Mondi Group

Annual report and accounts 2009

The Mondi Group

Mondi is an international paper and packaging company, with production operations across 31 countries and revenues of €5.3 billion in 2009. The Group's key operations are located in western and emerging Europe, Russia and South Africa, employing 31,000 people on average in 2009.

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 and industrial bags.

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

Mondi is a dual listed company (DLC), with primary listings on the Johannesburg and London stock exchanges under the ticker codes MND (JSE) and MNDI (LSE) respectively. The Group has been recognised for its sustainability performance through its inclusion in the FTSE4Good UK, Europe and Global indices in 2008 and 2009 and the JSE's Socially Responsible Investment (SRI) Index in 2007, 2008 and 2009.

The design of our 2009 report

This annual report reflects not only the Group's operational and financial performance over the past year but also gives an insight into the products Mondi creates – from uncoated fine paper to packaging and speciality products. Origami is the traditional Japanese art of paper folding, in which the artist takes ordinary paper and board or packaging such as Mondi produces, and creates a beautiful representation or design. This report uses our products to invite the reader into our world.

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Performance highlights

Mondi has delivered a solid full-year performance in very challenging market conditions. The early part of the year was particularly difficult for our European operations, characterised by sharp volume declines and consequent pricing pressures. It was, however, pleasing to see the subsequent recovery in demand, which supported price increases during the fourth quarter in various packaging segments. Our initiatives to prioritise cash flow generation in light of the downturn in trading have been very successful, evidenced by the reduction in net debt over the course of the year, while still funding the two major capital expenditure projects.

- Resilient performance in challenging circumstances
- Clear pick-up in European trading conditions in the final quarter
- Strong performance from European Uncoated Fine Paper business throughout the year
- Substantial cash generation from operations of €867 million
- Strong cash management with net debt down to €1.5 billion despite around €300 million spent on major capital projects
- Delivered cost savings of €251 million, significantly in excess of target
- Achieved very strong control of working capital, resulting in a net working capital inflow of €248 million for the year
- Polish recycled containerboard machine and box plant projects successfully completed and significant progress on Russian project

Financial overview

€ million, except for % and per share measures	2009	2008	Change %
Group revenue	5,257	6,345	(17)
EBITDA [1]	645	814	(21)
Underlying operating profit [2]	294	441	(33)
Underlying profit before tax [3]	182	284	(36)
Reported profit/(loss) before tax [6]	49	(103)	148
Basic loss per share (€ cents) [4]	(6.5)	(41.6)	84
Underlying earnings per share (€ cents) [4]	18.7	33.9	(45)
Headline earnings per share (€ cents) [4]	11.4	20.3	(44)
Cash generated from operations	867	795	9
Net debt	1,517	1,690	10
Group ROCE [5]	7.6%	9.5%	(20)
Total dividend per share (€ cents)	9.5	12.7	(25)

Notes:

1 EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

2 Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.

3 Underlying profit before tax is reported profit before tax and before special items.

4 The Group has presented underlying earnings per share to exclude the impact of special items, and headline earnings per share in accordance with circular 3/2009 'Headline Earnings' as issued by the South African Institute of Chartered Accountants.

5 Group return on capital employed (ROCE) is an annualised measure based on underlying operating profit plus share of associates net earnings divided by average trading capital employed before impairments and adjusted for major capital projects not yet commissioned.

6 Profit/(loss) before tax is reported after special items of €133 million.

For further information please go to the Business review on page 22 of this report; or click on www.mondigroup.com/AR09

Divisional overview



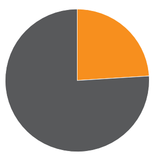
Europe & International Division

	Uncoated Fine Paper	Corrugated	Bags & Specialities
2009 Production	• Uncoated fine paper (UFP): 1.5 million tonnes • Newsprint: 0.2 million tonnes • Pulp: 1.0 million tonnes	• Containerboard: 1.8 million tonnes • Corrugated: 1.7 billion m^2 • Pulp: 0.7 million tonnes	• Kraft paper: 0.8 million tonnes • Pulp: 0.9 million tonnes • Bag converting: 3.3 billion units • Coating & release liner: 2.7 billion m^2
Key products & operations	• 2.06 million hectares of forest in the Komi Republic in Russia, with an allowable cut of 5.1 million m^3 of wood per annum • Uncoated fine paper produced at paper mills in Austria, Israel, Russia and Slovakia	• A network of 4 mills producing virgin and recycled containerboard and 18 corrugated packaging plants, mainly in central and eastern Europe	• Kraft paper converted into industrial and consumer bags, at 6 mills and 54 converting plants mainly in emerging and western Europe • Leading European producer of release liner, extrusion coating products and consumer bags

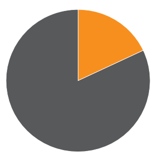
Key statistics

	Uncoated Fine Paper	Corrugated	Bags & Specialities
Net segment assets	€1,494 million	€ 872 million	€1,222 million
Capital expenditure	€ 191 million	€ 195 million	€ 81 million
Segment revenue	€1,351 million	€1,041 million	€1,787 million

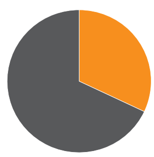
Contribution to Group revenue



Contribution to Group revenue



Contribution to Group revenue



	Uncoated Fine Paper	Corrugated	Bags & Specialities
Underlying operating profit	€146 million	€23 million	€82 million
ROCE	14.5%	3.6%	7.5%
Employees	9,800	6,400	7,300
No. of production sites	5	20	56

	Uncoated Fine Paper	Corrugated	Bags & Specialities
Market positions	• No. 1 in office paper and UFP in emerging Europe • No. 2 in office paper and UFP in Europe	• No. 2 in virgin containerboard in Europe • No. 1 in containerboard in emerging Europe • No. 1 in corrugated packaging in emerging Europe	• No. 1 in kraft paper in Europe • No. 1 in bag converting in Europe • No. 1 in commercial release liner in Europe

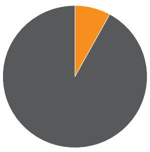
South Africa Division

- Uncoated fine paper (UFP): 0.4 million tonnes
- Containerboard: 0.2 million tonnes
- Pulp: 0.7 million tonnes
- Woodchips: 0.3 million bone-dry tonnes

- 332,000 hectares of plantations in KwaZulu-Natal and Mpumalanga provinces
- Hard- and soft-wood pulp and virgin containerboard produced at the Richards Bay pulp mill in KwaZulu-Natal
- Uncoated fine paper produced at the Merebank paper mill in Durban, KwaZulu-Natal
- 59% of segment revenue to export markets in 2009

Net segment assets	€840 million
Capital expenditure	€ 26 million
Segment revenue	€478 million

Contribution to Group revenue



Underlying operating profit	€32 million
ROCE	4.6%
Employees	1,700
No. of production sites	2

- No. 1 in office paper and UFP in South Africa
- No. 2 in kraftliner in South Africa

Mondi Packaging South Africa

- Containerboard: 0.4 million tonnes
- Corrugated: 0.4 billion m²

- 2 containerboard mills, 1 cartonboard mill and a network of 12 corrugated packaging plants in southern Africa
- Recovered fibre collection and processing
- A broad spectrum of rigid plastic packaging

Net segment assets	€335 million
Capital expenditure	€ 17 million
Segment revenue	€498 million

Contribution to Group revenue

Underlying operating profit	€36 million
ROCE	11.5%
Employees	3,700
No. of production sites	21

- No. 1 in corrugated packaging in South Africa
- No. 1 in cartonboard in South Africa
- No. 3 in rigid plastics in South Africa

Merchant & Newsprint

- Newsprint: 0.3 million tonnes

- Merchanting of graphic, packaging and office paper across central and eastern Europe
- 48,000 hectares of plantations in KwaZulu-Natal province
- Joint venture production of newsprint and telephone directory paper

Net segment assets	€194 million
Capital expenditure	€ 7 million
Segment revenue	€528 million

Contribution to Group revenue

Underlying operating profit	€12 million
ROCE	6.0%
Employees	1,100
No. of production of sites	2

- No. 1 in newsprint in South Africa
- Leading positions in paper merchanting in emerging Europe

Global operations

Mondi's low-cost production strategy, ingrained cost focus and ability to respond quickly to changing market conditions position the Group well in these challenging times.

Operations – International

Ref	Country	Type of operation
1.	Israel	Uncoated Fine Paper
2.	Jordan	Bags
3.	Lebanon	Bags
4.	Malaysia	Bags
5.	Mexico	Bags
6.	Oman	Bags
7.	USA	Specialities, Bags

Operations – Africa

Ref	Country	Type of operation
8.	Morocco	Bags
9.	Mozambique	Corrugated
10.	Namibia	Corrugated
11.	South Africa	Uncoated Fine Paper, Corrugated, Newsprint, Specialities
12.	Zimbabwe	Specialities

Key to operations

Uncoated Fine Paper

Corrugated

Bags

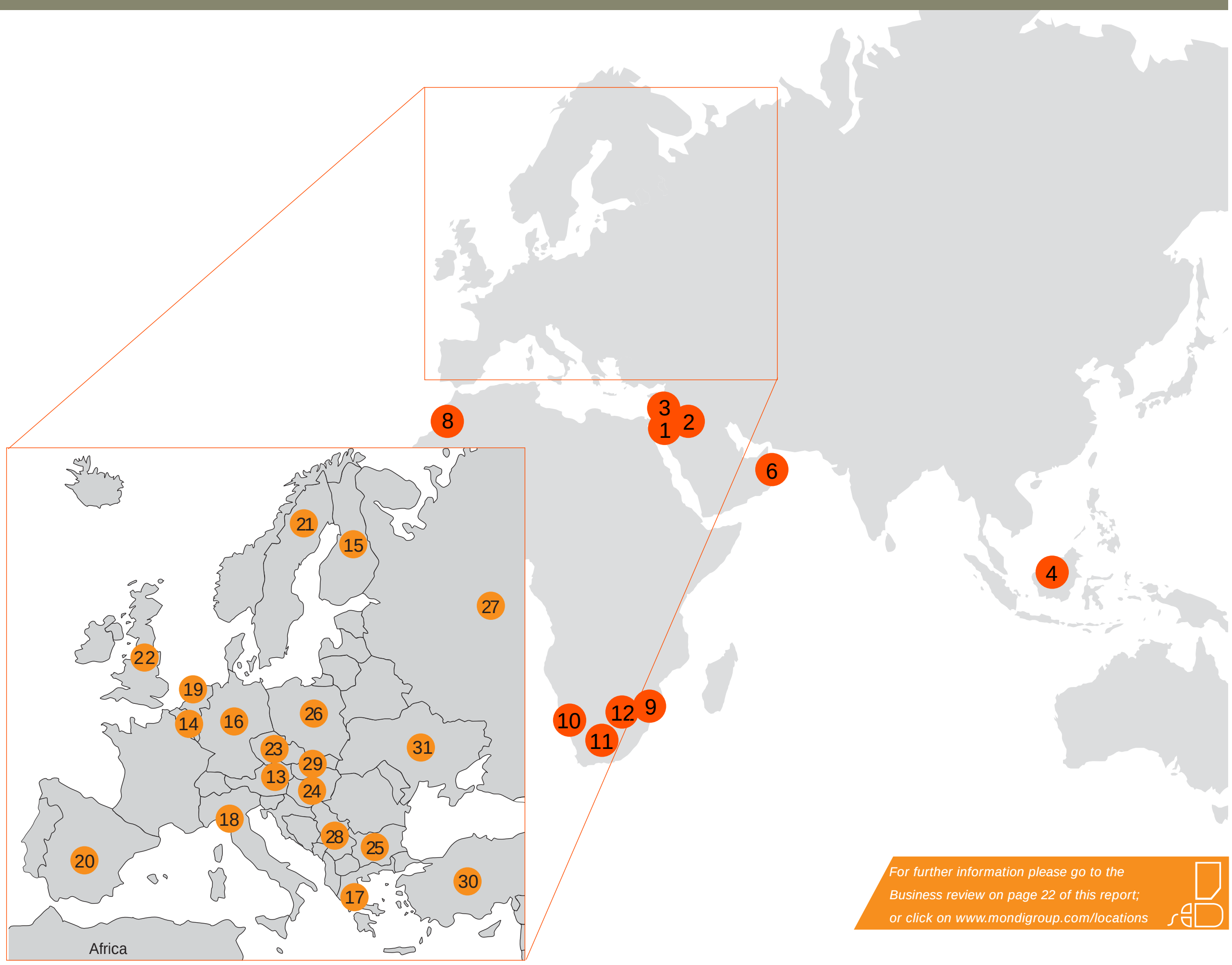
Specialities

Newsprint

Operations – Europe including Russia

Ref	Country	Type of operation
13.	Austria	
14.	Belgium	
15.	Finland	
16.	Germany	
17.	Greece	
18.	Italy	
19.	The Netherlands	
20.	Spain	
21.	Sweden	

Ref	Country	Type of operation
22.	UK	
23.	Czech Republic	
24.	Hungary	
25.	Bulgaria	
26.	Poland	
27.	Russia	
28.	Serbia	
29.	Slovakia	
30.	Turkey	
31.	Ukraine	



For further information please go to the Business review on page 22 of this report; or click on www.mondigroup.com/locations

Group structure

- mondi
  - **Europe & International Division**
    - **Uncoated Fine Paper**
      - Pulp & uncoated fine paper
    - **Corrugated**
      - Containerboard
      - Corrugated packaging
    - **Bags & Specialities**
      - Kraft paper
      - Bag converting
      - Specialities
  - **South Africa Division**
    - **Uncoated Fine Paper**
      - Forests
      - Pulp
      - Uncoated fine paper
    - **Containerboard**
      - Containerboard
  - **Other subsidiaries & joint ventures**
    - **Mondi Packaging South Africa 70%**
      - Containerboard
      - Corrugated packaging
      - Rigid plastics
    - **Merchant & Newsprint**
      - Europapier
      - Aylesford Newsprint 50%
      - Mondi Shanduka Newsprint 50%

Mondi's products

Mondi's core business is the manufacture of uncoated fine paper, packaging paper and converted packaging products, as well as speciality products.

Pulp

Both hardwood and softwood pulp is produced largely for internal use. A total of 3.5 million tonnes was produced in 2009, with 0.4 million tonnes sold externally.

Uncoated fine paper (UFP)

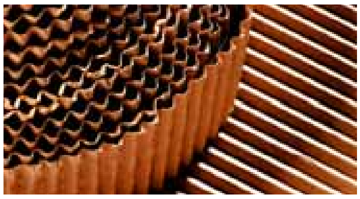
Mondi is a leading European and South African producer of UFP, used for a wide range of office and professional printing paper for inkjet and laser printing. Well-known brands include Color Copy, MAESTRO and IQ, as well as the Russian Snegurochka and South African ROTATRIM brands.

Containerboard

A wide-ranging portfolio of corrugated case materials (virgin and recycled containerboard) is produced for corrugated box applications. To meet the corrugated industry's increasing demand for excellent lightweight liners and flutings, Mondi has invested in the construction of one of the world's fastest containerboard machines (1,800 m/min) in Poland.

Corrugated boxes

Mondi is a leading supplier of all forms of corrugated packaging, including conventional boxes and trays of all shapes and sizes, point-of-sale displays, Shelf-Ready Packaging (SRP) and heavy-duty packaging. Radio Frequency Identification (RFID) enabled corrugated cases are an integral part of the Group's portfolio.



Kraft paper

Kraft papers within the Advantage range are widely used, from specialist packaging and heavy-duty industrial applications (including building and chemicals) to consumer packaging (including food and pet food). A wide range of grades is offered, each catering to the specific requirements of different packaging concepts.

Industrial bags

Mondi is the world's largest producer of industrial bags and offers a wide variety, including ultra-strong and air-permeable bags with sophisticated closure techniques. These products are used to package, among other things, cement, chemicals, seeds, animal feed, flour and milk powder, as well as automotive parts and organic and bio-waste.

Specialities

These are high-quality products, such as extrusion coating products, release liners, consumer bags and pouches. The Group's expertise in extrusion coating, laminating, siliconising and printing enables Mondi to offer customised products for the food, pet food, building, medical and hygiene industries among others. Sanocoat®, an anti-microbial packaging solution for increased shelf-life, is a recent innovation.

Newsprint

Mondi is a small producer of newsprint and telephone directory paper, manufactured in South Africa, Russia and the UK.

Integrated value chain

Woodchips

Market pulp

Forest

Full-year consumption	14.1 million m^3
Potential self-sufficiency	60%

Pulp mill

Full-year consumption	3.8 million tonnes
Potential self-sufficiency	92%

Recovered paper

Uncoated fine paper mill

Europe & International	1.47 million tonnes
South Africa	0.35 million tonnes
Full-year production	1.82 million tonnes

Kraft paper mill

Europe & International	0.84 million tonnes
Potential self-sufficiency	164%

Containerboard mill

Europe & International	1.77 million tonnes
South Africa, incl. MPSA	0.61 million tonnes
Full-year production	2.38 million tonnes
Potential self-sufficiency	205%

Newsprint mill

Europe & International	0.19 million tonnes
South Africa	0.12 million tonnes
Aylesford Newsprint	0.19 million tonnes
Full-year consumption	0.50 million tonnes

Finishing

Paper production by type	
Cut-size	1.31 million tonnes
Other	0.51 million tonnes
Full-year production	1.82 million tonnes

Office & printing paper

Bag converting plant

Full-year production 3.30 billion units

Industrial bags

Specialities plant

Full-year production 3.20 billion m²

Coatings & release liners and consumer bags

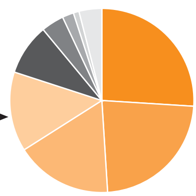
Corrugated box plant

Full-year production 1.70 billion m²

Corrugated boxes

Virgin & recycled containerboard

Newsprint



Contribution to Group revenue

Corrugated products	26%
Uncoated fine paper	23%
Kraft paper & bags	17%
Specialities	14%
Merchant	9%
Newsprint	4%
Pulp	2%
Woodchips	1%
Other	4%

Chairmen's statement

Cyril Ramaphosa
Joint chairman

David Williams
Joint chairman

Dear shareholder

The 2009 financial year was challenging, but Mondi's focused strategy and rigorous attention to operational efficiency enabled us to emerge from the current economic downturn in good shape and well-positioned to deliver attractive returns to our shareholders in the longer term.

The Mondi Group demonstrated its resilience through the very difficult trading conditions that characterised much of 2009. The global economic turmoil that was evident at the close of 2008 persisted through 2009, but with some more positive signs evident in the fourth quarter.

Volumes in most areas of the business recovered from the lows experienced in the fourth quarter of 2008 and the first quarter of 2009, although this was offset by lower average selling prices for most of the Group's products during the year. Nonetheless, price increases announced early in the fourth quarter, partly driven by rising input costs, have been implemented for certain key grades in our European & International business.

Through these challenging times our strategy has guided management and enabled the Group not only to withstand market turbulence, but to continue to deliver on our long-term vision. By focusing on low-cost production, wide-ranging cost reduction programmes and the rapid alignment of our businesses to market demands, the Mondi Group has achieved a creditable operating and financial performance in 2009.

Operating and financial performance

Group revenue, at €5.3 billion (a decrease of 17% on 2008), and underlying operating profit, at €294 million (declining by 33% on the prior year), exceeded expectations.

The Europe & International Division showed particular resilience during the second half of the year, but profitability in our South Africa Division remained under pressure. Our cost restructuring initiatives across all businesses proved to be effective, with some €251 million of costs having been eliminated by year-end. In South Africa, inflationary pressures and weak export prices,

Resilient performance in challenging circumstances

exacerbated by the robust performance of the South African rand in the second half (up around 9.4% versus the euro and 17.0% versus the US dollar compared to the first half), placed particular pressure on margins.

Especially pleasing has been the substantial cash flow generation from operations, and the ability of the Group to continue to invest significant amounts of capital in our two major projects, Świecie in Poland and Syktyvkar in Russia. These projects will reinforce our position as a cost leader in our chosen markets.

Importantly, the Group has continued to reduce its level of debt – a commendable achievement in the current market – and has been successful in maintaining the quantum of committed debt facilities available to it despite the unfavourable banking environment.

Chief executive David Hathorn reports on the Group's operating and financial performance and on its strategy in his review of the year on pages 16 to 21 of this report.

Sustainability

Mondi is highly cognisant of the broader role the Group plays as an employer and responsible corporate citizen. With so much of our business in emerging markets, our role is clearly even more important as we strive to achieve a balance in terms of the economic, social and environmental impacts of our business. We report good progress on our sustainability commitments in the Sustainable Development Report (at www.mondigroup.com/sustainability) and a summary review can be found on pages 34 to 43 of this report.

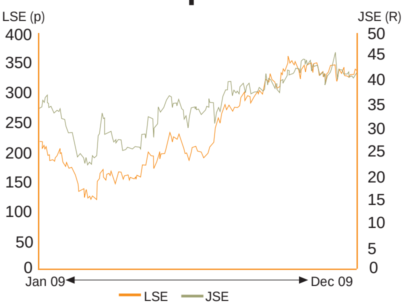
Safety continues to be a significant item on the agenda at every DLC Board meeting and an intrinsic part of our culture and our sustainable development philosophy. Although our focus on safety resulted in an improved workplace safety record for the year, with no reportable fatal accidents within the Group (2008: two fatalities), in 2010 we have regrettably already experienced a fatality in our forestry operations in South Africa. The Boards believe that this accident, as with all other accidents, could and should have been prevented and we take responsibility for ensuring that we learn from each and every safety incident and that we implement the necessary measures to further entrench safe behaviour.

A number of achievements in 2009 are worthy of special mention:

- Our Lost Time Injury Frequency Rate (LTIFR) reduced once more. This follows a continued focus on safety by management and our employees and was achieved notwithstanding the large-scale projects being undertaken in Poland and Russia.
- The second set of land claims involving seven communities in KwaZulu-Natal in South Africa was successfully concluded. We have developed a unique model, in close consultation with the South African Ministry of Land Affairs, which provides a long-term, mutually beneficial and sustainable solution to communities, to government and to the Group.
- All of our forests have now been assessed for Forest Stewardship Council (FSC) certification, with certification of the last outstanding area in Russia expected in the first half of 2010.
- We have reported significant progress in reducing and optimising our resource usage, in particular water and energy. More than half of our energy usage comes from biomass (renewable energy sources). Operating as we do in emerging markets where the effects of climate change are likely to be exaggerated, we have given critical consideration both to our role in respect of climate change and to the impact of climate change on our Group and our communities. During 2009 we reported a further reduction in CO_2 emissions and participated in the Carbon Disclosure Project's 2009 greenhouse gas emission and climate change survey. The positive role played by sustainably managed forests has been recognised in the international climate change debate, underlining the point that these forests mitigate climate change by sequestering carbon from the atmosphere and storing it as biomass.

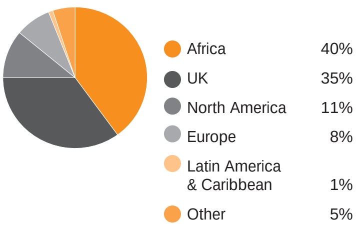
In the midst of these achievements we must reflect on the fact that the restructuring of operations resulted in

Mondi share price



Mondi shareholders

2009



job losses across the Group. While very necessary to ensure the long-term sustainability of the business and job security for those thousands of people employed directly and indirectly by our Group, we understand that job losses have a significant impact on employees and communities. We strive to be fair and responsible in our restructuring and are encouraged by the full support of the 31,000 people in our employ.

Governance

The Group Boards, constituted in accordance with our dual listed company (DLC) structure, have continued to provide counsel and support to the executive committee. In particular we extend our thanks to Sir John Parker, who relinquished his role as joint chairman as well as his membership of the boards of Mondi Limited and Mondi plc, with effect from 4 August 2009. This followed his appointment as chairman of Anglo American plc. Sir John's contribution to the Mondi Group has been significant, both in the period leading up to Mondi's successful listing in 2007 and during its first two years as an independent, publicly listed Group.

We welcome John Nicholas as a new non-executive director to the Boards. John has a strong financial background and brings a wealth of commercial business experience to the Group. In addition, he is a member of the UK Financial Reporting Review Panel.

Matters of governance have become critical issues for shareholders around the globe. We at Mondi are satisfied that we comply with the regulations applicable to the exchanges and in the markets in which we operate. We have put in place the highest standards of governance and we continue to review and amend these as required in light of new and proposed governance, legislation and recommendations in South Africa and the UK.

We were pleased to be admitted once again to the FTSE4Good UK, FTSE4Good Europe and FTSE4Good Global indices of the London Stock Exchange (LSE) and the Socially Responsible Investment (SRI) Index of the JSE Limited (JSE).

Delivering to shareholders

While our share price came under pressure in the early part of the year, in line with the sell-off witnessed in most major equity markets, we are pleased to note the subsequent recovery. The Mondi Limited shares listed on the JSE closed the year 24% higher than the prior year close, while the Mondi plc shares listed on the LSE closed the year around 65% higher than the prior year close.

Mondi is among the lowest cost operators in its sector with a balance sheet that remains strong and well-funded. The Group was cash-generative throughout the year and its operations are well positioned to benefit as market conditions improve. Consequently,

Mondi's strategy remains valid: a focus on low-cost production and emerging markets, combined with ingrained cost-consciousness and a decisive response to market circumstances

notwithstanding the difficulties encountered during 2009 and the significant capital expenditure to develop low-cost operations for the future, we have been able to adhere to our long-term dividend policy.

The Boards aim to offer shareholders long-term dividend growth within a targeted dividend cover range of two to three times on average over the cycle. The decision was taken in the prior year to pay a reduced full-year dividend in light of the uncertain economic outlook and lack of liquidity in the financial markets. This also served to ensure that dividend cover was maintained within the targeted range. Given the Group's strong balance sheet and healthy operating cash flows, coupled with an improving outlook, it is proposed to pay a final dividend that reflects an increase on the prior year final dividend, while remaining within the Group's targeted cover range.

Accordingly the boards of Mondi Limited and Mondi plc have recommended a final dividend of 7.0 euro cents per share (2008: 5.0 euro cents per share), payable on 19 May 2010 to shareholders on the register at 23 April 2010. Together with the interim dividend of 2.5 euro cents per share, paid on 15 September 2009, this represents a total dividend for the year of 9.5 euro cents per share. In 2008, the total dividend for the year was 12.7 euro cents per share. To shareholders on the South African registers of Mondi Limited and Mondi plc, an equivalent dividend of 28.41150 South African rand cents per share was paid on 15 September 2009 and, together with a final dividend of 73.54690 South African rand cents per share payable on 19 May 2010, the total dividend amounts to 101.95840 South African rand cents per share.

In July 2009, the South African Treasury approved the reclassification of the secondary listing of Mondi plc's ordinary shares on the JSE as domestic assets in the hands of South African investors. This had the effect of all but eliminating the price differential that had existed between the Mondi Limited and Mondi plc shares trading on the JSE. Importantly, the reclassification had the effect of allowing a new group of potential shareholders access to the Mondi plc shares, and this, we believe, has contributed to the share's strong performance in the second half of 2009.

Thanks

Operating in 31 countries across the globe, the people of Mondi have shown resilience and commitment. Their contribution has underpinned the Group's resilient performance. Management, and in particular the chief executive and senior leadership, have been quick to react and wholehearted in their response to a rapidly changing and uncertain global environment. On behalf of the Boards we thank them.

Strategy and outlook

The current financial year will, no doubt, continue to present challenges to the Mondi Group. These will continue to be met with enthusiasm and dedication. Mondi's strategy remains valid: a focus on low-cost production and emerging markets, combined with ingrained cost-consciousness and a decisive response to market circumstances. These will continue to serve as our guidelines, and provide a platform for organic growth in our target markets.

The Group's solid foundation, built on operational efficiency and market leadership, will continue to underpin both operational and financial performance. The measures we have taken prior to and during the global financial crisis mean that the Group is better positioned at the end of 2009 than it was at the beginning of the year to deliver returns to shareholders in the longer term. While we remain cautious about the macroeconomic outlook and the potential impact this will have on our business in 2010, it is encouraging that both volumes and pricing in most of our key markets continue to improve.

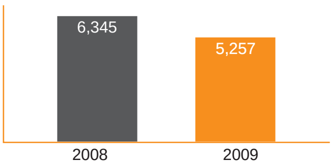
Cyril Ramaphosa
Joint chairman

David Williams
Joint chairman

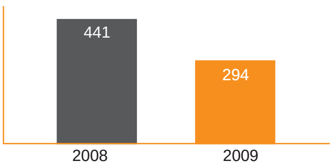
Chief executive's review

David Hathorn
CEO

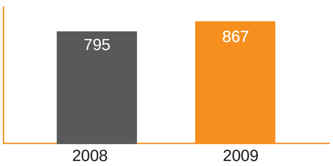
Group revenue (€ million)



Underlying operating profit (€ million)



Cash generated from operations (€ million)



The 2009 financial year was both challenging and rewarding for Mondi. The impact of the global recession on Mondi's business has been significant, with difficult trading conditions prevailing particularly in the first half of 2009. These were first evident in Europe in late 2008 and, following a delay of about six months, profitability in South Africa was impacted. However, European trading improved as the year progressed, with the benefits of price increases in key grades starting to take effect in the final quarter, ensuring that Mondi's performance for the year exceeded expectations.

Throughout this period, the Mondi Group has risen to the challenges we faced, taking decisive actions to reduce capacity, lower the overall cost base and optimise cash flows, while still continuing to invest in our two major projects in the lower-cost, high-growth markets of Poland and Russia. As a result, Mondi is now a better quality business than it was a year ago and we believe that we are very well positioned to deliver enhanced shareholder value in the future.

Results

The Mondi Group is pleased to have delivered financial and operating

Group revenue of €5,257 million

results for the year that were ahead of expectations, with Group revenue of €5,257 million and underlying operating profit of €294 million. Although down by 17% and 33% respectively compared with the previous year, these figures still signify a very sound performance given the difficult trading conditions. The fourth quarter brought volume improvements across all main paper grades, price increases in most of the key packaging grades, and a stable pricing environment in the European uncoated fine paper (UFP) market. Results were also boosted by a strong performance by Mondi Packaging South Africa (MPSA). However, the South African export-focused businesses continued to suffer under the weight of a strong South African rand and low product prices.

Good progress was made with the restructuring of Mondi's cost base and the implementation of additional cost savings initiatives. The bold cost savings target of €180 million was exceeded, with €251 million of cost savings being delivered. We exited or mothballed around 930,000 tonnes of high-cost paper capacity in just over two years and closed or sold 18 converting sites.

Average return on capital employed, a key measurement of Mondi's performance, was 7.6%. While this is a disappointing outcome in relation to the Group's target of 13% across the cycle, it nevertheless represents a resilient performance given the backdrop of an extremely difficult business environment. Importantly, we are confident that the actions taken over the past year place the business in a stronger competitive position than it was when it entered the downturn, allowing it to take full advantage of any improvement in the business cycle.

Furthermore, the focus on cash flow optimisation was extremely successful, with working capital inflows for the year amounting to €248 million and capital expenditure, outside the two major projects, reduced to 63% of depreciation. As a result, net debt declined by €173 million to €1,517 million, despite capital expenditure of around €300 million on the two major expansion projects in Poland and Russia.

Mondi enjoys a strong liquidity position and, as at the end of December 2009, the Group had nearly €1 billion of undrawn committed debt facilities, €0.8 billion of which is available in terms of a €1.55 billion facility which expires on 22 June 2012.

The Group proposed a final dividend of 7.0 euro cents per share to give a total dividend of 9.5 euro cents per share for the year.

Delivering on our strategy

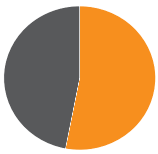
The year under review has reinforced the validity of our Group strategy. Three pillars continue to underpin our strategy:

- building leading market positions in packaging and UFP, particularly in high-growth emerging markets;
- delivering a high-quality, low-cost asset base, through maintaining our position as a low-cost producer in our markets by selectively investing in production capacity in lower-cost regions and exploiting the benefits of upstream integration, including forestry; and
- focusing on performance, especially continual productivity improvement and cost reduction, delivered through business excellence programmes and rigorous asset management.

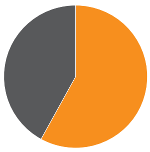
Building leading market positions

Our focus has been on achieving the right product mix and geographical focus, and by doing this we have continued to increase the quality of

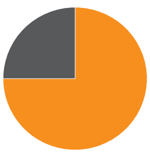
Revenue by destination
2009



Revenue by origin
2009

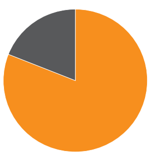


Net operating assets
2009



[1] 13% relates to major projects in Poland and Russia

Virgin-based production
2009



our earnings. There have been several initiatives in this regard. These include reducing our lower-margin exports of paper from Merebank in South Africa in favour of higher-margin exports of pulp from Richards Bay, while at the same time removing costs. In our European UFP business we have increased our sales focus on our home markets of central and eastern Europe, while in our European Corrugated business we have also changed our product and geographical mix by exiting from a number of western European markets. Cumulatively these actions have reduced the Group's revenue by €484 million, removed €107 million of fixed costs and enhanced underlying earnings for the year, compared to the prior year.

While we have taken steps to reduce capacity, we have maintained our ability to take advantage of any upswing in the market as the economy improves. Certain assets have been mothballed, rather than permanently closed, and we have expanded our capacity in the higher growth eastern European and Russian markets. These actions position the Group well for the long term, with the structural maturity of some of our products in the north-western hemisphere markets increasingly evident. Among other things, this is driven by the shift in the manufacturing base (with its impact on packaging requirements) from the west to the east – into eastern Europe, Turkey, Russia and China. This trend is also supported by the structural growth that is being experienced in emerging economies, which means that our packaging products and office paper enjoy a much higher growth rate in these markets. The lower cost base in these economies adds momentum to this shift.

By the end of 2009, 75% of our net operating assets were located in emerging markets, in line with our vision of focusing on low-cost, high-growth regions and on businesses offering leading market positions and operational synergies with existing businesses. While our strategy clearly focuses on emerging markets, Mondi enjoys a uniquely strong market position in the bags & specialities segment in both eastern and western Europe, where specialities continue to enjoy very attractive growth rates. We will therefore continue to support our market position in bags & specialities with our existing western European assets. In our European corrugated business, our only remaining assets are in Austria and Germany which are integral to our Polish corrugated operations. In our UFP business, the only remaining western European asset is the Neusiedler mill in Austria, which makes speciality products that achieve higher selling prices to compensate for the higher costs.

New 470,000-tonne recycled containerboard machine producing well ahead of expectations

These products are an important part of the overall UFP product offering.

Delivering a high-quality, low-cost asset base

The Mondi Group's vision of developing a modern, high-quality, low-cost asset base has been supported by management resolve and a rigorous approach to asset management. In just over two years we exited some 930,000 tonnes of high-cost paper operations (Europe & International, 810,000 tonnes; South Africa, 120,000 tonnes), amounting to around 14% of the Group's global capacity. In total, 18 converting sites were rationalised over the same period.

Our actions in 2009 in particular will, we believe, prove to be prescient. While some of these assets might have survived the next cycle, this downturn has been sufficiently severe to warrant our decisive actions. In addition, the resultant improvement to the supply/demand balance is favourable to industry fundamentals.

This is a very visible demonstration of the implementation of our strategy and our rapid response to the challenging global environment. It bears repeating, however, that for our industry, this challenging environment has been some time in the making. The global paper industry has struggled for some years to recover from overcapacity, with resultant low prices and weak earnings, thus heightening the need for consolidation and closures. Our approach, combined with numerous cost savings initiatives, has brought about a significant decrease in our cost base. We believe that the increased level of industry rationalisation that has taken place over the past year as a result of difficult conditions has improved the underlying fundamentals of the industry.

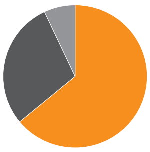
Despite financial constraints, Mondi has continued to invest in large-scale, low-cost, high-quality assets to complete our long-term modernisation programme, with the ultimate aim of shifting the Group's production base further down the cost curve. An excellent demonstration of the success achieved is to be found in the recycled containerboard market segment where, in less than three years, our average cost position relative to other producers has improved from the third quartile to the lowest quartile.

We are particularly pleased to report on the substantial progress made with our key projects, which will further secure the Group's position as a cost leader in its chosen markets.

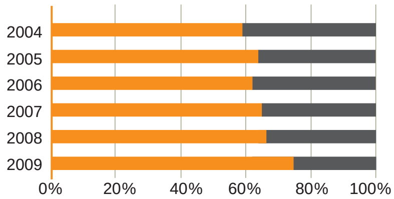
- In September 2009 Mondi saw the first saleable production from the new, 470,000-tonne lightweight recycled containerboard paper machine in Świecie, Poland. We anticipate that this installation will have the lowest operating cost of its type and up to 50% of its production will be accounted for by physical integration with our surrounding box plant network. Start-up of the machine was ahead of schedule and the project is expected to come in around 4% (€20 million) below budget.
- The project to modernise the Syktyvkar mill in Russia continued to make good progress and is on track for completion in the second half of 2010. Severe weather conditions did impact the project timetable and a small cost overrun of up to 4% is now anticipated resulting in a capital cost of up to €545 million. This project will lower the Group's cost base in Russia, increase energy production (with the benefit of selling surplus energy to the energy grid), improve internal efficiencies and increase integrated paper output.
- In late August 2009, the new machine-glazed paper machine at Štěti in the Czech Republic was successfully commissioned on time

For further information please go to the Business review on page 22 of this report; or click on www.mondigroup.com/AR09

Major mill expansionary spend Total €2.1 billion
2004 – 2009



Net operating assets by geography
(%)



and within budget, at a total cost of €47 million. It has an annual capacity of 45,000 tonnes and the grades produced on this machine are both cost-effective and technically advanced. This investment is part of our ongoing programme to modernise the Štěti asset base.

The Group is coming towards the end of a significant, 10-year programme of modernising its asset base, with most large operations being overhauled. This underpins our long-term strategy, embarked on in the late 1990s and early 2000s, when the Group's aggressive acquisition programme enabled it to acquire a substantial base in eastern Europe and Russia. Once secured, these assets, together with our South African operations, required significant modernisation, with just over €2 billion being spent on the major mills over 10 years on expansionary projects. Altogether, these assets today represent around 75% of our net operating assets.

Even if the economic recovery is slow and earnings do not improve sharply, the substantial investment made during the past years means that we are now entering into a period where shareholders should, on average, enjoy increased levels of free cash generation. While growth clearly remains an option, we will be disciplined with respect to acquisitions and expansionary capex, and will allocate increasing free cash flow to debt reduction and to improving the cash returns to our shareholders.

Focusing on performance

Our relentless approach to cost saving is well established and received greater attention during this year of recession. Cost optimisation and the desire to be the lowest cost producer in our industry is entrenched within our culture at Mondi. Cost savings on the scale that we have achieved in the past year – in the order of 5% of operating cash costs – will be difficult to sustain. We will consistently target levels of more than 2% a year, which is still significant. Cost savings of some €251 million were achieved by year end, 31% of which addressed fixed costs, which, excluding depreciation, increased only marginally relative to revenue, from 25% in 2008 to 26% in 2009. This is a commendable achievement given the revenue pressures experienced as a result of the difficult economic conditions.

Stringent management of working capital has also delivered significant cash benefits, with inflows of some €372 million in working capital

75% of net operating assets in emerging markets

over the past three years – €248 million in 2009.

Mondi announced in the fourth quarter of 2008 that capital expenditure outside of the two major projects would be curtailed, with new capital expenditure approvals limited in the short term to 40% of depreciation. The benefits of this decision in terms of cash flows have been clearly evident. While we continue to operate in terms of this policy, as trading conditions improve we expect to return to more normal levels of ongoing capital expenditure.

Paying tribute to our people

In any year it would be remiss not to pay tribute to the people of Mondi, in this year it would be even more so. I have mentioned our cost-optimisation culture and would like to acknowledge the way in which this has been embraced by our 31,000 employees around the globe – from those who work in the nurseries where our seedlings germinate and the forests that we tend, to those involved in our world-class production facilities and those sales people who get our products to our customers. I thank them all for their significant contribution to the Group. Our people take pride in being part of a successful business, one that is prepared to respond quickly and decisively to circumstances, and that knows how important it is to focus on the areas that we can control. Inevitably the numerous restructuring and cost-cutting actions taken during the year led to a 10% reduction in our total employee base. We pay tribute to those people who have unfortunately lost their jobs as a consequence. It has been a tough year for many people and we hope that 2010 brings new opportunities.

Ensuring our future

The Mondi Group sees safety and sustainability as critical to the future of our world and of our business. Our efforts to reduce the environmental impact of our products and to support communities, through corporate social investment, education and training, employment and small business development, among other things, reflect this. We publish a sustainability report, which is externally assured and further details about our sustainability performance are available on our website at www.mondigroup.com/sustainability.

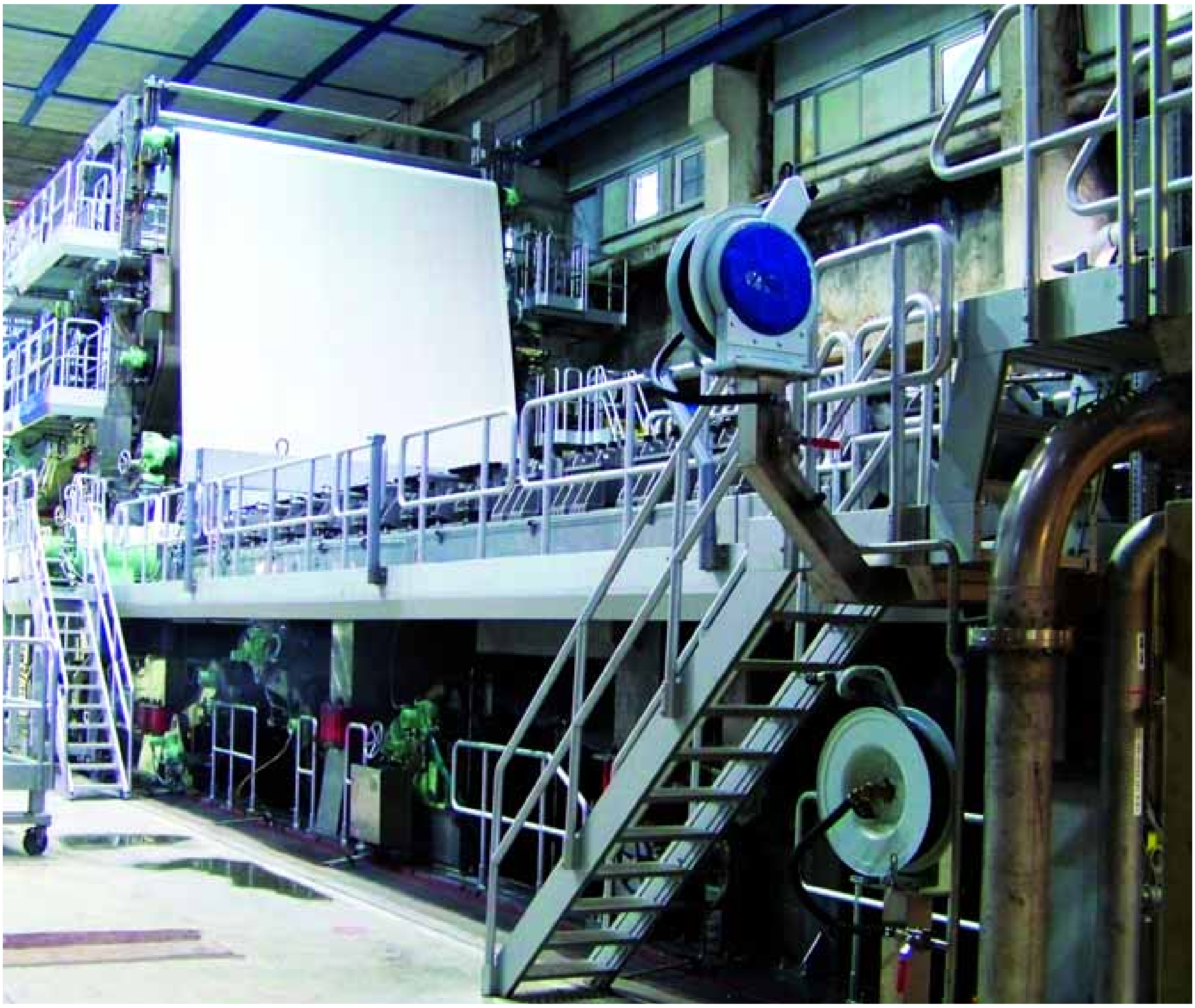
Outlook

Looking ahead, it is clear that the Group's performance will largely depend on the pace and extent of the global economic recovery. Furthermore, while there has been substantial industry capacity rationalisation over the past year, further supply side reductions may be required to ensure that supply and demand are balanced.

