

23 February 2010



Mondi Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1967/013038/06)
JSE share code: MND ISIN: ZAE000097051

Mondi plc
(Incorporated in England and Wales)
(Registration number: 6209386)
JSE share code: MNP ISIN: GB00B1CRLC47
LSE share code: MNDI

As part of the dual listed company structure, Mondi Limited and Mondi plc (together 'Mondi Group') notify both the JSE Limited and the London Stock Exchange of matters required to be disclosed under the JSE Listings Requirements and/or the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

Full year results for the year ended 31 December 2009

Financial Summary

€ 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

Highlights:

- 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.

David Hathorn, Mondi Group chief executive, said:

“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 of our packaging segments.

The strong performance throughout the year of our European uncoated fine paper business was particularly noteworthy and is testament to the inherent strengths of this business and management’s unwavering focus under very challenging circumstances.

The South African export focused businesses continue to struggle, in large part due to the strength of the rand, and while we continue to take steps to improve performance, it is clear that a return to satisfactory levels of profitability will not be possible without some increase in the rand selling prices.

A significant achievement this year was the successful start-up of the new recycled containerboard machine in Poland, with current performance significantly exceeding the investment plan. Congratulations must be extended to the whole team involved in the execution of this project, which

puts us in a great position to exploit the growing demand for lightweight containerboard in central and eastern Europe.

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.

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."

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 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.

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Editors' notes:

Mondi is an international paper and packaging group and in 2009 had revenues of €5.3 billion. Its key operations and interests are in western Europe, emerging Europe, Russia and South Africa.

The Group is principally involved in the manufacture of packaging paper and converted packaging products as well as speciality products.

Mondi is fully integrated across the paper and packaging process, the growing of wood and the manufacture of pulp (including recycled paper) to the conversion of packaging papers into corrugated packaging and industrial bags.

Mondi has production operations across 31 countries and had an average of 31,000 employees in 2009.

Results

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.

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 the export sales from the South Africa Division, placing significant 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 the 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.

Operational review

Europe & International Division

€ million	2009	2008	change %
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

Notes:

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.

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 uncoated fine paper 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 to 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 down on average 7% year-on-year).

In the **Corrugated** business, underlying operating profits declined by €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 are progressing concerning a potential transaction that would involve Smurfit Kappa Group (SKG) acquiring Mondi's corrugated operations in the UK, with Mondi acquiring SKG's sack 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 our asset quality by both moving down the cost curve in recycled containerboard, and refining our geographical footprint around our core central and eastern European and Turkish positions. It 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, serving mainly 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 in the half), as demand was badly impacted 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 Štětí 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. A small cost overrun of up to 4% (around €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	change %
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

Notes:

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 the 120,000 tonne per annum PM32 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, 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	change %
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

Note:

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 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	change %
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

Note:

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 badly 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 savings initiatives offset by certain non-recurring costs incurred in the second half of 2009.

Restructuring

Continuing our strategy to focus 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 flexibles 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 the PM32 machine at Merebank, effectively removing capacity of 120,000 tonnes uncoated fine paper 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.

Maintaining our competitive advantage

We believe that our strategy remains valid, especially in the current economic environment. Leading market positions, low-cost operations and a robust focus on performance have always been key elements of that strategy and in today's challenging economic times, its benefits are even more pronounced.

Building on market leadership

At a time of global uncertainty in our industry, we believe it is more important than ever that we continue to strengthen our leading positions in packaging and UFP, particularly in emerging markets. These markets have not been immune to the recession, but they continue to offer above average long-term growth potential.

Remaining a low cost producer

We are committed to delivering superior returns, above the average of our competitors, and this commitment is undiminished by the difficult trading conditions. The value of having much of our production in some of the world's lowest cost regions is a significant benefit when volumes and selling prices are under pressure.

Our high level of vertical integration in the supply chain, combining low-cost upstream assets with low-cost production, gives us good security of supply and greatly reduces our exposure to volatility in raw material prices.

Sharpening focus on performance

The requirement for continuous productivity improvements and cost reduction is imperative in our business. Our highly experienced management teams have implemented a continuous series of business excellence programmes in recent years and rigorous asset management is second nature for everyone in our operations. This unwavering emphasis on cost control and operational performance has never been more important than in the current economic climate. While much has been achieved in this regard in 2009, we will continue to target further cost savings in 2010.

