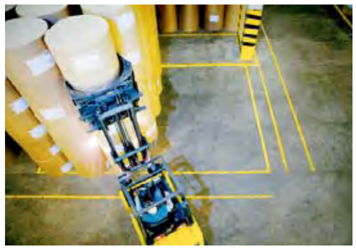
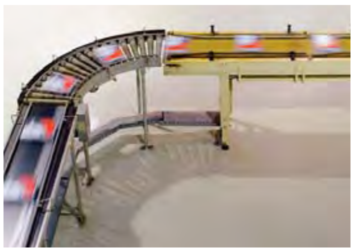
Mondi Group

Annual report and accounts 2008

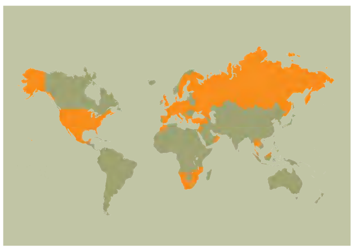






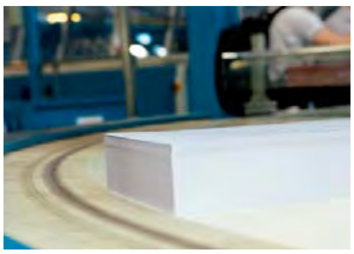






'A low-cost business which is able to adapt quickly to the changing economic environment.'

David Hathorn, CEO





The Mondi Group

Mondi is an international paper and packaging group and in 2008 had revenues of €6.3 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; uncoated fine paper; and speciality products including coatings and consumer flexibles.

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

Mondi has production operations across 35 countries and had an average of 33,400 employees in 2008.

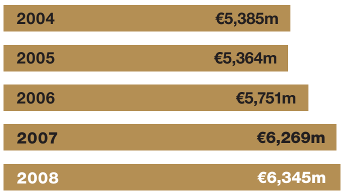
Contents

Performance highlights

After a strong first half, the worsening global economic environment had an adverse impact on our business. We continued to focus on operations with the lowest costs of production, increased our ongoing cost-reduction efforts and took early action to realign our capacity with market demand.

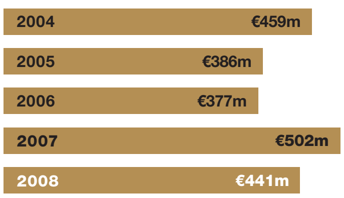
Financial highlights

Group revenue
€**6,345** million



EBITDA
€**814** million

Underlying operating profit
€**441** million



	2008	2007	change
Group revenue (in €m)	**6,345**	6,269	+1%
EBITDA (in €m)	**814**	870	-6%
Underlying operating profit (in €m)	**441**	502	-12%
Reported (loss)/profit before tax (in €m)	**(103)**	382	-127%
Basic (loss)/earnings per share (in € cents)	**(41.6)**	45.4	-192%
Underlying earnings per share (in € cents)	**33.9**	46.9	-28%
Headline earnings per share (in € cents)	**20.3**	39.5	-49%
Total dividend per share (in € cents)	**12.7**	23.0	-45%
Cash inflow from operations (in €m)	**795**	957	-17%
Net debt (in €m)	**1,690**	1,507	+12%
Group ROCE (%)	**9.5%**	10.6%	-10%

▶ p137
For definitions refer to glossary of terms on page 137.

Operational and strategic highlights

Rigorous focus on performance

A case in point: Ružomberok

Improving operational performance was a greater imperative than ever for Mondi in 2008. Its uncoated fine paper plant at Ružomberok in Slovakia is just one example of how experience was transferred from one plant to significantly improve the performance of another.

As part of a Group-wide benchmarking process, it became apparent that productivity at Ružomberok was falling behind. Mondi's containerboard mill at Świecie in Poland (with production at 890 tonnes per employee) was identified as the perfect partner to provide ideas on how Ružomberok (at only 317 tonnes per employee) could improve its performance.

The objective was to achieve maximum possible output per employee to achieve the lowest cost production. The two plants' management teams collaborated on an ambitious programme to improve Ružomberok's processes, methods and working capital; the operations team worked on improving equipment utilisation and the administration team looked particularly at improving efficiency in IT systems.

The result was a marked operational improvement at Ružomberok, which achieved a targeted 22% improvement in productivity. This is a perfect illustration of how the exchange of experience and best practice across Mondi's businesses can produce real efficiency gains.

The finishing department at Ružomberok in Slovakia.

Operational highlights

- Europe & International Division's underlying operating profit was down 13% to €334 million, reflecting second-half volume declines and a sharp fall in containerboard (particularly testliner) selling prices, together with higher input costs
- South Africa Division's underlying operating profit was up 42% to €111 million, reflecting substantial progress on prices and product mix
- €128 million annualised cost savings were delivered across the Group, equivalent to 2.4% of the prior-year cash cost base
- Europe & International Division took extensive plant downtime in the fourth quarter, matching production more closely to market demand, curtailing production by 130,000 tonnes, (approximately 12% of capacity)
- We sold or closed a number of high cost operations, improving our average cost position
- A sharp focus on working capital management resulted in a net working capital inflow for the year of €27 million, despite an increase in revenue

More information is available at www.mondigroup.com/ouroperations

Strategic highlights

- The Group continued to benefit from its low cost base and own wood supply from the emerging markets of Russia and South Africa, meeting approximately 50% of its fibre demand
- The asset portfolio was further streamlined to provide Mondi with a sustainable competitive advantage in its chosen markets
- Two major strategic investments at Świecie in Poland (€350 million) and Syktyvkar in Russia (€525 million) are on budget and on track for completion in the second half of 2009 and by the end of 2010 respectively
- Capital expenditure approvals will be limited to below 40% of depreciation in 2009
- Mondi entered 2009 with substantial banking facilities, including nearly €1.1 billion of undrawn committed debt facilities

More information is available at www.mondigroup.com/strategy

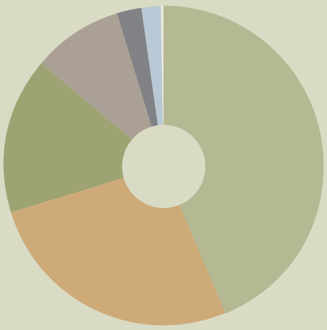
Group structure

Mondi is an integrated paper and packaging group with leading market positions in western and emerging Europe, Russia and South Africa.

Mondi Group

Revenue by origin (subsidiaries and joint ventures):

2008 total: €6,345m



Western Europe (2007: €2,840m)	**€2,772m**
Eastern Europe (2007: €1,615m)	**€1,691m**
South Africa (2007: €995m)	**€1,015m**
Russia (2007: €546m)	**€569m**
Asia and Australia (2007: €140m)	**€163m**
North America (2007: €121m)	**€120m**
Rest of Africa (2007: €12m)	**€15m**

Europe & International

The Division comprises: Bags & Specialities, Uncoated Fine Paper (UFP) and Corrugated.

Key products & operations

- 2.1 million hectares of forest in the Komi Republic in Russia
- A network of 28 plants producing virgin and recycled containerboard and corrugated packaging, including 20 box plants spread equally between western and emerging Europe
- Kraft paper converted into industrial and consumer bags, packaging and wrapping paper at 38 plants around the world, of which 27 are in western and emerging Europe. Mondi is also a leading European producer of release liner, extrusion coating, speciality plastic film and printed consumer bags
- UFP is produced at plants in Austria, Israel, Russia and Slovakia

Market positions

- No 1 producer of kraft paper in Europe
- No 1 globally in industrial bags
- No 2 producer of virgin containerboard in Europe
- No 4 in corrugated packaging in Europe
- No 1 producer of office paper in Europe

More information is available at www.mondigroup.com/structure

p7 For more information on our products please go to page 7.

South Africa

The Division comprises: forestry, pulp, UFP and containerboard operations.

Key products & operations

- 230,000 hectares of forest in KwaZulu-Natal and Mpumalanga
- UFP produced at the Merebank paper mill in Durban
- Containerboard and hard and softwood pulp produced at the Richards Bay pulp and containerboard mill in KwaZulu-Natal
- 67% of segment sales are to export markets

Market positions

- No 1 producer of UFP in Africa
- ROTATRIM is the leading office paper brand in South Africa

Mondi Packaging South Africa (MPSA)

MPSA is 70% owned by Mondi, and produces specialist packaging paper and packaging solutions.

Key products & operations

- Mondi Packaging and Industrial Paper and Mondipak Corrugated (corrugated converting)
- Mondi Recycling (recovered fibre collection and processing)
- Mondipak Plastics & Mondi Plastic Containers
- Mondi's merchant Paperlink

Market positions in South Africa

- No 1 producer of corrugated packaging
- Only producer of cartonboard
- A leading producer of rigid plastics

Merchant and Newsprint

This includes Europapier, a paper merchant in central and emerging Europe, the two newsprint joint ventures Aylesford Newsprint in the UK (50% owned) and Mondi Shanduka Newsprint in South Africa (50% owned).

Key products & operations

- Merchanting of graphic, packaging and office paper
- Newsprint and telephone directory paper

Market positions

- Leading supplier of newsprint and telephone directory paper in South Africa
- Aylesford is a leading UK supplier of newsprint

Group overview

Operating sites

Mondi employs 33,400 people[1] in 35 countries[2] worldwide, with a particularly strong presence in the emerging markets of Europe, Russia and South Africa.

Where we operate

The Group has 118 production sites worldwide, located in the following countries:

Western Europe
1. Austria
2. Belgium
3. Finland
4. France
5. Germany
6. Greece
7. Italy
8. Netherlands
9. Spain
10. Sweden
11. Switzerland
12. UK

Emerging Europe and Russia
1. Bulgaria
2. Croatia
3. Czech Republic
4. Hungary
5. Poland
6. Russia
7. Serbia
8. Slovakia
9. Turkey
10. Ukraine

Africa
1. Morocco
2. Mozambique
3. Namibia
4. South Africa
5. Zimbabwe

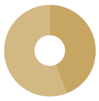
International
1. Israel
2. Jordan
3. Lebanon
4. Malaysia
5. Mexico
6. Oman
7. Thailand
8. USA

Key to maps
- Emerging markets
- Mature markets

Type of operations
- Forestry
- Manufacturing

1 average number of employees in 2008
2 production sites only; 42 countries including sales offices
3 proportional share of joint venture
4 head office based in South Africa

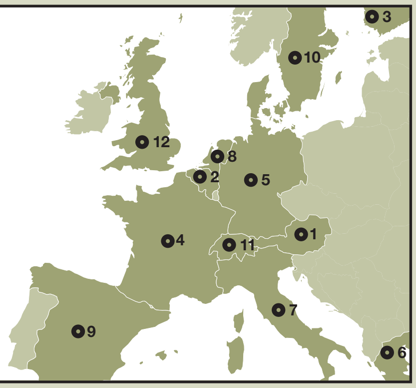
Western Europe



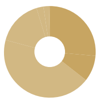
44%
Revenue by origin

Employees[1]: 8,800
Number of sites[2]: 55

Production by product
- Bag converting: **1.8bn units**
- Coating & release liner: **1.9bn m²**
- Containerboard: **1.0m tonnes**
- Corrugated: **1.2bn m²**
- Kraft paper: **0.4m tonnes**
- Newsprint[3]: **0.2m tonnes**
- Uncoated fine paper: **0.4m tonnes**



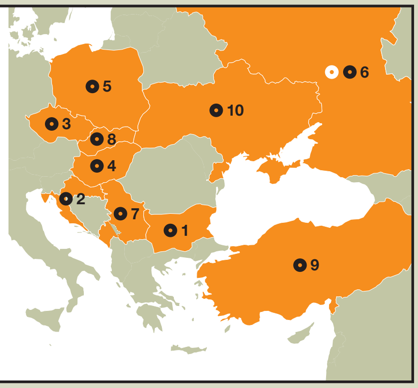
Emerging Europe and Russia



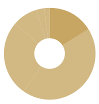
36%
Revenue by origin

Employees[1]: 17,400
Number of sites[2]: 23

Production by product
- Bag converting: **0.8bn units**
- Coating & release liner: **0.4bn m²**
- Containerboard: **0.9m tonnes**
- Corrugated: **0.9bn m²**
- Forestry felled: **3.9m m³**
- Kraft paper: **0.4m tonnes**
- Newsprint: **0.2m tonnes**
- Uncoated fine paper: **0.9m tonnes**



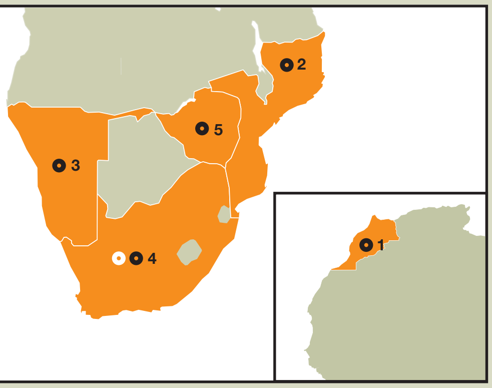
Africa[4]



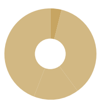
16%
Revenue by origin

Employees[1]: 5,900
Number of sites[2]: 28

Production by product
- Containerboard: **0.3m tonnes**
- Corrugated: **0.4bn m²**
- Forestry felled: **4.1m m³**
- Newsprint[3]: **0.1m tonnes**
- Packaging papers: **0.4m tonnes**
- Pulp: **0.9m tonnes**
- Uncoated fine paper: **0.4m tonnes**
- Wood chips: **0.8m tonnes**



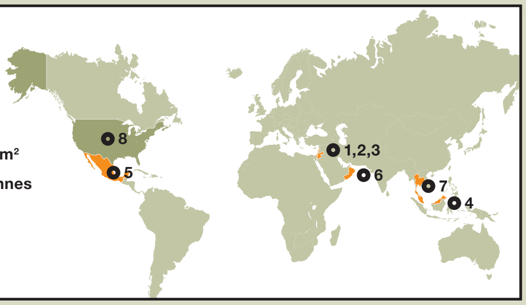
International



4%
Revenue by origin

Employees[1]: 1,300
Number of sites[2]: 12

Production by product
- Bag converting: **0.9m units**
- Coating & release liner: **0.3bn m²**
- Uncoated fine paper: **0.2m tonnes**



Our integrated value chain

Mondi aims to be the lowest-cost producer in its chosen markets, by selectively investing in production capacity in low-cost regions and taking full advantage of its integrated production process, adding value at every stage of the product chain.

Wood

Wood is the essential raw material for all Mondi's virgin paper-based products. From wood fibre Mondi produces pulp, the basic ingredient of all paper and paper-based packaging. The Group utilises pulp in its own production and also wholesales it to third parties.

Forestry

Mondi owns or leases 385,000 hectares of land in South Africa, of which 230,000 is planted with hardwoods (e.g. eucalyptus) and softwoods (e.g. pine and spruce). The Group also holds logging rights to 2.1 million hectares of mainly softwood forests in Russia. Together, this provides an annual allowable cut of 9.2 million m^3, making the Group potentially self-sufficient in wood for 50% of its pulp-production needs.

Pulp

In 2008, Mondi produced around 3.5 million tonnes of pulp from nine integrated pulp and paper mills in Austria, Bulgaria, Czech Republic, Poland, Russia, Slovakia, South Africa and Sweden. Mondi was 93% self-sufficient in pulp for paper production and wholesaled around 470,000 tonnes to external customers in 2008.

Base materials

Packaging paper

In 2008, Mondi produced around 3.4 million tonnes of packaging paper, comprising: kraft paper, virgin and recycled containerboard (from softwood and recovered paper) and packaging board for liquids (from hardwood). The Group produces more packaging paper than it consumes, selling the balance to external customers.

Uncoated fine paper

Mondi is a leading producer of uncoated fine paper (UFP), produced mainly from hardwood pulp with around 1.9 million tonnes produced in 2008. UFP is typically used for photocopier paper and printing applications.

Specialities

In addition to being a leading producer of release liner, Mondi produces a wide range of high quality flexible products, supplied to leading brands in various industries.

Converted products

Packaging

Mondi adds value to its packaging paper output by converting it into a range of specialist products:

- virgin and recycled containerboard are used to make corrugated boxes and cases;
- high-strength kraft paper is converted into industrial bags; and
- films and printed laminates are converted into flexible packaging products.

Office and printing paper

Our UFP is converted into office and professional printing papers, sold as cut-size, in folio form or in large reels. Mondi products are among the market-leaders for premium paper applications.

Recycling

Recovered paper

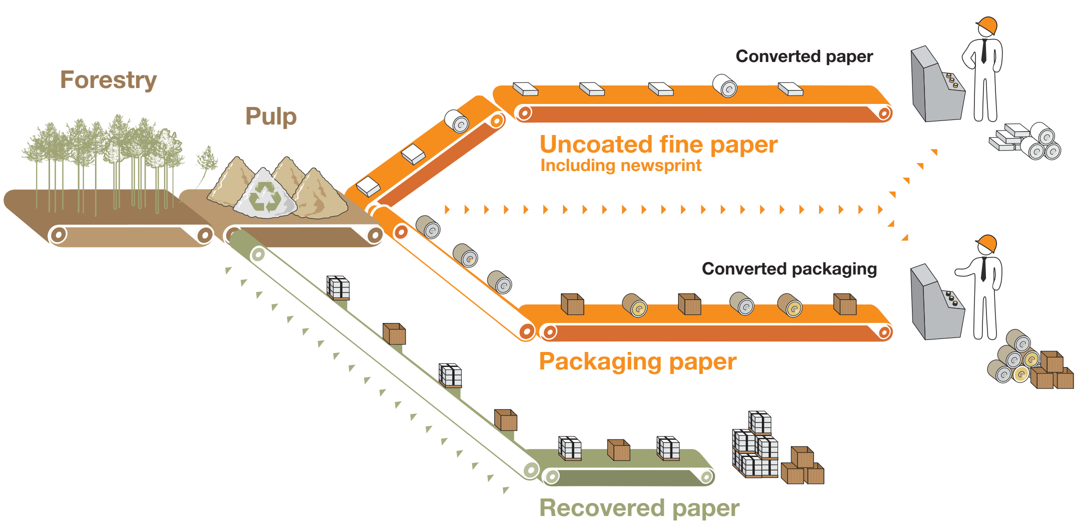
Mondi uses substantial quantities of recovered paper as a raw material in its paper mills, with 26% of its paper products manufactured predominantly from recycled materials. This includes newsprint, which is mostly produced using a high proportion of de-inked, recovered paper.

Replanting

Each year, Mondi replenishes its forestry assets with extensive replanting programmes. In South Africa we established/replanted 23,000 hectares or 10% of plantations in 2008, while in Russia forests are regenerated via natural re-growth.

p7 Refer to the page opposite for more information on Mondi's products.

Our paper value chain



Customers

Packaging products

Mondi's packaging products are sold to four main markets:

- FMCG companies (corrugated boxes, flexible packaging solutions and barrier materials);
- building and construction companies (industrial bags and barrier materials);
- chemicals, pharmaceuticals and electronics (corrugated boxes, flexible packaging solutions and industrial bags); and
- packaging converters (kraft paper, virgin and recycled containerboard and barrier materials).

Office and printing paper

Mondi supplies UFP to business and home users through three principal channels:

- merchants;
- original equipment manufacturers (OEMs); and
- office suppliers and retailers.

Our products

Mondi supplies a broad range of packaging products and materials, uncoated fine paper products, as well as specialities for a wide variety of uses. This page shows our key products, together with the main industry sectors to which they are sold.

Agriculture | Automotive | Building & Construction | Chemicals | Food | Industrial Paper & Packaging | Office & Printing Paper | Pet Food | Photographic & Graphic | Toiletries & Hygiene

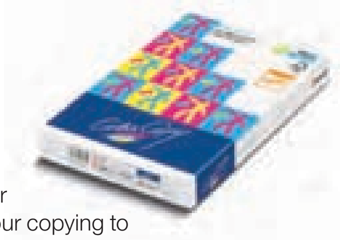
Pulp

Mondi produces both hardwood and softwood pulp for its own use, as well as selling 470,000 tonnes per year to the market. This includes the wholesale of its Monopol unbleached and Bohemia bleached market pulp to third parties for a wide range of end uses.

www.mondigroup.com/marketpulp

Uncoated fine paper (UFP)

Mondi is one of Europe's leading producers of uncoated fine paper, producing a wide range of office and professional printing paper, under well-known brand names including COLOR COPY, MAESTRO, IQ, Snegurochka and ROTATRIM, used for everything from laser printing and colour copying to pre-print and offset papers and a variety of office stationery products.



www.mondigroup.com/products/paper

Containerboard

Mondi sells a portfolio of corrugated case materials (virgin and recycled containerboard) for every box application, from rugged boxes to protect fruit in transit, to those in direct contact with fast food; from safe shipping of heavy-duty electronic goods to luxury products where high-quality printing is essential. Applications include standard boxes, die-cut boxes and trays as well as point-of-sale displays and corrugated sheets.

www.mondigroup.com/products/containerboard

Corrugated boxes

Mondi is one of Europe's leading suppliers of all forms of corrugated packaging. These include conventional boxes and trays of all shapes and sizes, point-of-sale displays, Shelf-Ready Packaging (SRP) and specialist carrying containers with built-in handles (for bottles or for portable selling materials). Our products are available with the Radio Frequency Identification (RFID) technology.

www.mondigroup.com/products/corrugated

Kraft paper

Mondi's Advantage range of kraft papers are used in everything from specialist packaging and heavy-duty industrial applications (including building and chemicals) to consumer packaging (including food and pet food). We offer a wide range of grades, each catering to the specific requirements of different packaging concepts.

www.mondigroup.com/products/kraftpaper

Industrial bags

Mondi offers a broad portfolio of industrial bags, including ultra-strong bags that are quickly fillable and air-permeable bags with sophisticated closure techniques such as hermetic sealing and vacuum sealing, as well as barrier liners. They are used to package everything from cement, chemicals, seeds, animal feed, flour and milk powder to automotive parts and organic and biowaste.

www.mondigroup.com/products/industrialbags

Specialities

Mondi produces high-quality films and flexible products such as pouches and microwaveable packaging. Our expertise in extrusion coating, laminating, siliconising and printing enables us to offer customised products for the food, pet food, building, medical and hygiene industries. Our most recent innovation is Sustainex, a biodegradeable packaging solution.

www.mondigroup.com/products/specialities

Newsprint

Mondi is a leading producer of newsprint and telephone directory paper, mainly manufactured in South Africa and the UK primarily from recycled newspapers and magazines. In Russia, we produce 192,000 tonnes per year of newsprint from virgin fibre.

www.mondigroup.com/structure

Sir John Parker and Cyril Ramaphosa

Chairmen's statement

Dear Shareholder

It is a testament to the strength of Mondi's strategy and the success of its operational model that, in a year which ended amid some of the most difficult trading conditions in the Group's history, we delivered a creditable performance.

The sharp falls in volumes in many of our markets in the fourth quarter resulted in only marginally higher revenues at €6.3 billion (a 1% increase) and a 12% decline in our underlying operating profit to €441 million, in line with the 10-15% reduction which we forecast in our Interim Management Statement in October 2008. All our divisions nonetheless remained profitable and exhibited an encouraging resilience. It is particularly pleasing to note a substantial cash inflow from operations of €795 million, as measures taken to optimise cash flow generation in these difficult times began to be reflected in the results.

Our ability to withstand the test of an economic downturn rests on our low-cost production strategy, an ingrained cost-consciousness and the ability of our experienced management teams to respond quickly to changing market conditions. These were all in evidence during the year under review. We continued to focus resolutely on markets with the lowest costs of production, implemented a wide-ranging €128 million cost-reduction programme and took early action to realign our capacity with market demand.

The reorganisation of our business into two divisions, Europe & International and South Africa, has proved a success, producing a wide range of operational and cost-reduction benefits.

Your chief executive, David Hathorn, reports in more detail in the following pages on our performance and on the actions taken to protect value on behalf of our shareholders.

We would like to take this opportunity to pay tribute to our executive team for their diligent leadership of the Group, especially during the extremely challenging final months of the year. Perhaps more importantly, we would like to thank all Mondi's people, the 33,400 or so of them in 42 countries around the world, who have worked so hard to deliver a robust performance against a toughening market.

Governance

We are pleased to say that the Group's Boards, constituted in accordance with Mondi's dual listed company (DLC) structure, have settled well and provided clear and decisive direction in the year under review. Board evaluations have been thorough and we have put in place clear action plans for further improvements in 2009. Our board committees are very ably led and our experienced non-executive directors have provided invaluable support to our energetic DLC executive committee, chaired by David Hathorn, which is responsible for day-to-day management of Mondi's operations.

We are satisfied that we have established the highest standards of governance practice, which are now firmly embedded in the boardroom as well as in the organisation as a whole.

Sustainability

The sustainable development committee of the Boards, under the chairmanship of Colin Matthews, continues to improve sustainable forestry management practices such as overseeing the completion of the implementation of our wood tracing system.

The FSC certified an additional 861,000 hectares of forests that we lease in the Komi Republic in Russia.

