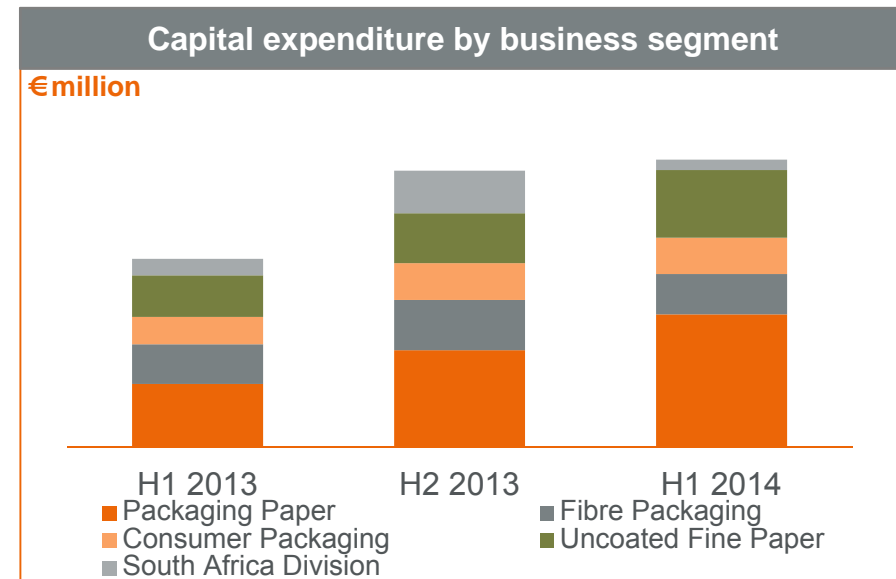
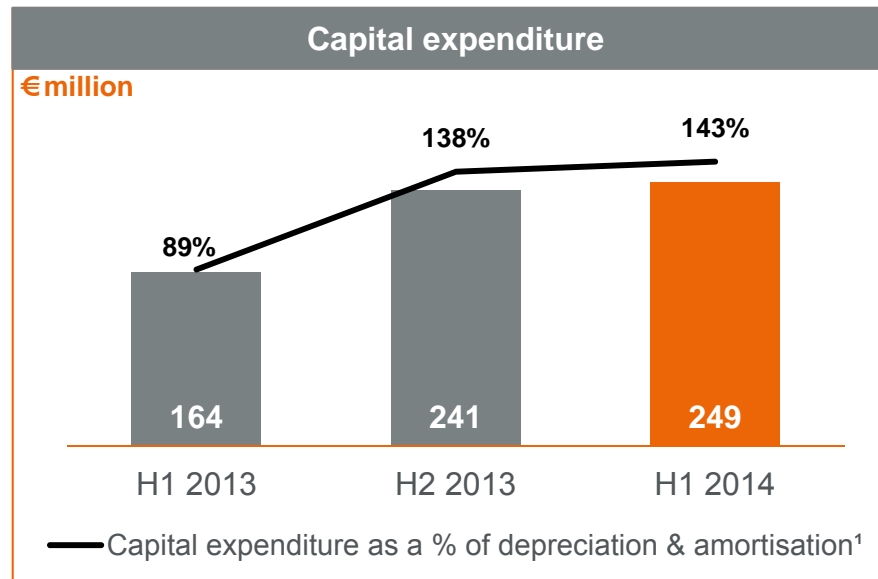
Working capital



- Increase in working capital driven by seasonal effects
- For full year, targeted range of between 10% and 12% of turnover is expected

¹ H1 2014 excludes acquisitions.

Capital expenditure



- Increase in capital expenditure on ramp-up of spend on major strategic projects
- Capital expenditure target revised upwards to €550 million/year for 2014 and 2015 (previously €500 million/year)
 - Further €60 million committed to Kraft and Corrugated Packaging
 - Additional capital expenditure related to US acquisition

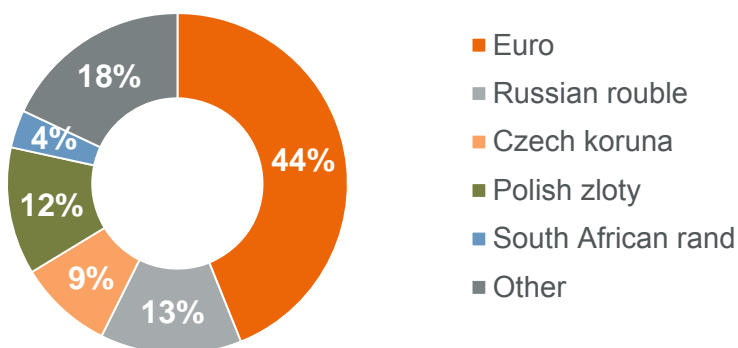
¹ Capital expenditure as a % of depreciation & amortisation is calculated using capital expenditure including intangibles.

Debt and liquidity



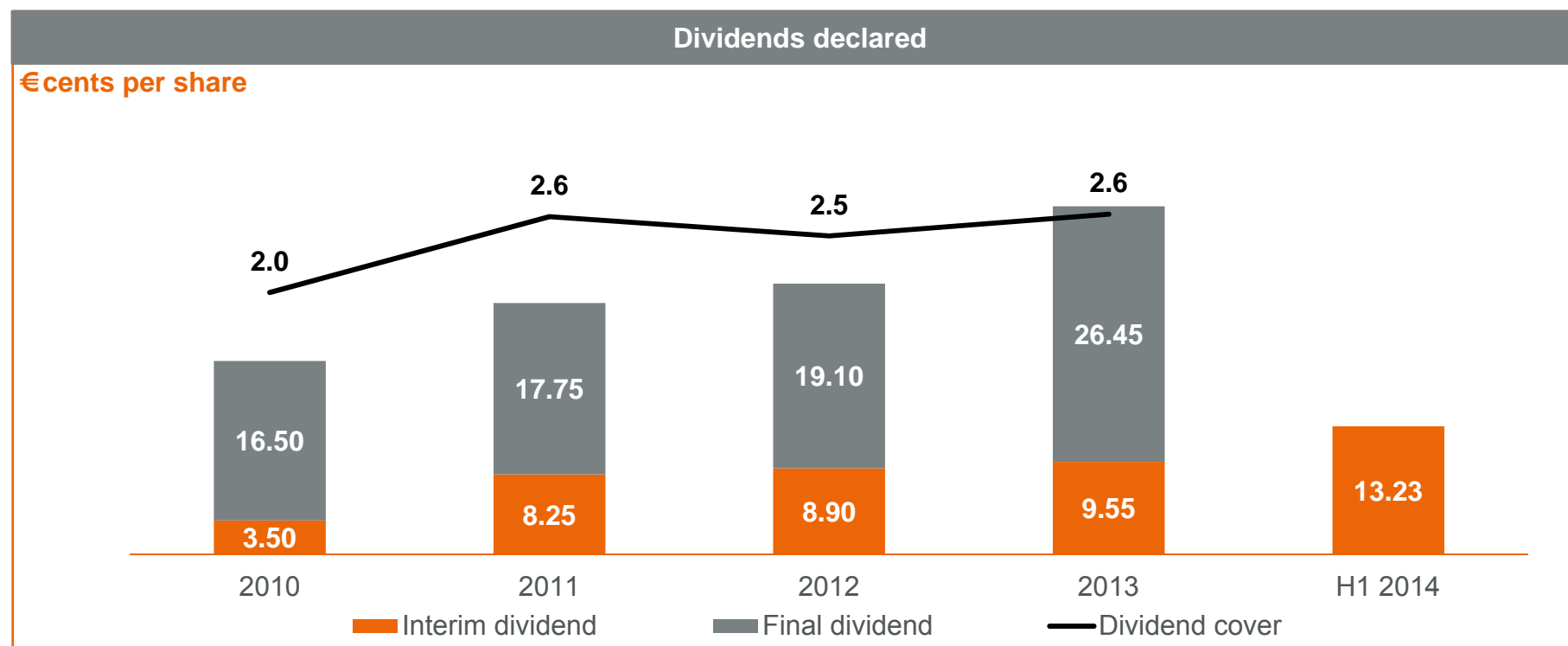
€million	H1 2013	H2 2013	H1 2014
Net debt	1,844	1,621	1,751
Committed facilities	2,598	2,487	2,488
Of which undrawn	743	792	745
Gearing (Net debt / Trading capital employed)	40%	36%	38%
Net debt / 12 month trailing EBITDA (times)	1.8	1.5	1.6

Currency split of net debt €1,751 million



- Higher closing net debt versus H2 2013 reflects impact of:
 - Seasonally higher working capital levels
 - Graphic Packaging acquisition
- Public credit ratings reaffirmed
 - Standard & Poor's at BBB- (positive outlook)
 - Moody's Investor Services at Baa3
- €280 million Eurobond redemption subsequent to half-year end

