

Mondi plc

(Incorporated in England and Wales)

(Registered number: 6209386)

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14 October 2022

Trading update: Strong Q3 performance

Underlying EBITDA from continuing operations (Group excluding the Russian operations) for the third quarter was €450 million, up 55% compared to the prior year period (Q3 2021: €290 million). Higher average selling prices and overall volume growth more than offset significant cost pressures.

Andrew King, Chief Executive Officer, said: *“Mondi delivered strongly in the third quarter. My sincere thanks go to all of my colleagues for their ongoing agility and commitment in challenging times. We continue to partner with our customers, helping to lead the way towards a circular economy with our unique portfolio of innovative and sustainable packaging and paper solutions. We also remain focused on operational efficiency and cost control.”*

Our ambitious expansionary capital investment programme is progressing well, as we continue to invest in our cost advantaged asset base to capture opportunities in our structurally growing packaging markets, enhance our competitiveness and deliver sustainably into the future.”

Business unit overview

Corrugated Packaging benefitted from higher average selling prices compared to the prior year period, leveraging our innovative product portfolio and strong customer proposition. Corrugated Solutions box volumes were lower in the quarter driven by generally softer demand when compared with the strong volume growth delivered in the prior year.

Flexible Packaging performed well, with resilient demand during the period. Price increases across our range of kraft papers and packaging products were implemented during the quarter, where not fixed by annual or semi-annual contracts.

Uncoated Fine Paper achieved higher average selling prices and grew pulp volumes in the quarter while uncoated fine paper volumes were lower. The non-cash forestry fair value gain was higher.

Input costs

Input costs were significantly higher in the quarter, both year-on-year and sequentially, largely due to higher wood and energy costs. Increased demand and tight market conditions for wood continue to impact availability and pricing. We were able to mitigate the impact of significantly higher European gas and electricity costs as most of our pulp and paper mills generate the majority of their energy needs internally, with around 80% of the fuels used in this process from biomass sources, and only around 10% of our fuel sourced from natural gas. We look to mitigate the effect of inflationary pressures on the cost base through our cost control initiatives.

Investing for growth

Our €1 billion expansionary capital investment programme is progressing well, and we expect these projects to deliver mid-teen returns when in full operation.

As part of this programme, we are pleased to have recently approved the investment in a new 210,000 tonne per annum kraft paper machine at our flagship Steti mill (Czech Republic) for €400 million. This cost advantaged machine will meet the growing demand for sustainable paper-based flexible packaging to better serve our customers. Start-up is expected in 2025 with full production ramp up by 2027.

Adding to our pipeline of growth projects, in August 2022 we agreed to acquire the Duino mill near Trieste (Italy). We plan to convert the existing lightweight coated mechanical paper machine into a high-quality, cost-competitive recycled containerboard machine with an annual capacity of around 420,000 tonnes. The total acquisition and capital investment cost is estimated at around €240 million. The mill is ideally located to source paper for recycling, supply the Group's Corrugated Solutions plants in Central Europe and Turkey as well as to serve the growing local Italian market. This project provides an opportunity to grow our packaging business, build on our integrated platform and broaden our geographic reach. The acquisition is subject to competition clearance and other closing conditions with completion expected in the fourth quarter of 2022. The converted machine is expected to start-up in 2025 and deliver mid-teen returns when in full operation.

We continue to actively consider further investment opportunities to serve our customers' growing demand for sustainable packaging solutions, improve our environmental footprint and further improve our cost competitiveness.

Russian operations

Trading update

The Group's Russian operations have been classified as held for sale and presented as discontinued operations. In the third quarter of 2022, the Russian operations generated profit after tax of €104 million (EBITDA of €129 million).

Update on proposed disposal of Mondi Syktyvkar

On 12 August 2022 we announced that the Group had entered into an agreement to sell its most significant facility in Russia, Joint Stock Company Mondi Syktyvkar, together with two affiliated entities (together "Syktyvkar") to Augment Investments Limited for a consideration of RUB 95 billion (around €1.5 billion at current exchange rate), payable in cash on completion (the "Disposal").

The Disposal is conditional on the approval of the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals. Furthermore, the planned remittance of the excluded cash balance of RUB 16 billion by form of dividend to Mondi before completion requires the approval of the Ministry of Finance of the Russian Federation.

These approvals remain outstanding.

Summary and outlook

While significant geopolitical and macroeconomic uncertainties remain and we anticipate continued inflationary pressures on our cost base as we enter the fourth quarter, we are confident that the Group will continue to demonstrate its resilience and deliver a year of good progress.

The Group remains well-placed to deliver sustainably into the future, underpinned by our integrated cost advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our unique platform for growth, strong cash generation and financial position.

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Conference call dial-in details

A conference call will be held today at 08:00 (BST) / 09:00 (CEST/SAST).

To access the facility please register your name and contact details:

<https://register.vevent.com/register/BI356338855df84991843961483b13bc38>

Replay details

Following the call a replay will be made available until 21 October 2022:

<https://edge.media-server.com/mmc/p/r4iybh8a>

Notes

This trading update provides an overview of our financial performance since the half-year ended 30 June 2022. Financial metrics have not been audited or reviewed by Mondi's external auditors.

Underlying EBITDA is an Alternative Performance Measure that is not defined or specified according to International Financial Reporting Standards. This measure is defined as operating profit before special items, depreciation, amortisation and impairments not recorded as special items.

About Mondi

Mondi is a global leader in packaging and paper, contributing to a better world by making innovative solutions that are sustainable by design. Our business is integrated across the value chain – from managing forests and producing pulp, paper and films, to developing and manufacturing sustainable consumer and industrial packaging solutions using paper where possible, plastic when useful. Sustainability is at the centre of our strategy, with our ambitious commitments to 2030 focused on circular driven solutions, created by empowered people, taking action on climate.

In 2021, Mondi had revenues of €7.0 billion and underlying EBITDA of €1.2 billion from continuing operations, and employed 21,000 people worldwide. Mondi has a premium listing on the London Stock Exchange (MNDI), where the Group is a FTSE100 constituent, and also has a secondary listing on the JSE Limited (MNP).

mondigroup.com

Sponsor in South Africa: Merrill Lynch South Africa Proprietary Limited t/a BofA Securities.