Mondi Group
Full year results for the year ended 31 December 2017
2 March 2018
Mondi: Forward-looking statements disclaimer

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unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE.
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- Robust financial performance
  - Revenue up 7% and underlying EBITDA up 6%
  - Underlying operating profit up 4%
  - Underlying basic earnings per share up 8%

- Over €750 million of approved major capital expenditure projects in progress, securing a strong growth pipeline

- Acquisitions totalling over €400 million completed or announced, expanding our product offering to better serve customers

- Delivered against our 2020 Growing Responsibly model commitments and renewed our WWF partnership

- Recommended special dividend of 100.0 euro cents per share in addition to full year ordinary dividend of 62.0 euro cents per share

Underlying operating profit and ROCE

<table>
<thead>
<tr>
<th>Year</th>
<th>ROCE (%)</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>15.3%</td>
<td>699</td>
</tr>
<tr>
<td>2014</td>
<td>17.2%</td>
<td>767</td>
</tr>
<tr>
<td>2015</td>
<td>20.5%</td>
<td>957</td>
</tr>
<tr>
<td>2016</td>
<td>20.3%</td>
<td>981</td>
</tr>
<tr>
<td>2017</td>
<td>19.7%</td>
<td>1,018</td>
</tr>
</tbody>
</table>

Underlying basic earnings per share

<table>
<thead>
<tr>
<th>Year</th>
<th>€ per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>95.0</td>
</tr>
<tr>
<td>2014</td>
<td>107.3</td>
</tr>
<tr>
<td>2015</td>
<td>133.7</td>
</tr>
<tr>
<td>2016</td>
<td>137.8</td>
</tr>
<tr>
<td>2017</td>
<td>149.5</td>
</tr>
</tbody>
</table>
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## Operating financial highlights

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
<th>H2 2017</th>
<th>H2 2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group revenue</strong></td>
<td>7,096</td>
<td>6,662</td>
<td>7%</td>
<td>3,514</td>
<td>3,350</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Underlying EBITDA</strong></td>
<td>1,444</td>
<td>1,366</td>
<td>6%</td>
<td>734</td>
<td>652</td>
<td>13%</td>
</tr>
<tr>
<td>% Margin</td>
<td>20.3%</td>
<td>20.5%</td>
<td></td>
<td>20.9%</td>
<td>19.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Underlying operating profit</strong></td>
<td>1,018</td>
<td>981</td>
<td>4%</td>
<td>521</td>
<td>452</td>
<td>15%</td>
</tr>
<tr>
<td>% Margin</td>
<td>14.3%</td>
<td>14.7%</td>
<td></td>
<td>14.8%</td>
<td>13.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Group ROCE</strong></td>
<td>19.7%</td>
<td>20.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Underlying operating profit development

Higher average prices more than offsetting higher costs and negative currency effects
Business unit contribution

Business unit underlying operating profit development

<table>
<thead>
<tr>
<th>Year</th>
<th>Packaging Paper</th>
<th>Fibre Packaging</th>
<th>Consumer Packaging</th>
<th>Uncoated Fine Paper</th>
<th>Corporate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>85</td>
<td>(12)</td>
<td>11</td>
<td>(44)</td>
<td>(3)</td>
<td>981</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,018</td>
</tr>
</tbody>
</table>

2017 underlying operating profit contribution by business unit¹

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaging Paper</td>
<td>46%</td>
</tr>
<tr>
<td>Fibre Packaging</td>
<td>31%</td>
</tr>
<tr>
<td>Consumer Packaging</td>
<td>12%</td>
</tr>
<tr>
<td>Uncoated Fine Paper</td>
<td>11%</td>
</tr>
</tbody>
</table>

