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 JSE Listings Requirements and/or the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

Mondi Group: Interim Management Statement 31 October 2012

This interim management statement provides an update on the financial performance and financial position of the Group since the half-year ended 30 June 2012, based on management accounts up to 30 September 2012 and estimated results for October 2012. These results have not been audited or reviewed by Mondi's external auditors.

Audited results for the year ending 31 December 2012 will be published on or around 21 February 2013.

Except as discussed in this interim management statement, there have been no other significant events or transactions impacting either the financial performance or financial position of Mondi since 30 June 2012 up to the date of this statement.

Group Performance Overview

Underlying operating profit for the third quarter ended 30 September 2012 was €135 million (year to date €405 million, 2011 €490 million) in line with that of the comparable prior year period (Q3 2011 €136 million) and below that of the prior quarter (Q2 2012 €150 million). This was in line with expectations and reflects a stable trading environment considering the impact of the traditionally weaker European summer months, annual maintenance shuts at a number of the Group's larger operating sites during the quarter and ongoing strong cost containment.

Sales volumes were, on average, similar to those achieved in the previous quarter but above those of the comparable prior year period, although demand in the downstream converting operations was below that of the prior year. Third quarter average benchmark selling prices across all grades were below those of the comparable prior year period. Selling price increases were realised in kraft paper during the quarter and price increases for containerboard are effective from early in the fourth quarter of 2012.

On average, input costs in the third quarter were similar to the previous quarter and below that of the comparable prior year period. Benchmark recovered fibre costs decreased by 23% in the quarter and were 30% below the comparable prior year period. As a result of the anticipated start-up of new recycled containerboard capacity in Poland in early 2013, regional market pressure on recovered fibre costs is expected in the near term.

The weaker South African rand and stronger US dollar versus the euro benefited mainly the South Africa division and, to a lesser extent, the Packaging Paper business.

During the quarter, all conditions precedent for the acquisition of Nordenia International AG were met and, with effect from 1 October 2012, the Group acquired a 99.93% interest in Nordenia for a cash consideration of €259 million.

As part of its continuing focus on its core businesses, the Group concluded the sale of its 50% share in Aylesford Newsprint to The Martland Holdings on 2 October 2012. The shares were sold for a nominal consideration following recapitalisation of the business. The net cash flow effect of the transaction was a €17 million outflow, while the estimated loss on disposal was €71 million. Following the sale of Aylesford Newsprint, the Group has restructured its reporting in South Africa to combine the Mondi Shanduka Newsprint joint venture into the South Africa division.

Divisional Overview

Europe & International

As indicated in the half-year end results, following the completion of the acquisition of Nordenia, the Group has rearranged its Europe & International business into four segments: Packaging Paper, Fibre Packaging, Consumer Packaging and Uncoated Fine Paper. The commentary that follows is based on these new reporting segments.

Packaging Paper performed well during the period benefiting from continued strong cost containment. Underlying operating profit was at similar levels to the second quarter, although still below that of the comparable prior year period.

Average benchmark selling prices for the quarter for virgin containerboard were approximately 3% higher than the previous quarter, white-top containerboard selling prices were largely unchanged whilst average prices for recycled containerboard were well below those of the previous quarter (9% lower), on the back of lower recovered fibre input costs (23% lower). Containerboard prices remain well below the levels of the previous year. During the quarter, sales volumes were negatively impacted by the planned maintenance shut at Swiecie, but demand remained at similar levels to the previous period. On the back of supply contraction in the virgin containerboard market and stable demand, selling price increases have been negotiated across all containerboard grades, the benefits of which are expected to be realised in the fourth quarter of the year.

Price increases for sack kraft paper took effect from July 2012. Good demand continued to be seen in export markets offsetting ongoing weakness in southern Europe. The major annual maintenance shuts in this segment are planned for the fourth quarter when demand in the downstream businesses is traditionally lower.

Fibre Packaging performed well during the quarter with underlying operating profit well above the comparable prior year period and similar to that achieved in the previous quarter, benefiting from a comprehensive commercial excellence project leading to improved margin management and strong cost containment as well as non-recurring income of €3 million from the sale of land. Selling prices were at similar levels to those of the previous quarter whilst sales volumes were lower than the previous quarter and those achieved in the comparable prior year period. Input costs were relatively stable, with the main paper price increases only starting to take effect in the fourth quarter.

The industrial bags business benefited from stable demand in northern Europe and good demand in non-European markets, offsetting the impact of the weaker southern European markets. Restructuring activities in light of the structurally weaker demand are currently being evaluated for implementation during the fourth quarter of 2012. Higher paper input costs and seasonally weaker demand will impact returns in the fourth quarter.

Corrugated packaging enjoyed the benefits of lower recycled containerboard prices in the third quarter, although margins are expected to come under some pressure in the fourth quarter on the back of generally higher paper input prices.