Encouragingly, however, we have seen a steady improvement in industry order volumes, with some recent price recovery in the European packaging grades. This improvement in our trading environment, together with the various restructuring actions taken over the course of 2009, positions Mondi well for the year ahead.

David Hathorn
Chief executive officer

Business review



Group operations review

The Group's underlying operating profit decreased by 33% compared with 2008, reflecting the difficult trading conditions that persisted for much of the year. Pleasingly, the fourth quarter results came in significantly above expectations, supported by volume improvements across all main paper grades, price increases in most of the key packaging grades and a largely stable pricing environment in the European uncoated fine paper market.

The benefits of the early and decisive actions taken to restructure the cost base in light of market pressures were clearly evident. The Group's cost reduction programme delivered savings of €251 million, significantly exceeding the €180 million target announced at the beginning of the year. In just over two years, Mondi has exited (either temporarily or permanently) around 930,000 tonnes of high-cost paper capacity and closed or sold 18 converting sites. Furthermore, the focus on cash flow optimisation was extremely successful, with working capital inflows for the year amounting to €248 million and capital expenditure outside the two major projects reduced to 63% of depreciation. All this contributed to a reduction in net debt for the year of €173 million despite funding around €300 million of capital expenditure on the two major expansion projects in Poland and Russia. Mondi enjoys a strong liquidity position and, as at the end of December, the Group had nearly €1 billion of undrawn committed debt facilities.

In addition to the benefits from the cost savings programme noted above, a number of the Group's key input costs declined compared with the previous year, helping to offset the revenue pressures. There was, however, some evidence of rising input costs towards the end of the period. Wood, recovered fibre, pulp, chemicals and energy costs have all increased from the lows reached earlier in the year.

Cost savings of €251 million

Currency movements had a mixed impact on the Group's performance during the period. The weaker eastern European currencies, notably the Czech koruna and Polish zloty, benefited the results of our eastern European production base in the second half. Conversely, the significant strengthening of the South African rand from the middle of the second quarter eroded margins on export sales from the South Africa Division, placing substantial pressure on the profitability of this business as the year progressed.

Average return on capital employed, a key measure of Mondi's performance, was 7.6%. While this is a disappointing outcome in relation to the Group's target of 13% across the cycle, it nevertheless represents a resilient performance given the backdrop of an extremely difficult business environment. Importantly, the Group is confident that the actions taken over the past year place the business in a stronger competitive position than it was when it entered the downturn, allowing it to take full advantage of any improvement in the business cycle.

Net finance costs of €114 million were €45 million lower than those of 2008, mainly owing to higher levels of capitalised interest relating to major capital projects and lower exchange losses on foreign currency debt balances. The effective tax rate before special items of 32% was higher than that of the previous year, primarily due to an increase in non-recognised assessed losses as a consequence of the decline in profitability.

Underlying earnings per share were 18.7 euro cents per share, down by 45% compared with 2008.

The Group is proposing to pay a final dividend of 7.0 euro cents per share, giving a total dividend of 9.5 euro cents per share for the year.

Europe & International Division

€ million	2009	2008	%
Segment revenue	4,099	5,159	(21)
– of which inter-segment revenue	110	155	(29)
EBITDA	515	623	(17)
Underlying operating profit	251	334	(25)
Uncoated Fine Paper	146	126	16
Corrugated	23	49	(53)
Bags & Specialities	82	159	(48)
Capital expenditure[1]			
-Major projects[2]	300	324	(7)
-Other	167	277	(40)
Net segment assets	3,588	3,659	(2)
Return on capital employed (%)	9.1	9.6	(5)

1 Capital expenditure is cash payments and excludes business combinations.

2 Polish and Russian expansion projects which commenced in the second half of 2007.

Underlying operating profit of €251 million was down by €83 million or 25% compared with the previous period, significantly affected by the decrease in demand for a number of the Group's key products as a consequence of the general economic slowdown. Pricing was down across all major paper grades, while volumes were negatively affected by the approximately 173,000 tonnes of market-related downtime taken in the year. Encouragingly, market-related downtime taken in the second half of 2009 was minimal, reflecting a steady pick-up in order inflows over the course of the year. Prices in the downstream converting markets were more resilient, partially offsetting price declines in the paper grades.

There was some benefit from lower input costs, including wood, recovered paper, chemicals and other variable costs, while the Division delivered €205 million in cost savings. Furthermore, the restructuring actions the Group has taken in exiting higher-cost capacity helped to offset the revenue pressures while also contributing to a more balanced market.

For further information please go to the Divisional overview on page 4 of this report; or click on www.mondigroup.com/AR09

Pleasingly, the Division saw an upward trend in performance, with the second half of the year stronger than the first half on the back of a very strong fourth quarter. Price increases were achieved across all the main packaging paper grades as a result of firm demand while the UFP business delivered a particularly strong performance in the fourth quarter. This was supported by ongoing cost savings and optimisation measures as pricing and volumes remained firm despite concerns over the impact on the market of new capacity from Portucel.

Operations

In the Uncoated Fine Paper (UFP) business underlying operating profits were up by €20 million, or 16%, at €146 million. This represents a very strong result given the difficult economic environment and reflects the strength of the Group's low-cost asset base and favourable market positioning. While order inflows for European producers as a whole were down by around 6% compared with the previous year, the Group was able to achieve volume increases owing to its greater exposure to the cut-size product segment and to emerging Europe, both market segments that have proved more resilient in the economic downturn. As a domestic producer in Russia, where management estimates that overall demand was down by similar levels to those seen in the rest of Europe, the business was able to maintain volumes at the expense of importers. As a consequence, results from the Russian operation were particularly strong, with stable volumes and marginally improved domestic selling prices supported by good cost control. Combined with lower pulp input costs at the non-integrated facilities and cost-reduction initiatives across the business, this more than offset the impact of lower European selling prices (office paper prices down 7% on average year-on-year).

In the Corrugated business, underlying operating profits declined €26 million, or 53%, to €23 million in a very challenging trading environment. Weak demand coupled with insufficient supply-side response put pressure on containerboard prices. Average recycled containerboard prices decreased by around 31% year-on-year. Similarly, average virgin containerboard prices were down by some 13%. However, the pick-up in demand witnessed in the second half of the year supported price increases which were implemented in the fourth quarter. By the end of the year, recycled containerboard prices had increased by some 29% from their lows in August 2009, while kraftliner prices improved by around 9% from their lows. The downstream corrugated operations saw some improvement in operating margins compared with the previous year, benefiting from the paper price declines.

In February 2010, agreement was reached to sell the 170,000-tonne-per-annum Frohnleiten recycled containerboard mill in Austria, subject to regulatory approval. Further, it was announced in January 2010 that negotiations were progressing concerning a potential transaction that would involve Smurfit Kappa Group (SKG) acquiring Mondi's corrugated operations in the UK, with Mondi acquiring most of SKG's European bag converting operations. There remains no certainty that this transaction will be completed.

To the extent these transactions are completed, it will bring to an end an 18-month programme of restructuring the Group's western European corrugated packaging and recycled containerboard portfolio. This comes in response to ongoing overcapacity concerns in western Europe, and a desire to improve the quality of our assets by both moving down the cost curve in recycled containerboard, and refining our geographical footprint around our core central and eastern

UFP profits up by 16% to €146 million

European and Turkish positions. This programme will have seen the Group exit four of its five western European recycled containerboard mills (Holcombe in the UK, Niedergösgen in Switzerland, Monza in Italy and Frohnleiten in Austria) with aggregate capacity of 540,000-tonnes-per-annum. The remaining recycled containerboard mill in western Europe, the 210,000-tonne-per-annum Raubling mill in Germany, coupled with the new 470,000-tonne-per-annum recycled containerboard machine in Poland and other smaller machines in our Polish and Czech mill complexes, gives the Group a very strong and highly cost competitive asset base in central and eastern Europe, mainly serving the Group's integrated converting network in the region.

In the Bags & Specialities business, underlying operating profits for the year were down by €77 million, or 48%, to €82 million. The business was affected by sharply lower average sack kraft paper prices (down by around 20%) and weaker volumes, although speciality kraft paper prices and volumes held up well. Significant market-related downtime was taken in the first half of 2009 to balance inventories (some 86,000 tonnes or 18% of capacity), as demand was badly affected by the slowdown in the construction sector.

Pleasingly, demand recovered after a very weak first quarter to the extent that almost no market-related downtime was taken in the second half of 2009 and order inflows were sufficiently strong to support a sack kraft paper price increase of around 12%, announced in September 2009.

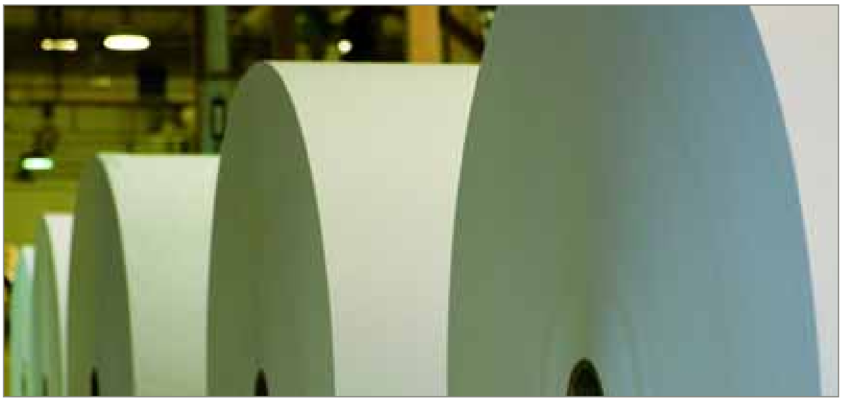
A €47 million investment in a new 45,000-tonne-per-annum machine glazed paper machine at the Štěti mill in the Czech Republic was successfully completed in August 2009 on time and within budget. Production from this machine is targeted at growing niche applications, including the release liner and flexible packaging markets as well as supplying customers previously served by the 20,000-tonne-per-annum Ružomberok kraft paper machine, which was closed in October 2009.

Bag converting margins benefited during the year from lower paper prices although volumes were soft mainly due to poor demand from the building and chemical industries. Profitability in the Specialities business unit has improved compared with the previous year, driven by resilient demand in consumer markets, lower plastic resin and paper input costs and stable pricing.

Major projects

The new 470,000-tonne recycled containerboard machine and a new state-of-the-art box plant at Świecie in Poland (total budgeted cost of €350 million) saw the first saleable production in September 2009, and is currently producing well ahead of expectations. The Group anticipates that this machine will have the lowest operating costs of its type. Up to 50% of its offtake is secured by physical integration with the surrounding box plant network. Start-up of the machine was ahead of schedule and the project is expected to come in around €20 million below budget. Start-up costs on the machine were capitalised to the end of September 2009. The project had a marginal effect on underlying operating profit in 2009.

The project to modernise Mondi's mill in Syktyvkar is also making good progress and completion is anticipated in the second half of 2010. Severe weather conditions in December 2009/January 2010 did impact the project timetable. A small cost overrun of up to 4% (€20 million) is now anticipated, giving a total capital cost of up to €545 million. The key value drivers of this project are to improve efficiency, lower the Group's cost base in Russia and increase energy production and revenue by selling surplus energy to the grid. In addition it will provide modest extra capacity (both pulp and paper) for the domestic market.



By the end of the period, €664 million had been spent on these two projects out of the total budgeted capital commitment of €875 million. The bulk of the remaining expenditure is expected to be incurred in 2010, with some occurring in 2011.

South Africa Division

€ million	2009	2008	%
Segment revenue	478	587	(19)
– of which inter-segment revenue	210	285	(26)
EBITDA	76	152	(50)
Underlying operating profit	32	111	(71)
Uncoated Fine Paper[1]	16	75	(79)
Corrugated	16	36	(56)
Capital expenditure [2]	26	44	(41)
Net segment assets	840	760	11
Return on capital employed (%)	4.6	15.9	(71)

1 Includes pulp and forestry business.
2 Capital expenditure is cash payments and excludes business combinations.

The South Africa Division recorded a decrease in underlying operating profits of €79 million, or 71%, to €32 million. In the uncoated woodfree operations profitability was negatively affected by lower pulp, woodchip and paper export prices together with lower woodchip and paper volumes. Significant US dollar market price increases in the second half of 2009 in both pulp and African paper sales (excluding South Africa) were largely offset by the strengthening rand. Market-related downtime in paper production of 62,000 tonnes was taken to balance inventories in the first half of 2009, related mainly to export business. This led to the decision to mothball a 120,000-tonne-per-annum UFP machine at Merebank which was completed early in the second half of 2009. A further 56,000 tonnes of market-related downtime was taken on the remaining machines in the second half of 2009. This in turn enabled increased sales of market pulp, where US dollar prices have been rising since the second quarter of 2009. Domestic uncoated fine paper cut-size prices continue to hold up, with demand in the first half of 2009 below the comparable period but recovering fully in the second half of 2009. The Division did not recognise fair value gains on forestry assets to the extent seen in 2008, as local wood prices remained relatively flat in 2009.

After a reasonable performance in the first half of 2009, the containerboard operation struggled in the second half as a result of the strengthening rand, the lower white-top kraftliner export prices (down by 6% compared with the first half of the year and by 13% compared with the second half of 2008) and reduced volumes due to the national strike and annual maintenance shut. However, the final quarter of 2009 saw an increase in European white-top kraftliner prices. Input costs offered some limited relief, however, and the Division delivered €30 million in cost savings.

Prior to the year end, agreement was reached to sell around 38,000 hectares of forestry assets in three separate transactions. Completion of these transactions remains subject to regulatory approval, which is anticipated in the first quarter of 2010.

Mondi Packaging South Africa (MPSA)

€ million	2009	2008	%
Segment revenue	498	474	5
– of which inter-segment revenue	25	27	(7)
EBITDA	62	52	19
Underlying operating profit	36	28	29
Capital expenditure [1]	17	38	(55)
Net segment assets	335	301	11
Return on capital employed (%)	11.5	8.6	34

1 Capital expenditure is cash payments and excludes business combinations.

Underlying operating profit increased by €8 million, or 29%, to €36 million. Despite a slowdown in the local economy and a stronger South African rand, the business was able to maintain average pricing levels during the year and benefited from a

Exited 930,000 tonnes of higher-cost capacity in just over two years

favourable product mix. Sales volumes, however, were lower, especially in corrugated packaging, owing to lower consumer demand both locally and internationally. Market-related downtime in paper production totalling 58,000 tonnes was taken in order to balance inventories. Specific cost savings initiatives assisted in lowering the cost base, although these gains were partially offset by higher input costs, mainly in energy.

Merchant & Newsprint

€ million	**2009**	2008	%
Segment revenue	528	593	(11)
– of which inter-segment revenue	1	1	0
EBITDA	28	24	17
Underlying operating profit	12	7	71
Capital expenditure [1]	7	10	(30)
Net segment assets	194	196	(1)
Return on capital employed (%)	6.0	3.3	82

1 Capital expenditure is cash payments and excludes business combinations.

Aylesford Newsprint returned to profitability, benefiting from improved selling prices on its annual contract business, although rising input costs and the structurally weak European newsprint market remain a concern for the future. Europapier's operating profit came in below that of the previous year, owing to lower sales volumes and prices, exacerbated by the weakening of some emerging European currencies in which it trades and higher bad debts, as several of its smaller customers were severely affected by the economic downturn. Mondi Shanduka Newsprint came under pressure from lower domestic demand and pricing pressures, recording operating profits slightly below the levels of last year.

Corporate & other

Net corporate costs before special items decreased by €2 million compared with 2008. This was mainly as a result of cost saving initiatives offset by certain non-recurring costs incurred in the second half of 2009.

Restructuring

Continuing our strategy of focusing on retaining a high-quality, low-cost asset base and in response to the economic downturn, we accelerated our restructuring plans. Significant actions were taken including:

- divestment of the four remaining corrugated converting operations in France for total proceeds of approximately €51 million, thereby completing the withdrawal from this market;
- restructuring of the Turkish corrugated business, the coatings business in Finland and the UK, and the consumer bags business in Austria;
- closure of a corrugated plant in the UK and four bag-converting plants across Europe;
- sale of the Italian recycled containerboard plant, Cartonstrong (100,000-tonne-per-annum capacity) and the related sheet feeder, and the 170,000-tonne-per-annum Frohnleiten recycled containerboard mill in Austria (subject to regulatory approval); and
- mothballing of the 110,000-tonne-per-annum Stambolijski kraft paper mill in Bulgaria and an UFP machine at Merebank, effectively removing 120,000 tonnes of uncoated fine paper capacity per annum.

These actions, together with those taken in 2008, have seen Mondi exit around 810,000 tonnes of higher-cost paper capacity in Europe (around 15% of the Group's European paper production capacity) and around 9% (120,000 tonnes) of its South African paper production capacity in just over two years. Importantly, these measures, together with the various cost reduction initiatives in ongoing operations, have placed the Group in a stronger competitive position than it was when it entered the downturn, thereby positioning the Group to take advantage of any upturn in the business cycle.

Reconciliation of underlying profit to reported loss

€ million	2009	2008
Underlying profit	124	202
Special items: (refer to note 5 of the financial statements)		
Operating special items	(128)	(358)
Net profit/loss on disposals	3	(27)
Impairment of assets in sold operations	(8)	(2)
Related tax	6	4
Reported loss	(3)	(181)

Special items (refer to note 5 of the financial statements)

In aggregate, pre tax special items amounted to a charge of €133 million.

An operating special item charge of €128 million was recognised, principally comprising:

- asset impairment costs of €78 million;
- goodwill impairment costs of €12 million;
- closure and restructuring costs of €43 million;
- insurance profits of €8 million; and
- charges related to arrangements put in place for senior executives following the demerger from Anglo American plc in July 2007 of €3 million.

The asset impairments relate primarily to the write-down of an UFP machine at Merebank, the impairment of the recycled containerboard mills at Frohnleiten in Austria and Raubling in Germany and converting operations in the Corrugated and Bags & Specialities business units that have been restructured or closed. Costs related to the mothballing of the Stambolijski mill in Bulgaria and the closure or restructuring of the various converting operations represent the bulk of the €43 million closure and restructuring charge.

The goodwill impairment charge relates solely to the write-down of goodwill in Europapier, while the net insurance proceeds relate to a fire at one of MPSA's plastics operations.

A non-operating special items charge of €5 million was recognised, which mainly comprises the net profit on the sale of four corrugated operations in France (€3 million profit), offset by the impairment of the held-for-sale assets of the Cartonstrong, operations in Italy amounting to €7 million (subsequently sold).

Finance costs

Net finance costs of €114 million were €45 million lower than those of the previous year, mainly as a result of higher levels of capitalised interest relating to major capital projects and lower exchange losses on foreign currency debt balances. Excluding the impact of capitalised interest, interest on net debt increased marginally from €148 million in 2008 to €151 million, even though overall debt levels declined during the year, owing to an increase in the effective gross cost of net debt from 9.1% in 2008 to 9.3% in 2009. This was principally because of the increase in the Group's rouble debt resulting from capital expenditure in Russia at a time of exceptionally high interest rates during the height of the financial crisis. At year end, approximately 24% of the Group's debt was drawn in euro, 23% in South African rand and 15% in Russian rouble.

Taxation

The effective tax rate before special items of 32% was higher than the rate of the previous year (29%), due primarily to an increase in unrecognised assessed losses as a consequence of the decline in profitability. There is only minor tax relief on special items.

Minority interests

Minority interests before special items for the year were €1 million lower than those of the previous year. Earnings were down at Świecie in Poland (66% owned), although this impact was largely offset by higher earnings in Tire Kutsan (the effectively 63.4% held

Cash generated from operations increased by 9% to €867 million

Turkish corrugated business) and Mondi Packaging South Africa (70% owned).

Cash flow and borrowings

€ million	2009	2008
EBITDA	645	814
Fair value adjustments and other non-cash movements	(26)	(46)
Cash flow from working capital	248	27
Cash generated from operations	867	795
Taxes paid and dividends from associates	(30)	(69)
Net cash generated from operating activities	(837)	726
Capital expenditure	(517)	(693)
Investment in forestry assets	(40)	(43)
Acquisitions of subsidiaries and associates	(2)	(49)
Disposals of businesses	57	17
Other investing activities including interest received	10	58
Net cash used in investing activities	(492)	(710)
Cash (used)/generated from financing activities	(364)	8
Net cash flow	(19)	24

EBITDA of €645 million for the year was 21%, or €169 million, lower than in 2008, reflecting the more difficult trading environment. Cash generated from operations of €867 million increased by €72 million, or 9%, compared with the previous year, mainly because of significantly higher inflows from working capital than were achieved in 2008, offset by the lower EBITDA. Cash inflow from working capital of €248 million was achieved despite an already strong performance in the 2007 and 2008 financial years (€124 million cumulative inflow).

Capital expenditure, including purchase of intangible assets, of €222 million (excluding spend on the two major strategic projects of around €300 million), was significantly lower than depreciation and amortisation of €351 million, reflecting the decision taken in the fourth quarter of 2008 to limit new capital expenditure approvals to below 40% of depreciation. The remaining expenditure on the two major projects is estimated at around €210 million, the bulk of which will be spent in 2010 with minimal flow through to 2011. There were no major business acquisitions during the year.

Balance sheet

€ million	2009	2008
Trading capital employed	4,314	4,367
ROCE (pre taxation) (%)	7.6%	9.5%
Shareholders funds	2,399	2,323
Return on shareholders funds (%)	4.0%	6.5%
Net debt	1,517	1,690
Gearing (Net debt/ trading capital employed) (%)	35.1%	38.7%
Net debt to EBITDA (times)	2.4	2.1

Trading capital employed at year end was €4,314 million, €53 million lower than in 2008, mainly because of working capital inflows of €248 million, special item impairments of €98 million and disposals of €59 million, partially offset by capital expenditure including purchases of intangible assets of €522 million (€171 million in excess of depreciation) and foreign exchange movements of €195 million.

Treasury and borrowings

The Group's treasury function operates within clearly defined Board-approved policies and limits, follows controlled

reporting procedures and is subject to regular internal and external reviews. As part of management's regular review of the suitability of treasury risk management policies, the Group's currency hedging policy has been amended. Effective from the start of 2010, only material balance sheet exposures and highly probable forecast capital expenditures are hedged.

Net debt at year end of €1,517 million was €173 million down compared with the previous year. This was achieved despite significant capital spend of around €300 million on the two key capital projects in Poland and Russia, through a strong focus on cash flow optimisation across the Group, including the release of working capital and the reduction of capital expenditure outside of the two major projects. Gearing as at 31 December 2009 was 35.1%, and the net debt to trailing 12 months EBITDA ratio was 2.4.

Group liquidity is provided through a range of committed debt facilities amounting to €2.5 billion, which are in excess of the Group's short-term needs. The principal debt facility is the €1.55 billion, five-year, syndicated revolving credit facility which matures in June 2012. In total, €735 million of this facility was drawn at year end, leaving €815 million undrawn, committed and available to the Group. The other key facilities include a €170 million export credit agency loan in Russia with an amortising repayment until 2020 and a €115 million European Investment Bank (EIB) facility in Poland with an amortising repayment until 2017. Total undrawn committed debt facilities at year end amounted to €990 million.

The average maturity of the committed debt facilities is 2.2 years (compared with 3.4 years in 2008). Drawn facilities maturing over the next 12 months amount to €219 million. To the extent they are not renewed, they can be financed out of existing undrawn committed facilities. The Group's major refinancing event occurs in June 2012, when the €1.55 billion, five-year, syndicated revolving credit facility becomes due. It is intended that this facility will be refinanced well ahead of this date, utilising a combination of bank and other debt markets.

Reclassification of Mondi plc shares

After a constructive dialogue with the South African Reserve Bank and Treasury, we announced in July 2009 that the Minister of Finance had decided to reclassify the secondary listing of Mondi plc ordinary shares on the JSE Limited as domestic assets in the hands of South African investors. It is pleasing to note the subsequent significant narrowing of the price differential that had existed between the Mondi plc and Mondi Limited ordinary shares.

Risk management and internal control

The DLC executive committee, mandated by the Boards, has established a Group-wide system of internal control to manage Group risks. This system, which complies with corporate governance codes in South Africa and the UK, supports the Boards in discharging their responsibility for ensuring that the wide range of risks associated with Mondi's diverse international operations is effectively managed.

Internal control

The Boards are responsible for establishing and maintaining an effective system of internal controls. This system of internal control, embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within risk tolerance levels defined by the Boards. Regular management reporting provides a balanced assessment of key risks and controls and is an important component of the Boards' assurance. In addition, certain

Net debt down by €173 million

Board committees focus on specific risks such as safety, and provide relevant assurance to the Boards.

The finance heads of the business units provide six-monthly confirmation that financial and accounting control frameworks have operated satisfactorily. The Boards also receive assurance from the DLC audit committee, which derives its information in part from regular internal and external audit reports of the Group's risk and internal controls. The Group's internal audit function is responsible for providing independent assurance to the DLC executive committee and Boards on the effectiveness of the Group's risk management process.

Key elements of the Group's system of internal control are:

- a clearly-defined organisation structure with established responsibilities;
- a simple and focused business strategy, restricting potential risk exposure;
- Group financial, business conduct, operating and administrative policies and procedures which incorporate statements of required behaviour;
- a continuous review of operating performance;
- a comprehensive reporting system, including monthly results, annual budgets and periodic forecasts, monitored by the Boards;
- approval by the Boards of all major investments, with proposals being subject to rigorous strategic and commercial examination;
- a centrally co-ordinated internal audit programme, using internal and external resources to support the Boards in ensuring a sound control environment;
- completion by business unit management of a six-monthly internal control assessment, confirming compliance with Group policies and procedures, detailing controls in operation and listing any weaknesses;
- assurance activities covering the key business risks summarised and reported annually to the Boards, the DLC audit committee or, where appropriate, the DLC sustainable development committee; and
- annual risk-profiling by local businesses and the Group to identify, monitor and manage significant risks, with the results discussed at business reviews and internal control, audit and risk meetings.

Risk management

The Board's risk management policy encompasses all significant financial, operational and compliance-related risks which could undermine the Group's ability to achieve its business objectives. Mondi's dynamic risk management system has the commitment of the Group's senior management and is designed so that different businesses can tailor their processes to the specific circumstances. Clear accountability for risk management is a key performance criterion for the Group's line managers, who are provided with appropriate support through Group policies and procedures. The requisite risk and control capability is assured through Board challenge and appropriate management selection and skills development. Continuous monitoring of risk and control processes across all key risk areas provides the basis for regular reports to management, the DLC executive committee and the Boards.

Principal risks and uncertainties

It is in the nature of Mondi's business that the Group is exposed to risks and uncertainties which may have an impact on future performance and financial results, as well as on its ability to meet certain social and environmental objectives. The Group believes that it has effective systems and controls in place to manage the key risks identified below.

Mondi operates in a highly competitive environment

The markets for paper and packaging products are highly competitive.

Similarly, prices of Mondi's key paper grades have experienced substantial fluctuations in the past. However, Mondi is flexible and responsive to changing market and operating conditions and the Group's geographical and product diversification provides some measure of protection. Uncertain trading conditions in the future may have an impact on the carrying value of goodwill and tangible assets and may result in further restructuring activities.

Input costs are subject to significant fluctuations

Materials, energy and consumables used by Mondi include significant amounts of wood, pulp, recovered paper, packaging papers and chemicals. Increases in the costs of any of these raw materials, or any difficulties in procuring wood in certain countries, could have an adverse effect on Mondi's business, operational performance or financial condition. However, the Group's focus on operational performance, relatively high level of integration and access to its own fibre in Russia and South Africa, serve to mitigate these risks. It is also anticipated that the recent settlement of land claims in South Africa will provide a framework for settling future forestry land claims with Mondi.

Significant capital investments including acquisitions carry project risk

Mondi is in the process of completing a significant capital investment to expand and upgrade existing facilities in Russia. This project carries risks and Mondi has put in place dedicated teams to ensure delivery of the project on time and within budget. Severe weather conditions in December 2009/January 2010 had an impact on the project timetable. Together with a stronger-than-forecast Russian rouble, this is expected to result in a small cost overrun of around 4%.

Accountability and audit

The Boards are required to present a balanced and understandable assessment of the Group's financial position and prospects, which are provided in the joint chairmen's statement and chief executive's review on pages 12 to 21 and in this business review. The responsibilities of the directors and external auditors are set out on pages 75 to 78.

Whistle-blowing programme

The Group has a whistle-blowing programme called 'Speakout'. The programme, monitored by the DLC audit committee, enables employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns about conduct which is considered to be contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practice in the Group's operations. During 2009 reports were received via the global programme facility covering a number of areas. Reports were kept strictly confidential and referred to appropriate line managers for resolution.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this business review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 79 to 161. In addition, notes 37 and 38 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives;

Nearly €1.0 billion of undrawn committed debt facilities

details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The current economic conditions have had an impact on short-term demand growth for Mondi's products, as well as placing pressure on both customers and suppliers who may face liquidity issues, and could have an adverse impact on the Group's business. Furthermore, the lack of credit availability could affect the Group's ability to execute its strategy effectively. However, Mondi's geographical spread, product diversity and large customer base mitigate these risks. The proactive initiatives by management in rationalising the business through cost-cutting, asset closures and divestitures have consolidated the Group's leading cost position in its chosen markets. Strong working capital management has resulted in a significant net cash inflow from working capital over the period, while capital expenditure programmes have been reduced.

The Group meets its funding requirements principally from its €1.55 billion, five-year, syndicated revolving credit facility maturing in June 2012, together with a €115 million facility in Poland, a €170 million facility in Russia and a number of facilities in South Africa totalling €340 million. The availability of these facilities is dependent on the Group meeting certain financing covenants, most significantly an EBITDA to net debt ratio of 3.5. At year end this ratio was 2.4. Mondi had nearly €1.0 billion of undrawn committed debt facilities as at 31 December 2009 with an average maturity of 2.2 years, which should provide sufficient liquidity for Mondi in the medium term.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities and the related covenants.

As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis in preparing the annual report and accounts.

Sustainability review

Sustainable development is integral to our business as it addresses the delivery of long-term value to shareholders, employees, customers and the communities in which we operate. Our products are inherently sustainable – based on natural fibres, manufactured using renewable sources and easy to recycle.

We aim to be the best-performing paper and packaging company in the world and, as such, we recognise that we need to integrate sound principles governing safety, business conduct, social, environmental and economic activities into our business practices and decision-making.

Four key objectives underpin our sustainability vision:

- producing sought-after products in a responsible manner;
- securing continued access to raw materials in a resource-constrained world;
- attracting and retaining talented people; and
- maintaining our licence to operate within our host communities.

This is a brief review of our approach to sustainability and the most material issues facing the Group. We publish more detailed information in the sustainability section of our website at www.mondigroup.com/sustainability and in our printed Sustainability Summary Report. Our printed and online reports have been developed in accordance with the Global Reporting Initiative's (GRI) G3 guidelines, with Mondi declaring a B+ level of reporting. As a signatory to the UN Global Compact, we also report in compliance with its requirements on an annual basis.

Sustainable development footprint

Mondi is a leading international paper and packaging group and our sustainability footprint is extensive, spanning developed and developing countries on four continents. At the end of 2009, we operated 101 plants across 31 countries and managed

All our planted land in South Africa is FSC certified and in Russia we have certified some 1.35 million hectares of our leased land

2.44 million hectares of land, of which 380,000 hectares are plantations in South Africa and 2.06 million hectares are natural forests in Russia.

In 2009, the Group employed an average of 31,000 people. Restructuring undertaken during the year in response to challenging market conditions resulted in the closure, sale, mothballing or downscaling of various operations, which in turn resulted in a decrease in employee numbers by around 10%.

Our business is highly integrated, spanning the entire product life cycle, from the development and management of forests, to the production and marketing of a variety of sustainable paper and packaging products. Recycling also forms an integral part of our business. Mondi considers the global threats posed by climate change and ecosystem degradation to be very serious and we acknowledge the role that we can play in counteracting these effects by reducing our carbon emissions and promoting the protection of ecosystems. Operating an efficient and effective business in a resource-constrained world is one of our key objectives and involves partnerships with a wide range of stakeholders.

Management approach

Our approach to sustainability is supported by our broader business ethics and guided by our over-arching sustainable development policy. This in turn, is supported by seven sector policies on:

- sustainable forestry;
- environment;
- climate change;
- product stewardship;
- corporate citizenship;
- global employment; and
- safety and occupational health.

These policies are reviewed on a regular basis. They are available in a downloadable format from the Group's website at www.mondigroup.com/sustainability.

Our Sustainable Development Management System (SDMS), comprising policies, standards and performance requirements, is integrated within the Group's core business processes to ensure that our commitments are met at every level. We have put in place the necessary resources and training to meet our objectives, and maintain pro-active, multi-stakeholder engagement with communities, non-governmental organisations (NGOs), peers and other groups to improve our understanding of stakeholders' concerns and address our environmental and social impacts. The DLC sustainable development committee, which guides policy, reviews performance and monitors progress made in implementing our strategy, is chaired by independent non-executive director, Colin Matthews. The committee met on six occasions in 2009, receiving regular reports from executive team members. Sustainability is also an agenda item at every meeting of the Mondi Boards.

Our Group-level sustainable development function provides strategic guidance on sustainability issues and policy, compliance, international best practice and the integration of sustainability approaches across the Group. The function is also responsible for sustainability reporting. Operational line management is responsible for the day-to-day management of safety, health, environment, community matters, people processes and other sustainability issues.

We also work with many international and local stakeholders, including the World Wide Fund for Nature (WWF) in Russia and South Africa; Silver Taiga in Russia; the Wildlife and Environment Society of South Africa (WESSA) and

For further information please click on www.mondigroup.com/sustainability

The Forest Dialogue (TFD) internationally. We also actively participate in the World Business Council for Sustainable Development (WBCSD), a CEO-led, global association of some 200 companies dealing exclusively with business and its role in sustainable development. We are specifically involved in the Sustainable Forest Products Working Group, the Ecosystem Focus Area Action Team (FACT), Climate and Energy FACT and the Water Project. In 2009 we supported and, in some cases, co-sponsored the development of a number of global sustainability initiatives, including:

- the WWF New Generation Plantation (NGP) Project;
- the High Conservation Value Resource Network; and
- The Forest Dialogue (TFD) topics, such as: Poverty Reduction Through Commercial Forestry; Investment in Locally Controlled Forestry; REDD+; Company-led Approach to Conflict Resolution in The Forestry Sector.

An independent and credible assuror, ERM, was appointed to undertake an annual independent audit of our performance against key performance indicators and their assurance statement appears on the Mondi website.

Managing sustainability at Mondi is part of the Group's overall approach to integrated risk management. A review of these risks and mitigating measures is undertaken on an annual basis. Key sustainability risks identified in 2009 are aligned with the Group's sustainability priorities. The following table classifies the primary risks identified and mitigating measures that are in place.

Material sustainability risk issues identified in 2009

Potential risk	Mitigation measures
Loss of access to credible fibre associated with unsustainable forestry practices	
High inherent risk owing to external scrutiny of planted forests and the harvesting of natural forests	Sustainable forestry management practices
	Third-party certification to FSC standards (or equivalent international credible certification system) of forestry activities
	Application of FSC's Controlled Wood Standard to ensure wood, fibre and biomass is not purchased from controversial sources
	Chain-of-custody certifications for operations
	Participation in international forestry dialogues to stay abreast with internationally recognised best forestry practices
Fatalities, serious injury and illness	
Continued high inherent risk of fatality and serious injury/illness in all parts of the Group	Management commitment to 'Zero Harm' in the workplace, a business value with clear objectives – safety has the same priority as other business objectives
	Applying our safety management system provides clear guidelines for decisions to promote 'Zero Harm'
	Defining and observing safe practices and behaviours that hold a prominent place in procedures, rules and practices

Material sustainability risk issues identified in 2009 continued

Potential risk	Mitigation measures
Fatalities, serious injury and illness continued	
	Ensuring performance standards that are well communicated, widely understood and part of daily life
	Keeping risk register of significant safety risk up to date
	Working within externally accredited safety management systems such as OHSAS 18001
	Benchmarking our practices against recognised good international industry practice
	Aiming to be the safest company in our industry sector
Climate change footprint	
Continued moderate inherent risk as fossil fuel emissions reducing at a slower pace	Deliver specific carbon dioxide reduction goal of 15% over 10 years against 2004 baseline
	Participate in annual carbon disclosure projects (CDP) with the aim of benchmarking
	Evaluate opportunities to increase share of biomass in on-site energy generation (2009: 53%)
	Establish product carbon footprints (using a scientifically acceptable method)
Land claims in South Africa	
Continued moderate inherent risk for loss of fibre supply	Mondi has developed an innovative win-win model and is working constructively with Government and communities to develop claimant communities into sustainable forestry enterprises, thereby ensuring continued fibre supply
Fire or explosion	
Continued high inherent risk due to volumes of combustible materials at plants and warehouses and potential for large wild fires in forestry	Safety risks are managed through clear standards, a regular review of our hazard analysis and a risk register of significant safety risks – in 2009 in our control of work and management of change were audited and reviewed
	In forestry, a dedicated fire safety resource and a modernisation of our fire fighting capabilities has taken place
Mechanisation of plantation forestry	
High inherent risk due to public perception of the change, loss of rural support and significant chronic ill-health of current contractors in South Africa	Social and environmental risks and challenges are addressed and mitigated on area level on a case by case base
	The Food 4 Forests programme provides balanced, nutritious meals for forestry workers with the aim to reduce absenteeism and injuries due to lack of concentration and physical endurance, and improve quality of life
	The Mondi Mkhondo Development Programme offers people access to economic opportunities and social services
Public health claims in South Africa	
Moderate inherent risk owing to perceived health effects in surrounding communities	All Mondi operations comply with local emissions regulations
	The first phase of the odour reduction project in Richards Bay is expected to be completed in 2010
Environmental impact from loss of containment	
Moderate inherent risk for pulp manufacturing and previous landfill activities	Ongoing programme of assessments of past disposal activities

Creating economic value

As a corporate taxpayer, major employer, investor and purchaser of goods and services, Mondi makes a significant contribution to the economies in which we operate. Key economic parameters for the year under review include:

- €862 million relating to employees, including base wages, other related costs and any restructuring costs where applicable;
- €3,861 million paid to suppliers, for goods and services;
- Capital expenditure, including the purchase of intangible assets, of €522 million;
- €190 million paid in taxes and related payments to host countries, including company tax, employee tax, royalties, import and export duties, transfer and sale duties; and
- €48 million paid to shareholders, including minority interests, by way of dividends.

Mondi – a fair and responsible employer

Mondi is committed to the development and well-being of its employees and contractors. The Group's health and safety policies and standards are fundamental to this commitment. Mondi's goal is to achieve 'Zero Harm' in the workplace, believing that an injury-free workplace is not only achievable but is imperative to the ongoing success of our business. The Group therefore undertakes significant initiatives on a continuing basis to achieve further improvements in safety and occupational health performance.

The main focus of the Group's diversity initiatives is in South Africa. Mondi is committed to meeting the requirements of the Broad-Based Black Economic Empowerment (BBBEE) Act's charter and has taken active steps to this end.

Applications for employment by disabled persons are fully considered. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be consistent with that of other employees.

Mondi also places a strong emphasis on the training and development of employees and on employee communication, involvement, participation and respect for human rights.

We invested some 2.24 million hours (2008: 1.55 million) on training and development during the year. In South Africa in particular, we focused on the recruitment, training, development and retention of previously disadvantaged South Africans and women. Reviews of the Group's organisational structure and talent management processes have been conducted to maximise effectiveness and efficiency.

The Group places considerable value on employee involvement and we have continued to keep our people informed about issues that impact them as employees and factors that affect the performance of the Group. This is achieved through formal and informal meetings and through a range of other internal communication channels, including publications and electronic communications. Employee representatives are consulted regularly on the range of matters affecting their current and future interests. In the UK, the Group operates a Share Incentive Plan and a Sharesave plan.

We subscribe to the human rights principles advocated by the International Labour Organization (ILO),

We use our SEAT process to identify and address significant issues concerning employees and communities

in particular employees' right to freedom of association and collective bargaining. We do not engage in under-age labour, forced or compulsory labour and none of our operations are deemed to be at risk in this regard.

Sustainability commitments

In 2007, we published five key sustainable development commitments, addressing the most significant and material sustainability issues facing Mondi. We set specific targets and developed strategies and plans to meet these commitments by 2010, or in some cases, 2014.

Our commitments cover:

- Governance – the establishment of information gathering and auditing systems to facilitate the monitoring, management, control and reporting of sustainable development parameters and performances.
- Extending our sustainable forestry footprint – this includes the certification to Forest Stewardship Council (FSC) standards of all our owned and managed forests and the introduction of standards and systems to ensure that we can trace the origins of our procured wood, virgin fibre and biomass. We support the development of global methodologies for identifying and protecting high conservation value (HCV) areas and have consequently set aside pristine forests in the Komi Republic of Russia and ecological networks in our South African plantations.
- Reducing our environmental footprint – by achieving targeted reductions in emissions in energy usage, carbon dioxide (CO_2), effluent load to receiving waters and waste to landfill. We have also implemented the international environmental standard, ISO14001 at all our environmentally material operations.
- Making 'Just No Harm' a reality – by implementing effective safety and health programmes and developing a diverse, trained and participative workforce.
- Improving our social footprint and engaging with local communities – by implementing community engagement plans based on our region-specific socio-economic assessment toolbox (SEAT) process and addressing significant issues that concern both employees and communities.

These commitment areas and specific targets were in place throughout 2009.

Performance in 2009

We made good progress in addressing our commitments and targets in 2009 and are confident that we will meet our commitments in 2010.

Governance

We recorded a number of important achievements relating to governance issues and have embedded our sustainability systems into our operations. We have also developed and implemented our own Mondi policies and structures, following our separation from the Anglo American group in 2007.

Significant emphasis has been placed on information gathering and auditing systems to facilitate the monitoring, management, control and reporting of sustainable development parameters and performances. Of particular importance has been our decision to increase the level of reporting on sustainability issues during the year to a B+ level in terms of the GRI guidelines.