We have paid special attention to water and energy conservation and to the reduction of emissions, particularly further substantial cuts in carbon dioxide (CO_2) emissions. We have set stringent targets to be achieved between 2004 and 2014. For example, we are very confident that we will meet our solid waste to landfill target and complete the eradication of hazardous waste by 2010 and targeted reduction of specific energy in our production process and fossil fuels (CO_2) by 2014. In 2008, we reduced our total chemical oxygen demand (COD) emissions to water by a further 6%, our chlorinated organics (AOX) emissions to water by a further 2%, our total reduced sulphate (TRS) emissions to air by a further 9% and our waste to landfill by a further 3%, all from 2007 levels.

We are 85% energy self sufficient across our operations and of this self-produced energy, 53% comprises biomass (renewable energy).

Every Mondi site is now audited against the exacting performance requirements of our integrated Sustainable Development Management System (SDMS) and the results for the year under review were very encouraging. We remain committed to achieving full compliance with our policies and standards throughout the Group by 2010.

You can read more about Mondi's sustainability practices and achievements, including a detailed update on our progress in 2008, on our web site at www.mondigroup.com/sustainability. You will also find a summary on pages 25 to 29 of this report.

We are confident that our focused strategy and rigorous attention to operational efficiency will enable us to emerge from the current economic downturn in good shape and well positioned to deliver attractive returns for our shareholders in the longer term.

Safety and health

We were saddened by the deaths of two contractors in our operations during the year. We believe that any fatality is completely unacceptable and avoidable. We have embarked on a number of further comprehensive safety reviews to identify causes and contributing factors before taking suitable action to ensure that similar incidents do not recur.

The Boards have taken a close personal interest in the working conditions of Mondi's employees and contractors and your directors made it a priority during 2008 to visit as many of Mondi's operations as possible, to view for ourselves the conditions in which our people work and to assess them against international best practice.

We continue to provide routine voluntary testing for HIV/AIDS as a standard part of our employees' periodic medical examinations, offering voluntary counselling to any who are affected and encouraging them to embark on and continue their treatment.

Investment in the community

The extensive utilisation throughout the Group in recent years of the Socio-Economic Assessment Toolbox (SEAT) has enabled us clearly to evaluate the social and economic impact of our operations on the communities in which they operate. This has enabled us to identify the ways in which we can most positively engage with these communities, addressing their concerns and contributing to their wellbeing.

We have invested €5.3 million in projects as varied as a technical secondary school and specialist healthcare service in Slovakia, a diagnostic mental and social care institution in the Czech Republic and support for orphaned children in our South African forests. We make these investments whilst continuing to fulfil all our key sustainable development commitments.

Land claims

Your Boards are pleased with the progress made on land restitution in South Africa. Towards the end of 2008 Mondi, the Regional Land Claims Commission (RLCC) and the Kranskop communities of AmaHlongwa and AmaBomvu signed a groundbreaking land restitution settlement – the first of its kind in South Africa – which provided for the transfer of just under 4,000 hectares of Mondi land, effective in 2009, to the two communities, whilst enabling us to continue harvesting timber supplies from this important region. This agreement provides an excellent model for future settlements and we expect to make further constructive progress during 2009.

Our approach to the equitable settlement of land claims is consistent with our overall commitment to Broad-Based Black Economic Empowerment (BBBEE), which we believe is essential if South Africa is to continue developing a balanced and sustainable economy.

Dividend

Mondi continues to maintain a strong balance sheet, with resilient operating cash flows, and it is pleasing to be able to reflect this in our long-term dividend policy. The boards of Mondi Limited and Mondi plc have accordingly recommended a final dividend of 5.0 euro cents per share, payable on 20 May 2009 to shareholders on the register on 24 April 2009. An equivalent final dividend will be paid in South African rand on the same terms. Taken together with the interim dividend of 7.7 euro cents per share paid on 16 September 2008, this represents a total dividend for the year of 12.7 euro cents.

Board changes

We would like to welcome to the Boards Andrew King, who was appointed chief financial officer in October 2008. Andrew was previously Group strategy and business development director, prior to which he served as chief financial officer of Mondi from 2005 to 2006, when he was heavily involved in the listing process and establishment of the Group's dual listed corporate structure.

On behalf of the Boards we would like to thank Andrew's predecessor, Paul Hollingworth, who saw us through our demerger from Anglo American plc and our subsequent listing, putting in place excellent management controls. As stated in our prospectus in 2007, a requirement of the South African Ministry of Finance is that the chief financial officer is based at the head office in South Africa from the beginning of 2009. Paul Hollingworth decided not to relocate and has now left the Group to continue his career elsewhere. We are particularly grateful to Paul for agreeing to remain in his post until the organisational requirements arising from our South African listing commitments were complete.

Strategy and outlook

There is little doubt that 2009 will be challenging, but we are confident that our focused strategy and rigorous attention to operational efficiency will enable us to emerge from the current economic downturn in good shape and well positioned to deliver attractive returns for our shareholders in the longer term.

Despite the current market downturn, we remain undeterred in our ambition to be the best performing paper and packaging group in the world. We firmly believe that our leading market positions, low-cost, high quality asset base, and commitment to continuous operational improvement will ensure that we realise that ambition.

We have been consistently struck by the commitment and enthusiasm of our people throughout the Group, especially during the difficult and demanding last few months. On behalf of the Boards, we would like to thank everyone in Mondi for their dedication and willingness to adapt to change in 2008 and beyond.

Sir John Parker | **Cyril Ramaphosa**

David Hathorn

Chief executive's review

Overview

Mondi's low-cost production strategy, ingrained cost focus and ability to respond quickly to changing market conditions position the Group well in these challenging times. However, these benefits cannot insulate us from the global economic turbulence which all companies are currently experiencing.

In the year under review we continued to focus on enhancing our low-cost production in emerging markets, increased our ongoing cost-reduction efforts, took early action to realign our capacity with volatile market demand and redoubled our focus on cash management.

Results

From 1 January 2008 the former Mondi Packaging and Mondi Business Paper operating units were restructured to operate as two geographical divisions: Europe & International and South Africa. Within Europe & International the main businesses are: Bags & Specialities, Uncoated Fine Paper (UFP) and Corrugated. In South Africa the businesses are UFP and Corrugated.

The reorganisation allowed us to eliminate duplication and simplify processes, resulting in a lean business which is cost-efficient and able to adapt quickly to the changing economic environment.

Our results for the year to 31 December 2008 are reported using this new structure, with adjusted prior-year comparisons where appropriate.

As reported in Mondi's Interim Management Statement in October 2008, a strong performance in the first half gave way to a more difficult third quarter. This was followed by a sharp slowdown in demand in the fourth quarter as the downturn in Europe took hold and conditions quickly deteriorated.

Our caution in predicting a 10-15% reduction in Group underlying operating profit was therefore appropriate, with a final result of €441 million, 12% lower than the prior year, on revenues 1% higher at €6.3 billion.

The significant downturn in volumes in the second half occurred mainly in Europe as the Europe & International Division reported revenues 1% down at €5.16 billion (2007: €5.19 billion) and a 13% decline in underlying operating profit to €334 million (2007: €386 million). This was only partially offset by a strong improvement in our South Africa Division, where underlying operating profit grew by 42% to €111 million (2007: €78 million) on marginally lower revenues of €587 million (2007: €591 million).

In Europe, demand for paper bags was impacted by the significant downturn in the construction industry in the fourth quarter. The slowdown in demand was exacerbated by customer destocking, especially in sack kraft paper. Contract prices for sack kraft held firm throughout the year, although open market prices declined towards the year-end. Contract prices for 2009 are down 5% on those achieved in 2008.

▶ p15-24 For a more detailed review of the Group's performance, see pages 15 to 24.

The reorganisation allowed us to eliminate duplication and simplify processes, resulting in a lean business which is cost-efficient and able to adapt quickly to the changing economic environment.

Brown kraftliner and testliner prices were down around 5% year-on-year (testliner prices declined sharply in the second half, ending the year over 24% down on the prior year close). Box prices, having increased in the first half, started to level off in the third quarter and declined by 6% at the year-end. Our UFP sales held up well in the face of the downturn, with selling prices slightly up on 2007.

The South Africa Division saw significantly improved results from both Corrugated and UFP, benefiting from product mix changes and price increases. Domestic demand growth in UFP was good throughout the year and export sales also increased. The impact of the restructuring over the past two years and the benefits of recent management changes were clearly evident, with a much improved operating performance.

Mondi Packaging South Africa (MPSA) reported a modest 1% increase in underlying operating profit in local currency, but was heavily impacted on translation by the strength of the euro against the South African rand, with reported underlying operating profit down 20% to €28 million (2007: €35 million). Merchant and Newsprint saw a substantial decline in profit as our UK joint venture, Aylesford Newsprint, suffered from both lower selling prices and higher input costs.

Decisive response to the downturn

Mondi has acted to close or dispose of certain higher cost operations in Europe. The total cost of disposal, closure and restructuring initiatives excluding impairments amounted to €85 million and has been disclosed as a special item. The cash element of this charge is €56 million.

Actions taken:

- the previously announced closure of our 140,000 tonne UFP mill in Hungary and European UFP reorganisation were completed;
- the integrated Stambolijski kraft paper mill in Bulgaria and the Dynäs PM5 kraft paper machine in Sweden were mothballed;
- the recycled containerboard mill in Holcombe, UK was closed;
- three sheet feeder plants in the UK and a recycled containerboard mill in Switzerland were sold. The sale of two further corrugated converting operations in France was also agreed;
- a restructuring exercise at the Turkish corrugated business was started;
- the Nyborg specialities plant in Denmark and the Zaragoza bag plant in Spain were closed; and
- a restructuring of the Finnish and UK coating businesses was initiated.

These moves have the effect of adjusting our production capacity in light of the changing demand environment, lowering our overall cost base and streamlining our asset portfolio to focus on those businesses that provide us with a sustainable competitive advantage in their respective markets. In total we will have exited around 600,000 tonnes of high cost production capacity (14% of Europe & International's capacity), thereby lowering our average European cost per tonne for the related products by around 5%. This is very much in line with the Group's stated strategic objective of focusing on low-cost, high quality assets and achieving cost leadership in its chosen markets.

Furthermore, steps have been taken to significantly reduce capital expenditure outside of the two major projects. This initiative is supported by the well invested nature of our asset base. Capital expenditure approvals will be limited to 40% of depreciation in 2009. The cash flow effects of this initiative started to be seen towards the end of the reporting period, with the main benefits expected to be realised in 2009 and 2010.

Cash inflow from working capital of €27 million was achieved despite a 1% increase in sales and an already strong performance in the prior year (€97 million). Since the half year, working capital inflow amounted to €153 million.

A special item impairment charge on the write-down of both goodwill and tangible assets amounting to €293 million was taken in the period, reflecting the weaker outlook for several of our business segments in light of the worsening macro-economic environment.

€128 million in cost savings
2.4% of prior-year cash cost base

Exited around 600,000 tonnes
of high cost production capacity

Capital expenditure approvals
limited to 40% of depreciation

David Hathorn

Chief executive's review

continued

Industrial bags at Mondi's Zeltweg operation in Austria.

Mondi's Combi Pack reel wrapping is produced in the Czech Republic by the coatings business in cooperation with regional Mondi paper mills.

Maintaining our competitive advantage

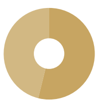
We believe that our strategy is especially valid in the new economic environment. Leading market positions, low-cost operations and a robust focus on performance have always been key elements of that strategy and in today's challenging economic times its benefits will be even more pronounced.

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 will not be immune to recession, as we indicated at the end of 2008, but they continue to offer above-average long-term growth potential.

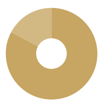
In the year under review, more than half the Group's revenues and more than 80% of our operating profit were generated from our assets in emerging Europe, Russia and South Africa, where we occupy the number one or two market positions in all our key packaging and UFP product segments. It is significant that revenues in or from all three of these regional markets continued to grow in 2008, despite the sharp downturn in demand elsewhere in Europe.

We took steps to further secure our market positions during the year with a number of small strategic acquisitions totalling an enterprise value of €89 million, designed primarily to strengthen the product mix and geographic coverage of our Bags & Specialities business.



54%

Revenue by origin from emerging markets



83%

Operating profit from emerging markets

We are committed to delivering superior returns, above the average of our competitors, and this commitment is undiminished by the difficult trading conditions.

The woodyard at the Świecie pulp and paper mill in Poland.

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.

Over the last four years we have progressively concentrated our production in the lower-cost regions of emerging Europe, Russia and South Africa. 64% of our operating assets and 80% of our virgin-based production are now deployed in emerging markets.

The great majority of our primary raw material is also in low-cost regions. We now own or lease 385,000 hectares of forest in South Africa and have logging rights to 2.1 million hectares in Russia, maintaining our self-sufficiency in two of the world's lowest-cost fibre-producing regions. This in turn means that we have the potential to source approximately 50% of our Group-wide wood requirements from our own resources.

Our high level of vertical integration in the supply chain, combining low-cost fibre 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 an 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.

The reorganisation of the Group into two divisions, Europe & International and South Africa, together with the subsequent restructuring of the South Africa Division and the reorganisation of our UFP business, all brought a steady stream of benefits to the bottom line throughout the year.

The chairmen have already referred to the €128 million of annualised cost savings in 2008 achieved through a range of initiatives. In addition, we have closed or divested a number of high cost operations and taken market-related downtime, and this process continues. In the last four years, our fixed costs as a percentage of revenue have reduced from 32.5% in 2004 to 27.2% in 2008. Personnel costs as a percentage of revenue have also reduced from 16.2% to 14.6%, over the same period. The 2009 cost savings target is €180 million (3.3% of 2008 cash costs).

David Hathorn

Chief executive's review

continued

The Mondi team

I would also like to add to the chairmen's tribute to our employees. They have demonstrated continued commitment to Mondi during a difficult fourth quarter and into 2009. Mondi's management teams have worked constructively retaining their sharp focus on improving efficiency and production as well as reacting to the adverse economic conditions quickly. I thank them for their continuing support.

I am personally thankful to my now ex-colleague, Paul Hollingworth, Mondi's chief financial officer until October 2008, for his expertise and commitment throughout his time with us; in particular, his management of Mondi's demerger from Anglo American plc.

I am delighted that we have an excellent replacement in Andrew King who has worked for Mondi for seven years, latterly as Group strategy and business development director. Andrew joined the Boards as chief financial officer on 23 October 2008 and is based in South Africa.

Ron Traill was appointed chief executive officer of Mondi's South Africa Division in January 2008 and was appointed to the DLC executive committee in June 2008. Ron joined us in 2003 as managing director of the Štětí pulp and paper mill in the Czech Republic.

Ladimir Pellizzaro rejoins Mondi as Group technical director, succeeding Kurt Mitterboeck. Ladimir took a break from Mondi in 2005 after being with the business for 15 years in a number of senior technical and operational roles, following which he was retained by the Group as an adviser. I would like to thank Kurt for his outstanding commitment to Mondi for almost 30 years. He leaves us with our very best wishes.

I would also like to thank Mervyn Walker who returned to Anglo American plc in September 2008. Mervyn played a vital role in overseeing Mondi's demerger and listing in 2007.

Market outlook

Pricing has weakened for some grades since the year-end, with continuing pressure on testliner and sack kraft prices. Pulp prices have also softened, although the effects are limited by the fact that we are almost balanced in pulp supply for our own operations. To date UFP prices and kraftliner prices have held up reasonably well. The pricing outlook is unclear and will depend largely on how well the industry reacts to weaker demand, either through commercial downtime or permanent capacity closures. Mondi will continue to take whatever downtime and actions are required to ensure that our stock levels remain low. We will also continue to assess the need for further permanent capacity closure in addition to the closures that we have recently made.

The year ahead also presents us with some opportunities. In particular, rationalisation of the European paper and packaging sector is long overdue and there are encouraging signs that this is beginning to gather pace. Over one million tonnes of annualised UFP capacity reductions have already been implemented or announced by our competitors, following the closure of our own Hungarian mill earlier in 2008, in total representing around 11% of the market. In recycled containerboard, reductions of around 900,000 tonnes per annum have been announced in Germany, Italy, Spain and the UK, including 110,000 tonnes through the closure of our plant at Holcombe in the UK.

We are under no illusions about how difficult 2009 is likely to be for our industry. The risk of further declines in volume and price remains our greatest challenge in the current year. Although our stock levels are low, with destocking largely adjusted for, we cannot predict how quickly or when customer demand will recover.

We are being assisted by a currency tailwind after many years of adverse exchange rates. In recent months both the Polish zloty and the South African rand have moved in our favour and a strengthening US dollar is relieving pressure from transatlantic imports and supporting European pricing. Input and commodity costs have also fallen in recent months, especially in energy and recycled fibre, although these will only partially mitigate the effects of continuing weak volumes and prices.

Over the next few months, we will be focusing on even tighter control of working capital, holding back on the small number of acquisitions we have under review, continuing to review our production base, further sharpening our focus on cost-reduction and taking additional market-related downtime as circumstances dictate.

With expenditure on our two major projects at Świecie and Syktyvkar well underway, we are in a position to significantly reduce capital expenditure outside of these projects without impacting the operational performance of our businesses.

We retain our aspiration for growth in the longer term, provided the opportunities match our rigorous low-cost criteria. However, our overriding priority in 2009 will be to run all our businesses as efficiently as possible and ensure the long-term competitiveness of our business.

Outlook

Given the level of global economic uncertainty that emerged in the latter part of 2008, the outlook inevitably remains challenging. However Mondi's strong financial position, our low-cost, high quality asset base and our quick and decisive response to rapidly changing economic events leave us well positioned to benefit when market conditions improve. As such, the Boards remain confident in the medium- and long-term prospects for the Group.

Operational and financial review

One of Mondi's uncoated fine paper machines at its Syktyvkar operation in Russia.

The worsening of the global economic environment had an adverse impact on our business. In particular, from October 2008 we saw a marked downturn in trading in Europe. However, it is testament to Mondi's low-cost production strategy, ingrained cost focus and ability to respond quickly to changing market conditions that a creditable performance was delivered in a year which ended amid some of the most difficult trading conditions in the Group's history.

Group sales rose by 1% to €6.35 billion and underlying operating profit was 12% below the prior year, with the slowdown in Europe only partially offset by a much improved performance from the South Africa Division. Within the Europe & International Division underlying operating profit was down €52 million or 13%. We did not see the usual post-summer seasonal pick-up in demand and trading in the last three months of 2008 was weak, resulting in falling volumes and some price weakness. In response, we proactively took significant market-related downtime in a number of our European operations (mainly in sack kraft paper) amounting to 130,000 tonnes in the last quarter (12% of capacity) and 212,000 tonnes for the full year. By the end of the year stock levels were low across all paper grades, leaving us well placed for the coming year.

By contrast, the South Africa Division was successful in implementing price increases and enjoyed an improved underlying operating performance, with profits up €33 million or 42%.

Merchant and Newsprint saw a significant decline in underlying operating profits (€33 million) as our joint venture, Aylesford Newsprint incurred losses, suffering from both declining selling prices and increases in input costs. By contrast, Aylesford contributed nearly half of Merchant and Newsprint's profits in the year ending 2007.

A strong working capital performance (net inflow for the year of €27 million despite higher revenues) coupled with renewed focus on cost reductions and cash flow optimisation limited the increase in Group borrowings to €183 million, despite capital expenditure of €324 million on the two major capital projects in Poland and Russia. Mondi enjoys a strong liquidity position and as at the end of December the Group had nearly €1.1 billion of undrawn committed debt facilities (€0.7 billion of which is available under a €1.55 billion facility, expiring on 22 June 2012).

Cost pressures were evident throughout the year, most significantly chemicals and energy, although there was some easing of key raw material input costs towards the latter part of the year (notably recovered fibre, energy and chemicals). Similarly, while the weaker South African rand supported margin improvement in export sales from our South Africa Division, the strength of our major emerging European production currencies negatively impacted on our cost base. The continued strengthening of the Polish zloty in particular had a significant negative effect on profitability, although this pressure eased towards the end of the period.

Operational and financial review
continued


Bags have been produced at Mondi's Świecie operation in Poland since the 1960s.

Europe & International Division

€ million	2008	2007	change %
Segment revenue	**5,159**	5,189	–1
– of which inter-segment revenue	**155**	153	+1
EBITDA	**623**	670	–7
Underlying operating profit	**334**	386	–13
Bags & Specialities	**159**	154	+3
Uncoated Fine Paper	**126**	99	+27
Corrugated	**49**	133	–63
Capital expenditure[1]			
Major projects[2]	**324**	40	n/a
Other	**277**	271	+2
Net segment assets	**3,659**	3,907	–6
Return on capital employed (%)	**9.6**	11.2	–14

[1] Capital expenditure is cash payments and excludes business combinations
[2] Polish and Russian expansion projects which commenced in second half of 2007

In mitigation of ongoing cost pressures and the weaker trading environment, significant additional cost reductions and further productivity improvements were achieved. Overall, the Group delivered a further €128 million in cost savings, representing approximately 2.4% of the cash cost base. Mondi remains committed to targeting annual savings of at least 2% per annum. The 2009 target is €180 million (3.3% of 2008 cash costs). We also completed the restructuring and simplification of our European Uncoated Fine Paper (UFP) business, which realised significant cost reductions during the year, with further benefits flowing in 2009.

Disappointingly, the average return on capital employed, a key measure of Mondi's performance, declined to 9.5% (2007: 10.6%), reflecting the more difficult trading environment in the second half. As noted elsewhere, actions are being taken to improve the profitability of the Group which we are confident, when taken with an improvement in the business cycle, will lead to improving returns.

Net finance costs of €159 million were €60 million higher than in 2007 due to higher borrowings and average interest rates (particularly in some emerging markets) and foreign currency charges on the devaluation of emerging market currencies to which we are exposed. The effective tax rate before special items of 29% was in line with the prior-year rate.

Underlying earnings per share were 33.9 euro cents per share, down 28% compared to 2007.

The European business environment continues to be challenging and we remain focused on driving down costs and rationalising any remaining low quality, high cost assets. As a direct result of the slowdown in European demand, underlying operating profit was down 13% versus the prior year. The Division delivered €114 million in cost savings, with the benefits from the various rationalisation and restructuring measures a significant contributor.

Operations

In the **Bags & Specialities** business underlying operating profits for the year were up €5 million, although the second half saw profits down 33% versus the comparable period. The business benefited from higher average kraft paper and converted bag prices (up around 6%); however, volumes were soft in the second half as demand, particularly from the building industry, slowed. This decline in demand was exacerbated by an element of destocking as the supply chain adjusted to the weaker economic outlook. In response, the kraft paper business took significant market-related downtime of around 100,000 tonnes in the fourth quarter (around 40% of available capacity in the quarter) to balance inventories. Industry statistics suggest bag demand was down around 9% in the last quarter versus the comparable period in the prior year. Specialities were impacted by lower volumes and margins and as a result profits were marginally below the comparable period. The results benefited modestly from the acquisition of Unterland in the second half of 2007.

In the **Uncoated Fine Paper** (UFP) business underlying operating profits were up €27 million or 27%. Whilst average selling prices were slightly up against the comparable period, volumes were impacted by the weaker trading environment in the second half and the closure of Hungary (down 4% on the prior year). Around 37,000 tonnes of commercial downtime (around 2.5% of available capacity) was taken in the year. UFP benefited from the restructuring actions announced at the end of 2007, as well as a better performance from all our mills, notably our Russian pulp and paper mill in Syktyvkar where the local market continued to experience good demand. Declining pulp prices in the second half improved the profitability of our Austrian non-integrated paper mill.

In the **Corrugated** business, underlying operating profits were down €84 million at €49 million as costs increased and selling prices fell back following substantial increases achieved in 2007. Brown kraftliner and testliner prices were down around 5% year-on-year (on average testliner declined sharply in the second half, ending the year over 20% down on the prior year close). Whitetop kraftliner, a key open market product for the Group, was more stable with prices up around 1% year-on-year. The price declines were due to a combination of slowing demand and, towards the latter part of the year, falling input costs. Box prices, having increased in the first half, started to taper off in the second half. Results were also impacted by market-related downtime in recycled containerboard (around 44,000 tonnes, representing 4% of annual capacity). The continued strength in eastern European currencies (particularly the Polish zloty) during the period served to further erode the profitability of our eastern European production base. This currency trend started to reverse towards the end of the period, although the positive financial impact will only be seen in 2009 due to the Group's rolling six-month currency hedging programme.

Our Turkish corrugated packaging subsidiary, Tire Kutsan, acquired in 2007, continues to underperform. This is mainly the result of softer demand coupled with new competitor capacity coming on-stream and the resulting impact on prices in the local market. We have taken steps to restructure the business appropriately, including streamlining the organisation and reducing headcount.

Restructuring
2008 saw significant restructuring in response to the economic downturn. In the first half, three sheet feeder plants in the UK were sold for an enterprise value of approximately €21 million, the Nyborg specialities plant in Denmark was closed and the closure of the Szolnok UFP mill in Hungary was completed. We closed the Holcombe recycled containerboard mill in the UK (capacity 110,000 tonnes per annum) and the Zaragoza bag converting plant in Spain (capacity 55 million units) in the second half. Towards the end of the year, the sales of the 160,000 tonne per annum Niedergösgen recycled containerboard mill in Switzerland and two corrugated converting operations in France were agreed for total proceeds of approximately €22 million. Further initiatives include the announced restructuring of the Turkish corrugated business and the restructuring of the coatings business in Finland and the UK. The total cost of these and other closure, disposal and restructuring activities, excluding impairments, is approximately €85 million and has been treated as a special item in the accounts. After the year-end we sold the St Quentin corrugated packaging plant in France and have taken the decision to mothball both the 110,000 tonnes per annum Stambolijski pulp and kraft paper mill in Bulgaria and the PM5 kraft paper machine (capacity 75,000 tonnes per annum) at our mill in Dynäs in Sweden.

