Mondi Group
Full year results for the year ended 31 December 2013

28 February 2014

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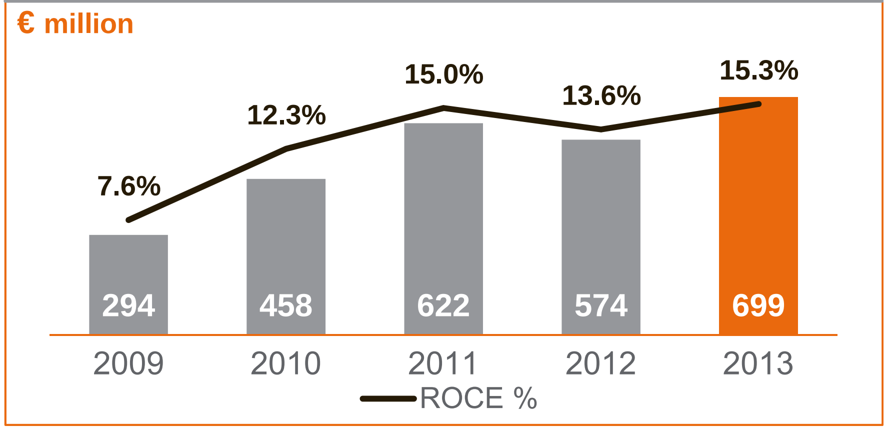
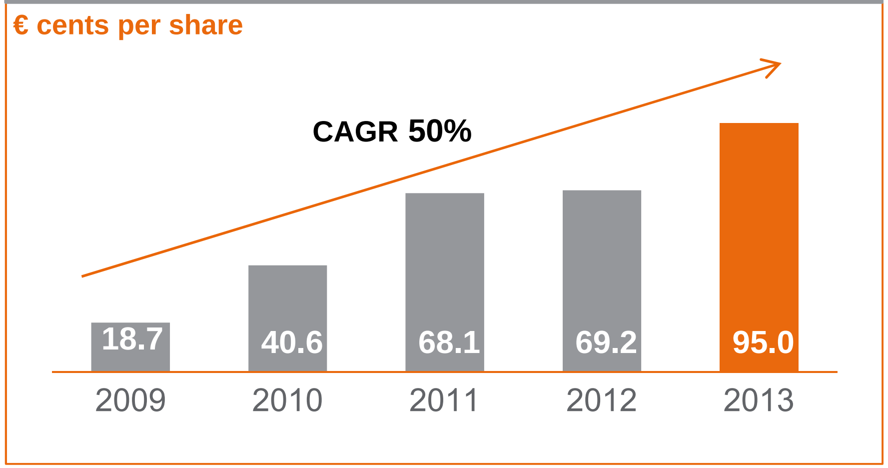
Highlights

Underlying operating profit



Earnings per share



Financial

- Record financial results on all key measures
- ROCE of 15.3%
  - Up 170 basis points
  - Last 3 year average of 14.6%, well in excess of through-the-cycle hurdle rate of 13%
- Significant de-leveraging post 2012 acquisitions
  - Net debt/EBITDA ratio down from 2.0 in 2012 to 1.5 in 2013
- Dividend per share, 29% up on prior year

Operational

- Successful integration of acquisitions made toward the end of the prior year
  - €23 million synergies delivered
- Significant capital expenditure projects on time and within budget
  - 4 major energy related projects delivered in 2013 – total investment of €120 million
- Strong operational performance at all key operations

Comparatives for 2009, 2010 and 2011 have not been restated to include 100% of Mondi Shanduka Newsprint in South Africa Division and consequently reflect a 58% portion.

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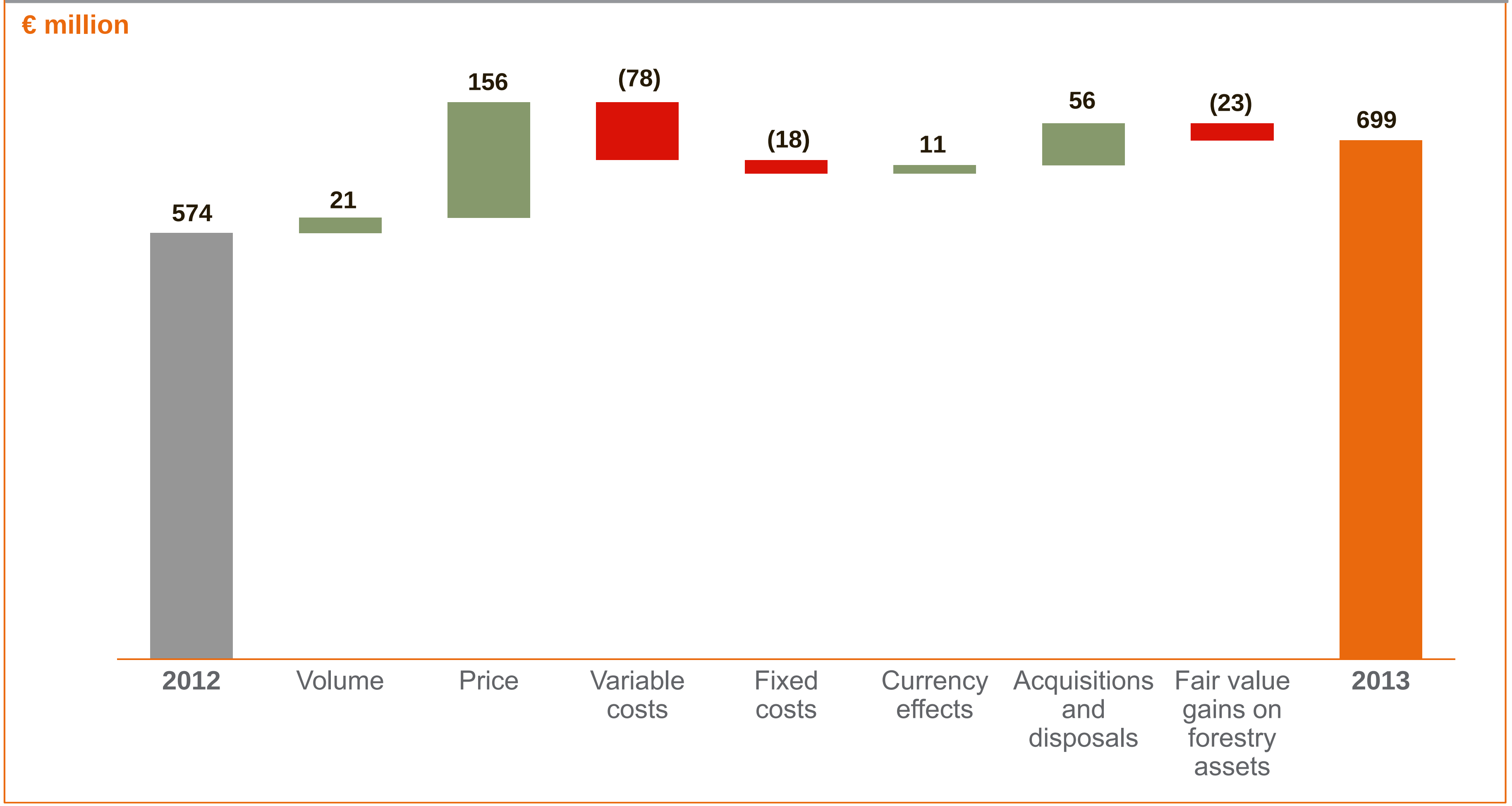
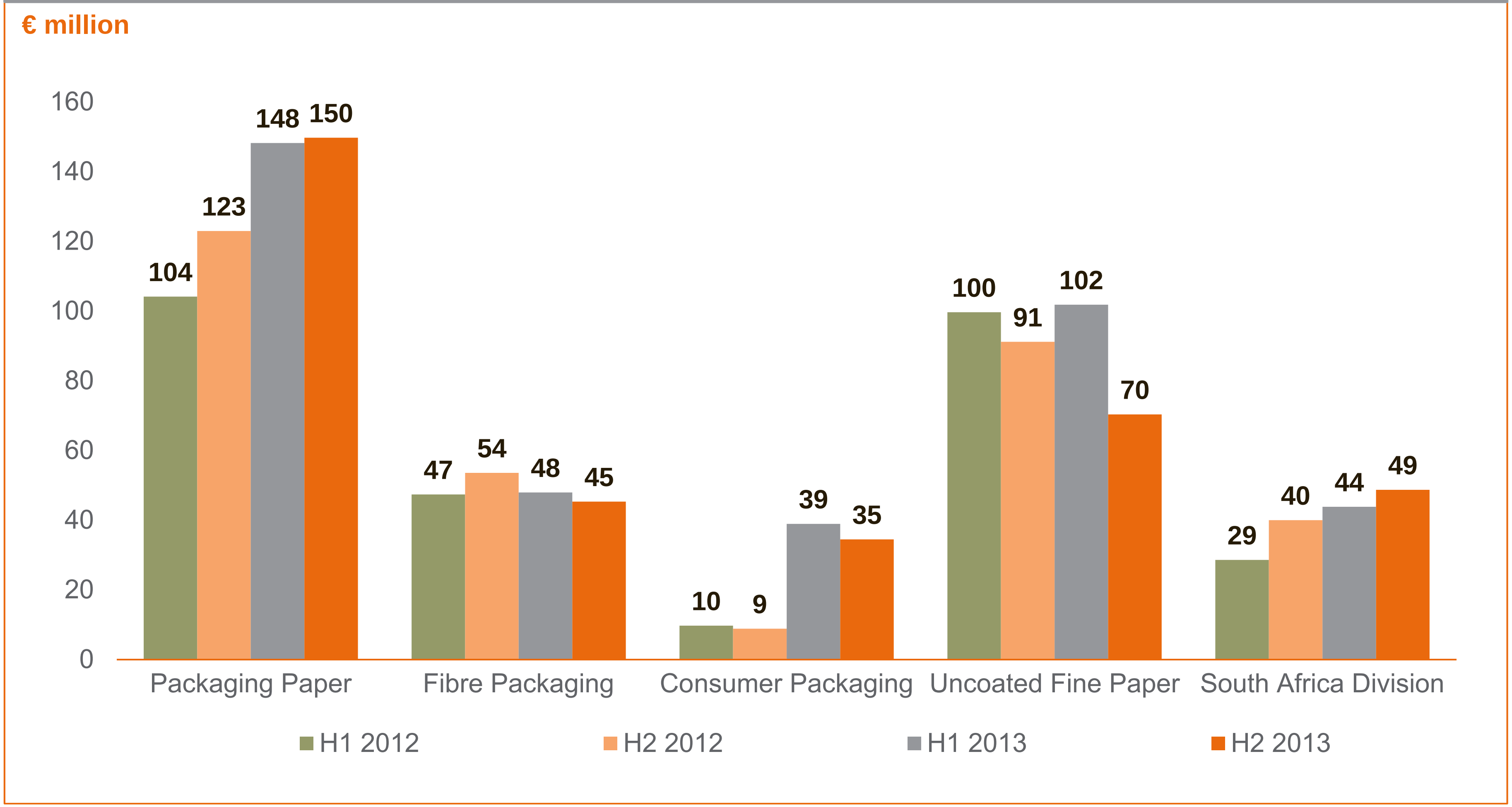
Operating financial highlights

€ million	2012	2013	% change	H2 2012	H1 2013	H2 2013
Group Revenue	5,790	**6,476**	*12%*	2,971	3,342	3,134
Underlying EBITDA	927	**1,068**	*15%*	490	554	514
% Margin	*16.0%*	***16.5%***		*16.5%*	*16.6%*	*16.4%*
Underlying operating profit	574	**699**	*22%*	302	366	333
% Margin	*9.9%*	***10.8%***		*10.2%*	*11.0%*	*10.6%*
Group ROCE	13.6%	**15.3%**		13.6%	14.8%	15.3%