Financial review

Special items (refer to note 6 of the condensed 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 the PM32 paper 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 profits 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, Italy operations of €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 Turkish corrugated business) and Mondi Packaging South Africa (70% owned).

Cash flow and borrowings

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

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 intangibles 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 amount 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.

Related party transactions

Related party transactions are disclosed in note 17 of the condensed financial statements.

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 did have 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 up to 4%.

Going Concern

The current economic conditions have had an impact on short-term demand growth for our 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 impact 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 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.

Board

Following his appointment as chairman of Anglo American plc on 1 August 2009, Sir John Parker stepped down as joint chairman of Mondi Limited and Mondi plc on 4 August 2009. Sir John was succeeded as joint chairman by David Williams who had been Mondi's senior independent director and chairman of the DLC audit committee since joining the Boards in May 2007. Anne Quinn, an independent non-executive director and chair of the DLC remuneration committee, who also joined the boards of Mondi Limited and Mondi plc in May 2007, succeeded David Williams as senior independent director. In October 2009, John Nicholas was appointed an independent non-executive director of Mondi Limited and Mondi plc and took over the chairmanship of the DLC audit committee.

Dividend

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. An equivalent final dividend will be paid in South African rand on the same terms. Together with the interim dividend paid in September 2009 of 2.5 euro cents per share, this gives a full year dividend of 9.5 euro cents per share.

Current year 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.

Directors' responsibility statement on the annual report

The responsibility statement below has been prepared in connection with the Group's full annual report for the year ended 31 December 2009. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), 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.

This responsibility statement was approved by the boards on 22 February 2010 and is signed on their behalf by:

David Hathorn
Director

22 February 2010

Andrew King
Director

22 February 2010

Combined and consolidated income statement

for the year ended 31 December 2009

€ million	Notes	2009			2008		
		Before special items	Special items (note 6)	After special items	Before special items	Special items (note 6)	After special items
Group revenue	4	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		(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)	4/5	294	(128)	166	441	(358)	83
Net profit/(loss) on disposals	6	-	3	3	-	(27)	(27)
Impairment of assets held for sale	6	-	(8)	(8)	-	(2)	(2)
Net income from associates		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	7	(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.

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	(61)
Actuarial gains/(losses) and surplus restriction on post-retirement benefit schemes		7	(17)
Fair value gains/(losses) on available-for-sale investments		1	(1)
Exchange gains/(losses) on translation of foreign operations		118	(246)
Share of other comprehensive income of associates		1	(1)
Tax relating to components of other comprehensive income		(7)	17
Other comprehensive income for the financial year, net of tax		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

<i>€ million</i>	Notes	2009	2008
Intangible assets		308	323
Property, plant and equipment		3,847	3,611
Forestry assets		251	214
Investments in associates		6	5
Financial asset investments		27	19
Deferred tax assets		29	36
Retirement benefits surplus		8	-
Total non-current assets		4,476	4,208
Inventories		617	684
Trade and other receivables		933	1,104
Current tax assets		16	32
Cash and cash equivalents		123	155
Derivative financial instruments		7	73
Total current assets		1,696	2,048
Assets held for sale		36	5
Total assets		6,208	6,261
Short-term borrowings		(219)	(378)
Trade and other payables		(1,023)	(1,035)
Current tax liabilities		(55)	(53)
Provisions		(40)	(25)
Derivative financial instruments		(32)	(38)
Total current liabilities		(1,369)	(1,529)
Medium and long-term borrowings		(1,421)	(1,467)
Retirement benefits obligation		(184)	(182)
Deferred tax liabilities		(316)	(292)
Provisions		(45)	(39)
Other non-current liabilities		(21)	(14)
Derivative financial instruments		(19)	(39)
Total non-current liabilities		(2,006)	(2,033)
Liabilities directly associated with assets classified as held for sale		(9)	(3)
Total liabilities		(3,384)	(3,565)
Net assets		2,824	2,696
Equity			
Ordinary share capital	12	114	114
Share premium	12	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, 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

