Our Uncoated Fine Paper (UFP) business manufactures and sells an extensive range of quality papers for use in offices and professional printing houses.

### Operating sites
4 in 3 countries

### Employees
5,600

### Production capacity
- Pulp: 1,185 ktpa
- Uncoated fine paper: 1,421 ktpa

### Key industries served
- Graphic and photographic
- Office and professional printing

### Revenue
€1,246m

### Underlying operating profit
€264m

### ROCE
- 2012: 16.7%
- 2013: 16.0%
- 2014: 16.1%
- 2015: 25.6%
- 2016: 36.0%
We’re a European market-leader, with a focus on emerging Europe and Russia. We operate a vertically integrated, high-quality, low-cost asset base, and we are continually looking for ways to improve efficiency and productivity.

We continually strive to transform responsibly sourced raw materials into innovative paper solutions to meet customer needs in a responsible, cost-effective and sustainable way. Our extensive range of office papers is designed to achieve optimal print results on laser, inkjet and copy machines. High-performance professional printing papers are dedicated for offset presses, high-speed inkjet presses and the latest digital print technologies. We aim to provide customers a one-stop-shop solution for their needs.

All our uncoated fine papers belong to the Green Range, Mondi’s umbrella trademark for sustainable paper and packaging solutions. They are produced from FSC or PEFC-certified wood from sustainably managed forests or 100% recycled paper, or are produced totally chlorine free.

Delivering on our strategy

<table>
<thead>
<tr>
<th>Strategic value drivers</th>
<th>2016 highlights</th>
<th>2017 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driving performance to optimise quality, productivity and efficiency</td>
<td>➔ Productivity and cost improvements through procurement activities, headcount optimisation and efficiency improvements</td>
<td>➔ Optimise product mix in line with customer demand, and focus on energy efficiency, waste reduction and efficient use of raw materials</td>
</tr>
<tr>
<td>Investing in our high-quality, low-cost assets to keep us competitive</td>
<td>➔ Systematic renewal of transport fleet in Russian forestry operations and investment in infrastructure to optimise costs</td>
<td>➔ Execution of power plant modernisation and waste water treatment projects at Syktyvkar (Russia) ➔ Work with Packaging Paper on Ružomberok mill (Slovakia) expansion</td>
</tr>
<tr>
<td>Partnering with our customers to develop innovative solutions</td>
<td>➔ Further improved quality and delivery performance</td>
<td>➔ Mondi4Me initiative to provide customers with a single interface for product information, order processing and query management</td>
</tr>
<tr>
<td>Growing responsibly and inspiring our people for long-term success</td>
<td>➔ Talent development programme in Russia yielding significant benefits ➔ No recordable safety incidents during our maintenance shifts ➔ SEAT report published for Syktyvkar logging operations</td>
<td>➔ Improve communication, providing regular feedback to employees on plans and performance ➔ Continue community investment activities, with a focus on education and local community empowerment</td>
</tr>
</tbody>
</table>

Sticky notes

Our coloured papers are used by converters to create specialised products such as release liners, envelopes, labels and stationery including sticky notes. Sticky notes are used in offices and homes across the world to encourage productivity and creativity. Mondi has a long history of innovative product development and can also (co-)develop custom-made products from our assortment of paper grades.

MAESTRO® PRINT

This reliable and flexible uncoated wood-free paper has been specifically designed for offset printing and has excellent surface properties for perfect print runs. Additional benefits include exceptional runnability so that printing machines can operate at full speed and high dimensional stability for sharp, multi-coloured print results. We have chosen to print our integrated report on MAESTRO® PRINT.

Color Copy

Color Copy has been Europe’s leading colour laser paper for over 25 years. It is specifically designed for digital printing to deliver brilliant, true to life colour copies and perfect print results every time. As a fully CO₂ neutral product that is EU Ecolabel and FSC certified, Color Copy offers customers an exceptional environmental advantage.
Business reviews

Production information

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncoated fine paper</td>
<td>'000 tonnes</td>
<td>1,408</td>
</tr>
<tr>
<td>Hardwood pulp</td>
<td>'000 tonnes</td>
<td>853</td>
</tr>
<tr>
<td>Softwood pulp</td>
<td>'000 tonnes</td>
<td>334</td>
</tr>
<tr>
<td>Newsprint</td>
<td>'000 tonnes</td>
<td>202</td>
</tr>
</tbody>
</table>