Continued strong growth in shareholder returns



- Interim dividend of 13.23 euro cents per share declared, 39% up on prior year

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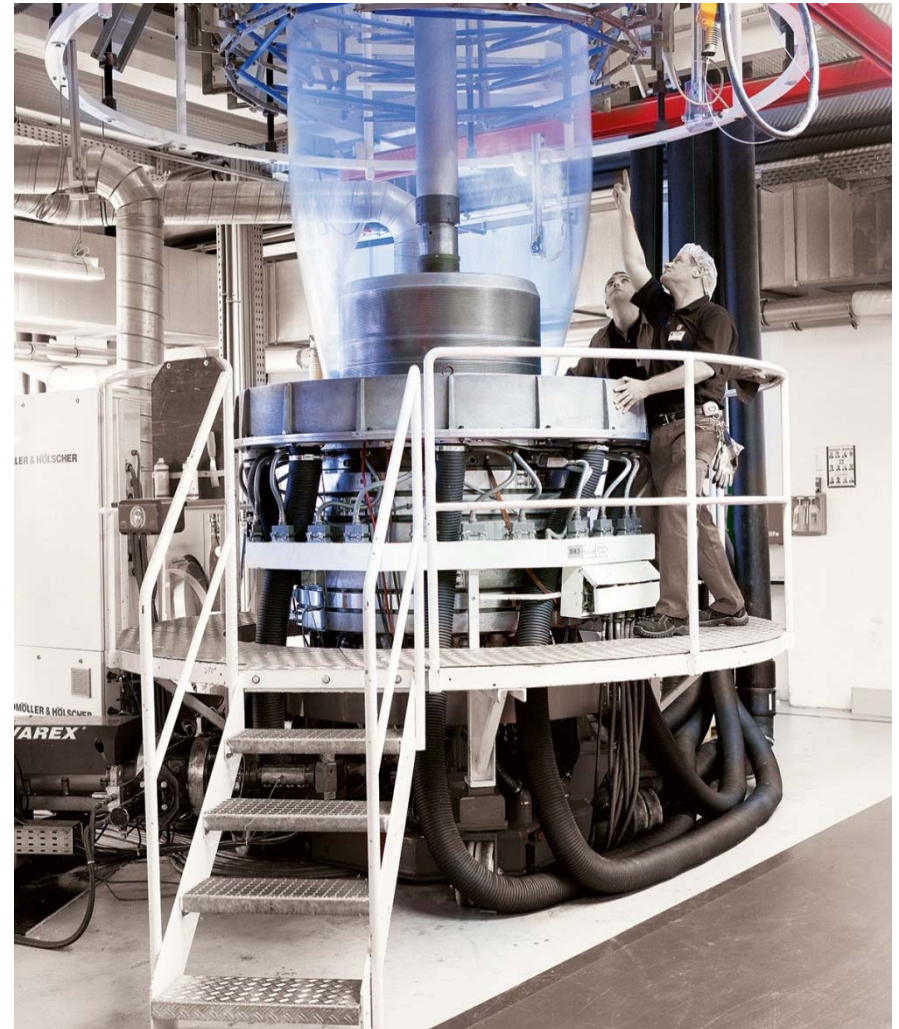
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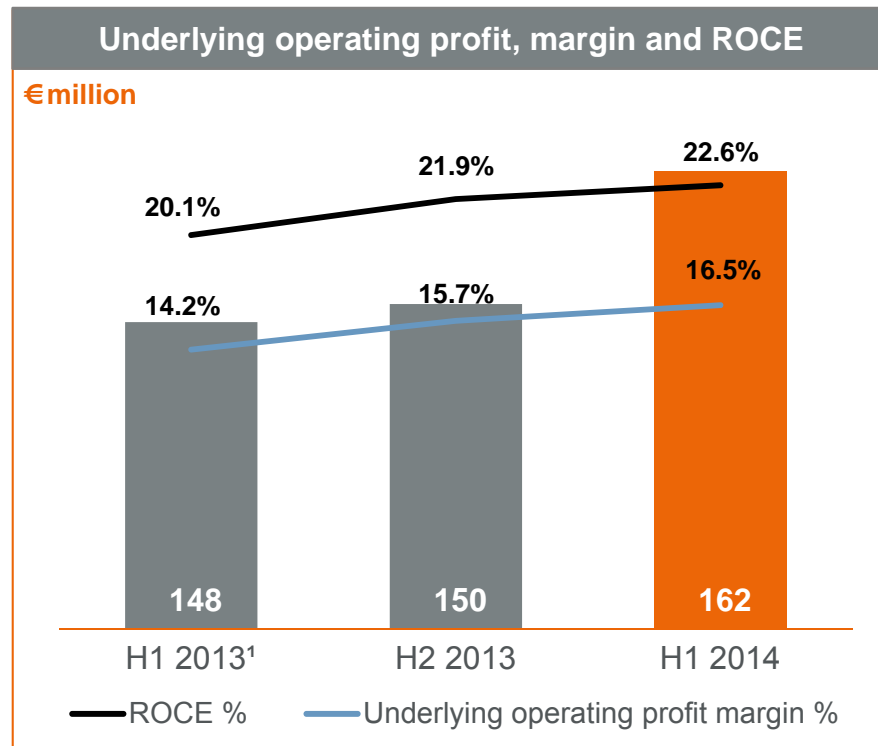
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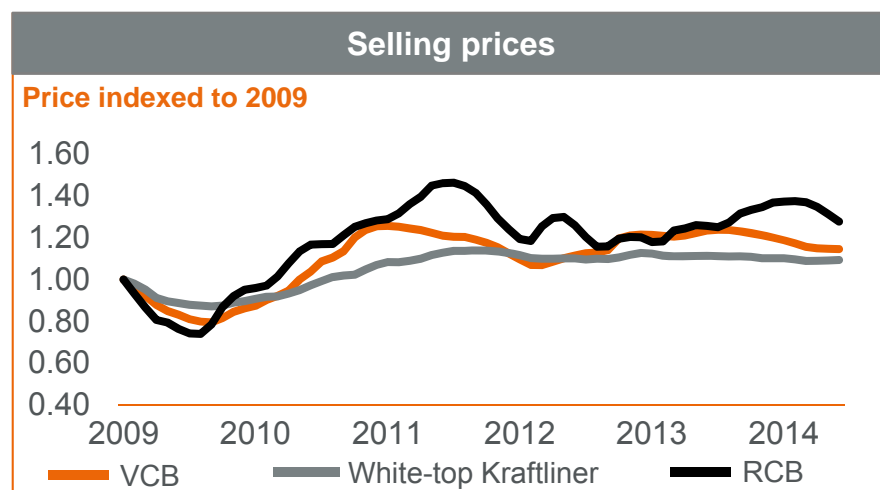
Packaging Paper



- Strong performance with ROCE of 22.6%, underlying operating profit up 9%
- Pricing mixed
 - Lower average pricing in virgin containerboard and kraft paper
 - Higher average recycled containerboard prices
- Input costs generally lower
- Benefited from higher green energy prices
- H1 impacted by maintenance costs at Świecie; shuts at all other mills take place in H2

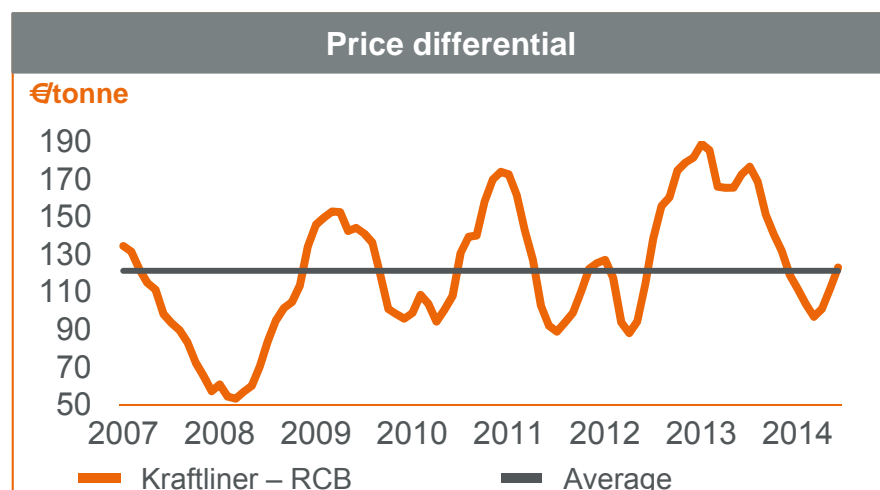
¹ Includes €11 million write-down of green energy credits.

Packaging Paper | industry fundamentals



Virgin containerboard

- Lower average pricing in kraftliner in H1 2014
- Price increases announced for unbleached kraftliner and semi-chemical fluting on good demand and low inventory levels
- No new industry capacity in short-term. Medium-term capacity expansion from Varkaus conversion

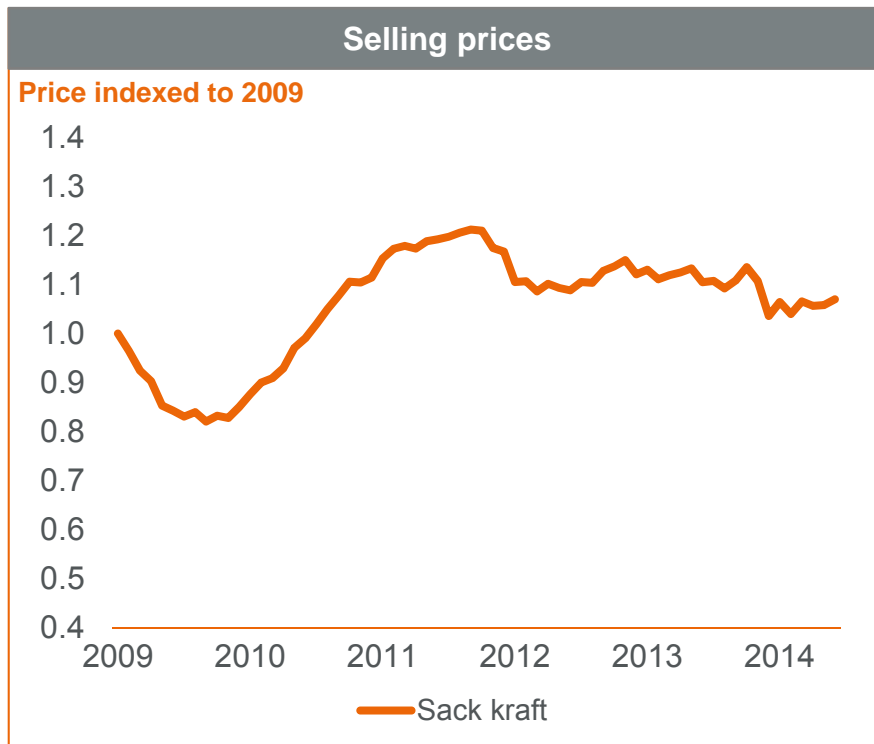


Recycled containerboard

- Average benchmark prices up 10% on H1 2013 but down 8% from levels at year end
- Good demand and low inventory levels
 - Price increase announced in Europe with effect from August 2014
- ±3% net increase in industry capacity in 2014