Major projects
Despite the challenging business environment, we remain committed to completing the development of our two major projects in Poland and Russia. We believe the rationale behind the development of these projects, to secure our position as cost leader in our chosen markets, is reinforced by current events.

The construction of the new 470,000 tonne recycled containerboard machine at Świecie in Poland is progressing well (total cost of €305 million). We remain on track for completion in the second half of 2009 within the budgeted cost. We anticipate that this machine will have the lowest operating costs of its type. Similarly, the related €45 million investment in the new box plant and associated infrastructure on the Świecie mill site is in progress, with start-up planned for the end of 2009.

The project to modernise our mill in Syktyvkar (total cost of €525 million) is also making good progress and we remain on track for completion within the budgeted cost by the end of 2010. The key value drivers of this project are to improve efficiency, lower our 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, €364 million had been spent on these two projects out of the total capital commitment of €875 million. The bulk of the remaining expenditures of €511 million are expected to be incurred in 2009, with some flowing into 2010.

Operational and financial review

continued

Containerboard warehouse at Mondi's Richards Bay operation in South Africa.

South Africa Division

€ million	2008	2007	change %
Segment revenue	**587**	591	–1
– of which inter-segment revenue	**285**	367	–22
EBITDA	**152**	122	+25
Underlying operating profit	**111**	78	+42
Uncoated Fine Paper[1]	**75**	53	+42
Corrugated	**36**	25	+44
Capital expenditure[2]	**44**	23	+91
Net segment assets	**760**	966	–21
Return on capital employed (%)	**15.9**	9.5	+67

[1] Includes pulp and forestry business

[2] Capital expenditure is cash payments and excludes business combinations

The South Africa Division recorded an increase in underlying operating profits of €33 million. Profitability increased as the year progressed following a slow start, due partially to the loss of more than three weeks' production at Richards Bay (largely as a result of an extensive maintenance shut). Throughout the period substantial progress was made on the management of product mix to optimise margins as opposed to volumes, evidenced by 86,000 tonnes of commercial downtime on UFP production, otherwise destined for low margin export markets. Results towards the end of the period benefited from these product mix changes as well as selling price increases for both domestic and export sales. The Division also delivered €6 million in cost savings in the period.

In the domestic market (which represents about 37% of the Division's UFP volume), price increases during the year of around 20% were achieved. The domestic market for UFP continues to grow at around 4% per annum. Sales to Africa (which represent approximately one-quarter of the Division's UFP volume) became a major focus area, with price increases (quoted in USD) of around 10% realised during the year. The remaining UFP volume, which is destined for non-African markets, was significantly down, but margins benefited from the weaker rand.

Pulp sales volumes were up by 19%, while price increases (quoted in USD) of 15% year-on-year were achieved.

Almost 80% of the production from our corrugated operations, comprising the whitetop linerboard machine at Richards Bay, is exported. Sales levels were similar to the previous year, as global supply and demand remained in balance throughout the year. Accordingly, profits were up in the period, with export sales benefiting from the weaker rand.

A significant breakthrough was achieved in the settlement of land claims in South Africa, with the signing of a land restitution settlement whereby the first of Mondi's forestry land will be transferred to two local communities under a sale and leaseback agreement. Mondi retains ownership of the forests, which ensures security of timber supply to Mondi's operations, while meeting the needs of the land restitution process in South Africa. It is anticipated that this settlement will provide a framework for settling future forestry land claims with Mondi.

Mondi Packaging South Africa (MPSA)

€ million	2008	2007	change %
Segment revenue	**474**	419	+13
– of which inter-segment revenue	**27**	28	–4
EBITDA	**52**	53	–2
Underlying operating profit	**28**	35	–20
Capital expenditure[1]	**38**	47	–19
Net segment assets	**301**	335	–10
Return on capital employed (%)	**8.6**	13.8	–38

[1] Capital expenditure is cash payments and excludes business combinations

Underlying operating profit was marginally up (1%) in local currency, including a full-year charge for the amortisation of Lenco intangibles acquired in July 2007. The local currency performance was, however, impacted on translation into euros at the much weaker rand rate, resulting in an underlying operating profit decline of €7 million to €28 million. Demand and pricing remained positive and corrugated packaging and containerboard volumes were up 4% and 5% respectively versus the comparable period. This performance was helped by good demand from the agricultural sector. Price increases were implemented for the domestic containerboard market with effect from 1 October 2008. However, price increases lagged input cost pressures, particularly from recycled fibre. In anticipation of a softer trading environment in early 2009, the corrugated mills took market-related downtime in the fourth quarter amounting to 7,000 tonnes (10% of the capacity in the quarter). The Lenco acquisition (rigid plastics manufacturer) contributed positively to profits and is now performing better after a slow start.

Progress on the execution of major projects has been good, with the Felixton rebuild commissioned on time in April 2008 and within budget. This will increase containerboard production by 45,000 tonnes per annum to 155,000 tonnes per annum. This repositions Felixton to produce lightweight recycled containerboard to serve the growing domestic market.

During the period MPSA was refinanced through a R1.0 billion cash injection from Mondi Limited which allowed for the pay-down of expensive external debt. The funds were provided by way of loans and equity. As a result of the refinancing, Mondi's shareholding in the business increased from 55% to 70% with effect from 17 December 2008.

Merchant and Newsprint

€ million	2008	2007	change %
Segment revenue	**593**	591	0
– of which inter-segment revenue	**1**	1	0
EBITDA	**24**	60	–60
Underlying operating profit	**7**	40	–82
Capital expenditure[1]	**10**	18	–44
Net segment assets	**196**	248	–21
Return on capital employed (%)	**3.3**	17.3	–81

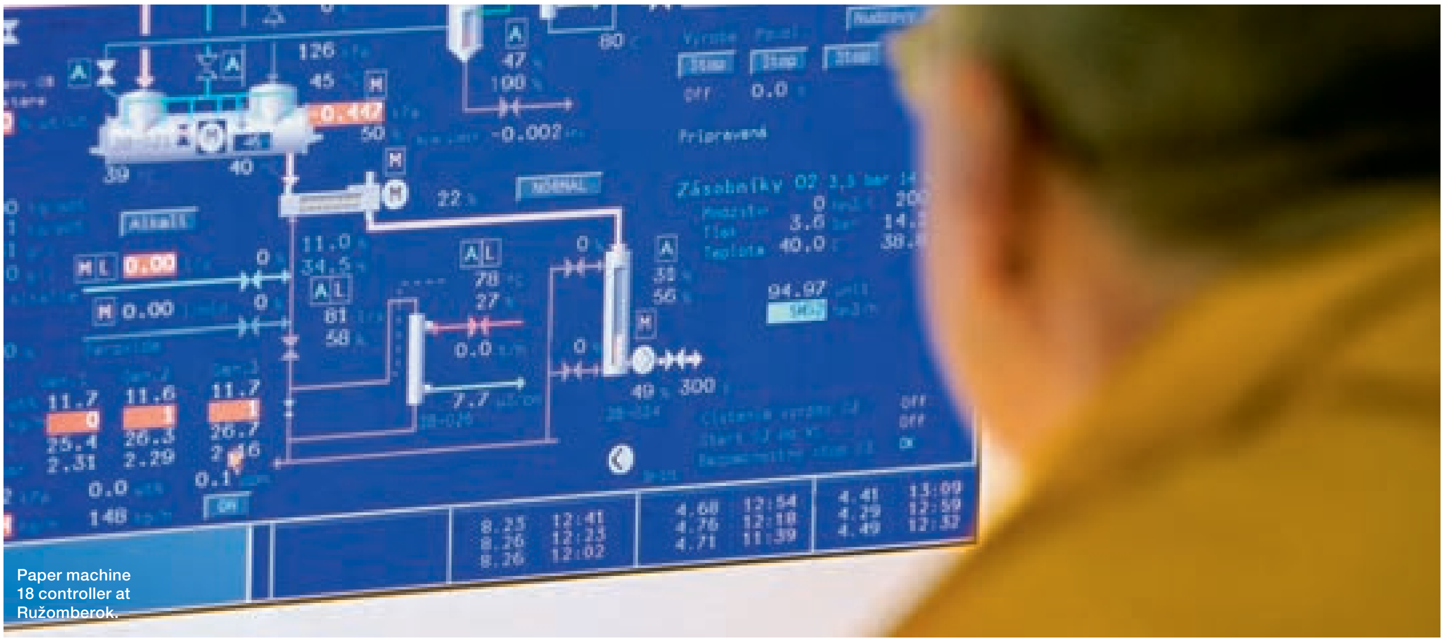
[1] Capital expenditure is cash payments and excludes business combinations

Mondi's joint venture operation, Aylesford Newsprint (which accounted for just under half Merchant and Newsprint's 2007 full-year operating profit), recorded an operating loss for the year as a result of falling selling prices, due to competition from imports, and rising energy and recycled fibre input costs. The recent weakening of sterling, together with newsprint capacity closures in Europe and North America, supported UK newsprint price increases of around 20% for 2009, which will see a return to profitability of this business. At Europapier margins came under pressure in the second half as trading was impacted by the general economic slowdown and adverse currency movements. At Mondi Shanduka Newsprint earnings were down in local currency, with volume and price increases largely eroded by cost pressures. A significantly weaker rand exchange rate exacerbated the earnings decrease on translation into euros.

Corporate and other

Net corporate costs after special items were €1 million higher than the comparable period in 2007, due mainly to the disposal of non-core businesses at the end of 2007 which contributed approximately €3 million of profits in the comparable period.

Operational and financial review
continued



Paper machine 18 controller at Ružomberok.

Reconciliation of underlying profit to reported loss

€ million	
Underlying profit	202
Special items (refer to note 5 of the financial statements):	
Operating special items	(358)
Net loss on disposals	(27)
Impairment of assets held for sale	(2)
Related tax	4
Reported loss	(181)

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

In aggregate, pre-tax special items amounted to a charge of €387 million (€383 million after tax), made up as follows:

An operating special item charge of €358 million, principally comprising:

- goodwill impairment costs of €194 million;
- asset impairment costs of €99 million;
- closure and restructuring costs of €56 million; and
- charges related to demerger arrangements put in place for senior executives following the demerger from Anglo American plc in July 2007 of €9 million.

A non-operating special item charge of €29 million was recognised, which mainly comprises the loss on the sale of the Niedergösgen recycled containerboard mill in Switzerland, the two corrugated converting operations in France and three UK corrugated sheet feeder plants.

Finance costs

Net finance charges of €159 million were €60 million higher than 2007 due to higher borrowings and average interest rates, related particularly to emerging market debt, and foreign currency charges. The latter were incurred mainly in the fourth quarter and amounted to €28 million (2007: €2 million). This was largely due to significant devaluations of various emerging market currencies (notably Mexico, Russia, Turkey and the Ukraine), resulting in foreign exchange charges being incurred on non-local currency denominated loans made to our businesses in these markets. Excluding these charges, the effective cost of net debt was 7.5% for the year. (Approximately 25% of the debt is South African rand-denominated with average interest rates of 12.4% for the year).

Taxation

The effective tax rate before special items of 29% was similar to the 2007 full-year rate. There is only minor tax relief on special items.

Minority interests

Minority interests for the year were €17 million lower than the comparable period, as earnings were down at the significant operations where there are non-controlling interests, particularly at Świecie in Poland within the Europe & International Division.

Cash flow

€ million	2008	2007
EBITDA	**814**	870
Fair value adjustments and other non-cash movements	**(44)**	(9)
Movement in working capital	**27**	97
Taxes paid	**(71)**	(93)
Net cash flow from operating activities	**726**	865
Capital expenditure	**(693)**	(406)
Investment in forestry assets	**(43)**	(41)
Acquisitions of subsidiaries and associates	**(49)**	(193)
Disposals of businesses	**17**	166
Other investing activities including interest received	**58**	40
Net cash flow used in investing activities	**(710)**	(434)
Cash flow from financing activities	**8**	(717)
Net cash inflow/(outflow)	**24**	(286)

EBITDA of €814 million in the year was 6%, or €56 million, lower than 2007, reflecting the more difficult trading environment. Cash inflows from operations of €795 million were €162 million down on the comparable period, mainly due to the lower EBITDA and lower inflows on working capital than achieved in the prior year. Cash inflow from working capital of €27 million was achieved despite a 1% increase in sales and an already strong performance in the prior year (€97 million). Indeed, since the half-year working capital inflows amounted to €153 million.

Capital expenditure of €369 million (excluding spend on the two major strategic projects of €324 million) was slightly lower than depreciation of €373 million. We have reviewed our capital expenditure plans with a view to limiting 2009 capital expenditure approvals to below 40% of depreciation. The remaining expenditure on the two major projects is estimated at €511 million, the bulk of which will be spent in 2009 with some flow through to 2010.

Spending on acquisitions completed during the year totalled €89 million (enterprise value). Acquisitions were primarily focused on the strengthening of the product mix and geographic coverage of our Bags & Specialities business.

Balance sheet and returns on invested capital

	2008	2007
Trading capital employed (in €m)	**4,367**	4,818
ROCE (pre-taxation) (%)	**9.5%**	10.6%
Shareholders' funds (in €m)	**2,323**	2,963
Return on shareholders' funds (%)	**6.5%**	8.1%
Net debt (in €m)	**1,690**	1,507
Gearing (Net debt/trading capital employed) (%)	**38.7%**	31.3%
EBITDA interest cover (times)	**5.1**	9.6

Trading capital employed at the year-end was €4,367 million, €451 million lower than 2007, mainly due to special item impairments of €293 million, foreign exchange movements of €454 million and disposals of €94 million, partially offset by capital expenditure of €816 million including business combinations (€443 million in excess of depreciation). Return on capital employed declined from 10.6% to 9.5% as a result of reduced profitability. This return is below our target across the cycle of 13%.

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.

Net debt at year-end of €1,690 million was €183 million higher than 2007 (only €35 million up since the end of June 2008) as the rate of capital expenditure increased on the two key capital projects in Poland and Russia. Gearing as at 31 December 2008 was 38.7%, and the net debt to EBITDA ratio was 2.1.

Group liquidity is provided through a range of committed debt facilities of €2.8 billion, which are in excess of the Group's short-term needs. The principal debt facilities are a €1.55 billion, 5 year, syndicated revolving credit facility, and a R2.0 billion (€152 million) 3 year amortising term loan maturing in 2010. Despite the unfavourable banking environment in 2008 the Group secured additional long-term facilities to assist in funding its two major investment projects; a €174 million, 11 year amortising facility from Export Credit Agencies was signed to part fund the investment in Russia; and a €140 million, 9 year facility from the European Investment Bank was arranged to fund the investment in Poland. Additionally, R1 billion (€76 million) of new facilities were arranged in South Africa with a 3 year maturity. The average maturity of the committed debt facilities is 3.4 years (versus 3.5 years in 2007). Drawn facilities maturing over the next 12 months amount to €371 million. We would expect the majority of these facilities to be renewed, but to the extent they are not they will be financed out of existing undrawn committed facilities (nearly €1.1 billion at year end).

Operational and financial review

continued

Risk management and internal control

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

Internal control

The system of internal control, embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within risk tolerance levels defined by the Boards. Regular management reporting provides a balanced assessment of key risks and controls and is an important component of the Boards' assurance. In addition, certain Board committees focus on specific risks, such as safety, and provide relevant assurance to the Boards.

The finance heads of the business units provide six-monthly confirmation that financial and accounting control frameworks have operated satisfactorily. The Boards also receive assurance from the DLC audit committee, which derives its information in part from regular internal and external audit reports of the Group's risk and internal controls.

The Group's internal audit function formally collaborates with the external auditors to ensure efficient coverage of internal controls and is responsible for providing independent assurance to the DLC executive committee and Boards on the effectiveness of the Group's risk management process.

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

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

Risk management

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

Principal risks and uncertainties

It is in the nature of our business that Mondi is exposed to risks and uncertainties which may have an impact on future performance and financial results, as well as upon our 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 geographic and product diversification provides some measure of protection. Uncertain future trading conditions may have an impact on the carrying value of goodwill and tangible assets and may result in further restructuring activities.


Automated warehouse at Hausmening paper mill in Austria.

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, Mondi's focus on operational performance, and relatively high level of integration and access to its own fibre in Russia and South Africa, act 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 two significant capital investments to expand and upgrade existing facilities in Poland and Russia. These projects carry risks and Mondi has put in place dedicated teams to ensure delivery of the projects on time and within budget.

Accountability and audit
The Boards are required to present a balanced and understandable assessment of the Group's financial position and prospects, which are provided in the joint chairmen's statement and chief executive's review on pages 8 to 14 and in this operational and financial review. The responsibilities of the directors and external auditors are set out on pages 50 to 53.

Whistleblowing programme
During 2008 the Group relaunched its whistleblowing programme, called 'Speakout'. The programme, monitored by the DLC audit committee, enables employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns about conduct which is considered to be contrary to our values. It makes communication channels available to any person in the world who has information about unethical practice in the Group's operations. During 2008 reports were received via the global programme facility covering a number of areas. Reports were kept strictly confidential and referred to appropriate line managers for resolution.

More information is available at www.mondigroup.com/speakout

Operational and financial review

continued

Pulp warehouse at Mondi's Hausmening operation in Austria.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this operational and financial review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 54 to 118. In addition notes 37 and 38 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The current economic conditions will impact short-term demand growth for our products, as well as place pressure on both customers and suppliers who may face liquidity issues, and could have an adverse impact on Mondi's business. Furthermore, the lack of credit availability could impact the Group's ability to effectively execute its strategy. However, Mondi's geographic 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. Working capital as a percentage of sales has reduced and capital expenditure programmes have been reduced.

As highlighted in note 21 to the financial statements the Group meets its funding requirements through two principal loan facilities, being a €1.55 billion, 5 year, syndicated revolving credit facility expiring in June 2012, and a R2 billion (€152 million) 3 year amortising term loan maturing in May 2010. The availability of these facilities is dependent upon the Group meeting certain financing covenants, most significantly an EBITDA to net debt ratio of 3.5. At the year end this ratio was 2.1. Mondi had nearly €1.1 billion of undrawn committed debt facilities as at 31 December 2008 with an average maturity of 4.0 years, which should provide sufficient liquidity for Mondi in the medium term.

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

As a consequence, the directors believe that the Group is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Sustainability review


Aerial view of South African forest in KwaZulu-Natal province.

Overview

Creating a sustainable business helps us fulfil our obligation to deliver long-term value for shareholders: by securing our continuing access to raw materials and human talent; maintaining our licence to operate in communities around the world; and enhancing our ability to mitigate risks to our business.

Mondi aspires to be the best paper and packaging company in the world. To this end we have introduced the 'Mondi Diamond', a framework aligned to the Group's strategic goals and business priorities that enables our operations to optimise their results by focusing on five dimensions: operational excellence, people development, customer focus, cutting edge products and sustainable development.

The sustainable development dimension is increasingly important to us because we need to build sustainable businesses to secure future success. We have already made significant progress in this area but there is much more to do.

We believe we have the necessary processes in place to ensure that we address current issues effectively, while also remaining sensitive to any new challenges and opportunities that may arise. Details of our progress against our sustainable development (SD) commitments are summarised in the tables that follow.

A number of specific events and achievements stand out as significant highlights of our sustainability journey during 2008:

- we were the gold sponsor of the 2008 Forest Stewardship Council (FSC) GA and David Hathorn, our chief executive, became a member of the world Business Council for Sustainable Development's Ecosystem Fact Focus Area Action Team;
- we achieved a lost-time injury frequency rate of 0.18 against a target of 0.19, a 22% improvement on 2007;
- in line with our commitment to use only wood from controlled sources, we completed the implementation of our wood tracing system, sourced 52% of our virgin fibre from credibly certified sources and used no fibre from areas defined as high risk by the FSC standard;
- our South African forests maintained their FSC certification and we achieved FSC certification of an additional 861,000 hectares of forests in the Komi Republic in Russia;
- we achieved improvements in our air, water and land emissions and set up special task groups to ensure that we meet our commitments on these impacts by the target dates;
- we reduced our total chemical oxygen demand (COD) emissions to water by a further 6%, our chlorinated organics (AOX) emissions to water by a further 2%, our total reduced sulphate (TRS) emissions to air by a further 9% and our waste to landfill by a further 3%, all from 2007 levels;
- we signed the first corporate forestry land restitution settlement in South Africa, agreeing the transfer of over 4,000 hectares of Mondi land to two forest communities;
- we launched pilot studies for our innovative Food 4 Forests feeding initiative in South Africa and in partnership with local NGOs and clinics, offered voluntary HIV/AIDS counselling and testing to our South African forestry contractors for the first time;
- we signed the United Nations Global Compact, committing to align operations and strategies with 10 universally accepted principles covering human rights, labour and anti-corruption;
- we participated in the Ethical Investment Research Services assessment and were included in the FTSE4GOOD UK, FTSE4GOOD Europe, FTSE4GOOD Global and JSE socially responsible investment indices; and
- we completed the implementation of our SD reporting and information system, MORIS, which provided all data for our 2008 sustainability reporting.

Sustainability review
continued

Our sustainability commitments

In 2007, we revised and extended our sustainability commitments to cover key sustainable development (SD) aspects of our operations and set clear targets to measure our progress. The table below summarises the progress we made in 2008 towards meeting our commitments.

Mondi commitment	Target date	Status
Governance		
Achieve compliance with the integrated SD management standards with follow-up compliance audits from 2008.	2008/2010	In progress: our safety compliance audit scores this year can be found at: www.mondigroup.com/sustainability
Establish an audit programme, set targets and report against these. Ensure that 25% of all second-party audits are carried out as peer reviews.	2007/2008	Achieved: we have established an audit programme and completed our planned safety peer reviews.
Develop an SD reporting tool in 2007, followed by an information management tool in 2008.	2007/2008	In progress: we have introduced the Mondi reporting and information system (MORIS), which covers all aspects of non-financial SD reporting and plan to evaluate an information management tool during 2009.
Report progress against our sustainability commitments internally and externally.	Ongoing	Achieved.

Mondi commitment	Target date	Status
Sustainable forestry		
Certify all existing Mondi forestry to FSC. New forestry will be subject to a time-bound plan for certification.	Ongoing	Achieved: all of our South African forests and 3.1 million hectares in Russia are certified, including a total of 861,000 hectares which were certified in Russia in 2008. The Udora region (306,000 hectares) and an additional area (310,000 hectares) are planned for certification in 2009.
Implement the minimum procurement standard for wood, virgin fibre and biomass.	2008	Achieved: we have introduced comprehensive guidelines covering the responsible procurement of wood, virgin fibre and biomass.
Achieve traceability for procurement of wood and virgin fibre products.	2008	Achieved: we have developed our Wood Information Platform (WIP) and now report on wood tracing data.
Monitor, set targets and report on the procurement of credibly certified wood, virgin fibre and biomass products.	2008	Achieved: we are reporting wood tracing data at: www.mondigroup.com/sustainability
Work with certification bodies and small growers to find a practical solution to their certification.	Ongoing	In progress: in 2008, Mondi participated in and contributed to the funding of the Lisbon FSC workshop on small grower certification. Mondi was also the gold sponsor of the FSC General Assembly in Cape Town where small grower certification was an agenda topic.

Focus on Food programme

Mondi is committed to providing balanced nutrition for its forestry workers in South Africa. In 2008 the Group launched a pilot scheme 'Food 4 Forests', the aim of which is to ensure workers receive sufficient calories during their working day, by providing them with a nutritionally balanced meal during their lunch break.