Sustainable forestry

Our commitment to sustainable forestry continues to underpin the way we work, with these principles firmly entrenched within our forestry management systems.

Land we own, lease and manage is accredited to FSC standards. In South Africa, all our planted land (243,000 hectares) is FSC certified. In Russia, all our leased land (2.06 million hectares) has been assessed by the FSC and some 1.35 million hectares (71%) are already certified.

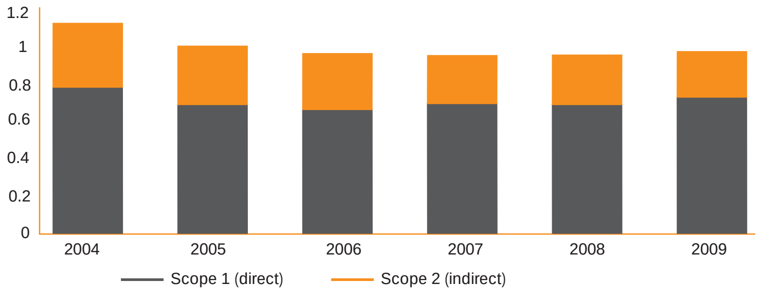
We reached a major milestone when our last uncertified area was assessed for FSC certification in December 2009. The area, comprising 707,000 hectares of natural forest in the remote region of the Komi Republic, Russia, required a complex multi-stakeholder process to agree on substantial offsets as HCV forests. Our agreement not to harvest or construct roads on any of our leased areas within the proposed HCV forest areas provided key support for the HCV process and enabled the delayed FSC assessment to proceed in this sensitive region. Alongside our leased land, we have also certified 1.76 million hectares of state forest to FSC standards. Another objective for 2010 is to extend our chain of custody to recycled fibre so that a greater proportion of our products can be FSC-labelled.

While the environmental aspects of sustainable forestry are critical, there is a significant social dimension as well and FSC certification is a good measure of our adherence to important social standards.

As an active participant in the development of both TFD Review on Intensively Managed Planted Forests (October 2008), and the WWF New Generation Plantation (NGP) Project synthesis report (August 2009), we emphasise the need to swiftly introduce aspects of new generation plantations that demonstrate how responsibly managed plantations can support biodiversity conservation, benefit local communities and contribute to economic growth. While a number of the South African plantations already meet the current NGP criteria, we will continue to participate in the second phase of the project to define the importance of water management, biomass for bio-energy and forest carbon within the plantation context.

Specific CO_2 emissions

(tonnes per saleable tonne of production)



Environmental performance

Ensuring cleaner production and reduced energy usage is an environmental and business imperative. We operate in a highly regulated environment in this respect, particularly in Europe, and have acted in compliance in all the regions in which we operate.

In 2009, together with ClimatePartner, an Austrian climate change consultancy, we calculated our carbon footprint as a Group, as well as the carbon footprints of a selection of individual products. Our annual greenhouse gas emissions totalled 5.92 million tonnes of CO_2 from fossil fuels, including 1.45 million tonnes of CO_2 from purchased energy.

By 2009 we had reduced our direct (scope 1) and indirect (scope 2) specific CO_2 emissions by 14% against a 2004 baseline, meeting our 2014 15% reduction target in almost five years. Absolute emissions are down by almost 12% against the 2004 baseline.

An important objective for the Group is improving the way in which we produce and use energy. In 2009 we reached 83% self-sufficiency in electricity production, while our use of renewable energy increased from 47% to 53% from a 2004 baseline. In 2009, our energy usage amounted to 6.1 million MW/h, with 58.4 million GJ coming

In 2009, for the first time, there were no reportable fatalities

from fossil fuels and 70.4 million GJ from biomass. In 2009 specific energy consumption was down almost 12% (against the 2004 baseline), but overall efficiency of site energy usage was up 4% reflecting the change towards biomass in our energy mix.

We have also initiated a process to measure the water footprints of our products given the increasing importance of water in many of the regions in which we operate.

Safety and health

We value the well-being of our people above all else and focusing on injury-free workplaces remained a priority area in 2009. 'Just No Harm' has had a positive impact on the quality of life for everyone working at a Mondi site.

Embracing a safety culture requires constant attention but it is imperative for us to do everything we can to ensure that our employees and contractors return home safely every day. It is also a critical factor in giving our shareholders the confidence that strong safety performance drives operational excellence.

We are very pleased to report that, for the first time, there were no reportable fatalities in 2009 involving Mondi employees or contractors.

Three principles underpin our vision for safety and health:

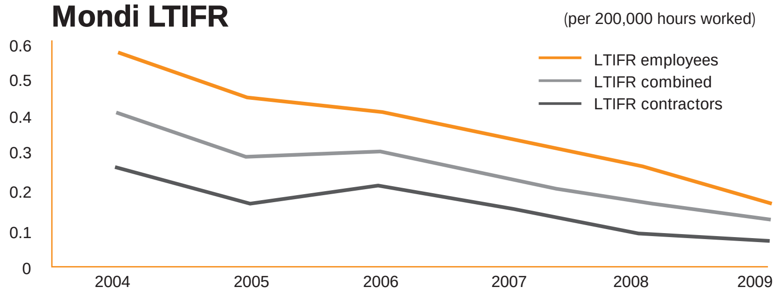
- all incidents, injuries and occupational illnesses are preventable;
- all necessary steps must be taken to learn from incidents so that they are not repeated; and
- our safety and occupational health standards must be applied consistently at all times.

We measure our safety performance using the industry standard Lost Time Injury Frequency Rate (LTIFR), which is based on 200,000 hours worked. In 2009 we recorded an LTIFR of 0.13 against a target of 0.14. This is a 28% improvement compared with 2008 and a 44% improvement compared with 2007. We also achieved a 16% reduction in our overall injury frequency rate measured using the Total Recordable Case Rate (TRCR).

Although our focus on safety resulted in a commendable workplace safety record for the year, two people sadly lost their lives outside the workplace in Russia in 2009, one in a business travel-related road accident and one in a trailer-home fire in a logging camp. In 2010, we are disappointed that we have already experienced a fatality in our forestry operations in South Africa.

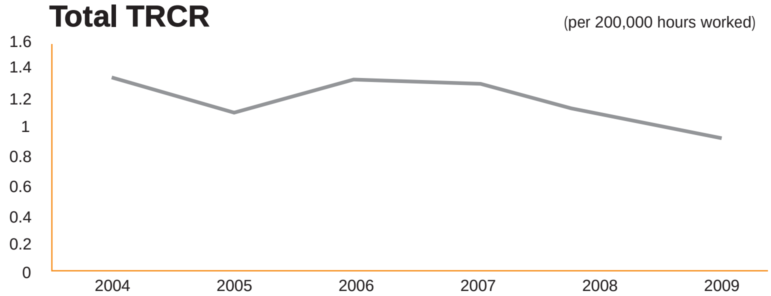
Mondi LTIFR

(per 200,000 hours worked)



Total TRCR

(per 200,000 hours worked)



This underlines the need to continue being vigilant about potential dangers and safety hazards and to correct at-risk behaviours and unsafe conditions as soon as they are observed.

Communities

We value our relationships with local communities and are concerned for their well-being and sustainability. Over the past two years we have made substantial efforts to develop appropriate community engagement plans at all our operations, based specifically on our socio-economic assessment toolbox (SEAT) process. The SEAT review for the Syktyvkar forestry operations was completed in 2009. While the Group was praised for meeting all the community social agreements, the topic of new capital investments in the Komi Republic was raised as a concern in terms of the potential impact on employment. Details on specific issues and the full response from the management team are available in the SEAT report, which is available on our website. Working in partnership with the Russian state, we have also launched the Mondi Academy in the Komi Republic to provide local people with the new skills required to support a modern forest industry.

Our South African land restitution models are widely acknowledged as best practice by industry peers and government. Mondi has achieved significant progress in the area of land reform by transferring land to two communities and signing settlements with a further seven. We continue to be committed to working with government and communities to find commercially sound solutions with sustainable and mutually beneficial outcomes.

The Mkhondo Mondi Development Programme, a public-private partnership based in Piet Retief, puts us in a leadership role. The programme offers people resident on Mondi land, but not necessarily employed by Mondi, the chance to relocate to either an urban or agri-village settlement where they can improve their livelihoods, access better economic opportunities and social services while also accruing personal assets through home ownership and land rights. The Jabulani Agri-Village has been chosen by the Premier of the Mpumalanga province as a flagship pilot site for rural development in the province.

We believe that community social investments are best managed by local operations, because they have an intimate understanding and knowledge of local needs and circumstances.

We spent €9.3 million on social investment directly related to our business in 2009 (2008: €5.3 million), with a focus on health and education.

The Group also made charitable donations totalling €1.3 million (2008: €1.9 million). Operating within guidelines set by the Group, Mondi's local businesses are responsible for choosing and funding causes through discretionary volunteering, donations and sponsorships. This devolved approach has resulted in support for a variety of programmes that have an impact on Mondi's employees and the communities in which they work and live.

The Group's policy is that no company in the Group shall make contributions or donations for political purposes.

Recognition

We have again been included in the London Stock Exchange's FTSE4Good index as well as the JSE Limited's Socially Responsible Investment (SRI) index.

We also participated in the Carbon Disclosure Project's survey of energy usage, CO_2 emissions and our approach to climate change. Further information is available at www.cdproject.net.

We are included in LSE FTSE4Good and JSE SRI indices

Mondi was also recently awarded as the best performer in the Basic Materials Sector of the Forest Footprint Disclosure Project (FFD). The FFD Project is a new initiative, backed by 34 financial institutions with US$3.5 trillion in collective assets under management. It was created to help investors identify how an organisation's activities and supply chain impact deforestation and link this forest footprint to their value. Further information is available at www.forestdisclosure.com.

Research and development

Our research and development activities aim to provide continuous and proactive improvements in processes and products. Research is focused on improving the quality and range of products in terms of both cost and environmental factors. Expenditure on research and development during 2009 was €8 million (2008: €10 million).

A number of new sustainable products were introduced to the market in 2009, including lightweight papers and boards that minimise the use of natural resources, a range of bio-degradable plastics, a low-cost and more resource-efficient liner product and a carbon-neutral office paper.

The board of directors

Joint chairmen

Cyril Ramaphosa

Cyril Ramaphosa was appointed joint chairman in May 2007 and he is also a member of the DLC nominations committee.

A law graduate from the University of South Africa (Unisa), he joined the Council of Unions of South Africa as a legal adviser in 1981. He went on to join the National Union of Mineworkers, South Africa's largest trade union, serving as general secretary until 1991.

Cyril is currently executive chairman of Shanduka Group (Proprietary) Limited, which owns Shanduka Newsprint (Proprietary) Limited and Shanduka Packaging (Proprietary) Limited, and non-executive chairman of telecommunications group MTN Group Limited. He is also a non-executive director of insurance group SASRIA Limited, brewing group SABMiller plc, steelmaker MacSteel Global and financial services groups Alexander Forbes Limited and Standard Bank Group Limited.

Cyril is past chairman of the Black Economic Empowerment Commission in South Africa. He was chairman of the Constitutional Assembly which negotiated South Africa's first democratic dispensation. He holds honorary doctorates from a number of institutions, including Unisa and the University of Massachusetts.

David Williams

David Williams, who was appointed to the Boards as senior independent non-executive director in May 2007, succeeded Sir John Parker as joint chairman on 4 August 2009. He is also chairman of the DLC nominations committee and is a member of the DLC remuneration committee.

A chartered accountant, David retired as finance director of Bunzl plc in January 2006, having served on the board for 14 years. He is a non-executive director of Dubai-based DP World Limited, Tullow Oil plc and Meggitt plc, chairing the audit committees of all three. He will relinquish the role of senior independent non-executive director of Taylor Wimpey plc on 31 March 2010. David is also a former non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc and Medeva plc.

Executive directors

David Hathorn

Chief executive officer

David Hathorn graduated in commerce from the University of Natal and qualified as a chartered accountant in 1987 at Deloitte & Touche. He joined Anglo American plc in 1989 as a divisional finance manager, moved to Mondi in 1991 and went on to serve as finance director and then general manager of Mondi Europe until 2000, when he was appointed chief executive officer of the Mondi Group. He chairs the DLC executive committee and is a member of the DLC sustainable development committee.

At Anglo American plc, David was a member of the executive committee from 2003 and an executive director from 2005 and served on the boards of a number of companies, including De Beers, Anglo Platinum and Anglo Coal. He oversaw the demerger of Mondi and its dual listing in Johannesburg and London in 2007.

Andrew King

Chief financial officer

Andrew King graduated in commerce from the University of Cape Town and qualified as a chartered accountant in 1994 at Deloitte & Touche. He joined Minorco, the international arm of Anglo American, as a financial analyst in 1995 and subsequently assumed responsibility for the group's investment management activities. He transferred to Minorco's corporate finance department in 1998, working on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999. His key assignments included the restructuring of the relationship with De Beers, the reorganisation of the Mondi Europe Group and Mondi's acquisition of Syktyvkar Paper Enterprises.

Andrew was appointed Mondi's vice president of business development in 2002 and corporate development director in 2004. He served as chief financial officer of Mondi from June 2005 to May 2006, before being appointed as Group strategy and business development director. He was heavily involved in the listing process and establishment of the Group's dual listed corporate structures. Andrew was appointed chief financial officer in October 2008.

Peter Oswald

Chief executive officer
Europe & International Division

Peter Oswald graduated in law and business administration from the University of Vienna, beginning his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the head of internal audit, later becoming corporate controller.

After serving as chief executive of the bag and flexibles business from 1995 to 2001, overseeing its recovery and expansion, Peter was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach into the new Mondi packaging division.

At the beginning of 2008 Peter joined the boards of Mondi Limited and Mondi plc as chief executive officer of the Group's Europe & International Division, comprising all the former Mondi Packaging and Mondi Business Paper operations outside South Africa.

Peter serves as a non-executive director of Telekom Austria AG and as president of respACT-austrian business council for sustainable development.

Independent non-executive directors

Anne Quinn CBE

Senior independent non-executive director
Anne Quinn was appointed to the Mondi Boards in May 2007 and as senior independent director in August 2009. She chairs the DLC remuneration committee and is a member of the DLC nominations, audit and sustainable development committees.

Anne graduated with a bachelor of commerce from Auckland University and has a master's degree in management science from the Massachusetts Institute of Technology (MIT). She spent her early career with NZ Forest Products Limited and the US management consulting company Resource Planning Associates. She then joined Standard Oil of Ohio, which was subsequently acquired by BP plc. Anne went on to work for BP in the US, Belgium, Colombia and the UK and held a number of executive positions, including group vice president. She was awarded a CBE for services to the natural gas industry.

Anne has also been a managing director of Riverstone Holdings (Europe), a private equity investment firm specialising in the renewable and conventional energy and power industries.

A non-executive director of Smiths Group plc, she was a non-executive director of The BOC Group plc from 2004 to 2006. She currently serves on the MIT President's Advisory Committee to the Sloan School.

Colin Matthews

Colin Matthews was appointed to the Mondi Boards in May 2007. He is chairman of the DLC sustainable development committee and a member of the DLC nominations, remuneration and audit committees.

He graduated in engineering from Cambridge University and has an MBA from INSEAD. After a period in the motor industry in the UK and Japan and a spell in management consultancy with Bain & Company, he joined the (US) General Electric Company. In 1997 he joined British Airways plc as managing director BA Engineering and later became director of technical operations, responsible for engineering, flight crew, IT and procurement.

Colin was group managing director of Transco from 2001 to 2002 and then chief executive officer of Hays plc from 2002 to 2004, where he led the transformation into a pure specialist recruitment and HR services business. From 2005 to October 2007, he was group chief executive of Severn Trent plc, where he oversaw the restructuring of the business into a focused water services company. Colin joined BAA, the British airport operator, as chief executive on 1 April 2008.

Imogen Mkhize

Imogen Mkhize was appointed to the Mondi Boards in May 2007. She is a member of the DLC nominations and remuneration committees.

After graduating in information systems from Rhodes University in 1984, she completed an MBA at Harvard Business School in 1995. She spent her early career with Anglo American, Andersen Consulting and the financial services group Nedcor, before becoming managing director of telecommunications group Lucent Technologies South Africa. Between 2003 and July 2006, she held the position of chief executive officer of the 18th World Petroleum Congress, an international oil and gas event.

Imogen is currently chairman of Richards Bay Coal Terminal, one of the largest export coal terminals in the world. She is also a director of energy group Sasol Limited, engineering group Murray & Roberts Holdings Limited, investment management firm Allan Gray Limited and Mobile Telephone Networks (Proprietary) Limited. She is a member of the South African Financial Markets Advisory Board, the Harvard Business School Global Alumni Board and Rhodes University Board of Governors.

In 2001 Imogen was recognised by the World Economic Forum as a Global Leader for Tomorrow.

John Nicholas

John Nicholas was appointed to the Mondi Boards in October 2009. He chairs the DLC audit committee and is a member of the DLC nominations committee.

A fellow of the Chartered Association of Certified Accountants, he holds a master's degree in business administration from Kingston University.

Much of John's early career was spent in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing. He became group finance director of Kidde plc on its demerger from Williams Holdings and was group finance director at Tate & Lyle plc from 2006 to 2008.

He is currently a member of the UK Financial Reporting Review Panel, which seeks to ensure that the provision of financial information by public and large private companies complies with relevant reporting requirements.

John is a non-executive director of Ceres Power Holdings plc, Hunting PLC and Rotork p.l.c., chairing the audit committees of all three.

DLC executive committee and company secretaries

Peter Machacek

Chief executive officer: Uncoated fine paper & containerboard

Peter Machacek graduated in business administration from the University of Vienna in 1976 and began his career with Kienzle Datasysteme and Tetra Pak in Austria. In 1981 he moved to the Frantschach Group as sales and marketing manager of the group's converting business. In 1988 he became sales director of Patria Papier & Zellstoff, the sales company for the Frantschach paper mill, and was shortly afterwards appointed to the management board of the mill.

In 2000 he became executive vice president of Mondi Packaging Paper, responsible for the Dynäs, Frantschach, Štěti and Świecie paper mills, and subsequently became chief executive officer of Mondi's packaging paper division, responsible for the Group's five newly acquired recycled containerboard mills in Austria, Germany, Italy, Switzerland and the UK. Peter assumed his current role and joined the management board of the Europe & International Division following the reorganisation of the Group's operations at the beginning of 2008.

Peter is vice-president of the Austrian Federation of Paper Makers.

Ladimir Pellizzaro

Group technical director

Ladimir Pellizzaro graduated in mechanical engineering from the Federal University of Paraná in Brazil, going on to specialise in pulp and paper technology. He acquired extensive experience in the pulp and paper industry with a number of Brazilian companies, including Klabin, Aracruz and Suzano, in roles ranging from engineering to operations management and project management.

Ladimir joined Mondi in 1990, shortly thereafter becoming general manager of the then kraft division of Mondi South Africa. In 1994 he was appointed technical director of Mondi South Africa and was a key player in the team that drove the expansion of Mondi into Europe. In 2000, he moved to London taking up the role of technical director of Mondi International with worldwide responsibility for projects, operational optimisation and technical evaluation of major acquisitions. He took a break from Mondi in 2005, following which he was retained by the Group as an adviser prior to rejoining Mondi as Group technical director in January 2009.

Ron Traill

Chief executive officer: South Africa Division

Ron Traill graduated in mechanical engineering and management from Dundee College in Scotland in 1980. He began his career as an industrial engineer with DRG Packaging Group, working in its Scottish paper mill. He went on to hold a succession of posts within the company, leading ultimately to his appointment as general manager. Following DRG's acquisition by Sappi in 1990, he worked for 10 years in a number of general management roles.

Ron has also held senior operational positions with Fletcher Challenge and with Tullis Russell, the UK's largest independent paper mill.

He joined Mondi in 2003 as managing director of the Štěti pulp and paper mill in the Czech Republic, also assuming responsibility for the Mondi packaging paper business in Ružomberok, Slovakia. Ron took up the position of chief executive officer of Mondi's South Africa Division in January 2008 and was appointed to the DLC executive committee in June 2008.

The DLC executive committee is made up of chief executive officer David Hathorn (chairman), chief financial officer Andrew King, chief executive officer of the Europe & International Division Peter Oswald, and other senior members of management.

Philip Laubscher

Company secretary Mondi Limited
Philip Laubscher, who holds BProc and LLB degrees and is an attorney of the High Court of South Africa, was in-house counsel with national power utility Eskom for 15 years before joining Mondi in 1999 as head of legal services. He was appointed company secretary of Mondi Limited in January 2001.

Carol Hunt

Company secretary Mondi plc
Carol Hunt, a fellow of the Institute of Chartered Secretaries & Administrators, spent 15 years with The BOC Group plc, holding various roles in the company secretariat, the last six years as deputy company secretary. She joined Mondi in November 2006 and was formally appointed company secretary of Mondi plc in May 2007.

Philip and Carol work together on the co-ordination of Mondi's DLC structure.

Corporate governance report

Mondi is committed to strong ethical values and professionalism in all its activities. As an essential part of this commitment the boards of Mondi Limited and Mondi plc (together 'the Boards') support the highest standards of corporate governance and best practice and are committed to the principles of transparency, integrity and accountability.

Dual listed company structure

Mondi operates under a dual listed company (DLC) structure, which requires compliance with the corporate and accounting regulations of South Africa and the UK. Mondi Limited and Mondi plc (together 'the Mondi Group' or 'Mondi') have separate corporate identities and separate stock exchange listings. Mondi Limited has a primary listing on the JSE Limited (JSE), while Mondi plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE. Under the DLC structure, any ordinary share held in either Mondi Limited or Mondi plc gives the holder an effective economic interest in the whole Mondi Group.

The relationship between Mondi Limited and Mondi plc is underpinned by the DLC structure principles, which provide that:

- Mondi Limited and Mondi plc and their subsidiaries must operate as if they are a single corporate group, with Mondi Limited and Mondi plc having boards of directors comprising the same individuals; and
- the directors of Mondi Limited and Mondi plc will, in addition to their duties to the company concerned, have regard to the interests of the Mondi Limited shareholders and the Mondi plc shareholders as if the two companies were a single unified economic enterprise and for that purpose the directors of each company will take into account, in the exercise of their powers, the interests of the shareholders of the other.

Compliance statement

Mondi has complied throughout the year with the principles contained in the South African King II Code of Corporate Practices and Conduct (available at www.iodsa.co.za) and Section 1 of the UK Combined Code on Corporate Governance issued by the Financial Reporting Council (available at www.frc.org.uk) save in respect of the following matters:

- as explained further below, Cyril Ramaphosa, joint chairman, was not considered independent upon appointment;
- with the departure of Sir John Parker, joint chairman, on 4 August 2009 when he took up the chairmanship of Anglo American plc, and pending the appointment of John Nicholas on 2 October 2009, the Boards comprised three executive directors and three non-executive directors, excluding the joint chairmen. This was a temporary position and resulted from the need to undertake a thorough recruitment process to appoint an independent non-executive director who had the relevant financial experience to chair the DLC audit committee;
- David Williams was appointed joint chairman on 4 August 2009 in place of Sir John Parker as an internal candidate in light of his prior involvement in the demerger of Mondi from Anglo American plc, his ongoing relationship with the Group and relevant business experience; and
- also as a result of the aforementioned need to undertake a thorough recruitment process, David Williams remained as chair of the DLC audit committee pending the appointment of John Nicholas on 2 October 2009. No DLC audit committee meetings were held during the period between August and October.

Boards of directors

In order to manage the DLC structure of Mondi effectively, the boards of Mondi Limited and Mondi plc are identical. The Boards manage Mondi as if it were a single unified economic enterprise and, in addition to their duties to the company concerned, have regard to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc in the management of the Mondi Group.

As at 31 December 2009 there were nine directors: the joint chairmen, three executive directors and four independent non-executive directors. There is a strong mix of skills and industry experience, particularly of Europe and South Africa, locations important to Mondi's operations.

On appointment each non-executive director receives letters of appointment from each of Mondi Limited and Mondi plc setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any DLC committees of which they are a member. Non-executive directors are initially appointed for a three-year term after which their appointment may be extended for a second term subject to mutual agreement and shareholder approval.

The directors holding office during the year ended 31 December 2009 are listed below, together with their attendance at Board meetings held during the year. Those in office as at the date of this report, together with their biographical details, can be found on pages 44 to 47.

During the year there were six combined DLC Mondi Limited and Mondi plc board meetings in accordance with the DLC structure and arrangements. In addition, each company holds additional meetings to cover any specific local requirements. All Board meetings are convened by formal notice, incorporating a detailed agenda.

With the challenging economic environment experienced during 2009 the Boards have focused much of their time on reviewing financial performance and production capacity, rigorously controlling the cost base and maintaining the focus of the Group on its core strengths. The Boards have reacted to developments and provided leadership to the management, supporting some difficult decisions that had to be made during the year. There has been constructive challenge in the boardroom and discussions on the short term strategies and longer-term performance objectives. Key areas of focus have been the need to manage risk and fulfil their obligations to shareholders through their oversight and challenge to management, to protect the Group's assets and to ensure that the Group operates within a framework of robust corporate governance and ethical behaviour.

Directors	Mondi Limited board (one meeting)	Mondi plc board (one meeting)	DLC board (six meetings)
Sir John Parker*	1	1	4
Cyril Ramaphosa	1	1	6
David Williams	1	1	6
David Hathorn	1	1	6
Andrew King	1	1	6
Colin Matthews	1	1	6
Imogen Mkhize	1	1	6
Peter Oswald	1	1	6
John Nicholas**	n/a	n/a	2
Anne Quinn	1	1	6

** Sir John Parker resigned from the boards of both Mondi Limited and Mondi plc on 4 August 2009.*
*** John Nicholas was appointed a director of both Mondi Limited and Mondi plc on 2 October 2009.*

The Boards have also regularly reviewed the major investment projects in Poland and Russia. In accordance with the matters reserved for the Boards, a number of other regular reviews of shareholder matters and the implementation of Group policies, including the code of business ethics and the share dealing code, have been considered. A copy of the full schedule of matters reserved for the Boards is available on the Mondi Group website at www.mondigroup.com. In view of the broad nature of the Boards' responsibilities, certain specific duties have been delegated to committees as detailed below.

Communication between directors outside formal meetings has increased during the year with additional information and financial updates provided to them in hard copy, by e-mail and telephone as appropriate.

Non-executive director meetings, chaired by the joint chairmen, are held twice a year. One meeting has no executive management in attendance and one is attended by the chief executive officer.

For further information on the directors please go to page 44 of this report; or click on www.mondigroup.com/aboutus

A policy is in place pursuant to which each director may obtain independent professional advice at Mondi's expense in the furtherance of their duties as a director of either Mondi Limited or Mondi plc. No requests were received during the year.

Throughout the year to 31 December 2009, in line with market practice, Mondi maintained directors' and officers' insurance.

Joint chairmen and chief executive officer

Mondi has joint chairmen, Cyril Ramaphosa and David Williams, with the chief executive officer role held separately by David Hathorn. The division of responsibilities between the joint chairmen and the chief executive officer has been clearly defined and approved by the Boards.

The principal responsibilities of the joint chairmen include to:

- lead the Boards, ensuring their effectiveness and setting their agenda;
- ensure high standards of corporate governance;
- ensure that the Boards set a clear and appropriate strategy for the Group; and
- ensure effective communication with shareholders and other stakeholders.

The principal responsibilities of the chief executive officer include to:

- lead the business;
- chair the DLC executive committee and lead the management team;
- ensure that the Group has effective processes and controls; and
- ensure that the Boards receive accurate, timely and clear information about the Group's performance.

The joint chairmen and chief executive officer work together to ensure that there is effective co-ordination of their roles and responsibilities. In particular, they work closely together on matters such as the relationships with major shareholders, government, analysts, media and other external relationships at a senior level and on major acquisitions and disposals.

The joint chairmen maintain a regular dialogue with each other and manage the Boards through mutual agreement.

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. The main positions held by Cyril Ramaphosa and David Williams outside the Mondi Group are detailed in their biographies set out on page 44. There has been no material change to the commitments of Cyril Ramaphosa during the year. David Williams was appointed joint chairman in August 2009 and is relinquishing his directorship of Taylor Wimpey plc on 31 March 2010. The Boards continue to consider that their external directorships do not interfere with the time they devote to Mondi, with both having made themselves available to management and other directors when required.

While David Williams was independent upon appointment, Cyril Ramaphosa was not considered independent upon appointment in view of his existing connection with Mondi as chairman of the Shanduka Group, which has shareholdings in Mondi Shanduka Newsprint (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited (see page 160). Notwithstanding this, Mondi benefits greatly from his considerable knowledge and experience, particularly of the South African business environment, and the Boards firmly believe that this justifies his appointment. In addition, David Williams, together with the four independent non-executive directors, provides the required level of independent oversight. Cyril excuses himself from any Board level discussions involving matters in which he may have an interest through the Shanduka Group.

Senior independent director

Anne Quinn was appointed senior independent director in August 2009, in place of David Williams. One of her key responsibilities since being appointed has been to chair a meeting of the non-executive directors at which the performance of the joint chairmen was considered. She will be available to shareholders should they have any concerns that contact through other channels has failed to resolve or for which such contact may be inappropriate. No requests were received during the year from shareholders to meet with the senior independent director.

Company secretaries

Philip Laubscher is the company secretary of Mondi Limited and Carol Hunt the company secretary of Mondi plc. The appointment and removal of the company secretaries is a matter for the Boards. All directors have access to the advice and services of the company secretaries. Throughout the year the company secretaries have ensured compliance with the correct Board procedures. They report at each Board meeting on relevant corporate governance and regulatory matters and changes, including the provision of advice on the performance of directors' duties and the continuing obligations of the stock exchanges on which Mondi is listed. This was particularly important during 2009 when the governance and regulatory landscape in both South Africa and the UK changed substantially with the introduction of new Companies Acts and governance codes.

Under the direction of the joint chairmen, the company secretaries manage the provision of information and documentation to the Boards. In particular, meeting papers are issued one week in advance thereby allowing directors sufficient time to prepare fully for any Board or committee meetings.

Induction and professional development

John Nicholas, who joined the Boards in October 2009, received a tailored induction programme in accordance with established procedures. This included meetings with divisional business unit executives and other members of the DLC executive committee, site visits and meetings with key advisers, primarily the external audit partners of Deloitte in South Africa and the UK in view of his appointment as chairman of the DLC audit committee. In addition, a briefing from the UK company secretary was provided on the DLC structure and its implications for the Boards, as well as the corporate governance issues in South Africa and the UK affecting the Group, directors' duties and continuing obligations of the stock exchange listings. The company secretaries provide all directors with a handbook containing the committee remits and key Group policies together with other material to assist them in understanding and fulfilling their duties. This is regularly reviewed and updated.

Where the opportunity arises, site visits have been arranged in conjunction with Board meetings. During 2009 the Boards visited the Group's operations at Štěti in the Czech Republic and in Vienna. In addition, opportunities to introduce the Boards to local management teams are taken, using site visits, meetings and Board presentations.

Regular updates on developments in governance and regulation are provided to the Boards by the company secretaries, in addition to which function specialists present at Board meetings at regular intervals, to assist the directors to discharge their duties and responsibilities. Directors are also made aware of relevant external training courses and workshops which may support their position on the Boards or on a committee. As explained below, the directors wish to increase their focus on continuing professional development.

While it is acknowledged that valuable experience can be gained by executive directors serving as non-executive directors on the boards of other companies, the Boards have in place a policy setting out the parameters within which this is acceptable. The executive directors must seek the prior approval of the Boards on the appropriateness of any proposed appointment and ensure that the number of any such commitments is contained, with the respective time commitments manageable. A director will retain any fee paid to them in respect of directorships held that are external to Mondi. Peter Oswald is the only executive director holding an external position, being a non-executive director of Telekom Austria AG.

Performance evaluation

During the year the action plan from the previous evaluation was regularly reviewed to ensure that the objectives set had been achieved. In particular, a questionnaire was circulated to members of the senior management team to enable the Boards to gain an insight into the effectiveness of communications from the Boards, the results of which were reviewed. The Group's brokers presented investor feedback to the Boards after the half-yearly and full-year results.

Following a review by the DLC nominations committee, it was agreed that an internally facilitated performance evaluation of the Boards, principal committees and individual directors remained appropriate for 2009. The evaluations were led by the joint chairmen and supported by the company secretaries and comprised a questionnaire completed by each director regarding various aspects of the performance of the Boards. In addition to covering the regular board matters, the questionnaire also covered specific areas highlighted in the 2008 evaluation. Questionnaires were also completed by each member of the principal DLC committees relating to the activities of each committee. The joint chairmen interviewed each director on a one-to-one basis. Cyril Ramaphosa interviewed those based in South Africa and David Williams interviewed the non-South African-based directors. Further input for these interviews was obtained through the use of an additional questionnaire completed by each director providing their views of their fellow directors in a number of areas such as preparedness for, and contribution at, meetings.

The key theme that emerged from the evaluation was the desire of directors, in the current fast moving regulatory and governance environment, with increasing emphasis being placed on board effectiveness, to ensure that they receive continuing professional development, with targeted training and development programmes for the Board and individual directors. Other matters raised were more procedural in nature. Action plans to address the matters raised in the review have been formulated and agreed with the Boards. In particular, the company secretaries will be agreeing with the joint chairmen a revised programme of training involving a number of different methods. This will include expanding on the governance and regulatory updates provided in-house, supplementing these with specifically targeted presentations from external advisers and, where appropriate, attendance at external training courses for individual directors to enhance their understanding of any matters that may arise during their work on the Boards or committees.

Anne Quinn, as senior independent director, led the review of the joint chairmen at a meeting of the non-executive directors. Having undergone a change during the year, the benefit gained from the continuity and stability provided by David Williams during the difficult economic environment experienced in 2009 was acknowledged. David, working alongside Cyril Ramaphosa, provides the Group with sound leadership based on many years of industry experience and knowledge.

It was concluded that the leadership and combined business knowledge of the joint chairmen was invaluable to Mondi.

Procedure for conflicts of interest

The company law regime introduced in October 2008 by the UK Companies Act 2006 on directors' conflicts of interest and the articles of association of both Mondi Limited and Mondi plc allows directors to authorise potential conflicts. Procedures are in place to manage such situations.

The procedures include the following:

- an initial review by the company secretaries of the details of any potential conflicts of interest, or changes to previously authorised conflicts, notified by a director and presentation of the facts to the Boards for consideration;
- an unconflicted quorum of the Boards consider, in accordance with the articles of association and their other statutory duties, the details and, where considered appropriate, authorise the potential conflict. The director is advised of the outcome and the scope and limitations of the authorisation, where applicable;
- a record is maintained of all authorisations given, including the scope and any limitations to such authorisations; and

- all authorisations are reviewed on an annual basis by the Boards to ensure that it is appropriate for the relevant matter to remain authorised.

Board committees

The DLC committees, to which the Boards delegate specific areas of responsibility as described below, have authority to make decisions according to their terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. As part of the annual evaluation procedures, each committee reviews its terms of reference and these are available at the Mondi Group website. The committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

While only committee members are entitled to attend committee meetings, the chairmen of each committee can invite, as they consider appropriate, management and advisers to meetings to provide information, answer questions and generally to assist the committees in carrying out their duties. To ensure that the Boards as a whole have an understanding of any key issues under consideration by a committee, each committee chairman provides a report to the Boards following each committee meeting.

The company secretaries of Mondi Limited and Mondi plc each act as secretary to each of the DLC committees.

The membership of each of the DLC committees, together with the attendance at committee meetings held during the year, are detailed below.

Membership of each committee is kept under review and, in particular, will be considered when each committee undertakes its annual evaluation.

DLC audit committee

The DLC audit committee operates on a Group-wide basis. The committee met four times during the year and in 2010 has four meetings scheduled around the Group's financial cycle. The Group heads of internal audit and representatives from the external auditors, Deloitte & Touche and Deloitte LLP, are regularly in attendance at meetings.

The committee has responsibility, among other things, for monitoring the integrity of the Group's financial statements and reviewing the results announcements. It also has responsibility for reviewing the effectiveness of the Group's system of internal controls and risk management systems, details of which can be found on pages 30 to 32 of this report. Time has been scheduled at one meeting each year for the committee to meet separately with the internal and external auditors without executive management present.

The DLC audit committee oversees the relationship with the external auditors; is responsible for their appointment, reappointment and remuneration; reviews the effectiveness of the external audit process; and ensures that the objectivity and independence of the external auditors is maintained. Deloitte & Touche and Deloitte LLP were appointed as Mondi's external auditors at the time of the demerger of Mondi from Anglo American plc in July 2007. As such, the DLC audit committee does not consider that it would be appropriate at this time to put the audit out to tender, but will continue to keep this under review. Representatives from Deloitte report to the committee on their independence and objectivity and the mechanisms employed to ensure this is maintained. The committee, having considered the Deloitte report which did not raise any matters of concern, has concluded that it is satisfied that auditor independence

Members	**DLC audit committee (four meetings)**
Colin Matthews	4
John Nicholas* (chairman)	1
Anne Quinn	4
David Williams* (former chairman)	3

* John Nicholas was appointed as chairman of the committee on 2 October 2009 and David Williams resigned from the committee on that date.

and objectivity have been maintained. Following a review by the committee of the effectiveness of the external auditors, a recommendation was made to, and accepted by, the Boards that resolutions to reappoint Deloitte & Touche and Deloitte LLP be proposed at the annual general meetings of Mondi Limited and Mondi plc to be held in May 2010.

A policy that formalises the arrangements regarding the provision of non-audit services provided by the auditors of Mondi Limited and of Mondi plc to the Group sets out the procedures for the pre-approval of such services. All non-audit services provided by the auditors are pre-approved by either the Group chief financial officer or the DLC audit committee chairman under delegated approval authorities from the DLC audit committee. The policy also details those non-audit services, including financial information systems design, internal audit outsourcing and actuarial valuation services, that are prohibited. Reports are presented to the committee at each meeting detailing any non-audit services approved since the previous meeting, to enable the committee to monitor the provision of these services to ensure that they do not impair the external auditors' independence and objectivity. While there remains a number of historic matters where the external auditors will continue to be used to assist in the work, it is anticipated that the level of such services will diminish.

The head of internal audit has direct access and responsibility to the DLC audit committee and works closely with the committee in co-ordination with the external auditors. Internal audit reports are presented at each meeting of the committee and cover a range of matters relating to the work of the internal audit team. The reports include details of audits carried out, the results and management's response to matters raised during the audits. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work. The structure and resources of the internal audit function are also regularly reviewed.

Following a review, and in accordance with the JSE Listings Requirements, the DLC audit committee has satisfied itself that Andrew King, Mondi's chief financial officer, has the appropriate expertise and experience. Andrew is a chartered accountant and throughout his career has held various finance and business development roles.

The Boards consider that John Nicholas, who replaced David Williams as chairman of the committee in October 2009, has appropriate, recent and relevant financial experience. He is a chartered accountant and a member of the UK Financial Reporting Review Panel. He was formerly the group finance director of Tate & Lyle plc and is currently the audit committee chairman of Ceres Power Holdings plc, Hunting PLC and Rotork p.l.c.. In addition, each of the members of the DLC audit committee has appropriate knowledge and understanding of financial matters, sufficient to enable them to consider effectively the financial and accounting issues that are presented to the committee.

The committee has discharged its responsibilities as set out in its terms of reference to the extent appropriate during the year and specific matters reviewed by the committee included:

- reviewing the integrity of the Mondi Group half-yearly results, full-year results and interim management statements and annual report, including reports from the Group controller and the external auditors on the results;
- the review and approval of the external audit plan and proposed fees for the 2009 year-end;
- monitoring the effectiveness of the risk management process, including the review of specific Group risks both through the annual review of all key Group risks identified and a more detailed review of at least two of those risks at each meeting;
- monitoring the effectiveness of the Group's system of internal controls;
- a review of the non-audit services policy, services approved and how such fees could be reduced;
- monitoring and reviewing the effectiveness of internal audit activities, which included: a review of the internal audit charter; audits carried out and the results thereof; the programme for 2009 and 2010; reports received via Speakout (the

Group's whistle-blowing facility); and on fraud;
- consideration, and recommendation to the Boards, of the implementation of new significant accounting policies, in particular IFRS8 and IAS1;
- a review of new regulations introduced in South Africa regarding the responsibilities of audit committees; and
- a review of the terms of reference of the committee and its performance against those terms.

DLC nominations committee

The DLC nominations committee operates on a Group–wide basis. The committee meets periodically as required to discharge its duties and met three times during the year. The chief executive officer is invited to attend meetings and provides information to support the work of the committee.

The committee is responsible for making recommendations to the Boards on the composition of each board and committee and on retirements and appointments of additional and replacement directors. While one of the joint chairmen chairs this committee, he is not permitted to chair meetings during discussions regarding his performance or when the appointment of a successor is being discussed.

The main focus for the committee during the year was managing the appointment of a new joint chairman following the departure of Sir John Parker in August when he took on the chairmanship of Anglo American plc. The committee, recognising the position of Mondi in having joint chairmen (a condition of the South African Ministry of Finance) and the complexities of the dual listed structure, considered that the appointment of David Williams, then senior independent director, as the replacement for Sir John Parker, was appropriate. His appointment provided stability and continuity for the Group, especially during a difficult economic period. This recommendation was made to and accepted by the Boards. David Williams will be standing for re-election at the next annual general meetings of Mondi Limited and Mondi plc.

As a consequence of David Williams being appointed joint chairman, the committee was then involved in a search for a new independent non-executive director with the requisite financial knowledge to take over from David as chairman of the DLC audit committee. David Williams led the search, as he had a thorough understanding of the requirements for the audit committee chairmanship having held that role within Mondi since its listing in 2007. A shortlist of three candidates were each interviewed by the joint chairmen, chief executive and chief financial officer. The non-executive directors then had the opportunity to speak with the preferred candidate ahead of the committee's formal consideration of the appointment of John Nicholas. His appointment was recommended to the Boards and accepted. John will be standing for election by shareholders at the next annual general meetings of Mondi Limited and Mondi plc.

As a result of the changes to the composition of the Boards, the committee also considered the composition of the other Board committees and the appointment of a new senior independent director. Having completed their review, the committee nominated the appointment of Anne Quinn as senior independent director and as a member of the DLC sustainable development committee.

Members	**DLC nominations committee (three meetings)**
Colin Matthews	3
Imogen Mkhize	3
John Nicholas*	1
Sir John Parker** (former chairman)	2
Anne Quinn	3
Cyril Ramaphosa	3
David Williams (chairman)	3

* John Nicholas was appointed as a committee member on 2 October 2009.
** Sir John Parker resigned on 4 August 2009 and David Williams took over as committee chairman.

The committee implemented the evaluation process for the Boards, the committees and the individual directors as explained in more detail above.
A number of other regular matters were reviewed by the committee in accordance with its terms of reference. In particular, it was important during a challenging year to ensure the strength of management resource and succession planning together with a review of the time commitment from each director.

Pursuant to the Articles one-third of directors are required to stand for re-election in each year based on those who have been the longest serving since their election or last re-election. Having considered the results of the director evaluations and concluded that each continues to demonstrate appropriate commitment to their respective roles, the committee made recommendations to the Boards for the re-election of David Hathorn, Colin Matthews and David Williams at the next annual general meetings in addition to John Nicholas, who was appointed by the Boards during the year. The recommendations were endorsed by the Boards.