Source: FOEX Indexes Ltd

Packaging Paper | industry fundamentals



Sack Kraft paper

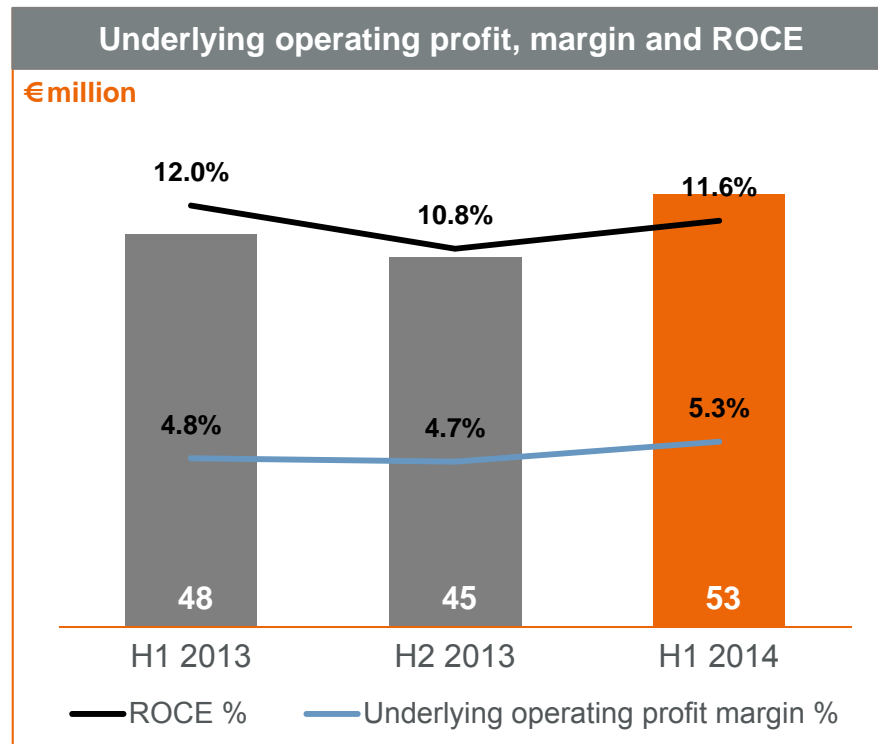
- Average prices down 4% on the second half of 2013, in line with expectations
- Strong pick up in demand in Europe in H1, supported by mild winter
- Selling price increases being implemented for unbleached sack kraft paper
- No new industry capacity

Speciality Kraft

- Demand for speciality grades remains solid
- Increased industry capacity capping pricing in the short-term

Source: Mondi

Fibre Packaging



Corrugated Packaging

- Price and margin increases achieved
- Benefited from volume growth in central Europe
- Negative forex impact

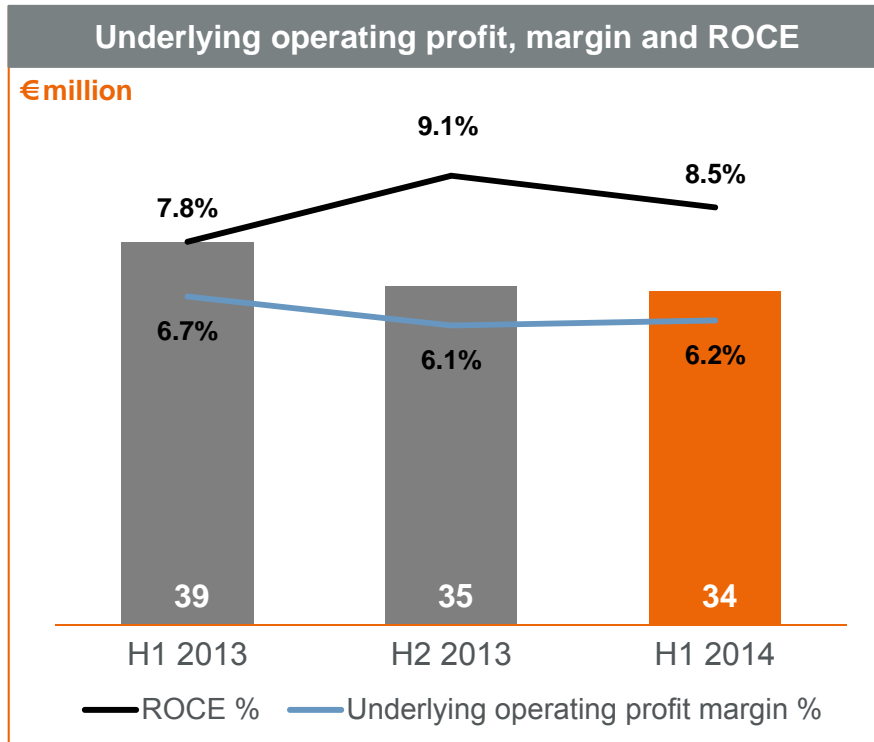
Industrial Bags

- Strong volume growth driven by building sector
- Lower average selling prices from pass through of paper input cost reductions

Coatings

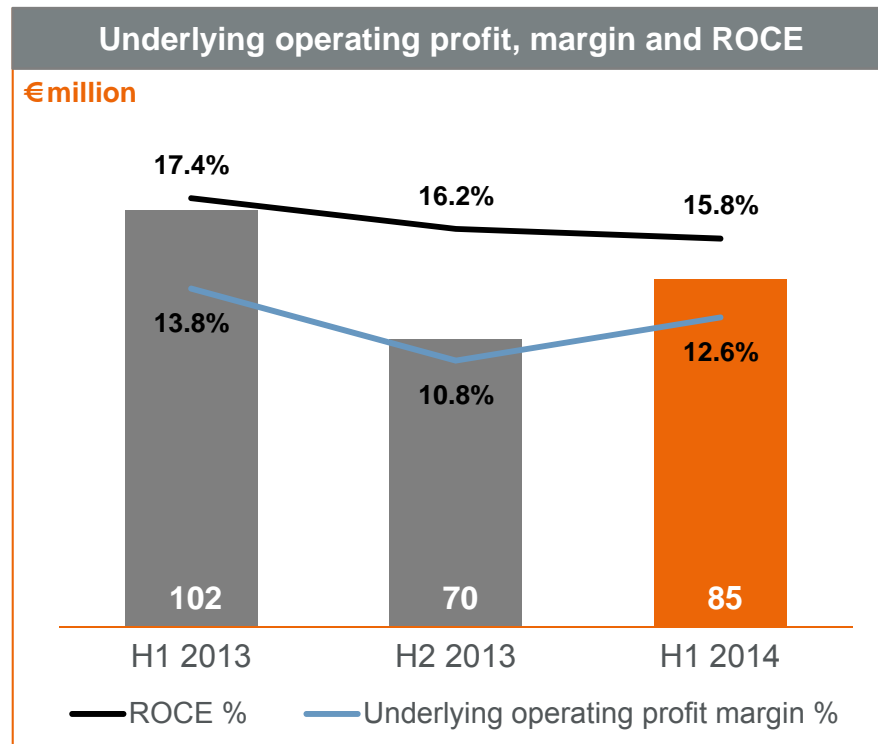
- Sustained weakness in industrial sectors partly offset by growth in high value-add products
- Benefited from lower input costs and fixed cost reduction