More information is available at www.mondigroup.com/food4forests

Mondi commitment	Target date	Status
Cleaner production and energy		
Maintain independent verification of the effectiveness of the environmental management systems and objectives at significant operations.	Ongoing	Achieved: all of our significant 'environmentally material' mills are ISO14001 certified.
Reduce specific energy usage by 15% against a 2004 baseline.	2014	In progress: we have reduced our specific energy use by 4% against a 2004 baseline.
Reduce specific fossil carbon dioxide (CO_2) emissions by 15% against a 2004 baseline.	2014	In progress: we have reduced our specific CO_2 emissions from fossil fuels by 11% against a 2004 baseline.
Reduce the total effluent load (measured as COD) into receiving waters by 30% against a 2005 baseline.	2010	In progress: we have reduced our total COD emissions by 25% against a 2005 baseline.
Reduce the total AOX emission levels by 30% against a 2005 baseline.	2010	Achieved: we have reduced our total AOX emissions by 62% against a 2005 baseline.
Reduce the Total Reduced Sulphides (TRS) emissions to the atmosphere by 65% against a 2005 baseline.	2010	Achieved: we have reduced our total TRS emission levels by 71% against a 2005 baseline.
Reduce the total waste to landfill by 20% against a 2005 baseline.	2010	Achieved: we have reduced our total waste to landfill by 22% against a 2005 baseline.
Cease the disposal of hazardous waste into landfills.	2009	In progress: we are currently investigating the viability of alternative waste disposal solutions at our Richards Bay pulp and containerboard mill in order to meet this commitment in full, becoming effective in 2010.
Monitor and report fresh water usage of material operations in water-stressed regions.	Ongoing	Achieved: detailed water usage data can be found at: www.mondigroup.com/sustainability
Further develop a culture of zero process incidents and continue to report losses of containment that cause or have the potential to cause harm.	Ongoing	In progress: all level I incidents are reported internally while the total number of level II and level III incidents are reported at: www.mondigroup.com/sustainability
Monitor and report the percentage of recycled fibre used in the final product (as raw material and as tonnes sold).	Ongoing	In progress: we have incorporated recycled fibre as a raw material in our MORIS reporting requirements and published relevant data are available at: www.mondigroup.com/sustainability

Sustainability review
continued

Mondi commitment	Target date	Status
Social – Enhancing employee wellbeing		
Monitor and report gender and national diversity at management level. Establish a workforce monitoring system.	2007/2008	In progress: we have incorporated gender and national diversity into our MORIS reporting requirements and published data are available at: www.mondigroup.com/sustainability
Encourage employees to take part in business unit or regional employee surveys.	Ongoing	Achieved: we expanded our employee surveys to make them effective peer review surveys, enabling us to benchmark against other businesses.
Prevent all work-related fatal injuries.	Ongoing	Not achieved: following two contractor fatalities in 2008 we initiated full investigations and have taken action to ensure similar incidents are avoided in future.
Reduce the LTIFR for employees and contractors by 70% to 0.1 in 2010 against the 2006 baseline. The target for 2009 is an LTIFR of 0.14.	2008/2009	In progress: our reported LTIFR in 2008 was 0.18 against a target of 0.19.
Report sickness and absence rates in relation to the relevant national average at all operations.	2007/2008	In progress: we have incorporated sickness and absence into our MORIS reporting requirements and reported sickness data internally this year.

Mondi commitment	Target date	Status
Social – Caring for local communities		
All material operations to continue to have a community engagement plan in place, supported by a SEAT process on a three-yearly cycle.	Ongoing	Achieved: we have commissioned a rolling plan for SEAT assessments. No SEAT reports were published in 2008, but a SEAT review will be carried out in South Africa and in our Russian logging operations in 2009.
Monitor and report complaints from the public.	Ongoing	Achieved: all complaints are reported at: www.mondigroup.com/sustainability
Continue to make anti-retroviral treatment available to all employees in South Africa. Provide resources for training and awareness campaigns and continue to build partnerships with local clinics and NGOs.	Ongoing	Achieved: full details of our HIV/AIDS-related activities are reported at: www.mondigroup.com/sustainability

The sustainable development committee of the Boards continues to improve sustainable forestry management practices such as overseeing the completion of the implementation of our wood tracing system.


Operation at Syktyvkar pulp and paper mill in Russia.

Donations

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

During 2008 the Group made charitable donations and community social investments totalling €5.3 million (2007: €6.5 million). Operating within guidelines set by the Group, Mondi's local businesses are responsible for choosing and funding their own causes through discretionary volunteering, donations and sponsorships. This devolved approach has resulted in support for a variety of programmes that have an impact on Mondi's employees and the communities in which they work and live.

Research and development

The Group has a dedicated central resource focused on identifying and seeking profit enhancing opportunities through the application of new technologies. The research and development activities aim to provide continuous and proactive improvements in processes and products. Research is focused on improving the quality and range of products in terms of both cost and environmental factors. Expenditure on research and development during 2008 was €9.6 million (2007: €8.9 million).

Employees

Mondi is committed to the development and wellbeing of its employees.

The Group's health and safety policies and standards are fundamental to this commitment. Mondi's goal is to achieve 'zero harm' to its employees and contractors in the operation of its business and the Group undertakes significant initiatives on a continuing basis to achieve further improvements in safety performance and occupational health.

Mondi also places a strong emphasis on the training and development of employees and on employee communication and involvement. Reviews have been conducted of the Group's organisation structure and talent management processes to maximise effectiveness and efficiency.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and through a range of other internal communication channels, including publications and electronic communications. Employee representatives are consulted regularly on the range of matters affecting their current and future interests. In the UK, the Group operates a Share Incentive Plan and a Sharesave plan, described on pages 42 and 43.

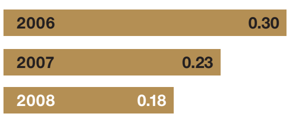
The main focus of the Group's diversity initiatives is in South Africa. Mondi is committed to meeting the requirements of the Broad-Based Black Economic Empowerment (BBBEE) Act's charter and has taken active steps to this end.

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

Full details of Mondi Group's sustainability practices, including a detailed update on our progress in 2008, can be found on our web site at: www.mondigroup.com/sustainability

Safety

Lost time injury frequency rate (LTIFR)*



* LTIFR is calculated by multiplying the number of reported lost time injuries by a factor of 200,000 divided by the total man hours worked across the Group during the year.

CO_2 emissions

Total CO_2 emissions

('000 tonnes)

Joint chairmen

Sir John Parker [2,5]
Joint chairman

Sir John Parker is a graduate of Queen's University, Belfast, having studied naval architecture and mechanical engineering whilst a student apprentice at Harland and Wolff, progressing to chief executive in the early 1990s and chairman in 1994. He went on to become chairman and chief executive of Babcock International Group plc.

Sir John is a former chairman of Lattice Group plc, overseeing its demerger from BG plc in 2000 and subsequent merger in 2002 with National Grid plc, where he continues to serve as chairman. He is a former chairman of Firth-Rixson plc, P&O Group plc and of RMC Group plc, leading its transformation and agreed sale to Cemex in 2005.

He has held non-executive directorships at British Coal Corporation, BG plc, GKN plc and Brambles Industries plc.

Sir John serves as deputy chairman of Dubai-based DP World Limited, as senior non-executive director of the Court of the Bank of England and as a non-executive director of European Aeronautic Defence and Space Company EADS N.V. (EADS). In July 2008 he was appointed chairman of BVT, a joint venture between BAE Systems and VT Group. He has been a non-executive director of Carnival plc and of Carnival Corporation since Carnival's acquisition of P&O Princess Cruises, where he served as deputy chairman following its demerger from P&O in 2000.

Sir John Parker is vice chancellor of the University of Southampton, a member of the Prime Minister's Business Council for Britain and a Fellow of the Royal Academy of Engineering. He was knighted in 2001 for services to the defence and shipbuilding industries.

Sir John chairs the DLC nominations committee and is a member of the DLC sustainable development committee.

Cyril Ramaphosa [2]
Joint chairman

Cyril Ramaphosa graduated in law from the University of South Africa and joined the Council of Unions of South Africa (CUSA) as a legal adviser in 1981. He went on to found the National Union of Mineworkers, South Africa's largest trade union, serving as general secretary until 1991.

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

He is a past chairman of the Black Economic Empowerment Commission in South Africa and was the first deputy chairman of the Commonwealth Business Council. He is currently vice chairman of the Global Business Coalition on HIV/AIDS.

Cyril holds honorary doctorates from a number of institutions, including the University of South Africa and the University of Massachusetts. He is a member of the DLC nominations committee.

Cyril is the former chairman of the Constitutional Assembly, which negotiated South Africa's first democratic dispensation.

Executive directors

David Hathorn [4 5]
Chief executive officer

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

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

Andrew King [4]
Chief financial officer

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

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

Peter Oswald [4]
CEO Europe & International Division

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

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

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

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

Board of directors committee membership

[1] DLC audit committee
[2] DLC nominations committee
[3] DLC remuneration committee
[4] DLC executive committee
[5] DLC sustainable development committee

Non-executive directors

Colin Matthews [1 2 3 5]
Independent non-executive director

Colin Matthews graduated in engineering from Cambridge University. After taking an MBA at INSEAD, followed by a period in management consultancy with Bain, he joined the General Electric Company (US). In 1997 he joined British Airways plc as managing director BA Engineering and later became director of technical operations, responsible for engineering, IT and procurement.

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

He is chairman of the DLC sustainable development committee and a member of the DLC nominations, remuneration and audit committees.

Imogen Mkhize [2 3]
Independent non-executive director

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

Imogen is currently the chairman of Richards Bay Coal Terminal, one of the largest export coal terminals in the world.

She is also a director of energy group Sasol Limited, engineering group Murray & Roberts Holdings Limited, investment management firm Allan Gray Limited and Mobile Telephone Networks (Proprietary) Limited. She is a member of the South African Financial Markets Advisory Board, the Harvard Business School Global Alumni Board and Rhodes University Board of Governors.

In 2001 Imogen was recognised by the World Economic Forum as a Global Leader for Tomorrow. Imogen is a member of the DLC nominations and remuneration committees.

Anne Quinn CBE [1 2 3]
Independent non-executive director

Anne Quinn CBE graduated with a bachelor of commerce from Auckland University and a masters in management science from the Massachusetts Institute of Technology. She spent her early career with NZ Forest Products Limited and the US management consulting company Resource Planning Associates. She then joined Standard Oil of Ohio, which was subsequently acquired by BP plc. Anne went on to work for BP in the US, Belgium, Colombia and the UK and held a number of executive positions including managing director of Alliance Gas Limited (a BP joint venture) and BP Gas Marketing Limited and later group vice president of Gas, LNG and Natural Gas Liquids. Anne was awarded a CBE for services to the natural gas industry.

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

Anne was a non-executive director of The BOC Group plc from 2004 to 2006. She currently serves on the MIT President's Advisory Committee to the Sloan School, Massachusetts Institute of Technology. Anne chairs the DLC remuneration committee and is a member of the DLC nominations and audit committees.

David Williams [1 2 3]
Senior independent non-executive director

David Williams is Mondi's senior independent non-executive director. He retired as finance director of Bunzl plc in January 2006, having served on the board for 14 years. He is the senior independent non-executive director of Taylor Wimpey plc and a non-executive director of Dubai-based DP World Limited, Tullow Oil plc and Meggitt plc, chairing the audit committees of all three. David is also a former non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc and Medeva plc. David is a chartered accountant. He is chairman of the DLC audit committee and a member of the DLC nominations and remuneration committees.

DLC executive committee

The DLC executive committee is chaired by chief executive officer David Hathorn and includes chief financial officer Andrew King and Peter Oswald, chief executive officer of the Europe & International Division. The other members of the DLC executive committee are:

Peter Machacek
CEO Uncoated fine & kraft paper Europe & International Division

Peter Machacek graduated in business administration from the University of Vienna in 1976 and began his career with Kienzle Datasysteme and Tetra Pak in Austria. In 1981 he moved to the Frantschach Group as sales and marketing manager of the group's converting business.

In 1988 Peter became sales director of Patria Papier & Zellstoff, the sales company for the Frantschach paper mill, and was shortly afterwards appointed to the management board of the mill.

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

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

Ladimir Pellizzaro
Group technical director

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

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

Ron Traill
CEO South Africa Division

Ron Traill graduated in mechanical engineering and management from Dundee College in Scotland.

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

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

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

Carol Hunt
Company secretary Mondi plc

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

Philip Laubscher
Company secretary Mondi Limited

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

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

Corporate governance report

Mondi operates under a dual listed company (DLC) structure, which requires compliance with the corporate and accounting regulations of South Africa and the UK.

Introduction

Mondi is committed to strong ethical values and professionalism in all its activities.

As an essential part of this commitment the boards of Mondi Limited and Mondi plc (together 'the Boards') support the highest standards of corporate governance and best practice and are committed to the principles of transparency, integrity and accountability.

Dual listed company structure

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

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

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

Compliance statement

Mondi has complied throughout the year with the principles contained in the South African King II Code of Corporate Practices and Conduct and Section 1 of the UK Combined Code on Corporate Governance issued by the Financial Reporting Council, save that Cyril Ramaphosa, the joint chairman, was not considered to be independent upon appointment, as explained below.

Boards of directors

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

As at 31 December 2008 there were nine directors: the joint chairmen, three executive directors and four independent non-executive directors. This provides a good balance between executive and non-executive directors resulting in a strong mix of skills and experience, particularly in Europe and South Africa, countries in which Mondi primarily operates.

On appointment each non-executive director receives a letter of appointment setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any DLC committees of which they are a member. Non-executive directors are initially appointed for a three-year term after which, whilst not automatic, their appointment may be extended for a second term subject to mutual agreement and shareholder approval.

The directors holding office during the year ended 31 December 2008 are listed below, together with their attendance at Board meetings held during the year. Those in office as at the date of this report, together with their biographical details, can be found on pages 30 to 32.

Directors	Mondi Limited board (one meeting)	Mondi plc board (two meetings)	DLC board (five meetings)
Sir John Parker	1	2	5
Cyril Ramaphosa	1	2	5
David Hathorn	1	2	5
Paul Hollingworth*	1	2	4
Andrew King**	–	–	1
Colin Matthews‡	1	2	4
Imogen Mkhize	1	2	5
Peter Oswald≠	1	2	5
Anne Quinn	1	2	5
David Williams	1	2	5

* Paul Hollingworth resigned from the boards of both Mondi Limited and Mondi plc on 23 October 2008.

** Andrew King was appointed a director of both Mondi Limited and Mondi plc on 23 October 2008.

‡ Colin Matthews was unable to attend the meetings held on 6 June 2008. As the newly appointed chief executive officer of BAA Airports Limited in the UK, he had an initial clash of commitments. His non-attendance on this occasion was considered reasonable in view of the circumstances. He received the papers for consideration at these meetings and had the opportunity to provide input via the chairmen.

≠ Peter Oswald was appointed a director of both Mondi Limited and Mondi plc on 1 January 2008.

In line with the DLC structure, certain of the Board meetings are combined DLC Mondi Limited and Mondi plc meetings. Six such meetings have been scheduled for 2009. In addition, each company holds additional meetings to cover any specific local requirements. All Board meetings are convened by formal notice, incorporating a detailed agenda.

The Boards have collective responsibility for providing entrepreneurial leadership and for the development of a long-term strategy for the Group. In addition, each of the Boards has a schedule of matters reserved to them which enables them to ensure that effective controls and risk management procedures are in place to protect the Group's assets and to ensure that the Group operates within a framework of robust corporate governance and ethical behaviour. The Boards also oversee major capital expenditure, acquisitions and disposals, as well as monitoring financial reporting and controls, shareholder matters and the implementation of Group policies including the code of business ethics and the share dealing code. A copy of the full schedule of matters reserved for the Boards is available on the Mondi Group web site at www.mondigroup.com. The Boards have delegated certain specific duties to committees as detailed below.

Between Board meetings, to enable the directors to fulfil their duties, additional relevant information is provided to them in hard copy, by e-mail and telephone, as appropriate.

One meeting per year is scheduled for the joint chairmen and non-executive directors to meet without executive management present. One further meeting each year is attended by the joint chairmen and non-executive directors with the chief executive officer present.

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

Throughout the year to 31 December 2008, in line with market practice, Mondi maintained directors' and officers' insurance.

Joint chairmen and chief executive officer

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

The principal responsibilities of the joint chairmen include to:

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

The principal responsibilities of the chief executive officer include to:

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

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

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

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. The main positions held by Sir John Parker and Cyril Ramaphosa outside the Mondi Group are detailed in their biographies set out on page 30. There have been no material changes to the commitments of either joint chairman during the year and the Boards continue to consider that their external directorships do not interfere with the time they devote to Mondi.

Whilst Sir John Parker was independent upon appointment, Cyril Ramaphosa was not considered independent upon appointment in view of his existing connection with Mondi as chairman of the Shanduka Group, which has shareholdings in Mondi Shanduka Newsprint (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited (see page 118). Notwithstanding this, Mondi benefits greatly from his considerable knowledge and experience, particularly of the South African business environment, and the Boards firmly believe that this justifies his appointment. In addition, Sir John Parker, together with the four independent non-executive directors, provides the required independent oversight.

Senior independent director

David Williams is the senior independent director. His responsibilities include chairing meetings of the non-executive directors at which the performance of the joint chairmen is considered. He is also available to shareholders should they have any concerns that contact through other channels has failed to resolve or for which such contact may be inappropriate. During the year he met with certain major shareholders to discuss Mondi's corporate governance.

Company secretaries

Philip Laubscher is the company secretary of Mondi Limited and Carol Hunt the company secretary of Mondi plc. The appointment and removal of the company secretaries is a matter for the Boards. All directors have access to the advice and services of the company secretaries. The company secretaries are responsible for ensuring that the correct board procedures are followed and that the Boards are advised of all relevant corporate governance and regulatory matters,

Corporate governance report

continued

including the provision of advice on the performance of directors' duties and the continuing obligations of the stock exchanges on which Mondi is listed.

Under the direction of the joint chairmen, the company secretaries manage the prompt provision of information and documentation, in particular meeting papers, to the Boards, allowing them sufficient time to prepare fully for any Board or committee meetings.

Induction and professional development

A formal induction programme is in place for Board appointments. This includes meetings with divisional business unit executives and other members of the DLC executive committee, site visits and meetings with key advisers. In addition, a briefing from one of the company secretaries will be provided on the DLC structure and its implications for the Boards, as well as the corporate governance issues in South Africa and the UK affecting the Group, directors' duties and continuing obligations of the stock exchange listings. All directors are provided with a handbook containing the committee remits and key Group policies together with other material to assist them in understanding and fulfilling their duties.

Site visits are arranged where the opportunity arises in conjunction with Board meetings. Where possible, opportunities to introduce the Boards to local management teams are taken, utilising site visits, meetings and board presentations.

Continuing professional development is provided to directors to meet their individual needs. This may be at their request or as a result of the evaluation process for the Boards. As required, updates are provided on relevant topics including corporate governance, legislative and financial matters. Directors are also made aware of relevant external training courses and workshops which may support their position on the Boards or on a committee. The directors are briefed on changes in regulation and governance with particular emphasis on matters relating to their roles and responsibilities. During the year certain non-executive directors have taken up the opportunity to attend external training courses.

It is recognised that executive directors can gain valuable experience through serving as non-executive directors on the boards of other companies. A policy is in place requiring the executive directors to seek the approval of the Boards on the appropriateness of any proposed appointment and also to ensure that the number of any such commitments is contained, so that an appropriate balance is maintained. A director will retain any fee paid to them in respect of directorships held that are external to Mondi.

Performance evaluation

Following a review, it was agreed that an internally facilitated performance evaluation of the Boards, principal committees and individual directors remained appropriate for 2008. The evaluations were led by the joint chairmen and supported by the company secretaries and comprised a questionnaire completed by each director regarding various aspects of the performance of the Boards. The questionnaire was expanded over that used in 2007 to test more effectively the operation of the Boards and to pick up on the actions that arose from the previous evaluation. In addition, questionnaires were completed by each member of the principal DLC committees relating to the activities of each committee. The joint chairmen interviewed each director on a one-to-one basis, Sir John Parker interviewing the non-South African-based directors and Cyril Ramaphosa interviewing those based in South Africa. Further input for these interviews was obtained through the use of an additional questionnaire completed by each director providing their views of their fellow directors in a number of areas such as preparedness for, and contribution at, meetings.

The results of the questionnaires and interviews remained positive. The Boards were considered to be operating well, with non-executive Board members investing appropriate time to develop a good understanding of the Group's businesses and structure and the industry sector. The main areas highlighted in the recent review included:

- succession planning for the non-executive directors as they had all been appointed at the time of the demerger of Mondi from Anglo American plc;
- a request for the brokers to brief the Boards after presentation of the half-yearly results; and
- the desire to test the views of the senior management teams on the effectiveness of communication from the Boards.

Other matters raised were more of a procedural nature. Action plans to address the matters raised in the review have been formulated and agreed with the Boards.

The performance of the joint chairmen was reviewed at a meeting of the non-executive directors. It was concluded that the leadership and combined business knowledge of the joint chairmen was invaluable to Mondi.

Procedure for conflicts of interest

The new company law regime introduced on 1 October 2008 by the UK Companies Act 2006 on directors' conflicts of interest and the shareholder approval of the related amendments to the articles of association of both Mondi Limited and Mondi plc at the last annual general meetings allows directors to authorise potential conflicts; new procedures have therefore been put in place to manage such situations.

The new procedures include the following:

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

Board committees

The DLC committees, to which the Boards delegate specific areas of responsibility as described below, have authority to make decisions according to their terms of reference. Each committee reviews its terms of reference on an annual basis and these are available on the Mondi Group web site at www.mondigroup.com. The committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

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

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

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

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

DLC audit committee

Members	DLC audit committee (four meetings)
Colin Matthews	4
Anne Quinn	4
David Williams (chairman)	4

The DLC audit committee operates on a Group-wide basis. The committee met four times during the year and has four meetings scheduled for 2009. The Group heads of internal audit and representatives from the external auditors, Deloitte & Touche and Deloitte LLP, are regularly in attendance at meetings. The committee has responsibility, among other things, for monitoring the integrity of the Group's financial statements and reviewing the results announcements. It also has responsibility for reviewing the effectiveness of the Group's system of internal controls and risk management systems. Time has been scheduled at one meeting each year for the committee to meet separately with the internal and external auditors without executive management present.

The DLC audit committee oversees the relationship with the external auditors; is responsible for their appointment, reappointment and remuneration; reviews the effectiveness of the external audit process; and ensures that the objectivity and independence of the auditors is maintained. Deloitte & Touche and Deloitte LLP were appointed as Mondi's external auditors at the time of the demerger of Mondi from Anglo American plc in July 2007. As such, the DLC audit committee does not consider that it would be appropriate at this time to put the audit out to tender, but will continue to keep this under review. Following a review by the committee of the effectiveness of the external auditors, a recommendation was made to, and accepted by, the Boards that resolutions to reappoint Deloitte & Touche and Deloitte LLP be proposed at the annual general meetings of Mondi Limited and Mondi plc in May 2009.

A policy on the provision of non-audit services provided by the auditors of Mondi Limited and of Mondi plc to the Group sets out the procedures for the pre-approval of such services. The policy also details those non-audit services, including financial information systems design, internal audit outsourcing and actuarial valuation services, that are prohibited. Reports are presented to the committee at each meeting detailing any non-audit services approved since the previous meeting, to enable the committee to keep under review the provision of these services to ensure that they do not impair the external auditors' independence and objectivity.

The DLC audit committee has reviewed the expertise and experience of Andrew King, Mondi's chief financial officer, and is satisfied that this is appropriate. Andrew is a chartered accountant and throughout his career has held various finance and business development roles.

The Boards consider that David Williams, who is a chartered accountant and was finance director of Bunzl plc until his retirement, has recent and relevant financial experience. In addition, each of the members of the DLC audit committee has appropriate knowledge and understanding of financial issues.

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

- a review of the Mondi Group half-yearly results, full-year results and interim management statements and annual report, including reports from the Group controller and the external auditors on the results;
- the review and approval of the external audit plan and proposed fees for the 2008 year-end;
- monitoring the effectiveness of the risk management process;
- monitoring the effectiveness of the Group's system of internal controls;
- a review of non-audit services approved;
- status reports from the Group heads of internal audit, which included: a review of the internal audit charter; audits carried out and the results thereof; the programme for 2009; reports received via Speakout (the Group's whistleblowing facility); and on fraud;
- a review of new regulations introduced in South Africa regarding the responsibilities of audit committees; and
- a review of the terms of reference of the committee and its performance against those terms.

The DLC audit committee has concluded that, based on the foregoing, it is satisfied that auditor independence and objectivity have been maintained.

Corporate governance report
continued

DLC nominations committee

Members	DLC nominations committee (six meetings)
Colin Matthews*	5
Imogen Mkhize*	5
Sir John Parker (chairman)	6
Anne Quinn	6
Cyril Ramaphosa	6
David Williams	6

* Colin Matthews and Imogen Mkhize were appointed as committee members on 17 January 2008.

The DLC nominations committee operates on a Group-wide basis. The committee meets periodically as required but at least annually and met six times during the year. The chief executive officer is usually invited to attend meetings of the committee and provides information to support the work of the committee.

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

During the year the committee considered, in particular, changes to the DLC executive committee and executive representation on the Boards. This resulted in the recommendation to, and acceptance by, the Boards of the appointment of Ron Traill to the DLC executive committee in June 2008 and the appointment of Andrew King as an executive director on the Boards in October 2008, replacing Paul Hollingworth as chief financial officer. There were no proposed appointments of additional non-executive directors during the period. A formal process for the consideration of new directors has been agreed by the committee. The process includes, where appropriate, the involvement of external search agencies.

In addition, the committee considered and recommended to the Boards an internal evaluation process, the results of which were presented to, and discussed by, the committee, following which recommendations were made to, and accepted by, the Boards.

The committee also reviewed succession plans for the senior executive roles, which followed a detailed talent review by the Group. The committee also considered the re-election of directors at the annual general meetings of Mondi Limited and Mondi plc. One-third of directors are required to stand for re-election each year based on those who have been the longest serving since their election or last re-election. Following the demerger of Mondi from Anglo American plc in July 2007, all directors stood for election at the annual general meetings in 2008. The proposal for those to stand for re-election in 2009 was, therefore, by mutual agreement of the directors. The committee agreed, and recommended to the Boards, the re-election of Imogen Mkhize, Peter Oswald and Sir John Parker, in addition to Andrew King who was appointed during the year. The recommendation was agreed by the Boards.