Underlying operating profit development



Divisional underlying operating profit – half year splits



Financial review

€ million	2012	2013	% change	H2 2012	H1 2013	H2 2013
Underlying operating profit	574	**699**	*22%*	302	366	333
Net finance costs	(110)	**(115)**	*(5%)*	(55)	(57)	(58)
Net (loss)/income from associates	(5)	**2**		(4)	1	1
Underlying profit before tax	459	**586**	*28%*	243	310	276
Tax before special items	(90)	**(98)**	*(9%)*	(47)	(56)	(42)
Total non-controlling interests	(35)	**(28)**	*20%*	(11)	(15)	(13)
Underlying earnings	334	**460**	*38%*	185	239	221
Special items (after tax and non-controlling interests)	(92)	**(74)**	*20%*	(96)	(68)	(6)
Reported profit after tax and non-controlling interests	242	**386**	*60%*	89	171	215
Underlying earnings per share (€ cents)	69.2	**95.0**	*37%*	38.3	49.4	45.6
Basic earnings per share (€ cents)	50.1	**79.8**	*59%*	18.4	35.3	44.5

Finance costs

€ million	2012	2013	% change
Closing net debt	1,872	**1,621**	*13%*
Average net debt	1,278	**1,792**	*(40%)*
Finance costs	95	**104**	*(9%)*
Net interest on defined benefit arrangements	15	**11**	*27%*
Net finance costs	110	**115**	*(5%)*
Effective interest rate (before capitalised interest)	*7.5%*	**5.9%**	

- Finance costs up on higher average net debt
- Offset by lower effective interest rate
  - Higher proportion of debt in euro
- Cash net interest paid of €124 million (2012: €92 million)

Taxation and non-controlling interests

Taxation € million	2012	2013	% change
Underlying tax charge	90	**98**	*(9%)*
Effective tax rate	*20%*	***17%***	

- Benefiting from
  - Profit mix
  - Investment incentives, notably Poland

Non-controlling interests € million	2012	2013	% change
Profit attributable to non-controlling interests	35	**28**	*20%*
• *Ružomberok*	*20*	**27**	*(35%)*
• *Other*	*15*	**1**	
% of net underlying profit	*9.5%*	***5.7%***	

- Lower charge due to
  - Acquisition of Świecie minorities in April and May 2012
  - Partly offset by higher profits at Ružomberok

Special items

Operating special items – €94 million loss, including

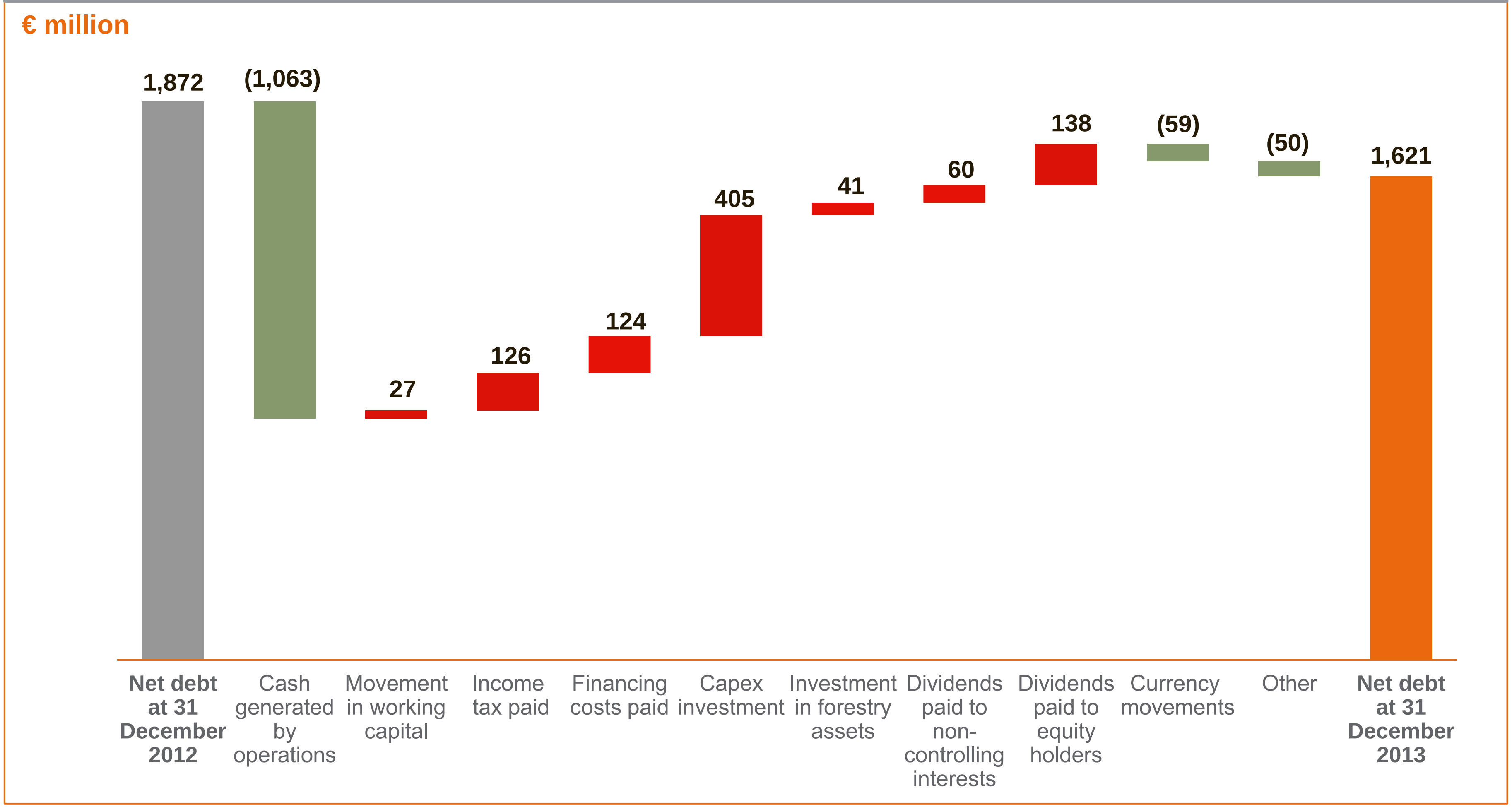
- Uncoated Fine Paper (€60 million loss)
  - Restructuring activities and asset impairment in Neusiedler (Austria) and assets written off in Syktyvkar (Russia)
- South Africa Division (€18 million loss)
  - Closure of one newsprint machine and related restructuring
- Consumer Packaging (€13 million loss)
  - Closure of Lindlar operation in Germany, volumes redirected to other operations

Non-operating special items – €7 million gain

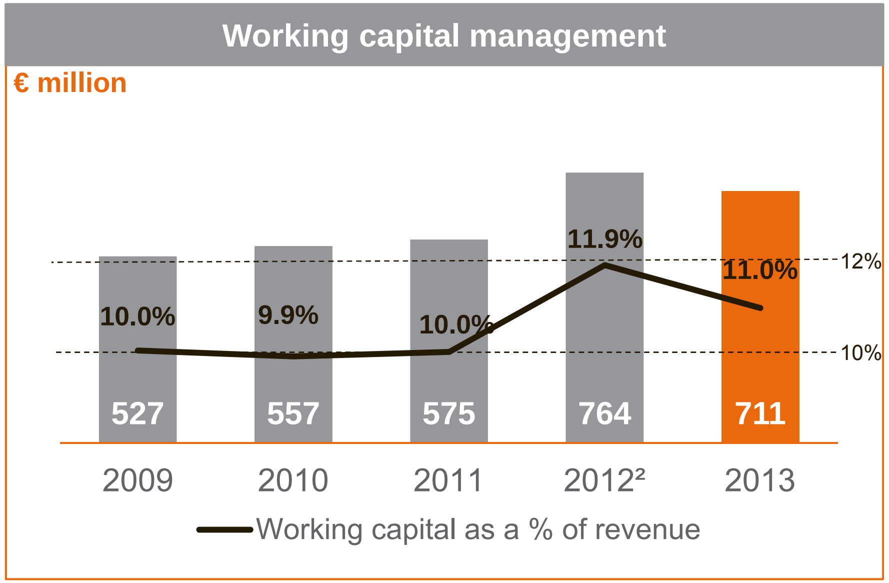
- South Africa Division (€7 million gain)
  - Profit on disposal of land

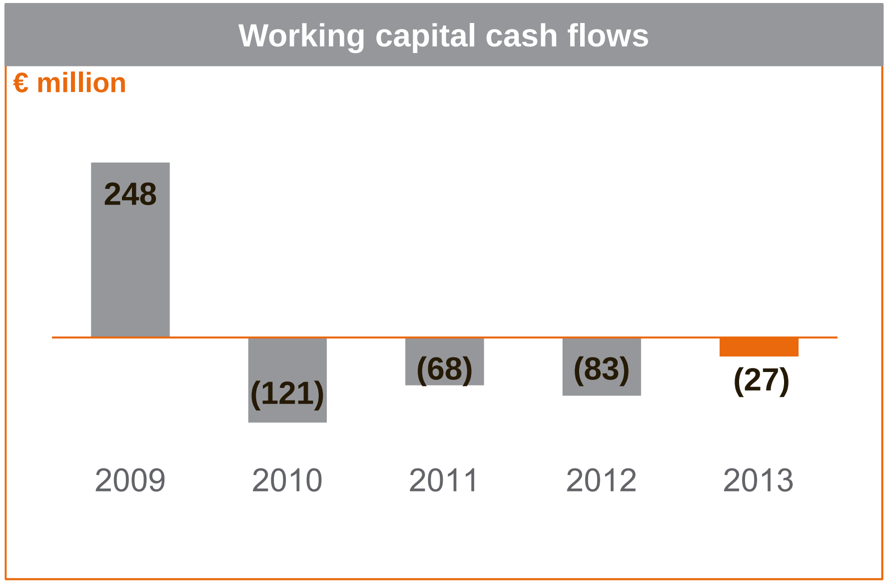
Cash effect of €20 million

Cash flow effects – movement in net debt



Working capital[1]



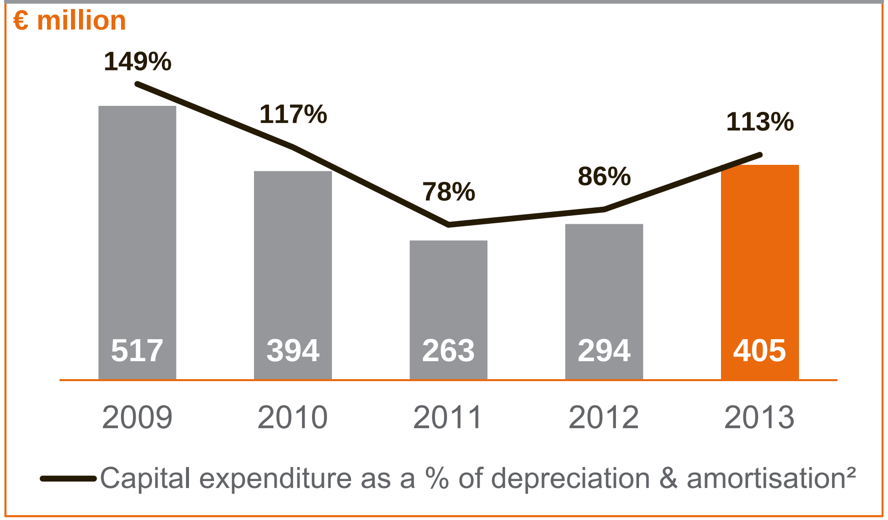


- Working capital within target range of 10-12% despite change in business mix following Nordenia acquisition
- Reduction in ratio reflects tight working capital control