¹ Breakdown excludes corporate costs
## Financial review

<table>
<thead>
<tr>
<th></th>
<th>€ million</th>
<th></th>
<th>% change</th>
<th></th>
<th></th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>1,018</td>
<td>981</td>
<td>4%</td>
<td>521</td>
<td>452</td>
<td>15%</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(71)</td>
<td>(101)</td>
<td>30%</td>
<td>(31)</td>
<td>(54)</td>
<td>43%</td>
</tr>
<tr>
<td>Net profit from equity accounted investees</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Underlying profit before tax</td>
<td>948</td>
<td>881</td>
<td>8%</td>
<td>491</td>
<td>399</td>
<td>23%</td>
</tr>
<tr>
<td>Tax charge before special items</td>
<td>(181)</td>
<td>(166)</td>
<td>(9%)</td>
<td>(94)</td>
<td>(74)</td>
<td>(27%)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(43)</td>
<td>(48)</td>
<td>10%</td>
<td>(18)</td>
<td>(21)</td>
<td>14%</td>
</tr>
<tr>
<td>Underlying earnings</td>
<td>724</td>
<td>667</td>
<td>9%</td>
<td>379</td>
<td>304</td>
<td>25%</td>
</tr>
<tr>
<td>Special items (after tax and non-controlling interests)</td>
<td>(53)</td>
<td>(29)</td>
<td></td>
<td>(58)</td>
<td>(29)</td>
<td></td>
</tr>
<tr>
<td>Profit after tax and non-controlling interests</td>
<td>671</td>
<td>638</td>
<td>5%</td>
<td>321</td>
<td>275</td>
<td>17%</td>
</tr>
<tr>
<td>Basic earnings per share (euro cents)</td>
<td>138.6</td>
<td>131.8</td>
<td>5%</td>
<td>66.3</td>
<td>56.8</td>
<td>17%</td>
</tr>
<tr>
<td>Basic underlying earnings per share (euro cents)</td>
<td>149.5</td>
<td>137.8</td>
<td>8%</td>
<td>78.3</td>
<td>62.8</td>
<td>25%</td>
</tr>
</tbody>
</table>
## Finance costs and net debt

<table>
<thead>
<tr>
<th></th>
<th>€ million</th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt</strong></td>
<td>1,326</td>
<td>1,383</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td><strong>Average net debt</strong></td>
<td>1,376</td>
<td>1,476</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td><strong>Net interest expense (before capitalised interest)</strong></td>
<td>61</td>
<td>92</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td><strong>Effective interest rate</strong></td>
<td>4.5%</td>
<td>6.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Committed facilities</strong></td>
<td>1,987</td>
<td>2,497</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Of which undrawn</strong></td>
<td>791</td>
<td>812</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net (bank overdraft) / cash position</strong></td>
<td>(66)</td>
<td>377</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net debt/12-month trailing underlying EBITDA (times)</strong></td>
<td>0.9</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Currency split of net debt (€1,326 million)

- **Euro**: 39%
- **Polish zloty**: 23%
- **Czech koruna**: 20%
- **US dollar**: 8%
- **SA rand**: 8%
- **Turkish lira**: 5%
- **Other**: 5%

### Notes:
1. Net cash in other currencies (-3%)

- **Net debt down €57 million reflecting strong cash generating capacity despite ongoing capital expenditure programme**

- **Lower finance costs driven by**
  - Lower average net debt
  - Lower effective interest rate

- **In April 2017, redeemed 5.75% €500 million Eurobond from available cash and undrawn debt facilities on maturity**

- **Public credit ratings**
  - Moody’s Investors Service rating upgraded to Baa1 (stable outlook)
  - Standard & Poor’s reaffirmed our BBB credit rating (outlook raised to positive)

### Strong, stable financial position provides flexibility
Cash flow effects – movement in net debt

Continued strong cash generation used for investment in the business and distribution of dividends.
Continued growth in shareholder returns

Dividends declared and recommended
euro cents per share

- Ordinary dividend policy unchanged. Aim to offer shareholders long-term dividend growth within a target cover range of two to three times underlying earnings over the business cycle:
  - The Boards have recommended an increase in the final ordinary dividend to 42.90 euro cents per share, amounting to a **total ordinary dividend for the year of 62.0 euro cents per share**

- The Boards regularly review the Group’s capital allocation priorities to optimise value accretive growth and long-term returns for shareholders:
  - Given the strong balance sheet position and our confidence in the Group’s ongoing cash generating capacity, the Boards have recommended a **special dividend of 100 euro cents per share**

1 Based on recommended final ordinary dividend of 42.90 euro cents per share
2 Special dividend of 100 euro cents per share recommended in addition to ordinary dividend
## Technical guidance

<table>
<thead>
<tr>
<th>IFRS 16 – leases (early adopted from 2018)</th>
<th>2018 guidance (unless specified)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>2 – 3%¹</td>
</tr>
<tr>
<td>Net debt</td>
<td>12 – 19%¹</td>
</tr>
<tr>
<td>Underlying EBITDA</td>
<td>2 – 3%¹</td>
</tr>
<tr>
<td>Underlying operating profit</td>
<td><strong>Marginal¹</strong></td>
</tr>
<tr>
<td>ROCE</td>
<td>0.4 – 0.5 points¹</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditure range in 2018 and 2019 (per annum)</th>
<th>€700 – 800 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortisation (excluding acquisitions)</td>
<td>€440 – 470 million²</td>
</tr>
<tr>
<td>Estimated impact of maintenance shuts</td>
<td>± €110 million</td>
</tr>
<tr>
<td>Working capital as a % of turnover</td>
<td>12 – 14%</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>20 – 22%</td>
</tr>
</tbody>
</table>