Consumer Packaging



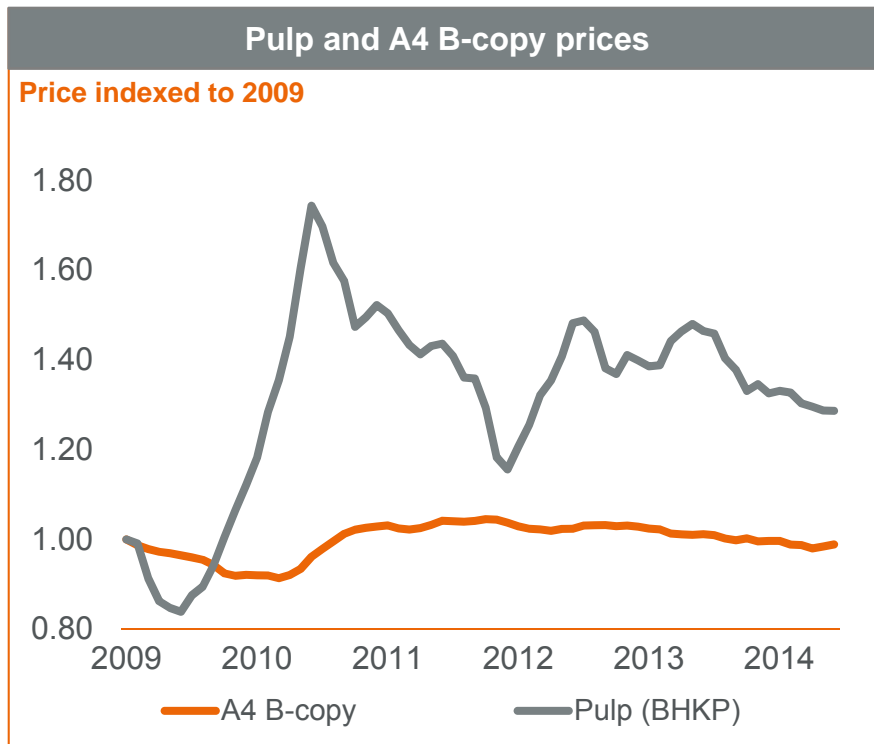
- Good growth in emerging markets with market share gains
 - Production capacity recently acquired in growing CEE region
- In mature markets business impacted by volume declines
 - Phase out of lower value-added mature products
 - Move into higher value-added segments impacted by weak trading conditions
- Structural growth drivers remain in place and steps are being implemented to address current challenges, including
 - Investment in sales infrastructure
 - Increased focus on innovation
 - Further plant optimisation and specialisation

Uncoated Fine Paper



- Lower sales volumes following Neusiedler restructuring in 2013
- Lower average selling prices in H1 2014 in Europe
- Price increases in Russia with further increases announced for H2 in certain grades, in response to rouble weakness
- Strong cost control and operational improvements
- All annual maintenance shuts planned for in H2

Uncoated Fine Paper | industry fundamentals



Demand

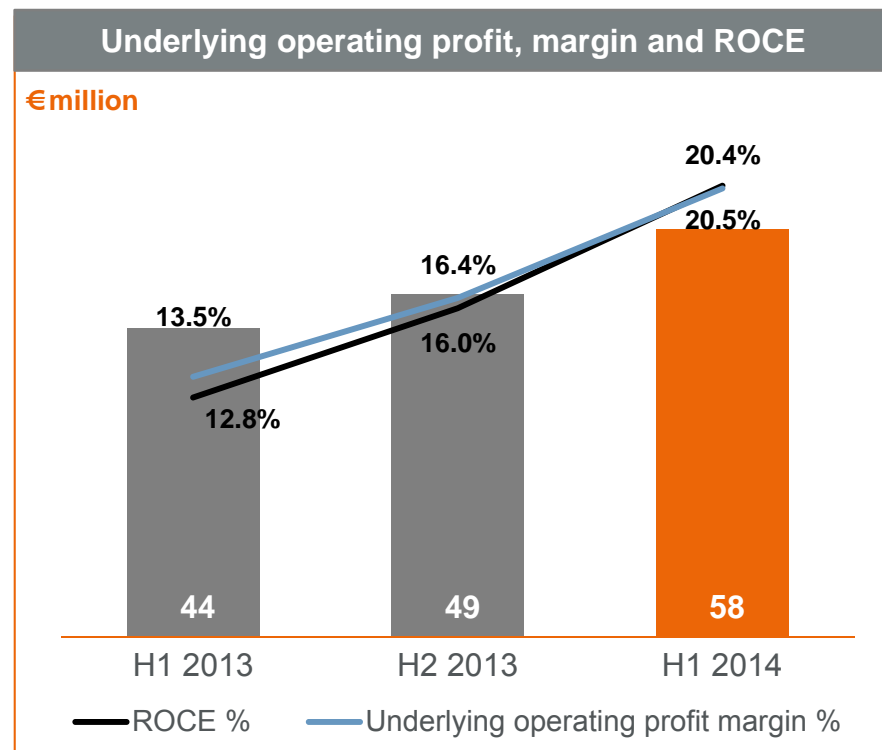
- H1 saw modest growth in Europe on cyclical recovery with Russia stable
- Structural decline in mature markets still expected

Supply

- Net European capacity expansion in 2013/2014 estimated at around 300 ktpa
- In medium term, capacity expected to exit the market
 - Machine conversion announced (280 ktpa)
 - Further closures anticipated

Source: FOEX Indexes Ltd

South Africa Division



- Strong performance, with ROCE of 20.5%
- Pricing
 - Higher average domestic selling prices across all grades
 - Lower average export pulp price
 - White-top containerboard export prices stable
- Sales volumes impacted by Richards Bay maintenance shut brought forward to June
- Gains from weaker rand
- €10 million higher fair value gain on forestry assets

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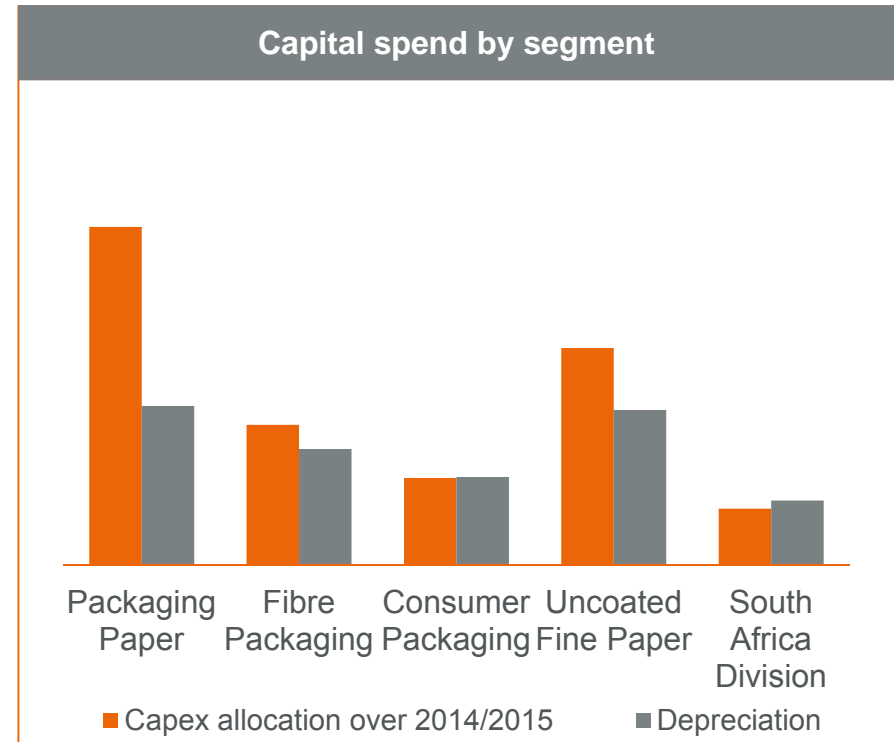
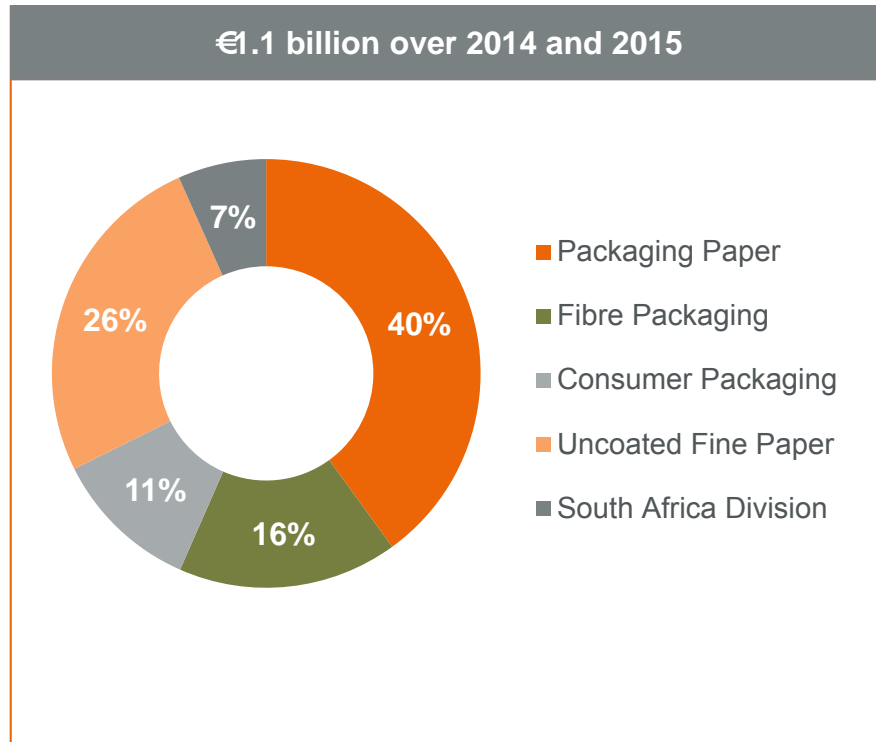
Graphic Packaging Acquisition



- Transaction completed on 30 June 2014
- Acquired 100% of bags and kraft paper business from Graphic Packaging International Inc. for US\$105 million (€76 million)
- US\$437 million revenue (unaudited pro forma) in 12 months ended 31 March 2014
- Production base comprises
 - an integrated kraft paper mill located in Pine Bluff, Arkansas with production capacity of 135,000 tonnes per annum
 - 9 bags plants across the US, producing 872 million bags and consuming 174,000 tonnes of kraft paper in 2013
- Operational and procurement synergies expected from integration with Group's existing network of 36 bag plants and 5 kraft paper mills, including 4 bags plants in North America
- Limited contribution to underlying operating profit in 2014