DLC remuneration committee

The DLC remuneration committee operates on a Group-wide basis. The committee met four times during the year and plans to meet four times in 2010 with additional meetings convened as required. The committee has responsibility for making recommendations to each board on the Group's policy on remuneration of senior management, for the determination, within agreed terms of reference, of the remuneration of the joint chairmen and of specific remuneration packages for each of the executive directors and members of senior management, including pension rights and any compensation payments. In addition, the committee is responsible for the implementation of employee share plans.

The committee's full report on directors' remuneration is set out on pages 61 to 72.

DLC sustainable development committee

The DLC sustainable development committee operates on a Group-wide basis. The committee met six times during the year and plans to meet six times in 2010. The committee has responsibility for overseeing the Group's policy, targets and performance on safety, health, the environment, social responsibility, other sustainable development matters and business ethics. The committee reviewed the Group's key sustainable development policies, received detailed reports of major incidents within the Group and monitored the senior management's response to such incidents.

A summary report from the directors on the Group's sustainability practices is set out on pages 34 to 43 and further details, including a full review of our sustainability activities and progress in 2009, can be found on the Mondi Group website.

DLC executive committee

The DLC executive committee operates on a Group-wide basis. The members of the DLC executive committee are detailed on page 48. The committee is chaired by David Hathorn and met ten times during the year, with nine meetings scheduled for 2010.

The DLC executive committee is responsible for the day-to-day management of the Group and its business operations within the limits set by the Boards, with particular focus on financial, operational and safety performance, together with policy implementation in line with the Group's strategy agreed by the Boards.

Members	DLC remuneration committee (four meetings)
Colin Matthews	4
Imogen Mkhize	4
Anne Quinn (chairman)	4
David Williams	4

Members	DLC sustainable development committee (six meetings)
David Hathorn	6
Colin Matthews (chairman)	6
Sir John Parker*	4
Anne Quinn*	2

*Sir John Parker resigned on 4 August 2009 and was replaced as a member of the committee by Anne Quinn.

Communication with shareholders

Ensuring that shareholders, be they institutional, private or employee shareholders, receive accurate and timely information about the Group's financial performance, operational and development activities, sufficient for them to make an informed judgement regarding their investments is considered by the Boards to be extremely important. To this end a variety of communication mechanisms are used, with the Mondi Group website providing a range of financial and business information about the Group, including an archive of past announcements and share price information as well as the Group's sustainability activities and practices.

The DLC structure requires Mondi to comply with the disclosure obligations forming part of the Listings Requirements of the JSE Limited and the Disclosure and Transparency Rules, Listing Rules and Prospectus Rules of the UK Listing Authority. The Boards review and monitor the procedures that are in place to ensure compliance and have agreed to apply on each issue whichever is the higher standard of governance and regulation between South Africa and the UK.

The chief executive officer and chief financial officer have a programme of regular dialogue with institutional shareholders, analysts and fund managers. Periodically site visits are arranged to help increase the knowledge and understanding of the Group. Summaries of the feedback from these discussions and meetings are also presented to the Boards. The Boards also receive feedback directly from brokers and advisers which enables them to gain a clear understanding of the views and opinions of those interested in the Group. In addition, the Boards are supported by the Group corporate affairs manager. All contact with investors and other interested parties is strictly controlled through the application of Group guidelines to ensure that no price sensitive information is made available on a selective basis and that all shareholders are treated equally.

Throughout the year responses are given to letters and e-mails received from shareholders and other interested parties on a variety of subjects. For those shareholders wishing to receive communications from the Group via electronic means, facilities are available for this, including for the submission of proxy votes for general meetings. Shareholders can also use the annual general meetings as an opportunity to question the directors directly regarding the Group.

Dealing in securities

The Boards have adopted a share dealing code for dealing in securities of Mondi Limited and Mondi plc which is based on regulatory and governance best practice. The code sets out the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Group pending its public release and availability to shareholders and other interested parties. The code is reviewed regularly and updated as required to ensure continued compliance with regulation and best practice.

All dealings by directors and persons discharging managerial responsibilities and their connected persons are announced to the JSE Limited and the London Stock Exchange when they occur. Details of the directors' interests in the shares of both Mondi Limited and Mondi plc can be found in the remuneration report on pages 68 to 72.

Corporate governance report continued

Business ethics

The Boards have adopted a Code of Business Ethics, which applies throughout the Group and sets clear principles for the conduct of the Group's business activities. The code has five key elements, three of which are monitored and reviewed by the DLC sustainable development committee (human rights, stakeholders and sustainability) and the other two by the DLC audit committee (legal compliance and honesty and integrity). The directors believe that the Group has robust compliance systems and procedures in place in relation to the code. The directors are not aware of any material non-compliance of the code. The code is available on the Mondi Group website.

Annual general meetings

The annual general meetings of Mondi Limited and Mondi plc will be held on 6 May 2010 in Johannesburg and London respectively. It is expected that all directors and, in particular, the chairmen of the principal committees will be present thereby providing an opportunity for shareholders to ask questions of the directors about Mondi's activities and prospects.

Separate resolutions will be proposed for each item of business to be considered at the annual general meetings. All resolutions at the meetings will be voted on by taking polls, with the verified results announced as soon as practicable following the close of both meetings.

The proxy voting results will be made available on the Mondi Group website.

The notices of the annual general meetings, which include explanations of each resolution, are contained in separate circulars which are being sent to all shareholders in advance of the meetings, in accordance with the corporate governance codes of South Africa and the UK.

Remuneration report

The following report has been prepared by the DLC remuneration committee and approved by the boards of Mondi Limited and Mondi plc (together 'the Boards'). Deloitte & Touche and Deloitte LLP have audited the following items stipulated in law for their review:

- the tables of executive directors' and non-executive directors' remuneration and associated footnotes on pages 66 and 67;
- the table of pension contributions in respect of executive directors on page 67; and
- the table of share awards granted to executive directors and associated footnotes on pages 69 to 72.

The DLC remuneration committee

The DLC remuneration committee ('the Committee') is a formal committee of the Boards. Its remit is set out in terms of reference adopted by the Boards. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The primary purposes of the Committee, as set out in its terms of reference, are:

- to make recommendations to the Boards on the Group's framework of executive remuneration;
- to determine individual remuneration packages within that framework for the executive directors and certain senior executives;
- to determine the remuneration of the joint chairmen; and
- to oversee the operation of the Group's share schemes.

The members of the Committee since its establishment have been Anne Quinn (chairman of the Committee), Colin Matthews, Imogen Mkhize and David Williams, all of whom are independent non-executive directors. On 4 August 2009 David Williams was appointed as joint chairman of Mondi Limited and Mondi plc and Anne Quinn was appointed as senior independent director. Philip Laubscher and Carol Hunt act as secretary to the Committee.

The Group head of reward, Paul Wessels, provides advice on remuneration policies and practices and is usually invited to attend meetings of the Committee, along with the chief executive officer. Joint chairmen who are not committee members are also invited to attend meetings.

No director or other attendee takes part in any discussion regarding his or her own remuneration.

The Committee is authorised to seek information from any director and employee of the Group and to obtain the advice of external advisers. The Committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms.

In the year to 31 December 2009, the following advisers provided services to the Committee:

- Hewitt New Bridge Street ('HNBS') – provision of remuneration advice since their appointment as advisers to the Committee in November 2009. HNBS replaced Deloitte LLP.
- Additional data and advice were received from Towers Perrin and Watson Wyatt (remuneration benchmarking data), PricewaterhouseCoopers (Total Shareholder Return calculation for the Long-Term Incentive Plan) and Linklaters (legal advice).

Remuneration policy

The Group's remuneration policy has been set with the objective of attracting, motivating and retaining high calibre directors and senior managers in a manner that is consistent with best practice and aligned with the interests of the Group's shareholders.

Remuneration policy is framed around the following key principles:

- remuneration packages should be set at levels that are competitive in the relevant market;
- the structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of the Group's business strategy;
- a significant proportion of the remuneration of executive directors and other senior executives should be performance-based;
- the performance-based element of remuneration should be appropriately balanced between the

- achievement of short-term objectives and longer-term objectives; and
- the remuneration of executive directors and other senior executives will be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

Executive directors' remuneration

The executive directors throughout the period under review were David Hathorn, Andrew King and Peter Oswald.

Remuneration packages for executive directors comprise the following elements:

- salary;
- participation in the Bonus Share Plan, which provides for an annual bonus payable half in cash and half in deferred shares;
- participation in the Long-Term Incentive Plan;
- pension contributions; and
- car or car allowance and non-cash benefits.

Salary

Salaries are reviewed annually, normally with effect from 1 January, and are targeted broadly at the median position in the relevant market. The Committee has regard principally to companies in the UK market which have a similar size, complexity and international scope to the Group, but also has regard to international peers of the Group in the paper and packaging sector. The Committee also takes into account business performance, salary practices prevailing for other employees in the Group and, when setting individual salaries, the individual's performance and experience in the role. Salary practices prevailing for other employees in the Group are taken into account through the consideration of data provided to the Committee annually by the head of reward.

Current salary levels are disclosed under the executive director remuneration table presented on page 66. Andrew King's salary has been increased from €449,438 (£400,000) to €483,146 (£430,000) with effect from 1 January 2010 to reflect his performance and increasing experience in the role of chief financial officer. In light of the ongoing difficult economic circumstances David Hathorn, Peter Oswald and the other Mondi DLC executive committee members have agreed that they will, as in 2009, not be considered for a salary increase during 2010. Their salaries will next be reviewed with effect from 1 January 2011.

Bonus Share Plan

Both Mondi Limited and Mondi plc operate Bonus Share Plans (together 'the BSP'). The BSP is the annual bonus plan operated by the Group for executive directors and other senior executives. Under the BSP, bonuses are awarded against achievement of corporate and individual targets. Half the bonus awarded is paid immediately in cash and half is paid in deferred shares which vest after three years subject to the executive remaining in the Group's service.

The maximum bonus eligibility of the executive directors continues to be 150% of salary in the case of David Hathorn and 120% of salary in the case of Andrew King and Peter Oswald.

For 2009, the bonus for executive directors was based 60% on Group financial performance, measured in terms of net debt and EBITDA, 10% on Group safety performance and 30% on personal performance targets (including 10% related to people management).

The outcome for 2009 was that 44% of bonus potential was earned in relation to Group financial performance and 10% of bonus was earned in relation to safety performance, as the Group achieved its Lost Time Injury Frequency Rate target and did not suffer any fatalities to people engaged in its operations. Details of the bonus amounts awarded are presented on page 66.

For 2010, the existing bonus structure will be retained. However, to reflect Mondi's longer term strategic priorities, the 60% of the bonus which is based on Group financial performance will be measured in terms of EBITDA and ROCE instead of EBITDA and net debt.

Long-Term Incentive Plan

Both Mondi Limited and Mondi plc operate Long-Term Incentive Plans (together 'the LTIP'). Executive directors and other senior executives are eligible to participate in the LTIP, under which awards are made of conditional shares which vest after three years, subject to the achievement of demanding performance conditions and to continued service.

The maximum annual award that can be made to any LTIP participant in any year is equal to two times salary. For 2009, the award made to David Hathorn was 175% of salary and the awards made to Andrew King and Peter Oswald were 120% of salary. It is currently intended to continue to make annual awards at these levels.

For the LTIP awards made in 2009, the performance conditions are based on two performance measures of equal weight – TSR and ROCE, measured over a three-year performance period ending on 31 December 2011. The Committee believes that this combination of targets provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. For the 2007, 2008 and 2009 LTIP awards, the following group of companies was selected:

Billerud	Norske Skog
Constantia Packaging	Portucel
David S Smith	Sappi
Holmen	SCA
International Paper	Smurfit Kappa
Mayr-Melnhof	Stora Enso
MeadWestvaco	UPM
M-Real	Weyerhauser

Following a change to the ownership structure during 2009, Constantia Packaging has now been excluded from the comparator group for all awards.

For the 50% of awards attributable to TSR: if the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest in full.

For the 50% of awards attributable to ROCE: this part will lapse in full if ROCE is below 7%. 30% of this part of the award (i.e. 15% of the total award) will vest for achievement of ROCE of 7%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 13% (i.e. 50% of the total award).

The Committee retains discretion to vary the performance conditions applicable to the awards, if it concludes that events have occurred which would make such a variation necessary or desirable or would make the amended performance conditions a fairer measure of performance.

No re-testing of performance is permitted for any element of the awards that does not vest at the end of the performance period and all such elements lapse.

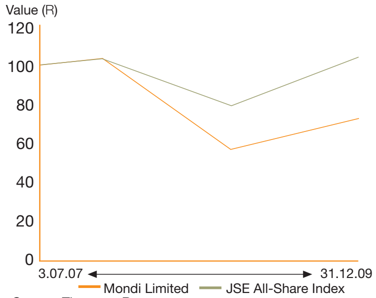
The Committee intends to retain these performance conditions for the LTIP awards to be made in 2010 although a change will be made to the TSR comparator group. Weyerhauser will be removed from the group of comparator companies and Domtar will be added as its business structure is considered closer to Mondi's. For the 50% of the awards attributable to ROCE, 25% (ie. 12.5% of the total award) will vest for achievement of ROCE of 7%, rather than 30% as for the 2009 award.

Performance graph

The following graphs set out the comparative TSR of Mondi Limited relative to the JSE All-Share Index and Mondi plc relative to the FTSE All-Share Index for the period between 3 July 2007 and 31 December 2009, those indices having been chosen because they are broad equity market indices of which

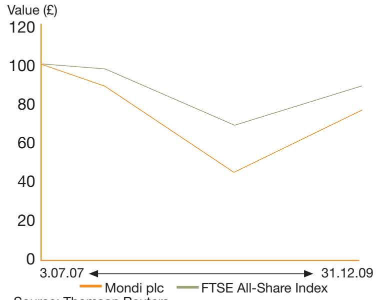
Mondi Limited and Mondi plc respectively are members:

TSR graph of Mondi Limited and JSE All-Share Index



Source: Thomson Reuters

TSR graph of Mondi plc and FTSE All-Share Index



Source: Thomson Reuters

Pension contributions

The executive directors are eligible to participate in defined contribution pension arrangements and to payment by the Group of a pension contribution of 30% of salary, in the case of David Hathorn, and 25% of salary, in the case of Andrew King and Peter Oswald, or to receive a cash alternative of equivalent cost to the Group. No element of remuneration is pensionable other than basic salary.

Car or car allowance and non-cash benefits

The executive directors are entitled to receive a car allowance (in the case of David Hathorn and Andrew King), or to have a fully expensed car provided (in the case of Peter Oswald). The executive directors also benefit from death in service cover and a limited amount of personal tax and financial planning advice. In addition, David Hathorn and Andrew King are members of the Mondi medical plan in South Africa, in which the Group's South African employees participate on a continuing basis.

Discretionary Share Option Plan

In addition to the LTIP and BSP, Mondi Limited and Mondi plc have both adopted Discretionary Share Option Plans. No grants have been made under these plans and there is no current intention to make such grants.

All-employee share plans

The Group currently operates two HM Revenue & Customs approved all-employee share plans in the UK:

Share Incentive Plan ('SIP')

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £125 are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc each month. Participants receive one matching Mondi plc ordinary share free of charge for each share purchased. The shares are placed in trust and the matching shares are forfeited if participants resign from the Group's employment within three years. If the shares are left in trust for at least five years, they can be removed free of UK income tax and National Insurance contributions.

Sharesave

Employees resident in the UK are also eligible to participate in a Sharesave scheme. Participants enter into a savings contract under which they choose to save a fixed amount of between £5 and £250 per month by deduction from their salary. They are granted an option to acquire Mondi plc shares to the value of their savings at a specified price. In normal circumstances the option can only be exercised during the six months following the end of the savings contract.

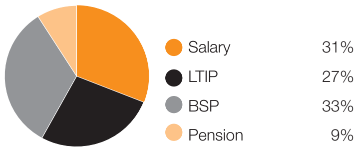
Eligible executive directors are permitted to participate in both the SIP and Sharesave and details of their participation are presented on pages 71 and 72.

Split of executive directors' remuneration

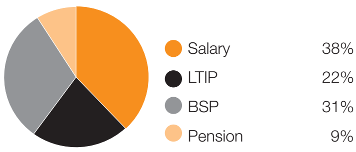
The split of executive directors' remuneration between salary and other fixed remuneration, short-term variable remuneration and long-term variable remuneration is as follows:

Expected values

CEO

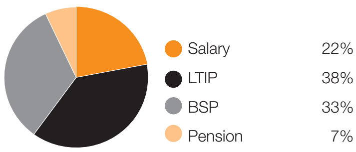


Executive director

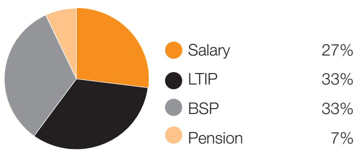


Maximum values

CEO



Executive director



[1] The charts include the effect of the BSP and LTIP, which are continuing elements of remuneration, but not the one-off share awards described on page 70.

[2] BSP awards are paid half in cash and half in deferred shares, as described above.

Executive directors' service contracts

David Hathorn and Andrew King are employed under service contracts with both Mondi Limited and Mondi plc. Peter Oswald is employed in Austria under a service contract with Mondi Services AG.

The Group's policy is that executive directors' service contracts should provide for one year's notice by either party, except where a longer notice period is appropriate as a transitional measure, in which case the notice period would reduce automatically to one year within a reasonable period of time.

The service contracts for David Hathorn and Andrew King provide for one year's notice by either party.

The service contract for Peter Oswald is required under Austrian law to be for a fixed period, which expires on 30 April 2011. However, the contract has been structured in such a manner that it can be terminated on one year's notice by either party.

Details of the service contracts of the executive directors who served during the period under review are as follows:

Executive director	Effective date of contract	Unexpired term/notice period
David Hathorn	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed notice period expiring on 30 April 2011 but terminable at any time on 12 months' notice

In the event of early termination of service contracts, the Group's policy is to act fairly in all the circumstances. The duty to mitigate is taken into account and the Group has due regard to the requirements of legislation, regulation and good governance.

The service contracts for David Hathorn and Andrew King contain pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise salary, car allowance and pension contributions for the notice period and an amount in respect of the bonus for that part of the financial year worked.

The service contract for Peter Oswald does not contain a pay in lieu of notice provision. The contract provides, in addition to such other rights as he may have on termination of the contract by his employer other than for cause, for a payment which reflects an entitlement he had in Austrian law under his previous service contract.

Non-executive directors' remuneration

The remuneration of the joint chairmen is determined by the Committee and the remuneration of the other non-executive directors is determined by the joint chairmen and the executive directors. Until 4 August 2009 the remuneration of the joint chairmen comprised a core fee of €292,135 (£260,000) per annum, plus supplemental fees reflecting their additional commitments, subject to a cap of €449,438 (£400,000) per annum per chairman. The supplemental fees were as follows: €16,854 (£15,000) per meeting for each board meeting attended outside their country of residence; €16,854 (£15,000) per annum for chairing a board committee; €3,371 (£3,000) per meeting for each board committee attended (other than as chairman of the committee); and a fee of €5,618 (£5,000) per day for any additional duties performed at the request of the Boards. Following a review of remuneration levels, with effect from 5 August 2009, the remuneration of the joint chairmen comprises a fee of €280,899 (£250,000) per annum with no supplement for their additional commitments.

The other non-executive directors receive an annual fee of €44,944 (£40,000), along with an attendance fee of €5,618 (£5,000) for each board meeting held outside their country of residence and €1,685 (£1,500) for each day on which they attend board meetings in their country of residence.

Until 4 August 2009 David Williams, as the senior independent director and DLC audit committee chairman, received an additional annual fee of €16,854 (£15,000). Anne Quinn, as the DLC remuneration committee chairman, and Colin Matthews, as the DLC sustainable development committee chairman, each received an additional annual fee of €8,989 (£8,000).

With effect from 5 August 2009 Anne Quinn as the senior independent director and DLC remuneration committee chairman receives an additional annual fee of €16,854 (£15,000). Colin Matthews, as the DLC sustainable development committee chairman, continues to receive an additional annual fee of €8,989 (£8,000).

John Nicholas, who was appointed as a non-executive director on 2 October 2009, receives an additional fee of €11,236 (£10,000) per annum as the DLC audit committee chairman.

The joint chairmen and the other non-executive directors are appointed by Mondi Limited and Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice.

Remuneration for the year ended 31 December 2009

Executive directors' remuneration

The remuneration of the executive directors who served during the period under review was as follows:

		Salary[2]	Annual cash bonus	Value of deferred shares awarded	Other cash benefits	Non-cash benefits	Total
David Hathorn	**2009**	€867,115	€538,799	€538,799	€26,964	€18,023	€1,989,700
	2008	€968,826	€232,224	€232,224	€30,127	€23,736	€1,487,137
Andrew King[1]	**2009**	€447,543	€221,124	€221,124	€21,594	€14,291	€925,676
	2008	€92,122	€20,991	€20,991	€4,199	€930	€139,233
Peter Oswald[1]	**2009**	€800,000	€393,600	€393,600	€255	€34,913	€1,622,368
	2008	€800,000	€168,000	€168,000	€255	€29,691	€1,165,946

1 For Andrew King the table covers all remuneration from his appointment to the Boards on 23 October 2008 and for Peter Oswald the table covers all remuneration from his appointment to the Boards on 1 January 2008.

2 The salaries of David Hathorn (£775,000) and Peter Oswald (€800,000) remained constant in local currency terms from 2008 to 2009 and Andrew King's salary (£400,000) remained constant from the date of his appointment to the Boards (23 October 2008) to the end of 2009.

Directors' report

Non-executive directors' remuneration

	2009			2008		
	Fees	Other benefits	Total	Fees	Other benefits	Total
Sir John Parker[1]	€268,493	–	€268,493	€488,800	–	€488,800
Cyril Ramaphosa[1]	€356,641	–	€356,641	€437,987	–	€437,987
David Williams[1]	€175,565	–	€175,565	€104,727	–	€104,727
Colin Matthews	€90,957	–	€90,957	€89,851	–	€89,851
Imogen Mkhize	€71,155	–	€71,155	€81,669	–	€81,669
John Nicholas[1]	€25,354	–	€25,354	–	–	–
Anne Quinn	€94,117	–	€94,117	€96,173	–	€96,173

[1] For 2009, the fee paid to Sir John Parker covers the period until 4 August 2009, when he resigned as joint chairman. The fee paid to Cyril Ramaphosa was determined in accordance with the arrangements for joint chairmen described on page 66. The fee paid to David Williams was determined, until 4 August 2009, on the basis described on page 66 for non-executive directors and, from 5 August 2009, with reference to the arrangements for joint chairmen. The fee paid to John Nicholas covers the period from his appointment on 2 October 2009 until 31 December 2009.

Pension contributions in respect of executive directors

The executive directors all participate in defined contribution pension schemes under arrangements established by the Group. The contributions paid by the Group in respect of the years 2009 and 2008 are:

	Group contribution	
	2009	2008
David Hathorn	€261,236	€290,648
Andrew King	€112,360	€32,815[1]
Peter Oswald	€200,000	€200,000

[1] From 23 October 2008.

Remuneration report continued

Directors' beneficial share interests

The beneficial share interests of the directors and their connected persons as at 1 January 2009 or, if later, on appointment, and as at 31 December 2009 were as follows:

	1 January 2009	31 December 2009
Mondi Limited		
David Hathorn	1,066	1,066
Andrew King	802	802
Imogen Mkhize	4,000	4,000
Total	5,868	5,868
Mondi plc		
Cyril Ramaphosa	7,050	7,050
David Williams	5,000	5,000
David Hathorn	403,086	493,107
Andrew King	48,947	110,026
Colin Matthews	5,825	5,825
Imogen Mkhize	–	–
John Nicholas	–	6,000
Peter Oswald	160,000	201,889
Anne Quinn	11,882	11,882
Total	641,790	840,779

There has been no change in the interests of the directors and their connected persons between 31 December 2009 and the date of this report.

Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi Limited or Mondi plc ('the Companies'), or while a director of the Companies, as a director of any of the Companies' subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Companies) a director by virtue of the Companies' nomination, or otherwise in connection with the management of the Companies or any undertaking during the year to 31 December 2009.

Share awards and other deferred awards granted to executive directors

The following tables set out the share awards granted to the executive directors.

Mondi Limited

	Type of award[1,2]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2009	Release date
David Hathorn	BSP	35,156	–	–	6547	Mar 08	35,156	Mar 11
	BSP	–	38,122	–	2301	Mar 09	38,122	Mar 12
	LTIP	84,336	–	–	6423	Aug 07	84,336	Mar 10
	LTIP	95,308	–	–	6547	Mar 08	95,308	Mar 11
	LTIP	–	256,070	–	2301	Mar 09	256,070	Mar 12
Andrew King	BSP	–	15,741	–	2301	Mar 09	15,741	Mar 12
	LTIP	–	90,628	–	2301	Mar 09	90,628	Mar 12

For notes 1 and 2, please refer to the table on page 70.

Mondi plc

	Type of award[1,2]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2009	Release date
David Hathorn	BSP	59,677	–	–	464	Aug 07	59,677	Mar 10
	BSP	88,877	–	–	394	Mar 08	88,877	Mar 11
	BSP	–	110,393	–	129	Mar 09	110,393	Mar 12
	LTIP	191,407	–	–	464	Aug 07	191,407	Mar 10
	LTIP	240,959	–	–	394	Mar 08	240,959	Mar 11
	LTIP	–	735,950	–	129	Mar 09	735,950	Mar 12
	Transitional[3]	152,017	–	152,017	464	Aug 07	–	Mar 09
	Co-Investment[3]	538,795	–	–	464	Aug 07	538,795	Jul 11
Andrew King	BSP	13,012	–	–	464	Aug 07	13,012	Mar 10
	BSP	35,026	–	–	394	Mar 08	35,026	Mar 11
	BSP	–	45,582	–	129	Mar 09	45,582	Mar 12
	LTIP	64,656	–	–	464	Aug 07	64,656	Mar 10
	LTIP	98,985	–	–	394	Mar 08	98,985	Mar 11
	LTIP	–	260,465	–	129	Mar 09	260,465	Mar 12
	Transitional[3]	5,050	–	5,050	464	Aug 07	–	Mar 09
	Demerger[3]	70,044	–	70,044	464	Aug 07	–	Jul 09
Peter Oswald	BSP	39,707	–	–	464	Aug 07	39,707	Mar 10
	BSP	67,803	–	–	394	Mar 08	67,803	Mar 11
	BSP	–	115,923	–	129	Mar 09	115,923	Mar 12
	LTIP	111,605	–	–	464	Aug 07	111,605	Mar 10
	LTIP	186,270	–	–	394	Mar 08	186,270	Mar 11
	LTIP	–	662,417	–	129	Mar 09	662,417	Mar 12
	Transitional[3]	13,351	–	13,351	464	Aug 07	–	Mar 09
	Demerger[3]	334,139	–	334,139	464	Aug 07	–	Jul 09

1 Awards granted in 2007 and 2008 under the LTIP are subject to the following performance conditions.
For the one-third of awards attributable to TSR: if the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 8.33% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 33.33% of the total award) will vest in full. The TSR comparator groups are set out on page 63.
For the one-third of awards attributable to EPS: this part will lapse in full if compound annual EPS is below 7%. 30% of this part of the award (i.e. 10% of the total award) will vest for achievement of compound annual EPS of 7%, with a straight-line progression to full vesting of this part of the award for achievement of compound annual EPS of 13% (i.e. 33.33% of the total award).
For the one-third of awards attributable to ROCE: this part will lapse in full if ROCE is below 10%. 30% of this part of the award (i.e. 10% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 13% (i.e. 33.33% of the total award).

2 The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 66.

3 In addition to the LTIP and BSP, which are schemes that the Group intends to operate on a continuing basis, there are three types of one-off share awards which have been granted to the executive directors who served during the period under review. Details of these awards, which arose from the specific circumstances of the Group's demerger from Anglo American plc in 2007 and which are not intended to form a continuing part of remuneration policy, are set out below:

- David Hathorn participates in a Co-Investment Plan ('the Plan'), pursuant to which he made an investment of £1,000,000 from his own funds in Mondi plc shares ('the investment shares') in August 2007. Under the terms of the Plan, provided he retains his investment shares and remains in the Group's employment, he is entitled to receive matching Mondi plc shares based on achievement against a performance condition measured over a four year period from July 2007. The performance condition will measure the Group's TSR relative to the group of industry competitors consistent with the 2007, 2008 and 2009 LTIP awards. The Committee determined that a TSR performance condition was appropriate for the Plan to ensure alignment with shareholders' interests. For performance up to the median, David will be eligible to receive a match of 50% of the number of investment shares. For performance at the upper quintile or above, he will be eligible to receive a match of 250% of the number of investment shares, with a straight-line progression applying for performance between the median and the upper quintile.
- Transitional share award. The shares, which vested in March 2009, were awarded in August 2007 to replace the value of the portion of subsisting share awards lost as a result of leaving the employment of the Anglo American Group.
- Demerger share award. Following the Group's demerger from Anglo American plc, retention awards were made in August 2007 pursuant to commitments made in 2006 as part of the preparations for the demerger. Andrew King received an award comprising a cash bonus of 50% of salary and an award of Mondi plc shares. In accordance with the terms of the award, half the shares vested immediately and the remaining half vested in July 2009. Peter Oswald received an award of Mondi plc shares which vested in July 2009.

The following table sets out the other deferred awards granted to executive directors.

	Type of award	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards released during year	Award price basis	Awards held as at 31 December 2009	Release date
Andrew King[1]	DMCP	€53,676	–	€53,676	–	–	Mar 09
Peter Oswald[1]	DMCP	€362,403	–	€362,403	–	–	Mar 09

1 The Deferred Mondi Cash Pool (DMCP) relates to payments of deferred cash promised in lieu of a 2006 Anglo American Long-Term Incentive Plan award during the planning of Mondi's demerger from Anglo American plc. Awards equal to 100% (King) and 117% (Oswald) of the cash bonus paid in March 2007 in respect of the 2006 performance year were deferred for payment with interest until March 2009. Neither Andrew King nor Peter Oswald were executive directors on the Mondi Boards when the awards were made.

Sharesave

Executive directors held the following options over Mondi plc ordinary shares under the Mondi Sharesave Option Plan.

	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards exercised/ lapsed during year	Exercise price per share (GBp)	Date of award	Awards held as at 31 December 2009	Exercise Period
David Hathorn	5,299[1]	–	5,299	317	Mar 08	–	1 May 13 – 31 Oct 13
	–	15,808	–	99	Mar 09	15,808	1 May 14 – 31 Oct 14
Andrew King	5,299[1]	–	5,299	317	Mar 08	–	1 May 13 – 31 Oct 13
	–	15,808	–	99	Mar 09	15,808	1 May 14 – 31 Oct 14

1 Sharesave options granted in March 2008 lapsed in full on 27 March 2009.

Remuneration report continued

Share Incentive Plan

Details of shares purchased and awarded to executive directors in accordance with the terms of the Share Incentive Plan.

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during year	Matching shares awarded during year	Shares released during year	Total shares held as at 31 December 2009
David Hathorn	616	688	688	–	1,992
Andrew King	1,060	688	688	–	2,436

[1] David Hathorn and Andrew King each acquired 34 partnership shares and were awarded 34 matching shares on 8 January 2010 and each acquired 36 partnership shares and were awarded 36 matching shares on 5 February 2010.

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2009 was R42.00 and the range during the period between 1 January 2009 and 31 December 2009 was R22.20 (low) and R45.50 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2009 was £3.35 and the range during the period between 1 January 2009 and 31 December 2009 was £1.2075 (low) to £3.595 (high).

This report was approved by the Boards on 22 February 2010 and is signed on their behalf.

Anne C Quinn
Non-executive director and chairman of the DLC remuneration committee

Additional disclosures

Policy and practice on payment to creditors

Mondi applies a policy of agreeing the payment terms as part of the commercial arrangements negotiated with suppliers. Once agreed, Mondi aims to pay in accordance with these payment terms.

The Group had 74 days' purchases outstanding at 31 December 2009 (63 days at 31 December 2008), based on the average daily amount invoiced by suppliers.

Share capital

Full details of the Group's share capital can be found in note 28 to the financial statements.

Substantial interests

At the date of this report, the Group had received notifications from the following parties in the voting rights of Mondi Limited and Mondi plc. The number of shares and percentage interests shown are as disclosed at the date on which the holding was notified.

Essential contractual arrangements

Certain Group companies are party to the €1.55 billion, five year syndicated revolving credit facility which the Boards consider essential to the business of the Group. Ten banks participate in the facility, these being: Bank Austria Creditanstalt AG; Barclays Capital; Citigroup Global Markets Limited; Deutsche Bank AG, London Branch; BNP Paribas; Fortis Bank S.A./N.V., UK Branch; Lloyds TSB Bank plc; The Royal Bank of Scotland plc; Raiffeisen Zentralbank Oesterreich Aktiengesellschaft and Société Générale.

Auditors

Each of the directors of Mondi Limited and Mondi plc at the date when this report was approved confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Deloitte & Touche and Deloitte LLP (together 'Deloitte') have indicated their willingness to continue as auditors of Mondi Limited and Mondi plc respectively. The Boards have decided that resolutions to reappoint them will be proposed at the annual general meetings of Mondi Limited and Mondi plc scheduled to be held on 6 May 2010.

The reappointment of Deloitte has the support of the DLC audit committee,

Mondi Limited

No notifications received.

Mondi plc

Name	Shares	%
Standard Life Investments Limited	36,710,965	10.00
Allan Gray Unit Trust Management Limited	18,324,760	5.00
AXA S.A.	17,210,471	4.69
Capital Research and Management Company	16,589,857	4.52
Norges Bank	14,551,540	3.96
Legal & General Assurance (Pensions Management) Limited	14,478,309	3.94
Tarl Investment Holdings Limited	12,987,806	3.54
Prudential plc	11,078,287	3.01

Additional disclosures continued

which will be responsible for determining their audit fee on behalf of the directors.

Note 3 to the financial statements sets out the auditors' fees both for audit and non-audit work.

Events occurring after 31 December 2009

With the exception of the proposed final dividend for 2009, included in note 9 to the financial statements, there have been no material reportable events since 31 December 2009.

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act 2006 can be found on pages 176 to 179 of this report.

Annual general meetings

The annual general meeting of Mondi Limited will be held at 12:00 (SA time) on Thursday 6 May 2010 at the Hyatt Regency, 191 Oxford Road, Rosebank, Johannesburg 2132, Republic of South Africa and the annual general meeting of Mondi plc will be held at 11:00 (UK time) on Thursday 6 May 2010 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notices convening each meeting, which are sent separately to shareholders, detail the business to be considered and include explanatory notes for each resolution. The notices are available on the Group's website at: www.mondigroup.com.

By order of the Boards

Philip Laubscher
Company secretary

Mondi Limited
4th Floor, No. 3 Melrose Boulevard
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PostNet Suite #444
Private Bag X1
Melrose Arch 2076
Gauteng
Republic of South Africa

Registered No. 1967/013038/06

Carol Hunt
Company secretary

Mondi plc
Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG
UK

Registered No. 6209386

22 February 2010

Directors' responsibility statement

The directors are responsible for preparing the annual report, directors' remuneration report and the financial statements in accordance with applicable law and regulations.

UK and South African company law requires the directors to prepare financial statements for each financial year.

- Under the UK Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Mondi plc parent company financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Furthermore, under UK company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.
- Under the Companies Act of South Africa, the directors are required to prepare financial statements for each financial year giving a true and fair view of the Mondi Limited parent company's and the Group's state of affairs at the end of the year and profit or loss for the year. The directors have prepared the company's financial statements and the Group's financial statements in accordance with International Financial Reporting Standards (IFRSs).

In preparing the Group's financial statements and the Mondi Limited parent company financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group and company's ability to continue as a going concern.

In preparing the Mondi plc parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the UK Companies Act 2006. They are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

David Hathorn
Director

22 February 2010

Andrew King
Director

22 February 2010

Independent auditors' report to the members of Mondi Limited

Report on the financial statements

We have audited the Group financial statements of Mondi Limited for the year ended 31 December 2009 which comprise the directors' report, the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated statement of financial position, the combined and consolidated statement of cash flows and the combined and consolidated statement of changes in equity for the year then ended, the summary of significant accounting policies and the explanatory notes 1 to 41.

Management's responsibility for the financial statements

The company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa for South African companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these Group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Group financial statements present fairly, in all material respects, the combined and consolidated financial position of the Mondi Group as at 31 December 2009, and of its combined and consolidated financial performance and its combined and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa for South African companies.

Bronwyn Kilpatrick
Partner
Sandton

22 February 2010

Deloitte & Touche
Registered Auditors
Building 1 and 2, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead, Sandton
Republic of South Africa

National Executive **GG Gelink** Chief Executive **AE Swiegers** Chief Operating Officer **GM Pinnock** Audit **DL Kennedy** Tax, Legal and Risk Advisory **L Geeringh** Consulting **L Bam** Corporate Finance **CR Beukman** Finance **TJ Brown** Clients & Markets **NT Mtoba** Chairman of the Board **CR Qually** Deputy Chairman of the Board.

A full list of partners and directors is available on request.

Independent auditors' report to the members of Mondi plc

Report on the financial statements

We have audited the Group financial statements of Mondi plc for the year ended 31 December 2009 which comprise the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated statement of financial position, the combined and consolidated statement of cash flows and the combined and consolidated statement of changes in equity and the related notes 1 to 41. The financial reporting framework that has been applied in their presentation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibility statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the UK Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the UK Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Independent auditors' report to the members of Mondi plc continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the UK Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the LSE Listings Rules we are required to review:
- the directors' statement contained within the business review in relation to going concern; and
- the part of the corporate governance report relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of Mondi plc for the year ended 31 December 2009 and on the information in the directors' remuneration report that is described as having been audited.

Panos Kakoullis (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

22 February 2010

Combined and consolidated income statement

for the year ended 31 December 2009

€ million	Notes	2009 Before special items	2009 Special items (note 5)	2009 After special items	2008 Before special items	2008 Special items (note 5)	2008 After special items
Group revenue	2	**5,257**	**–**	**5,257**	6,345	–	6,345
Materials, energy and consumables used		(2,768)	–	(2,768)	(3,384)	–	(3,384)
Variable selling expenses		(472)	–	(472)	(542)	–	(542)
Gross margin		**2,017**	**–**	**2,017**	2,419	–	2,419
Maintenance and other indirect expenses		(241)	–	(241)	(300)	–	(300)
Personnel costs	4	(838)	(24)	(862)	(926)	(41)	(967)
Other net operating expenses		(293)	(14)	(307)	(379)	(24)	(403)
Depreciation, amortisation and impairments		(351)	(90)	(441)	(373)	(293)	(666)
Operating profit/(loss)	2/3	**294**	**(128)**	**166**	441	(358)	83
Net profit/(loss) on disposals	5	–	3	3	–	(27)	(27)
Impairment of assets held for sale	5	–	(8)	(8)	–	(2)	(2)
Net income from associates	14	2	–	2	2	–	2
Total profit/(loss) from operations and associates		**296**	**(133)**	**163**	443	(387)	56
Investment income		26	–	26	15	–	15
Interest expense		(140)	–	(140)	(174)	–	(174)
Net finance costs	6	**(114)**	**–**	**(114)**	(159)	–	(159)
Profit/(loss) before tax		**182**	**(133)**	**49**	284	(387)	(103)
Tax (charge)/credit	8	(58)	6	(52)	(82)	4	(78)
Profit/(loss) from continuing operations		**124**	**(127)**	**(3)**	202	(383)	(181)
Attributable to:							
Minority interests		**29**	**1**	**30**	30	–	30
Equity holders of the parent companies		**95**	**(128)**	**(33)**	172	(383)	(211)
Earnings per share (EPS) for profit/(loss) attributable to equity holders of the parent companies							
Basic EPS (€ cents)	10			**(6.5)**			(41.6)
Diluted EPS (€ cents)	10			**(6.5)**			(41.6)
Basic underlying EPS (€ cents)	10			**18.7**			33.9
Diluted underlying EPS (€ cents)	10			**18.2**			33.4
Basic headline EPS (€ cents)	10			**11.4**			20.3
Diluted headline EPS (€ cents)	10			**11.1**			20.0

There were no discontinued operations in either of the years presented.

Financial statements

Combined and consolidated statement of comprehensive income

for the year ended 31 December 2009

€ million	Notes	**2009**	2008
Loss for the financial year		**(3)**	(181)
Other comprehensive income:			
Fair value gains/(losses) on cash flow hedges	26	26	(61)
Actuarial gains/(losses) and surplus restriction on post-retirement benefit schemes	26	7	(17)
Fair value gains/(losses) on available-for-sale investments	26	1	(1)
Exchange gains/(losses) on translation of foreign operations	26	118	(246)
Share of other comprehensive income of associates	26	1	(1)
Tax relating to components of other comprehensive income	26	(7)	17
Other comprehensive income for the financial year, net of tax	26	**146**	(309)
Total comprehensive income for the financial year		**143**	(490)
Attributable to:			
Minority interests		**39**	23
Equity holders of the parent companies		**104**	(513)

Combined and consolidated statement of financial position

as at 31 December 2009

€ million	Notes	**2009**	2008
Intangible assets	11	308	323
Property, plant and equipment	12	3,847	3,611
Forestry assets	13	251	214
Investments in associates	14	6	5
Financial asset investments	16	27	19
Deferred tax assets	24	29	36
Retirement benefits surplus	25	8	–
Total non-current assets		**4,476**	4,208
Inventories	17	617	684
Trade and other receivables	18	933	1,104
Current tax assets		16	32
Cash and cash equivalents	19	123	155
Derivative financial instruments	22	7	73
Total current assets		**1,696**	2,048
Assets held for sale	32	36	5
Total assets		**6,208**	6,261
Short-term borrowings	21	(219)	(378)
Trade and other payables	20	(1,023)	(1,035)
Current tax liabilities		(55)	(53)
Provisions	23	(40)	(25)
Derivative financial instruments	22	(32)	(38)
Total current liabilities		**(1,369)**	(1,529)
Medium and long-term borrowings	21	(1,421)	(1,467)
Retirement benefits obligation	25	(184)	(182)
Deferred tax liabilities	24	(316)	(292)
Provisions	23	(45)	(39)
Other non-current liabilities		(21)	(14)
Derivative financial instruments	22	(19)	(39)
Total non-current liabilities		**(2,006)**	(2,033)
Liabilities directly associated with assets classified as held for sale	32	(9)	(3)
Total liabilities		**(3,384)**	(3,565)
Net assets		**2,824**	2,696
Equity			
Ordinary share capital	28	114	114
Share premium	28	532	532
Retained earnings and other reserves		1,753	1,677
Total attributable to equity holders of the parent companies		**2,399**	2,323
Minority interest in equity		425	373
Total equity		**2,824**	2,696

The Group's combined and consolidated financial statements, and related notes 1 to 41, were approved by the Boards and authorised for issue on 22 February 2010 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06
Mondi plc company registration number: 6209386

Combined and consolidated statement of cash flows

for the year ended 31 December 2009

€ million	Notes	**2009**	2008
Cash generated from operations	33a	867	795
Dividends from associates	14	2	2
Income tax paid		(32)	(71)
Net cash generated from operating activities		**837**	726
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents	30	(2)	(49)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	31	54	17
Proceeds from disposal of associates	31	3	–
Purchases of property, plant and equipment	2	(517)	(693)
Proceeds from the disposal of property, plant and equipment		11	29
Investment in forestry assets	13	(40)	(43)
Purchase of intangible assets	11	(5)	(7)
Purchases of financial asset investments	16	(7)	(2)
Proceeds from the sale of financial asset investments		–	1
Loan repayments from related parties	16	1	–
Loan repayments from external parties	16	1	1
Interest received		8	28
Other investing activities		1	8
Net cash used in investing activities		**(492)**	(710)
Cash flows from financing activities			
Repayment of short-term borrowings	33c	(288)	(214)
Proceeds from medium and long-term borrowings	33c	38	543
Interest paid		(163)	(169)
Dividends paid to minority interests	9	(9)	(20)
Dividends paid to equity holders of the parent companies	9	(39)	(118)
Purchase of treasury shares		(1)	(15)
Contribution by minorities		27	–
Net realised gain on cash and asset management swaps		67	4
Other financing activities		4	(3)
Net cash (used in)/generated from financing activities		**(364)**	8
Net (decrease)/increase in cash and cash equivalents		**(19)**	24
Cash and cash equivalents at beginning of year[1]		75	59
Cash movement in the year	33c	(19)	24
Cash acquired through business combinations	33c	–	3
Cash disposed through disposal of businesses	33c	(2)	–
Reclassifications	33c	(19)	(2)
Effects of changes in foreign exchange rates	33c	2	(9)
Cash and cash equivalents at end of year[1]		**37**	75

Note:

[1] 'Cash and cash equivalents' includes overdrafts and cash flows from disposal groups and is reconciled to the statement of financial position in note 33b.