¹ Estimated impact on key metrics if applied to 2017 results
² Includes IFRS 16 (leases) potential impact
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Packaging Paper

Underlying operating profit, margin and ROCE
€ million

- 2013: ROCE 22.3%, Underlying operating profit margin 16.0%, € 341 million
- 2014: ROCE 24.3%, Underlying operating profit margin 17.9%, € 375 million
- 2015: ROCE 25.9%, Underlying operating profit margin 19.1%, € 423 million
- 2016: ROCE 23.1%, Underlying operating profit margin 18.9%, € 397 million
- 2017: ROCE 26.3%, Underlying operating profit margin 21.0%, € 482 million

- Strong performance with underlying operating profit up 21%
- Driven by:
  - higher average selling prices
  - sales volume growth in higher value added products
- Partly offset by:
  - higher costs
  - negative currency effects
Packaging Paper | industry fundamentals

Virgin containerboard

- Strong demand - industry deliveries to Europe grew by around 2%, restricted by supply
- Limited industry capacity additions
- Lower kraftliner imports to Europe due to global pick up in demand
- Higher average prices year-on-year, although magnitude of change varied by grade. Based on average benchmark European prices:
  - unbleached kraftliner up 13% year-on-year and up 16% H2 vs H1 2017
  - white top kraftliner and semi-chemical fluting prices up 2% to 3% year-on-year
- No significant new capacity expected in Europe in the next three years

Source: FOEX Indexes Ltd and CEPI containerboard deliveries December 2017
Recycled containerboard

- Strong demand - industry deliveries to Europe grew by around 6%
- Average benchmark European prices up 10% year-on-year
- Estimated European net industry capacity expansion in 2018 of around 1 million tonnes (±3%), currently matched by demand growth

Containerboard 2018 pricing

- Price increases in the range of €30 to €50 per tonne implemented in Europe across all containerboard grades during January and February 2018
  - in response to continued strong demand driven by a generally positive economic environment and ongoing growth in e-commerce
Sack kraft paper
- Selling price up around 5% to 6% on average in 2017 vs 2016
- Good demand, particularly in our export markets
- Implemented sack kraft paper price increases in all markets from the beginning of 2018 resulting in increases in the range of 8% to 9% compared to average 2017 price levels

Speciality kraft paper
- Good demand
- Selling prices on average higher than 2016

Source: Mondi
**Corrugated Packaging**

- Strong organic volume growth of 6% driven by:
  - good growth across central and eastern Europe
  - continued growth in e-commerce
  - contribution from recently completed capital investments

- Good progress in implementing price increases to compensate significantly higher paper costs - efforts ongoing

- Short-term margin pressure anticipated given usual delay in passing on paper price increases, compounded by recent paper price increases

**Industrial Bags**

- Volume growth of 2%
  - strong growth in eastern Europe, Russia, Africa and SE Asia
  - weaker western European and North American volumes

- Margins under pressure in the second half, following sack kraft paper price increases in Q2

- Strong cost management and continued restructuring initiatives to optimise plant network

- 2018 annual contracts finalised - price increases implemented largely reflecting the full cost base impact of recent paper price increases

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**Fibre Packaging**

**Underlying operating profit, margin and ROCE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Underlying operating profit margin (%)</th>
<th>ROCE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5.1%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>5.9%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>5.4%</td>
<td></td>
</tr>
</tbody>
</table>

**Production volumes**

Volumes indexed to 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Corrugated packaging</th>
<th>Industrial bags</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.9</td>
<td>1.3</td>
</tr>
<tr>
<td>2014</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>2015</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>2016</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td>2017</td>
<td>1.3</td>
<td>1.2</td>
</tr>
</tbody>
</table>
Underlying operating profit increased 9% on 2016

Benefiting from:

- improved product mix
  - focus on value-added segments
  - exiting lower margin business
- one-off gains
- positive contribution from acquisitions

Partly offset by:

- lower like-for-like sales
- higher fixed costs
- negative currency effects

Programme launched to restructure the cost base and align capacity to current market requirements

Joined Ellen MacArthur Foundation’s New Plastics Economy Initiative – three-year initiative to mobilise the transition towards a global plastics system, based on circular economy principles
Strong performance
- Underlying operating profit of €331 million
- ROCE of 27.8%