Acquisition consolidates global market leadership position in Industrial Bags

Capital expenditure allocation



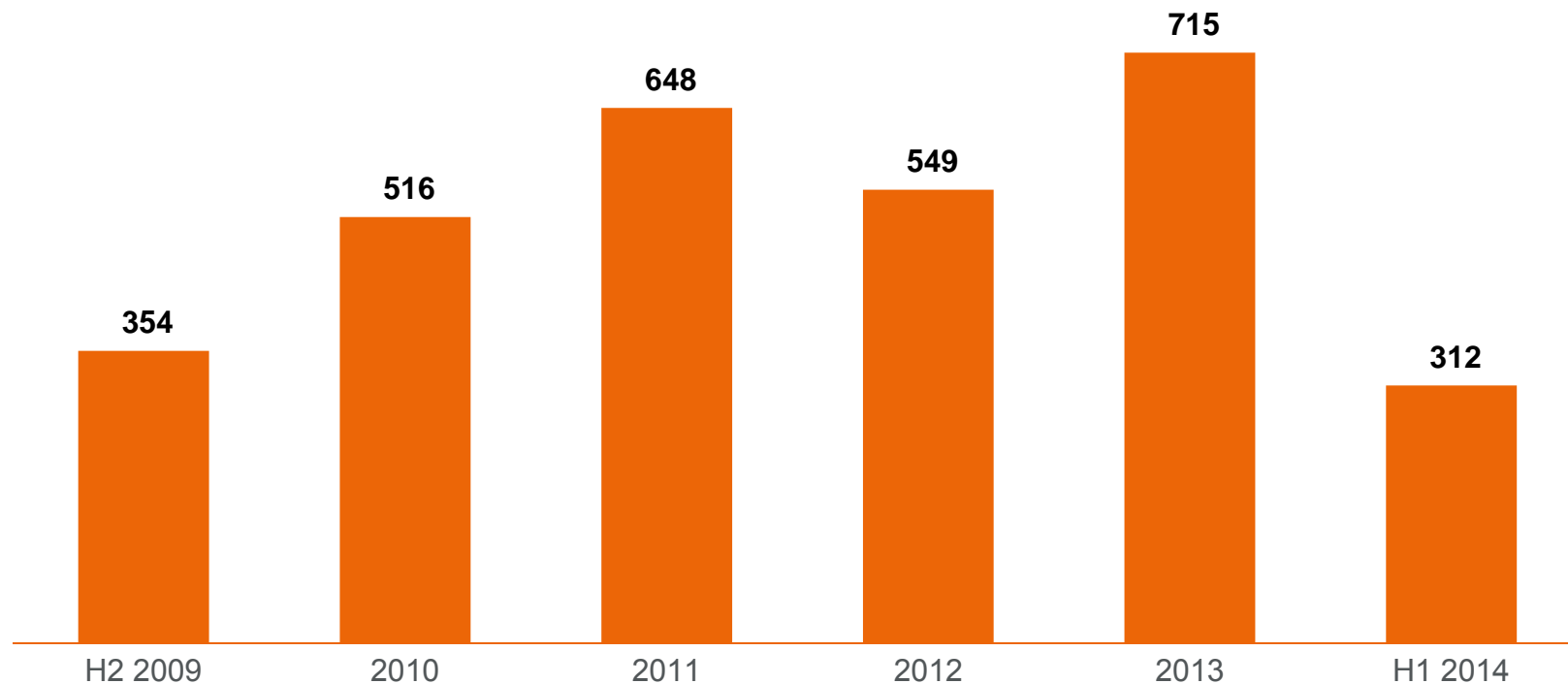
- Focus on growth in packaging
- UFP spend primarily around cost optimisation and pulp production

Strong cash flow generation through the cycle



5 year cash generated by operations¹

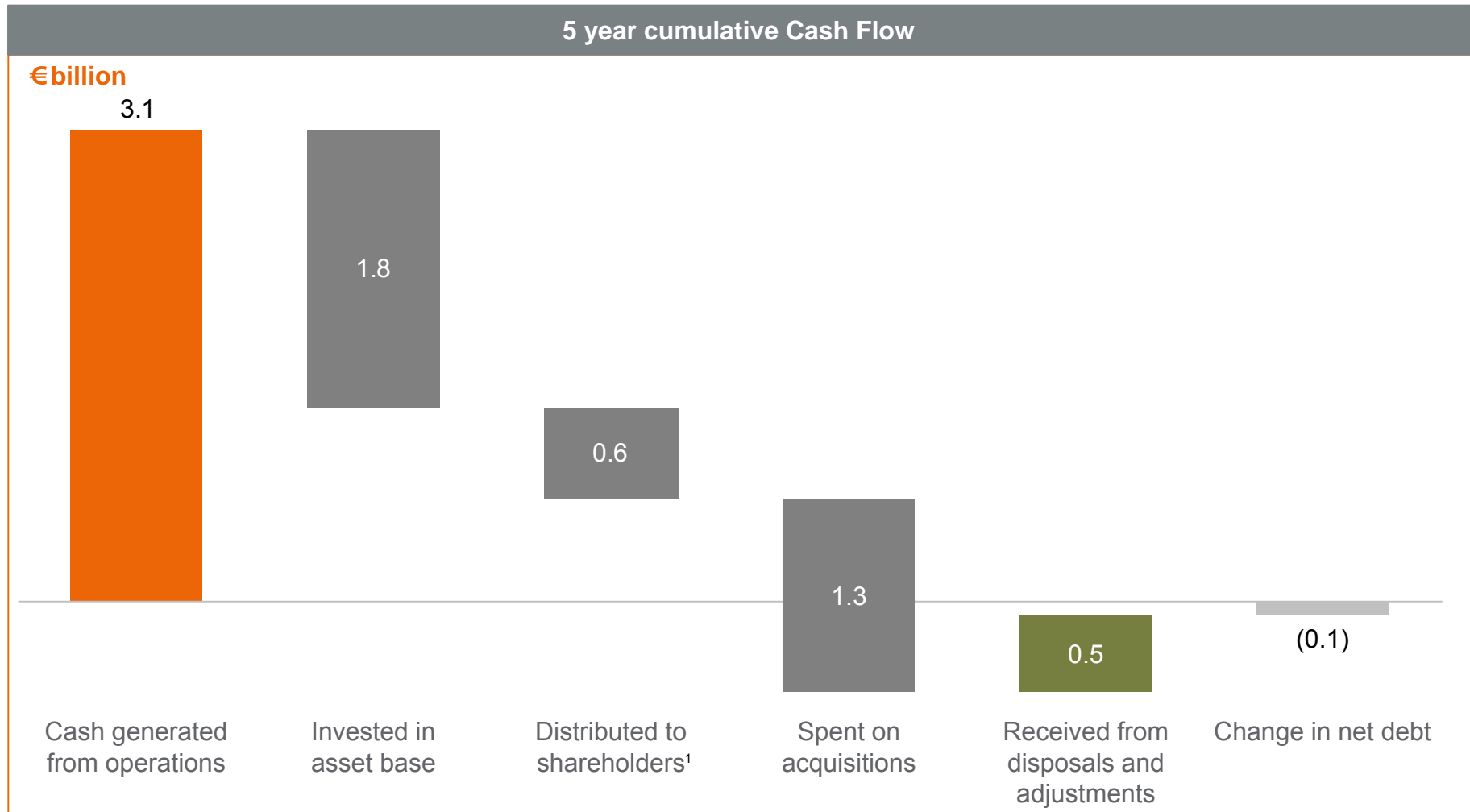
€million



€3.1 billion cash generated from operations over last 5 years

¹ Net cash generated before capital expenditure, shareholder distributions, acquisitions and disposals.

...with a balance between re-investment for growth and shareholder distributions

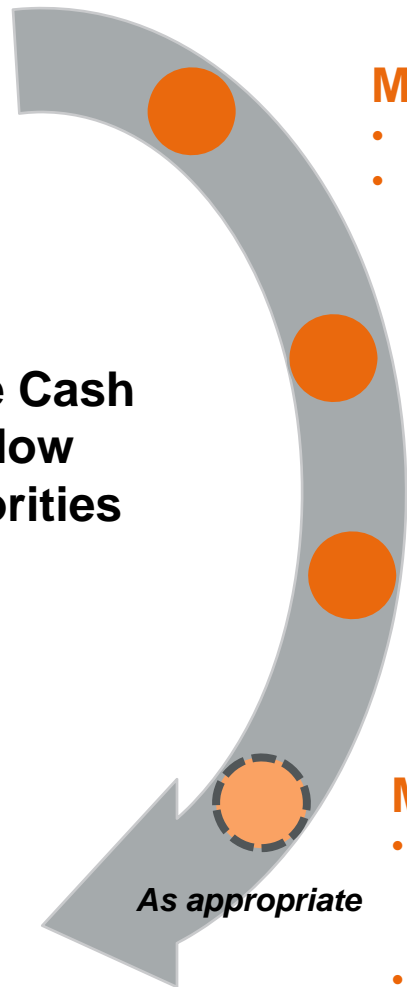


¹ Excludes dividend in specie of €205 million.