Combined and consolidated statement of changes in equity

for the year ended 31 December 2009

€ million	Share capital: Mondi Limited share capital	Mondi Limited share premium	Mondi plc share capital	Combined share capital and share premium	Retained earnings	Other reserves[1]	Total attributable to equity holders of the parent companies	Minority interests	Total equity
At 1 January 2008	11	532	103	646	2,154	163	2,963	373	3,336
Dividends paid	–	–	–	–	(118)	–	(118)	(20)	(138)
Total comprehensive income for the year	–	–	–	–	(211)	(302)	(513)	23	(490)
Issue of shares under employee share schemes	–	–	–	–	7	(7)	–	–	–
Purchase of treasury shares[2]	–	–	–	–	(15)	–	(15)	–	(15)
Share options exercised – Anglo American share scheme	–	–	–	–	(3)	–	(3)	–	(3)
Disposal of businesses	–	–	–	–	(1)	–	(1)	–	(1)
Minority share dilution	–	–	–	–	(4)	–	(4)	4	–
Adjustments to minority share in the net asset values of business acquisitions	–	–	–	–	–	–	–	(3)	(3)
Minorities bought out	–	–	–	–	–	–	–	(3)	(3)
Other	–	–	–	–	–	14	14	(1)	13
At 31 December 2008	11	532	103	646	1,809	(132)	2,323	373	2,696
Dividends paid	–	–	–	–	(39)	–	(39)	(9)	(48)
Total comprehensive income for the year	–	–	–	–	(33)	137	104	39	143
Issue of shares under employee share schemes	–	–	–	–	19	(19)	–	–	–
Purchase of treasury shares[2]	–	–	–	–	(1)	–	(1)	–	(1)
Reclassifications	–	–	–	–	(12)	15	3	(3)	–
Minorities buy in	–	–	–	–	–	–	–	27	27
Minorities bought out	–	–	–	–	–	–	–	(3)	(3)
Other	–	–	–	–	–	9	9	1	10
At 31 December 2009	**11**	**532**	**103**	**646**	**1,743**	**10**	**2,399**	**425**	**2,824**

Notes:

1 Other reserves are analysed further below.

2 The treasury shares purchased represents the cost of shares in Mondi Limited and Mondi plc purchased in the market and held by the Mondi Incentive Schemes Trust and the Mondi Employee Share Trust respectively to satisfy options under the Group's share option schemes (see note 29). The number of ordinary shares held by the Mondi Incentive Schemes Trust and the Mondi Employee Share Trust at 31 December 2009 was 53,700 and 5,087,561 shares respectively (2008: 115,000 and 7,943,115 respectively) at an average price of R35.71 and £4.05 per share respectively (2008: R47.51 and £3.95 per share respectively).

Combined and consolidated statement of changes in equity continued

€ million	Share-based payment reserve	Cumulative translation adjustment reserve	Available-for-sale reserve	Cash flow hedge reserve	Post-retirement benefit reserve	Merger reserve	Other reserves	Total
	Other reserves[1]							
At 1 January 2008	13	(88)	–	4	(22)	259	(3)	163
Total comprehensive income for the year	–	(248)	(1)	(39)	(14)	–	–	(302)
Mondi share schemes' charge	18	–	–	–	–	–	–	18
Issue of shares under employee share schemes	(7)	–	–	–	–	–	–	(7)
Call option issued	–	–	–	–	–	–	(4)	(4)
At 31 December 2008	24	(336)	(1)	(35)	(36)	259	(7)	(132)
Total comprehensive income for the year	–	114	1	16	6	–	–	137
Mondi share schemes' charge	8	–	–	–	–	–	–	8
Issue of shares under employee share schemes	(19)	–	–	–	–	–	–	(19)
Minority put option issued	–	–	–	–	–	–	1	1
Reclassifications	–	–	–	–	2	–	13	15
At 31 December 2009	**13**	**(222)**	**–**	**(19)**	**(28)**	**259**	**7**	**10**

Note:

[1] All movements in other reserves are disclosed net of minority interests. The movements in minority interests as a direct result of the movements in other reserves for the year ended 31 December 2009 are as follows – increase in minority interests related to total comprehensive income for the year of €9 million (2008: decrease of €7 million) and a decrease in minority interests related to the call option issued of €nil (2008: €1 million).

Notes to the combined and consolidated financial statements

for the year ended 31 December 2009

1 Accounting policies

Basis of preparation

The Group's combined and consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB). There are no differences for the Group in applying IFRS as issued by the IASB and the European Union (EU) and therefore the Group also complies with IFRS as endorsed by the EU. The financial statements have been prepared on a going concern basis. This is discussed in the business review under the heading 'Going Concern'.

Basis of consolidation

Dual listed structure

The Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a dual listed company (DLC) structure. The substance of the DLC structure is such that Mondi Limited, and its subsidiaries, and Mondi plc, and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc are reported on a combined and consolidated basis as a single reporting entity under IFRS.

Subsidiary undertakings

The combined and consolidated financial statements incorporate the assets, liabilities, equity, revenues, expenses and cash flows of Mondi Limited and Mondi plc, and of their respective subsidiary undertakings drawn up to 31 December each year. All intra-group balances, transactions, income and expenses are eliminated in full. Subsidiary undertakings are those entities over which the Group has the power, directly or indirectly, to govern operating and financial policy in order to gain economic benefits.

The results of subsidiaries acquired or disposed of during the years presented are included in the combined and consolidated income statement from the effective date of gaining control or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into alignment with those used by the Group.

The interest of minority shareholders is initially stated as the minority's proportion of the fair values of the assets and liabilities recognised on acquisition. Subsequently, any losses applicable to the minority interest in excess of the minority interest's capital are allocated against the interests of the Group. Should future profits accrue to any such loss-making entity, the Group will recover the losses incurred on behalf of the minority interest. Once the losses are fully recovered, future profits will become allocable to the minority interest concerned.

Associates

Associates are investments over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Typically, the Group owns between 20% and 50% of the voting equity of its associates. Investments in associates are accounted for using the equity method of accounting except when classified as held for sale.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Where the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition exceeds the cost of the acquisition, the surplus, which represents the discount on the acquisition, is credited to the combined and consolidated income statement in the year of acquisition.

The Group's share of associates' net income, presented net of tax, is based on financial statements drawn up to reporting dates that are either coterminous with that of the Group's or no more than three months prior to that date. Where reporting dates are not coterminous, adjustments are made to an associate's net income for the effects of significant transactions or events that occur after the associate's reporting date.

The total carrying values of investments in associates represent the cost of each investment including the carrying value of goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long-term debt interests which in substance form part of the Group's net investment. The carrying values of associates are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the year in which those circumstances are identified. The Group's share of an associate's losses in excess of its interest in that associate is not recognised unless the Group has an obligation to fund such losses.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

1 Accounting policies (continued)

Joint venture entities

A joint venture entity is an entity in which the Group holds a long-term interest and shares joint control over the strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

The Group's share of the assets, liabilities, income, expenditure and cash flows of jointly controlled entities are accounted for using proportionate consolidation. Proportionate consolidation combines the Group's share of the results of the joint venture entity on a line-by-line basis with similar items in the Group's combined and consolidated financial statements.

Revenue recognition

Sale of goods

Revenue is derived principally from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have passed. This is when title and insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location.

Sale of green energy and CO_2 credits

Revenues generated from the sale of green energy and excess CO_2 credits issued under international schemes are recorded as income within 'other net operating expenses' in the combined and consolidated income statement when ownership rights pass to the buyer.

Investment income

Interest income, which is derived from cash and cash equivalents, available-for-sale investments, and loans and receivables, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Operating profit

Operating profit is stated after charging restructuring costs but before the share of results of associates, investment income and finance costs.

Business combinations and goodwill arising thereon

Identifiable net assets

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint venture or an associate, which can be measured reliably, are recorded at their provisional fair values. Provisional fair values are finalised within 12 months of the acquisition date.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs are also included in the cost of a business combination.

Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Goodwill in respect of subsidiaries and joint ventures is included within intangible assets. Goodwill relating to associates is included within the carrying value of associates.

1 Accounting policies (continued)

Where the fair values of the identifiable net assets acquired exceed the cost of the acquisition, the surplus, which represents the discount on the acquisition (negative goodwill), is credited to the combined and consolidated income statement in the year of acquisition.

For non-wholly owned subsidiaries, minority interests are initially recorded at the minorities' proportion of the fair values for the assets and liabilities recognised at acquisition.

Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the Boards for internal management purposes. The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when such events or changes in circumstances indicate that it may be impaired.

Any impairment is recognised immediately in the combined and consolidated income statement. Impairments of goodwill are not subsequently reversed.

Non-current non-financial assets excluding goodwill, deferred tax and retirement benefits surplus

Property, plant and equipment

Property, plant and equipment comprise land and buildings, property, plant and equipment and assets in the course of construction.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes all costs incurred in bringing the plant to the location and condition for its intended use and includes financing costs, up to the date of commissioning.

Depreciation is charged so as to write off the cost of assets, other than land, and assets in the course of construction, over their estimated useful lives.

Assets in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated down to their residual values at varying rates, on the straight-line basis over their estimated useful lives. Estimated useful lives normally vary between three years and 20 years for items of plant and equipment to a maximum of 50 years for buildings.

Residual values and useful economic lives are reviewed at least annually.

Assets held under finance leases are capitalised at the lower of cash cost and the present value of minimum lease payments at the inception of the lease. These assets are depreciated over the shorter of the lease term and the expected useful lives of the assets.

Licences, other intangibles and research and development expenditure

Licences and other intangibles are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and ten years.

Research expenditure is written off in the year in which it is incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. The amount of development costs, if applicable, that is recognised as an asset is amortised on a systematic basis over the economic life of the related development or five years, whichever is shorter. If a project is abandoned during the development stage, the total accumulated expenditure is written off.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies (continued)

The recoverable amount of the asset, or cash-generating unit, is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows generated by the asset are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment is recognised immediately as an expense. Where an impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the combined and consolidated income statement immediately.

Owned forestry assets

Owned forestry assets are measured at fair value. The fair value is calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The estimated volume of timber on hand is calculated by applying the mean annual increment for each age class, by species, to the area under afforestation. The product of these is then adjusted to present value by applying a current market determined pre tax discount rate. Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Plantations are considered harvestable after a specific age depending on the species planted and regional considerations.

Changes in fair value are recognised in the combined and consolidated income statement within ‘other net operating expenses’. At point of felling, the carrying value of forestry assets is transferred to inventory.

Directly attributable costs incurred during the year of biological growth and purchases of standing timber are capitalised and presented within cash flows from investing activities in the combined and consolidated statement of cash flows.

Non-current assets held for sale and discontinued operations

Non-current assets, and disposal groups, classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets, and disposal groups, are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when it is highly probable and the asset, or disposal group, is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment is reported through the combined and consolidated income statement as a special item. On classification as held for sale, the assets are no longer depreciated. Comparative amounts are not adjusted.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that have been sold or are part of a single co-ordinated plan for disposal, or represent a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated.

Current non-financial assets

Inventory

Inventory and work-in-progress are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) or weighted average cost basis, as appropriate. Cost comprises direct materials and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

1 Accounting policies (continued)

Retirement benefits

The Group operates both defined benefit and defined contribution schemes for its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution schemes, the amount charged to the combined and consolidated income statement is the contributions paid or payable during the year.

Defined benefit and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, full actuarial valuations are carried out every three years using the projected unit credit method and updates are performed for each financial year end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds of a suitable duration and currency. Pension plans' assets are measured using year end market values.

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in equity. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The expected return on plan assets and the expected increase during the year in the present value of plan liabilities are included in investment income and interest expense respectively.

Past service cost is recognised immediately to the extent that the benefits are already vested or is amortised on a straight-line basis over the period until the benefits become vested.

The retirement benefits obligation recognised in the combined and consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset (retirement benefits surplus) resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the relevant Group's schemes.

Tax

The tax expense represents the sum of the current tax charge, the movement in deferred tax and the South African Secondary Tax on Companies (STC), which is a tax charge on dividends declared.

Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the combined and consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The Group pays STC on dividends declared net of dividends received, based on the applicable STC rate.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Group's combined and consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

1 Accounting policies (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the combined and consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Rental costs under operating leases are charged to the combined and consolidated income statement in equal annual amounts over the lease term.

Finance leases

Assets held under finance leases are recognised as assets of the Group on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is charged against profit so as to produce a constant yearly rate of interest on the remaining balance of the liability, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's general policy on borrowing costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Restoration, decommissioning and environmental costs

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a plant or landfill site. Such costs arising from the installation of plant and other site preparation work, discounted to their present value, are provided for and capitalised at the start of each project, or as soon as the obligation to incur such costs arises. These costs are charged against profit over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their present values and charged against profits as the obligation arises.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the combined and consolidated income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy for impairment testing.

Government grants

Government grants relating to capital expenditure projects are treated as deferred income and released to the combined and consolidated income statement over the expected useful lives of the assets for which the government grants are provided.

1 Accounting policies (continued)

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions by companies comprising the Group are recorded in their functional currencies at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the combined and consolidated income statement for the year and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

Translation of overseas operations

The Group's results are presented in euros (the Group's presentation currency), the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates at the dates of transactions. Exchange differences arising, if any, are recognised directly in equity. Such translation differences are recognised as income or expenses in the period in which overseas operations are disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate.

Share-based payments

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the combined and consolidated income statement, with a corresponding adjustment to equity.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's combined and consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial asset investments

Investments, other than investments in subsidiaries, joint ventures and associates, are either classified as available-for-sale or loans and receivables.

Available-for-sale investments are initially recorded at fair value. They are subsequently remeasured at each reporting date to fair value. Any unrealised gains and losses are deferred in equity until an investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is included in the combined and consolidated income statement.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the combined and consolidated statement of financial position. Cash and cash equivalents in the combined and consolidated statement of cash flows and in the presentation of net debt are reflected net of overdrafts.

1 Accounting policies (continued)

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less allowance for any impairment as appropriate. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, where the time value of money has a material impact, discounted at the effective interest rate computed at initial recognition.

Trade payables

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Bank borrowings

Interest bearing bank loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the combined and consolidated income statement over the term of the borrowings using the effective interest rate method.

Net debt

Net debt is a non-GAAP measure and consists of short-term, medium and long-term borrowings, bank overdrafts less cash and cash equivalents and current financial asset investments.

Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

Derivative financial instruments and hedge accounting

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risk. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the combined and consolidated statement of financial position within 'derivative financial instruments', and, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative. Derivatives that are not designated as hedges are classified as current, in accordance with IAS 1, 'Presentation of Financial Statements', even when their actual maturity is expected to be greater than one year.

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in the combined and consolidated income statement and are classified within 'Operating profit' or 'Net finance costs', depending on the type of risk that the derivative relates to.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the combined and consolidated income statement in the same year in which the hedged item affects profit or loss on a proportionate basis.

1 Accounting policies (continued)

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the combined and consolidated income statement. Gains or losses from remeasuring the associated derivative are also recognised in the combined and consolidated income statement.

Ineffective, expired, sold, terminated or exercised hedging instruments

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the combined and consolidated income statement. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the combined and consolidated income statement.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the combined and consolidated income statement.

Equity instruments, share issue costs, treasury shares and dividend payments

Equity instruments

An equity instrument is any contract which evidences a residual interest in the net assets of an entity. A financial instrument is treated by the Group as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on unfavourable terms; and
- the instrument is either a non-derivative which contains no contractual obligation to deliver a variable number of shares, or is a derivative which will be settled only by the Group exchanging a fixed amount of cash or other financial assets, for a fixed number of its own equity instruments.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of applicable tax, from the proceeds. An incremental share issue cost is one which would not have arisen if shares had not been issued.

Treasury shares

The purchase by any Group entity of either Mondi Limited's or Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of either Mondi Limited or Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments

Dividend distributions to Mondi Limited's and Mondi plc's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by both Mondi Limited's and Mondi plc's ordinary equity holders at their respective annual general meetings and interim dividends are recognised when approved by the Boards.

Special items

Special items are those material items of financial performance that the Group believes should be separately disclosed on the face of the combined and consolidated income statement to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items are material by nature or amount to the financial year's results and require separate disclosure in accordance with IAS 1. Special items that relate to the operating performance of the Group are classified as special operating items and include material impairment charges and material reversals of impairments and other items including material restructuring costs. Non-operating special items include profits and losses on disposal of investments in subsidiaries, associates and joint ventures.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

1 Accounting policies (continued)

Earnings per share (EPS)

Basic EPS

Basic EPS is calculated by dividing net profit attributable to ordinary equity holders of the parent companies by the weighted average number of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares. For this purpose, net profit is defined as the profit after tax and special items attributable to equity holders of the parent companies.

Diluted EPS

For diluted EPS, the weighted average number of Mondi Limited and Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease EPS. The effect of anti-dilutive potential shares is excluded from the calculation of diluted EPS.

Underlying and headline EPS

Underlying EPS excludes the impact of special items and is a non-GAAP measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the JSE Listings Requirements and is not necessarily a measure of sustainable earnings. It is calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Segmental reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-making body. The chief operating decision-making body, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive committee.

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Group

There were no Standards or Interpretations early adopted by the Group in the current year.

Standards, amendments to published Standards and Interpretations effective during 2009

Standard	Annual periods beginning on or after	Impact on the Group
IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards	1 January 2009	No impact on the Group.
IFRS 2 (AC139) – Share-based Payment	1 January 2009	The impact on the Group is that non-market vesting conditions, other than service and performance conditions, which have always been included in assumptions about the number of awards that are expected to vest, have now been included in the estimate of the fair value of the share awards granted. The amendment did not have a material impact on the Group.
IFRS 7 (AC 144) – Financial Instruments: Disclosures	1 January 2009	No impact on the Group.
IFRS 8 (AC 145) – Operating Segments	1 January 2009	The impact of the changes is of a presentational and disclosure nature, resulting in minor presentation changes with the reportable segments remaining unchanged.

1 Accounting policies (continued)

Standard	Annual periods beginning on or after	Impact on the Group
IAS 1 (AC 101) – Presentation of Financial Statements	1 January 2009	The impact of the changes is of a presentational and disclosure nature, with the most significant impact being the replacement of the statement of recognised income and expense by a statement of comprehensive income and the presentation of a complete statement of changes in equity. The financial results have not been impacted in any way. There has been no impact on the Group resulting from held for trading derivatives reclassified from current liabilities to non-current liabilities.
IAS 7 (AC 118) – Statement of Cash Flows	1 January 2009	The Group does not routinely sell items of property, plant and equipment which it holds for rentals to others and thus the amendment did not have any impact on the Group.
IAS 8 (AC 103) – Accounting Policies, Changes in Accounting Policies and Errors	1 January 2009	No impact on the Group.
IAS 10 (AC 107) – Events after the Balance Sheet Date	1 January 2009	No impact on the Group.
IAS 16 (AC 123) – Property, Plant and Equipment	1 January 2009	The Group does not routinely sell items of property, plant and equipment which it holds for rentals to others and thus the amendment did not have any impact on the Group.
IAS 18 (AC 111) – Revenue	1 January 2009	No material impact on the Group.
IAS 19 (AC 116) – Employee Benefits	1 January 2009	No material impact on the Group.
IAS 20 (AC 134) – Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009	The amendment did not have an impact on the Group's reported results as the Group does not receive loans from Government at below market interest rates.
IAS 21 (AC 112) – The Effects of Changes in Foreign Exchange Rates	1 January 2009	No material impact on the Group.
IAS 23 (AC 114) – Borrowing Costs	1 January 2009	The Group's accounting policy already stipulates that such borrowing costs are capitalised, and consequently, this amendment has no impact on the Group.
IAS 27 (AC 132) – Consolidated and Separate Financial Statements	1 January 2009	No material impact on the Group.
IAS 28 (AC 110) – Investments in Associates	1 January 2009	No material impact on the Group.
IAS 29 (AC 124) – Financial Reporting in Hyperinflationary Economies	1 January 2009	No material impact on the Group.
IAS 31 (AC 119) – Interests in Joint Ventures	1 January 2009	No material impact on the Group.

1 Accounting policies (continued)

Standard	Annual periods beginning on or after	Impact on the Group
IAS 32 (AC 125) – Financial Instruments: Presentation	1 January 2009	No material impact on the Group.
IAS 34 (AC 127) – Interim Financial Reporting	1 January 2009	The impact of the changes are of a presentational and disclosure nature, with the most significant impact being the replacement of the statement of recognised income and expense by a statement of comprehensive income and the presentation of a complete statement of changes in equity. Furthermore, earnings per share information has been disclosed in the income statement. The financial results have not been impacted in any way.
IAS 36 (AC 128) – Impairment of Assets	1 January 2009	No material impact on the Group.
IAS 38 (AC 129) – Intangible Assets	1 January 2009	No material impact on the Group.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 January 2009	No material impact on the Group.
IAS 40 (AC 135) – Investment Property	1 January 2009	No impact on the Group.
IAS 41 (AC 137) – Agriculture	1 January 2009	No impact on the Group.
IFRIC 13 (AC 446) – Customer Loyalty Programmes	1 July 2008	No impact on the Group.
IFRIC 15 (AC 448) – Agreements for the Construction of Real Estate	1 January 2009	No impact on the Group.
IFRIC 16 (AC 449) – Hedges of a Net Investment in a Foreign Operation	1 October 2008	No impact on the Group.

Amendments to IAS 39 (AC 133), 'Financial Instruments: Recognition and Measurement' and IFRIC 9 (AC 442), 'Reassessment of Embedded Derivatives', are effective for annual periods ending on or after 30 June 2009. The amendments were a direct result of the previous amendment to IAS 39 (AC 133), 'Financial Instruments: Recognition and Measurement', and IFRS 7 (AC 144), 'Financial Instruments: Disclosures', dealing with the reclassification of certain financial assets out of the fair value through profit and loss category. The current amendments prohibit the reclassification of the host contract out of the fair value through profit and loss category if an entity is unable to separately measure the embedded derivative associated with the host contract on reclassification. The amendment did not have an impact on the Group.

Circular 3/2009, 'Headline Earnings' issued by the South African Institute of Chartered Accountants is effective for all financial periods (interim and/or annual periods) ending on or after 31 August 2009. This circular supersedes Circular 8/2007 as it updated Circular 8/2007 with the amendments and revisions to International Financial Reporting Standards issued between June 2007 and April 2009. The amendments did not have a material impact on the Group's headline earnings information.

1 Accounting policies (continued)

Standards, amendments to published Standards and Interpretations that are not yet effective and have not been early adopted by the Group

Standard	Annual periods beginning on or after	Impact on the Group
IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards	1 July 2009	No impact on the Group.
IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards	1 January 2010	No impact on the Group.
IFRS 2 (AC 139) – Share-based Payment	1 July 2009	No impact on the Group.
IFRS 2 (AC 139) – Share-based Payment	1 January 2010	No impact on the Group.
IFRS 3 (AC 140) – Business Combinations	1 July 2009	There will be no impact with regards to existing business combinations. The Group is unable to assess the impact of the application of the Standard in future as such an assessment can only be made on the basis of each individual business combination as and when it occurs.
IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations	1 July 2009	No material impact on the Group.
IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations	1 January 2010	No material impact on the Group.
IFRS 8 (AC 145) – Operating Segments	1 January 2010	No impact on the Group.
IAS 1 (AC 101) – Presentation of Financial Statements	1 January 2010	No material impact on the Group.
IAS 7 (AC 118) – Statement of Cash Flows	1 July 2009	The amendment is unlikely to impact the Group's results in the period of initial adoption, unless there is a transaction whereby control is changed but not lost.
IAS 7 (AC 118) – Statement of Cash Flows	1 January 2010	No impact on the Group.
IAS 10 (AC 107) – Events after the Balance Sheet Date	1 July 2009	No material impact on the Group.
IAS 12 (AC 102) – Income Taxes	1 July 2009	No material impact on the Group.
IAS 17 (AC 105) – Leases	1 January 2010	No material impact on the Group.
IAS 18 (AC 111) – Revenue	1 January 2010	No impact on the Group.
IAS 27 (AC 132) – Consolidated and Separate Financial Statements	1 July 2009	Unlikely to have a material impact on the Group, however the main possible impact of the revision is the absorption of losses by non-controlling interests which will increase the profit or loss attributable to equity holders of the Group if there are losses realised in subsidiaries. The change in level of control is unlikely to impact the financial results of the Group because the Group currently accounts for transactions where control is not lost as equity transactions.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

1 Accounting policies (continued)

Standard	Annual periods beginning on or after	Impact on the Group
IAS 28 (AC 110) – Investments in Associates	1 July 2009	No material impact on the Group.
IAS 31 (AC 119) – Interests in Joint Ventures	1 July 2009	No material impact on the Group.
IAS 36 (AC 128) – Impairment of Assets	1 January 2010	No material impact on the Group.
IAS 38 (AC 129) – Intangible Assets	1 July 2009	No material impact on the Group.
IAS 38 (AC 129) – Intangible Assets	1 January 2010	No material impact on the Group.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 July 2009	No material impact on the Group.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 January 2010	No impact on the Group.
IFRIC 9 (AC 442) – Reassessment of Embedded Derivatives	1 July 2009	No material impact on the Group.
IFRIC 16 (AC 449) – Hedges of a Net Investment in a Foreign Operation	1 July 2009	The Group does not hedge net investments in foreign operations, thus the amendment is expected to have no impact on the Group.
IFRIC 17 (AC 450) – Distributions of Non-cash Assets to Owners	1 July 2009	No impact on the Group.
IFRIC 18 (AC 451) – Transfers of Assets from Customers	1 July 2009	No impact on the Group.

Accounting estimates and critical judgements

The preparation of the Group's combined and consolidated financial statements includes the use of estimates and assumptions which affect certain items reported in the combined and consolidated statement of financial position and the combined and consolidated income statement. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are disclosed below.

Estimated residual values and useful economic lives

The carrying values of certain tangible fixed assets are sensitive to assumptions relating to projected residual values and useful economic lives, which determine the depreciable amount and the rate at which capital expenditure is depreciated respectively. The Group reassesses these assumptions at least annually or more often if there are indications that they require revision. Estimated residual values are based on available secondary market prices as at the reporting date unless estimated to be zero. Useful economic lives are based on the expected usage, wear and tear, technical or commercial obsolescence and legal limits on the usage of capital assets.

Estimated impairment of goodwill and tangible fixed assets

For the year ended 31 December 2009 the Group incurred asset impairment costs of €88 million (2008: €106 million) and goodwill impairment costs of €12 million (2008: €194 million).

The Group assesses annually whether goodwill and tangible fixed assets have suffered any impairment, in accordance with the stated Group accounting policy. The recoverable amounts of goodwill allocated to cash-generating units and tangible fixed assets are determined based on value-in-use calculations, which require the exercise of management's judgement across a limited range of input assumptions and estimates. The principal assumptions used relate to the time value of money and expected future cash flows.

The Group assesses annually whether there are any indications that items of property, plant and equipment, including assets in the course of construction, have suffered any impairment. Indications of impairment are inherently judgemental and may require management to assess both internal and external sources of information.

1 Accounting policies (continued)

Fair value of owned forestry assets

For the year ended 31 December 2009 the Group recorded a fair value adjustment of €28 million (2008: €46 million). Forestry assets at 31 December 2009 totalled €251 million (2008: €214 million).

The Group determines the fair value based on the present value of expected net cash flows arising from its owned forestry assets discounted at a current market determined pre tax rate. Management exercises judgement in the determination of the appropriate discount rate to apply and in the estimation of future net cash flows. Future net cash flows are dependent upon inputs such as rotation age and net selling prices.

Retirement benefits

At 31 December 2009 the retirement benefits asset was €8 million (2008: €nil) and the retirement benefits obligation was €184 million (2008: €182 million).

The Group's scheme liabilities are sensitive to changes in various underlying actuarial assumptions set by management. These assumptions include the discount and inflation rates to apply to scheme liabilities, the mortality rates to apply to scheme members, the long-term medical cost trend rates to apply to medical schemes and the rates of increase of future salaries. Further details regarding the assumptions are set out in note 25.

2 Operating segments

Identification of the Group's externally reportable operating segments

The Group's externally reportable segments reflect the internal reporting structure of the Group, which is the basis on which resource allocation decisions are made by management in the attainment of strategic objectives. The Group operates under two primary geographic regions reflecting its South African activities and assets, and its international, principally European, activities and assets. These broad geographic regions are further split by product segments reflecting the management of the Group. In addition the Group manages Mondi Packaging South Africa and the Merchant & Newsprint businesses separately and therefore these have been presented as separate segments.

Product revenues

The material product types from which the Group's externally reportable segments derive both their internal and external revenues are presented as follows:

Operating segments	Internal revenues[1]	External revenues
Europe & International		
Uncoated Fine Paper	– Uncoated fine paper – Pulp – Newsprint	– Uncoated fine paper – Pulp – Newsprint
Corrugated	– Corrugated products	– Corrugated products
Bags & Specialities	– Kraft paper & bags	– Kraft paper & bags – Specialities
South Africa		
Uncoated Fine Paper	– Uncoated fine paper – Pulp	– Uncoated fine paper – Pulp – Woodchips
Containerboard	– Corrugated products	– Corrugated products
Mondi Packaging South Africa	– Corrugated products – Recycled fibre	– Corrugated products
Merchant & Newsprint businesses	– Newsprint	– Merchanting – Newsprint

Note:

[1] The Group operates a vertically-integrated structure in order to benefit from economies of scale and to more effectively manage the risk of adverse price movements in key input costs. Internal revenues are therefore generated across the supply chain.

for the year ended 31 December 2009

2 Operating segments (continued)

Measurement of operating segment revenues, profit or loss, assets and non-current non-financial assets

Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed under IFRS 8 adhere to the recognition and measurement criteria presented in the Group's accounting policies. In addition, the Group has presented certain non-GAAP measures by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of retirement benefits surpluses and deficits on an appropriate basis. The measure of segment results exclude, however, the financing effects of the Group's defined benefit pension plans. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results, however, includes the effects of certain movements in these unallocated balances.

The Group's geographic analysis is presented on the following level:

- continental; or
- sub-continental; or
- by individual country (if greater than 10% of the Group total).

Operating segment revenues

Internal and external segment revenues are presented, and reconciled to Group revenue, as follows:

	2009			2008		
€ million	**Segment revenue**	**Internal revenue**[1]	**External revenue**[2]	Segment revenue	Internal revenue[1]	External revenue[2]
Europe & International						
Uncoated Fine Paper	1,351	(130)	1,221	1,565	(174)	1,391
Corrugated	1,041	(36)	1,005	1,555	(58)	1,497
Bags & Specialities	1,787	(24)	1,763	2,138	(22)	2,116
Intra-segment elimination	(80)	80	–	(99)	99	–
Total Europe & International	4,099	(110)	3,989	5,159	(155)	5,004
South Africa						
Uncoated Fine Paper	386	(120)	266	474	(174)	300
Containerboard	121	(119)	2	134	(132)	2
Intra-segment elimination	(29)	29	–	(21)	21	–
Total South Africa	478	(210)	268	587	(285)	302
Mondi Packaging South Africa	498	(25)	473	474	(27)	447
Merchant & Newsprint businesses	528	(1)	527	593	(1)	592
Segments total	**5,603**	**(346)**	**5,257**	6,813	(468)	6,345
Inter-segment elimination	(346)	346	–	(468)	468	–
Group total	**5,257**	**–**	**5,257**	6,345	–	6,345

Notes:

1 Inter-segment transactions are conducted on an arm's length basis.

2 The description of each business segment reflects the nature of the main products they sell. In certain instances the business segments sell minor volumes of other products and due to this reason the external segment revenues will not necessarily reconcile to the external revenues by each type of product presented below.

2 Operating segments (continued)

The Group's external revenues for each type of product are presented as follows:

€ million	2009	2008
Products		
Corrugated products	1,357	1,849
Uncoated fine paper	1,195	1,313
Kraft paper & bags	886	1,066
Specialities	731	854
Merchanting	468	487
Newsprint	208	162
Pulp	129	160
Woodchips	61	105
Other[1]	222	349
Group total	**5,257**	6,345

Note:

1 Revenues derived from product types that are not material are classed as other.

An analysis of the Group's external revenues attributed to the countries, where material, and the continents in which external customers are located, is presented as follows[1]:

€ million	2009	2008
Revenues		
Africa		
South Africa[2]	644	616
Rest of Africa	196	251
Africa total	840	867
Western Europe		
Germany	641	745
United Kingdom[2]	367	483
Rest of Western Europe	1,292	1,704
Western Europe total	2,300	2,932
Emerging Europe	1,105	1,326
Russia	387	430
North America	157	183
South America	17	31
Asia and Australia	451	576
Group total	**5,257**	6,345

Notes:

1 Revenues by customer location are presented since the Group believes that this provides useful additional information for the user of the Group's combined and consolidated financial statements.

2 These revenues, which total €1,011 million (2008: €1,099 million), are attributable to the countries in which the Group's parent entities are domiciled.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

2 Operating segments (continued)

An analysis of the Group's external revenues attributed to the countries, where material, and the continents from which revenues are derived, is presented as follows:

€ million	**2009**	2008
Revenues		
Africa		
South Africa[1]	948	1,015
Rest of Africa	13	15
Africa total	961	1,030
Western Europe		
Austria	1,010	1,226
United Kingdom[1]	244	344
Rest of Western Europe	855	1,202
Western Europe total	2,109	2,772
Emerging Europe	1,413	1,691
Russia	519	569
North America	104	120
Asia and Australia	151	163
Group total	**5,257**	6,345

Note:

[1] These revenues, which total €1,192 million (2008: €1,359 million), are attributable to the countries in which the Group's parent entities are domiciled.

There are no external customers which account for more than 10% of the Group's total external revenue.

2 Operating segments (continued)

Operating segment operating profit/(loss)

Segment operating profits/(losses) are presented, and reconciled to Group profit/(loss) before tax, as follows:

€ million	Segment operating profit/(loss) before special items[1] 2009	2008	Segment operating profit/(loss) after special items[1/2] 2009	2008
Europe & International				
Uncoated Fine Paper	146	126	144	98
Corrugated	23	49	(27)	(62)
Bags & Specialities	82	159	34	(58)
Total Europe & International	251	334	151	(22)
South Africa				
Uncoated Fine Paper	16	75	(6)	75
Containerboard	16	36	16	36
Total South Africa	32	111	10	111
Mondi Packaging South Africa	36	28	43	28
Merchant & Newsprint businesses	12	7	–	7
Corporate & other businesses	(37)	(39)	(38)	(41)
Segments total	**294**	441	**166**	83
Net profit/(loss) on disposals (see note 5)	–	–	3	(27)
Impairment of assets held for sale (see note 5)	–	–	(8)	(2)
Net income from associates (see note 14)	2	2	2	2
Net finance costs (see note 6)	(114)	(159)	(114)	(159)
Group profit/(loss) before tax from continuing operations	**182**	284	**49**	(103)

Notes:

[1] Management reviews underlying segment operating profit/(loss) on a regular basis as part of the resource allocation decision-making process and the ongoing assessment of segment performance. Accordingly, segment underlying operating profits/(losses) are presented here. Segment profits/(losses) stated after operating special items are also presented since the Group believes that this provides useful additional information for the user of the Group's combined and consolidated financial statements.

[2] Special items are disclosed per operating segment in note 5.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

2 Operating segments (continued)

The significant components of operating profit/(loss), as stated before operating special items, are presented by segment as follows:

€ million	Depreciation and amortisation 2009	Depreciation and amortisation 2008	Rentals under operating leases 2009	Rentals under operating leases 2008
Europe & International				
Uncoated Fine Paper	93	95	7	4
Corrugated	64	82	25	32
Bags & Specialities	107	112	10	12
Total Europe & International	264	289	42	48
South Africa				
Uncoated Fine Paper	36	34	5	7
Containerboard	8	7	–	–
Total South Africa	44	41	5	7
Mondi Packaging South Africa	26	25	7	8
Merchant & Newsprint businesses	16	17	7	7
Corporate & other businesses	1	1	1	1
Group and segments total	**351**	373	**62**	71

€ million	Green energy sales and disposal of emissions credits 2009	Green energy sales and disposal of emissions credits 2008	Fair value gains on owned forestry assets 2009	Fair value gains on owned forestry assets 2008
Europe & International				
Uncoated Fine Paper	4	4	–	–
Corrugated	21	23	–	–
Bags & Specialities	22	26	–	–
Total Europe & International	47	53	–	–
South Africa				
Uncoated Fine Paper	–	–	28	46
Total South Africa	–	–	28	46
Group and segments total	**47**	53	**28**	46

Other than depreciation and amortisation, and fair value movements on forestry assets which are disclosed above, there are no other significant non-cash items recorded within Group operating profit/(loss) as stated before operating special items.

2 Operating segments (continued)

Segment assets and liabilities

Segment assets, liabilities and net assets are presented, and reconciled to their respective Group totals, as follows:

€ million	2009 Segment assets[1]	2009 Segment liabilities[2]	2009 Net segment assets[3]	2008 Segment assets[1]	2008 Segment liabilities[2]	2008 Net segment assets[3]
Europe & International						
Uncoated Fine Paper	1,671	(177)	1,494	1,589	(177)	1,412
Corrugated	1,071	(199)	872	1,171	(241)	930
Bags & Specialities	1,531	(309)	1,222	1,632	(315)	1,317
Intra-segment elimination	(33)	33	–	(76)	76	–
Total Europe & International	4,240	(652)	3,588	4,316	(657)	3,659
South Africa						
Uncoated Fine Paper	804	(92)	712	720	(80)	640
Containerboard	150	(22)	128	139	(19)	120
Intra-segment elimination	(6)	6	–	(2)	2	–
Total South Africa	948	(108)	840	857	(97)	760
Mondi Packaging South Africa	432	(97)	335	371	(70)	301
Merchant & Newsprint businesses	263	(69)	194	283	(87)	196
Corporate & other businesses	3	1	4	13	(3)	10
Inter-segment elimination	(74)	74	–	(101)	101	–
Segments total[3]	**5,812**	**(851)**	**4,961**	5,739	(813)	4,926
Unallocated:						
Investment in associates	6	–	6	5	–	5
Deferred tax assets/(liabilities)	29	(316)	(287)	36	(292)	(256)
Other non-operating assets/(liabilities)[4]	211	(577)	(366)	307	(615)	(308)
Group trading capital employed	**6,058**	**(1,744)**	**4,314**	6,087	(1,720)	4,367
Financial asset investments	27	–	27	19	–	19
Net debt[5]	123	(1,640)	(1,517)	155	(1,845)	(1,690)
Group net assets	**6,208**	**(3,384)**	**2,824**	6,261	(3,565)	2,696

Notes:

1 Segment assets are operating assets and at 31 December 2009 consist of property, plant and equipment of €3,847 million (2008: €3,611 million), intangible assets of €308 million (2008: €323 million), forestry assets of €251 million (2008: €214 million), retirement benefits surplus of €8 million (2008: €nil), inventories of €617 million (2008: €684 million) and operating receivables of €781 million (2008: €907 million).

2 Segment liabilities are operating liabilities and at 31 December 2009 consist of non-interest bearing current liabilities of €648 million (2008: €619 million), restoration and environmental provisions of €19 million (2008: €12 million) and provisions for post-retirement benefits of €184 million (2008: €182 million).

3 Management reviews net segment assets on a regular basis as part of the resource allocation decision-making process and the ongoing assessment of segment performance. Accordingly, net segment assets and segment liabilities are also presented since the Group believes that this provides useful additional information to the user of the Group's combined and consolidated financial statements.

4 Other non-operating assets consist of derivative assets of €7 million (2008: €73 million), current income tax receivables of €16 million (2008: €32 million), other non-operating receivables of €152 million (2008: €197 million) and assets held for sale of €36 million (2008: €5 million). Other non-operating liabilities consist of derivative liabilities of €51 million (2008: €77 million), non-operating provisions of €66 million (2008: €52 million), current income tax liabilities of €55 million (2008: €53 million), other non-operating liabilities of €396 million (2008: €430 million) and liabilities directly associated with assets classified as held for sale of €9 million (2008: €3 million).

5 Overdrafts of €86 million (2008: €80 million) are included in borrowings.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

2 Operating segments (continued)

An analysis of the Group's non-current non-financial assets, segment assets and net segment assets attributed to the countries, where material, and the continents in which the assets are located, is presented as follows:

	2009			2008		
€ million	**Non-current non-financial assets**[1]	**Segment assets**[2]	**Net segment assets**[3]	Non-current non-financial assets[1]	Segment assets[2]	Net segment assets[3]
Africa						
South Africa[4]	1,074	1,346	1,163	948	1,195	1,043
Rest of Africa	10	19	16	6	11	10
Africa total	1,084	1,365	1,179	954	1,206	1,053
Western Europe						
Austria	398	735	529	582	947	769
United Kingdom[4]	162	231	173	160	247	179
Rest of Western Europe	401	605	492	490	799	653
Western Europe total	961	1,571	1,194	1,232	1,993	1,601
Emerging Europe						
Poland	600	704	631	448	554	500
Slovakia	544	588	543	543	607	548
Rest of Emerging Europe	380	524	425	365	539	462
Emerging Europe total	1,524	1,816	1,599	1,356	1,700	1,510
Russia	742	865	836	503	618	585
North America	46	74	65	52	86	75
Asia and Australia	49	121	88	51	136	102
Group total	**4,406**	**5,812**	**4,961**	4,148	5,739	4,926

Notes:

1 Non-current non-financial assets are non-current assets and consist of property, plant and equipment, intangible assets and forestry assets, but excludes retirement benefits surplus, deferred tax assets and non-current financial assets.

2 Segment assets are operating assets and consist of property, plant and equipment, intangible assets, forestry assets, retirement benefits surplus, inventories and operating receivables.

3 Net segment assets and segment assets by location are also presented since the Group believes that this provides useful additional information to the user of the Group's combined and consolidated financial statements.

4 These non-current non-financial assets, segment assets and net segment assets, which total €1,236 million, €1,577 million and €1,336 million respectively (2008: €1,108 million, €1,442 million and €1,222 million respectively), are attributable to the countries in which the Group's parent entities are domiciled.