DLC remuneration committee

Members	DLC remuneration committee (five meetings)
Colin Matthews	4
Imogen Mkhize	5
Anne Quinn (chairman)	5
David Williams	5

The DLC remuneration committee operates on a Group-wide basis. The committee met five times during the year and plans to meet four times in 2009 with additional meetings convened as required.

The committee has responsibility for making recommendations to each board on the Group's policy on remuneration of senior management, for the determination, within agreed terms of reference, of the remuneration of the joint chairmen and of specific remuneration packages for each of the executive directors and members of senior management, including pension rights and any compensation payments. In addition, the committee is responsible for the implementation of employee share plans.

The committee's full report on directors' remuneration is set out on pages 40 to 47.

DLC sustainable development committee

Members	DLC sustainable development committee (five meetings)
David Hathorn	5
Colin Matthews (chairman)	5
Sir John Parker	5

The DLC sustainable development committee operates on a Group-wide basis. The committee met five times during the year and plans to meet six times in 2009. The committee has responsibility for overseeing the Group's policy, targets and performance on safety, health, the environment, social responsibility, other sustainable development matters and business ethics.

The committee reviewed the Group's key sustainable development policies, received detailed reports of major incidents within the Group and monitored the senior management's response to such incidents.

A summary report from the directors on the Group's sustainability practices is set out on pages 25 to 29 and further details, including a full review of our sustainability activities and progress in 2008, can be found on the Mondi Group web site at: www.mondigroup.com.

DLC executive committee

The DLC executive committee operates on a Group-wide basis. The members of the executive committee are detailed on page 33. The committee is chaired by David Hathorn and met nine times during the year, with nine meetings scheduled for 2009.

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

Communication with shareholders

The Boards consider communication with shareholders, whether institutional, private or employee, to be extremely important. A variety of communication mechanisms are used, with the Mondi Group web site, www.mondigroup.com, providing a range of financial and business information about the Group, including an archive of past announcements and share price information, as well as the Group's sustainable development policies.

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

The chief executive officer and chief financial officer have a programme of regular dialogue with institutional shareholders, analysts and fund managers. During the year this included site visits to help increase the knowledge and understanding of the Group. Summaries of the feedback from these discussions and meetings were presented to the Boards, which help them to gain an understanding of the views and opinions of those interested in the Group. In addition, the Boards are supported by the Group head of communications. All contact with investors and other interested parties is strictly controlled through the application of Group guidelines to ensure that no price sensitive information is made available on a selective basis and that all shareholders are treated equally.

Throughout the year responses are given to letters and e-mails received from shareholders and other interested parties on a variety of subjects. For those shareholders wishing to receive communications from the Group via electronic means, facilities are available for this, including for the submission of proxy votes for general meetings. The annual general meetings provide opportunities for shareholders to question the directors directly regarding the Group's activities and prospects.

Dealing in securities

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

All dealings by directors and persons discharging managerial responsibilities and their connected persons are announced to the JSE Limited and the London Stock Exchange when they occur. The remuneration report on pages 40 to 47 contains details of the directors' interests in the shares of both Mondi Limited and Mondi plc.

Business ethics

The Boards have adopted a Code of Business Ethics, which applies throughout the Group and sets clear principles for the conduct of the Group's business activities. The code has five key elements, three of which are monitored and reviewed by the DLC sustainable development committee and the other two by the DLC audit committee. The directors believe that the Group has robust compliance systems and procedures in place in relation to the code. The directors are not aware of any material non-compliance of the code. The code is available on the Mondi Group web site at: www.mondigroup.com.

Annual general meetings

The annual general meetings of Mondi Limited and Mondi plc will be held on 7 May 2009 in Johannesburg and London respectively and will provide an opportunity for shareholders to ask questions of the directors and chairmen of each Board committee about Mondi's activities and prospects. All directors and, in particular, the chairmen of the principal Board committees are expected to be present.

Separate resolutions will be proposed for each substantially separate item of business for consideration at the annual general meetings. All resolutions at the meetings will be voted on by taking polls, with the verified results announced as soon as practicable following the close of the meeting. The proxy voting results will also be available on the Mondi Group web site at: www.mondigroup.com.

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

Remuneration report

Introduction

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

- the tables of executive directors' and non-executive directors' remuneration and associated footnotes on pages 44 and 45;
- the table of pension contributions in respect of executive directors on page 45; and
- the table of share awards granted to executive directors and associated footnotes on pages 45 and 46.

The DLC remuneration committee

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

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

The members of the Committee throughout the period since it was established have been Anne Quinn (chairman of the Committee), Colin Matthews, Imogen Mkhize and David Williams, all of whom are independent non-executive directors. Carol Hunt and Philip Laubscher act as secretary to the Committee.

The Group head of reward, Paul Wessels, provides advice on remuneration policies and practices and is usually invited to attend meetings of the Committee, along with the joint chairmen and the chief executive officer. Mervyn Walker, Mondi's former HR director, attended meetings in an advisory capacity until July 2008.

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

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

In the year to 31 December 2008, the following advisers provided services to the Committee:

- Deloitte LLP – provision of remuneration policy advice. Deloitte LLP, together with Deloitte & Touche, are also the Group's auditors.
- Linklaters LLP – provision of legal advice.

Remuneration policy

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

Remuneration policy is framed around the following key principles:

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

In light of economic circumstances and the widespread market debate about executive pay, the Committee has reviewed the remuneration policy and believes that its focus on performance-based pay, incorporating measures that are aligned to business success, remains appropriate.

Executive directors' remuneration

The executive directors who served throughout the period under review were David Hathorn and Peter Oswald. Andrew King was appointed an executive director with effect from 23 October 2008. Paul Hollingworth resigned as an executive director with effect from the same date and his employment with the Group was terminated with effect from 31 December 2008.

Remuneration packages for executive directors comprise the following elements:

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

Salary

Salaries are reviewed annually, normally with effect from 1 January, and are targeted broadly at the median position in the relevant market. The Committee has regard principally to companies in the UK market which have a similar size, complexity and international scope to the Group, but also has regard to international peers of the Group in the paper and packaging sector.

The Committee also takes into account business performance, salary practices prevailing for other employees in the Group and, when setting individual salaries, the individual's performance and experience in the role. Salary practices prevailing for other employees in the Group are taken into account through the consideration of data provided to the Committee annually by the head of reward.

In light of the difficult current economic circumstances David Hathorn, Andrew King, Peter Oswald and the other Mondi executive committee members requested that they should not be considered for a salary increase during 2009. David Hathorn's salary will therefore remain at €972,333 (£775,000) per annum, Andrew King's at €501,850 (£400,000) per annum and Peter Oswald's at €800,000 per annum during 2009. Their salaries will next be due for review with effect from 1 January 2010.

Bonus Share Plan

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

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

For 2008, the bonus for executive directors was based 70% on Group financial performance, measured in terms of earnings per share (EPS), 10% on Group safety performance and 20% on personal performance targets.

The Committee considered financial performance in the context of the targets set, the strong performance during the first nine months of the year and the Group's competitive performance in a very challenging business environment. In light of this, the Committee determined that 12% of the bonus (out of a maximum 70%) could be paid out in relation to financial performance. 6% (out of a maximum of 10%) was earned in relation to safety performance.

For 2009, the bonus for executive directors will be based 60% on Group financial performance, measured by net debt and earnings before interest, taxes, depreciation and amortisation (EBITDA). These measures have been chosen for 2009 as they focus management on the key financial priorities in the current business environment. 10% of the bonus will continue to be based on safety performance. 30% of the bonus will be based on individual business specific targets, of which a third will be measured on personal performance targets related to people management to reflect the importance the Group attaches to the leadership of people.

Long-Term Incentive Plan

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

For the LTIP awards made in 2008, the performance conditions are based in equal thirds on Total Shareholder Return (TSR), EPS growth and Return on Capital Employed (ROCE), over a performance period ending on 31 December 2010. The Committee believes that this combination of targets provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to the following group of competitor companies:

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

If the Group's TSR is below the median when ranked against the comparator group, the element of the award attributable to TSR will lapse in full. For TSR at the median, 25% of the one-third of the award attributable to TSR will vest, with a straight-line progression to the upper quartile, at which point the one-third of the award attributable to TSR will vest in full.

The one-third of the award attributable to EPS growth will lapse in full unless compound annual EPS growth is at least 7%, at which point 30% of the one-third will vest. There will be a straight-line progression to compound annual EPS growth of 13%, at which level the one-third of the award attributable to EPS growth will vest in full.

The one-third of the award attributable to ROCE will lapse in full if ROCE is below 10%, at which point 30% of the one-third will vest. There will be a straight-line progression to ROCE of 13%, at which level the one-third of the award attributable to ROCE will vest in full.

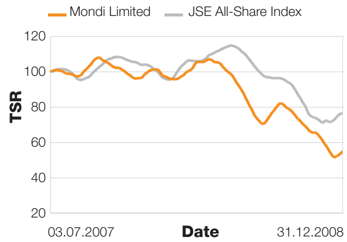
The Committee retains discretion to vary the performance conditions applicable to the awards, if it concludes that events have occurred which would make such a variation necessary or desirable or would make the amended performance conditions a fairer measure of performance.

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

For the 2009 LTIP awards, the Committee has chosen to increase the focus on the delivery of returns for shareholders. Awards will therefore be subject to two performance measures of equal weight – TSR and

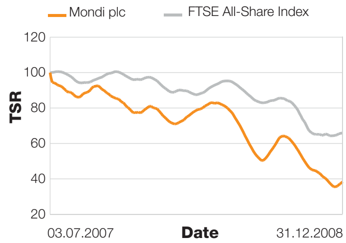
Remuneration report
continued

TSR graph of Mondi Limited and JSE All-Share Index



Source: Datastream

TSR graph of Mondi plc and FTSE All-Share Index



Source: Datastream

ROCE. The TSR performance condition will remain the same as for the 2008 award. The one-half of the award attributable to ROCE will lapse in full if ROCE is below 7%. 30% of the ROCE element will vest for achievement of ROCE of 7%, with a straight-line progression to full vesting of the ROCE element at 13%.

The maximum value of annual award that can be made to any LTIP participant is two times salary. For 2008, the award made to David Hathorn was 175% of salary and the awards made to Paul Hollingworth, Andrew King and Peter Oswald were 120% of salary.

The graphs above set out the comparative TSR of Mondi Limited relative to the JSE All-Share index and Mondi plc relative to the FTSE All-Share index for the period between 3 July 2007 and 31 December 2008, those indices having been chosen because they are broad equity market indices of which Mondi Limited and Mondi plc respectively are members.

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

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

The Group has also taken out permanent health insurance cover in relation to the executive directors and certain other senior executives.

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

Co-Investment Plan
David Hathorn participates in a Co-Investment Plan ('the Plan'), pursuant to which he made an investment of £1,000,000 from his own funds in Mondi plc shares ('the investment shares') in August 2007. Under the terms of the Plan, provided he retains his investment shares and remains in the Group's employment, he is entitled to receive matching Mondi plc shares based on achievement against a performance condition measured over a four-year period from July 2007.

The performance condition will measure the Group's TSR relative to the group of 16 industry competitors listed above. The Committee determined that a TSR performance condition was appropriate for the Plan to ensure alignment with shareholders' interests. For performance up to the median, David will be eligible to receive a match of 50% of the number of investment shares. For performance at the upper quintile or above, he will be eligible to receive a match of 250% of the number of investment shares, with a straight-line progression applying for performance between the median and the upper quintile.

Transitional share award
Each of David Hathorn, Andrew King and Peter Oswald received, respectively, an award of 152,017, 5,050 and 13,351 Mondi plc shares in August 2007, which vest in March 2009. The shares were awarded to replace the value of the portion of share awards lost as a result of leaving the employment of the Anglo American Group.

Demerger share award
Following the Group's demerger from Anglo American plc, share awards were made in August 2007 pursuant to commitments made in 2006 as part of the preparations for the demerger.

Paul Hollingworth received an award comprising a cash bonus of 50% of salary and an award of 126,078 Mondi plc shares. In accordance with the terms of the award, half the shares vested in July 2008 and the remaining half vested following the termination of Paul's employment on 31 December 2008.

Andrew King received an award comprising a cash bonus of 50% of salary and an award of 96,984 Mondi plc shares. 26,940 of these shares vested immediately and the remainder will vest, subject to continued service, in July 2009.

Peter Oswald received an award comprising 251,232 Mondi plc shares. The shares will vest, subject to continued service, together with a further 82,907 Mondi plc shares, in July 2009.

Discretionary Share Option Plan
In addition to the LTIP and BSP, Mondi Limited and Mondi plc have both adopted Discretionary Share Option Plans. There is, however, no current intention to make grants under these plans.

All-employee share plans

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

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

Sharesave
Employees resident in the UK are also eligible to participate in a Sharesave scheme, which was operated for the first time in 2008. Participants enter into a savings contract under which they choose to save a fixed amount of between £5 and £250 per month by deduction from their gross salary. They are granted an option to acquire Mondi plc shares to the value of their savings at a specified price. In normal circumstances the option can only be exercised during the six months following the end of the savings contract.

Eligible executive directors are permitted to participate in both the SIP and Sharesave. David Hathorn acquired 308 Mondi plc shares under the SIP during the year. Andrew King held 404 Mondi plc shares under the SIP at his date of appointment and, having purchased a further 126 shares, held 530 shares under the SIP at the end of the year.

Origin of shares to satisfy share awards

The Group's current policy is to purchase market shares through employee benefit trust arrangements to satisfy share awards.

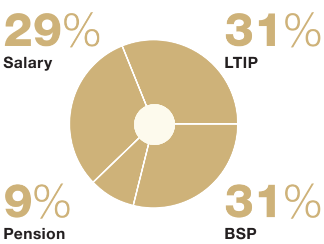
In the event that newly issued shares are used to satisfy awards, the Group intends to comply with ABI guidelines regarding the issue of new shares.

Split of executive directors' remuneration

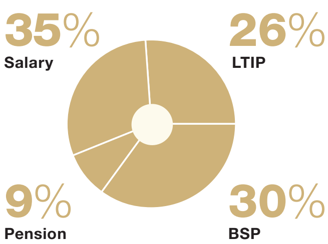
The split of executive directors' remuneration between salary and other fixed remuneration, short-term variable remuneration and long-term variable remuneration is as follows:

Target values

CEO

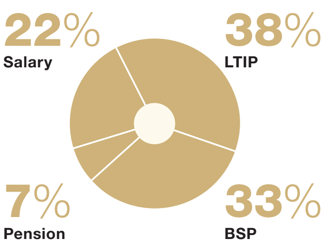


Executive director

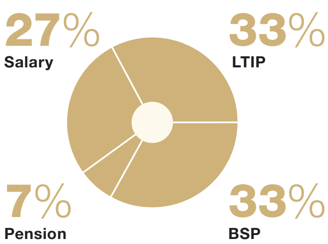


Maximum values

CEO



Executive director



(i) The charts include the effect of the BSP and LTIP, which are continuing elements of remuneration, but not the one-off share awards described above.
(ii) BSP awards are paid half in cash and half in deferred shares, as described above.

Executive directors' service contracts

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

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

The service contracts for David Hathorn and Andrew King provide, and the service contracts for Paul Hollingworth provided, for one year's notice by either party.

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

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

Executive director	Effective date of contract	Unexpired term/notice period
David Hathorn	3 July 2007	Terminable on 12 months' notice provided that the Group may not give notice to expire before 3 July 2009
Paul Hollingworth	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed notice period expiring on 30 April 2011 but terminable at any time on 12 months' notice

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

The service contracts for David Hathorn and Andrew King contain pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise salary, car allowance and pension contributions for the notice period. For David Hathorn the payment would include a cash sum in lieu of bonus for that part of the financial year worked. Andrew King would be eligible for a bonus which would be calculated for that part of the financial year worked and which would be payable at the same time as other executive bonuses after the end of the financial year.

The service contract for Peter Oswald does not contain a pay in lieu of notice provision. The contract contains a provision that would entitle him, on termination of the contract by his employer other than for cause, to a payment of €908,800 plus interest calculated from 1 January 2008 at Euribor, in addition to such other rights as he may have in respect of the termination. This entitlement reflects the value, as at the date on which he entered into his service contract, of a payment to which he was entitled as a matter of Austrian law under his previous service contract.

Remuneration report
continued

Following the termination of Paul Hollingworth's employment on 31 December 2008, the following arrangements took effect as a result of the termination.

Under the pay in lieu of notice provision in his service contract, he received a payment reflecting his salary, car allowance and pension contribution for his 12 months' notice period and a cash bonus for his service during the 2008 financial year. The outstanding deferred share awards held by him under the BSP and the demerger share award, referred to above, vested on termination in accordance with the rules attaching to those awards. The Committee exercised its discretion to allow the outstanding LTIP awards held by him to be retained and to vest on the dates on which they would otherwise have vested, subject to the application of the relevant performance conditions and to pro-rating for time to reflect his period of service and his 12 months' notice period.

In determining the arrangements to apply, the Committee took into account all the relevant considerations, including, in particular, the fact that the sole reason for the termination of his employment by the Group was the requirement to relocate his role from the UK to South Africa and that his performance and commitment to the Group had been outstanding throughout his period of service.

Non-executive directors' remuneration

The remuneration of the joint chairmen is determined by the Committee and the remuneration of the other non-executive directors is determined by the joint chairmen and the executive directors. Non-executive directors' remuneration is determined and paid in sterling.

The remuneration of the joint chairmen comprises a core fee of €326,202 (£260,000) per annum, plus supplemental fees reflecting their additional commitments, subject to a cap of €501,850 (£400,000) per annum per chairman. The supplemental fees are as follows: €18,819 (£15,000) per meeting for each board meeting attended outside their country of residence; €18,819 (£15,000) per annum for chairing a board committee; €3,764 (£3,000) per meeting for each board committee attended (other than as chairman of the committee); and a fee of €6,273 (£5,000) per day for any additional duties performed at the request of the Boards.

The other non-executive directors receive an annual fee of €50,185 (£40,000), along with an attendance fee of €6,273 (£5,000) for each board meeting held outside their country of residence and €1,882 (£1,500) for each day on which they attend board meetings in their country of residence. In addition, the senior independent director and audit committee chairman receives an annual fee of €18,819 (£15,000) and the chairmen of the remuneration and sustainable development committees each receive an annual fee of €10,037 (£8,000).

The joint chairmen and the other non-executive directors are appointed jointly by Mondi Limited and Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice. They are subject to election by shareholders at the first annual general meeting following their appointment and at least once every three years thereafter.

Remuneration for the year ended 31 December 2008

Executive directors' remuneration

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

		Base salary	Annual cash bonus	Grant value of BSP share award	Other cash benefits	Other non-cash benefits	Other	Total
David Hathorn (i)	2008	€968,826	€232,224	€232,224	€30,127	€23,736	–	€1,487,137
	2007 (v)(vi)	€959,532	€1,375,368 (iv)	€735,662	€123,282	€14,799	–	€3,208,643
Paul Hollingworth (i)	2008	€517,923	–	–	€19,992	€5,351	€1,361,232 (iii)	€1,904,498
	2007 (v)	€661,765	€692,206 (iv)	€361,324	€27,000	€6,562	–	€1,748,857
Andrew King (ii)	2008	€92,122	€20,991	€20,991	€4,199	€930	–	€139,233
Peter Oswald (ii)	2008	€800,000	€168,000	€168,000	€255	€29,691	–	€1,165,946

(i) For David Hathorn and Paul Hollingworth the table includes all remuneration received in respect of the year ended 31 December 2007, whether received from Mondi Limited, Mondi plc or companies in the Anglo American Group. For David Hathorn the table includes all remuneration in respect of the year ended 31 December 2008 from Mondi Limited or Mondi plc and for Paul Hollingworth all remuneration received in respect of the period until his resignation from the Boards, as well as his severance pay. Paul Hollingworth additionally received his base salary and benefits for the period between his resignation from the Boards and the termination of his employment on 31 December 2008.

(ii) For Andrew King the table covers all remuneration from his appointment to the Boards on 23 October 2008 and for Peter Oswald the table covers all remuneration from his appointment to the Boards on 1 January 2008. Andrew King's base salary is €501,850 (£400,000) per annum.

(iii) Paul Hollingworth's severance pay was determined in accordance with the terms of his contractual arrangements. Notice pay included amounts in respect of base salary, car allowance, pension contributions and the bonus.

(iv) For 2007, the table includes the cash element of the demerger share award of €330,882 (£225,000) for Paul Hollingworth and a bonus of €639,706 (£435,000) paid to David Hathorn by Anglo American plc.

(v) This table includes remuneration for the full 2007 calendar year. For the period between listing on 3 July 2007 and 31 December 2007, base salary payments were €533,088 (Hathorn) and €330,882 (Hollingworth). Other cash benefits were €16,860 (Hathorn) and €13,500 (Hollingworth) and non-cash benefits were €5,958 (Hathorn) and €3,281 (Hollingworth). On a time-apportioned basis, the cash bonuses were €367,831 (Hathorn) and €511,544 (Hollingworth) and the grant value of the BSP share award was €367,831 (Hathorn) and €180,662 (Hollingworth). Total remuneration for this period was therefore €1,291,568 (Hathorn) and €1,039,869 (Hollingworth).

(vi) In 2007, David Hathorn also benefited from the vesting of shares under Anglo American plc share schemes on the Group's demerger from Anglo American plc.

Non-executive directors' remuneration

	2008			2007		
	Fees	Other benefits	Total	Fees	Other benefits	Total
Sir John Parker[(i) (ii)]	€488,800	–	€488,800	€588,235	–	€588,235
Cyril Ramaphosa	€437,987	–	€437,987	€283,088	–	€283,088
Colin Matthews[(iv)]	€89,851	–	€89,851	€124,265	–	€124,265
Imogen Mkhize	€81,669	–	€81,669	€69,583	–	€69,583
Anne Quinn[(iv)]	€96,173	–	€96,173	€126,471	–	€126,471
David Williams[(iii)]	€104,727	–	€104,727	€135,110	–	€135,110

(i) For 2007, Sir John Parker received €368,778 (£250,769) in respect of the period from his appointment to the Boards in May 2007. The balance of €219,457 (£149,231) related to his services as a consultant to Mondi Investments Limited (formerly Anglo Mondi Investments Limited) during the period from 1 January 2007 up to appointment to the Boards.
(ii) For both 2008 and 2007, the fee paid to Sir John was capped at €501,850 (£400,000) in accordance with the arrangements described on page 44.
(iii) For 2007, David Williams received €76,400 (£51,952) in respect of the period from his appointment to the Boards in May 2007. The balance of €58,710 (£39,923) related to his services as a consultant to Mondi Investments Limited (formerly Anglo Mondi Investments Limited) during the period up to his appointment to the Boards.
(iv) For 2007, the fees paid to Colin Matthews and Anne Quinn included in each case a sum of €58,824 (£40,000) in respect of their preparatory work during the period up to their appointment to the Boards.

Pension contributions in respect of executive directors

The executive directors all participate in defined contribution pension schemes under arrangements established by the Group. The contributions paid by the Group in respect of the years 2008 and 2007 are:

	Group contribution	
	2008	2007
David Hathorn	€290,648	€287,685
Paul Hollingworth	€129,481	€165,441
Andrew King	€32,815[(i)]	–
Peter Oswald	€200,000	–

(i) From 23 October 2008.

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

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi Limited or Mondi plc ('the Companies'), or while a director of the Companies, as a director of any of the Companies' subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Companies) a director by virtue of the Companies' nomination, or otherwise in connection with the management of the Companies or any undertaking during the year to 31 December 2008.

Share awards granted to executive directors

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

Mondi Limited

	Type of award	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 Dec 2008	Release date
David Hathorn	BSP	–	35,156	–	6547	Mar 2008	35,156	Mar 2011
	LTIP	84,336	–	–	6423	Aug 2007	84,336	Mar 2010
	LTIP	–	95,308	–	6547	Mar 2008	95,308	Mar 2011

Share awards granted to executive directors (continued)

Mondi plc

	Type of award	Awards held at beginning of year or on appointment to the Boards(iii)	Awards granted during year	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 Dec 2008	Release date
David Hathorn	BSP	59,677	–	–	464	Aug 2007	59,677	Mar 2010
	BSP	–	88,877	–	394	Mar 2008	88,877	Mar 2011
	LTIP	191,407	–	–	464	Aug 2007	191,407	Mar 2010
	LTIP	–	240,959	–	394	Mar 2008	240,959	Mar 2011
	Transitional	152,017	–	–	464	Aug 2007	152,017	Mar 2009
	Co-Investment	538,795	–	–	464	Aug 2007	538,795	July 2011
Paul Hollingworth	BSP(iv)	14,422	–	–	464	Aug 2007	14,422	Feb 2009
	BSP(iv)	–	62,361	–	394	Mar 2008	62,361	Feb 2009
	LTIP(v)	116,380	–	–	464	Aug 2007	116,380	Mar 2010
	LTIP(v)	–	152,285	–	394	Mar 2008	98,985	Mar 2011
	Demerger	126,078	–	63,039(vi)	464	Aug 2007	63,039(iv)	Feb 2009
Andrew King	BSP	13,012	–	–	464	Aug 2007	13,012	Mar 2010
	BSP	35,026	–	–	394	Mar 2008	35,026	Mar 2011
	LTIP	64,656	–	–	464	Aug 2007	64,656	Mar 2010
	LTIP	98,985	–	–	394	Mar 2008	98,985	Mar 2011
	Transitional	5,050	–	–	464	Aug 2007	5,050	Mar 2009
	Demerger	70,044	–	–	464	Aug 2007	70,044	July 2009
Peter Oswald	BSP	39,707	–	–	464	Aug 2007	39,707	Mar 2010
	BSP	–	67,803	–	394	Mar 2008	67,803	Mar 2011
	LTIP	111,605	–	–	464	Aug 2007	111,605	Mar 2010
	LTIP	–	186,270	–	394	Mar 2008	186,270	Mar 2011
	Transitional	13,351	–	–	464	Aug 2007	13,351	Mar 2009
	Demerger	334,139	–	–	464	Aug 2007	334,139	July 2009

(i) Awards under the LTIP and the Co-Investment Plan are subject to the performance conditions described on pages 41 and 42.
(ii) The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 44.
(iii) Peter Oswald was appointed to the Boards on 1 January 2008 and Andrew King was appointed to the Boards on 23 October 2008.
(iv) Vested on termination of employment on 31 December 2008, but will not be released until 26 February 2009.
(v) LTIP awards held at 31 December 2008, reduced as shown for time apportionment, will vest subject to performance conditions.
(vi) First tranche of 63,039 demerger shares vested on 30 July 2008 at £2.465 per share. The value of the shares on vesting was £155,391.14.