Delivering against free cash flow priorities



**Free Cash
Flow
priorities**



Maintain investment grade credit metrics

- Net debt/EBITDA is 1.6 times
- Investment grade credit ratings reaffirmed

Selective capital investment opportunities

- €1.1 billion capex programme in 2014/2015
- All strategic capital investment projects on time and within budget

Support dividends

Interim dividend of 13.23 euro cents per share, up 39% on prior year

M&A and/or increased shareholder distributions

- €76 million Graphic Packaging bags and kraft paper acquisition in US consolidates global market leadership position in Industrial Bags
- Continue to assess opportunities that are value enhancing to the Group

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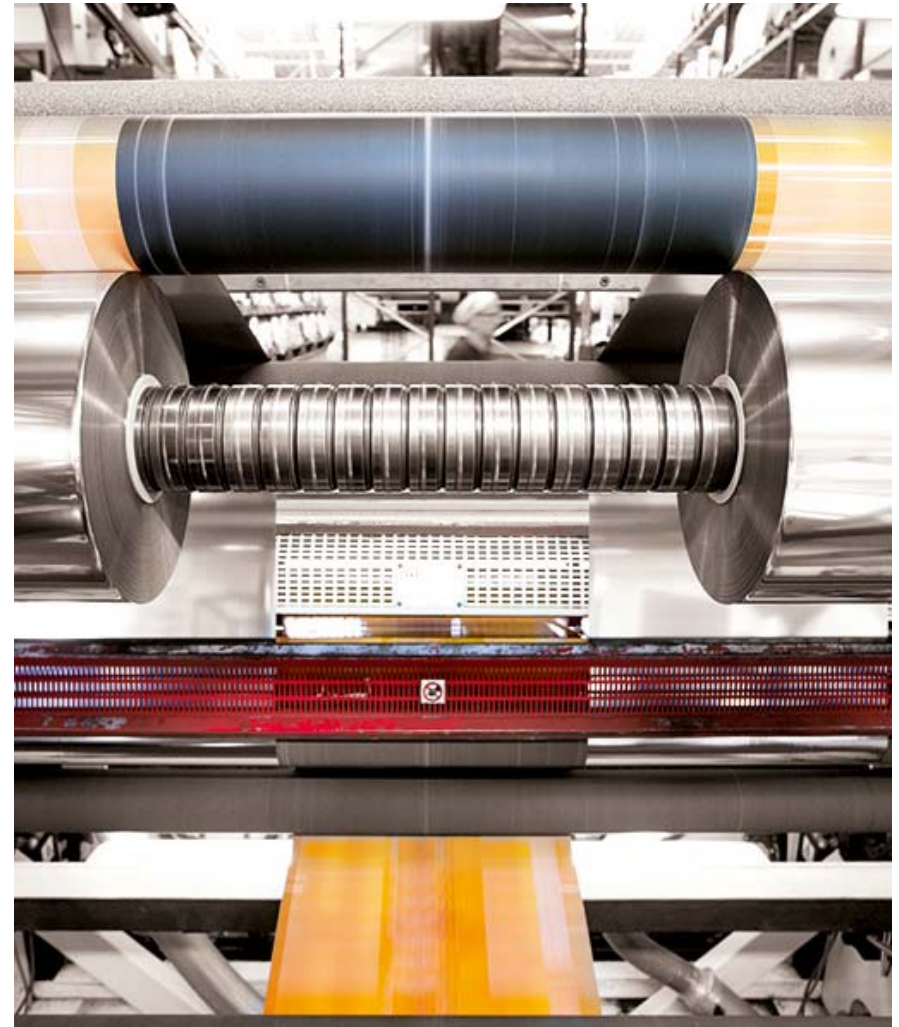
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Outlook



In the near term, anticipated price increases in some of the Group's packaging paper grades should provide positive momentum. As in prior years, the second half of the year will be impacted by the planned annual mill maintenance shuts.

Market fundamentals remain sound, which, coupled with a continued economic recovery, should prove positive for further growth in the packaging businesses.

Overall, management remains confident that Mondi will continue to deliver an industry leading performance.

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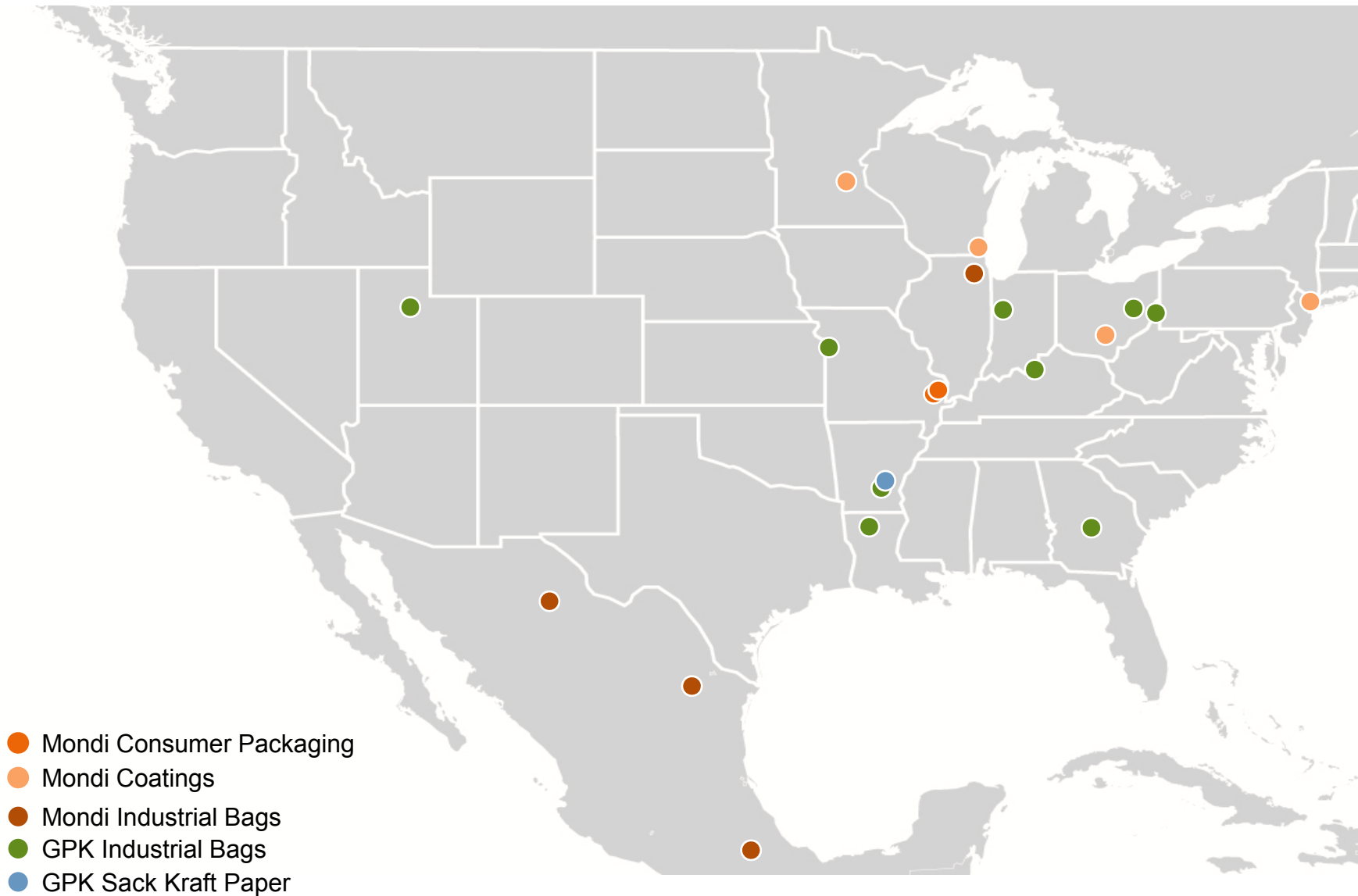
Our strategic pillars



Achieve leading market positions	We develop and maintain leading positions in our core packaging and uncoated fine paper markets. This brings us cost benefits and allows us to better serve our customers. Our focus on higher-growth emerging markets contributes to our sustained profitability.
Maintain our high-quality, low-cost asset base	We constantly invest in improving our operations, focusing on those assets which enjoy inherent cost advantages. This ensures we maintain a high-quality, low-cost asset base that keeps us competitive, and gives us sustainable cost advantages. Through our high levels of vertical integration we can create synergies along the entire value chain.
Grow through customer focused development	We help our customers succeed by working closely with them and listening to them. We develop smarter, more cost-effective processes and work to find inventive, innovative, advanced solutions that meet their needs. We follow our customers into high-growth emerging markets, where together we can offer cutting edge products that deliver exceptional value.
Continuous focus on performance	We are passionate about performance, making things work efficiently, effectively and profitably. Through our business excellence programmes and rigorous asset management, we are continually improving productivity and finding new ways to reduce costs.