2 Operating segments (continued)

Capital expenditure cash payments and the additions to the Group's non-current non-financial assets, other than deferred tax assets and retirement benefits surplus, are presented by operating segment as follows:

€ million	Capital expenditure cash payments[1] 2009	2008	Additions to non-current non-financial assets[2] 2009	2008
Europe & International				
Uncoated Fine Paper	191	266	257	284
Corrugated	195	199	178	246
Bags & Specialities	81	136	83	185
Total Europe & International	467	601	518	715
South Africa				
Uncoated Fine Paper	22	37	59	79
Containerboard	4	7	4	7
Total South Africa	26	44	63	86
Mondi Packaging South Africa	17	38	17	44
Merchant & Newsprint businesses	7	10	10	13
Corporate & other businesses	–	–	6	1
Group and segments total	**517**	693	**614**	859

Notes:

1 Management reviews segment capital expenditure cash payments on a regular basis as part of the resource allocation decision-making process and the ongoing assessment of segment performance. Accordingly, segment capital expenditure cash payments are presented since the Group believes that this provides useful additional information to the user of the Group's combined and consolidated financial statements. Capital expenditure cash payments exclude business combinations, interest capitalised and purchases of intangible and forestry assets.

2 Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment, intangible assets and forestry assets and include interest capitalised as well as additions resulting from acquisitions through business combinations.

3 Operating profit/(loss)

Operating profit/(loss) for the year has been arrived at after (charging)/crediting:

€ million	2009	2008
Depreciation of property, plant and equipment (see note 12)	(341)	(364)
Amortisation of intangible assets (see note 11)	(10)	(9)
Rentals under operating leases (see note 2)	(62)	(71)
Research and development expenditure	(8)	(10)
Restructuring/closure costs (excluding special items)	(3)	(7)
Operating special items (see note 5)	(128)	(358)
Net foreign currency (losses)/gains (see note 7)	(13)	22
Green energy sales and disposal of emissions credits	47	53
Fair value gains on forestry assets (see note 13)	28	46
Felling costs (see note 13)	(50)	(43)
Profit on disposal of tangible and intangible assets	4	6

Total revenue, as defined under IAS 18, 'Revenue', consisting of Group revenue, sale of green energy and disposal of emissions credits, interest income and dividend income, was €5,313 million (2008: €6,421 million).

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

3 Operating profit/(loss) (continued)

An analysis of auditors' remuneration is presented as follows:

€ million	2009 UK	2009 Other	2009 Total	2008 UK	2008 Other	2008 Total
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual accounts and the Group consolidation	0.4	0.2	0.6	0.4	0.2	0.6
Fees payable to the auditors and their associates for other services to the Group						
– The audit of Mondi Limited's and Mondi plc's subsidiaries pursuant to legislation	0.4	3.0	3.4	0.3	3.4	3.7
Total audit fees	0.8	3.2	4.0	0.7	3.6	4.3
Other services pursuant to legislation	0.2	0.2	0.4	0.1	0.1	0.2
Tax services						
– tax advisory	–	0.8	0.8	0.1	0.7	0.8
– tax compliance	0.1	–	0.1	–	–	–
Other services	1.2	0.2	1.4	0.3	0.4	0.7
Total non-audit fees	1.5	1.2	2.7	0.5	1.2	1.7
Total fees	**2.3**	**4.4**	**6.7**	1.2	4.8	6.0

4 Employee numbers and costs

The closing number of employees, excluding associates' employees and including a proportionate share of employees within joint venture entities, was:

(hundreds)	2009	2008
By business segment		
Europe & International		
Uncoated Fine Paper	98	104
Corrugated	64	76
Bags & Specialities	73	85
Total Europe & International	235	265
South Africa		
Uncoated Fine Paper	14	18
Containerboard	3	2
Total South Africa	17	20
Mondi Packaging South Africa	37	36
Merchant & Newsprint businesses	11	12
Corporate & other businesses	1	1
Group and segments total	**301**	334

4 Employee numbers and costs (continued)

The principal locations of employment were:

(hundreds)	2009	2008
South Africa and rest of Africa	57	59
Western Europe	71	88
Emerging Europe	68	76
Russia	92	98
North America	7	7
Asia and Australia	6	6
Total	**301**	334

Payroll costs in respect of the employees included in the tables above were:

€ million	2009	2008
Within operating costs		
Wages and salaries	678	744
Social security costs	131	151
Defined contribution pension plan costs (see note 25)	17	15
Defined benefit pension plan costs (see note 25)	7	7
Share-based payments (see note 29)	5	9
Total within operating costs	**838**	926
Within operating special items		
Demerger arrangements (see note 5 and note 29)	3	9
Personnel costs relating to restructuring (see note 5)	21	32
Total within operating special items	**24**	41
Within net finance costs		
Post-retirement medical plan costs (see note 25)	4	5
Defined benefit pension plan costs (see note 25)	5	3
Total within net finance costs	**9**	8
Total	**871**	975

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

4 Employee numbers and costs (continued)

Compensation for the Boards and key management[1]

€ million	2009	2008
Salaries and short-term employee benefits	5.5	5.6
Non-executive directors	1.1	1.3
Post-employment benefits	1.1	1.0
Termination payments	1.3	1.4
Social security	0.2	0.5
Share-based payments	2.3	2.3
Costs associated with demerger[2]	2.0	4.5
Total	**13.5**	16.6

Notes:

[1] In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both executive and non-executive) of Mondi Limited and Mondi plc, see note 39 for further details.

[2] Costs associated with the demerger from Anglo American plc relate to charges associated with awards arising as a result of the demerger (demerger share awards, transitional share awards, Co-Investment Plan and Deferred Mondi Cash Pool).

5 Special items[1]

€ million	2009	2008
Operating special items		
Goodwill impairments		
Corrugated (Europe & International)	–	(74)
Bags & Specialities (Europe & International)	–	(120)
Merchant & Newsprint businesses	(12)	–
Total goodwill impairments	**(12)**	(194)
Asset impairments		
Uncoated Fine Paper (Europe & International)	–	(1)
Corrugated (Europe & International)	(44)	(28)
Bags & Specialities (Europe & International)	(14)	(70)
Uncoated Fine Paper (South Africa)	(19)	–
Mondi Packaging South Africa	(1)	–
Total asset impairments	**(78)**	(99)
Restructuring and closure costs		
Restructuring and closure costs excluding related personnel costs		
Uncoated Fine Paper (Europe & International)	5	(15)
Corrugated (Europe & International)	(2)	(1)
Bags & Specialities (Europe & International)	(25)	(8)
Personnel costs relating to restructuring		
Uncoated Fine Paper (Europe & International)	(7)	(8)
Corrugated (Europe & International)	(3)	(6)
Bags & Specialities (Europe & International)	(8)	(18)
Uncoated Fine Paper (South Africa)	(3)	–
Total restructuring and closure costs	**(43)**	(56)

Note:

[1] Special items by operating segment are presented since the Group believes that this provides useful additional information for the user of the Group's combined and consolidated financial statements.

5 Special items[1] (continued)

€ million	2009	2008
Demerger arrangements		
Uncoated Fine Paper (Europe & International)	–	(4)
Corrugated (Europe & International)	(1)	(2)
Bags & Specialities (Europe & International)	(1)	(1)
Corporate & other businesses	(1)	(2)
Total demerger arrangements	**(3)**	(9)
Proceeds on insurance		
Mondi Packaging South Africa	8	–
Total operating special items	**(128)**	(358)
Non-operating special items		
Profit/(loss) on disposals		
Corrugated (Europe & International)	3	(27)
Net profit/(loss) on disposal	**3**	(27)
Asset impairment of assets held for sale		
Corrugated (Europe & International)	(8)	(2)
Total non-operating special items	**(5)**	(29)
Total special items before tax and minority interests	**(133)**	(387)
Tax	6	4
Minority interests	(1)	–
Total special items attributable to equity holders of the parent companies	**(128)**	(383)

Note:

[1] Special items by operating segment are presented since the Group believes that this provides useful additional information for the user of the Group's combined and consolidated financial statements.

Year ended 31 December 2009

Operating special items

The continuation of the difficult trading conditions throughout most of the year led management to take early and decisive action to restructure the cost base.

Uncoated Fine Paper (Europe & International)

Management has rationalised forestry operations at Syktyvkar resulting in costs of €7 million reduced by the gain on the sale of an asset written off during the Szolnok closure of €5 million.

Corrugated

Given the continued difficult trading conditions in the corrugated packaging sector Mondi responded by closing, or restructuring, certain high cost operations. This has resulted in restructuring and closure costs of €5 million and asset impairment costs in certain German and Austrian recycled containerboard mills and a UK corrugated plant of €44 million.

5 Special items (continued)

Year ended 31 December 2009 (continued)

Bags & Specialities

Market related down time has been taken due to overcapacity created by a significant slowdown in demand. Various restructuring initiatives have been implemented in response to the lower demand environment. As a result the Group has incurred restructuring and closure costs of €33 million relating to the mothballing of the Stambolijski mill and the closure of various converting operations. Associated asset impairment costs of €14 million were incurred.

Uncoated Fine Paper (South Africa)

The South Africa Division announced the mothballing of its PM32 paper machine which represents a 120,000 tonne capacity reduction. An asset impairment of €19 million was recognised together with restructuring costs of €3 million.

Mondi Packaging South Africa

Insurance proceeds in excess of net book value were received to replace fire damaged assets at a subsidiary of Mondi Packaging South Africa amounting to €8 million, while an impairment of €1 million of the damaged assets was recognised.

Merchant & Newsprint businesses

Europapier has suffered from declining sales prices and volumes, resulting in an impairment of goodwill of €12 million.

Demerger arrangements

Equity settled demerger arrangements for senior management have also resulted in additional share based payments of €3 million.

Non-operating special items

The Group disposed of the four remaining corrugated converting operations in France resulting in a profit of €3 million and a held for sale asset impairment of €1 million. The sale of the Italian recycled containerboard plant, Cartonstrong, and the related sheetfeeder gave rise to a held for sale asset impairment of €7 million.

Year ended 31 December 2008

Operating special items

The sharp decline in demand experienced in a number of markets, together with the recognition that we are entering a prolonged global economic slowdown has resulted in management taking a number of actions.

Management has closed and restructured operations in its European businesses resulting in costs of €56 million and asset impairment costs of €99 million. Management has also impaired goodwill by €194 million.

Equity settled demerger arrangements for senior management have also resulted in additional share-based payments of €9 million.

Non-operating special items

The Group disposed of certain of its businesses in the Corrugated business unit for a loss of €27 million, together with an impairment of assets held for sale of €2 million.

6 Net finance costs

Net finance costs and related foreign exchange gains/(losses) are presented below:

€ million	2009	2008
Investment income		
Interest income		
Bank deposits, loan receivables and other	8	22
Available-for-sale investments	1	–
Past due receivables	–	1
Total interest income	**9**	23
Expected return on defined benefit arrangements (see note 25)	17	20
Foreign currency losses (see note 7)	(1)	(28)
Impairment of financial assets (excluding trade receivables)	(1)	(1)
Other financial income	2	1
Total investment income	**26**	15
Financing costs		
Interest expense		
Interest on bank overdrafts and loans	(158)	(169)
Interest on obligations under finance leases	(1)	(1)
Interest on defined benefit arrangements (see note 25)	(26)	(28)
Total interest expense	**(185)**	(198)
Less: interest capitalised (see note 12)	45	24
Total financing costs	**(140)**	(174)
Net finance costs	**(114)**	(159)

The weighted average interest rate applicable to interest on general borrowings capitalised for the year ended 31 December 2009 is 10.2% (2008: 13.0%), mainly related to loans in Poland and Russia.

7 Foreign exchange

The amounts of net foreign currency gains/(losses) credited/(charged) to the combined and consolidated income statement is presented as follows:

€ million	2009	2008
Net operating foreign currency (losses)/gains (see note 3)	(13)	22
Net financing foreign currency losses (see note 6)	(1)	(28)
Net foreign currency losses	**(14)**	(6)

8 Tax charge

(a) Analysis of charge for the year from continuing operations

€ million	2009	2008
UK corporation tax at 28% (2008: 28.5%)	1	(5)
Overseas tax	51	66
Current tax (excluding tax on special items)	**52**	61
Deferred tax in respect of the current period (excluding tax on special items)	15	30
Deferred tax in respect of prior period over provision	(9)	(9)
Total tax charge before special items	**58**	82
Current tax on special items	1	(2)
Deferred tax on special items	(7)	(2)
Total tax credit on special items (see note 5)	**(6)**	(4)
Total tax charge	**52**	78

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

8 Tax charge (continued)

(b) Factors affecting tax charge for the year

The Group's effective rate of tax before special items for the year ended 31 December 2009, calculated on profit before tax before special items and including net income from associates, is 32% (2008: 29%).

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit/(loss) before tax at the UK corporation tax rate of 28% (2008: 28.5%), as follows:

€ million	**2009**	2008
Profit/(loss) before tax	49	(103)
Tax on profit/(loss) before tax calculated at UK corporation tax rate of 28% (2008: 28.5%)	14	(29)
Tax effect of net income from associates, calculated at 28% (2008: 28.5%)	(1)	(1)
Tax effects of:		
Expenses not deductible for tax purposes	**27**	86
Intangible amortisation and non-qualifying depreciation	(4)	(8)
Non-deductible expenses included in special items	22	80
Other non-deductible expenses	9	14
Non-taxable income	**(1)**	–
Other non-taxable income	(1)	–
Temporary difference adjustments	**20**	38
Changes in tax rates[1]	(1)	(8)
Current year tax losses and other temporary differences not recognised	30	55
Prior period tax losses and other temporary differences not previously recognised	(9)	(9)
Other adjustments	**(7)**	(16)
Current tax prior period adjustments	3	–
South African Secondary Tax on Companies	1	3
Effect of differences between local rates and UK rate	(13)	(22)
Other adjustments	2	3
Tax charge for the year	**52**	78

Note:

1 Principally relates to adjustments made to deferred tax balances based on substantively enacted future reductions in corporation tax rates in Israel (2008: relates to reductions in corporation tax rates in Russia and South Africa).

IAS 1 requires income from associates to be presented net of tax on the face of the combined and consolidated income statement. The Group's share of its associates' tax is therefore not presented within the Group's total tax charge. The associates' tax charge included within 'Net income from associates' for the year ended 31 December 2009 is €1 million (2008: €1 million).

9 Dividends

Dividends paid to the equity holders of Mondi Limited and Mondi plc are presented on a combined basis.

€ million	2009	2008
Current year interim dividend	**13**	38
Final dividend proposed for year ended 31 December[1]	**36**	26
Paid to minority interests	9	20

Note:

1 The dividend proposed is subject to approval by shareholders at the annual general meetings of Mondi Limited and Mondi plc scheduled for 6 May 2010 and therefore has not been included as a liability in the Group's combined and consolidated statement of financial position.

€ cents per share	2009	2008
Interim dividend paid	**2.5**	7.7
Final dividend proposed	**7.0**	5.0
Total dividends paid and proposed	**9.5**	12.7

10 Earnings per share

€ cents per share	2009	2008
Loss for the financial year attributable to equity holders of the parent companies		
Basic EPS	**(6.5)**	(41.6)
Diluted EPS	**(6.5)**[3]	(41.6)[3]
Underlying earnings for the financial year[1]		
Basic EPS	**18.7**	33.9
Diluted EPS	**18.2**	33.4
Headline earnings for the financial year[2]		
Basic EPS	**11.4**	20.3
Diluted EPS	**11.1**	20.0

Notes:

1 The Boards believe that underlying EPS provides a useful additional non-GAAP measure of the Group's underlying performance. Underlying EPS excludes the impact of special items.

2 The presentation of Headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants. Please see the reconciliation presented below.

3 Diluted EPS is consistent with Basic EPS as the impact of potential ordinary shares is anti-dilutive.

10 Earnings per share (continued)

The calculation of basic and diluted EPS, basic and diluted underlying EPS, and basic and diluted headline EPS is based on the following data:

	Earnings	
€ million	**2009**	2008
Loss for the financial year attributable to equity holders of the parent companies	**(33)**	(211)
Special items: operating	128	358
Net (profit)/loss on disposals	(3)	27
Impairment of assets held for sale	8	2
Related tax	(6)	(4)
Related minority interest	1	–
Underlying earnings	**95**	172
Profit on disposal of tangible and intangible assets	(4)	(6)
Special items: demerger arrangements	(3)	(9)
Special items: restructuring and closure cost	(43)	(56)
Impairments not included in special items	10	–
Related tax	3	2
Headline earnings	**58**	103

	Number of shares	
million	**2009**	2008
Basic number of ordinary shares outstanding[1]	**508**	507
Effect of dilutive potential ordinary shares[2]	13	8
Diluted number of ordinary shares outstanding	**521**	515

Notes:

1 The basic number of ordinary shares outstanding represents the weighted average number in issue for Mondi Limited and Mondi plc for the year, as adjusted for the weighted average number of treasury shares held during the year.

2 Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, net of treasury shares, on the assumption of conversion of all potentially dilutive ordinary shares.

11 Intangible assets

2009/€ million	Goodwill	Licences and other intangibles[2]	Total
Cost			
At 1 January	611	84	695
Additions	–	5	5
Disposal of assets	(51)	(2)	(53)
Reclassifications	–	18	18
Currency movements	(2)	4	2
At 31 December	**558**	**109**	**667**
Accumulated amortisation and impairment			
At 1 January	328	44	372
Charge for the year	–	10	10
Impairments (see note 5)	12	1	13
Disposal of assets	(51)	(2)	(53)
Reclassifications	–	16	16
Currency movements	–	1	1
At 31 December	**289**	**70**	**359**
Net book value at 31 December	**269**	**39**	**308**

2008/€ million	Goodwill	Licences and other intangibles[2]	Total
Cost			
At 1 January	616	75	691
Acquired through business combinations[1]	19	9	28
Additions	–	7	7
Disposal of assets	–	(2)	(2)
Currency movements	(24)	(5)	(29)
At 31 December	611	84	695
Accumulated amortisation and impairment			
At 1 January	134	37	171
Charge for the year	–	9	9
Impairments (see note 5)	194	–	194
Disposal of assets	–	(2)	(2)
At 31 December	328	44	372
Net book value at 31 December	283	40	323

Notes:

1 The increase in goodwill related to the excess of the purchase price of subsidiaries acquired over the provisional fair value of their net assets and an adjustment of €nil (2008: €7 million) to the provisionally stated goodwill previously reported as at 31 December 2008 and as at 31 December 2007 respectively (see note 30).

2 Licences and other intangibles mainly relate to software development costs, and customer relationships and contractual arrangements capitalised as a result of business combinations.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

11 Intangible assets (continued)

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to cash-generating units (CGUs) which reflect how it is monitored for internal management purposes.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three year period that are based on the latest forecasts for revenue and cost as approved by the Boards. Cash flow projections beyond three years are based on internal management forecasts and assume a growth rate not exceeding gross domestic product for the respective countries. Zero percent growth rates are assumed in perpetuity for most of the businesses given the commodity nature of the majority of the products (i.e. volume growth is assumed to be offset by real price declines). Pre tax cash flow projections are discounted using a pre tax discount rate of 8.83% (2008: 8.86%), adjusted by 0%-3% reflecting the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Perpetuity maintenance capital expenditure has been assumed at 60% of depreciation.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure. In respect of the CGUs that have not been impaired, sensitivity analyses of a 1% increase in discount rate or a 1% decrease in cash flows were performed and this did not give rise to an impairment.

The following impairments of goodwill have been recognised in the years ended 31 December:

€ million	**2009**	2008
Europe & International		
Corrugated Converting & Recycled Containerboard	–	74
Kraft Paper	–	50
Consumer Flexibles	–	30
Bag Converting	–	20
Coating & Release	–	20
Total Europe & International	–	194
Merchant & Newsprint businesses		
Europapier	12	–
Total goodwill impairments	**12**	194

11 Intangible assets (continued)

Carrying value of goodwill at the reporting dates are as follows:

€ million	2009	2008
Europe & International		
Uncoated Fine Paper	37	37
Kraft Paper	83	83
Bag Converting	51	54
Consumer Flexibles	17	17
Coating & Release	18	19
Total Europe & International	206	210
Mondi Packaging South Africa	63	61
Merchant & Newsprint businesses		
Europapier	–	12
Total goodwill	**269**	283

12 Property, plant and equipment

2009/€ million	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January	1,352	5,178	901	7,431
Additions	98	201	270	569
Disposal of assets	(9)	(74)	(14)	(97)
Disposal of businesses (see note 31)	(19)	(74)	(2)	(95)
Other reclassifications	29	139	(302)	(134)
Currency movements	24	220	21	265
At 31 December	**1,475**	**5,590**	**874**	**7,939**
Accumulated depreciation				
At 1 January	566	2,976	278	3,820
Charge for the year	35	281	25	341
Impairments[2]	13	71	4	88
Disposal of assets	(6)	(72)	(12)	(90)
Disposal of businesses (see note 31)	(6)	(50)	(1)	(57)
Other reclassifications	(30)	(68)	(16)	(114)
Currency movements	5	91	8	104
At 31 December	**577**	**3,229**	**286**	**4,092**
Net book value at 31 December	**898**	**2,361**	**588**	**3,847**

Notes:

[1] Other includes €519 million of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.

[2] This includes €78 million asset impairments reflected in special items and €10 million of other impairments.

12 Property, plant and equipment (continued)

2008/€ million	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January	1,425	5,486	628	7,539
Acquired through business combinations (see note 30)	10	17	–	27
Additions	20	66	668	754
Disposal of assets	(11)	(65)	(18)	(94)
Disposal of businesses (see note 31)	(36)	(75)	(5)	(116)
Other reclassifications	24	163	(274)	(87)
Currency movements	(80)	(414)	(98)	(592)
At 31 December	1,352	5,178	901	7,431
Accumulated depreciation				
At 1 January	559	2,997	252	3,808
Charge for the year	36	295	33	364
Impairments[2]	14	75	17	106
Disposal of assets	(8)	(48)	(15)	(71)
Disposal of businesses (see note 31)	(9)	(48)	(2)	(59)
Other reclassifications	–	(93)	3	(90)
Currency movements	(26)	(202)	(10)	(238)
At 31 December	566	2,976	278	3,820
Net book value at 31 December	786	2,202	623	3,611

Notes:

1 Other includes €540 million of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.

2 This includes €99 million asset impairments reflected in special items and €7 million of other impairments.

Included in the cost above is €45 million of interest (2008: €24 million) incurred on qualifying assets which has been capitalised during the year. Tax relief on interest capitalised is based on the tax rates prevailing in the jurisdiction in which the interest is incurred.

The net book value and depreciation charges relating to assets held under finance leases amount to €16 million (2008: €8 million) and €3 million (2008: €1 million) respectively. The Group's obligation under finance leases (see note 21) is secured by the lessors' title to the leased assets.

The net book value of land and buildings comprises:

€ million	**2009**	2008
Freehold	863	783
Leasehold – long	2	–
Leasehold – short (less than 50 years)	33	3
Total land and buildings	**898**	786

A register of South African land and buildings and of leased assets is open for inspection upon prior arrangement at the registered office of Mondi Limited.

13 Forestry assets

€ million	2009	2008
At 1 January	214	224
Capitalised expenditure	37	37
Fair value gains[1]	28	46
Felling costs	(50)	(43)
Acquisition of assets	3	6
Disposal of assets	–	(1)
Reclassifications (see note 32)	(30)	–
Currency movements	49	(55)
At 31 December	**251**	214

Note:

[1] Forestry assets are revalued to fair value less estimated costs to sell each reporting year in accordance with the accounting policy set out in note 1.The fair value is calculated on the basis of future expected cash flows discounted using a discount rate relevant in the local country, based on a pre tax real yield on long-term bonds over the last five years.

Forestry assets comprise forests with the maturity profile disclosed in the table below:

€ million	2009	2008
Mature	118	92
Immature	133	122
Total forestry assets	**251**	214

14 Investments in associates

€ million	2009	2008
At 1 January	5	6
Net income from associates	2	2
Dividends received	(2)	(2)
Other	1	(1)
At 31 December	**6**	5

The Group's total investment in associates comprises:

€ million	2009	2008
Equity[1]	6	5
Total investments in associates	**6**	5

Note:

[1] At 31 December 2009, there is €0.5 million of goodwill in respect of associates (2008: €0.4 million).

14 Investments in associates (continued)

The Group's share of the summarised financial information of principal associates, all of which are unlisted, is as follows:

€ million	2009	2008
Total non-current assets	1	1
Total current assets	9	10
Total current liabilities	(2)	(5)
Total non-current liabilities	(2)	(1)
Share of associates' net assets[1]	**6**	5
Total revenue	28	29
Total operating costs	(25)	(26)
Income tax expense	(1)	(1)
Share of associates' profit for the financial year	**2**	2

Note:

[1] There are no material contingent liabilities for which the Group is jointly or severally liable at the reporting dates presented.

15 Joint ventures

The Group's share of the summarised financial information of joint venture entities that are proportionately consolidated in the Group's combined and consolidated financial statements is presented as follows:

€ million	2009	2008
Total non-current assets	132	125
Total current assets	48	46
Total current liabilities	(44)	(48)
Total non-current liabilities	(54)	(50)
Share of joint venture entities' net assets, proportionately consolidated	**82**	73
Revenue	143	146
Total operating costs	(135)	(143)
Net finance costs	(2)	(3)
Income tax expense	(1)	(2)
Share of joint venture entities' profit/(loss) for the financial year	**5**	(2)

Details of principal joint ventures are set out in note 40.

16 Financial asset investments

Financial asset investments held by the Group are accounted for using the available-for-sale and loans and receivables categories, as defined by IAS 39, 'Financial Instruments: Recognition and Measurement', and in accordance with the Group accounting policy set out in note 1. All financial asset investments are non-current as the repayment terms are greater than one year.

2009/€ million	**Loans and receivables**[1]	**Available-for-sale investments**[2]	**Total**
At 1 January	5	14	19
Movements in fair value	–	1	1
Impairments	–	(1)	(1)
Additions	6	1	7
Repayments from related parties	(1)	–	(1)
Repayments – other	(1)	–	(1)
Other	–	2	2
Currency movements	1	–	1
At 31 December	**10**	**17**	**27**

2008/€ million	Loans and receivables[1]	Available-for-sale investments[2]	Total
At 1 January	6	19	25
Movements in fair value	–	(1)	(1)
Additions	2	–	2
Repayments – other	(1)	–	(1)
Disposals	–	(1)	(1)
Reclassifications	–	(1)	(1)
Currency movements	(2)	(2)	(4)
At 31 December	5	14	19

Notes:

[1] Loans and receivables are held at amortised cost in accordance with the accounting policy set out in note 1.

[2] Available-for-sale investments are held at fair value in accordance with the accounting policy set out in note 1.

17 Inventories

€ million	**2009**	2008
Raw materials and consumables	304	318
Work in progress	53	66
Finished products	260	300
Total inventories	**617**	684

Of the total carrying value of inventories as at 31 December 2009, €96 million (2008: €90 million) is held at net realisable value. The write-downs of inventories to net realisable value, recognised as an expense for the year ended 31 December 2009, total €18 million (2008: €21 million). The aggregate reversal of previous write-downs, recognised as a reduction in the amount of inventories expensed for the year ended 31 December 2009, total €3 million (2008: €2 million). The cost of inventories recognised as an expense for the year ended 31 December 2009 totals €2,307 million (2008: €2,853 million).

Notes to the combined and consolidated financial statements continued

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18 Trade and other receivables

€ million	2009	2008
Trade receivables (a)	824	941
Allowance for doubtful debts (b)	(61)	(50)
Net trade receivables	**763**	891
Other receivables	152	197
Prepayments and accrued income	18	16
Total trade and other receivables[1]	**933**	1,104

Note:

[1] Includes non-current trade and other receivables of €nil (2008: €4 million).

The fair values of trade and other receivables are not materially different to the carrying values presented.

(a) Trade receivables: credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 38. Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by participants operating in, the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of these impaired trade receivables as at the reporting date is €73 million (2008: €71 million) and the associated aggregate impairment is €61 million (2008: €50 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €95 million (2008: €87 million) which are past due but not impaired as at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact. An ageing analysis of these past due trade receivables is provided as follows:

	Trade receivables past due by				
€ million	Less than 1 month	1-2 months	2-3 months	More than 3 months	Total
Carrying value at 31 December 2009	**59**	**16**	**7**	**13**	**95**
Carrying value at 31 December 2008	57	15	6	9	87

Included within the Group's aggregate trade receivables balances are debtor balances with customers totalling €6 million (2008: €8 million) where contractual terms have been renegotiated to extend the credit period offered. The Group believes that these balances are fully recoverable and therefore no impairment loss has been recognised.

The Group has entered into certain debt factoring arrangements in which the financial counterparties retain recourse in the event of debtor default. Accordingly, the Group continues to recognise the underlying trade receivables transferred until cash settlement occurs. A concurrent financing liability is also recognised in respect of the obligation to transfer economic benefit to financial counterparties. At the reporting date, trade receivables with a value of €3 million (2008: €1 million) are subject to such factoring arrangements and an associated financial liability of €1 million (2008: €1 million) has been recognised.

18 Trade and other receivables (continued)

(b) Movement in the allowance account for bad and doubtful debts

€ million	2009	2008
At 1 January	50	37
Increase in allowance recognised in the combined and consolidated income statement	11	17
Reclassifications	(1)	(1)
Currency movements	1	(3)
At 31 December	**61**	50

19 Financial assets

The carrying amounts of the Group's financial assets are presented as follows:

€ million	2009	2008
Trade and other receivables[1]	933	1,104
Cash and cash equivalents[1]	123	155
Financial asset investments[2]	27	19
Derivative assets[3]	7	73
Total financial assets	**1,090**	1,351

Notes:

1 The fair values of trade and other receivables, and cash and cash equivalents are not materially different to the carrying values presented.

2 The fair values of available-for-sale investments represent the published prices of the securities concerned (2009: €17 million, 2008: €14 million). Loans and receivables are held at amortised cost (2009: €10 million, 2008: €5 million).

3 Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments (see note 22).

20 Trade and other payables

€ million	2009	2008
Trade payables	462	462
Amounts owed to related parties	1	1
Tax and social security	69	56
Other payables	156	171
Accruals and deferred income	335	345
Total trade and other payables	**1,023**	1,035

The fair values of trade and other payables are not materially different to the carrying values presented.

Notes to the combined and consolidated financial statements continued

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21 Borrowings

€ million	2009 Current	2009 Non-current	2009 Total	2008 Current	2008 Non-current	2008 Total
Secured						
Bank loans and overdrafts	54	127	181	63	140	203
Other loans	1	1	2	–	–	–
Obligations under finance leases	4	16	20	4	20	24
Total secured	**59**	**144**	**203**	67	160	227
Unsecured						
Bank loans and overdrafts	159	1,144	1,303	298	1,124	1,422
Other loans	1	133	134	13	183	196
Total unsecured	**160**	**1,277**	**1,437**	311	1,307	1,618
Total borrowings	**219**	**1,421**	**1,640**	378	1,467	1,845

The maturity analysis of the Group's borrowings, presented on an undiscounted future cash flows basis, is included as part of a review of the Group's liquidity risk within note 38.

Obligations under finance leases

The maturity of obligations under finance leases is:

€ million	2009	2008
Not later than one year	5	5
Later than one year but not more than five years	11	14
More than five years	8	12
Future value of finance lease liabilities	**24**	31
Future finance charges	(4)	(7)
Present value of finance lease liabilities	**20**	24

Financing facilities

Group liquidity is provided through a range of committed debt facilities which are in excess of the Group's short-term cash needs. The principal loan arrangements in place include the following:

€1.55 billion Syndicated Revolving Credit Facility (UKRCF)
The UKRCF is a five year multi-currency revolving credit facility which was signed on 22 June 2007. This facility was initially drawn down to refinance existing debt obligations outstanding to the Anglo American plc group prior to demerger. Interest is charged on the balance outstanding at a market-related rate linked to LIBOR. The Group uses interest rate swaps to limit its exposure to adverse movements in LIBOR (see note 38).

€170 million Export Credit Agency Facility (ECAF)
The ECAF is used to part finance expansionary capital expenditure in Russia. The facility has an amortising repayment until 2020 and interest is charged on the balance outstanding at a market-related rate linked to LIBOR.

€115 million European Investment Bank Facility (EIBF)
The EIBF is used to part finance expansionary capital expenditure at Mondi Świecie in Poland. The facility has an amortising repayment until 2017 and interest is charged at a fixed rate of interest.

In addition to the facilities above, the Group has committed facilities amounting to South African rand 3.6 billion in South Africa.

21 Borrowings (continued)

The Group's borrowings as at 31 December are analysed by nature and source currency as follows:

2009/€ million	**Floating rate borrowings**	**Fixed rate borrowings**	**Non-interest bearing borrowings**	**Total carrying value**	**Fair value**
Euro	817	164	1	982	983
South African rand	342	48	12	402	402
Sterling	10	–	–	10	10
US dollar	4	6	–	10	11
Polish zloty	51	115	–	166	150
Czech koruna	46	–	–	46	46
Other currencies	15	9	–	24	23
Carrying value	**1,285**	**342**	**13**	**1,640**	
Fair value	**1,285**	**327**	**13**		**1,625**

2008/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	996	256	2	1,254	1,248
South African rand	338	38	11	387	387
Sterling	7	–	–	7	7
US dollar	11	25	–	36	38
Polish zloty	2	47	–	49	49
Other currencies	86	26	–	112	113
Carrying value	1,440	392	13	1,845	
Fair value	1,440	390	12		1,842

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market as disclosed in note 38.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group has pledged certain financial assets as collateral against certain borrowings. The fair value of these assets as at 31 December 2009 is €146 million (2008: €207 million). The Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

22 Derivative financial instruments

€ million	2009 Asset	2009 Liability	2009 Notional amount	2008 Asset	2008 Liability	2008 Notional amount
Current derivatives						
Held for trading[1]						
Foreign exchange contracts[2]	7	(19)	1,102	65	(6)	964
Interest rate swaps	–	(1)	263	–	(3)	414
Total held for trading	**7**	**(20)**	**1,365**	65	(9)	1,378
Cash flow hedges						
Foreign exchange contracts	–	–	1	8	(19)	244
Interest rate swaps	–	(9)	350	–	(1)	150
Commodity price derivatives	–	(3)	7	–	(9)	22
Total cash flow hedges	**–**	**(12)**	**358**	8	(29)	416
Total current derivative financial instruments	**7**	**(32)**	**1,723**	73	(38)	1,794
Non-current derivatives						
Cash flow hedges						
Foreign exchange contracts	–	–	–	–	–	1
Interest rate swaps	–	(19)	391	–	(24)	638
Commodity price derivatives	–	–	–	–	(10)	13
Total cash flow hedges	**–**	**(19)**	**391**	–	(34)	652
Call option[3]	–	–	–	–	(5)	5
Total non-current derivative financial instruments	**–**	**(19)**	**391**	–	(39)	657

Notes:

1 There were no held for trading derivative assets and liabilities, classified as current in accordance with IAS 1, 'Presentation of Financial Statements', which are due to mature after more than one year, for both the years presented.

2 Of the €1,102 million (2008: €964 million) aggregate notional amount presented, €900 million (2008: €716 million) relates to the economic hedging of foreign exchange exposures on short-term intercompany funding balances, which are fully eliminated on consolidation.

3 Mondi Packaging South Africa has a call option to purchase a minority interest within the next two to eight years. The call option was valued based on an EBITDA multiple multiplied by the forecasted EBITDA for the next eight years discounted back to present value.

The notional amounts presented represent the aggregate face value of all foreign exchange contracts, interest rate swaps and commodity price derivatives outstanding at the year-end. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Group's exposure to credit or market risks. Note 38 provides an overview of the Group's management of financial risks through the selective use of derivative financial instruments and also includes a presentation of the undiscounted future contractual cash flows of the derivative contracts outstanding at the reporting date.

22 Derivative financial instruments (continued)

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value (losses)/gains reclassified from the cash flow hedge reserve during the year and matched against the realisation of hedged risks in the combined and consolidated income statement were as follows:

€ million	2009	2008
Group revenue	(13)	15
Other net operating expenses	(14)	–
Net finance costs	(19)	(3)
Total	**(46)**	12

The fair value gains/(losses) reclassified from the cash flow hedge reserve during the year and matched against the realisation of hedged risks within non-current non-financial assets were as follows:

€ million	2009	2008
Property, plant and equipment	5	2
Total	**5**	2

There was no ineffectiveness recognised in profit or loss arising on cash flow hedges for both the years presented.

Held for trading derivatives

€ million	2009	2008
Net fair value (losses)/gains on held for trading derivatives	**(73)**	48

Held for trading derivatives are used primarily to hedge foreign exchange balance sheet exposures. Held for trading derivative (losses)/gains have corresponding gains/(losses) which arise on the revaluation of the foreign exchange balance sheet exposures being hedged. The Group chose not to apply hedge accounting to the held for trading derivatives.

23 Provisions

2009/€ million	Restoration and environmental	Acquired contingent liabilities	Restructuring costs	Long service awards	Other	Total
At 1 January	12	1	14	14	23	64
Charged to combined and consolidated income statement[1]	9	–	17	–	12	38
Reclassifications	–	–	8	1	–	9
Released to combined and consolidated income statement	(1)	(1)	(1)	–	–	(3)
Amounts applied	(2)	–	(16)	(1)	(7)	(26)
Currency movements	1	–	–	–	2	3
At 31 December	**19**	**–**	**22**	**14**	**30**	**85**

Note:

1 Net of unwound discounts.

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23 Provisions (continued)

2008/€ million	Restoration and environmental	Acquired contingent liabilities	Restructuring costs	Long service awards	Other	Total
At 1 January	15	5	10	14	20	64
Charged to combined and consolidated income statement[1]	–	–	3	1	7	11
Acquired through business combinations (see note 30)	–	(2)	–	–	–	(2)
Reclassifications	–	–	9	–	6	15
Released to combined and consolidated income statement	–	(1)	–	–	(1)	(2)
Amounts applied	(2)	–	(7)	(1)	(6)	(16)
Currency movements	(1)	(1)	(1)	–	(3)	(6)
At 31 December	12	1	14	14	23	64

Note:

1 Net of unwound discounts.

Maturity analysis of total provisions on a discounted basis:

€ million	**2009**	2008
Current	40	25
Non-current	45	39
Total provisions	**85**	64

The restoration and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by production operations. A provision is recognised for the present value of such costs. These costs are expected to be incurred over a period in excess of 20 years.

Included within other provisions are amounts relating to onerous contracts and employee benefits. Of these, €18 million (2008: €10 million) are due to be incurred within the next 12 months. The residual €12 million (2008: €13 million) will be incurred over a period longer than one year.

All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre tax real yield on long-term bonds over the last five years.

Acquired contingent liabilities arise from business combinations made in 2007.

24 Deferred tax

Deferred tax assets

€ million	2009	2008
At 1 January	36	32
Charged to the combined and consolidated income statement	(10)	(5)
Charged to the combined and consolidated statement of comprehensive income	–	6
Acquired through business combinations (see note 30)	–	3
Reclassifications	1	4
Currency movements	2	(4)
At 31 December	**29**	36

Deferred tax liabilities

€ million	2009	2008
At 1 January	(292)	(322)
Charged to the combined and consolidated income statement	11	(14)
Charged to the combined and consolidated statement of comprehensive income	(7)	11
Acquired through business combinations (see note 30)	–	(4)
Disposal of businesses (see note 31)	–	1
Reclassifications	5	(7)
Currency movements	(33)	43
At 31 December	**(316)**	(292)

The amount of deferred tax provided in the accounts is presented as follows:

€ million	2009	2008
Deferred tax assets		
Tax losses[1]	40	31
Other temporary differences	(11)	5
Total deferred tax assets	**29**	36
Deferred tax liabilities		
Capital allowances in excess of depreciation	(312)	(313)
Fair value adjustments	(73)	(89)
Tax losses	51	48
Other temporary differences	18	62
Total deferred tax liabilities	**(316)**	(292)

Note:

[1] Based on forecast data, the Group believes that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses.

24 Deferred tax (continued)

The amount of deferred tax credited/(charged) to the combined and consolidated income statement is presented as follows:

€ million	2009	2008
Capital allowances in excess of depreciation	(25)	(5)
Fair value adjustments	10	(37)
Tax losses	2	18
Other temporary differences	14	5
Total credit/(charge)	**1**	(19)

The current expectation regarding the maturity of deferred tax balances is:

€ million	2009	2008
Deferred tax assets		
Recoverable within 12 months	8	3
Recoverable after 12 months	21	33
Total deferred tax assets	**29**	36
Deferred tax liabilities		
Payable after 12 months	(316)	(292)
Total deferred tax liabilities	**(316)**	(292)

The Group has the following amounts in respect of which no deferred tax asset has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised:

€ million	2009	2008
Tax losses – revenue	1,763	955
Tax losses – capital	16	20
Other temporary differences	2	6
Total	**1,781**	981

Included in unrecognised tax losses, as at 31 December 2009, are losses of €1 million (2008: €4 million) that will expire within one year, €62 million (2008: €10 million) that will expire between one and five years, and €148 million (2008: €40 million) that will expire after five years. A further €1,568 million (2008: €921 million) of losses have no expiry date.

No liability has been recognised in respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. At 31 December 2009, the aggregate amount of undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was €3.0 billion (2008: €2.6 billion).

25 Retirement benefits

The Group operates post-retirement defined contribution and defined benefit plans for the majority of its employees. It also operates post-retirement medical arrangements in South Africa. The accounting policy for pensions and post-retirement benefits is included in note 1.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €17 million (2008: €15 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at 31 December 2009 and 31 December 2008.

25 Retirement benefits (continued)

Defined benefit pension plans and post-retirement medical arrangements

The majority of the post-retirement defined benefit plans are funded. The assets of these plans are held separately from those of the Group in independently administered funds, in accordance with statutory requirements or local practice throughout the world. The unfunded pension plans are principally in Europe.

The post-retirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. The majority of these plans are unfunded. There are no plan assets in respect of post-retirement medical plans.

The Group's defined benefit pension and post-retirement healthcare arrangements, for the five years ended 31 December 2009, are summarised as follows:

	2009			2008		
€ million	Southern Africa	Europe	Total	Southern Africa	Europe	Total
Assets						
Defined benefit plans in surplus	8	–	8	–	–	–
Liabilities						
Defined benefit plans in deficit (funded and unfunded)	–	(124)	(124)	–	(132)	(132)
Post-retirement medical plans	(60)	–	(60)	(50)	–	(50)
Total liabilities	**(60)**	**(124)**	**(184)**	(50)	(132)	(182)
Experience adjustments						
On plan liabilities	(5)	4	(1)	(14)	(3)	(17)
On plan assets	11	10	21	(4)	(30)	(34)
Total experience adjustments	**6**	**14**	**20**	(18)	(33)	(51)
Income statement charge[1]						
Defined benefit pension plan costs	1	11	12	–	10	10
Post-retirement medical plan costs	4	–	4	5	–	5
Total income statement charge	**5**	**11**	**16**	5	10	15

Note:

[1] Includes service costs, past service costs and curtailments where applicable, interest payable on scheme liabilities and expected returns on scheme assets.