<i>€ million</i>	Notes	2009	2008
Cash generated from operations	14a	867	795
Dividends from associates		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	13	(2)	(49)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents		54	17
Proceeds from disposal of associates		3	-
Purchases of property, plant and equipment	4	(517)	(693)
Proceeds from the disposal of property, plant and equipment		11	29
Investment in forestry assets		(40)	(43)
Purchases of financial asset investments		(7)	(2)
Purchase of intangible assets		(5)	(7)
Proceeds from the sale of financial asset investments		-	1
Loan repayments from related parties		1	-
Loan repayments from external parties		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	14c	(288)	(214)
Proceeds from medium and long-term borrowings	14c	38	543
Interest paid		(163)	(169)
Dividends paid to minority interests		(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 start of year ¹		75	59
Cash movement in the year	14c	(19)	24
Cash acquired through business combinations	14c	-	3
Cash disposed through disposal of businesses	14c	(2)	-
Reclassifications	14c	(19)	(2)
Effects of changes in foreign exchange rates	14c	2	(9)
Cash and cash equivalents at end of year¹		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 14b.

Combined and consolidated statement of changes in equity

for the year ended 31 December 2009

<i>€ million</i>	Share		Capital		Retained earnings	Other reserves ¹	Total attributable to equity holders of the parent companies	Minority interests	Total equity
	Mondi Limited share capital	Mondi Limited share premium	Mondi plc share capital	Combined share capital and share premium					
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 options schemes. 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).

€ million	Share-based payment reserve	Cumulative translation adjustment reserve	Available-for-sale reserve	Other reserves ¹				Total
				Cash flow hedge reserve	Post-retirement benefit reserve	Merger reserve	Other reserves	
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 €9 million (2008: decrease of €7 million) and a decrease in minority interest related to the call option issued of €nil (2008: €1 million).

Notes to the combined and consolidated financial statements

1 Basis of preparation

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 International Financial Reporting Standards (IFRSs).

The condensed financial information included in this preliminary announcement has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. There are no differences for the Group in applying IFRSs as issued

by the IASB and as endorsed by 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'.

The information set out above does not constitute statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Group's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not contain statements under s498 (2) or (3) of the Companies Act 2006 or equivalent preceding legislation. Copies of their unqualified auditors' reports are available for inspection at the Mondi Limited and Mondi plc registered offices.

2 Accounting policies

With the exception of the new standards noted below, the same accounting policies, presentation and measurement principles have been followed in the preparation of the combined and consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2008. The Group has implemented the revised IAS 1, 'Presentation of Financial Statements', and IFRS 8, 'Operating Segments'. Both standards became effective on 1 January 2009.

The impacts of the changes to IAS 1 are of a presentation and disclosure nature only, with the most significant changes being:

- The replacement of the 'statement of recognised income and expense' with a 'statement of comprehensive income' which discloses information on a gross rather than a net basis and also reconciles the profit or loss for the period to the total comprehensive income for the period.
- The presentation of a complete statement of changes in equity as a primary statement rather than a note to the financial statements.

There is no impact on the financial results disclosed.

IFRS 8 results in additional disclosure of segmental information, but the reportable segments remain unchanged.

3 Seasonality

The seasonality of the Group's operations does not impact significantly on the combined and consolidated financial statements.

4 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 Bags & Specialities	- Corrugated products - Kraft paper & bags	- Corrugated products - 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	- Corrugated products
	- Recycled fibre	
Merchant & Newsprint businesses	- Newsprint	- Merchenting
		- 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.

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:

€ million	2009			2008		
	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.

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

<i>€ million</i>	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 follows¹:

<i>€ million</i>	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		
Russia	1,105	1,326
North America	387	430
South America	157	183
Asia and Australia	17	31
	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.

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:

<i>€ million</i>	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		
Russia	1,413	1,691
North America	519	569
Asia and Australia	104	120
	151	163

Group total

5,257	6,345
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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.

Operating segment operating profit

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

<i>€ million</i>	2009	Segment operating profit before special items ¹ 2008	2009	Segment operating profit/(loss) after special items ^{1/2} 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 6)	-	-	3	(27)
Impairment of assets held for sale (see note 6)	-	-	(8)	(2)
Net income from associates	2	2	2	2
Net finance costs (see note 7)	(114)	(159)	(114)	(159)
Group profit/(loss) before tax from continuing operations	182	284	49	(103)

Notes:

¹ Management reviews underlying segment operating profit 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 are presented here. Segment profits 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 6.