Higher average selling prices achieved across all regions on stable volumes and focus on driving performance mitigating effects of:
- lower fair value gain on forestry assets (down €21 million year-on-year)
- higher cash costs, in particular wood and energy in Europe and South Africa

Newsprint production ceased at Merebank mill (South Africa) at the end of the year
Demand
- Flat year-on-year European demand, above expected long-term trend of 1-2% per annum decline
- Demand in Russia and South Africa in line with our long-term estimate of 0-1% growth per annum

Supply
- Temporary supply disruptions in Europe during the year
- Reduced imports compared to 2016

Prices
- Average benchmark European prices similar to 2016 and 2% up in H2 2017 vs H1 2017
- Price increase of up to 5% implemented in January 2018 in Europe
- Selling prices increased in Russia and South Africa towards the end of 2017 to offset domestic inflation
- Further price increases announced across our range of uncoated fine papers in Europe, Russia and South Africa for implementation from the end of March 2018. Price increases achieved remain subject to individual negotiations with customers
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Well positioned to leverage global industry growth trends

Emerging markets growth
Nominal €, 2016-2017E

- Western Europe GDP¹
  - +2.4%
- Eastern Europe GDP¹
  - +7.9%
- Mondi revenue 2017 vs 2016²
  - +11.6%

Key global industry trends

- Sustainability
- Light-weighting
- Rigid to flexibles
- Recyclable
- E-commerce
- Convenience

1 Source: IHS Markit, updated as of 1 March 2018
2 Emerging Europe and Russia
Creating sustainable value through our strategic framework
Partner with customers for innovation

**Simple Sphere**

Replaces wooden crates used to transport car bonnets from Sweden to China

Collaboration with Scandinavian partner aPak AB

Heavy-duty cardboard packaging offering shorter assembly and dismantling times

Environmentally friendly alternative

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**Courier Express Packaging – e-commerce paper bag**

Efficient and sustainable, light-weight packaging solution

Enables faster packaging process with decreased logistic costs

Flexible, yet strong and durable

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**CornerPack**

Responding to consumers’ demand for convenience in snacks on-the-go

Easy-to-use parallel semi-circular openings

Highly intuitive scoring line giving full control over the size of the opening
Continued investment in our world class asset base

Strong contribution from major capital projects
- €175 million of incremental operating profit over the last four years, including €25 million in 2017
- €15 million expected in 2018

Capital expenditure expected to be in the range of €700 - €800 million per annum in 2018 and 2019:
- Štětí modernisation and woodyard upgrade (€335 million and €41 million)
- Ružomberok new kraft top white machine and related pulp mill upgrade (€310 million)
- Debottlenecking at Syktyvkar as part of our plan to increase saleable production by around 100 ktpa

Targeted expansionary investments in Fibre Packaging and Consumer Packaging
Key projects expected to increase current saleable pulp and paper production by around 9% when in full operation

€770 million committed to major capital projects
(2013 – 2016)

Over €750 million approved major capital expenditure projects
(2017+)
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Supported by ongoing good demand, we have seen strong upward momentum in pricing across our key product segments in Packaging Paper and Fibre Packaging over the course of 2017 and into early 2018. We expect continued, but manageable pressure on the cost base across the Group, a consequence of the turn in the commodity price cycle and the general economic recovery we are seeing in many of the regions in which we operate. The recent US dollar weakness coupled with stronger emerging market currencies, most notably the South African rand, are current headwinds.

Our outlook for the business is positive and we remain confident that our consistent and focused strategy, robust business model centred around our cost advantaged assets, and firm focus on driving performance will sustain our track record of delivering value accretive growth. The special dividend of 100.0 euro cents per share recommended by our Boards in addition to the full year ordinary dividend of 62.0 euro cents per share reflects the strength of our financial position and our continued confidence in the Group’s cash generating capacity.
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Mondi at a glance

2017 Revenue$^1$

& ROCE

Products

**Packaging Paper**

- €2,292m
- 29%
- 26.3%

**Fibre Packaging**

- €2,055m
- 26%
- 11.3%

**Consumer Packaging**

- €1,646m
- 21%
- 10.4%

**Uncoated Fine Paper**

- €1,832m
- 24%
- 27.8%

1 Segment revenues, before elimination of inter-segment revenues
Leading market positions

# 1
- Kraft paper
  Global

- Industrial bags
  Global

- Uncoated fine paper
  Europe

# 2
- Virgin containerboard
  Europe

# 3
- Consumer flexible packaging
  Europe

- Containerboard
  Emerging Europe

- Commercial release liner
  Europe

- Uncoated fine paper
  South Africa

- Extrusion coatings
  Europe

- Corrugated packaging
  Emerging Europe

Please see sources and definitions at the end of this document
Strong global presence