Notes to the combined and consolidated financial statements continued

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25 Retirement benefits (continued)

	2007			2006		
€ million	Southern Africa	Europe	Total	Southern Africa	Europe	Total
Assets						
Defined benefit plans in surplus	8	3	11	5	2	7
Liabilities						
Defined benefit plans in deficit (funded and unfunded)	–	(129)	(129)	–	(143)	(143)
Post-retirement medical plans	(71)	–	(71)	(77)	–	(77)
Total liabilities	(71)	(129)	(200)	(77)	(143)	(220)
Experience adjustments						
On plan liabilities	4	(1)	3	35	–	35
On plan assets	6	(2)	4	22	2	24
Total experience adjustments	10	(3)	7	57	2	59

	2005		
€ million	Southern Africa	Europe	Total
Assets			
Defined benefit plans in surplus	–	1	1
Liabilities			
Defined benefit plans in deficit	–	(188)	(188)
Post-retirement medical plans	(98)	–	(98)
Total liabilities	(98)	(188)	(286)
Experience adjustments			
On plan liabilities	(14)	(11)	(25)
On plan assets	(13)	60	47
Total experience adjustments	(27)	49	22

25 Retirement benefits (continued)

Retirement benefits surplus/(obligation)

The amounts recognised in the combined and consolidated statement of financial position are determined as follows:

€ million	2009 Southern Africa	2009 Europe	2009 Total	2008 Southern Africa	2008 Europe	2008 Total
Present value of unfunded obligations	(60)	(109)	(169)	(50)	(114)	(164)
Present value of funded obligations	(145)	(120)	(265)	(119)	(116)	(235)
Present value of pension plan liabilities	**(205)**	**(229)**	**(434)**	(169)	(230)	(399)
Fair value of plan assets	177	105	282	135	100	235
Deficit	**(28)**	**(124)**	**(152)**	(34)	(130)	(164)
Surplus restrictions	(24)	–	(24)	(16)	(2)	(18)
Deficit on pension and post-retirement medical plans	**(52)**	**(124)**	**(176)**	(50)	(132)	(182)
Amounts reported in the statement of financial position						
Assets						
Retirement benefits surplus	**8**	**–**	**8**	–	–	–
Liabilities						
Retirement benefits obligation:						
Defined benefit pension plans[1]	–	(124)	(124)	–	(132)	(132)
Post-retirement medical plans	(60)	–	(60)	(50)	–	(50)
Total retirement benefits obligation	**(60)**	**(124)**	**(184)**	(50)	(132)	(182)

Note:

1 Underlying obligations are grossed up for the surpluses that exist.

Independent qualified actuaries carry out full valuations every three years using the projected credit unit method. The actuaries have updated the valuations to 31 December 2009.

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 106% (2008: 100%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the schemes' trustees and in accordance with local actuarial advice and statutorial provisions.

The majority of the defined benefit pension plans are closed to new members. Consequently, it is expected that the Group's share of contributions will increase as the schemes' members age. The aggregate benefit obligation in respect of the unfunded plans at 31 December 2009 is €109 million (2008: €114 million).

The total loss, net of applicable tax, recognised in equity relating to experience movements on scheme liabilities and plan assets and actuarial assumption changes for the year ended 31 December 2009 is a gain of €9 million (2008: gain of €14 million). The cumulative total recognised since 1 January 2004 is a gain of €3 million.

The expected return on plan assets is based on market expectations, at the beginning of a reporting period, for returns over the entire life of the related pension obligations. Expected returns may vary from one reporting period to the next in line with changes in long-run market sentiment and updated evaluations of historic fund performance.

For the year ended 31 December 2009, the actual return on plan assets in respect of defined benefit pension schemes was a gain of €38 million (2008: loss of €17 million).

Notes to the combined and consolidated financial statements continued

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25 Retirement benefits (continued)

Income statement

The amounts recognised in the combined and consolidated income statement are as follows:

€ million	2009 Pension plans	2009 Post-retirement medical plans	2009 Total plans	2008 Pension plans	2008 Post-retirement medical plans	2008 Total plans
Analysis of the amount charged/ (credited) to operating profit						
Current service costs	8	–	8	9	–	9
Past service costs	1	–	1	–	–	–
Other amounts credited to profit and loss (curtailments and settlements)	(2)	–	(2)	(2)	–	(2)
Total within operating costs	**7**	**–**	**7**	7	–	7
Analysis of the amount charged/ (credited) to net finance costs on plan liabilities						
Expected return on plan assets[1]	(17)	–	(17)	(20)	–	(20)
Interest costs on plan liabilities[2]	22	4	26	23	5	28
Net charge to other net finance costs	**5**	**4**	**9**	3	5	8
Total charge to income statement	**12**	**4**	**16**	10	5	15

Notes:

1 Included in investment income (see note 6).

2 Included in interest expense (see note 6).

Assured healthcare trend rates have a significant effect on the amounts recognised in the combined and consolidated income statement. A 1% change in assumed healthcare cost trend rates would have the following effects on the post-retirement medical plans:

€ million	1% increase	1% decrease
Effect on the aggregate of the current service cost and interest cost	1	(1)
Effect on the defined benefit obligation	6	(5)

25 Retirement benefits (continued)

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs under IAS 19, 'Employee Benefits', are detailed below:

%	2009 Southern Africa	2009 Europe	2008 Southern Africa	2008 Europe
Defined benefit pension plan				
Average discount rate for plan liabilities	**9.1**	**5.2-5.7**	7.2	4.0-6.1
Average rate of inflation	**5.6**	**1.8-10.0**	4.0	1.1-9.0
Average rate of increase in salaries	**6.9**	**1.8-5.5**	5.3	1.5-6.0
Average rate of increase of pensions in payment	**5.6**	**1.8-5.0**	4.0	1.7-5.0
Average long-term rate of return on plan assets	**9.7**	**4.0-6.4**	7.5	4.0-6.3
Post-retirement medical plan				
Average discount rate for plan liabilities	**9.1**	**N/A**	7.2	N/A
Expected average increase of healthcare costs	**7.1**	**N/A**	5.5	N/A

The assumption for the average discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency.

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

years	2009 Southern Africa	2009 Europe	2008 Southern Africa	2008 Europe
Retiring today:				
Males	**17.66**	**13.10-22.70**	17.56	17.63-19.82
Females	**22.01**	**16.20-25.20**	21.91	20.88-23.52
Retiring in 20 years:				
Males	**19.50**	**15.80-25.70**	19.40	18.10-22.45
Females	**23.80**	**18.90-28.10**	23.70	21.10-25.78

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The market value of the pension assets in these plans and the long-term expected rate of return as at 31 December 2009 and 31 December 2008 are detailed below:

2009	Southern Africa Rate of return (%)	Southern Africa Fair value (€ million)	Europe Rate of return (%)	Europe Fair value (€ million)	Total Fair value (€ million)
Equity	**11.72**	69	**7.10**	49	118
Bonds	**–**	–	**4.66**	52	52
Other	**8.46**	108	**5.35**	4	112
Fair value of plan assets		**177**		**105**	**282**

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25 Retirement benefits (continued)

2008	Southern Africa Rate of return (%)	Southern Africa Fair value (€ million)	Europe Rate of return (%)	Europe Fair value (€ million)	Total Fair value (€ million)
Equity	9.88	55	7.19	35	90
Bonds	–	–	5.25	45	45
Other	5.98	80	4.54	20	100
Fair value of plan assets		135		100	235

Movement analysis

The changes in the fair value of plan assets are as follows:

€ million	Fair value of plan assets **2009**	Fair value of plan assets 2008
At 1 January	235	323
Expected return on plan assets	17	20
Actuarial gains/(losses)	21	(37)
Disposal of businesses (see note 31)	–	(11)
Contributions paid by employer	5	2
Contributions paid by other members	1	1
Benefits paid	(18)	(13)
Reclassifications	(14)	11
Currency movements	35	(61)
At 31 December	**282**	235

The changes in the present value of defined benefit obligations are as follows:

€ million	**2009** Pension plans	**2009** Post-retirement medical plans	**2009** Total plans	2008 Pension plans	2008 Post-retirement medical plans	2008 Total Plans
At 1 January	(349)	(50)	(399)	(407)	(71)	(478)
Current service cost	(8)	–	(8)	(9)	–	(9)
Disposal of businesses (see note 31)	3	–	3	12	–	12
Past service costs and effects of settlements and curtailments	1	–	1	2	–	2
Interest cost	(22)	(4)	(26)	(23)	(5)	(28)
Actuarial (losses)/gains	(10)	1	(9)	1	6	7
Contributions paid by other members	(1)	–	(1)	(1)	–	(1)
Benefits paid	29	4	33	25	3	28
Reclassifications	16	–	16	(11)	–	(11)
Currency movements	(33)	(11)	(44)	62	17	79
At 31 December	**(374)**	**(60)**	**(434)**	(349)	(50)	(399)

26 Other comprehensive income

Reclassification adjustments included in the combined and consolidated income statement and the tax relating to each component of other comprehensive income are as follows:

€ million	2009 Before-tax amount	2009 Tax expense	2009 Net-of-tax amount	2008 Before-tax amount	2008 Tax benefit	2008 Net-of-tax amount
Cash flow hedges:	26	(6)	20	(61)	15	(46)
Fair value losses arising during the year	(15)			(47)		
Less: Reclassification adjustments for losses/(gains) included in the combined and consolidated income statement	46			(12)		
Less: Adjustments for amounts transferred to initial carrying amount of hedged items	(5)			(2)		
Actuarial gains/(losses) and surplus restriction on post-retirement benefit schemes	7	(1)	6	(17)	2	(15)
Gains/(losses) arising on available-for-sale investments	1	–	1	(1)	–	(1)
Exchange gains/(losses) on translation of foreign operations	118	–	118	(246)	–	(246)
Share of other comprehensive income of associates[1]	1	–	1	(1)	–	(1)
Total other comprehensive income	**153**	**(7)**	**146**	(326)	17	(309)
Attributable to:						
Minority interests	**10**	**(1)**	**9**	(8)	1	(7)
Equity holders of the parent companies	**143**	**(6)**	**137**	(318)	16	(302)

Note:

1 Share of other comprehensive income of associates consists of associates share of exchange gains/(losses) on translation of foreign operations.

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27 Asset values per share

Asset values per share are disclosed in accordance with the JSE Listings Requirements. Net asset value per share is defined as net assets divided by the combined number of ordinary shares in issue as at the reporting dates presented less treasury shares held. Tangible net asset value per share is defined as the net assets less intangible assets divided by the combined number of ordinary shares in issue as at the reporting dates presented less treasury shares held.

	2009	2008
Net asset value per share (€)	**5.55**	5.34
Tangible net asset value per share (€)	**4.94**	4.70

28 Share capital and share premium

	Authorised	
	Number of shares	R million
Mondi Limited R0.20 ordinary shares	250,000,000	50
Mondi Limited R0.20 special converting shares	650,000,000	130

	Authorised	
	Number of shares	€ million
Mondi plc €0.20 ordinary shares	3,177,608,605	636
Mondi plc €0.20 special converting shares	250,000,000	50

There has been no change to the authorised share capital of either Mondi Limited or Mondi plc since listing on the respective stock exchanges on 3 July 2007.

28 Share capital and share premium (continued)

2009	**Number of shares**	**Called up, allotted and fully paid/€ million** Share capital	Share premium	Total
Mondi Limited R0.20 ordinary shares issued on the JSE	146,896,322	3	532	535
Mondi plc[1] €0.20 ordinary shares issued on the LSE	367,240,805	74	–	74
Total ordinary shares in issue	**514,137,127**	**77**	**532**	**609**
Mondi Limited R0.20 special converting shares[2]	367,240,805	8	–	8
Mondi plc €0.20 special converting shares	146,896,322	29	–	29
Total special converting shares	**514,137,127**	**37**	**–**	**37**
Total shares	**1,028,274,254**	**114**	**532**	**646**

2008	Number of shares	Called up, allotted and fully paid/€ million Share capital	Share premium	Total
Mondi Limited R0.20 ordinary shares issued on the JSE	146,896,322	3	532	535
Mondi plc[1] €0.20 ordinary shares issued on the LSE	367,240,805	74	–	74
Total ordinary shares in issue	514,137,127	77	532	609
Mondi Limited R0.20 special converting shares[2]	367,240,805	8	–	8
Mondi plc €0.20 special converting shares	146,896,322	29	–	29
Total special converting shares	514,137,127	37	–	37
Total shares	1,028,274,254	114	532	646

Notes:

1 Mondi plc also issued 50,000 5% cumulative £1 preference shares in 2007. The Group classifies these preference shares as a liability, and not as equity instruments, since they contractually obligate the Group to make cumulative dividend payments to the holders. The dividend payments are treated as a finance cost rather than distributions.

2 The special converting shares are held on trust and do not carry dividend rights. The special converting shares provide a mechanism for equality of treatment on termination for both Mondi Limited and Mondi plc ordinary equity holders.

29 Share-based payments

Mondi share awards

The Group has set up its own share-based payment arrangements to incentivise employees, as well as certain transitional schemes to compensate relevant employees for the benefits foregone on outstanding Anglo American plc schemes. The Group also operates equity-settled demerger arrangements for directors and key management to provide for an orderly transition into the post-demerger period. In addition, the Co-Investment Plan has been created for the chief executive officer of the Group.

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or Mondi plc. The Group has no legal or constructive obligation to settle the awards made under these schemes in cash, except for the reimbursement of dividends foregone on BSP awards that vest.

The demerger arrangements were instituted prior to, and in anticipation of, the demerger. The associated fair value charge, attributable to the vesting period elapsed, has been recognised from 1 January 2007. The fair value charges resulting from all other share awards made by the Group, attributable to the vesting periods elapsed, have been recognised from the effective date of grant. The total fair value charge in respect of all the Mondi share awards granted during the year ended 31 December 2009 is made up as follows:

€ million	**2009**	2008
Demerger (see note 5)	3	9
Transitional BSP	–	1
BSP 2007	1	2
LTIP 2007	–	1
Co-Investment Plan	–	1
BSP 2008	2	2
LTIP 2008	–	2
BSP 2009	1	–
LTIP 2009	1	–
Total share-based payment expense[1]	**8**	18

Note:

[1] The fair value charges associated with the transitional LTIP share award scheme are immaterial for both the years presented.

29 Share-based payments (continued)

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited	Transitional BSP	Transitional LTIP	BSP 2007	LTIP 2007
Date of grant	3 July 2007	3 July 2007	3 July 2007	3 July 2007
Vesting period (years)[1]	1.8	1.8	2.8	2.8
Vesting conditions	[2]	[2]	[2]	[3]
Expected leavers per annum (%)	3	3	3	3
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	N/A	33
Fair value per instrument (R)	61.33[4]	61.33[4]	64.23[5]	59.12[6]

Mondi Limited	Demerger arrangements	BSP 2008	LTIP 2008	BSP 2009
Date of grant	3 July 2007	31 March 2008	31 March 2008	27 March 2009
Vesting period (years)[1]	2	3	3	3
Vesting conditions	[2]	[2]	[3]	[2]
Expected leavers per annum (%)	nil	5	5	5
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	33[7]	N/A
Fair value per instrument (R)	59.88[4]	56.39[5]	57.59[6]	18.87[5]

Mondi Limited	LTIP 2009
Date of grant	27 March 2009
Vesting period (years)[1]	3
Vesting conditions	[3]
Expected leavers per annum (%)	5
Expected outcome of meeting performance criteria at date of grant (%)	75
Fair value per instrument (R)	19.26[6]

Notes:

1 The number of years' continuous employment (service condition).

2 The service condition must be satisfied in order for vesting to occur.

3 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined by the congruence of market and Group performance outcomes with specified market-based and internal Group performance targets.

4 The average mid-market share price for the month ended 3 August 2007 has been used to quantify the fair value of each instrument granted (the base fair value), as adjusted for the present value of anticipated dividends foregone over future vesting periods.

5 Accrued entitlements to dividends on BSP awards are accounted for on a cash-settled basis and are included in the fair value estimate.

6 The base fair value has been adjusted for contractually-determined market-based performance conditions.

7 At 31 December 2008 it was assumed that the expected outcome would be 89%.

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29 Share-based payments (continued)

Mondi plc	Transitional BSP	Transitional LTIP	BSP 2007	LTIP 2007
Date of grant	3 July 2007	3 July 2007	3 July 2007	3 July 2007
Vesting period (years)[1]	1.8	1.8	2.8	2.8
Vesting conditions	[2]	[2]	[2]	[3]
Expected leavers per annum (%)	3	3	3	3
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	N/A	33
Fair value per instrument (£)	4.43[5]	4.43[5]	4.64[6]	4.27[7]

Mondi plc	Demerger arrangements	Co-Investment Plan	BSP 2008	LTIP 2008
Date of grant	3 July 2007	3 July 2007	31 March 2008	31 March 2008
Vesting period (years)[1]	2	4	3	3
Vesting conditions	[2]	[4]	[2]	[3]
Expected leavers per annum (%)	nil	nil	5	5
Expected outcome of meeting performance criteria at date of grant (%)	N/A	84	N/A	33[8]
Fair value per instrument (£)	4.32[5]	3.25[7]	3.36[6]	3.40[7]

Mondi plc	BSP 2009	LTIP 2009
Date of grant	27 March 2009	27 March 2009
Vesting period (years)[1]	3	3
Vesting conditions	[2]	[3]
Expected leavers per annum (%)	5	5
Expected outcome of meeting performance criteria at date of grant (%)	N/A	75
Fair value per instrument (£)	0.98[6]	0.99[7]

Notes:
1 The number of years' continuous employment (service condition).
2 The service condition must be satisfied in order for vesting to occur.
3 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined by the congruence of market and Group performance outcomes with specified market-based and internal Group performance targets.
4 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined with reference to a market-based performance condition.
5 The average mid-market share price for the month ending 3 August 2007 has been used to quantify the fair value of each instrument granted (the base fair value), as adjusted for the present value of anticipated dividends foregone over future vesting periods.
6 Accrued entitlements to dividends on BSP awards are accounted for on a cash-settled basis and are included in the fair value estimate.
7 The base fair value has been adjusted for contractually-determined market-based performance conditions.
8 At 31 December 2008 it was assumed that the expected outcome would be 89%.

A reconciliation of share award movements for the Mondi share schemes is shown below.

	Mondi Limited				
2009/Scheme	1 January	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December
Transitional BSP	50,936	–	(49,549)	(1,387)	–
BSP	336,503	558,376	(50,826)	(19,693)	824,360
Transitional LTIP	23,083	–	(23,083)	–	–
LTIP	264,538	593,883	–	(46,787)	811,634
Demerger arrangements	171,868	–	(171,868)	–	–
Total	**846,928**	**1,152,259**	**(295,326)**	**(67,867)**	**1,635,994**

29 Share-based payments (continued)

2008/Scheme	Mondi Limited 1 January	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December
Transitional BSP	54,028	–	(1,872)	(1,220)	50,936
BSP	106,048	235,165	(1,782)	(2,928)	336,503
Transitional LTIP	23,083	–	–	–	23,083
LTIP	116,450	148,088	–	–	264,538
Demerger arrangements	187,710	–	(15,842)	–	171,868
Total	487,319	383,253	(19,496)	(4,148)	846,928

2009/Scheme	**Mondi plc** **1 January**	**Shares conditionally awarded in year**	**Shares vested in year**	**Shares expired in year**	**31 December**
Transitional BSP	147,616	–	(145,898)	(1,718)	–
BSP	1,574,072	2,089,916	(359,406)	(67,354)	3,237,228
Transitional LTIP	150,074	–	(150,074)	–	–
LTIP	2,623,854	4,483,836	–	(229,368)	6,878,322
Demerger arrangements	2,303,616	–	(2,191,167)	(112,449)	–
Co-Investment Plan	538,795	–	–	–	538,795
Total	**7,338,027**	**6,573,752**	**(2,846,545)**	**(410,889)**	**10,654,345**

2008/Scheme	Mondi plc 1 January	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December
Transitional BSP	172,666	–	(25,050)	–	147,616
BSP	563,749	1,183,727	(106,583)	(66,821)	1,574,072
Transitional LTIP	150,074	–	–	–	150,074
LTIP	1,318,455	1,709,264	–	(403,865)	2,623,854
Demerger arrangements	3,167,407	–	(651,863)	(211,928)	2,303,616
Co-Investment Plan	538,795	–	–	–	538,795
Total	5,911,146	2,892,991	(783,496)	(682,614)	7,338,027

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29 Share-based payments (continued)

Combined share award schemes

2009/Entity	1 January	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December
Mondi Limited	846,928	1,152,259	(295,326)	(67,867)	1,635,994
Mondi plc	7,338,027	6,573,752	(2,846,545)	(410,889)	10,654,345
Total	**8,184,955**	**7,726,011**	**(3,141,871)**	**(478,756)**	**12,290,339**

2008/Entity	1 January	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December
Mondi Limited	487,319	383,253	(19,496)	(4,148)	846,928
Mondi plc	5,911,146	2,892,991	(783,496)	(682,614)	7,338,027
Total	6,398,465	3,276,244	(802,992)	(686,762)	8,184,955

30 Business combinations

To 31 December 2009

There were no major acquisitions made for the year ended 31 December 2009.

Details of the aggregate net assets acquired, as adjusted from book to fair value, and the attributable goodwill are presented as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired:[1]			
Long-term borrowings	–	2	2
Equity minority interest	3	–	3
Other	(1)	–	(1)
Net assets acquired	**2**	**2**	**4**
Goodwill arising on acquisition			–
Total cost of acquisition			**4**
Debt consideration			(2)
Net cash paid			**2**

Note:

[1] The business combinations were not individually material and therefore have not been shown separately.

The values used in accounting for the identifiable assets and liabilities of these acquisitions are provisional in nature at the reporting date. If necessary, adjustments will be made to these carrying values, and to the related goodwill, within 12 months of the acquisition date.

30 Business combinations (continued)

To 31 December 2008

Principal acquisitions made during the year to 31 December 2008, accounted for under the acquisition method, were:

Name of entity acquired	Nature of entity acquired	Date of acquisition	Percentage acquired
Dunapack	Bag converting	April 2008	100.0
Rochester	Coating	April 2008	100.0
Loparex Group	Coating and Kraft paper	April 2008	100.0

Details of the aggregate net assets acquired, as adjusted from book to fair value, and the attributable goodwill are presented as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired:[1]			
Intangible assets	1	8	9
Property, plant and equipment	59	(32)	27
Financial asset investments	5	–	5
Deferred tax assets	1	2	3
Inventories	22	(1)	21
Trade and other receivables	44	2	46
Cash and cash equivalents	3	–	3
Short-term borrowings	(3)	–	(3)
Other current liabilities	(44)	–	(44)
Long-term borrowings	(37)	–	(37)
Deferred tax liabilities	(3)	(1)	(4)
Contingent liabilities[2]	2	–	2
Equity minority interest	5	–	5
Net assets acquired	55	(22)	33
Goodwill arising on acquisition			19
Total cost of acquisition			52
Cash acquired net of overdrafts			(3)
Net cash paid			49

Notes:

1 The business combinations were not individually material and therefore have not been shown separately.

2 Adjustments to the acquired contingent liabilities of Tire Kutsan which was acquired in 2007.

During the year to 31 December 2009 adjustments totalling €2 million have been made to the provisional values estimated of net assets of the Loparex Group acquired in the year to 31 December 2008.

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31 Disposal of subsidiaries and associates

€ million	2009	2008
Net assets disposed:		
Property, plant and equipment	38	57
Inventories	5	9
Trade and other receivables	34	31
Assets held for sale[1]	19	–
Cash and cash equivalents	2	–
Short-term borrowings	(8)	(5)
Trade and other payables	(28)	(26)
Retirement benefits obligation	(3)	(1)
Deferred tax liabilities	–	(1)
Long-term borrowings	–	(20)
Liabilities directly associated with assets classified as held for sale[1]	(6)	–
Total net assets disposed	**53**	44
Profit/(loss) on disposal of subsidiaries (see note 5)	3	(27)
Profit on disposal of associates	3	–
Disposal proceeds	**59**	17
Net cash disposed	(2)	–
Net cash inflow from disposals	**57**	17
Net cash inflow from disposal of subsidiaries during the year	**54**	17
Net cash inflow from disposal of associates during the year	**3**	–

Note:

1 Disposal of assets and liabilities previously classified as held for sale. The carrying value includes all movements since the date of reclassification up to the date of disposal.

32 Disposal groups and assets held for sale

€ million	2009	2008
Property, plant and equipment	5	1
Forestry assets	30	–
Total non-current assets	**35**	1
Inventories	1	–
Trade and other receivables	–	2
Cash and cash equivalents	–	2
Total current assets	**1**	4
Total assets classified as held for sale	**36**	5
Trade and other payables	(1)	(2)
Total current liabilities	**(1)**	(2)
Deferred tax liabilities	(8)	(1)
Total non-current liabilities	**(8)**	(1)
Total liabilities directly associated with assets classified as held for sale	**(9)**	(3)
Net assets	**27**	2

33 Consolidated cash flow analysis

(a) Reconciliation of profit/(loss) before tax to cash generated from operations

€ million	2009	2008
Profit/(loss) before tax	**49**	(103)
Depreciation and amortisation	351	373
Share option expense	5	9
Non-cash effect of special items	98	368
Net finance costs	114	159
Net income from associates	(2)	(2)
Decrease in provisions and post-employment benefits	(16)	(21)
Decrease in inventories	80	26
Decrease in operating receivables	170	106
Decrease in operating payables	(2)	(105)
Fair value gains on forestry assets	(28)	(46)
Felling costs	50	43
Profit on disposal of tangible and intangible assets	(4)	(6)
Other adjustments	2	(6)
Cash generated from operations	**867**	795

(b) Cash and cash equivalents

€ million	2009	2008
Cash and cash equivalents per statement of financial position	123	155
Bank overdrafts included in short-term borrowings	(86)	(80)
Net cash and cash equivalents per statement of cash flows	**37**	75

(c) Movement in net debt

The Group's net debt position, excluding disposal groups is as follows:

€ million	Cash and cash equivalents[1]	Debt due within one year[2]	Debt due after one year	Total net debt
At 1 January 2008	59	(332)	(1,234)	(1,507)
Cash flow	24	214	(543)	(305)
Business combinations (see note 30)	3	(3)	(37)	(37)
Disposal of businesses (see note 31)	–	5	20	25
Reclassifications	(2)	(215)	215	(2)
Currency movements	(9)	33	112	136
At 31 December 2008	75	(298)	(1,467)	(1,690)
Cash flow	(19)	288	(38)	231
Business combinations (see note 30)	–	–	2	2
Disposal of businesses (see note 31)	(2)	8	–	6
Reclassifications	(19)	(119)	153	15
Currency movements	2	(12)	(71)	(81)
At 31 December 2009	**37**	**(133)**	**(1,421)**	**(1,517)**

Notes:

1 The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

2 Excludes overdrafts, which are included as cash and cash equivalents. At 31 December 2009, short-term borrowings on the combined and consolidated statement of financial position of €219 million (2008: €378 million) include €86 million of overdrafts (2008: €80 million).

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33 Consolidated cash flow analysis (continued)

€ million	Carrying value: Cash and cash equivalents	Debt due within one year	Debt due after one year	Total net debt
Disposal groups – 2009 (see note 32)	**–**	**–**	**–**	**–**
Disposal groups – 2008 (see note 32)	2	–	–	2

(d) Reconciliation of cash generated from operations to EBITDA for the years ended 31 December

€ million	**2009**	2008
Cash generated from operations	**867**	795
Share option expense	(5)	(9)
Fair value gains on forestry assets	28	46
Felling costs	(50)	(43)
Decrease in provisions and post-employment benefits	16	21
Decrease in inventories	(80)	(26)
Decrease in operating receivables	(170)	(106)
Decrease in operating payables	2	105
Profit on disposal of tangible and intangible assets	4	6
Add back cash effect of operating special items	35	19
Other adjustments	(2)	6
EBITDA[1]	**645**	814

Note:

[1] EBITDA is operating profit before special items, depreciation and amortisation.

(e) EBITDA by operating segment[1]

€ million	**2009**	2008
Europe & International		
Uncoated Fine Paper	239	221
Corrugated	87	131
Bags & Specialities	189	271
Total Europe & International	515	623
South Africa		
Uncoated Fine Paper	52	109
Containerboard	24	43
Total South Africa	76	152
Mondi Packaging South Africa	62	52
Merchant & Newsprint businesses	28	24
Corporate & other businesses	(36)	(37)
EBITDA	**645**	814

Note:

[1] Management reviews segment EBITDA on a regular basis as part of the resource allocation decision-making process and the ongoing assessment of segment performance. Accordingly, segment EBITDA is presented since the Group believes that this provides useful additional information to the user of the Group's combined and consolidated financial statements.

33 Consolidated cash flow analysis (continued)

EBITDA is stated before special items and is reconciled to 'Total profit from operations and associates' as follows:

€ million	2009	2008
Total profit from operations and associates	**163**	56
Special items (excluding associates)	128	358
Net (profit)/loss on disposals (excluding associates)	(3)	27
Impairment of assets held for sale	8	2
Depreciation and amortisation	351	373
Share of associates' net income	(2)	(2)
EBITDA	**645**	814

34 Capital commitments

€ million	2009	2008
Contracted for but not provided	**214**	405
Approved, not yet contracted for	**291**	219

These capital commitments will be financed by existing cash resources and borrowing facilities.

35 Contingent liabilities and contingent assets

Disclosable contingent liabilities comprise aggregate amounts at 31 December 2009 of €21 million (2008: €17 million) in respect of loans and guarantees given to banks and other third parties. Acquired contingent liabilities of €nil (2008: €2 million) have been recorded on the Group's combined and consolidated statement of financial position. See note 30.

There are a number of legal or potential claims against the Group. Provision is made for all liabilities that are expected to materialise.

There were no significant disclosable contingent assets for both the years presented.

36 Operating leases

At 31 December, the Group had the following outstanding commitments under non-cancellable operating leases:

€ million	2009	2008
Expiry date		
Within one year	53	45
One to two years	52	42
Two to five years	153	114
After five years	109	143
Total operating leases	**367**	344

The majority of these operating leases relate to land and buildings.

In addition to the above, the Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The operating lease commitment and annual escalation rate are renegotiated every five years. The operating lease charge recorded in the combined and consolidated income statement amounted to €1 million (2008: €1 million). There are 61 years remaining on the lease. The operating lease commitments of this lease are not included in the table above.

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37 Capital management

The Group defines its total capital employed as equity, as presented in the combined and consolidated statement of financial position, plus net debt (see note 33), excluding loans to joint ventures, less financial asset investments.

€ million	2009	2008
Total borrowings	1,554	1,765
Less: Cash and cash equivalents[1]	(37)	(75)
Net debt	**1,517**	1,690
Less: Financial asset investments		
Loans and receivables	(10)	(5)
Available-for-sale investments	(17)	(14)
Adjusted net debt	**1,490**	1,671
Equity	**2,824**	2,696
Total capital employed	**4,314**	4,367

Note:

[1] Net of overdrafts.

Total capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns for shareholders and benefits for other stakeholders. Additionally, the Group is also committed to reducing its cost of capital by maintaining an optimal capital structure. In order to maintain an optimal capital structure, the Group may adjust the future level of dividends paid to shareholders, repurchase shares from shareholders, issue new equity instruments or dispose of assets to reduce its net debt exposure.

The Group reviews its total capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the Group's operations and are consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as net debt divided by total capital employed; and
- return on capital employed, defined as underlying operating profit, plus share of associates' net income, before special items, divided by average capital employed.

The Group operates a DLC structure which has been agreed with the South African Ministry of Finance and is subject to certain exchange control conditions. The exchange control conditions do not infringe upon the Group's ability to manage its capital structure optimally. However, they do require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc, is constrained by the equality of treatment mechanism, which serves to maintain and protect the economic interests of both sets of shareholders. The Group has continually met the exchange control provisions in the past and management is committed to ensuring that the Group continues to meet these provisions in future.

38 Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Boards and are overseen by the DLC executive committee. In turn, the DLC executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment, identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take positions on derivative contracts speculatively and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

38 Financial risk management (continued)

Market risk

The Group's activities expose it primarily to foreign exchange and cash flow interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of foreign exchange contracts and floating-to-fixed interest rate swaps (interest rate swaps) respectively. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables. Consequently, the Group is not substantively exposed to commodity price risk as defined in IFRS 7. Since the impact on the Group's equity would be immaterial for a wide range of relevant commodity price changes, the Group has chosen not to perform sensitivity analyses on its commodity price derivatives. The Group is also exposed to a limited extent to the equity price risk that attaches to its available-for-sale financial asset investments. Even under stressed market conditions, the impact on earnings or equity attributable to the crystallisation of equity price risk would be immaterial. Accordingly, the Group has chosen not to disclose sensitivity analyses on equity price risk.

Foreign exchange risk

The Group operates across various national boundaries and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from forecast commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and the translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's foreign exchange policy requires its subsidiaries to actively manage foreign currency exposures against their functional currencies by entering into foreign exchange contracts. The management of foreign currency exposures in 2009 incorporated both forecast transactions and recognised monetary items in the statement of financial position. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

As part of management's regular review of the suitability of the treasury risk management policies, the Group's currency hedging policy has been amended. Effective from January 2010, only material balance sheet exposures and highly probable forecast capital expenditure transactions are to be hedged.

Prior to the implementation of the amended hedging policy, currencies bought or sold forward to mitigate possible unfavourable movements on forecast transactions were designated as cash flow hedges. The Group's budgeting and forecasting systems enabled subsidiaries to assign a high degree of probability to forecast transactions and this therefore qualified them for designation as hedged items. The effective portion of changes in the fair value of designated foreign exchange contracts were initially deferred in equity, and subsequently reclassified to the combined and consolidated income statement when the underlying forecast transaction affected profit or loss. Utilisation of cash flow hedging enabled the Group to reclassify the fair value movements accreted on foreign exchange contracts and to match them with the crystallisation of the foreign exchange risk attributable to the designated hedged items in the combined and consolidated income statement. Hedging documentation was maintained and subjected to regular internal and external review, which reduced the risk of hedging ineffectiveness.

Currencies bought or sold forward to mitigate possible unfavourable movements on recognised monetary items are fair valued at each reporting date. Foreign currency monetary items are retranslated at each reporting date to incorporate the underlying foreign exchange movements, as prescribed by IAS 21, 'The Effects of Changes in Foreign Exchange Rates', and any such movements naturally off-set against fair value movements on related foreign exchange contracts.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related forward positions. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near-term future volatility.

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38 Financial risk management (continued)

Net monetary foreign currency exposures by functional currency zone

2009/€ million	Net monetary foreign currency exposures – assets/(liabilities)[1]							
	USD	EUR	PLN	GBP	SEK	HUF	CZK	Other
Functional currency zones:[2]								
US dollar	–	(1)	–	–	–	–	–	–
South African rand	1	5	–	1	(1)	–	–	(3)
Euro	1	–	2	2	–	1	–	–
Russian rouble	2	(100)	–	–	–	–	–	–
Polish zloty	4	–	–	–	1	–	–	–
British pound	1	1	–	–	–	–	–	–
Swedish krona	1	(4)	–	–	–	–	–	–
Hungarian forint	–	(3)	–	–	–	–	–	–
Czech koruna	–	(12)	–	–	–	–	–	–
Other	(4)	(41)	–	–	–	–	–	–

2008/€ million	Net monetary foreign currency exposures – assets/(liabilities)[1]							
	USD	EUR	PLN	GBP	SEK	SKK	CZK	Other
Functional currency zones:[2]								
US dollar	–	(1)	–	–	–	–	–	–
South African rand	1	–	–	–	–	–	–	–
Euro	6	–	–	1	–	–	–	14
Russian rouble	(2)	(18)	–	–	–	–	–	–
Polish zloty	2	(4)	–	–	–	–	–	1
British pound	–	(5)	–	–	–	–	–	1
Slovakian koruna	–	(19)	–	–	–	–	–	(1)
Czech koruna	(2)	(6)	–	–	–	–	–	–
Other	(29)	(105)	–	–	–	–	–	–

Notes:

[1] Presented in euros because this is the presentational currency of the Group.

[2] Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging.

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group believes that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's combined and consolidated income statement if these currency movements had occurred.

2009/€ million	Income/(expense)	
	+5%	-5%
Functional currency zones:		
Russian rouble	5	(5)
Other	2	(2)

38 Financial risk management (continued)

2008/€ million	Income/(expense) +5%	-5%
Functional currency zones:		
Euro	(1)	1
Russian rouble	1	(1)
Slovakian koruna	1	(1)
Other	7	(7)

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €nil (2008: ±€5 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges are fully recorded in equity and that all other variables are held constant.

Cash flow interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and have variable rate debt in issue. Consequently, the Group is exposed to cash flow interest rate risk. Although the Group also has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings are held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the syndicated facility denominated in euros (see note 21). Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant inter-bank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are ordinarily formally designated as cash flow hedges and are fair valued at each reporting date. The fair value of interest rate swaps are determined at each reporting date by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract. The resultant effective portion of the fair value gains and losses is initially deferred in equity, and is subsequently reclassified for offset against the interest cash flows arising on the hedged item. Cash flow hedging enables the Group to reclassify the fair value movements accreted on interest rate swaps from the Group's cash flow hedge reserve in equity and to match them with the crystallisation of the cash flow interest rate risk attributable to the variable rate debt in the Group's combined and consolidated income statement. The effect of applying this accounting treatment is to reduce the underlying volatility of reported earnings.

Hedging effectiveness documentation is subjected to regular internal and external review, which reduces the risk of hedging ineffectiveness. The Group's cash and cash equivalents also acts as a natural hedge against possible unfavourable movements in the relevant inter-bank lending rates on its variable rate debt, subject to any interest rate differentials that exist between corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, as denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

38 Financial risk management (continued)

Cash flow interest rate risk sensitivities on variable rate debt and interest rate swaps

	Cash flow interest rate risk exposures and sensitivities							
2009/€ million	EUR	ZAR	GBP	USD	PLN	CZK	Other	Total
Total debt	**982**	**402**	**10**	**10**	**166**	**46**	**24**	**1,640**
Less:								
Fixed rate debt	(164)	(48)	–	(6)	(115)	–	(9)	(342)
Non-interest bearing debt	(1)	(12)	–	–	–	–	–	(13)
Cash and cash equivalents	(34)	(39)	(3)	(7)	(2)	(2)	(36)	(123)
Net variable rate debt	**783**	**303**	**7**	**(3)**	**49**	**44**	**(21)**	**1,162**
Interest rate swaps:								
Floating-to-fixed notionals	(614)	(47)	–	–	(48)	(45)	–	(754)
Net variable rate exposure	**169**	**256**	**7**	**(3)**	**1**	**(1)**	**(21)**	**408**
± basis points change								
Potential impact on earnings (+50 basis points)	**(1)**	**(1)**	**–**	**–**	**–**	**–**	**–**	**(2)**
Potential impact on earnings (-50 basis points)	**1**	**1**	**–**	**–**	**–**	**–**	**–**	**2**

The potential impact on the Group's combined and consolidated equity resulting from the application of ±50 basis points to the interest rate swaps designated as cash flow hedges would be a fair value gain/(loss) of €5 million for the year ended 31 December 2009.

	Cash flow interest rate risk exposures and sensitivities							
2008/€ million	EUR	ZAR	GBP	USD	PLN	CZK	Other	Total
Total debt	1,254	387	7	36	50	–	111	1,845
Less:								
Fixed rate debt	(256)	(38)	–	(25)	(47)	–	(26)	(392)
Non-interest bearing debt	(2)	(11)	–	–	–	–	–	(13)
Cash and cash equivalents	(56)	(22)	(8)	(19)	(12)	5	(43)	(155)
Net variable rate debt	940	316	(1)	(8)	(9)	5	42	1,285
Interest rate swaps:								
Floating-to-fixed notionals	(568)	(38)	–	–	–	–	–	(606)
Net variable rate exposure	372	278	(1)	(8)	(9)	5	42	679
± basis points change								
Potential impact on earnings (+50 basis points)	(2)	(1)	–	–	–	–	–	(3)
Potential impact on earnings (-50 basis points)	2	1	–	–	–	–	–	3

The potential impact on the Group's combined and consolidated equity resulting from the application of ±50 basis points to the interest rate swaps designated as cash flow hedges would be a fair value gain/(loss) of €8 million for the year ended 31 December 2008.

38 Financial risk management (continued)

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market using foreign exchange contracts of mostly three month tenure which has the effect of exposing the Group to interest rates of these currencies. The currencies swapped into and the amounts at 31 December were as follows:

€ million	2009	2008
Russian rouble	256	271
British pound	65	87
US dollar	27	43
Polish zloty	106	82
Czech koruna	47	81
Swedish krona	42	63
Other	21	77
Total swapped	**564**	704

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits and derivative financial instruments is deemed to be insignificant on the basis that nearly all relevant counterparties are investment grade entities assigned by international credit-rating agencies. Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole. The Group has also provided committed loan facilities to Mondi Packaging South Africa and Mondi Shanduka Newsprint. Full disclosure of the Group's maximum exposure to credit risk is presented in the following table.

Group's exposure to credit risk

€ million	2009	2008
Cash and cash equivalents	123	155
Derivative financial instruments	7	73
Trade and other receivables	915	1,088
Loans and receivables	10	5
Total credit risk exposure	**1,055**	1,321

Credit risk associated with trade receivables

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group believes that there is no significant geographical concentration of credit risk, with each geographical segment representing a similar degree of exposure.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total trade receivables balance of €763 million (2008: €891 million) reported in the combined and consolidated statement of financial position, credit insurance covering €410 million (2008: €592 million) of the total balance has been taken out by the Group's trading entities to insure against the related credit default risk. The insured cover is presented gross of contractually agreed excess amounts.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

38 Financial risk management (continued)

The following table shows the amounts available to draw down on the Group's committed loan facilities.

€ million	2009	2008
Expiry date		
In one year or less	141	167
In more than one year	849	895
Total credit available	**990**	1,062

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's contractually-determined cash outflows, principally related to supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Group's trade receivables and trade payables respectively. The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the statement of financial position and is managed to ensure the ongoing operating liquidity of the Group. Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings. The Group also assesses its commitments under interest rate swaps, which hedge future cash flows from two to five years from the reporting date presented.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset held by the Group, are settled gross by customers. The Group's financial investments, which are not held for trading and therefore do not comprise part of the Group's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. Non-interest bearing financial liabilities which are due to be settled in less than 12 months from maturity equal their carrying values, since the impact of the time value of money is immaterial over such a short duration.

Maturity profile of outstanding financial liabilities

	Undiscounted cash flows				
2009/€ million	**< 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**[1]
Trade and other payables (see note 20)	1,023	–	–	–	1,023
Finance leases	6	4	7	7	24
Borrowings	284	321	1,007	170	1,782
Total	**1,313**	**325**	**1,014**	**177**	**2,829**

	Undiscounted cash flows				
2008/€ million	< 1 year	1-2 years	2-5 years	5+ years	Total[1]
Trade and other payables (see note 20)	1,035	–	–	–	1,035
Finance leases	7	6	9	9	31
Borrowings	389	124	1,213	178	1,904
Total	1,431	130	1,222	187	2,970

Note:

[1] It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows.

38 Financial risk management (continued)

The following table presents the Group's outstanding contractual maturity profile for its derivative financial instruments, which will be settled on a net basis. The amounts disclosed are the contractual undiscounted net cash flows.

