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 3 May 2012

This interim management statement provides an update on the financial performance and financial position of the Group since the year ended 31 December 2011, based on management accounts up to 31 March 2012 and estimated results for April 2012, which have not been audited or reviewed by Mondi's external auditors.

Reviewed results for the half year ending 30 June 2012 will be published on or around 7 August 2012.

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 31 December 2011 up to the date of this statement.

Group Performance Overview

Overall performance for the first quarter 2012 was in line with our expectations. As anticipated, the generally weaker trading environment seen towards the end of the prior year continued into the early part of the first quarter. The Group's underlying operating profit of €120 million in the period was below that achieved in the previous quarter (2011 Q4: €132 million) and below that achieved in the strong trading environment prevalent in the comparable prior year period (2011 Q1: €179 million).

Pleasingly, following the low levels of demand seen towards the end of the previous quarter and into the early part of 2012, there was a clear trend of improving demand through the period under review, such that, on average, sales volumes were higher than the previous quarter across all paper grades. Similarly, although selling prices across all major paper grades were on average lower than those achieved in the previous quarter, a trend of improving prices towards the end of the quarter was evident. The benefits of these improving prices, partly offset by rising fibre input costs, are expected to be realised from the second quarter onwards.

Average input costs were lower than the prior quarter, but increased during the period with closing benchmark prices being higher than those at 31 December 2011. Benchmark hardwood pulp prices had increased by 15% at 31 March 2012 from 31 December 2011 levels and recovered paper increased by 30% over the same period. Wood costs remained at similar levels to those of the previous quarter.

Most emerging market currencies to which the Group is exposed as a net exporter were slightly weaker against the euro when compared to the previous quarter, providing a small positive contribution to the Group's performance.

Divisional Overview

Europe & International

The **Uncoated Fine Paper** (UFP) business continued to perform very strongly, albeit at somewhat lower levels of profitability than in the comparable prior year period. Underlying operating profit was in line with that of the previous quarter with higher sales volumes being offset by lower average selling prices. Price increases of approximately 4% have been announced and are expected to take effect from May, supported by firming pulp prices. Lower fibre input costs during the period were largely offset by higher energy and transportation costs. The Syktyvkar annual maintenance shut will take place during June 2012.

Underlying operating profit in the **Corrugated** business was well below the comparable prior year period and below that achieved in the previous quarter. This was largely attributable to lower average containerboard selling prices as well as some commercial downtime as a result of weak demand for virgin containerboard in the early part of the year. Average benchmark selling prices were 6% lower for virgin containerboard products and 7% lower for recycled containerboard grades compared to the previous quarter. The business successfully implemented price increases during February and March. These have gone some way to recover the price erosion seen towards the end of 2011, although this has not lead to significant margin expansion in the recycled containerboard operations due to the concomitant rise in recycled paper input costs. Further price increases for all containerboard grades have been announced to take effect in the second quarter.

Lower paper input costs combined with a small increase in sales volumes have benefited the corrugated packaging business resulting in improved profitability.

During April 2012, the tender offer to acquire the 34% non-controlling interest in Mondi Świecie was concluded, resulting in Mondi's shareholding increasing to 93.2%. A process has been implemented to acquire the remaining shares from those shareholders who did not respond to the initial offer. Mondi Świecie has acquired the power and heat generating plant which provides most of its electricity requirements and all of its heat and steam needs with effect from 2 May 2012, for an enterprise value of approximately €100 million (subject to a claim of approximately €9 million against the selling party, Polish Energy Partners S.A.).

In the **Bags & Coatings** business, underlying operating profit was well below the comparable prior year period and at similar levels to that achieved in the final quarter of 2011.
In the kraft paper segment, significantly lower prices were agreed on contract volumes for the new year, giving rise to lower average net selling prices in the quarter than achieved in the final quarter of 2011. Furthermore, ongoing demand weakness in the early part of the year, largely due to destocking, led to the business taking further downtime at certain of its operations in order to manage inventory levels, albeit significantly less than in the fourth quarter of 2011. The destocking process now appears to have come to an end, with order books improving throughout the quarter and no further downtime currently anticipated. Spot prices have also started to increase on the back of improving demand, with the expectation of further price recovery in non-contracted volumes as the year progresses. Price increases of up to 10% have been announced effective from June.

The weaker end user demand and customer destocking also impacted volumes in the industrial bags segment when compared to the comparable prior year period. Volumes are expected to improve going into the seasonally stronger European summer months. Sales prices were slightly higher than the comparable prior year period, offsetting higher paper input costs.

The coatings & consumer packaging business continued to be impacted by weaker volumes in certain industrial product segments, but order books are improving and operating profit was higher than that achieved in the final quarter of 2011.

South Africa Division

The South Africa Division's underlying operating profit was well down on the comparable prior year period and the final quarter of 2011. Domestic sales of uncoated fine paper and pulp improved whilst export sales of white-top containerboard saw both lower average selling prices and weaker volumes due to ongoing destocking in Europe. Lower pulp selling prices severely impacted returns, although prices have trended upwards from their lows in January 2012, which should contribute to an improved performance in the second quarter.

Newsprint

The South African business, Mondi Shanduka Newsprint, continued to be impacted by a rising cost base, largely due to a series of significant electricity price increases. Selling price increases have been negotiated and are expected to take effect from the second quarter, restoring this business to a reasonable level of profitability. The very weak European newsprint market continued to impact on Aylesford Newsprint's ability to return to profitability. Management has implemented restructuring and cost reduction initiatives and is actively assessing alternatives for this business.

Financial Position

Cash flow from operations remained strong with working capital levels maintained within the Group's targeted range (10% to 12% of turnover). Capital expenditure was at similar levels to that incurred in each of the previous two quarters of 2011 and is expected to increase during the remainder of the year as expenditure on the energy and debottlenecking investment projects start to ramp up.

The financial position of the Group at 31 March 2012 remains robust with net debt reducing further from 31 December 2011 levels (€831 million) to €792 million. The successful completion of the tender offer to acquire the non-controlling interest in Mondi Świecie S.A., increasing the Group's holding to 93.2%, resulted in cash outflow of approximately €235 million in mid-April. The squeeze-out of the remaining non-controlling interest is expected to result in a further outflow of approximately €60 million in the second quarter.

The Group has maintained its investment grade credit ratings from both Moody's (Baa3 outlook positive) and Standard & Poor's (BBB- outlook positive). The average maturity of the Group's committed debt facilities is 4.2 years compared to 4.3 years as at 31 December 2011, with unutilised committed borrowing facilities in excess of €750 million after taking the acquisition of the Mondi Świecie S.A non-controlling interest into consideration.
Finance charges are marginally lower than that of the previous quarter and well below the comparable prior year period, largely as a result of the reduction in net debt.

Summary

As anticipated, first quarter performance was impacted by generally weaker pricing and lower volumes, largely due to the continuation of the destocking witnessed in the prior quarter. While macroeconomic uncertainties remain, encouragingly, there are clear signs of an improvement in the trading environment, with volumes recovering and positive pricing momentum witnessed in most grades over the review period.

Editors' notes

Mondi is an international paper and packaging Group, with production operations across 28 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 employed 23,400 people.

Mondi 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 papers 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 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 UK, Europe and Global indices since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.