Revenue by location of customer

- Emerging Europe: 22%
- Western Europe: 38%
- Russia: 10%
- South Africa: 6%
- North America: 11%
- Other: 13%

Product mix

- Consumer-related packaging\(^1\): 51%
- Industrial packaging: 18%
- Uncoated fine paper: 22%
- Other: 9%

Revenue by location of production

- Emerging Europe: 33%
- Western Europe: 36%
- Russia: 9%
- South Africa: 13%
- North America: 11%
- Other: 8%

Net operating assets by location

- Emerging Europe: 39%
- Western Europe: 30%
- Russia: 11%
- South Africa: 30%
- North America: 13%
- Other: 5%
Our cost advantaged operations

Cost quartile\(^1,^4\) %

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>White top kraftliner</td>
<td>100%</td>
<td>73%</td>
<td>27%</td>
<td>8%</td>
</tr>
<tr>
<td>Unbleached kraftliner</td>
<td>100%</td>
<td>57%</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>Semi-chemical fluting</td>
<td>100%</td>
<td>43%</td>
<td>32%</td>
<td>11%</td>
</tr>
<tr>
<td>Recycled fluting</td>
<td>100%</td>
<td>100%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Unbleached sack paper</td>
<td>100%</td>
<td>35%</td>
<td>40%</td>
<td>37%</td>
</tr>
<tr>
<td>UFP(^2)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>BHKP (pulp)(^3)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

1 Delivered to Frankfurt except where noted
2 Includes specialties
3 Delivered to Rotterdam
4 European capacity except white top kraftliner, unbleached sack kraft paper and BHKP (global)

Source: RISI (Q3 2017) and Mondi estimates
## Strong market fundamentals in Packaging Paper

### European demand growth (%) & capacities 2018-20E, Containerboard

<table>
<thead>
<tr>
<th></th>
<th>Virgin</th>
<th>Recycled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>~3%</td>
<td>3%+</td>
</tr>
<tr>
<td>Virgin</td>
<td>~2%</td>
<td></td>
</tr>
<tr>
<td>Recycled</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Demand growth (%) & capacities 2018-20E, Sack & speciality kraft paper

<table>
<thead>
<tr>
<th></th>
<th>Global sack kraft paper</th>
<th>European speciality kraft paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand growth (%)</td>
<td>0.5-1%</td>
<td>2-3%</td>
</tr>
</tbody>
</table>

### Market demand growth (mt)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Virgin</th>
<th>Recycled</th>
</tr>
</thead>
<tbody>
<tr>
<td>~3.3</td>
<td>~0.5</td>
<td>2.8+</td>
<td></td>
</tr>
</tbody>
</table>

### Announced capacities (mt)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Virgin</th>
<th>Recycled</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.3</td>
<td>0.3</td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: RISI and Mondi estimates
Our cash flow priorities remain unchanged

- Maintain our strong and stable financial position and investment grade credit metrics
- Grow through selective capital investment opportunities
- Support payment of dividends to our shareholders
- Evaluate growth opportunities through M&A and/or increased shareholder distributions

As appropriate
Reinvested for growth and distributed to shareholders

Five-year cumulative cash flow (2013–2017) € billion

- Cash flow generation: 4.6
- Invested in asset base: (2.6)
- Distributed to shareholders: (1.1)
- Net spent on acquisitions and disposals: (0.4)
- Change in net debt: (0.5)

Maintain our strong and stable financial position and investment grade credit metrics
Grow through selective capital investment opportunities
Support payment of dividends to our shareholders
Evaluate growth opportunities through M&A and/or increased shareholder distributions

Support payment of dividends to our shareholders
Grow through selective capital investment opportunities
Maintain our strong and stable financial position and investment grade credit metrics
Evaluate growth opportunities through M&A and/or increased shareholder distributions
Ongoing major capital investment projects

**Ružomberok mill, Slovakia (€310 million)**

- 300,000 tonne per annum kraft top white machine
- Debottlenecking pulp mill – increasing capacity by 100,000 tonnes per annum
- Incentives received
- Pulp mill upgrade in progress, start-up expected in late 2019
- Paper mill expected start-up in 2020 (subject to permitting)

**Štětí mill, Czech Republic (€335 million)**

- Replacement of recovery boiler, rebuild of fibre lines and debottlenecking of paper machines
- Benefits:
  - increased saleable production – 90,000 tonnes per annum market pulp and 55,000 tonnes per annum packaging paper
  - reduced environmental footprint, increased electricity self-sufficiency, lower production costs
- Approved and in progress, expected start-up in late 2018
Acquisition in progress