Sharesave

Executive directors held the following options over Mondi plc ordinary shares under the Mondi Sharesave Option Plan 2007.

	Grant date	Exercise price per share (GBp)	Exercise period commences	Expiry date	Held at beginning of year or on appointment to the Boards	Granted during the year	Exercised during the year	Market price per share at exercise date (GBp)	Held as at 31 December 2008
David Hathorn	28 Mar 2008	317	1 May 2013	31 Oct 2013	–	5,299	–	–	5,299
Andrew King	28 Mar 2008	317	1 May 2013	31 Oct 2013	5,299	–	–	–	5,299

Directors' beneficial share interests

The beneficial share interests of the directors and their connected persons on 1 January 2008, or if later on appointment, and as at 31 December 2008 were as follows:

Mondi Limited

	Ordinary shares held at beginning of year or on appointment to the Boards(i)	Ordinary shares held as at 31 Dec 2008
David Hathorn	1,066	1,066
Andrew King	802	802
Imogen Mkhize	–	4,000
Peter Oswald	430	–
Total	2,298	5,868

Mondi plc

	Ordinary shares held at beginning of year or on appointment to the Boards(i)	Ordinary shares held as at 31 Dec 2008
Sir John Parker	11,750	11,750
Cyril Ramaphosa	7,050	7,050
David Hathorn	273,086	403,086
Andrew King	48,947	48,947
Colin Matthews	5,825	5,825
Imogen Mkhize	–	–
Peter Oswald	90,000	160,000
Anne Quinn	9,401	11,882
David Williams	5,000	5,000
Total	451,059	653,540

(i) Peter Oswald was appointed to the Boards on 1 January 2008 and Andrew King was appointed to the Boards on 23 October 2008.

There has been no change in the interests of the directors and their connected persons between 31 December 2008 and the date of this report.

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE on 31 December 2008 was R33.80 and the range during the period between 1 January 2008 and 31 December 2008 was R27.00 (low) and R72.99 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2008 was £2.03 and the range during the period between 1 January 2008 and 31 December 2008 was £1.25 (low) to £4.46 (high).

This report was approved by the Boards on 25 February 2009 and is signed on their behalf.

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

Additional disclosures

Policy and practice on payment to creditors

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

The Group had 63 days' purchases outstanding at 31 December 2008 (60.7 days at 31 December 2007), based on the average daily amount invoiced by suppliers.

Share capital

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

Substantial interests

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

Mondi Limited
No notifications received.

Mondi plc

Name	Shares	%
Standard Life Investments Limited	37,052,005	10.09
Norges Bank	30,245,032	8.27
AXA S.A.	22,076,850	6.01
Allan Gray Unit Trust Management Limited	18,324,760	5.00
Capital Research and Management Company	16,589,857	4.52
Legal & General Assurance (Pensions Management) Limited	14,534,875	3.95
Tarl Investment Holdings Limited	12,987,806	3.54

Essential contractual arrangements

Certain Group companies are party to the €1.55 billion, 5 year syndicated revolving credit facility which the Boards consider essential to the business of the Group. Ten banks participate in the facility, these being: Bank Austria Creditanstalt AG; Barclays Capital; Citigroup Global Markets Limited; Deutsche Bank AG, London Branch; BNP Paribas; Fortis Bank S.A./N.V., UK Branch; Lloyds TSB Bank plc; The Royal Bank of Scotland plc; Raiffeisen Zentralbank Oesterreich Aktiengesellschaft and Société Générale.

Auditors

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

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

Deloitte & Touche and Deloitte LLP (together 'Deloitte') have indicated their willingness to continue as auditors of Mondi Limited and Mondi plc respectively. The Boards have decided that resolutions to reappoint them will be proposed at the annual general meetings of Mondi Limited and Mondi plc scheduled to be held on 7 May 2009.

The reappointment of Deloitte has the support of the DLC audit committee, which will be responsible for determining their audit fee on behalf of the directors.

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

Events occurring after 31 December 2008

With the exception of the proposed final dividend for 2008, included in note 9 to the financial statements, there have been no material reportable events since 31 December 2008.

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act 2006 can be found on pages 132 and 133.

Annual general meetings

The annual general meeting of Mondi Limited will be held at 12.00 (SA time) on Thursday 7 May 2009 at the Hyatt Regency, 191 Oxford Road, Rosebank, Johannesburg 2132, Republic of South Africa and the annual general meeting of Mondi plc will be held at 11.00 (UK time) on Thursday 7 May 2009 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notices convening each meeting, which are sent separately to shareholders, detail the business to be considered and include explanatory notes for each resolution. The notices are available on the Group's web site at: www.mondigroup.com.

By order of the Boards

Philip Laubscher
Company Secretary
Mondi Limited

4th Floor, No. 3 Melrose Boulevard
Melrose Arch 2196
PostNet Suite #444
Private Bag X1
Melrose Arch 2076
Gauteng
Republic of South Africa

Carol Hunt
Company Secretary
Mondi plc

Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG
United Kingdom

25 February 2009

Financial statements

Contents

Directors' responsibility statement

The directors are responsible for preparing the Group's combined and consolidated financial statements in accordance with applicable law and regulations.

UK and South African company law requires the directors to prepare financial statements for each financial year giving a true and fair view of the Group's state of affairs at the end of the year and profit and loss for the year. The directors have prepared the Group's combined and consolidated financial statements in accordance with the Companies Act of South Africa and the UK Companies Act 1985 and in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union and as issued by the IASB, and Article 4 of the IAS Regulation. Mondi Limited's individual company financial statements have been prepared in accordance with the Companies Act of South Africa and in compliance with IFRS and Article 4 of the IAS regulation. Mondi plc's individual company financial statements have been prepared in accordance with the UK Companies Act 1985 and in compliance with UK accounting standards and applicable law (UK GAAP).

In preparing those financial statements, the directors are required to ensure that:

- suitable accounting policies are consistently applied;
- they make judgements that are reasonable and prudent;
- the combined and consolidated financial statements comply with IFRS and that they give a true and fair view of the assets and liabilities, financial position and profit or loss of the Group;
- with regard to the Mondi Limited individual company financial statements that they are in compliance with IFRS;
- with regard to the Mondi plc individual company financial statements that applicable UK accounting standards have been followed and that they give a true and fair view of the assets and liabilities, and financial position and profit or loss of Mondi plc; and
- that the business review, which is incorporated within the directors' report, includes a fair review of the development and performance of the business and the position of the Group, together with the principal risks and uncertainties that it faces.

The directors confirm that they have complied with the above requirements in preparing both the Group combined and consolidated financial statements and those of Mondi Limited and Mondi plc. Furthermore, the directors believe that adequate resources exist for the Group, Mondi Limited and Mondi plc to continue on a going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group on a consolidated basis and Mondi Limited and Mondi plc on an individual basis and to enable them to ensure compliance with the respective Companies Acts of South Africa and the UK and that they comply with IFRS and Article 4 of the IAS Regulation and in the case of Mondi plc UK GAAP. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors' responsibility statement was approved by the Boards on 25 February 2009 and signed on their behalf by:

David Hathorn
Director

Andrew King
Director

Independent auditors' report to the members of Mondi Limited

Report on the financial statements

We have audited the Group financial statements of Mondi Limited for the year ended 31 December 2008 which comprise the directors' report, the combined and consolidated income statement, the combined and consolidated balance sheet, the combined and consolidated cash flow statement and the combined and consolidated statement of recognised income and expense for the year then ended, the summary of significant accounting policies, and the explanatory notes 2 to 41.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the Group financial statements present fairly, in all material respects, the combined and consolidated financial position of the Mondi Group as of 31 December 2008, and of its combined and consolidated financial performance and its combined and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa for South African companies.

Deloitte & Touche
B Nosworthy
Partner
Sandton

25 February 2009

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

National Executive: G G Gelink (*Chief Executive*), A E Swiegers (*Chief Operating Officer*), G M Pinnock (*Audit*), D L Kennedy (*Tax, Legal and Financial Advisory*), L Geeringh (*Consulting*), L Bam (*Corporate Finance*), C R Beukman (*Finance*), T J Brown (*Clients & Markets*), N T Mtoba (*Chairman of the Board*)

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

Independent auditors' report to the members of Mondi plc

We have audited the Group financial statements of Mondi plc for the year ended 31 December 2008 which comprise the combined and consolidated income statement, the combined and consolidated balance sheet, the combined and consolidated cash flow statement, the combined and consolidated statement of recognised income and expense and the related notes 1 to 41. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the parent company financial statements of Mondi plc for the year ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Directors' responsibility statement.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulations and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information given in the directors' report includes specific information presented in other sections of the annual report that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulations;
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the Group financial statements.

Separate opinion in relation to IFRS

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRS as adopted by the European Union, has also complied with IFRS as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended.

Deloitte LLP
Chartered Accountants and Registered Auditors
London

25 February 2009

Combined and consolidated income statement

for the year ended 31 December 2008

		2008			2007		
€ million	Notes	**Before special items**	**Special items (note 5)**	**After special items**	Before special items	Special items (note 5)	After special items
Group revenue	2	**6,345**	**–**	**6,345**	6,269	–	6,269
Materials, energy and consumables used		(3,384)	–	(3,384)	(3,265)	–	(3,265)
Variable selling expenses		(542)	–	(542)	(558)	–	(558)
Gross margin		**2,419**	**–**	**2,419**	2,446	–	2,446
Maintenance and other indirect expenses		(300)	–	(300)	(289)	–	(289)
Personnel costs	4	(926)	(41)	(967)	(906)	(17)	(923)
Other net operating expenses		(379)	(24)	(403)	(381)	–	(381)
Depreciation, amortisation and impairments		(373)	(293)	(666)	(368)	(60)	(428)
Operating profit/(loss) from subsidiaries and joint ventures	2	**441**	**(358)**	**83**	502	(77)	425
Net (loss)/profit on disposals	5	–	(27)	(27)	–	83	83
Impairment of assets held for sale	5	–	(2)	(2)	–	–	–
Net income from associates	14	2	–	2	2	–	2
Total profit/(loss) from operations and associates		**443**	**(387)**	**56**	504	6	510
Investment income		15	–	15	44	–	44
Interest expense		(174)	–	(174)	(143)	(29)	(172)
Net finance costs	6	**(159)**	**–**	**(159)**	(99)	(29)	(128)
Profit/(loss) before tax		**284**	**(387)**	**(103)**	405	(23)	382
Taxation (charge)/credit	8	(82)	4	(78)	(117)	15	(102)
Profit/(loss) from continuing operations	3	**202**	**(383)**	**(181)**	288	(8)	280
Attributable to:							
Minority interests		**30**	**–**	**30**	47	–	47
Equity holders		**172**	**(383)**	**(211)**	241	(8)	233
Earnings per share (EPS) for (loss)/profit attributable to equity holders							
Basic EPS (€ cents)	10			**(41.6)**			45.4
Diluted EPS (€ cents)	10			**(41.6)**			45.1
Basic underlying EPS (€ cents)	10			**33.9**			46.9
Diluted underlying EPS (€ cents)	10			**33.4**			46.7
Basic headline EPS (€ cents)	10			**20.3**			39.5
Diluted headline EPS (€ cents)	10			**20.0**			39.3

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

Combined and consolidated balance sheet
as at 31 December 2008

€ million	Notes	**2008**	2007
Intangible assets	11	323	520
Property, plant and equipment	12	3,611	3,731
Forestry assets	13	214	224
Investments in associates	14	5	6
Financial asset investments	16	19	25
Deferred tax assets	24	36	32
Retirement benefits surplus	25	–	11
Total non-current assets		**4,208**	4,549
Inventories	17	684	760
Trade and other receivables	18	1,104	1,304
Current tax assets		32	52
Cash and cash equivalents	19	155	180
Derivative financial instruments	22	73	17
Total current assets		**2,048**	2,313
Assets held for sale	32	5	–
Total assets		**6,261**	6,862
Short-term borrowings	21	(378)	(453)
Trade and other payables	20	(1,035)	(1,150)
Current tax liabilities		(53)	(81)
Provisions	23	(25)	(14)
Derivative financial instruments	22	(38)	(3)
Total current liabilities		**(1,529)**	(1,701)
Medium- and long-term borrowings	21	(1,467)	(1,234)
Retirement benefits obligation	25	(182)	(200)
Deferred tax liabilities	24	(292)	(322)
Provisions	23	(39)	(50)
Other non-current liabilities		(14)	(17)
Derivative financial instruments	22	(39)	(2)
Total non-current liabilities		**(2,033)**	(1,825)
Liabilities directly associated with assets classified as held for sale	32	(3)	–
Total liabilities		**(3,565)**	(3,526)
Net assets		**2,696**	3,336
Equity			
Ordinary share capital	26/28	114	114
Share premium	26/28	532	532
Retained earnings and other reserves	26	1,677	2,317
Total attributable to equity holders		**2,323**	2,963
Minority interest in equity		373	373
Total equity		**2,696**	3,336

The Group's combined and consolidated financial statements, and related notes 1 to 41, were approved by the Boards and authorised for issue on 25 February 2009 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Combined and consolidated cash flow statement

for the year ended 31 December 2008

€ million	Notes	**2008**	2007
Cash inflows from operations	33a	795	957
Dividends from associates	14	2	1
Income tax paid		(71)	(93)
Net cash inflows generated from operating activities		**726**	865
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents	30	(49)	(193)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	31	17	112
Proceeds from disposal of associates	31	–	54
Purchases of property, plant and equipment	33f	(693)	(406)
Proceeds from the disposal of property, plant and equipment		29	17
Investment in forestry assets	13	(43)	(41)
Purchases of financial asset investments	16	(2)	(2)
Purchase of intangible assets	11	(7)	(4)
Proceeds from the sale of financial asset investments		1	2
Loan repayments from related parties	16	1	15
Interest received		28	18
Other investing activities		8	(6)
Net cash used in investing activities		**(710)**	(434)
Cash flows from financing activities			
Repayment of short-term borrowings	33c	(214)	(945)
Proceeds from medium- and long-term borrowings	33c	543	564
Interest paid		(169)	(139)
Dividends paid to minority interests		(20)	(47)
Dividends paid to equity holders	9/26	(118)	(38)
Dividends paid to Anglo American plc group companies	26	–	(202)
Increase in Anglo American plc invested capital	26	–	120
Purchase of treasury shares	26	(15)	(33)
Other financing activities		1	3
Net cash used in financing activities		**8**	(717)
Net increase/(decrease) in cash and cash equivalents		**24**	(286)
Cash and cash equivalents at start of year[1]		59	358
Cash movement in the year	33c	24	(286)
Cash acquired through business combinations	33c	3	–
Reclassifications	33c	(2)	(3)
Effects of changes in foreign exchange rates	33c	(9)	(10)
Cash and cash equivalents at end of year[1]		**75**	59

Note:
1 'Cash and cash equivalents' includes overdrafts and cash flows from disposal groups and is reconciled to the balance sheet in note 33b.

Combined and consolidated statement of recognised income and expense
for the year ended 31 December 2008

€ million	**2008**	2007
Fair value losses accreted on cash flow hedges, net of amounts recycled to the combined and consolidated income statement	(39)	(3)
Actuarial (losses)/gains on post-retirement benefit schemes	(14)	12
Fair value losses on available for sale investments	(1)	(1)
Exchange gains on demerger	–	9
Exchange losses on translation of foreign operations	(248)	(71)
Other movements	–	(1)
Total expense recognised directly in equity[1]	**(302)**	(55)
(Loss)/profit for the year	(181)	280
Total recognised income and expense for the year	**(483)**	225
Attributable to:		
Minority interests	**26**	56
Equity holders of the parent companies	**(509)**	169

Note:
1 Net of related tax.

Financial statements

Notes to the combined and consolidated financial statements

1 Accounting policies

Basis of preparation

The Group's combined and consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB). There are no differences for the Group in applying IFRS as issued by the IASB and the European Union (EU) and therefore the Group also complies with IFRS as endorsed by the EU. The financial statements have been prepared on a going concern basis. This is discussed in the operational and financial review on page 24, under the heading 'Going concern'.

Basis of consolidation

Dual listed structure

The Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a dual listed company (DLC) structure. The substance of the DLC structure is such that Mondi Limited, and its subsidiaries, and Mondi plc, and its subsidiaries, operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc are reported on a combined and consolidated basis as a single reporting entity under IFRS. Further explanatory detail regarding the DLC structure and the sharing agreement is contained within note 26.

Pre-demerger

During the period up to 2 July 2007 (the 'pre-demerger period'), the Group did not form a separate legal group. 'The Anglo American plc investment in the Group' is therefore presented for the pre-demerger period, representing the aggregated share capital, share premium and reserve balances of the Group's constituent entities, together with debtor and creditor balances held in respect of the Anglo American group and deemed to be equity funding in nature. Any interest accruing on such balances is classified as a dividend in specie and recorded separately through reserves, not through the combined and consolidated income statement.

Subsidiary undertakings

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

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

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

Associates

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

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

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

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

Joint venture entities

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

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

Revenue recognition

Sale of goods

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

Sale of green energy and CO_2 credits

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

Investment income

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

Dividend income

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

1 Accounting policies (continued)

Operating profit

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

Business combinations and goodwill arising thereon

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the combined and consolidated financial statements
continued

1 Accounting policies (continued)

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

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

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

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

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

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

Current non-financial assets

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

Retirement benefits

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

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

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

The Group has adopted the amendment to IAS 19, 'Employee Benefits', and as such actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the combined and consolidated statement of recognised income and expense. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The expected return on plan assets and the expected increase during the year in the present value of plan liabilities are included in investment income and interest expense respectively.

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

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

Taxation

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

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

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

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

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

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

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

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

1 Accounting policies (continued)

Leases

Operating leases

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

Finance leases

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

Provisions

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

Restoration, decommissioning and environmental costs

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

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

Government grants

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

Foreign currency transactions and translation

Foreign currency transactions

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

Translation of overseas operations

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

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

Share-based payments

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

Financial instruments

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

Financial asset investments

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

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

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

Cash and cash equivalents

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

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method, less allowance for any impairment as appropriate. The allowance recognised is measured as the difference between the

Notes to the combined and consolidated financial statements
continued

1 Accounting policies (continued)

asset's carrying amount and the present value of estimated future cash flows, where the time value of money has a material impact, discounted at the effective interest rate computed at initial recognition.

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

Fair value hedges
For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from remeasuring the associated derivative are also recognised in profit or loss.

Ineffective, expired, sold, terminated or exercised hedging instruments
Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included immediately in the combined and consolidated income statement.

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

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

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

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

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

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

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

Special items

Special items are those material items of financial performance that the Group believes should be separately disclosed on the face of the

1 Accounting policies (continued)

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

Earnings per share (EPS)

Basic EPS

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

Diluted EPS

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

Underlying and headline EPS

Underlying EPS excludes the impact of special items and is a non-GAAP measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the JSE Listings Requirements and is not necessarily a measure of sustainable earnings. It is calculated in accordance with Circular 8/2007, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Segmental reporting

The Group's primary segmental information is presented for business segments as this reflects the dominant source and nature of the Group's risks and returns and the manner in which the Group's internal organisational and management structure operates. Secondary information is presented on geographic segments.

New accounting policies, early adoption and future requirements

Standards, amendments to published Standards and Interpretations effective during 2008

Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement', and IFRS 7, 'Financial Instruments: Disclosures: Reclassification of Financial Assets' became effective from 1 July 2008. The amendment deals with reclassification of certain financial assets out of the fair value through profit or loss category and the transfer from the available for sale category to loans and receivables under certain circumstances. The amendment did not have an impact on the results of the Group in the first year of adoption.

IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', is retrospectively effective for annual accounting periods beginning on or after 1 March 2007. The Group has early adopted this interpretation in 2007.

IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', is retrospectively effective for annual accounting periods beginning on or after 1 January 2008 and was early adopted by the Group in 2007.

Interpretation effective during 2008, but not relevant to the Group

IFRIC 12, 'Service Concession Arrangements', effective for annual accounting periods beginning on or after 1 January 2008, applies solely to public-to-private sector concessions and will therefore have no impact on the Group's combined and consolidated financial statements.

Standards and Interpretations early adopted by the Group

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

Note: See table at end of Note 1 for Standards and Interpretations that are not yet effective and have not been early adopted by the Group.

Accounting estimates and critical judgements

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

Estimated residual values and useful economic lives

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

Estimated impairment of goodwill and tangible fixed assets

For the year ended 31 December 2008 the Group incurred assets impairment costs of €106 million (2007: €57 million) and goodwill impairment costs of €194 million (2007: €nil).

The Group assesses annually whether goodwill and tangible fixed assets have suffered any impairment, in accordance with the stated Group accounting policy. The recoverable amounts of goodwill allocated to cash-generating units and tangible fixed assets are determined based on value-in-use calculations, which require the exercise of management's judgement across a limited range of input assumptions and estimates. The principal assumptions used relate to the time value of money and expected future cash flows. Further details regarding the assumptions are set out in note 11.

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

Possible indications include, but are not limited to, a decline in an asset or entity's financial performance, technological obsolescence, adverse legal or regulatory changes and an increase in the cost of money.

Fair value of owned forestry assets

For the year ended 31 December 2008 the Group recorded a fair value adjustment of €46 million (2007: €32 million). Forestry assets at 31 December 2008 totalled €214 million (2007: €224 million).

Notes to the combined and consolidated financial statements
continued

1 Accounting policies (continued)

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

Retirement benefits
At 31 December 2008 the retirement benefits assets was €nil (2007: €11 million) and the retirement benefits obligation was €182 million (2007: €200 million).

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

Standards and Interpretations that are not yet effective and have not been early adopted by the Group

Standard	Annual periods beginning on or after	Impact on the Group
IFRS 2 (AC 139) – Share Based Payments	1 January 2009	The impact on the Group is that non-market vesting conditions, other than service and performance conditions, which have always been included in assumptions about the number of awards that are expected to vest, will now be included in the estimate of the fair value of the share awards granted. The Group is unable to determine the financial impact at this stage.
IFRS 3 (AC 140) – Business Combinations	1 July 2009	There will be no impact with regards to existing business combinations. The Group is unable to assess the impact of the application of the Standard in future as such an assessment can only be made on the basis of each individual business combination as and when they occur.
IFRS 8 (AC 145) – Operating Segments	1 January 2009	Management has assessed the expected impact on the future presentation of the Group's segmental results, assets and liabilities. This will result in minor presentation changes with the reportable segments remaining unchanged.
IAS 1 (AC 101) – Presentation of Financial Statements	1 January 2009	The impacts of the changes are of a presentation and disclosure nature, with the most significant impact being the replacement of the statement of recognised income and expense by a statement of comprehensive income and the presentation of a complete statement of changes in equity. The financial results will not be impacted in any way.
IAS 7 (AC 118) – Statement of Cash Flows	1 July 2009	The amendment is unlikely to impact the Group's results in the period of initial adoption, unless there is a transaction whereby control is changed but not lost.
IAS 10 (AC 107) – Events after the Balance Sheet Date	1 July 2009	Unlikely to have a material impact on the Group.
IAS 12 (AC 102) – Income Taxes	1 July 2009	Unlikely to have a material impact on the Group.
IAS 23 (AC 114) – Borrowing Costs	1 January 2009	The Group's accounting policy already stipulates that such borrowing costs are capitalised, consequently, this amendment has no impact on the Group.
IAS 27 (AC 132) – Consolidated and Separate Financial Statements	1 July 2009	Unlikely to have a material impact on the Group, however, the main possible impact of the revision is the absorption of losses by non-controlling interests which will increase the profit or loss attributable to equity holders of Mondi if there are losses realised in subsidiaries. The change in level of control is unlikely to impact the financial results of the Group because the Group currently accounts for transactions where control is not lost as equity transactions.
IAS 28 (AC 110) – Investments in Associates	1 July 2009	Unlikely to have a material impact on the Group.
IAS 31 (AC 119) – Interests in Joint Ventures	1 July 2009	Unlikely to have a material impact on the Group.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 July 2009	Management is assessing the impact on the Group's results.
IFRIC 13 – Customer Loyalty Programs	1 July 2008	No impact on the Group.
IFRIC 15 – Agreements for the Construction of Real Estate	1 January 2009	No impact on the Group.
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 October 2008	No impact on the Group.
IFRIC 17 – Distributions of Non-cash Assets to Owners	1 July 2009	No impact on the Group.