Segment assets and liabilities

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

<i>€ million</i>	2009			2008		
	Segment assets¹	Segment liabilities²	Net segment assets³	Segment assets ¹	Segment liabilities ²	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 total³	5,812	(851)	4,961	5,739	(813)	4,926
Unallocated:						
Investments 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:

- 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).
- 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).
- 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.
- 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 held for sale of €9 million (2008: €3 million).
- Overdrafts of €86 million (2008: €80 million) are included in borrowings.

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:

€ million	2009			2008		
	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:

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

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

<i>€ million</i>	2009	Capital expenditure cash payments ¹ 2008	2009	Additions to non- current non- financial assets ² 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 the purchase 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.

5 Operating profit/(loss)

<i>€ million</i>	2009	2008
Operating profit/(loss) for the year has been arrived at after (charging)/crediting:		
Depreciation of property, plant and equipment	(341)	(364)
Amortisation of intangible assets	(10)	(9)
Rentals under operating leases	(62)	(71)
Research and development expenditure	(8)	(10)
Restructuring/closure costs (excluding special items)	(3)	(7)
Operating special items (see note 6)	(128)	(358)
Net foreign currency (losses)/gains	(13)	22
Green energy sales and disposal of emissions credits	47	53
Fair value gains on forestry assets	28	46
Felling costs	(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, and interest income and dividend income, was €5,313 million (2008: €6,421 million).

6 Special items¹

<i>€ million</i>	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)
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	(11)
Bags & Specialities (Europe & International)	-	(16)
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 interest	(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.

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.

7 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	17	20
Foreign currency losses	(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	(26)	(28)
Total interest expense	(185)	(198)
Less: interest capitalised	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.

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 6)	(6)	(4)
Total tax charge	52	78

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%).

9 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 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
Depository Interest holders (dematerialised DIs)	25 May 2010	Not applicable
Holder within Equiniti Corporate Nominee	27 May 2010	Not applicable
Currency conversion date		
ZAR / euro	23 February 2010	23 February 2010
Euro / sterling	Not applicable	10 May 2010
DRIP purchase settlement dates	26 May 2010	24 May 2010*

*26 May 2010 for Mondi plc South African branch register shareholders

Please note that the DRIP plan is not available to Depository Interest holders and holders within the Equiniti Corporate Nominee.

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.

10 Earnings per share

<i>€ cents per share</i>	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 year¹		
Basic EPS	18.7	33.9
Diluted EPS	18.2	33.4
Headline earnings for the financial year²		
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.

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

<i>€ million</i>	2009	Earnings 2008
Loss for the financial year attributable to equity holders of the parent companies		
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
<i>million</i>	2009	2008
Basic number of ordinary shares outstanding¹	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 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 31 December 2009, 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 31 December 2009, 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

12 Share capital and share premium

	Number of shares	Authorised R million
Mondi Limited R0.20 ordinary shares	250,000,000	50
Mondi Limited R0.20 special converting shares	650,000,000	130

	Number of shares	Authorised € 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.

2009	Number of shares	Called up, allotted and fully paid/€ million		Total
		Share capital	Share premium	
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		Total
		Share capital	Share premium	
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.

13 Business combinations

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:

<i>€ million</i>	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:
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.

14 Consolidated cash flow analysis

(a) Reconciliation of profit before tax to cash generated from operations

<i>€ million</i>	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)
Cost of felling	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

<i>€ million</i>	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:

<i>€ million</i>	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 13)	3	(3)	(37)	(37)
Disposal of businesses	-	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 13)	-	-	2	2
Disposal of businesses	(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).

(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
Cost of felling	(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
EBITDA¹	645	814

Note:

¹ EBITDA is operating profit before special items, depreciation and amortisation.

(e) EBITDA by operating segment¹

€ 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.

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 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

15 Capital commitments

<i>€ million</i>	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.

16 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.

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 at 31 December 2009 or 31 December 2008.

17 Related party transactions

The Group has a related party relationship with its associates and joint ventures. 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.

<i>2009/€ million</i>	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)	-
	<u>11</u>	<u>-</u>
<i>2008/€ million</i>	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
	<u>11</u>	<u>-</u>

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 period. €480,000 (2008: €1 million) remains outstanding on these purchases at 31 December 2009.

Dividends received from associates for the year ended 31 December 2009 totalling €2 million (2008: €2 million), as disclosed in the combined and consolidated statement of cash flows.

18 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.

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