Powerflute

- Signed agreement to acquire 100% interest for a total consideration of €365 million on a debt and cash-free basis in December 2017

- Integrated pulp and paper mill in Kuopio (Finland) with an annual production capacity of 285,000 tonnes of high-performance semi-chemical fluting

- Production sold to a diverse range of customers, primarily for packaging fresh fruit and vegetables, but also other end-uses such as electronics, chemicals and pharmaceuticals

- Around half of the company’s production is sold in Europe, while the remainder is exported globally

- Anticipate completion of this transaction in the first half of 2018, subject to competition clearance and customary closing conditions
Mondi managed forests
AAC: 8 million m³

Internally procured wood¹
4 million m³

Externally procured wood
13 million m³

Pulp mill
4.3 mt

Paper for recycling
1.3 mt

Pulp and paper integrated value chain (2017)

Paper mill³
5.1 mt

Virgin containerboard
1.7 mt

Net exposure
1.4 mt

Consumption²
0.3 mt

Recycled containerboard
0.6 mt

Net exposure balanced

Consumption²
0.6 mt

Kraft paper
1.2 mt

Net exposure
0.4 mt

Uncoated fine paper³
1.6 mt

Consumption²
0.8 mt

External sales
1.6 mt

Net exposure
0.2 mt

1 Due to commercial, logistic and sustainability considerations, the actual wood procured from our managed forests was lower than the annual allowable cut ("AAC")

2 Total consumption (aggregate of internal and externally procured packaging paper)

3 In addition to the 1.6mt of uncoated fine paper, the Group also produced 0.3mt of newsprint in 2017
Integrated approach to sustainable development

Growing Responsibly
Looking ahead to 2020: 16 commitments across 10 action areas

Employee and contractor safety
• Avoid work-related fatalities
• Prevent life-altering injuries
• Reduce TRCR by 5% against 2015

A skilled and committed workforce
• Engage with our people to create a better workplace

Fairness and diversity in the workplace
• Promote fair working conditions in the workplace

Sustainable fibre
• Maintain 100% FSC™ certification of our forests and promote sustainable forest management
• Procure a minimum of 70% of wood from FSC or PEFC™ certified sources with the balance meeting our company minimum wood standard

Climate change
• By 2030, reduce specific CO₂e emissions by 15% against 2014¹

Constrained resources and environmental impacts
• By 2020, reduce against 2015:
  • specific contact water consumption (5%)¹
  • specific waste to landfill (7.5%)¹
  • specific NOx emissions (7.5%)¹
  • specific effluent load (COD) (5%)

Biodiversity and ecosystems
• Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration

Supplier conduct and responsible procurement
• Encourage supply chain transparency and promote fair working conditions together with our key suppliers

Relationships with communities
• Enhance social value to our communities through effective stakeholder engagement and meaningful social investments

Solutions that create value for our customers
• Encourage sustainable, responsibly produced products

¹ From our pulp and paper mills
Sustainable development highlights 2017

- 65% of the mills’ fuel consumption is from renewable biomass-based sources
- Extended WWF global Partnership for further three years
- Joined WWF Climate Savers and introduced science-based target to 2050 for production-related CO₂
- 24-hour safety mindset approach introduced

- Excellent progress against our commitments:
  - 15% reduction in specific CO₂e against 2014
  - 71% of wood FSC™- or PEFC™-certified²
  - 18% reduction in specific waste to landfill against 2015
  - 9% reduction in specific effluent load (COD) against 2015

- 829,900 training hours
- 247,965 hours of general safety training
- 58,594 hours of critical safety training for employees

- Signed agreement on Intact Forest Landscapes in Russia with local and national NGOs

- €9.6m in community investments
Fixed costs

Fixed costs composition (excluding special items)

€ million

- Depreciation, amortisation and impairments
- Personnel costs
- Other net operating expenses
- Maintenance and other indirect expenses
- Fixed costs excluding depreciation, amortisation and impairments as a % of revenue
Special items – €61 million net charge

Packaging Paper (€3 million net gain)
- Partial impairment of kraft paper assets in the US of €16 million and partial reversal of the impairment of a kraft paper mill in Bulgaria of €14 million
- Release of restructuring and closure provisions of €5 million on finalisation of the sale of a kraft paper mill in Finland

Consumer Packaging (€49 million net charge)
- Restructuring and closure costs of €22 million and related impairment of €28 million as a result of the restructuring of this business
- Recognition of a €1 million gain on the release of a restructuring and closure provision following the finalisation of a release liner plant closure in the US