1 Accounting policies (continued)

Amendments to Standards that are not yet effective and have not been early adopted by the Group

On 22 May 2008, the International Accounting Standards Board (IASB) issued its latest Standard, titled Improvements to International Financial Reporting Standards 2008. The Standard included 35 amendments to various Standards.

Standard	Annual periods beginning on or after	Impact on the Group
IFRS 1 (AC 138) – First-time Adoption of International Financial Reporting Standards	1 January 2009	No impact on the Group.
IFRS 5 (AC 142) – Non-current Assets Held for Sale and Discontinued Operations	1 July 2009	Unlikely to have a material impact on the Group.
IFRS 7 (AC 144) – Financial Instruments: Disclosures	1 January 2009	The amendment will not have an impact on the Group's results.
IAS 1 (AC 101) – Presentation of Financial Statements	1 January 2009	The impact on the Group will purely be on presentation and will possibly result in certain derivative financial instruments which have previously been classified as current assets or liabilities to be classified as non-current assets or liabilities.
IAS 7 (AC 118) – Statement of Cash Flows	1 January 2009	The Group does not routinely sell items of property, plant and equipment which it holds for rentals to others and thus the amendment is expected to have no impact on the Group.
IAS 10 (AC 107) – Events after the Balance Sheet Date	1 January 2009	No impact on the Group.
IAS 16 (AC 123) – Property, Plant and Equipment	1 January 2009	The Group does not routinely sell items of property, plant and equipment which it holds for rentals to others and thus the amendment is expected to have no impact on the Group.
IAS 19 (AC 116) – Employee Benefits	1 January 2009	Management is assessing the potential impact of the amendment on the Group's results.
IAS 20 (AC 134) – Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009	The amendment is not currently expected to have an impact on the Group's reported results as the Group does not receive loans from government at below market interest rates.
IAS 27 (AC 132) – Consolidated and Separate Financial Statements	1 January 2009	Unlikely to have a material impact on the Group.
IAS 28 (AC 110) – Investments in Associates	1 January 2009	Unlikely to have a material impact on the Group.
IAS 29 (AC 124) – Financial Reporting in Hyperinflationary Economies	1 January 2009	Unlikely to have a material impact on the Group.
IAS 31 (AC 119) – Interests in Joint Ventures	1 January 2009	Unlikely to have a material impact on the Group.
IAS 32 (AC 125) – Financial Instruments: Presentation	1 January 2009	Unlikely to have a material impact on the Group.
IAS 36 (AC 128) – Impairment of Assets	1 January 2009	Unlikely to have a material impact on the Group.
IAS 38 (AC 129) – Intangible Assets	1 January 2009	Unlikely to have a material impact on the Group.
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 January 2009	Unlikely to have a material impact on the Group.
IAS 40 (AC 135) – Investment Property	1 January 2009	No impact on the Group.
IAS 41 (AC 137) – Agriculture	1 January 2009	The Group is currently assessing the impact of the amendment on the financial statements.

Notes to the combined and consolidated financial statements
continued

2 Segmental information

Based on the risks and returns of the Mondi Group, the Boards consider the primary reporting format is by business segment and the secondary reporting format is by geographical segment.

Primary reporting format – by business segment

€ million	2008 Segment revenue	2008 Inter-segment revenue[1]	2008 Group revenue	2007 Segment revenue	2007 Inter-segment revenue[1]	2007 Group revenue
Europe & International						
Bags & Specialities	2,138	(22)	2,116	2,005	(19)	1,986
Uncoated Fine Paper	1,565	(174)	1,391	1,666	(177)	1,489
Corrugated	1,555	(58)	1,497	1,616	(55)	1,561
Intra-segment elimination	(99)	99	–	(98)	98	–
Sub-total	5,159	(155)	5,004	5,189	(153)	5,036
South Africa						
Uncoated Fine Paper	474	(174)	300	491	(267)	224
Corrugated	134	(132)	2	125	(125)	–
Intra-segment elimination	(21)	21	–	(25)	25	–
Sub-total	587	(285)	302	591	(367)	224
Mondi Packaging South Africa	474	(27)	447	419	(28)	391
Merchant and Newsprint businesses	593	(1)	592	591	(1)	590
Corporate and other businesses	–	–	–	28	–	28
Inter-segment revenue	(468)	468	–	(549)	549	–
Total	**6,345**	**–**	**6,345**	6,269	–	6,269

€ million	Segment operating profit before special items[2] 2008	Segment operating profit before special items[2] 2007	Segment operating profit/(loss) after special items[2] 2008	Segment operating profit/(loss) after special items[2] 2007
Europe & International				
Bags & Specialities	159	154	(58)	153
Uncoated Fine Paper	126	99	98	36
Corrugated	49	133	(62)	128
Sub-total	334	386	(22)	317
South Africa				
Uncoated Fine Paper	75	53	75	48
Corrugated	36	25	36	25
Sub-total	111	78	111	73
Mondi Packaging South Africa	28	35	28	35
Merchant and Newsprint businesses	7	40	7	40
Corporate and other businesses	(39)	(37)	(41)	(40)
Total	**441**	502	**83**	425

Notes:
1 Inter-segment transactions are conducted on an arm's length basis.
2 Segment result is defined as being segment revenue less segment expense; that is operating profit and fair value gains/(losses) that have been recycled to the combined and consolidated income statement on cash flow hedges of operating transactions. There are no material inter-segment transfers or transactions that would affect the segment result.

2 Segmental information (continued)

The segment result before special items, as shown above, is reconciled to 'Profit/(loss) from continuing operations' in the Group's combined and consolidated income statement as follows:

€ million	**2008**	2007
Operating profit before special items and associates' net income	**441**	502
Operating special items (see note 5)		
Subsidiaries and joint ventures:	(358)	(77)
Europe & International	(356)	(69)
South Africa	–	(5)
Corporate and other businesses	(2)	(3)
Operating profit after special items and before associates' net income	**83**	425
Net (loss)/profit on disposal of subsidiaries and associates	**(27)**	83
Impairment of assets held for sale	**(2)**	–
Net income from associates	**2**	2
Total profit from operations and associates	**56**	510
Net finance costs	(159)	(128)
(Loss)/profit before tax	**(103)**	382
Taxation charge	(78)	(102)
Group (loss)/profit from continuing operations	**(181)**	280

Financial statements

Notes to the combined and consolidated financial statements
continued

2 Segmental information (continued)

Primary segment disclosures for segment assets, liabilities and capital expenditure are as follows:

€ million	Segment assets[1] 2008	Segment assets[1] 2007	Segment liabilities[2] 2008	Segment liabilities[2] 2007	Net segment assets 2008	Net segment assets 2007	Capital expenditure[3] 2008	Capital expenditure[3] 2007
Europe & International								
Bags & Specialities	1,632	1,851	(315)	(305)	1,317	1,546	185	169
Uncoated Fine Paper	1,589	1,491	(177)	(203)	1,412	1,288	284	101
Corrugated	1,171	1,389	(241)	(316)	930	1,073	246	261
Intra-segment elimination	(76)	(45)	76	45	–	–	–	–
Sub-total	4,316	4,686	(657)	(779)	3,659	3,907	715	531
South Africa								
Uncoated Fine Paper	720	913	(80)	(100)	640	813	40	24
Corrugated	139	165	(19)	(12)	120	153	6	2
Intra-segment elimination	(2)	(4)	2	4	–	–	–	–
Sub-total	857	1,074	(97)	(108)	760	966	46	26
Mondi Packaging South Africa	371	426	(70)	(92)	301	334	44	156
Merchant and Newsprint businesses	283	337	(87)	(90)	196	247	11	18
Corporate and other businesses	13	12	(3)	(14)	10	(2)	–	5
Inter-segment elimination	(101)	(157)	101	157	–	–	–	–
Segments total	**5,739**	6,378	**(813)**	(926)	**4,926**	5,452	**816**	736
Unallocated:								
Investment in associates	5	6	–	–	5	6		
Deferred tax assets/(liabilities)	36	32	(292)	(322)	(256)	(290)		
Other non-operating assets/(liabilities)[4]	307	241	(615)	(591)	(308)	(350)		
Group trading capital employed	**6,087**	6,657	**(1,720)**	(1,839)	**4,367**	4,818		
Financial asset investments	19	25	–	–	19	25		
Net debt[5]	155	180	(1,845)	(1,687)	(1,690)	(1,507)		
Group net assets	**6,261**	6,862	**(3,565)**	(3,526)	**2,696**	3,336		

Notes:

1 Segment assets are operating assets and at 31 December 2008 consist of property, plant and equipment of €3,611 million (2007: €3,731 million), intangible assets of €323 million (2007: €520 million), forestry assets of €214 million (2007: €224 million), retirement benefits surplus of €nil (2007: €11 million), inventories of €684 million (2007: €760 million) and operating receivables of €907 million (2007: €1,132 million).

2 Segment liabilities are operating liabilities and at 31 December 2008 consist of non-interest bearing current liabilities of €619 million (2007: €711 million), provisions of €12 million (2007: €15 million) and provisions for post-retirement benefits of €182 million (2007: €200 million).

3 Capital expenditure reflects cash payments and accruals in respect of additions to property, plant and equipment and intangible assets of €761 million (2007: €429 million) and includes additions resulting from acquisitions through business combinations of €55 million (2007: €307 million).

4 Other non-operating assets consist of derivative assets of €73 million (2007: €17 million), current income tax receivables of €32 million (2007: €52 million), other non-operating receivables of €197 million (2007: €173 million) and assets held for sale of €5 million (2007: €nil). Other non-operating liabilities consist of derivative liabilities of €77 million (2007: €5 million), non-operating provisions of €52 million (2007: €49 million), current income tax liabilities of €53 million (2007: €81 million), other non-operating liabilities of €430 million (2007: €456 million) and liabilities directly associated with assets held for sale of €3 million (2007: €nil).

5 Overdrafts of €80 million (2007: €121 million) are included in borrowings.

2 Segmental information (continued)

Primary segment disclosures for depreciation, amortisation and impairments are as follows:

	Depreciation and amortisation		Impairments	
€ million	**2008**	2007	**2008**	2007
Europe & International				
Bags & Specialities	113	106	190	–
Uncoated Fine Paper	94	104	1	57
Corrugated	82	75	102	–
Sub-total	289	285	293	57
South Africa				
Uncoated Fine Paper	34	34	–	4
Corrugated	7	10	–	–
Sub-total	41	44	–	4
Mondi Packaging South Africa	25	18	–	–
Merchant and Newsprint businesses	17	20	–	–
Corporate and other businesses	1	2	–	–
Total	**373**	368	**293**	61

Secondary reporting format – by geographical segment

The Group's geographical analysis of revenue, allocated based on the country in which the customer is located, is presented as follows:

	Revenue	
€ million	**2008**	2007
Subsidiaries and joint ventures		
South Africa	616	618
Rest of Africa	251	213
Western Europe	2,932	3,162
Eastern Europe	1,326	1,148
Russia	430	421
North America	183	194
South America	31	29
Asia and Australia	576	484
Total	**6,345**	6,269

Additional disclosure of secondary segmental information of revenue by origin is presented as follows:

	Revenue	
€ million	**2008**	2007
Subsidiaries and joint ventures		
South Africa	1,015	995
Rest of Africa	15	12
Western Europe	2,772	2,840
Eastern Europe	1,691	1,615
Russia	569	546
North America	120	121
Asia and Australia	163	140
Total	**6,345**	6,269

2 Segmental information (continued)

The Group's geographical analysis of segment assets, liabilities and capital expenditure, allocated based on where assets and liabilities are located, is presented as follows:

	Segment assets		Segment liabilities		Net segment assets		Capital expenditure	
€ million	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Subsidiaries and joint ventures								
South Africa	1,195	1,444	(152)	(139)	1,043	1,305	92	186
Rest of Africa	11	19	(1)	(5)	10	14	1	1
Western Europe	1,993	2,376	(392)	(546)	1,601	1,830	96	208
Eastern Europe	1,700	1,855	(190)	(144)	1,510	1,711	357	263
Russia	618	446	(33)	(27)	585	419	263	65
North America	86	112	(11)	(20)	75	92	2	3
Asia and Australia	136	126	(34)	(45)	102	81	5	10
Total	**5,739**	6,378	**(813)**	(926)	**4,926**	5,452	**816**	736

3 (Loss)/profit from continuing operations

€ million	**2008**	2007
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (see note 12)	364	363
Amortisation of intangible assets (see note 11)	9	5
Rentals under operating leases	71	31
Research and development expenditure	10	9
Restructuring/closure costs (excluding special items)	7	28
Operating special items (see note 5)	358	77
Net foreign currency (gains)/losses (see note 7)	(7)	4
Green energy sales and disposal of emissions credits	(53)	(42)
Fair value gains on forestry assets (see note 13)	(46)	(32)
Felling costs (see note 13)	43	51
(Profit)/loss on disposal of property, plant and equipment	(6)	1

Total revenue, as defined under IAS 18, 'Revenue', consisting of Group revenue, sale of green energy and disposal of emissions credits, interest income and dividend income, was €6,421 million (2007: €6,335 million).

An analysis of auditors' remuneration is presented as follows:

	2008			2007		
€ million	**UK**	**Other**	**Total**	UK	Other	Total
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual accounts and the Group consolidation	0.4	0.2	0.6	0.4	0.2	0.6
Fees payable to the auditors and their associates for other services to the Group						
– The audit of Mondi Limited's and Mondi plc's subsidiaries pursuant to legislation	0.3	3.4	3.7	0.4	3.1	3.5
Total audit fees	**0.7**	**3.6**	**4.3**	0.8	3.3	4.1
– Other services pursuant to legislation	0.1	0.1	0.2	0.1	0.1	0.2
– Tax services						
– tax advisory	0.1	0.7	0.8	0.2	0.7	0.9
– tax compliance	–	–	–	–	0.2	0.2
– Other services	0.3	0.4	0.7	0.1	0.4	0.5
Total non-audit fees	0.5	1.2	1.7	0.4	1.4	1.8
Total fees	**1.2**	**4.8**	**6.0**	1.2	4.7	5.9

In 2007, fees payable to the auditors in their role as reporting accountants on the demerger from Anglo American plc, which have been recognised directly in equity, amounted to €0.6 million for work carried out in the UK and €nil for 'Other'.

4 Employee numbers and costs

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

(hundreds)	**2008**	2007
By business segment		
Europe & International		
Bags & Specialities	85	83
Uncoated Fine Paper	104	116
Corrugated	76	82
Sub-total	265	281
South Africa		
Uncoated Fine Paper	18	18
Corrugated	2	1
Sub-total	20	19
Mondi Packaging South Africa	36	35
Merchant and Newsprint businesses	12	12
Corporate and other businesses	1	1
Total	**334**	348

The principal locations of employment were:

(hundreds)	**2008**	2007
South Africa and rest of Africa	59	57
Western Europe	88	92
Eastern Europe	76	81
Russia	98	103
North America	7	9
Asia and Australia	6	6
Total	**334**	348

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

€ million	**2008**	2007
Within operating costs		
Wages and salaries	744	735
Social security costs	151	143
Post-retirement medical plan costs (see note 25)	–	1
Defined contribution pension plan costs (see note 25)	15	18
Defined benefit pension plan costs (see note 25)	7	3
Share-based payments[1] (see note 29)	9	6
Sub-total	**926**	906
Within operating special items		
Accelerated charge on Anglo American plc share-based award schemes (see note 5)	–	8
Demerger arrangements (see note 5)	9	9
Personnel costs relating to restructuring (see note 5)	32	–
Sub-total	**41**	17
Within net finance costs		
Post-retirement medical plan costs (see note 25)	5	5
Defined benefit pension plan costs (see note 25)	3	1
Sub-total	**8**	6
Total	**975**	929

Note:
1 Includes €nil incurred in respect of Anglo American plc share award and share option schemes during the pre-demerger period (2007: €2 million) and €9 million incurred in respect of the Group's share award schemes post demerger (2007: €4 million), see note 29 for further details.

Notes to the combined and consolidated financial statements
continued

4 Employee numbers and costs (continued)

Compensation for the Boards and key management[1]

€ million	2008	2007
Salaries and short-term employee benefits	5.6	7.2
Non-executive directors	1.3	1.3
Post-employment benefits	1.0	1.0
Termination payments	1.4	2.6
Social security	0.5	0.6
Share-based awards	2.3	1.2
Costs associated with de-merger[2]	4.5	7.1
Total	**16.6**	21.0

Notes:
1 In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both executive and non-executive) of Mondi Limited and Mondi plc.
2 Costs associated with the demerger from Anglo American plc include charges of €4.5 million (2007: €4.3 million) associated with share awards arising as a result of the demerger (demerger share awards, transitional awards and Co-Investment Plan). For the year ended 31 December 2007 additional costs were incurred for social security associated with the vesting of Anglo American plc shares of €1.4 million and one-off cash bonuses of €1.4 million for the demerger from Anglo American plc.

5 Special items

€ million	2008	2007
Operating special items		
Asset impairments		
Bags & Specialities (Europe & International)	(70)	–
Uncoated Fine Paper (Europe & International)	(1)	(57)
Corrugated (Europe & International)	(28)	–
Uncoated Fine Paper (South Africa)	–	(4)
Total asset impairments	**(99)**	(61)
Restructuring and closure costs		
Bags & Specialities (Europe & International)	(8)	–
Uncoated Fine Paper (Europe & International)	(15)	–
Corrugated (Europe & International)	(1)	–
Total restructuring and closure costs	**(24)**	–
Goodwill impairments		
Bags & Specialities (Europe & International)	(120)	–
Corrugated (Europe & International)	(74)	–
Total goodwill impairments (see note 11)	**(194)**	–
Mondi Packaging South Africa negative goodwill	–	1
Demerger arrangements	(9)	(9)
Personnel costs relating to restructuring		
Bags & Specialities (Europe & International)	(18)	–
Uncoated Fine Paper (Europe & International)	(8)	–
Corrugated (Europe & International)	(6)	–
Accelerated charge on Anglo American plc share-based award schemes	–	(8)
Total operating special items	**(358)**	(77)

5 Special items (continued)

€ million	**2008**	2007
(Loss)/profit on disposals		
Disposal of Niedergösgen	(16)	–
Disposal of Mondi Packaging Emball SAS	(8)	–
Disposal of UK Sheetfeeders	(3)	–
Disposal of partial interest in Mondi Packaging Paper Świecie S.A.	–	57
Disposal of Bischof + Klein GmbH	–	19
Sale of other businesses	–	7
Net (loss)/profit on disposal	**(27)**	83
Asset impairment of assets held for sale	(2)	–
Financing cost	–	(29)
Total non-operating special items	**(29)**	54
Total special items before tax and minority interests	**(387)**	(23)
Taxation	4	15
Total special items attributable to equity holders	**(383)**	(8)

Year ended 31 December 2008

Operating special items

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

Bags & Specialities

Significant 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 €26 million, and asset impairment costs of €70 million. Management has also impaired goodwill by €120 million.

Uncoated Fine Paper

Management has closed and restructured operations resulting in costs of €23 million, and asset impairment costs of €1 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 €7 million and asset impairment costs of €28 million. The business has suffered from price erosion due to a combination of overcapacity and slowing demand, and has impaired goodwill of €74 million.

Demerger arrangements

Equity-settled demerger arrangements for senior management have also resulted in additional share-based payments of €9 million. It is expected that a further and final €5 million will be incurred by the Group in respect of senior management demerger arrangements over the period ending 3 July 2009.

Non-operating special items

The Group disposed of 100% of its interest in Niedergösgen on 31 December 2008 for a consideration of approximately €19 million at a loss on disposal of €16 million. The Group also disposed of its interest in Mondi Packaging Emball SAS for a consideration of approximately €4 million at a loss of €8 million on 1 December 2008 and UK Sheetfeeders for a consideration of approximately €21 million at a loss of €3 million on 12 May 2008. The Group impaired the €2 million assets of Île de France that is reflected as held for sale on the balance sheet.

Year ended 31 December 2007

Operating special items

In view of the Uncoated Fine Paper (UFP) market dynamics, which saw sustained high pulp prices and a weak US dollar, with resultant trade flows impacting European operating rates, management decided to decrease the Group's European UFP operating capacity and reduced costs by simplifying the Group's European UFP operations. The resultant impairments totalled €57 million. An impairment of the carbonless plant in South Africa of €4 million, resulting from a decline in the market for carbonless paper, was also recognised. The fair value exit charge on Anglo American plc share award and share option schemes, resulting from the demerger from Anglo American plc, totalled €8 million. Equity-settled demerger arrangements for senior management resulted in an additional share-based payments charge of €9 million.

Non-operating special items

The Group disposed of 5.3% of its interest in Mondi Packaging Paper Świecie S.A., a subsidiary in which the Group retains control, on 15 May 2007 for consideration of €66 million and a profit of €57 million. The Group sold its entire interest in Bischof + Klein GmbH, formerly an associate entity of the Group, on 22 February 2007 for consideration of €54 million and a profit of €19 million. Corrugated converting operational assets held for sale as at 31 December 2006 were disposed of in January 2007. The profit on disposal of these operations was €7 million. A one-off finance cost of €29 million resulted from a financing arrangement closed out in South Africa as part of the demerger from Anglo American plc.

Notes to the combined and consolidated financial statements
continued

6 Net finance costs

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

€ million	**2008**	2007
Investment income		
Interest income		
Bank deposits, loan receivables and other	22	22
Available for sale investments	–	1
Past due receivables	1	1
Total interest income	23	24
Expected return on defined benefit arrangements (see note 25)	20	22
Foreign currency losses (see note 7)	(28)	(2)
Impairment of financial assets (excluding trade receivables)	(1)	–
Other financial income	1	–
Total investment income	**15**	44
Financing costs		
Interest expense		
Interest on bank overdrafts and loans	(169)	(119)
Interest on obligations under finance leases	(1)	(1)
Interest on defined benefit arrangements (see note 25)	(28)	(28)
Total interest expense	(198)	(148)
Other		
Net gains on held for trading interest rate swaps (see note 22)	–	2
Net losses arising on derivatives in a designated fair value hedge accounting relationship (see note 22)	–	(1)
Total other	–	1
Less: interest capitalised (see note 12)	24	4
Total financing costs prior to special items	**(174)**	(143)
Special items financing cost (see note 5)	–	(29)
Total financing costs after special items	**(174)**	(172)
Net finance costs	**(159)**	(128)

The weighted average interest rate applicable to interest on general borrowings capitalised for the year ended 31 December 2008 is 13.0% (2007: 8.4%), mainly related to loans in Poland and Russia.

7 Foreign exchange

The amounts (charged)/credited to the combined and consolidated income statement are presented as follows:

€ million	**2008**	2007
Included in operating profit		
Foreign currency gains/(losses)	7	(11)
Fair value gains on forward foreign exchange contracts (see note 22)	–	7
Net operating foreign currency gains/(losses)	**7**	(4)
Included in net financing costs		
Foreign currency (losses)/gains (see note 6)	(28)	4
Fair value losses on forward foreign exchange contracts (see note 22)	–	(6)
Net financing foreign currency losses	**(28)**	(2)
Net foreign currency losses	**(21)**	(6)

8 Taxation charge

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

€ million	**2008**	2007
UK corporation tax at 28.5% (2007: 30%)	(5)	(1)
Overseas taxation	66	89
Current tax (excluding tax on special items)	**61**	88
Deferred tax in respect of the current period (excluding tax on special items)	30	29
Deferred tax in respect of prior period over provision	(9)	–
Total tax charge before special items	**82**	117
Current tax on special items	(2)	(1)
Deferred tax on special items	(2)	(14)
Total tax credit on special items	(4)	(15)
Total tax charge	**78**	102

(b) Factors affecting tax charge for the year

The Group's effective rate of taxation before special items for the year ended 31 December 2008, which includes taxation on net income from associates, is 29% (2007: 29%).

The Group's total tax charge for the year can be reconciled to the tax on the Group's (loss)/profit before tax at the UK corporation tax rate of 28.5% (2007: 30%), as follows:

€ million	**2008**	2007
(Loss)/profit before tax	(103)	382
Tax on (loss)/profit before tax calculated at UK corporation tax rate of 28.5% (2007: 30%)	(29)	115
Tax effect of net income from associates, calculated at 28.5% (2007: 30%)	(1)	(1)
Tax effects of:		
Expenses not deductible for tax purposes		
Intangible amortisation and non-qualifying depreciation	(8)	(8)
Non-deductible expenses included in special items	80	11
Other non-deductible expenses	14	18
Non-taxable income		
Profits and losses on disposals	–	(27)
Other non-taxable income	–	(2)
Temporary difference adjustments		
Changes in tax rates[1]	(8)	(8)
Current year tax losses and other temporary differences not recognised	55	41
Prior period tax losses and other temporary differences not previously recognised	(9)	–
Other adjustments		
Current tax prior period adjustments	–	3
South African Secondary Tax on Companies	3	1
Effect of differences between local rates and UK rate	(22)	(28)
Other adjustments	3	(13)
Tax charge for the year	**78**	102

Note:
1 Principally relates to adjustments made to deferred tax balances based on publicly announced future reductions in corporation tax rates in Russia and South Africa (2007: relates to reductions in corporation tax rates in the Czech Republic and the UK).