Our hurdle rate of return through-the-cycle is 13%

Graphic Packaging Acquisition



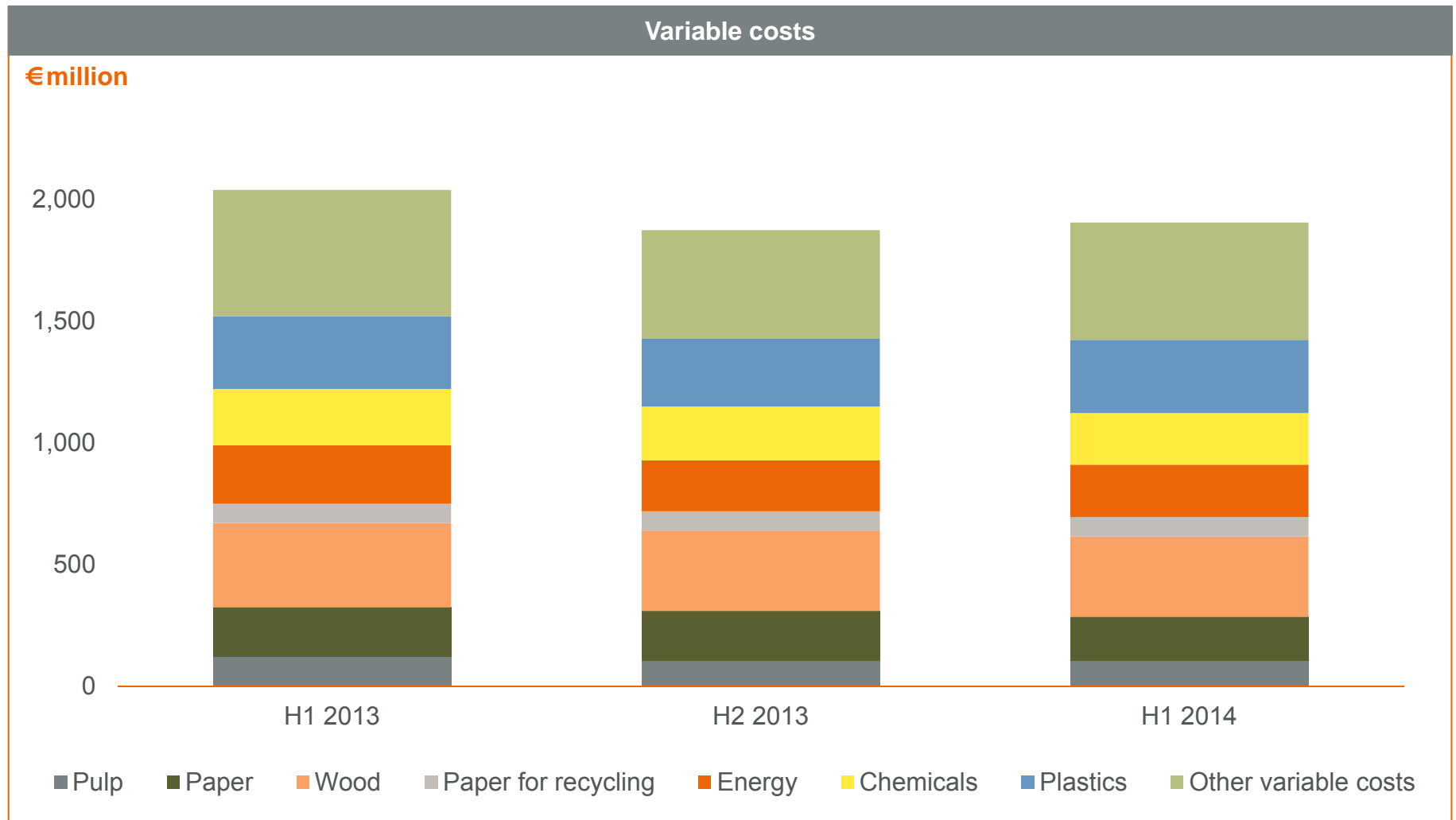
Capital expenditure - Major project timeline



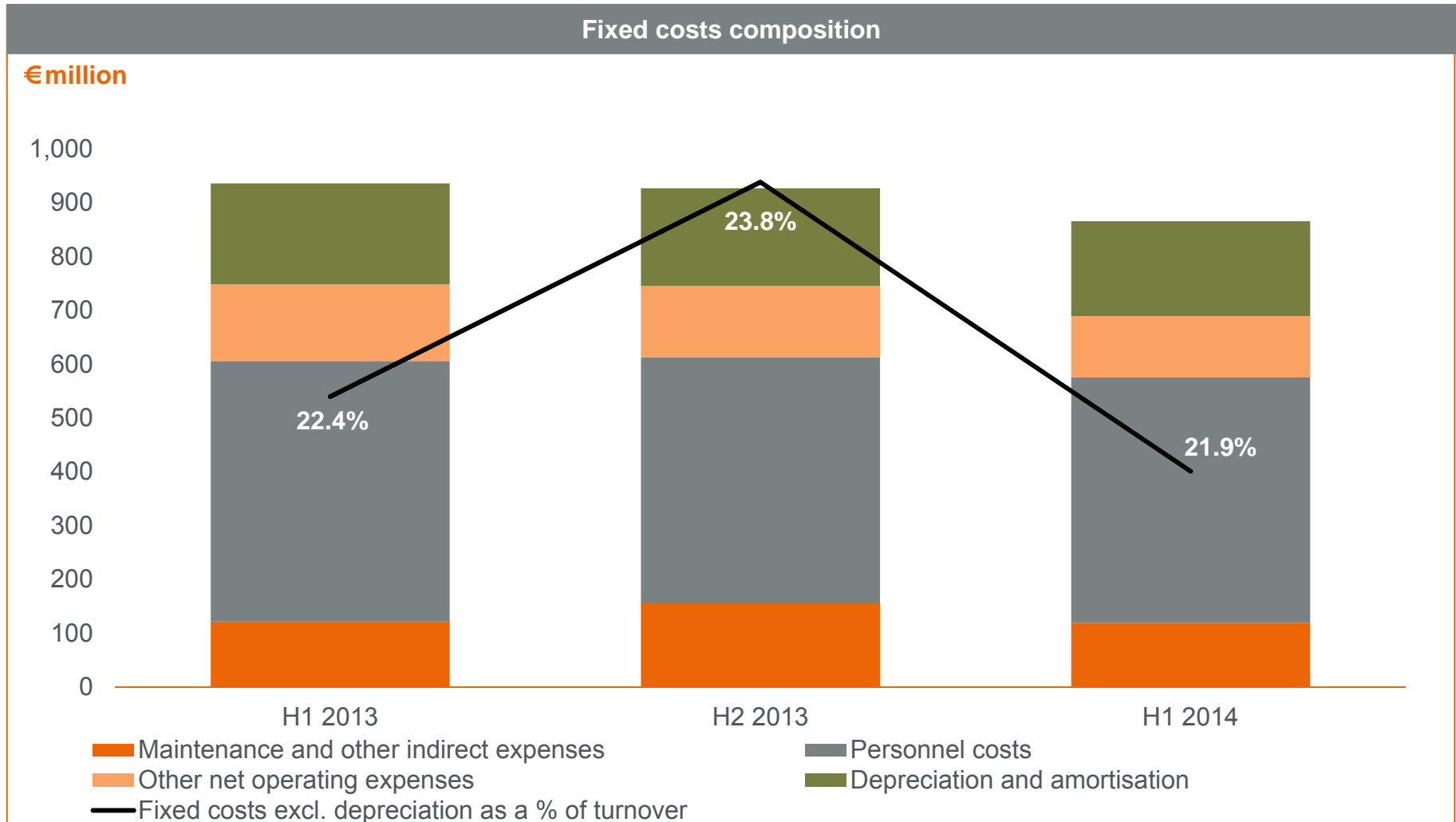
Project start-up	Total Capex €m	2014		2015	
		H1	H2	H1	H2
Štėti bleached kraft (155,000 tonnes)	70				
Syktyvkar pulp dryer (100,000 tonnes)	30				
Ružomberok recovery boiler	128				
Świecie recovery boiler, turbine and biomass boiler	166				