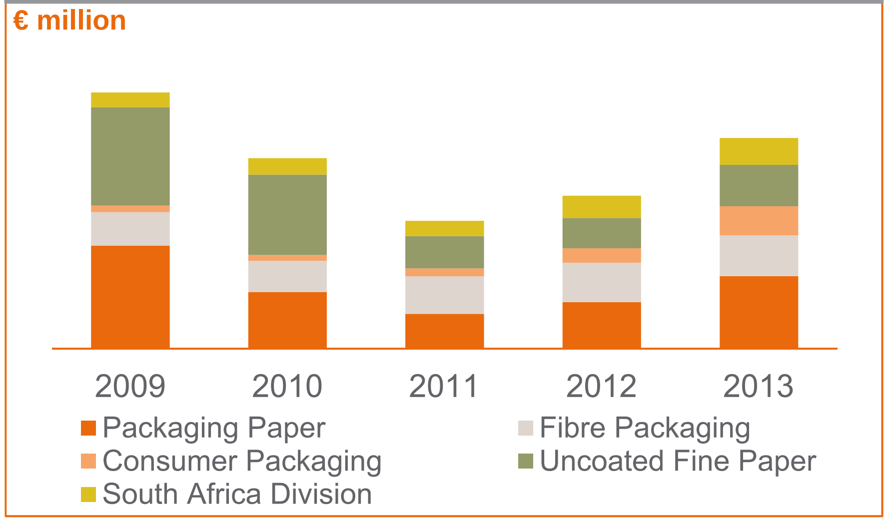
1 Comparatives for 2009, 2010 and 2011 have not been restated to include 100% of Mondi Shanduka Newsprint in South Africa Division and consequently reflect a 58% portion.
2 Working capital as a % of revenue is based on annualised Nordenia revenue.

Capital expenditure[1]

Capital expenditure



Capital expenditure by business segment



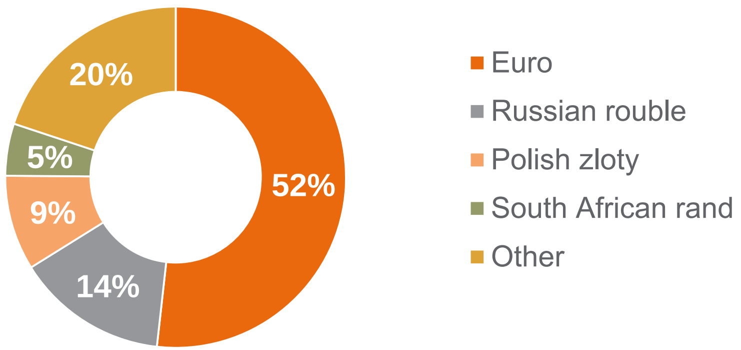
- Increase in capital expenditure as major project spend ramps up
- €140 million of major energy related projects successfully completed in 2012 and 2013
- Capital expenditure expected to average ±€500 million per annum in 2014/2015

1 Comparatives for 2009, 2010 and 2011 have not been restated to include 100% of Mondi Shanduka Newsprint in South Africa Division and consequently reflect a 58% portion.
2 Capital expenditure as a % of depreciation & amortisation is calculated using capital expenditure including intangibles.

Debt facilities

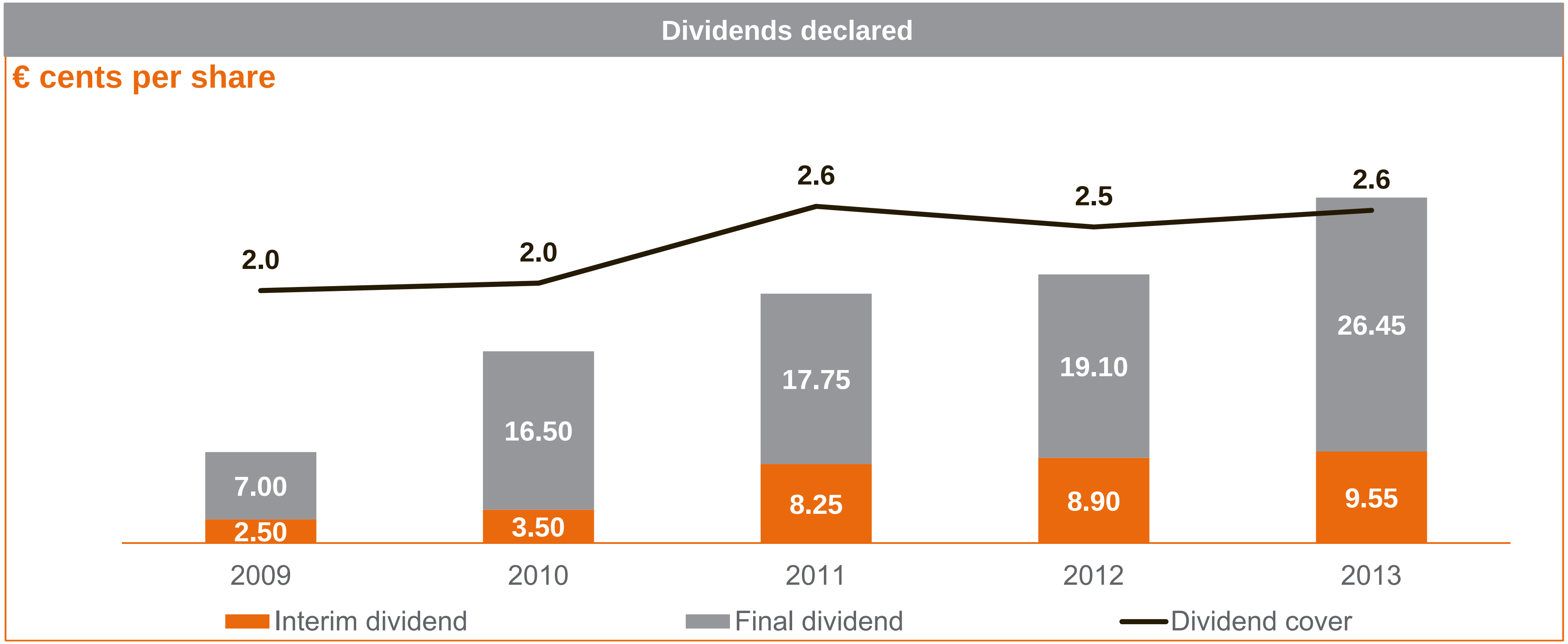
€ million	2012	2013	% change
Net debt	1,872	**1,621**	*13%*
Committed facilities	2,606	**2,487**	
Of which undrawn	762	**792**	*4%*
Gearing (Net debt / Trading capital employed)	*40%*	***36%***	
Net debt / 12 month trailing EBITDA (times)	2.0	**1.5**	

Currency split of net debt €1,621 million



- Strong de-leveraging following acquisitions in late 2012
- Benefits of carrying debt in higher yielding emerging market currencies due to devaluation
  - Cumulative translation adjustment in 2013 of €59 million
- Public credit ratings reaffirmed
  - Standard & Poor's at BBB-
  - Moody's Investor Services at Baa3

Dividends



- Full year dividend of 36 euro cents per share
- Increase of 29%, covered 2.6 times by earnings

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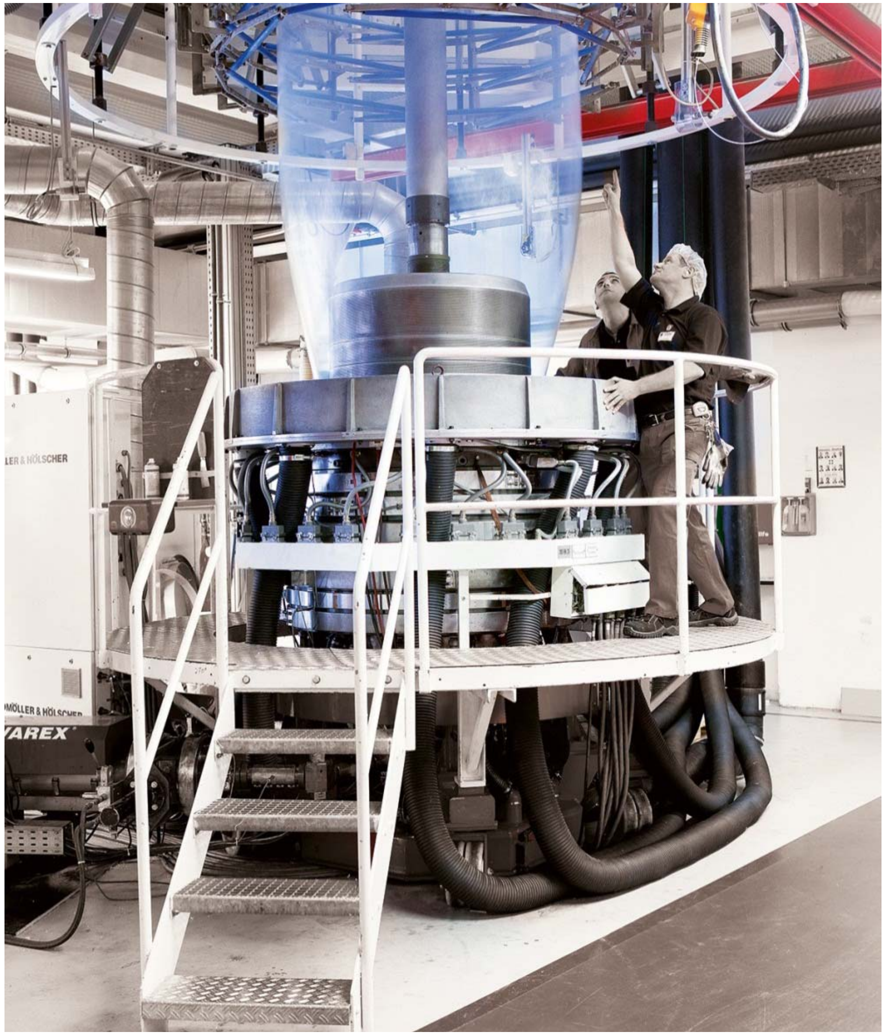
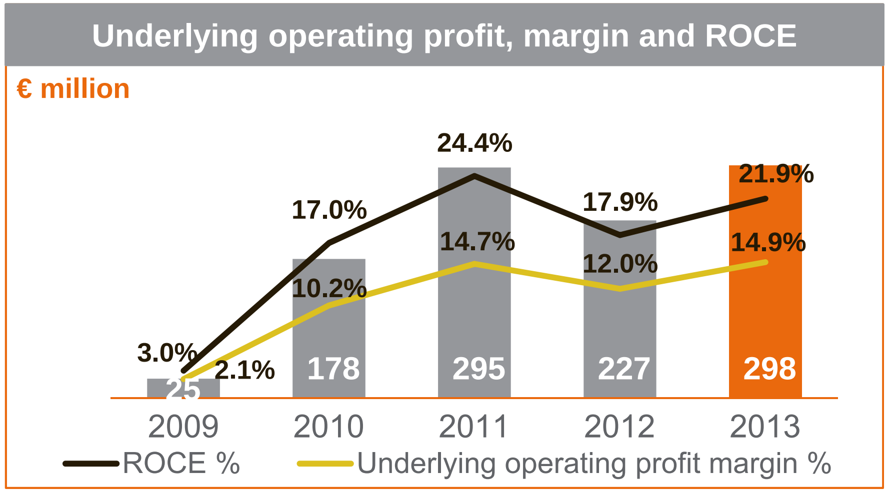
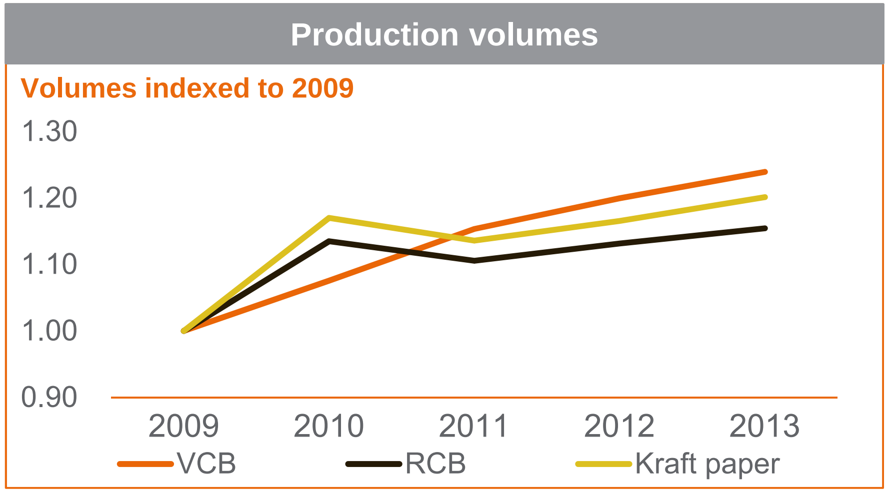