Maturity profile of outstanding derivative positions

	Undiscounted cash flows			
2009/€ million	**< 1 year**	**1-2 years**	**2-5 years**	**Total[1]**
Foreign exchange contracts	(12)	–	–	(12)
Interest rate swaps	(18)	(8)	(4)	(30)
Commodity price derivatives	(3)	–	–	(3)
Total	**(33)**	**(8)**	**(4)**	**(45)**

	Undiscounted cash flows			
2008/€ million	< 1 year	1-2 years	2-5 years	Total[1]
Foreign exchange contracts	45	–	–	45
Interest rate swaps	(12)	(12)	(3)	(27)
Commodity price derivatives	(15)	(4)	–	(19)
Total	18	(16)	(3)	(1)

Note:

1 It has been assumed that, where applicable, foreign exchange rates prevailing at the reporting date will not vary over the time periods projected.

Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7, 'Financial Instruments: Disclosure', for financial instruments that are measured in the statement of financial position at fair value, requiring disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Group specific estimates.

For financial instruments to be included in level 2, all significant inputs required to fair value an instrument must be observable. The significant inputs required to fair value all of the Group's financial instruments are observable, and therefore all of the Group's financial instruments are categorised as level 2 financial instruments. The Group does not hold any financial instruments categorised as either level 1 or level 3 financial instruments.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates.
- the Group's commodity price derivatives are fair valued by independent third parties, who in turn calculate the fair values as the present value of expected future cash flows based on observable market data.
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2009

39 Related party transactions

The Group has a related party relationship with its associates and joint ventures (see note 40). Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with joint ventures and associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

The executive directors, who together with the non-executive directors comprise the Boards, are deemed to be the key management personnel of the Group; their remuneration is disclosed in the remuneration report.

2009/€ million	**Joint ventures**	**Associates**
Sales to related parties	11	–
Purchases from related parties	(1)	–
Loans to related parties	19	–
Receivables due from related parties	8	–
Payables due to related parties	(1)	–

2008/€ million	Joint ventures	Associates
Sales to related parties	11	–
Purchases from related parties	(1)	(32)
Loans to related parties	10	–
Receivables due from related parties	7	1

Cyril Ramaphosa, joint chairman of Mondi, has a 34.3% (2008: 32.7%) stake in Shanduka Group (Proprietary) Limited, an entity that has controlling interests in Shanduka Advisors (Proprietary) Limited, Shanduka Resources (Proprietary) Limited, Shanduka Packaging (Proprietary) Limited and Shanduka Newsprint (Proprietary) Limited and participating interests in Mondi Shanduka Newsprint (Proprietary) Limited, Kangra Coal (Proprietary) Limited, Shanduka Coal (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited. Fees of €383,728 (2008: €340,000) and €nil (2008: €392,000) were paid to Shanduka Advisors (Proprietary) Limited and Shanduka Resources (Proprietary) Limited respectively for management services provided to the Group during the year ended 31 December 2009. Shanduka Packaging (Proprietary) Limited and Shanduka Newsprint (Proprietary) Limited have also provided a shareholders' loan to the Group. The balance outstanding at 31 December 2009 was €15.8 million (2008: €12.9 million) and €8.7 million (2008: €7.1 million), respectively. In the normal course of business, and on an arm's length basis, the Group purchased supplies from Kangra Coal (Proprietary) Limited totalling €8.8 million (2008: €12 million) and from Shanduka Coal (Proprietary) Limited totalling €3.5 million (2008: €nil) during the year. €480,000 (2008: €1 million) remains outstanding on these purchases as at 31 December 2009.

Dividends received from associates for the year ended 31 December 2009 amounts to €2 million (2008: €2 million), as disclosed in the combined and consolidated statement of cash flows.

40 Group companies

The principal subsidiaries, joint ventures and associates of the Group as at 31 December 2009 and 31 December 2008, and the Group's percentage of equity owned, together with the Group's interests in joint venture entities are presented below. All of these interests are combined and consolidated within the Group's financial statements. The Group has restricted the information to its principal subsidiaries, as full compliance with Section 409 of the UK Companies Act 2006 would result in a statement of excessive length.

	Country of incorporation	Business	Percentage equity owned[1] 2009	Percentage equity owned[1] 2008
Subsidiary undertaking				
Mondi SCP a.s.	Slovakia	Uncoated fine paper	51	51
Mondi AG	Austria	Corrugated, bags & specialities and uncoated fine paper	100	100
Mondi Packaging Europe SA	Luxembourg	Corrugated packaging	100	100
Mondi Packaging Corrugated Holding GmbH	Austria	Corrugated packaging	100	100
Mondi Świecie SA	Poland	Virgin containerboard	66	66
Mondi Packaging South Africa (Proprietary) Limited[2]	South Africa	Packaging	70	70
Europapier AG	Austria	Paper merchanting	100	100
Tire Kutsan Oluklu Mukavva Kutu ve Kagit Sanayi A.S.[3]	Turkey	Corrugated packaging	54	54
Mondi Syktyvkar OJSC	Russia	Uncoated fine paper, containerboard and newsprint	100	99
Mondi Štěti a.s.	Czech Republic	Kraft paper	100	100
Joint ventures[4]				
Aylesford Newsprint Holdings Limited	UK	Newsprint	50	50
Mondi Shanduka Newsprint[5]	South Africa	Newsprint	50	50

Notes:

1 This represents the percentage of equity owned and the proportion of voting rights held by the Group.

2 Consolidated at 75% due to the contractual arrangement with the subsidiary's employee share ownership trust.

3 Consolidated at 63.4% since the Group is obligated to acquire an additional 9.83% of the entity's equity instruments.

4 The presumption of significant influence over these entities does not apply because the economic activities of these entities are jointly controlled under contractual arrangements that have been entered into with venturer parties.

5 Due to the contractual arrangements with the entity's employee share and community ownership trust, shareholdings are proportionately consolidated at 58%.

These companies operate principally in the countries in which they are incorporated. Non-operating intermediate holding companies are excluded from the above table.

The Group's share of losses from subsidiary entities, excluding joint ventures, for the year ended 31 December 2009 is €38 million (2008: €209 million).

41 Events occurring after 31 December 2009

With the exception of the proposed final dividend for 2009, included in note 9, there have been no material reportable events since 31 December 2009.

Independent auditors' report to the members of Mondi plc

We have audited the parent company financial statements of Mondi plc for the year ended 31 December 2009 which comprise the balance sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibility statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:
- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the UK Companies Act 2006.

Opinion on other matters prescribed by the UK Companies Act 2006

In our opinion:
- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the UK Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the combined and consolidated financial statements of the Mondi Group for the year ended 31 December 2009.

Panos Kakoullis (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

22 February 2010

Mondi plc parent company balance sheet

as at 31 December 2009

€ million	Notes	**2009**	2008
Fixed asset investments	5	2,938	2,938
Total non-current assets		**2,938**	2,938
Trade and other receivables		13	38
Cash and cash equivalents		9	4
Total current assets		**22**	42
Total assets		**2,960**	2,980
Trade and other payables	6	(1,170)	(1,139)
Total current liabilities		**(1,170)**	(1,139)
Net assets		**1,790**	1,841
Equity			
Ordinary share capital	7/8	103	103
Retained earnings	8	1,675	1,716
Share-based payments reserve	8	12	22
Total equity		**1,790**	1,841

The balance sheet of Mondi plc and related notes were approved by the board and authorised for issue on 22 February 2010 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Notes to the Mondi plc parent company financial statements

for the year ended 31 December 2009

1 Accounting policies

Basis of preparation

The financial statements of Mondi plc have been prepared in accordance with UK GAAP and in compliance with the UK Companies Act 2006.

The results, assets and liabilities of Mondi plc are included in the combined and consolidated financial statements of the Mondi Group, which are publicly available. Consequently, Mondi plc has made use of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised), 'Cash flow statements', and has also made use of the exemption from preparing a profit and loss account, as conferred by Section 408 of the UK Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the business review under the heading 'Going Concern'.

Mondi plc is also exempt under the terms of FRS 8, 'Related Party Disclosures', from disclosing related party balances, and under the terms of FRS 29, 'Financial Instruments: Disclosures', from disclosing financial instruments and risk management disclosures. Financial instruments and risk management disclosures are presented in the combined and consolidated Group financial statements.

Principal accounting policies

Foreign currency

Foreign currency transactions are translated into euros, Mondi plc's functional and presentational currency, at the rates of exchange prevailing on the dates that transactions are entered into. Associated monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the reporting date. Gains and losses arising on foreign currency transactions and balances are recorded in the profit and loss account.

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full on timing differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on a timing difference arising from the undistributed earnings of Mondi plc's direct and indirect subsidiaries, where there is no commitment to distribute these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Distributions

Dividend distributions to the shareholders of Mondi plc are recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the board. Final dividends are accrued when approved by the shareholders at the annual general meeting and interim dividends are accounted for when paid.

Investments

Fixed asset investments are stated at cost, less provision for any diminution in value.

Loans and receivables

Loans and receivables are held at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

Notes to the Mondi plc parent company financial statements continued

for the year ended 31 December 2009

1 Accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in profit or loss over the borrowing period using the effective interest rate method.

Share-based payments

Mondi plc operates a number of share-based payment plans for its own staff and staff employed by other Group undertakings. The fair value of an equity instrument granted under such a plan is recorded in the share-based payments reserve incrementally over the contractually-determined vesting period and either recognised as a capital contribution to the employing subsidiaries, where applicable, or within the income statement.

At each reporting date, estimates regarding the future probability of service, and non-market performance conditions being met are revised on a basis consistent with recent experience. Any resultant revisions of original estimates are recorded as an adjustment to the cost of investments in employing subsidiaries or in the income statement, as appropriate, and the share-based payments reserve.

Employing subsidiaries reimburse Mondi plc for the cost of equity instruments granted. Reimbursement receipts represent a return of capital contributed and are treated as a reduction in the cost of investments in employing subsidiaries.

Treasury shares

The purchase by Mondi plc of its own equity instruments, either directly or via an Employee Share Ownership Plan (ESOP) trust over which Mondi plc has de facto control, results in the recognition of treasury shares. The consideration paid is deducted from shareholders' funds and is separately disclosed. Where treasury shares are subsequently sold, reissued, or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Pensions

The cost of defined contribution pension plans is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short-term asset or liability. Mondi plc does not participate in the Mondi Group's defined benefit pension plans.

2 Employees

The closing number of staff employed by Mondi plc for the period ended 31 December 2009 was 21 (2008: 27). Wages and salaries of €11 million (2008: €16 million) and social security costs of €1 million (2008: €1 million) were incurred in respect of these employees.

3 Auditors' remuneration

Disclosure of the audit fees payable to the auditors for the audit of Mondi plc's financial statements is made in note 3 of the Group's combined and consolidated financial statements.

4 Share-based payments

The number of share awards granted by Mondi plc to its employees is presented below:

2009/Scheme	**1 January**	**Shares conditionally awarded in year**	**Shares vested in year**	**Shares expired in year**	**31 December**
Transitional LTIP	150,074	–	(150,074)	–	–
Transitional BSP	30,705	–	(30,705)	–	–
BSP	361,675	246,937	(110,192)	–	498,420
LTIP	1,152,725	1,404,478	–	(84,924)	2,472,279
Demerger share awards	273,602	–	(273,602)	–	–
Co-Investment Plan	538,795	–	–	–	538,795
Total	**2,507,576**	**1,651,415**	**(564,573)**	**(84,924)**	**3,509,494**

The total fair value charge in respect of these awards for the year ended 31 December 2009 was €2 million (2008: €5 million). The share schemes and the underlying assumptions used to estimate the associated fair value charge are discussed in note 29 of the Group's combined and consolidated financial statements.

5 Fixed asset investments

€ million	**2009**	2008
Cost		
At 1 January	2,938	2,938
At 31 December	**2,938**	2,938
Net book value at 31 December	**2,938**	2,938

6 Trade and other payables

€ million	**2009**	2008
Amounts owed to Group undertakings	1,165	1,135
Accruals	5	4
Total	**1,170**	1,139

Mondi plc has borrowed funds from other Group undertakings. The borrowings are denominated in euros, carry interest at the one month inter-bank reference rate and are repayable on demand. There is no difference between the carrying value and the fair value of these borrowings.

Mondi plc has 50,000 £1 5% cumulative preference shares in issue. The preference shares contractually obligate Mondi plc to make future dividend payments to the holders of these equity instruments and, accordingly, have been recognised as a financial liability.

Notes to the Mondi plc parent company financial statements continued

for the year ended 31 December 2009

7 Ordinary share capital

Full disclosure of the share capital of Mondi plc is disclosed in note 28 of the Group's combined and consolidated financial statements.

8 Reconciliation of shareholders' funds

2009/€ million	**Called-up share capital**	**Retained earnings**	**Share-based payments reserve**	**Total**
At 1 January	103	1,716	22	1,841
Mondi share schemes' charge	–	–	8	8
Issue of shares under employee share schemes	–	18	(18)	–
Retained loss after tax	–	(32)	–	(32)
2008 final dividend and 2009 interim dividend	–	(27)	–	(27)
At 31 December	**103**	**1,675**	**12**	**1,790**

2008/€ million	Called-up share capital	Retained earnings	Share-based payments reserve	Total
At 1 January	103	1,868	12	1,983
Purchase of treasury shares	–	(15)	–	(15)
Mondi share schemes' charge	–	–	17	17
Issue of shares under employee share schemes	–	7	(7)	–
Retained loss after tax	–	(59)	–	(59)
2007 final dividend and 2008 interim dividend	–	(85)	–	(85)
At 31 December	103	1,716	22	1,841

9 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the bank borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and therefore the estimated financial effect of issuance is €nil (2008: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

Independent auditors' report to the members of Mondi Limited

Report on the components of the financial statements

We have audited the accompanying statement of financial position and selected notes to the Mondi Limited parent company financial statements for the year ended 31 December 2009.

Management's responsibility for the components of the financial statements

The Company's management is responsible for the preparation and fair presentation of the statement of financial position and selected notes in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial position and selected notes. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies related to the statement of financial position and selected notes used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of financial position and selected notes gives a true and fair view of the statement of financial position of the company as at 31 December 2009 in accordance with the applicable IFRSs.

Bronwyn Kilpatrick
Partner
Sandton

22 February 2010

Deloitte & Touche
Registered Auditors
Building 1 and 2, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead, Sandton
Republic of South Africa

National Executive **GG Gelink** Chief Executive **AE Swiegers** Chief Operating Officer **GM Pinnock** Audit **DL Kennedy** Tax, Legal and Risk Advisory **L Geeringh** Consulting **L Bam** Corporate Finance **CR Beukman** Finance **TJ Brown** Clients & Markets **NT Mtoba** Chairman of the Board **CR Qually** Deputy Chairman of the Board.

A full list of partners and directors is available on request.

Mondi Limited parent company statement of financial position

as at 31 December 2009

R million	Notes	2009	2008
Property, plant and equipment		6,077	6,535
Forestry assets		2,007	2,160
Investments in subsidiaries	2	2,238	2,035
Investment in joint venture	3	249	128
Financial asset investments		135	127
Retirement benefits surplus		79	–
Total non-current assets		**10,785**	10,985
Inventories		475	623
Trade and other receivables		1,160	1,526
Investments in subsidiaries	2	74	82
Financial asset investments		–	1
Cash and cash equivalents		4	69
Derivative financial instruments		3	28
Total current assets		**1,716**	2,329
Assets held for sale		371	1
Total assets		**12,872**	13,315
Short-term borrowings		(1,182)	(841)
Trade and other payables		(821)	(927)
Provisions		(59)	(81)
Derivative financial instruments		(1)	(3)
Total current liabilities		**(2,063)**	(1,852)
Medium and long-term borrowings		(1,270)	(1,819)
Retirement benefits obligation		(584)	(593)
Deferred tax liabilities		(1,429)	(1,485)
Provisions		(31)	(31)
Total non-current liabilities		**(3,314)**	(3,928)
Liabilities directly associated with assets classified as held for sale		(93)	–
Total liabilities		**(5,470)**	(5,780)
Net assets		**7,402**	7,535
Equity			
Ordinary share capital	4/5	103	103
Share premium	4/5	5,073	5,073
Retained earnings and other reserves	5	2,226	2,359
Total equity		**7,402**	7,535

The statement of financial position of Mondi Limited and related notes were approved by the board and authorised for issue on 22 February 2010 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Notes to the Mondi Limited parent company financial statements

for the year ended 31 December 2009

1 Accounting policies

Basis of preparation

The statement of financial position and selected notes of Mondi Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs).

Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in note 1 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to a set of the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policies which are either different, or additional, to those applied by the Group are stated as follows:

Investments
Investment in subsidiaries and joint ventures are reflected at cost less amounts written off and provisions for any impairments.

Share-based payments
Mondi Limited operates a number of share-based payment plans for its own staff and staff employed by other Group entities. The fair value of an equity instrument granted under such a plan is recorded in the share-based payments reserve incrementally over the contractually-determined vesting period and either recognised as a capital contribution to the employing subsidiaries, where applicable, or within the income statement.

At each reporting date, estimates regarding the future probability of service, and non-market performance conditions being met are revised on a basis consistent with recent experience. Any resultant revisions of original estimates are recorded as an adjustment to the cost of investments in employing Group entities or in the income statement, as appropriate, and the share-based payments reserve.

Employing Group entities reimburse Mondi Limited for the cost of equity instruments granted. Reimbursement receipts represent a return of capital contributed and are treated as a reduction in the cost of investments in employing Group entities.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1).

2 Investments in subsidiaries

R million	**2009**	2008
Unlisted		
Shares at cost	255	255
Loans advanced	2,057	1,862
Total investment in subsidiary entities	**2,312**	2,117
Repayable within one year disclosed as a current asset	(74)	(82)
Total long-term investment in subsidiary entities	**2,238**	2,035
Directors' valuation of investment in subsidiary entities	5,141	2,584

3 Investment in joint venture

R million	**2009**	2008
Mondi Shanduka Newsprint (Proprietary) Limited		
Shareholder's loan	128	128
Mezzanine loan	121	–
Total investment in joint venture	**249**	128
Total long-term investment in joint venture	**249**	128
Directors' valuation of investment in joint venture	384	758

Financial statements

Notes to the Mondi Limited parent company financial statements continued

for the year ended 31 December 2009

4 Share capital

2009/R million	**Share capital**	**Share premium**	**Total**
Called-up, allotted and fully paid[1]			
146,896,322 ordinary shares of R0.20 each	29	5,073	5,102
367,240,805 special converting shares of R0.20 each	74	–	74
Total	**103**	**5,073**	**5,176**

2008/R million	Share capital	Share premium	Total
Called-up, allotted and fully paid[1]			
146,896,322 ordinary shares of R0.20 each	29	5,073	5,102
367,240,805 special converting shares of R0.20 each	74	–	74
Total	103	5,073	5,176

Note:

1 The authorised share capital is disclosed in note 28 of the Group's combined and consolidated financial statements.

5 Reconciliation of movement in equity

R million	**Share capital**	**Share premium**	**Retained earnings**	**Other reserves**	**Total equity**
At 1 January 2008	103	5,073	1,937	232	7,345
Dividends paid	–	–	(391)	–	(391)
Total comprehensive income for the year	–	–	605	8	613
Mondi share schemes' charge	–	–	–	7	7
Issue of Mondi Limited shares under employee share schemes	–	–	2	(2)	–
Share options exercised – Anglo American share scheme	–	–	(39)	–	(39)
At 31 December 2008	103	5,073	2,114	245	7,535
Dividends paid	–	–	(135)	–	(135)
Total comprehensive income for the year	–	–	(47)	53	6
Mondi share schemes' charge	–	–	–	6	6
Issue of Mondi Limited shares under employee share schemes	–	–	4	(4)	–
Issue of Mondi plc shares under employee share schemes	–	–	–	(1)	(1)
Share options exercised – Anglo American share scheme	–	–	(4)	–	(4)
Shares vested from Mondi Incentive Schemes Trust	–	–	(5)	–	(5)
At 31 December 2009	**103**	**5,073**	**1,927**	**299**	**7,402**

6 Contingent liabilities

Contingent liabilities for the Company comprises aggregate amounts at 31 December 2009 of R71 million (2008: R81 million) in respect of loans and guarantees given to banks and other third parties.

There are a number of legal or potential claims against the Company. Provision is made for all liabilities that are expected to materialise.

There were no significant contingent assets in the Company at 31 December 2009 or 31 December 2008.

Group financial record

Financial performance 2005 – 2009[1]

Income statement

€ million	2009	2008	2007	2006	2005
Group revenue (after inter-segmental revenue elimination)					
Europe & International					
Uncoated Fine Paper	1,221	1,391	1,489	1,419	1,331
Corrugated	1,005	1,497	1,561	1,411	1,350
Bags & Specialities	1,763	2,116	1,986	1,710	1,506
Total Europe & International	3,989	5,004	5,036	4,540	4,187
South Africa					
Uncoated Fine Paper	266	300	224	307	282
Containerboard	2	2	–	–	4
Total South Africa	268	302	224	307	286
Mondi Packaging South Africa	473	447	391	335	348
Merchant & Newsprint businesses	527	592	590	538	509
Corporate & other businesses	–	–	28	31	34
Total Group revenue	**5,257**	6,345	6,269	5,751	5,364
Underlying operating profit/(loss)					
Europe & International					
Uncoated Fine Paper	146	126	99	89	75
Corrugated	23	49	133	98	97
Bags & Specialities	82	159	154	106	109
Total Europe & International	251	334	386	293	281
South Africa					
Uncoated Fine Paper	16	75	53	15	53
Containerboard	16	36	25	22	20
Total South Africa	32	111	78	37	73
Mondi Packaging South Africa	36	28	35	35	32
Merchant & Newsprint businesses	12	7	40	29	18
Corporate & other businesses	(37)	(39)	(37)	(17)	(18)
Underlying operating profit	**294**	441	502	377	386
Operating special items	**(128)**	(358)	(77)	(78)	(203)
Group operating profit	**166**	83	425	299	183
Net profit/(loss) on disposals	3	(27)	83	(4)	10
Impairment of assets held for sale	(8)	(2)	–	–	–
Net income from associates	2	2	2	5	5
Total profit from operations and associates	**163**	56	510	300	198
Net finance costs, including special finance item in 2007	(114)	(159)	(128)	(77)	(100)
Profit/(loss) before tax	**49**	(103)	382	223	98
Tax charge	(52)	(78)	(102)	(94)	(89)
Minority interests	(30)	(30)	(47)	(51)	(32)
(Loss)/profit attributable to equity holders of the parent companies	**(33)**	(211)	233	78	(23)
Underlying earnings[2]	**95**	172	241	139	166

Notes:

1 Prepared on a combined and consolidated basis and in accordance with applicable IFRS.

2 Underlying earnings is a non-GAAP measure that the Group believes provides a useful alternative basis to the measurement of earnings. Underlying earnings represent the Group's earnings before special items.

Group financial record continued

Financial performance 2005 – 2009[1] (continued)

Key performance indicators

	2009	2008	2007	2006	2005
EBITDA margin (%)[1]	**12.3**	12.8	13.9	12.6	13.4
Operating margin (%)[2]	**5.6**	7.0	8.0	6.6	7.2
ROCE (%)[3]	**7.6**	9.5	10.6	8.1	8.6

Notes:

1 EBITDA margin is Group EBITDA divided by Group revenue.

2 Operating margin is Group underlying operating profit divided by Group revenue.

3 ROCE is an annualised measure based on underlying operating profit, plus share of associates' net income, divided by average trading capital employed.

Significant cash flows

€ million	**2009**	2008	2007	2006	2005
EBITDA[1]	**645**	814	870	726	718
Cash generated from operating activities	**867**	795	957	657	544
Capital expenditure cash outflows[2]	**(517)**	(693)	(406)	(460)	(551)

Notes:

1 EBITDA is Group operating profit before special items, depreciation and amortisation.

2 Excludes business combinations and purchases of intangible assets.

Statement of financial position

€ million	**2009**	2008	2007	2006	2005
Non-current assets	4,476	4,208	4,549	4,349	4,516
Current assets[2]	1,609	1,898	2,133	2,075	1,942
Total assets	**6,085**	6,106	6,682	6,424	6,458
Current liabilities[3]	(1,159)	(1,154)	(1,248)	(1,055)	(1,045)
Non-current liabilities[4]	(585)	(566)	(591)	(593)	(694)
Total liabilities	**(1,744)**	(1,720)	(1,839)	(1,648)	(1,739)
Net assets excluding net debt	**4,341**	4,386	4,843	4,776	4,719
Equity[5]	2,399	2,323	2,963	2,966	2,781
Minority interests	425	373	373	331	326
Net debt	1,517	1,690	1,507	1,479	1,612
Total equity and net debt	**4,341**	4,386	4,843	4,776	4,719

Notes:

1 Prepared on a combined and consolidated basis and in accordance with applicable IFRS.

2 Including assets held for sale and excluding cash and cash equivalents and loans to related parties.

3 Including liabilities directly associated with assets classified as held for sale and excluding net debt.

4 Excluding net debt.

5 Prior to demerger in 2007, equity includes the Anglo American plc investment.

Production statistics

Production statistics

		Year ended 31 December 2009	Year ended 31 December 2008
Europe & International			
Containerboard	Tonnes	**1,768,696**	1,926,829
Kraft paper	Tonnes	**841,378**	814,187
Corrugated board and boxes	Mm^2	**1,697**	2,104
Bag converting	M units	**3,303**	3,536
Coating and release liners	Mm^2	**2,672**	2,667
Uncoated fine paper	Tonnes	**1,470,381**	1,452,058
Newsprint	Tonnes	**194,564**	192,921
Total hardwood pulp	Tonnes	**873,844**	804,686
Total softwood pulp	Tonnes	**1,773,265**	1,827,980
External hardwood pulp	Tonnes	**40,041**	126,479
External softwood pulp	Tonnes	**205,076**	200,676
South Africa			
Containerboard	Tonnes	**238,915**	251,944
Uncoated fine paper	Tonnes	**353,707**	416,509
Woodchips	Bone dry tonnes	**273,526**	780,932
Total hardwood pulp	Tonnes	**578,032**	595,449
Total softwood pulp	Tonnes	**109,142**	106,390
External hardwood pulp	Tonnes	**170,391**	139,235
Mondi Packaging South Africa			
Packaging papers	Tonnes	**367,741**	388,199
Corrugated board and boxes	Mm^2	**369**	381
Total hardwood pulp	Tonnes	**30,861**	32,499
Total softwood pulp	Tonnes	**15,966**	18,215
Newsprint Joint Ventures (attributable share)			
Newsprint	Tonnes	**312,736**	331,929
Aylesford	Tonnes	**191,035**	200,540
Mondi Shanduka Newsprint (MSN)	Tonnes	**121,701**	131,389
Total softwood pulp MSN	Tonnes	**72,105**	86,464

Exchange rates

	Year ended 31 December 2009	Year ended 31 December 2008
Closing rates against the euro		
South African rand	**10.67**	13.07
Pounds sterling	**0.89**	0.95
Polish zloty	**4.10**	4.15
Russian rouble	**43.15**	41.28
US dollar	**1.44**	1.39
Czech koruna	**26.47**	26.87
Average rates for the period against the euro		
South African rand	**11.68**	12.06
Pounds sterling	**0.89**	0.80
Polish zloty	**4.33**	3.52
Russian rouble	**44.12**	36.45
US dollar	**1.39**	1.47
Czech koruna	**26.44**	24.97

Additional information for Mondi plc shareholders

Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association ('Articles') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together 'the Companies Acts'). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required.

Share capital

Mondi plc has an authorised share capital of 3,177,608,605 ordinary shares of 20 euro cents each (the 'Ordinary Shares'), 50,000 5% cumulative preference shares of £1 each (the 'Preference Shares'), 250,000,000 PLC Special Converting Shares of 20 euro cents each, the Special Rights Share of €1, the PLC Special Voting Share of €1, the UK DAN Share of €1 and the UK DAS Share of €1.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Acts, Mondi plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Acts, Mondi plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Mondi plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Mondi plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Acts.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person and every duly appointed proxy has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for every share. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares. Under the Companies Acts, members are entitled to appoint a proxy, who need not be a member of Mondi plc, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meetings as a corporate representative.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Acts.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Acts, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Where, under an employee share plan operated by Mondi plc, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully-paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require.

Subject to the Companies Acts and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Preference Shares

The rights and privileges attached to the Preference Shares are as follows: out of the profits available for distribution and resolved to be distributed, the holders of the Preference Shares shall be entitled, in priority to any payment of dividend to the holders of any other class of shares to be paid in respect of each financial year or other accounting period of Mondi plc, to a fixed cumulative preferential dividend (the ‘Preferential Dividend’).

Additional information for Mondi plc shareholders continued

On a return of capital on winding up, but not on a return of capital on any other class of shares of the company, otherwise than on a winding-up of the company, the holders of the Preference Shares shall be entitled, in priority to any payment to the holders of any other class of shares, to the repayment of a sum equal to the nominal capital paid-up or credited as paid-up on the Preference Shares held by them and the accrual (if any) of the Preferential Dividend, whether such dividend has been earned or declared or not, calculated up to the date of the commencement of the winding up.

The holders of the Preference Shares shall only have the right to receive notice of any general meeting of Mondi plc: (i) if and when, at the date of the notice convening such meeting, the MPLC Preferential Dividend (as defined in the Articles) on such Preference Shares is six months or more in arrears; or (ii) if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the cumulative Preference Shares, or for the winding up of Mondi plc, in which case they shall only be entitled to vote on such resolution.

Shares required for the DLC structure

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The PLC Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by ordinary resolution increase or reduce the maximum or minimum number of directors.

At each annual general meeting held in each year one-third of the directors, or if their number is not a multiple of three then the number nearest to, but not less than, one-third, shall retire from office. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last election or re-election or, if later, deemed election or re-election and so that as between persons who became or were last re-elected directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. In casting the lot, the provision that a director must also be a director of Mondi Limited and the corresponding provision of the Mondi Limited Memorandum and Articles shall be observed. A retiring director shall be eligible for re-election.

The board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

Powers of the directors

Subject to the Articles, the Companies Acts and any directions given by special resolution, the business of Mondi plc will be managed by the board who may exercise all the powers of Mondi plc.

The board may exercise all the powers of Mondi plc to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi plc or of any third party.

Significant agreements: change of control

The articles of association of both Mondi plc and Mondi Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Mondi plc or Mondi Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Mondi plc and Mondi Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Mondi plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment of the Articles

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Acts by way of special resolution. A special resolution will be put to the annual general meeting scheduled for 6 May 2010 to adopt a new set of articles of association of Mondi plc.

Shareholder information

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited whilst Mondi plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Analysis of shareholders

As at 31 December 2009 Mondi Limited had 146,896,322 ordinary shares in issue, of which 4,406,418 were held as Depositary Interests, and Mondi plc had 367,240,805 ordinary shares in issue, of which 145,948,930 were held on the South African branch register.

By size of holding

Mondi Limited

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
39,437	95.35	1 – 500	1,200,883	0.82
682	1.65	501 – 1,000	499,083	0.34
657	1.59	1,001 – 5,000	1,369,242	0.93
312	0.75	5,001 – 50,000	5,586,306	3.80
240	0.58	50,001 – 1,000,000	46,084,447	31.37
31	0.08	1,000,001 – highest	92,156,361	62.74
41,359	100.00		146,896,322	100.00

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
5,570	78.54	1 – 500	629,686	0.17
484	6.82	501 – 1,000	348,520	0.09
519	7.32	1,001 – 5,000	1,137,473	0.31
259	3.65	5,001 – 50,000	4,376,085	1.19
219	3.09	50,001 – 1,000,000	56,541,311	15.40
41	0.58	1,000,001 – highest	304,207,730	82.84
7,092	100.00		367,240,805	100.00

By type of holding

Mondi Limited

	No. of shares	% of shares
Public*	146,836,754	99.96
Non-public	59,568	0.04
Directors of Mondi Limited/Mondi plc	*5,868*	*0.00*
Mondi staff share schemes	*53,700*	*0.04*
Total	146,896,322	100.00

Mondi plc

	No. of shares	% of shares
Public*	360,916,042	98.28
Non-public	6,324,763	1.72
Directors of Mondi Limited/Mondi plc	*840,779*	*0.23*
Mondi staff share schemes	*5,483,984*	*1.49*
Total	367,240,805	100.00

* as per the Listings Requirements of the JSE Limited.

Registrars

Any queries relating to your Mondi shareholdings should be directed to the relevant Registrar.

	Mondi Limited shares and Mondi plc shares on the South African branch register	**Mondi plc shares and Mondi Limited Depositary Interests held through the Corporate Sponsored Nominee**	**Mondi Limited Depositary Interests**
Registrar	Link Market Services South Africa (Proprietary) Limited	Equiniti	Capita IRG Trustees Limited
Postal Address	PO Box 4844 Johannesburg South Africa	Aspect House Spencer Road Lancing West Sussex BN99 6DA UK	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK
Helpline Number	011 630 0888 (if calling from South Africa) +27 11 630 0888 (if calling from outside South Africa)	0871 384 2837 (if calling from the UK; calls cost 8p per minute from a BT landline; other telephony providers costs may vary) +44 121 415 7047 (if calling from outside the UK) Lines are open 8.30am-5.30pm Mon-Fri	0871 664 0300 (if calling from the UK; calls cost 10p per minute plus network extras) +44 208 639 3135 (if calling from outside the UK) Lines are open 8.30am-5.30pm Mon-Fri

Shareholders holding their shares or depositary interests through Equiniti may access details of their holdings, amend their details or elect to receive shareholder documents electronically by registering with Shareview, an online service offered by Equiniti, at www.shareview.co.uk

Shareholder information continued

Financial calendar

6 May 2010	2010 annual general meetings
6 May 2010	Interim management statement
19 May 2010	Payment date for 2009 final dividend (see below)
25 May 2010	Payment date for 2009 final dividend to Depositary Interest holders (see below)
10 August 2010	2010 half-yearly results announcement
September 2010	2010 interim dividend payment
1 November 2010	Interim management statement

Dividends

Dividend payments

An interim dividend for the year ended 31 December 2009 of 28.41150 rand cents/2.5 euro cents per share was paid on 15 September 2009 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 28 August 2009.

A proposed final dividend for the year ended 31 December 2009 of 73.54690 rand cents/7.0 euro cents per share will be paid on 19 May 2010 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 23 April 2010. The final dividend is subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective annual general meetings scheduled for 6 May 2010.

Dividend timetable

The proposed final dividend for the year ended 31 December 2009 of 7.0 euro cents per share will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	16 April 2010	16 April 2010
London Stock Exchange	Not applicable	20 April 2010
Shares commence trading ex-dividend		
JSE Limited	19 April 2010	19 April 2010
London Stock Exchange	Not applicable	21 April 2010
Record date		
JSE Limited	23 April 2010	23 April 2010
London Stock Exchange	Not applicable	23 April 2010
Last date for Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	4 May 2010	4 May 2010
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	5 May 2010	5 May 2010
Payment date		
South African Register	19 May 2010	19 May 2010
UK Register	Not applicable	19 May 2010
Depositary Interest holders (dematerialised DIs)	25 May 2010	Not applicable
Holders within the Equiniti Corporate Nominee	27 May 2010	Not applicable
Currency conversion date	23 February 2010	23 February 2010
ZAR/euro	Not applicable	10 May 2010
Euro/sterling		
DRIP purchase settlement dates	26 May 2010	24 May 2010*

* 26 May 2010 for Mondi plc South African branch register shareholders

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 19 April 2010 and 25 April 2010, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 14 April 2010 and 25 April 2010, both dates inclusive.

Dividend currency

All dividends are declared in euros but are paid in the following currencies:

Mondi Limited	South African rand
Mondi Limited Depositary Interest holders	sterling
Mondi plc	euros
Mondi plc (UK residents)	sterling
Mondi plc (South African residents)	South African rand

Dividend mandate

Shareholders wishing to have their dividends paid directly into a bank or building society account should contact either Link Market Services South Africa (Proprietary) Limited or Equiniti as appropriate to obtain an application form.

Mondi Limited shareholders holding their shares on the main register may only set up a mandate if they have a South African bank account.

Mondi plc shareholders located outside the UK may be able to take advantage of the Overseas Payment Service offered by Equiniti. This is also available to those holding Mondi Limited Depositary Interests through the Corporate Sponsored Nominee. A fee is charged per dividend for this service. For further information or for an application form please contact Equiniti.

Dividend reinvestment plans

The dividend reinvestment plans provide an opportunity for shareholders to have their Mondi Limited and Mondi plc cash dividends reinvested in Mondi Limited and Mondi plc ordinary shares respectively.

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those resident in the US and Canada). This service is not available for holders of Mondi Limited Depositary Interests.

For more information or for an application form please contact either Link Market Services South Africa (Proprietary) Limited or Equiniti as appropriate.

Donating shares to charity

For shareholders wishing to dispose of small holdings of shares, the sale of which would be uneconomical, there is the option to donate the shares to charity.

The following charity donation schemes in South Africa and the UK allow shareholders to donate unwanted shares free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities.

South Africa – Strate Charity Shares

If you would like to donate your Mondi Limited shares or Mondi plc shares held on the South African branch register or for further information, please visit www.strate.co.za/strate/charityshares, call 0800 202 363 if calling from South Africa or +27 11 373 0038 if calling from outside South Africa or write to Strate, PO Box 78608, Sandton 2146, South Africa.

UK – Sharegift

If you would like to donate your Mondi plc shares or for further information, please visit www.sharegift.org, call +44 (0)20 7930 3737 or write to Sharegift, 17 Carlton House Terrace, London SW1Y 5AH, UK.

Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi Limited or Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

Shareholder information continued

Fraudulent transactions

Shareholders are advised to be very wary of unsolicited investment advice, offers to buy shares at a discount or offers of free company reports. Should you receive any unsolicited calls or documents, you are advised not to give out any personal details and to report the organisation to the UK Financial Services Authority (FSA). For further information, please visit the FSA's website at www.moneymadeclear.fsa.gov.uk. Alternatively please call 0845 606 1234 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Alternative formats

If you would like to receive this report in an alternative format such as in large print, Braille or on audio cassette, please contact Mondi's company secretarial department on +44 (0)1932 826300.

Cautionary statement

By their nature, the statements concerning the risks and uncertainties facing the Mondi Group in the 2009 annual report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this annual report and Mondi undertakes no obligation to update these forward looking statements. Nothing in this annual report should be construed as a profit forecast.

Registered and head office

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Melrose Arch 2196
Gauteng
Republic of South Africa

Tel. +27 (0)11 994 5400
Fax. +27 (0)86 520 4688

Registered in South Africa
Registered No. 1967/013038/06

Registered office

Mondi plc

Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG
UK

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Fax. +44 (0)1932 826350

Registered in England and Wales
Registered No. 6209386

Website: www.mondigroup.com

Glossary of terms

This report contains a number of terms, some of which are particular to the paper and packaging industry.

Annual allowable cut: Volume of timber which can be harvested annually, subject to government regulations and the principles of sustained yield. It is a key part of the management model by which forests can be sustained from generation to generation.

Cartonboard: Paperboard used to produce folding cartons and graphic products like cards and covers.

Chemical pulp: Wood pulp or fibres obtained by digesting and bleaching of woodchips, to remove lignin and other organic materials surrounding cellulose fibres and isolate them for papermaking.

Containerboard: Collective term for kraftliner and/or testliner and fluting, the two basic components used to make the walls of corrugated boxes and cases.

Converting: Process of transforming paper and containerboard into value added products; e.g. wood-free reels into cut-size, or folding containerboard into folding cartons.

Corrugated board: Packing material produced by gluing outer layers of containerboard to a rippled middle layer of fluting.

Corrugated boxes: Boxes produced from corrugated board.

Corrugated packaging: Packaging materials made from corrugated board.

De-inked pulp: Waste-paper pulp produced from used printed paper from which the ink has been removed.

Extrusion-coated: Substrate material (e.g. paper, board, aluminium) coated with a molten web of resin (polymer) to enhance its barrier properties (e.g. to make it waterproof).

Flexible packaging: Papers, cellulose films and aluminium foils primarily used, separately or in combination, for retail food and non-food packaging (e.g. pet food, hygiene product overwrap, detergents) and other specialist uses such as medical, pharmaceutical and tobacco.

Fluting: Raw material used for the rippled middle layer of corrugated board.

Industrial bags: Flexible bags made of paper, typically used to package between 10 and 50 kilograms of powdered, granular or coarse products.

Kraftliner: Containerboard manufactured primarily from virgin fibre.

Kraft paper: Strong paper made from virgin fibre.

Mechanical pulp: Pulp produced by mechanically grinding debarked wood to separate the wood fibre.

Office paper: Uncoated fine paper in cut size (e.g. A4, A3) and other converted products (e.g. forms, computer sheets, coloured papers and envelopes).

Plantations: Selected species of tree planted in regimented lines to maximise yield and ease of management.

Recovered fibre: Used paper and board separately collected for re-use as fibre raw material in paper and board manufacture.

Recycled fibre: Fibre derived from the collection and treatment of waste paper.

Release liners: Protective backing of self-adhesive products, the prerequisite for modern pressure-sensitive adhesive technology (e.g. for self-adhesive tapes, labels, advertising films, diaper tapes, roofing membranes, etc.).

Semi-chemical fluting: Fluting manufactured primarily from virgin fibre.

Testliner: Containerboard manufactured primarily from recycled product.

Uncoated fine paper: Uncoated 'wood-free' paper, produced from chemical pulp and used, for example, in office papers.

Virgin fibre: Fibre derived directly from wood pulp.

Wood pulp: Principal raw material of paper and containerboard. The suitability of certain types of wood pulp for specific products depends upon the type of wood used and the pulping process. Pulp produced from hardwood trees (e.g. eucalyptus, aspen, birch and acacia) has short fibres and is better suited to coated packaging boards, coated and uncoated fine paper and tissues. Softwood (e.g. pine and fir) has long fibres and is generally used for strengthening.

Financial terms

EBITDA: Operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

EBITDA interest cover: EBITDA divided by net debt finance charges (before special financing items).

Gearing: The ratio of net debt to total capital employed.

Group revenue: Total turnover of subsidiaries and proportionate share of joint venture turnover.

Headline earnings: JSE Listings measure, calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Net debt: A non-GAAP measure, comprising short-term, medium and long-term borrowings and bank overdrafts less cash and cash equivalents and current financial asset investments.

Net segment assets: Net segment assets are segment assets, consisting of property, plant and equipment, intangibles, forestry assets, retirement benefit surplus, inventories and operating receivables less segment liabilities consisting of non-interest-bearing current liabilities, restoration and environmental provisions and provisions for post-retirement benefits.

Operating margin: Underlying operating profit divided by Group revenue.

Reported profit/(loss) before tax: Reported profit/(loss) before tax but after special items.

Return on capital employed (ROCE): This is trailing 12 month underlying operating profit, including share of associates' net income, divided by trailing 12 month average trading capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on the strategic projects which are not yet in production.

Shareholders' funds: Share capital, share premium, retained earnings and other reserves attributable to equity holders of the parent companies.

Special items: Those non-recurring financial items which the Group believes should be separately disclosed on the face of the combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group and its businesses.

Total equity: Shareholders' funds and minority interests in equity.

Trading capital employed: Net segment assets plus investment in associates, deferred tax, and other non-operating assets and liabilities excluding financial investments.

Underlying earnings: Net profit after tax before special items attributable to equity holders of the parent companies.

Underlying operating profit: Operating profit of subsidiaries and joint ventures before special items.

Underlying profit before tax: Reported profit before tax and special items.

For further information, please see:

Mondi Limited
Annual report and accounts 2009

Mondi Group
Sustainability summary report 2009

www.mondigroup.com

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