Financial performance

<table>
<thead>
<tr>
<th></th>
<th>€ million</th>
<th>% change</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment revenue</td>
<td>1%</td>
<td>1,246</td>
<td>1,233</td>
<td></td>
</tr>
<tr>
<td>Underlying EBITDA</td>
<td>18%</td>
<td>343</td>
<td>291</td>
<td></td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td>25%</td>
<td>264</td>
<td>212</td>
<td></td>
</tr>
<tr>
<td>Underlying operating profit margin</td>
<td>21.2%</td>
<td>17.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>53</td>
<td>65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net segment assets</td>
<td>851</td>
<td>821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROCE</td>
<td>36.0%</td>
<td>25.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sustainable development

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRCR</td>
<td>per 200,000 hours worked</td>
<td>0.27</td>
</tr>
<tr>
<td>Energy consumption</td>
<td>million GJ</td>
<td>65.19</td>
</tr>
<tr>
<td>Scope 1 and 2 GHG emissions</td>
<td>million tonnes CO2e</td>
<td>2.13</td>
</tr>
<tr>
<td>Forest certification</td>
<td>% managed land certified to FSC and PEFC standards</td>
<td>100</td>
</tr>
<tr>
<td>FSC or PEFC certified wood</td>
<td>%</td>
<td>79</td>
</tr>
<tr>
<td>Environmental management certification</td>
<td>% of pulp and paper mills and forestry operations certified to ISO 14001 standards</td>
<td>100</td>
</tr>
</tbody>
</table>

1. Lease exchange in 2016 in Russia resulted in a new lease of around 39,000 hectares which will be FSC certified during 2017.

Financial review

Our Uncoated Fine Paper business delivered an exceptional performance, generating underlying operating profit of €264 million, up 25% on the prior year, with a ROCE of 36%. Domestic price increases in the CIS markets and a strong focus on productivity and efficiency more than offset negative currency effects from the weaker rouble and flat European pricing.

Uncoated fine paper sales volumes increased 1% over the prior year, reflecting a strong performance in an overall declining market. European market demand is estimated to have contracted in 2016 by 3-4%, following stable demand in 2015, bringing the average demand contraction over the past two years to 1-2% per year, in line with the longer-term trend. Demand in the CIS remained stable.

Benchmark average selling prices in Europe were similar to the prior year, but 2% down in the second half of the year compared to the first half. Selling price increases were implemented at the beginning of the year but came under pressure early in the second half due to weak European demand and pressure from imports offsetting the benefits of industry capacity rationalisation in the prior year. Demand improved towards the end of the year and a price increase of 5-7% has been announced across all uncoated fine paper grades in Europe from February 2017. Selling prices were increased in Russia at the beginning of 2016, offsetting the effects of domestic cost inflation. Prices remain stable going into 2017.

The business benefited from generally lower input costs, particularly energy costs.

In Russia, wood costs were lower in ruble terms, while in Europe wood costs increased marginally. Our commercial excellence programmes, focused on purchased material, operating efficiencies and productivity improvements, contributed to good cost control, offsetting inflationary cost pressures, most notably in Russia. Hardwood pulp prices were 11% lower in euro terms providing a benefit to our semi-integrated Neusiedler (Austria) operations.

Planned maintenance shuts were completed at Syktyvkar in the first half of the year; at Ružomberok in both the first and second half, and at Neusiedler in the second half of the year. In 2017, our Syktyvkar shut is planned for the first half of the year and our Ružomberok and Neusiedler mill shuts are scheduled for the second half.

Driving performance to optimise quality, productivity and efficiency

We have a strong culture of driving optimisation and efficiency at all our sites. This includes improving productivity, improving the use of raw materials, increasing energy efficiency, and reducing waste. In 2016 we made good progress through our procurement activities; meeting productivity targets; and focus on optimising efficiency, leading to a reduction in the consumption of process materials.

Our incremental improvements enabled us to increase total production by around 30,000 tonnes during the year, enabled by production records at two of our pulp mills and four of our paper machines.

We continue to refine our product mix in line with customer demand and have increased our capacity for reels and folio products, while reducing our cut-size production.

Investing in our high-quality, low-cost assets to keep us competitive

The Boards have approved the rebuild of the power plant at Syktyvkar. The existing plant is more than 50 years old and we will replace three bark boilers and four turbines with a single new bark boiler and turbine. This will provide significant process simplification, improved reliability, reduced maintenance costs, and a reduction in maintenance and operating personnel. We will also realise the benefits of a reduction in natural gas consumption and an increase in the use of biomass for energy.
In 2016, as part of the latest phase of our ongoing investment into our waste water treatment plant at Syktyvkar, we installed new buffer tanks and mixing chambers to allow for the improved mixing of municipal and industrial waste water. This has improved operating efficiency. The Boards have also approved the next phase of investment, which will significantly improve waste water quality, reducing chemical oxygen demand and total suspended solids.