Expected capital expenditure of €550 million/year in 2014 and 2015

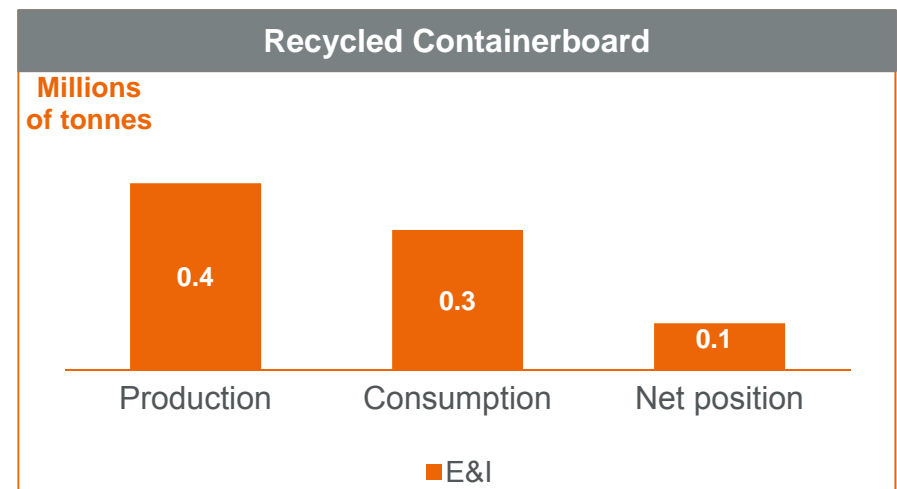
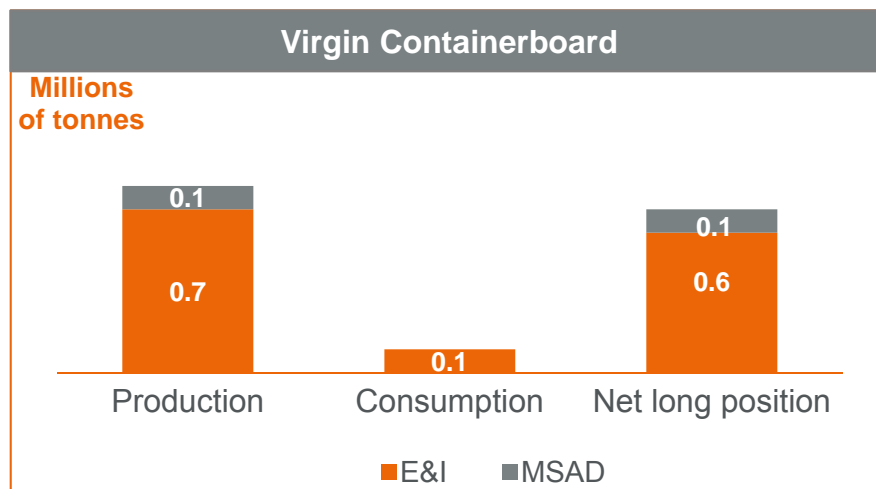
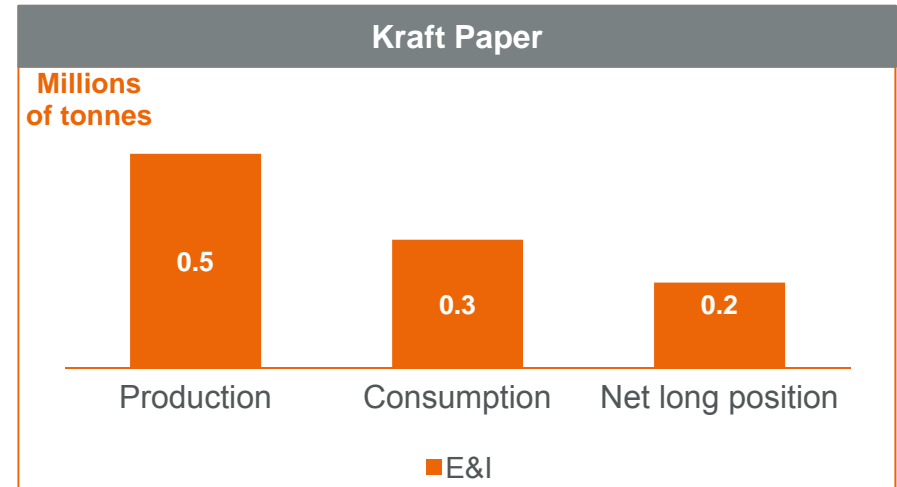
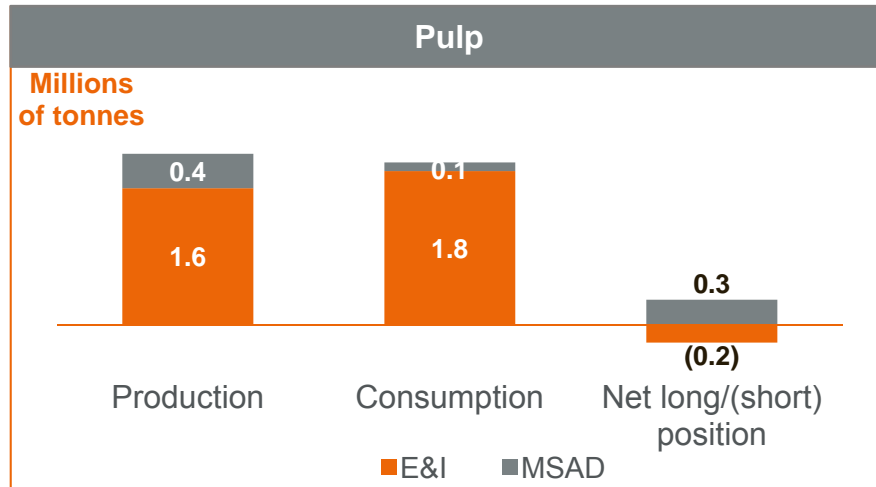
Input costs



Fixed costs



Integrated value chain H1 2014



Non-controlling interests



Non-controlling interests €million	H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Profit attributable to non-controlling interests	15	13	15	-	(15%)
• <i>Ružomberok</i>	15	12	12	20%	-
• <i>Other</i>	-	1	3		
% of underlying earnings	5.9%	5.6%	5.6%		

Taxation



Taxation €million	H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Underlying tax charge	56	42	62	(11%)	(48%)
Effective tax rate	18%	15%	19%		

- Higher tax rate reflecting
 - Shift in underlying profit mix
 - Reduction in the benefits from investment related incentives

Special items

Operating special items – €3 million charge

- Fibre packaging (€7 million charge)
 - Restructuring activities in Coatings business (Belgium)
- Consumer Packaging (€4 million gain)
 - Release of unutilised provision for transaction costs (Nordenia acquisition)

Financing special item – €13 million charge

- Net charge on early redemption of €280 million Eurobond

Cash flow



€million	H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Underlying EBITDA	554	514	553	-	8%
Working capital movements	(129)	102	(106)		
Other operating cash flow items	6	(11)	(8)		
Cash generated from operations	431	605	439	2%	(27%)
Dividends from financial investments and associates	-	1	-		
Taxes paid	(75)	(51)	(49)	35%	4%
Net cash inflow from operating activities	356	555	390	10%	(30%)
Capital expenditure, excl. intangible assets	(164)	(241)	(249)	(52%)	(3%)
Investment in forestry assets	(20)	(21)	(18)		
Acquisitions	-	-	(77)		
Financing costs	(68)	(56)	(64)	6%	(14%)
Dividends paid	(142)	(56)	(140)		
Other investing and financing activities	18	13	15		
Net decrease/(increase) in net debt	(20)	194	(143)		

Statement of financial position



€million	H1 2013	H2 2013	H1 2014
Intangible assets	684	675	670
Property, plant and equipment	3,446	3,428	3,505
Forestry assets	257	233	233
Other non-current assets	41	38	37
Total non-current assets	4,428	4,374	4,445
Inventories	767	746	834
Trade and other receivables	1,112	954	1,058
Other current assets	111	166	71
Total current assets	1,990	1,866	1,963
Total assets	6,418	6,240	6,408
Short-term borrowings	(265)	(181)	(458)
Trade and other payables	(1,008)	(989)	(1,028)
Other current liabilities	(148)	(126)	(142)
Total current liabilities	(1,421)	(1,296)	(1,628)
Medium and long-term borrowings	(1,664)	(1,571)	(1,343)
Net retirement benefits liability	(225)	(211)	(226)
Deferred tax liabilities	(291)	(264)	(254)
Other non-current liabilities	(53)	(52)	(52)
Total non-current liabilities	(2,233)	(2,098)	(1,875)
Total liabilities	(3,654)	(3,394)	(3,503)
Net assets	2,764	2,846	2,905
Share capital and stated capital	542	542	542
Retained earnings and other reserves	1,963	2,049	2,103
Total attributable to shareholders	2,505	2,591	2,645
Non-controlling interests in equity	259	255	260
Total equity	2,764	2,846	2,905

Production volumes



		H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Europe & International						
Containerboard	Tonnes	1,077,702	1,061,012	1,075,226	-	1%
Kraft paper	Tonnes	515,822	495,063	531,040	3%	7%
Total softwood pulp	Tonnes	1,014,483	993,476	1,025,692	1%	3%
Corrugated board and boxes	M m ²	678	666	672	(1%)	1%
Industrial bags	M units	2,017	1,980	2,115	5%	7%
Coatings and release liners	M m ²	1,718	1,630	1,692	(2%)	4%
Consumer packaging	Tonnes	146,763	136,398	141,467	(4%)	4%
Uncoated fine paper	Tonnes	708,880	672,261	684,678	(3%)	2%
Newsprint	Tonnes	103,620	103,608	104,574	1%	1%
Total hardwood pulp	Tonnes	547,819	539,796	567,432	4%	5%
South Africa						
Containerboard	Tonnes	132,077	122,637	124,157	(6%)	1%
Uncoated fine paper	Tonnes	131,741	127,010	126,907	(4%)	-
Total hardwood pulp	Tonnes	326,981	318,630	311,914	(5%)	(2%)
Total softwood pulp	Tonnes	102,987	63,114	75,675	(27%)	20%
Newsprint	Tonnes	87,088	58,410	58,859	(32%)	1%

Exchange rates



€million	H1 2013	H2 2013	H1 2014	% change vs H1 2013	% change vs H2 2013
Closing rates against the euro					
South African rand	13.07	14.57	14.46	(11%)	1%
Czech koruna	25.95	27.43	27.45	(6%)	-
Polish zloty	4.34	4.15	4.16	4%	-
Pounds sterling	0.86	0.83	0.80	7%	4%
Russian rouble	42.84	45.32	46.38	(8%)	(2%)
Turkish lira	2.52	2.96	2.90	(15%)	2%
US dollar	1.31	1.38	1.37	(5%)	1%
Average rates for the period against the euro					
South African rand	12.10	13.54	14.67	(21%)	(8%)
Czech koruna	25.70	26.28	27.44	(7%)	(4%)
Polish zloty	4.18	4.22	4.18	-	1%
Pounds sterling	0.85	0.85	0.82	4%	4%
Russian rouble	40.73	43.88	48.01	(18%)	(9%)
Turkish lira	2.38	2.68	2.97	(25%)	(11%)
US dollar	1.31	1.34	1.37	(5%)	(2%)