Uncoated Fine Paper (€15 million net charge)
- Restructuring costs of €7 million and related impairment of €8 million following the closure of a newsprint machine at our Merebank mill
### Taxation

- **Effective tax rate of 19%**
  - Benefits of tax incentives related to our capital investments in Poland and Russia
  - Recognition of deferred tax assets related to previously unrecognised tax losses
- **Tax rate expected to move upwards to 22% over next three years** based on current geographic profit mix and prevailing tax rates
- **Lower tax paid** – timing of final 2017 tax payments payable in 2018

### Working capital

- **Net cash outflow of €122 million** (2016: inflow of €68 million)

#### Taxation

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying tax charge</td>
<td>181</td>
<td>166</td>
<td>(9%)</td>
</tr>
<tr>
<td>Cash tax paid</td>
<td>151</td>
<td>173</td>
<td>13%</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>19%</td>
<td>19%</td>
<td></td>
</tr>
</tbody>
</table>

#### Working capital management

<table>
<thead>
<tr>
<th>Year</th>
<th>Working capital as a % of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>11.0%</td>
</tr>
<tr>
<td>2014¹</td>
<td>12.3%</td>
</tr>
<tr>
<td>2015</td>
<td>11.6%</td>
</tr>
<tr>
<td>2016</td>
<td>12.0%</td>
</tr>
<tr>
<td>2017</td>
<td>12.7%</td>
</tr>
</tbody>
</table>
## Cash flow (reconciling to movement in net debt)

<table>
<thead>
<tr>
<th></th>
<th>€ million</th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying EBITDA</strong></td>
<td></td>
<td>1,444</td>
<td>1,366</td>
<td>6%</td>
</tr>
<tr>
<td>Working capital movements</td>
<td></td>
<td>(122)</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>Other operating cash flow items</td>
<td></td>
<td>3</td>
<td>(33)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td></td>
<td>1,325</td>
<td>1,401</td>
<td>(5%)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td></td>
<td>(151)</td>
<td>(173)</td>
<td>13%</td>
</tr>
<tr>
<td>Dividends received from other investments and equity accounted investees</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td></td>
<td>1,175</td>
<td>1,229</td>
<td>(4%)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td></td>
<td>(611)</td>
<td>(465)</td>
<td>31%</td>
</tr>
<tr>
<td>Investment in forestry assets and intangible assets</td>
<td></td>
<td>(65)</td>
<td>(58)</td>
<td>12%</td>
</tr>
<tr>
<td>Acquisitions¹</td>
<td></td>
<td>(48)</td>
<td>(198)</td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td></td>
<td>(83)</td>
<td>(82)</td>
<td>(1%)</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td></td>
<td>(273)</td>
<td>(274)</td>
<td></td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td></td>
<td>(22)</td>
<td>(33)</td>
<td></td>
</tr>
<tr>
<td>Other investing and financing activities</td>
<td></td>
<td>(16)</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td><strong>Net decrease in net debt</strong></td>
<td></td>
<td>57</td>
<td>115</td>
<td></td>
</tr>
</tbody>
</table>

¹ On a debt and cash-free basis
## Statement of financial position

<table>
<thead>
<tr>
<th>€ million</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>3,962</td>
<td>3,788</td>
</tr>
<tr>
<td>Goodwill</td>
<td>698</td>
<td>681</td>
</tr>
<tr>
<td>Working capital</td>
<td>899</td>
<td>799</td>
</tr>
<tr>
<td>Other assets</td>
<td>529</td>
<td>532</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(723)</td>
<td>(721)</td>
</tr>
<tr>
<td><strong>Net assets excluding net debt</strong></td>
<td><strong>5,365</strong></td>
<td><strong>5,079</strong></td>
</tr>
<tr>
<td>Equity</td>
<td>3,714</td>
<td>3,392</td>
</tr>
<tr>
<td>Non-controlling interests in equity</td>
<td>325</td>
<td>304</td>
</tr>
<tr>
<td>Net debt</td>
<td>1,326</td>
<td>1,383</td>
</tr>
<tr>
<td><strong>Capital employed</strong></td>
<td><strong>5,365</strong></td>
<td><strong>5,079</strong></td>
</tr>
</tbody>
</table>
## Production volumes