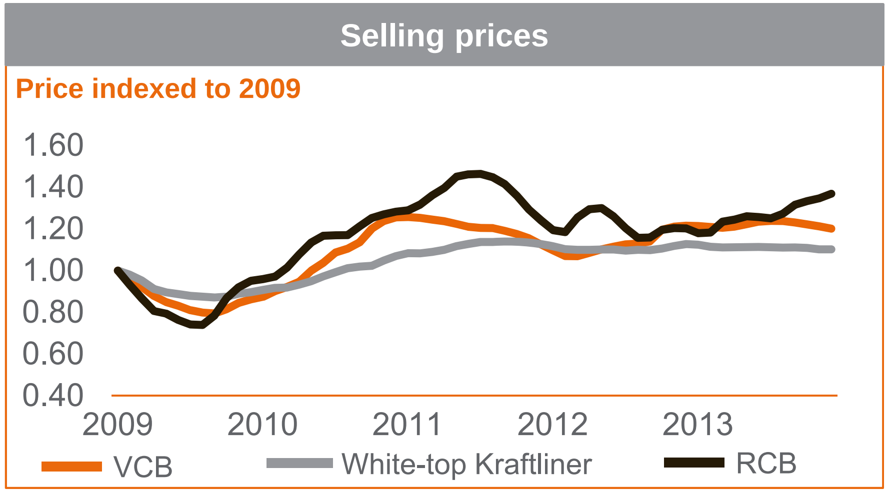
Packaging Paper

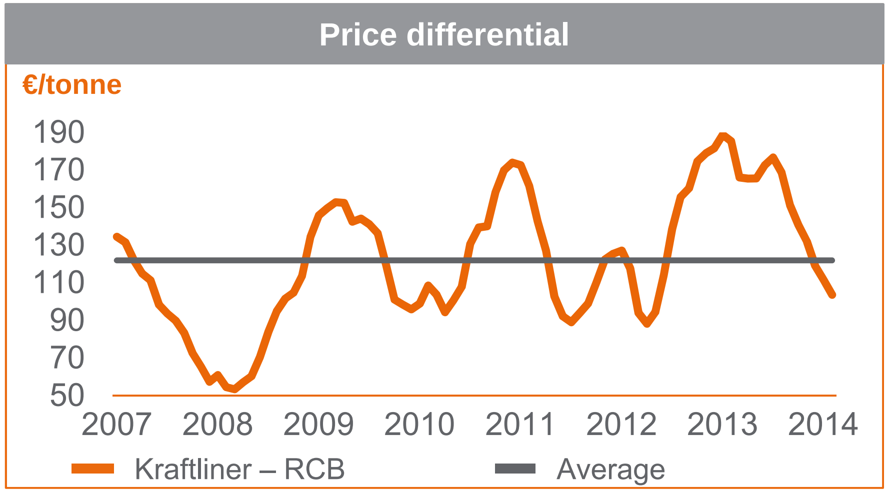




- Strong performance with ROCE of 21.9%
- Pricing mixed
  - Strong recovery in recycled containerboard
  - Virgin containerboard up in H1, before some weakness in H2
  - Kraft paper generally stable, although some price erosion in Q4
- Volume growth in all key grades
- Benefited from lower input costs, particularly paper for recycling
- Logistics synergies realised from 2012 Corrugated plants acquisition

Packaging Paper | industry fundamentals





Source: FOEX Indexes Ltd

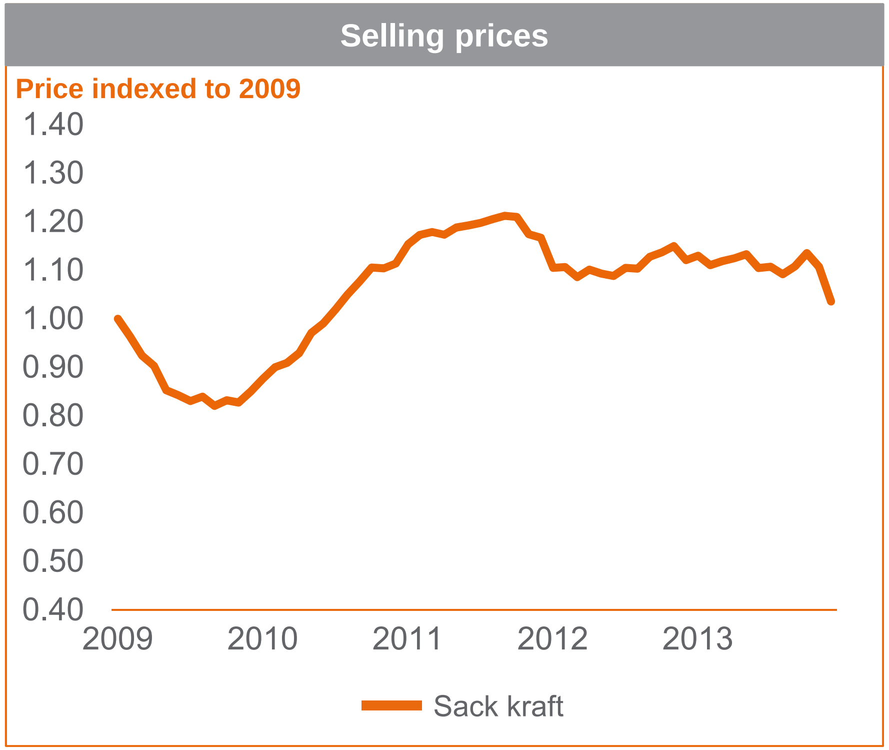
Virgin containerboard

- Downward pressure on Kraftliner prices in H2 2013 and early 2014 on product substitution and increased supply from grade conversion
  - Year end benchmark prices 2% lower than average levels for 2013
- Kraftliner price premium now in lower half of historic trading range – supportive of pricing
- Supply side remains constrained
- Improving demand in Q1 2014
- Price increase discussions underway on unbleached Kraftliner grades

Recycled containerboard

- Average benchmark prices up 4% on 2012 and year end 7% higher than 2013 average
- Good demand growth
- 2014 net capacity additions expected to be in line with demand growth

Packaging Paper | industry fundamentals

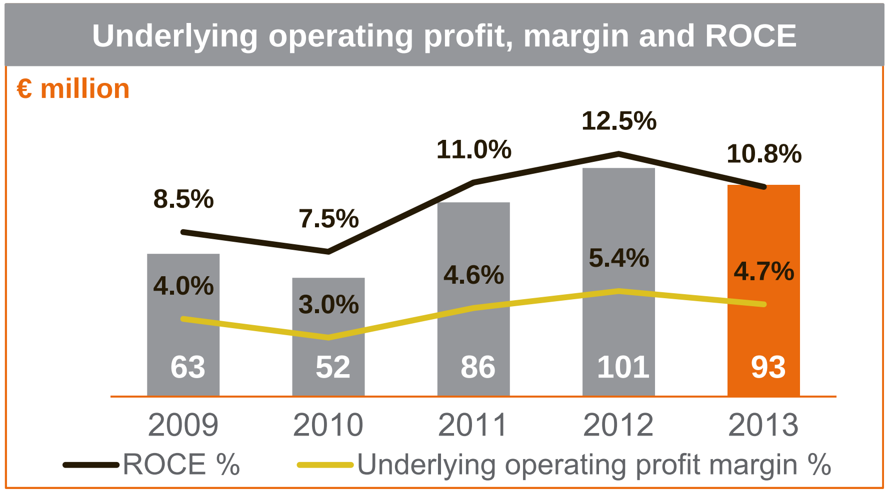


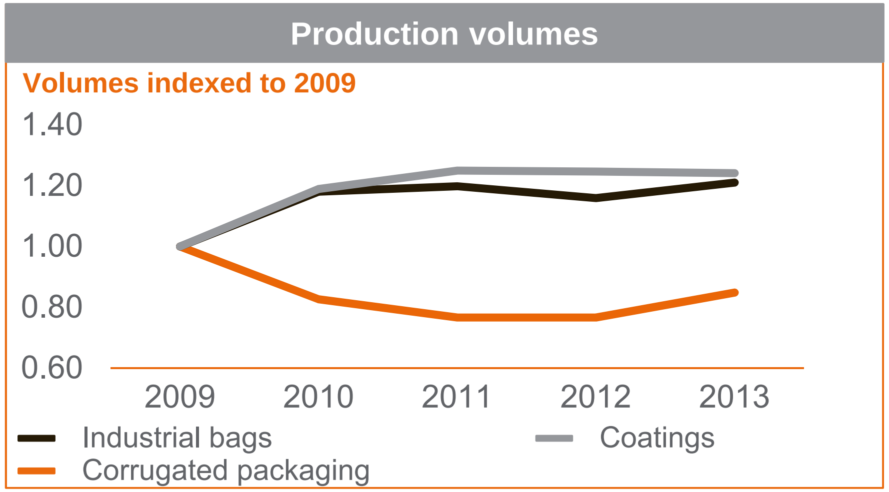
Kraft paper

- Price erosion in late 2013/early 2014 from increased competition in key export markets and seasonal demand weakness in Europe
  - Closing price 7% down on 2013 average
- Overseas markets remain main driver for unbleached sack kraft
- Demand in Europe remains stable
- Recent pick-up in orders
- Sack kraft price increase discussions
- Some capacity expansion in growing speciality segment

Source: Mondi

Fibre Packaging





Corrugated packaging

- Price increases achieved but paper input price increases put pressure on margins
- Benefited from 2012 acquisitions and volume growth in key markets