Performance in the Coatings business remained stable, albeit still below our expectations due to low returns from the US business, impacted by the start-up of a new plant.

In September 2012, Mondi concluded an agreement with Duropack GmbH to acquire two corrugated box plants in Germany and the Czech Republic, consuming 130,000 tonnes containerboard per annum, and a 105,000 tonne recycled containerboard mill in the Czech Republic for a consideration of €125 million. The acquisition is in line with the Group's strategy to strengthen its leading position in corrugated packaging in central and eastern Europe. The transaction remains on track for completion during the fourth quarter.

Consumer Packaging delivered steady returns with underlying operating profit similar to that of the previous quarter. Sales volumes were higher than the comparable prior year period whilst sales prices were largely unchanged.

The acquisition of Nordenia with effect from 1 October 2012 will significantly enhance this business. Integration activities are progressing well and all closing activities have been completed. The focus in the near term will be on integrating Nordenia into Mondi, aligning processes and refining and implementing the expected synergy benefits.

Uncoated Fine Paper continues to deliver strong results despite a generally difficult trading environment, driven by a cost reduction programme. Underlying operating profit for the quarter was above that of the comparable prior year period but below that of the second quarter, due to the normal seasonal summer slowdown and planned maintenance shuts at Neusiedler and SCP Ružomberok. Benchmark selling prices were slightly higher than the previous quarter, at similar levels to those achieved in the previous year, whilst sales volumes remained at similar levels to the comparable prior year period. Although wood costs were largely unchanged, some relief was seen towards the end of the third quarter.

The anticipated start-up of a new paper machine in Russia in early 2013 as well as the phased reduction in import duties following Russia's integration into the World Trade

Organisation over a four year period starting in 2013 will impact this business. Ongoing cost optimisation initiatives in Russia will seek to mitigate any potential margin pressure.

South Africa Division

South Africa Division (including Mondi Shanduka Newsprint) benefited from a positive domestic trading environment and the weaker South African rand. Operating profit was slightly lower than the comparable prior year period and below that of the immediately preceding quarter primarily due to inventory build leading up to, and the impact of, a planned maintenance shut at Richards Bay which was concluded early in October.

A recent increase in domestic pulpwood prices will result in an estimated additional €10 million gain on fair value of forestry assets in the income statement in the fourth quarter, based on prevailing wood prices.

Financial position

Net debt was €1,188 million at the end of the quarter, down €85 million on the half-year. The acquisitions of Nordenia and the Duropack corrugated assets as well as the disposal of Aylesford will increase net debt in the fourth quarter of 2012.

On 21 September 2012, Mondi successfully launched a 3.375%, 8-year, €500 million Eurobond maturing in September 2020. The Group also cancelled its unutilised €250 million bridging facility arranged specifically for the acquisition of Nordenia. On 29 October 2012, Mondi issued an unconditional and irrevocable guarantee to the holders of the Nordenia bond.

During the quarter, the Group's investment grade credit ratings of Baa3 (Moody's Investor Services) and BBB- (Standard and Poor's) were reaffirmed.

The Group continues to be strongly cash generative and working capital levels remain within the Group's targeted range. Capital expenditure increased during the period compared to the previous quarter due to the preponderance of maintenance shuts during the period as well as increased spending on the energy improvement projects. Total capital expenditure for the year is expected to be around 90% of the Group's annual depreciation charge.

Finance charges during the period were lower than the previous quarter on both lower average net debt and lower effective interest rates, but are expected to increase in the fourth quarter as net debt rises following the completion of the Nordenia and Duropack acquisitions.

The average maturity of the Group's committed debt facilities at 30 September 2012 was approximately 5 years. The Group had available €941 million of committed, unutilised borrowing facilities at 30 September 2012, immediately preceding the completion of the Nordenia transaction.

Summary

Price increases in the main packaging paper grades offer support for the remainder of the year. Looking further forward, continued soft demand on the back of the prevailing macroeconomic uncertainties and some additional capacity expansions in certain of our core markets remain a concern, although it is encouraging to note that the strong supply side fundamentals remain generally intact.

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Editors' notes

Mondi is an international packaging and paper Group, with production operations across 29 countries and revenues of €5.7 billion in 2011. The Group's key operations are located in central Europe, Russia and South Africa and as at the end of 2011, Mondi Group employed 23,400 people.

Mondi Group is fully integrated across the paper and packaging process, from the growing of wood and the manufacture of pulp and paper (including recycled paper), to the conversion of packaging paper into corrugated packaging, industrial bags and coatings.

The Group is principally involved in the manufacture of packaging paper, converted packaging products and uncoated fine paper (UFP).

Mondi Group 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 has been recognised for its sustainability through its inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index since 2007. The Group was also included in the FTSE350 Carbon Disclosure Leadership Index for the second year.

Sponsor in South Africa: UBS South Africa (Pty) Ltd