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Packaging Paper</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Containerboard</td>
<td>2,297</td>
<td>2,253</td>
<td>2%</td>
</tr>
<tr>
<td>Kraft paper</td>
<td>1,206</td>
<td>1,204</td>
<td>-</td>
</tr>
<tr>
<td>Softwood pulp</td>
<td>2,010</td>
<td>1,976</td>
<td>2%</td>
</tr>
<tr>
<td>Hardwood pulp</td>
<td>547</td>
<td>500</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Fibre Packaging</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrugated board and boxes</td>
<td>1,650</td>
<td>1,448</td>
<td>14%</td>
</tr>
<tr>
<td>Industrial bags</td>
<td>4,952</td>
<td>4,881</td>
<td>1%</td>
</tr>
<tr>
<td>Extrusion coatings</td>
<td>1,281</td>
<td>1,249</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Consumer Packaging</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,437</td>
<td>7,156</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Uncoated Fine Paper</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncoated fine paper</td>
<td>1,644</td>
<td>1,666</td>
<td>(1%)</td>
</tr>
<tr>
<td>Softwood pulp</td>
<td>375</td>
<td>375</td>
<td>-</td>
</tr>
<tr>
<td>Hardwood pulp</td>
<td>1,345</td>
<td>1,319</td>
<td>2%</td>
</tr>
<tr>
<td>Newsprint</td>
<td>277</td>
<td>313</td>
<td>(12%)</td>
</tr>
</tbody>
</table>
## Exchange rates

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Closing rates against the euro</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South African rand</td>
<td>14.81</td>
<td>14.46</td>
<td>(2%)</td>
</tr>
<tr>
<td>Czech koruna</td>
<td>25.54</td>
<td>27.02</td>
<td>5%</td>
</tr>
<tr>
<td>Polish zloty</td>
<td>4.18</td>
<td>4.41</td>
<td>5%</td>
</tr>
<tr>
<td>Pounds sterling</td>
<td>0.89</td>
<td>0.86</td>
<td>(3%)</td>
</tr>
<tr>
<td>Russian rouble</td>
<td>69.39</td>
<td>64.30</td>
<td>(8%)</td>
</tr>
<tr>
<td>Turkish lira</td>
<td>4.55</td>
<td>3.71</td>
<td>(23%)</td>
</tr>
<tr>
<td>US dollar</td>
<td>1.20</td>
<td>1.05</td>
<td>(14%)</td>
</tr>
<tr>
<td><strong>Average rates for the year against the euro</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South African rand</td>
<td>15.04</td>
<td>16.27</td>
<td>8%</td>
</tr>
<tr>
<td>Czech koruna</td>
<td>26.33</td>
<td>27.03</td>
<td>3%</td>
</tr>
<tr>
<td>Polish zloty</td>
<td>4.26</td>
<td>4.36</td>
<td>2%</td>
</tr>
<tr>
<td>Pounds sterling</td>
<td>0.88</td>
<td>0.82</td>
<td>(7%)</td>
</tr>
<tr>
<td>Russian rouble</td>
<td>65.88</td>
<td>74.16</td>
<td>11%</td>
</tr>
<tr>
<td>Turkish lira</td>
<td>4.12</td>
<td>3.34</td>
<td>(23%)</td>
</tr>
<tr>
<td>US dollar</td>
<td>1.13</td>
<td>1.11</td>
<td>(2%)</td>
</tr>
</tbody>
</table>
Market position sources and definitions

Mondi region definitions

Europe – Europe including Russia and Turkey
Emerging Europe – Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey, Ukraine
North America – Canada, Mexico, USA

Sources for market position estimates

Virgin containerboard (Europe) and Containerboard (emerging Europe) based on capacity – Source: RISI European Paper Packaging Capacity Report and Mondi estimates
Kraft paper (Global) based on capacity – Source: RISI European Paper Packaging Capacity Report, RISI Mill Asset Database, Pöyry Smart Terminal Service and Mondi estimates
Corrugated packaging (emerging Europe) based on production – Source: Henry Poole Consulting and Mondi estimates
Industrial bags (Global) based on sales volume – Source: Eurosac, Freedonia World Industrial Bags 2016 study and Mondi estimates
Extrusion coatings (Europe) based on sales volumes – Source: AWA Extrusion Coated Materials European Market Study and Mondi estimates
Commercial release liner (Europe) based on sales volumes – Source: AWA European Release Liner Market Study and Mondi estimates
Uncoated Fine Paper (Europe) based on sales volumes (Ilim JV considered separate from IP) – Source: Euro-Graph delivery statistics, EMGE Woodfree Forecast, EMGE World Graphic Papers, RISI Mill Asset Database, Eastconsult and Mondi estimates
Uncoated Fine Paper (South Africa) based on Mondi estimates