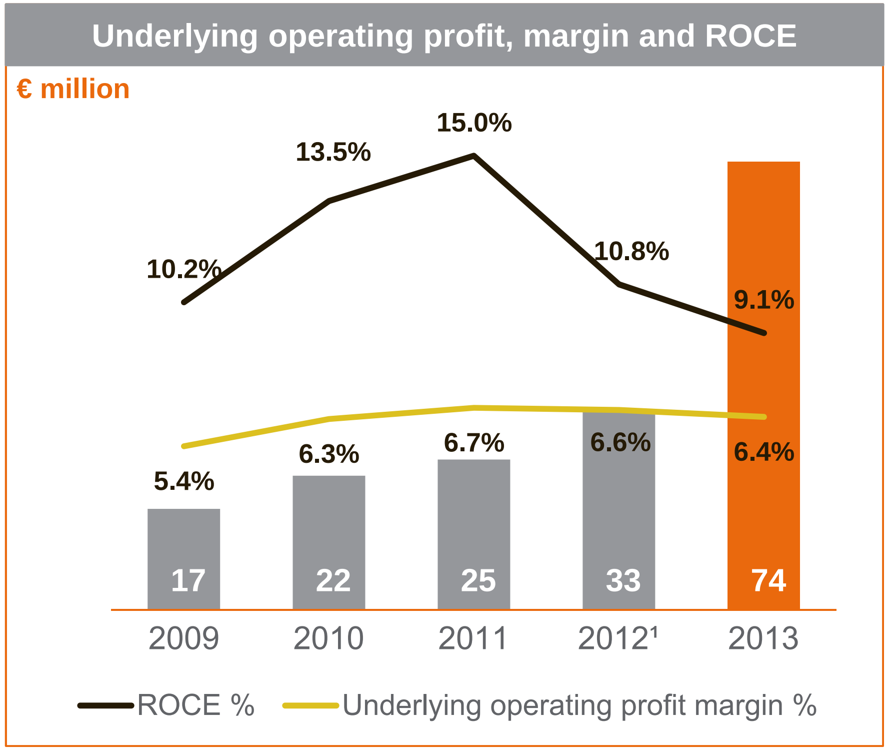
Industrial bags

- Growth in key overseas markets offset marginal volume declines in Europe
- Strong cost management and benefiting from restructuring activities

Coatings

- Sustained weakness in industrial and automotive sectors impacting volumes and prices
- Under pressure from new competitor capacity in Europe

Consumer Packaging

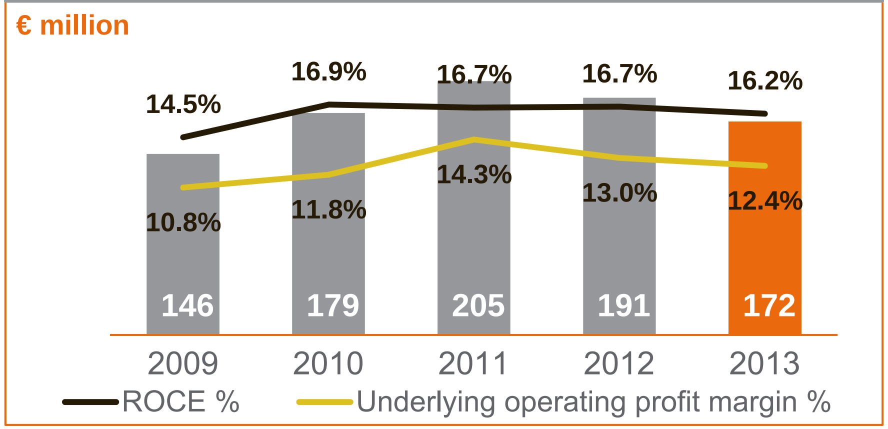


- Like-for-like underlying operating profit in line with prior year
- Net synergy gains of €16 million
- Offset by
  - One-off synergy implementation costs of €5 million
  - Challenging trading conditions in European films business
  - Higher fixed costs (excluding synergy effects) on new product launches and plant start-up
- Closure of Lindlar plant and transfer of volumes completed

1 Excludes €14 million one-off costs relating to Nordenia acquisition.

Uncoated Fine Paper

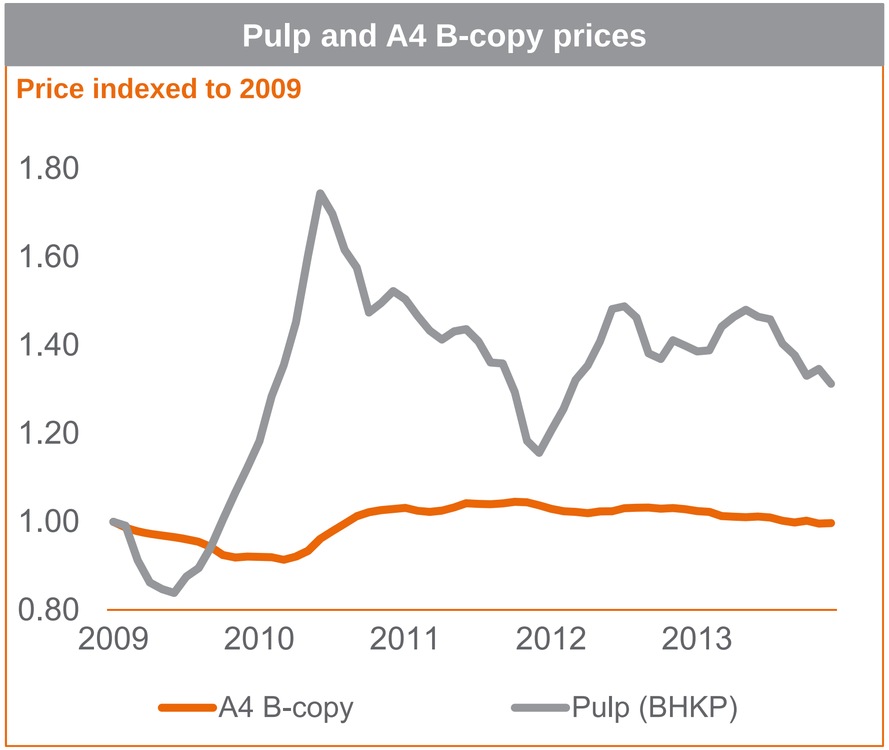
Underlying operating profit, margin and ROCE



Production volumes – Uncoated fine paper

- Strong operating performance with ROCE of 16.2%
- Sales volumes down 1.5%, reflecting mainly effects of Neusiedler restructuring
- Average selling prices weaker in H2 on continuing weak demand and new capacity
- Input costs increased
  - Higher wood costs in Ružomberok and pulp costs at Neusiedler partly offset by lower wood costs in Russia
    - Own wood costs in Russia down more than 10%
- Strong cost management resulted in a net reduction in fixed costs
- H2 results impacted by annual maintenance shuts

Uncoated Fine Paper | industry fundamentals



Demand

- Structural decline continuing in western Europe – down approximately 3% in 2013
- Structural demand growth still expected in Russia, albeit impacted by current cyclical weakness

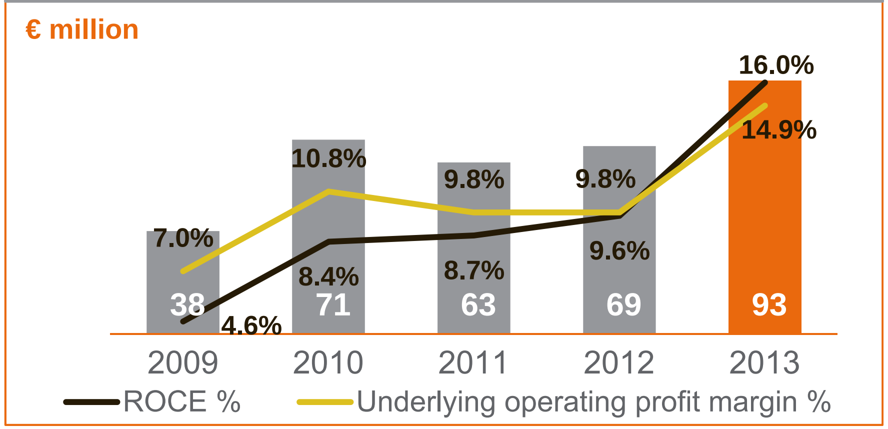
Supply

- New capacity in Russia and France now in production
- No further net capacity expansions expected

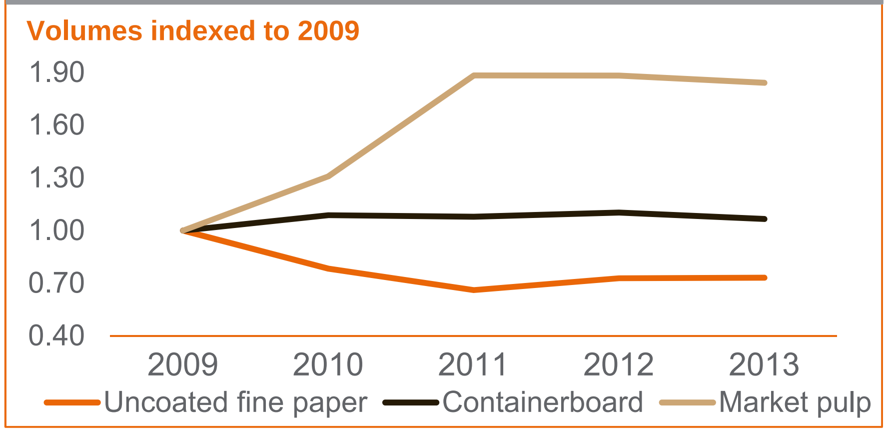
Source: FOEX Indexes Ltd

South Africa Division

Underlying operating profit, margin and ROCE



Production volumes



- Strong performance, with ROCE of 16.0%
- Domestic sales volumes increased
- Pricing
  - Domestic price increases achieved
  - Higher average export pulp and white-top containerboard prices
- Gains from weaker rand
- €23 million lower fair value gain on forestry assets
- Closure of 1 newsprint machine in Merebank and related restructuring
- H2 2013 impacted by annual maintenance shut at Richards Bay

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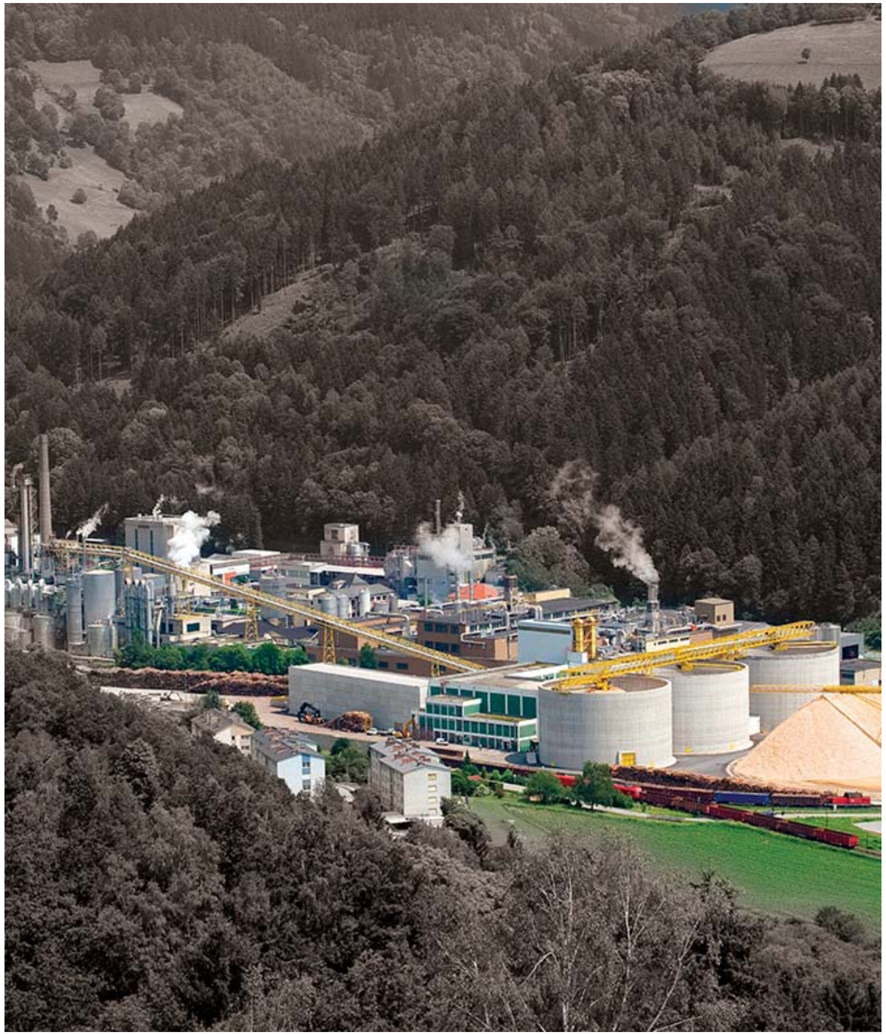
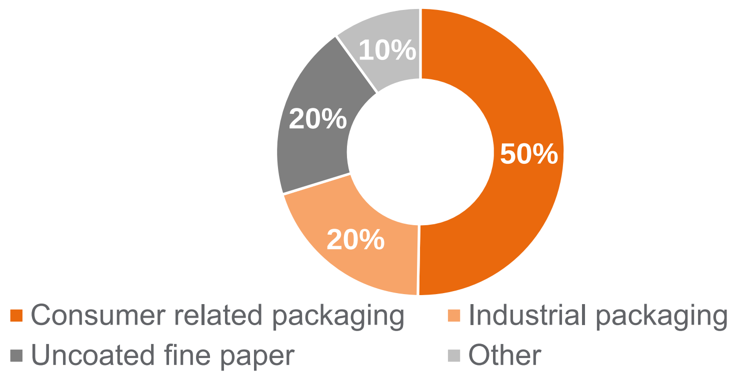
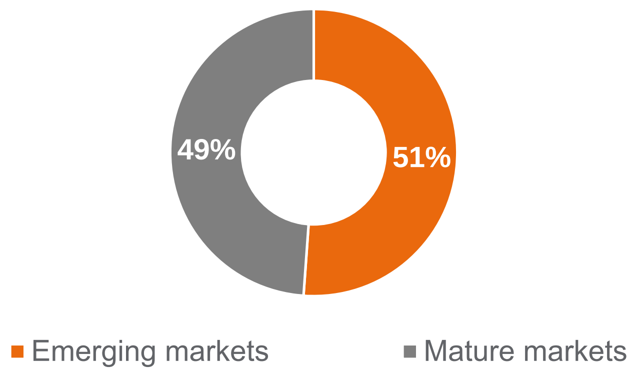