Our forests in Russia are critical to our success. We continue to invest in sustainably managed forestry operations and improved transportation safety and efficiency. We have systematically renewed our harvesting and transport fleet over the last few years and continue to invest in the modernisation of our forestry assets and infrastructure.

**Partnering with our customers to develop innovative solutions**

We continue to deliver excellent customer service, and have commenced our Mondi4Me initiative – a web-based solution designed to provide our customers with improved service and a single interface where they can obtain detailed product information, place orders, log queries, and manage and track their orders and queries online. In addition to information about the sustainability of our fibre sources, our customers require extensive information on social sustainability, human rights in our supply chain, and environmental performance. This 24/7 service is essential to enhancing the experience of our customers. The first phase will be launched in the second quarter of 2017 and further functionality will be added over time.

In delivering service excellence, we have targeted improvements in quality and delivery performance, and we have reworked our complaint management process. We have negotiated customer specific service level agreements with a number of our key customers, including joint target setting and forecasting and a focus on collaborative value creation projects.

At our Neusiedler mill we are focused on improving our paper quality and have also installed new equipment to meet the increasing demand for folio products and reels.

The uncoated fine paper market is in structural decline, with a downgrade in quality for everyday printing use but increasing demand for high-quality printing papers for use in the latest printing technologies – digital and high-speed inkjet printing.

Our hybrid printing papers provide flexibility in the printing technology used – from offset printing and pre-printed forms to laser printing.

**NEUJET®** is our high speed inkjet paper, designed to close the gap to offset coated printing technology, for use in medium to heavy-colour direct mail applications, graphic arts, and book printing. **PERGRAPHICA®** is our design paper range for sophisticated and elegant printed documents, targeting the creative industry.

**Growing responsibly and inspiring our people for long-term success**

We take the outcomes of our Group-wide employee surveys very seriously and were extremely pleased with the significant improvement in our latest survey results following the actions implemented after the 2013 survey. Our employees want us to continue to improve our levels of communication and provide regular feedback on our performance and plans.

The training, development, and retention of our people is critical to our long-term success. Our talent development programme in Russia is yielding significant benefits. In 2016, we had 50 internal promotions, 12 new appointments, and provided more than 230,000 hours of training. We have expanded this programme to our RuZomberok mill as we gear up for the Packaging Paper kraft top white investment and make provision for a number of employees approaching retirement age.

We are very pleased with our safety record, with no fatalities or life-altering injuries during the year and our maintenance shuts carried out without a recordable incident. We have continued with our focus on the top fatal risks, with a special focus on nip points and working at heights. In response to previous incidents at Syktyvkar, we have tightened our controls on the type of scaffolding used and implemented internal training that includes the supervision of work, allocation of responsibilities, and requirements in scaffold design.

We work closely with the local authorities and communities in the areas where we operate. We seek to identify and, where appropriate, assist with their local needs. In Russia we are actively managing around 90 community and development projects in our forestry operations. Our focus includes: the development of small businesses to empower the local community; providing support for independence and livelihoods; and strengthening our wood supply chain.

In 2016 we published the report on our standard, third party facilitated, socio-economic assessment process of stakeholder dialogue (SEAT) for the Syktyvkar logging operations. We provide support for local infrastructure improvements and continue to offer the services of our Syktyvkar medical centre. In Austria we are working with Volkshilfe, a charitable organisation that supports social institutions and projects in Austria and internationally, hosting refugees from Afghanistan and providing them with financial support.

We are committed to making a real and lasting contribution to the communities in which we operate, with education being a key focus. At all our operations we support local educational institutions from kindergartens through to universities by providing donations of paper and financial support. At university level, we sponsor bursaries, research activities and postgraduate theses, and provide summer work opportunities.

**PERGRAPHICA®: Partnering with the Bolshoi Theatre in the pursuit of perfection**

Produced at: Mondi Neusiedler (Austria)

**More performance-driven than you expect. Every day.**

Our first collection of design papers combines unique printing properties and brilliant colour reproduction. This EU Ecolabel and FSC-certified paper was created specifically for the exacting needs of the creative and commercial print industries. The name, derived from Latin, means the most exquisite and it is Mondi’s “Paper for Perfectionists.” It therefore just felt right when the Bolshoi Theatre of Russia chose PERGRAPHICA® design paper for all its printing needs. Yury Tikhonov, Director of the Bolshoi Theatre printing house explained that the paper reflects the way designers and the audience, “PERGRAPHICA® shares emotions, visualises images and promotes creativity and inspiration.”

For Mondi it is a great honour to cooperate with the Bolshoi Theatre. We are proud that PERGRAPHICA® incorporates professionalism and sophistication. It is optimised for hybrid printing that combines offset and digital dry toner printing. Its distinctive shades and surfaces add to its unique appeal.”