Performance drivers

Product mix 2013

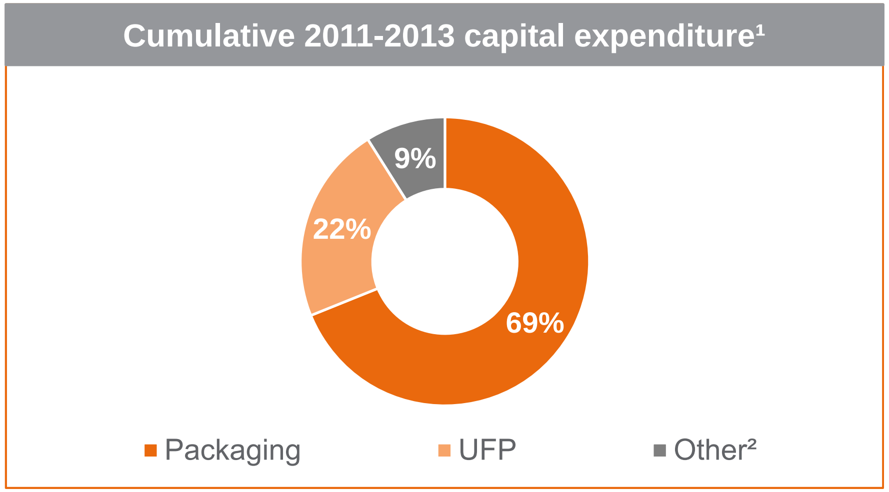


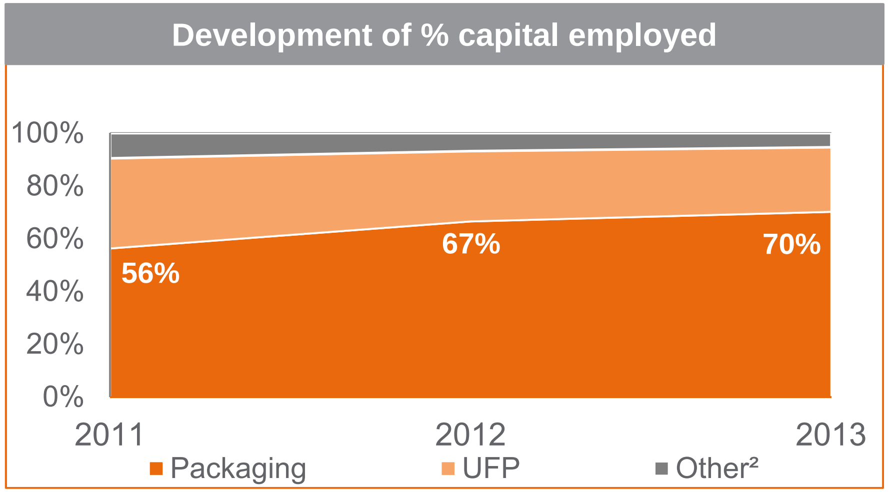
Revenue by destination 2013



- Focused on markets enjoying growth
  - Geographic exposure – around 50% of sales into higher growth emerging markets
  - Product mix – over two-thirds of sales in packaging, typically enjoying structural growth
- Well invested asset base in regions enjoying low operating cost structures
  - 81% of upstream pulp and paper asset base in low-cost emerging markets
- Decentralised operating model with relentless focus on performance

Actively growing packaging business





- Clear strategy to grow packaging business
  - Cumulative capital expenditure in packaging business during 2011-2013 represents 69% of total Group expenditure over period
  - Additional €1.2 billion spent on packaging acquisitions (including Świecie minorities and power plant, 2 Duropack plants and Nordenia)
- Today packaging represents more than two thirds of Mondi's capital employed

1 Excludes investment in forestry assets.
2 Other includes forestry assets, corporate, market pulp and Mondi Shanduka Newsprint.

Capital expenditure timeline

Project start-up	Total Capex €m	2013 H1	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2	2016 H1
Syktyvkar bark boiler								
Frantschach recovery boiler	120							
Stambolijski steam turbine and economiser								
Richards bay steam turbine								
Štěti 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							

Over €500 million allocated to major strategic capital projects

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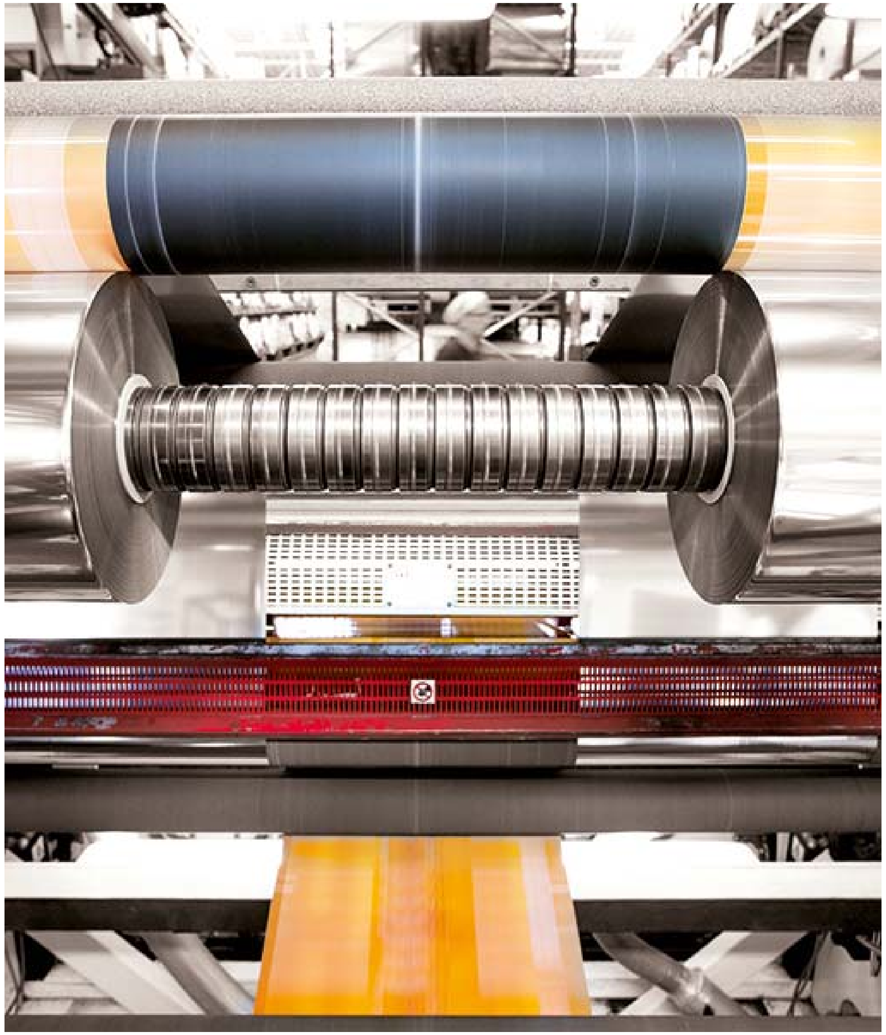

Outlook

- We start the year with pricing in most paper grades below 2013 average levels
  - Much depends on extent of European macroeconomic recovery
  - Encouraging development in order books in early part of year
  - Price increase discussions in certain virgin packaging grades
- Recent emerging market currency weakness beneficial to cost base
- Confident of strong contribution from capital projects
- Strong cash generation creates valuable optionality
- Confident of continuing to deliver industry leading performance

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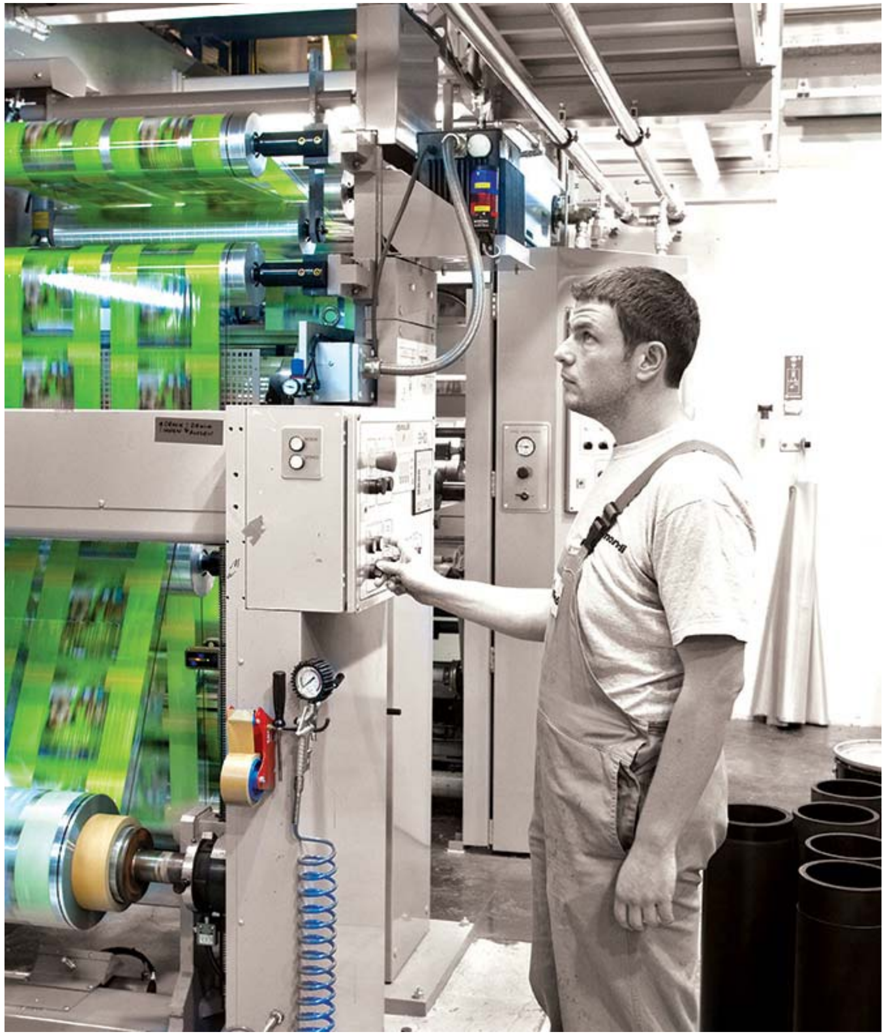


Our strategic pillars

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%

Delivering against free cash flow priorities

Free Cash Flow priorities

Maintain investment grade credit metrics

Net debt/EBITDA is 1.5 times, down from 2.0 times at end 2012
Investment grade credit ratings reaffirmed

Selective capital investment opportunities

Strategic capital investment projects completed and balance remain on time and within budget

Support dividends

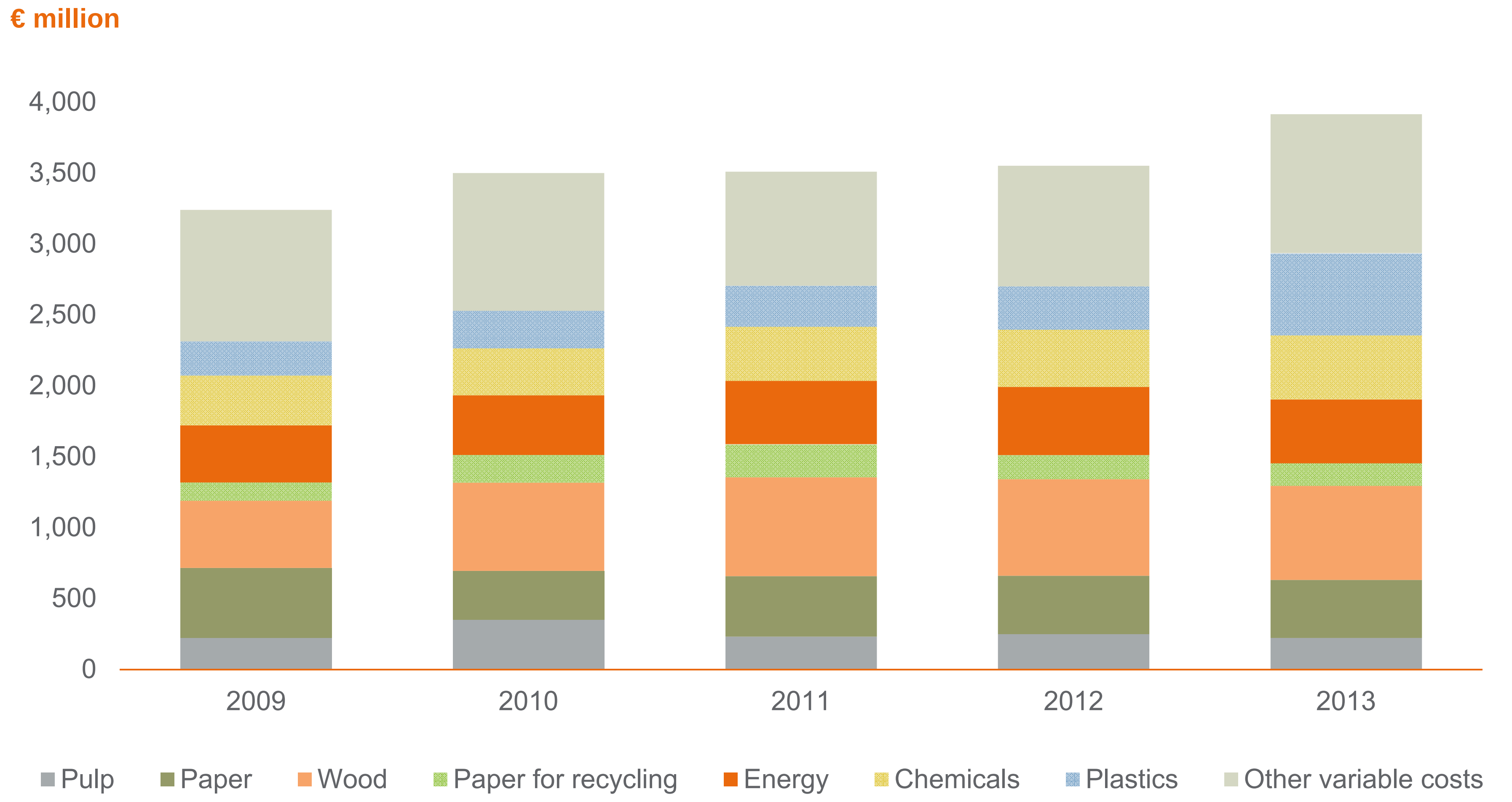
Full year dividend – increase of 29%
Dividend cover of 2.6 times

M&A and/or increased shareholder distributions

Future growth focused on faster growing packaging segments
Continue to assess opportunities that are value enhancing to the Group

Input costs

Variable costs



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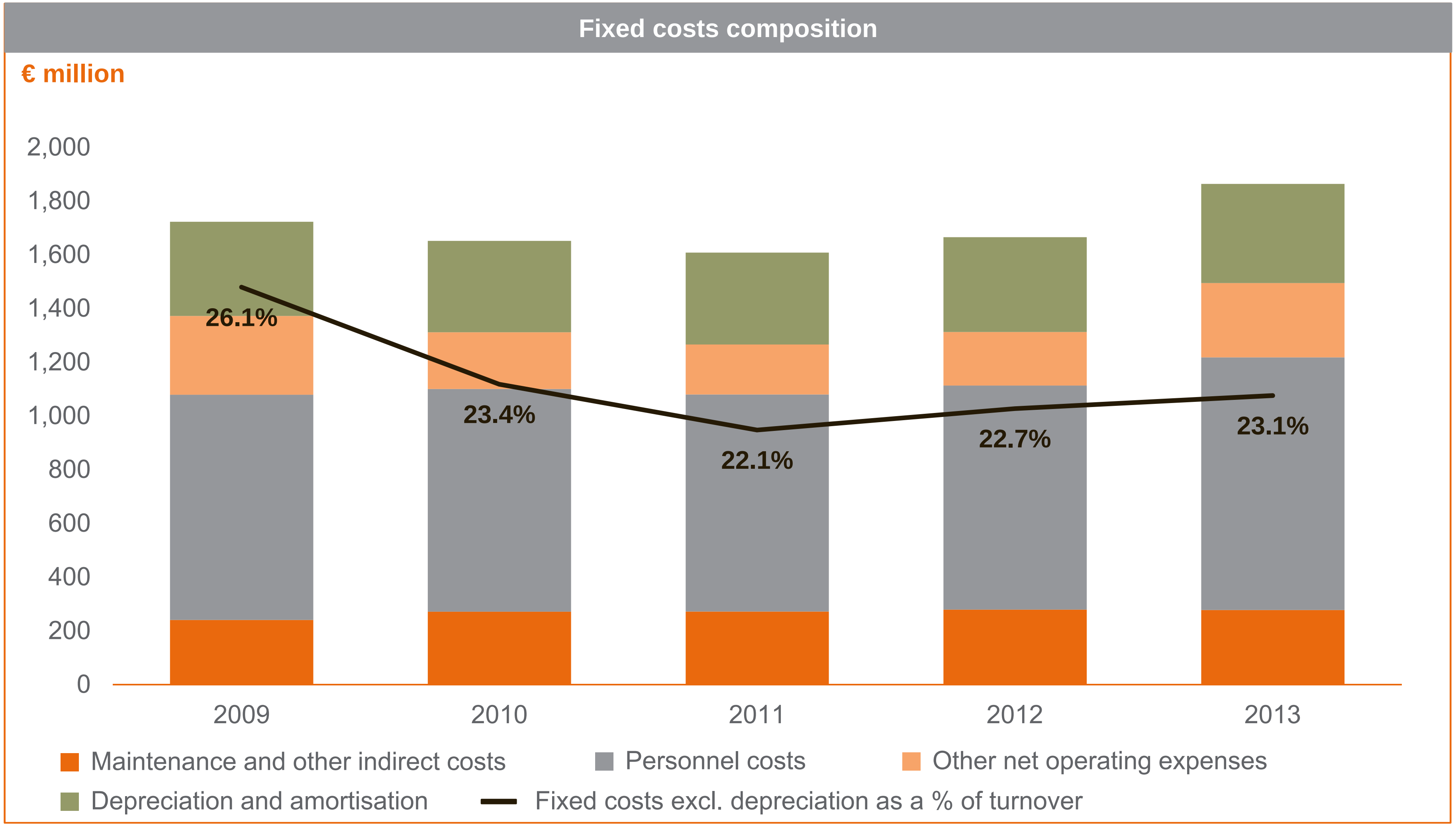
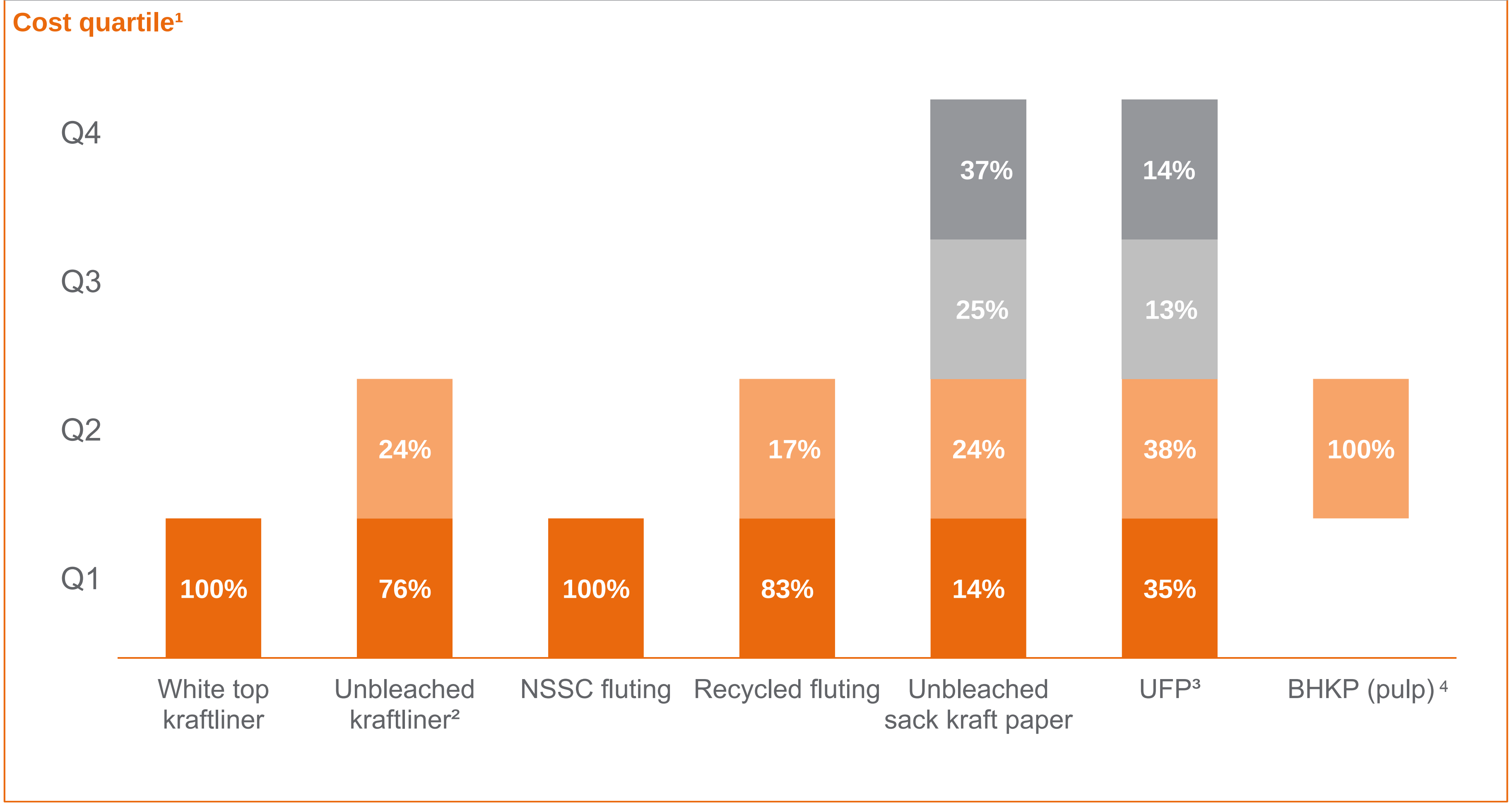
Fixed costs



Comparatives for 2009, 2010 and 2011 have not been restated to include 100% of Mondi Shanduka Newsprint in South Africa Division and consequently reflect a 58% portion.

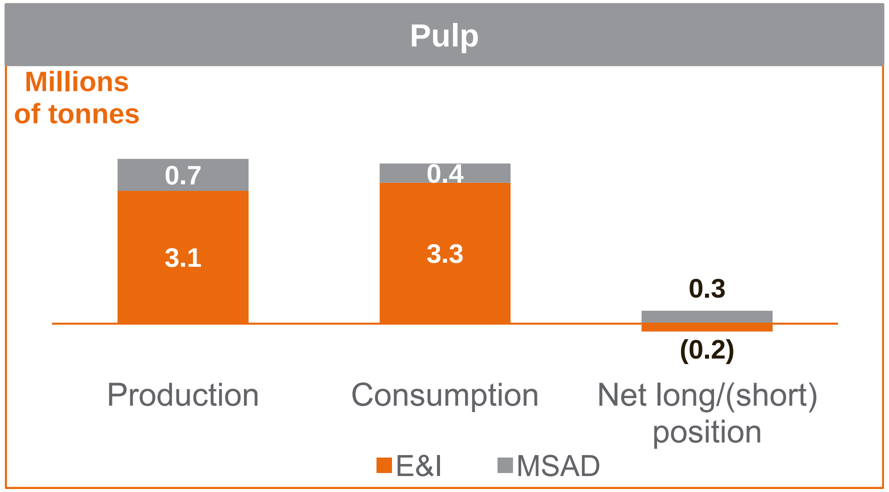
Percentage of Mondi's capacity in overall cost curve in Q3 2013

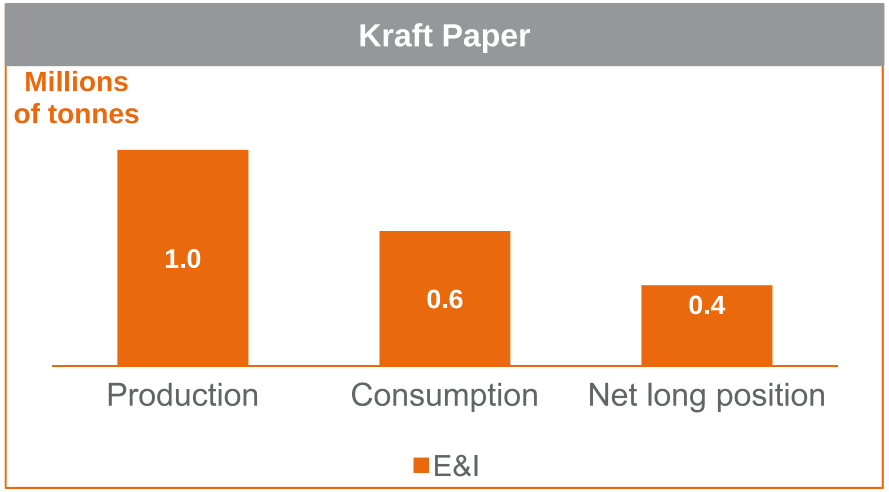
Emerging market asset base leads to low cost positions across the Group's main grades

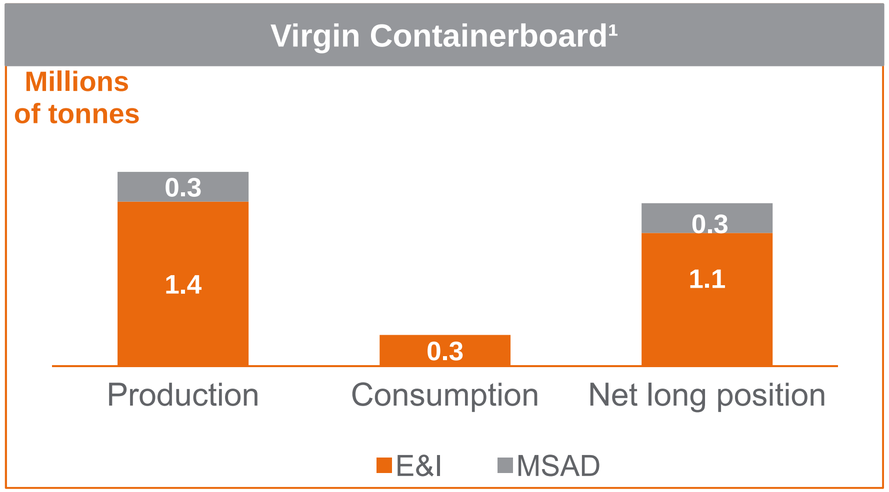


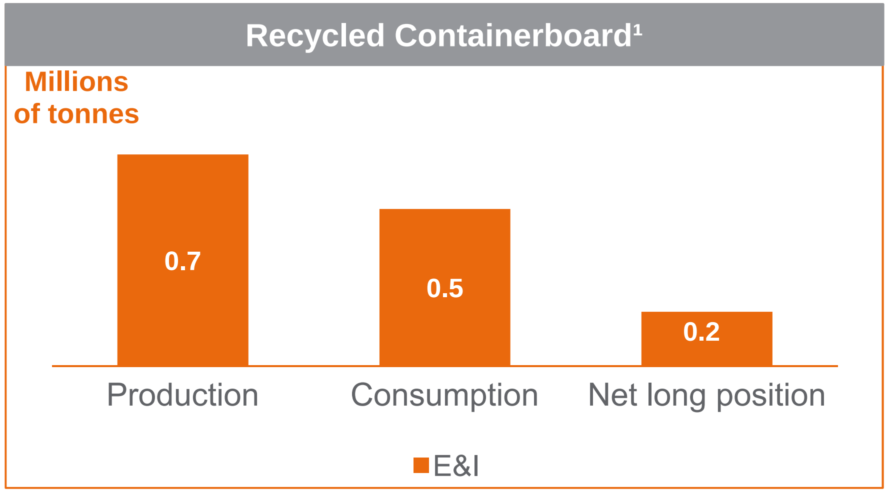
1 Delivered to Frankfurt except where noted
2 Excludes kraftliner substitutes
3 Includes specialties
4 Delivered to Rotterdam
Source: RISI and Mondi estimates

Integrated value chain 2013









1 ±400 kt of kraftliner substitutes included in virgin containerboard, previously included in recycled containerboard.

Cash flow

€ million	2012	2013	% change
Underlying EBITDA	927	**1,068**	*15%*
Working capital movements	(83)	**(27)**	*67%*
Other operating cash flow items	5	**(5)**	
Cash generated from operations	849	**1,036**	*22%*
Dividends from financial investments and associates	2	**1**	
Taxes paid	(109)	**(126)**	*(16%)*
Net cash inflow from operating activities	742	**911**	*23%*
Capital expenditure, excl. intangible assets	(294)	**(405)**	*(38%)*
Investment in intangibles and forestry assets	(60)	**(53)**	*12%*
Acquisitions	(841)	**-**	
Non-controlling interests bought out	(298)	**(4)**	
Investment in associates	(43)	**-**	
Financing costs	(92)	**(124)**	*(35%)*
Dividends paid	(157)	**(198)**	*(26%)*
Other investing and financing activities	(11)	**47**	
Net (decrease)/increase in net debt	(1,054)	**174**	

Statement of financial position

€ million	2012	2013
Intangible assets	695	675
Property, plant and equipment	3,709	3,428
Forestry assets	311	233
Other non-current assets	42	38
Total non-current assets	4,757	**4,374**
Inventories	783	746
Trade and other receivables	1,010	954
Other current assets	73	166
Total current assets	1,866	**1,866**
Total assets	6,623	**6,240**
Short-term borrowings	(281)	(181)
Trade and other payables	(1,029)	(989)
Other current liabilities	(137)	(126)
Total current liabilities	(1,447)	**(1,296)**
Medium and long-term borrowings	(1,648)	(1,571)
Net retirement benefits liability	(253)	(211)
Deferred tax liabilities	(344)	(264)
Other non-current liabilities	(58)	(52)
Total non-current liabilities	(2,303)	**(2,098)**
Total liabilities	(3,750)	**(3,394)**
Net assets	2,873	**2,846**
Retained earnings and other reserves	2,030	2,049
Total attributable to shareholders	2,572	**2,591**
Non-controlling interests in equity	301	255
Total equity	2,873	**2,846**

Production volumes

		2012	2013	% change
Europe & International				
Containerboard	Tonnes	2,079,005	**2,138,714**	*3%*
Kraft paper	Tonnes	980,637	**1,010,885**	*3%*
Total softwood pulp	Tonnes	1,978,583	**2,007,959**	*1%*
Corrugated board and boxes	M m^2	1,213	**1,344**	*11%*
Industrial bags	M units	3,829	**3,997**	*4%*
Coatings and release liners	M m^2	3,352	**3,348**	-
Consumer packaging	Tonnes	121,127	**283,161**	*>100%*
Uncoated fine paper	Tonnes	1,417,709	**1,381,141**	*(3%)*
Newsprint	Tonnes	201,278	**207,228**	*3%*
Total hardwood pulp	Tonnes	1,059,140	**1,087,615**	*3%*
South Africa				
Containerboard	Tonnes	263,468	**254,714**	*(3%)*
Uncoated fine paper	Tonnes	257,747	**258,751**	-
Total hardwood pulp	Tonnes	658,368	**645,611**	*(2%)*
Total softwood pulp	Tonnes	215,828	**166,101**	*(23%)*
Newsprint	Tonnes	198,024	**145,498**	*(27%)*

Exchange rates

	2012	2013	% change
Closing rates against the euro			
South African rand	11.17	**14.57**	*(30%)*
Czech koruna	25.15	**27.43**	*(9%)*
Polish zloty	4.07	**4.15**	*(2%)*
Pounds sterling	0.82	**0.83**	*(1%)*
Russian rouble	40.33	**45.32**	*(12%)*
Turkish lira	2.36	**2.96**	*(25%)*
US dollar	1.32	**1.38**	*(5%)*
Average rates for the period against the euro			
South African rand	10.55	**12.83**	*(22%)*
Czech koruna	25.14	**25.99**	*(3%)*
Polish zloty	4.18	**4.20**	-
Pounds sterling	0.81	**0.85**	*(5%)*
Russian rouble	39.91	**42.32**	*(6%)*
Turkish lira	2.31	**2.53**	*(10%)*
US dollar	1.29	**1.33**	*(3%)*

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