IAS 1 requires income from associates to be presented net of tax on the face of the combined and consolidated income statement. The associates' tax is no longer included within the Group's total tax charge. Associates' tax charge included within 'Net income from associates' for the year ended 31 December 2008 is €1 million (2007: €1 million).

Notes to the combined and consolidated financial statements
continued

9 Dividends

Dividends paid to the equity holders of Mondi Limited and Mondi plc are presented on a combined basis. Dividends paid to the Group's former parent, Anglo American plc, during the pre-demerger period in 2007, together with dividends paid to minority interests, are analysed separately.

€ million	**2008**	2007
Current year interim dividend	**38**	38
Final dividend proposed for year ended 31 December 2008[1]	**26**	80
Paid to Anglo American plc group companies (see note 26)	–	202
Dividend in specie to Anglo American group companies (see note 26)	–	32
Paid to minority interests	20	47

Note:
1 The dividend proposed is subject to approval by shareholders at the annual general meetings of Mondi Limited and Mondi plc scheduled for 7 May 2009 and therefore has not been included as a liability in the Group's combined and consolidated balance sheet.

€ cents per share	**2008**	2007
Interim dividend paid	**7.7**	7.3
Final dividend proposed	**5.0**	15.7
Total dividends paid and proposed	**12.7**	23.0

10 Earnings per share

For 2007, the Group was not a stand-alone entity prior to the demerger date on 2 July 2007. The number of ordinary shares issued on Admission was retrospectively applied to the comparative period, so that a meaningful comparison can be made.

€ cents per share	**2008**	2007
(Loss)/profit for the financial year attributable to equity-holders		
Basic EPS	**(41.6)**	45.4
Diluted EPS	**(41.6)[3]**	45.1

Underlying earnings for the financial year[1]		
Basic EPS	**33.9**	46.9
Diluted EPS	**33.4**	46.7

Headline earnings for the financial year[2]		
Basic EPS	**20.3**	39.5
Diluted EPS	**20.0**	39.3

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 Circular8/2007, '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.

	Earnings	
€ million	**2008**	2007
(Loss)/profit for the financial year attributable to equity holders	**(211)**	233
Special items: operating	358	77
Net loss/(profit) on disposals	27	(83)
Impairment of assets held for sale	2	–
Special items: financing costs	–	29
Related tax	(4)	(15)
Underlying earnings	**172**	241
(Profit)/loss on disposal of tangible fixed assets	(6)	1
Special items: financing costs	–	(29)
Special items: demerger arrangements	(9)	(9)
Special items: accelerated charges on exiting Anglo American plc share and option schemes	–	(8)
Special items: restructuring and closure cost	(56)	–
Related tax	2	7
Headline earnings	**103**	203

	Number of shares	
million	**2008**	2007
Basic number of ordinary shares outstanding[1]	**507**	513
Effect of dilutive potential ordinary shares[2]	8	4
Diluted number of ordinary shares outstanding	**515**	517

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.

Notes to the combined and consolidated financial statements
continued

11 Intangible assets

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

€ million	2007 Goodwill	2007 Licences and other intangibles[2]	2007 Total
Cost			
At 1 January	499	57	556
Acquired through business combinations[1]	119	24	143
Additions	–	4	4
Disposal of assets	–	(9)	(9)
Currency movements	(2)	(1)	(3)
At 31 December	616	75	691
Accumulated amortisation and impairment			
At 1 January	134	41	175
Charge for the year	–	5	5
Disposal of assets	–	(9)	(9)
At 31 December	134	37	171
Net book value at 31 December	482	38	520

Notes:
1 The increase in goodwill relates to the excess of the purchase price of subsidiaries acquired over the provisional fair value of their net assets and an adjustment of €7 million (2007: €1 million) to the provisionally stated goodwill previously reported as at 31 December 2007 and as at 31 December 2006 respectively (see note 30).
2 Licences and other intangibles mainly relate to software development costs, and customer relationships and contractual arrangements capitalised as a result of business combinations.

11 Intangible assets (continued)

Impairment tests for goodwill

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

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three year period that are based on latest forecasts for revenue and cost as approved by the Boards. Cash flow projections beyond three years are based on internal management forecasts and assume a growth rate not exceeding gross domestic product for the respective countries. Pre-tax cash flow projections are discounted using a real pre-tax discount rate of 8.86% (2007: 9.86%), adjusted by 0%-3% reflecting the economic and political risks of the specific location that are not reflected in the underlying cash flows specific to each CGU. Zero percent real growth rates are assumed in perpetuity for most of the businesses given the commodity nature of the majority of the products (i.e. volume growth is assumed to be offset by real price declines). In certain of the Europe & International cash-generating units, negative growth rates are assumed, in line with long-term growth forecasts for the relevant product segments. Perpetuity maintenance capital expenditure has been assumed at 60% of depreciation. In accordance with the methodology required by IAS 36, the impact of the major capex projects in Poland and Russia have been excluded from the discounted cash flow analysis in calculating the value-in-use. Similarly, they have been excluded from the carrying value of the relevant cash-generating units. These projects are expected to be commissioned during the second half of 2009 and 2010 respectively. The assumptions utilised in calculating value-in-use have considered the current economic environment, resulting in a more conservative estimate regarding future value.

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

Due to the current global economic slowdown and operating conditions created by the financial crisis, the following impairments of goodwill have been recognised in the year ended 31 December 2008:

€ million	**2008**	2007
Europe & International		
Corrugated Converting and Recycled Containerboard	74	–
Kraft Paper	50	–
Consumer Flexibles	30	–
Bag Converting	20	–
Coating and Release	20	–
Total goodwill impairments	**194**	–

Carrying value of goodwill at balance sheet date is as follows:

€ million	**2008**	2007
Europe & International		
Virgin Containerboard	–	–
Corrugated Converting and Recycled Containerboard	–	80
Kraft Paper	83	133
Bag Converting	54	66
Consumer Flexibles	17	47
Coating and Release	19	36
Uncoated Fine Paper	37	38
Sub-total	210	400
South Africa		
Corrugated Paper	–	–
Uncoated Fine Paper	–	–
Sub-total	–	–
Mondi Packaging South Africa	61	70
Merchant and Newsprint businesses		
Europapier	12	12
Shanduka Newsprint	–	–
Aylesford	–	–
Total goodwill	**283**	482

Notes to the combined and consolidated financial statements
continued

12 Property, plant and equipment

€ million	Land and buildings	Plant and equipment	Other[1]	Total
	2008			
Cost				
At 1 January	1,425	5,486	628	7,539
Acquired through business combinations[2]	10	17	–	27
Additions	20	66	668	754
Disposal of assets	(11)	(65)	(18)	(94)
Disposal of businesses[3]	(36)	(75)	(5)	(116)
Other reclassifications	24	163	(274)	(87)
Currency movements	(80)	(414)	(98)	(592)
At 31 December	**1,352**	**5,178**	**901**	**7,431**
Accumulated depreciation				
At 1 January	559	2,997	252	3,808
Charge for the year	36	295	33	364
Impairments[4]	14	75	17	106
Disposal of assets	(8)	(48)	(15)	(71)
Disposal of businesses[3]	(9)	(48)	(2)	(59)
Other reclassifications	–	(93)	3	(90)
Currency movements	(26)	(202)	(10)	(238)
At 31 December	**566**	**2,976**	**278**	**3,820**
Net book value at 31 December	**786**	**2,202**	**623**	**3,611**

Notes:
1 Other includes €540 million of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.
2 See note 30.
3 See note 31.
4 This includes €99 million asset impairments reflected as a special item and €7 million of other impairments.

€ million	Land and buildings	Plant and equipment	Other[1]	Total
	2007			
Cost				
At 1 January	1,343	5,273	624	7,240
Acquired through business combinations[2]	64	80	20	164
Additions	25	146	254	425
Disposal of assets	(13)	(88)	(48)	(149)
Disposal of businesses[3]	(1)	(6)	(1)	(8)
Other reclassifications	24	183	(211)	(4)
Currency movements	(17)	(102)	(10)	(129)
At 31 December	1,425	5,486	628	7,539
Accumulated depreciation				
At 1 January	534	2,797	250	3,581
Charge for the year	33	289	41	363
Impairment	11	42	4	57
Disposal of assets	(9)	(77)	(38)	(124)
Disposal of businesses[3]	–	(5)	(1)	(6)
Other reclassifications	(4)	3	(3)	(4)
Currency movements	(6)	(52)	(1)	(59)
At 31 December	559	2,997	252	3,808
Net book value at 31 December	866	2,489	376	3,731

Notes:
1 Other includes €272 million of assets in the course of construction, which are not yet depreciated in accordance with the accounting policy set out in note 1.
2 See note 30.
3 See note 31.

12 Property, plant and equipment (continued)

Included in the cost above is €24 million of interest (2007: €4 million) incurred on qualifying assets which has been capitalised during the year. Aggregate interest capitalised included in the cost above totals €57 million (2007: €33 million). Tax relief on interest capitalised is based on the tax rates prevailing in the jurisdiction in which the interest is incurred.

The net book value and depreciation charges relating to assets held under finance leases amount to €8 million (2007: €15 million) and €1 million (2007: €2 million) respectively. The Group's obligations under finance leases (see note 21) are secured by the lessors' title to the leased assets.

The net book value of land and buildings comprises:

€ million	**2008**	2007
Freehold	783	839
Leasehold – long	–	1
Leasehold – short (less than 50 years)	3	26
Total land and buildings	**786**	866

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

13 Forestry assets

€ million	**2008**	2007
At 1 January	224	221
Capitalised expenditure	37	37
Fair value gains[1]	46	32
Felling costs	(43)	(51)
Acquisition of assets	6	5
Disposal of assets	(1)	(1)
Currency movements	(55)	(19)
At 31 December	**214**	224

Note:
1 Forestry assets are revalued to fair value less estimated point of sale costs each reporting year in accordance with the accounting policy set out in note 1. The fair value is calculated on the basis of future expected cash flows discounted using a discount rate relevant in the local countries, based on a pre-tax real yield on long-term bonds over the last five years.

Forestry assets comprise forests with the maturity profile disclosed in the table below:

€ million	**2008**	2007
Mature	92	114
Immature	122	110
Total forestry assets	**214**	224

Notes to the combined and consolidated financial statements
continued

14 Investments in associates

€ million	2008	2007
At 1 January	6	7
Net income from associates	2	2
Dividends received	(2)	(1)
Other	(1)	(2)
At 31 December	**5**	**6**

The Group's total investment in associates comprises:

€ million	2008	2007
Equity[1]	5	6
Total investment in associates	**5**	6

Note:
1 At 31 December 2008, there is €0.4 million of goodwill in respect of associates (2007: €0.5 million).

The Group's share of the summarised financial information of principal associates, all of which are unlisted, is as follows:

€ million	2008	2007
Total non-current assets	1	4
Total current assets	10	12
Total current liabilities	(5)	(7)
Total non-current liabilities	(1)	(3)
Share of associates' net assets[1]	**5**	6
Total revenue	29	66
Total operating costs	(26)	(63)
Income tax expense	(1)	(1)
Share of associates' profit for the financial year	**2**	2

Note:
1 There are no material contingent liabilities for which the Group is jointly or severally liable at the balance sheet dates presented.

15 Joint ventures

The Group's share of the summarised financial information of joint venture entities that are proportionately consolidated in the Group's combined and consolidated financial statements, is presented as follows:

€ million	2008	2007
Total non-current assets	125	171
Total current assets	46	51
Total current liabilities	(48)	(43)
Total non-current liabilities	(50)	(77)
Share of joint venture entities' net assets, proportionately consolidated[1]	**73**	102
Revenue	146	169
Total operating costs	(143)	(138)
Net finance costs	(3)	(5)
Income tax expense	(2)	(7)
Share of joint venture entities' (loss)/profit for the financial year	**(2)**	19

Note:
1 There is an unrecognised contingent liability in respect of guarantees issued of €31,071 (2007: €nil) at the balance sheet date. There are no significant capital commitments at the balance sheet dates presented.

Details of principal joint ventures are set out in note 40.

16 Financial asset investments

Financial asset investments held by the Group are accounted for using the available for sale and loans and receivables categories, as defined by IAS 39, 'Financial Instruments: Recognition and Measurement', and in accordance with the Group accounting policy set out in note 1. All financial asset investments are non-current as the repayment terms are greater than one year.

€ million	**Loans and receivables**[1]	**Available for sale investments**[2]	**Total**
At 1 January 2008	6	19	25
Movements in fair value	–	(1)	(1)
Additions	2	–	2
Repayments – other	(1)	–	(1)
Disposals	–	(1)	(1)
Impairments	–	(1)	(1)
Currency movements	(2)	(2)	(4)
At 31 December 2008	**5**	**14**	**19**

€ million	Loans and receivables[1]	Available for sale investments[2]	Total
At 1 January 2007	18	21	39
Movements in fair value	–	(1)	(1)
Acquired through business combinations[3]	–	3	3
Additions	16	1	17
Repayments from related parties	(15)	–	(15)
Repayments – other	(6)	–	(6)
Disposals	–	(5)	(5)
Reclassifications	1	–	1
Currency movements	(8)	–	(8)
At 31 December 2007	6	19	25

Notes:
1 Loans and receivables are held at amortised cost in accordance with the accounting policy set out in note 1.
2 Available for sale investments are held at fair value in accordance with the accounting policy set out in note 1.
3 See note 30.

17 Inventories

€ million	**2008**	2007
Raw materials and consumables	318	377
Work in progress	66	62
Finished products	300	321
Total inventories	**684**	760

Of the total carrying value of inventories as at 31 December 2008, €90 million (2007: €41 million) is held at net realisable value. The write-downs of inventories to net realisable value, recognised as an expense for the year ended 31 December 2008, totals €21 million (2007: €10 million). The aggregate reversal of previous write-downs, recognised as a reduction in the amount of inventories expensed for the year ended 31 December 2008, totals €2 million (2007: €1 million). The cost of inventories recognised as an expense for the year ended 31 December 2008 totals €2,853 million (2007: €2,806 million).

Notes to the combined and consolidated financial statements
continued

18 Trade and other receivables

€ million	2008	2007
Trade receivables (a)	941	1,154
Allowance for doubtful debts (b)	(50)	(37)
Net trade receivables	891	1,117
Other receivables	197	172
Prepayments and accrued income	16	15
Total trade and other receivables[1]	**1,104**	1,304

Note:
1 Includes non-current trade and other receivables of €4 million (2007: €5 million).

The fair values of trade and other receivables are not materially different to the carrying values presented.

(a) Trade receivables: credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 38. Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established in, the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of these impaired trade receivables as at the reporting date is €71 million (2007: €54 million) and the associated aggregate impairment is €50 million (2007: €37 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €87 million (2007: €103 million) which are past due but not impaired as at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact. An ageing analysis of these past due trade receivables is provided as follows:

	Trade receivables past due by				
€ million	Less than 1 month	1-2 months	2-3 months	More than 3 months	Total
Carrying value at 31 December 2008	**57**	**15**	**6**	**9**	**87**
Carrying value at 31 December 2007	56	18	15	14	103

Included within the Group's aggregate trade receivables balances are debtor balances with customers totalling €8 million (2007: €3 million) where contractual terms have been renegotiated to extend the credit period offered. The Group believes that these balances are fully recoverable and therefore no impairment loss has been recognised.

The Group has entered into certain debt factoring arrangements in which the financial counterparties retain recourse in the event of debtor default. Accordingly, the Group continues to recognise the underlying trade receivables transferred until cash settlement occurs. A concurrent financing liability is also recognised in respect of the obligation to transfer economic benefit to financial counterparties. At the reporting date, trade receivables with a value of €1 million (2007: €1 million) are subject to such factoring arrangements and an associated financial liability of €1 million (2007: €1 million) has been recognised.

(b) Movement in the allowance account for bad and doubtful debts

€ million	2008	2007
At 1 January	37	43
Amounts written off and recovered during the year	2	(7)
Increase in allowance recognised in profit or loss	15	3
Reclassifications	(1)	(1)
Currency movements	(3)	(1)
At 31 December	**50**	37

19 Financial assets

The carrying amounts of the Group's financial assets are presented as follows:

€ million	**2008**	2007
Trade and other receivables[1]	1,104	1,304
Cash and cash equivalents[1]	155	180
Financial asset investments[2]	19	25
Derivative assets[3]	73	17
Total financial assets	**1,351**	1,526

Notes:
1 The fair values of trade and other receivables, and cash and cash equivalents, are not materially different to the carrying values presented.
2 The fair values of available for sale investments represent the published prices of the securities concerned (2008: €14 million, 2007: €19 million). Loans and receivables are held at amortised cost (2008: €5 million, 2007: €6 million).
3 Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments (see note 22).

20 Trade and other payables

€ million	**2008**	2007
Trade payables	462	577
Amounts owed to related parties	1	–
Taxation and social security	56	63
Other payables	171	149
Accruals and deferred income	345	361
Total trade and other payables	**1,035**	1,150

The fair values of trade and other payables are not materially different to the carrying values presented.

21 Borrowings

	2008			2007		
€ million	**Current**	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Bank loans and overdrafts	63	140	203	81	269	350
Other loans	–	–	–	1	4	5
Obligations under finance leases	4	20	24	5	21	26
Total secured	**67**	**160**	**227**	87	294	381
Unsecured						
Bank loans and overdrafts	298	1,124	1,422	346	893	1,239
Other loans	13	183	196	20	47	67
Total unsecured	**311**	**1,307**	**1,618**	366	940	1,306
Total borrowings	**378**	**1,467**	**1,845**	453	1,234	1,687

The maturity analysis of the Group's borrowings, presented on an undiscounted future cash flows basis, is included as part of a review of the Group's liquidity risk within note 38.

Notes to the combined and consolidated financial statements
continued

21 Borrowings (continued)

Obligations under finance leases

The maturity of obligations under finance leases is:

€ million	**2008**	2007
Not later than one year	5	6
Later than one year but not more than five years	14	15
More than five years	12	13
Future value of finance lease liabilities	31	34
Future finance charges	(7)	(8)
Present value of finance lease liabilities	**24**	26

Financing facilities

The Group has two principal loan arrangements. These were initially drawn down to refinance existing debt obligations outstanding to the Anglo American plc group prior to demerger.

€1.55 billion Syndicated Revolving Credit Facility (UKRCF)
The UKRCF is a five year multi-currency revolving credit facility which was signed on 22 June 2007. Interest is charged on the balance outstanding at a market-related rate linked to LIBOR. The Group uses interest rate swaps to limit its exposure to adverse movements in LIBOR (see note 38).

ZAR 2 billion Term Loan Facility (SATF)
The SATF is a South African rand three year amortising term loan which was signed and drawn down on 4 May 2007. Interest is charged on the balance outstanding at a market-related rate linked to JIBAR. The Group uses interest rate swaps to limit its exposure to adverse movements in JIBAR (see note 38).

The Group's borrowings are analysed by nature and source currency as follows:

€ million	**Floating rate borrowings**	**Fixed rate borrowings**	**Non-interest bearing borrowings**	**Total carrying value**	**Fair value**
As at 31 December 2008					
Euro	996	256	2	1,254	1,248
South African rand	338	38	11	387	387
Sterling	7	–	–	7	7
US dollar	11	25	–	36	38
Other currencies	88	73	–	161	162
Carrying value	**1,440**	**392**	**13**	**1,845**	
Fair value	**1,440**	**390**	**12**		**1,842**

€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
As at 31 December 2007					
Euro	781	279	2	1,062	1,055
South African rand	406	50	10	466	463
Sterling	1	–	–	1	1
US dollar	10	25	–	35	37
Other currencies	85	38	–	123	121
Carrying value	1,283	392	12	1,687	
Fair value	1,283	382	12		1,677

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group has pledged certain financial assets as collateral against certain borrowings. The fair value of these assets as at 31 December 2008 is €344 million (2007: €16 million). The Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

22 Derivative financial instruments

€ million	As at 31 December 2008			As at 31 December 2007		
	Asset	**Liability**	**Notional amount**	Asset	Liability	Notional amount
Current derivatives						
Held for trading[1]						
Forward foreign currency contracts[2]	65	(6)	964	9	(3)	949
Interest rate swaps	–	(3)	414	1	–	90
Total held for trading	65	(9)	1,378	10	(3)	1,039
Cash flow hedges						
Forward foreign currency contracts	8	(19)	244	7	–	268
Interest rate swaps	–	(1)	150	–	–	–
Commodity price derivatives	–	(9)	22	–	–	–
Total cash flow hedges	8	(29)	416	7	–	268
Total current derivative financial instruments	**73**	**38**	**1,794**	17	(3)	1,307
Non-current derivatives						
Cash flow hedges						
Forward foreign exchange contracts	–	–	1	–	–	–
Interest rate swaps	–	(24)	638	–	(2)	451
Commodity price derivatives	–	(10)	13	–	–	–
Total cash flow hedges	–	(34)	652	–	(2)	451
Held for trading						
Call option[3]	–	(5)	5	–	–	–
Total non-current derivative financial instruments	**–**	**(39)**	**657**	–	(2)	451

Notes:
1 At 31 December 2008, there were €nil held for trading derivative assets or held for trading derivative liabilities, classified as current in accordance with IAS 1, 'Presentation of Financial Statements', which are due to mature after more than one year (2007: €nil held for trading derivative assets and €nil held for trading derivative liabilities).
2 Of the €964 million (2007: €949 million) aggregate notional amount presented, €716 million (2007: €602 million) relates to the economic hedging of foreign exchange exposures on short-term intercompany funding balances, which are fully eliminated on consolidation.
3 Mondi Packaging South Africa has a call option to purchase a minority interest within the next two to eight years. The call option was valued based on an EBITDA multiple multiplied by the forecasted EBITDA for the next eight years discounted back to present value.

The notional amounts presented represent the aggregate face value of all foreign exchange contracts, interest rate swaps, commodity price derivatives and call options outstanding at the year end. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Group's exposure to credit or market risks. Note 38 provides an overview of the Group's management of financial risks through the selective use of derivative financial instruments and also includes a presentation of the undiscounted future contractual cash flows of the derivative contracts outstanding at the reporting date.

Notes to the combined and consolidated financial statements
continued

22 Derivative financial instruments (continued)

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) recycled from the cash flow hedge reserve during the year and matched against the realisation of hedged risks in the combined and consolidated income statement were as follows:

€ million	**2008**	2007
Group revenue	12	(16)
Other net operating expenses	–	(1)
Total	**12**	(17)

The fair value gains/(losses) recycled from the cash flow hedge reserve during the year and matched against the realisation of hedged risks within non-current non-financial assets were as follows:

€ million	**2008**	2007
Property, plant and equipment	2	–
Total	**2**	–

The total ineffectiveness recognised in profit and loss that has arisen on cash flow hedges in the year is €nil (2007: €nil).

Held for trading derivatives

€ million	**2008**	2007
Net fair value gains on forward foreign exchange contracts	–	1
Net fair value gains on interest rate swaps	–	2
Net fair value gains on held for trading derivatives	**–**	3

23 Provisions

€ million	**Restoration and environmental**	**Decommis-sioning**	**Acquired contingent liabilities**	**Other**	**Total**
At 1 January 2008	15	–	5	44	64
Charged to combined and consolidated income statement[1]	–	–	–	11	11
Acquired through business combinations[2]	–	–	(2)	–	(2)
Reclassifications	–	–	–	15	15
Released to combined and consolidated income statement	–	–	(1)	(1)	(2)
Amounts applied	(2)	–	–	(14)	(16)
Currency movements	(1)	–	(1)	(4)	(6)
At 31 December 2008	**12**	**–**	**1**	**51**	**64**

€ million	Restoration and environmental	Decommis-sioning	Acquired contingent liabilities	Other	Total
At 1 January 2007	7	9	–	32	48
Charged to combined and consolidated income statement[1]	–	–	–	17	17
Acquired through business combinations[2]	–	–	5	2	7
Disposal of businesses[3]	–	–	–	(1)	(1)
Reclassifications	9	(9)	–	3	3
Released to combined and consolidated income statement	–	–	–	(1)	(1)
Amounts applied	–	–	–	(7)	(7)
Currency movements	(1)	–	–	(1)	(2)
At 31 December 2007	15	–	5	44	64

Notes:
1 Net of unwound discounts.
2 See note 30.
3 See note 31.

23 Provisions (continued)

Maturity analysis of total provisions on a discounted basis:

€ million	2008	2007
Current	25	14
Non-current	39	50
At 31 December	**64**	64

The restoration and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by production operations. A provision is recognised for the present value of such costs. These costs are expected to be incurred over a period in excess of 20 years.

Other provisions mainly consist of provisions for restructuring and reorganisation costs. Of these, €24 million (2007: €14 million) are due to be incurred within the next 12 months. The residual €27 million (2007: €30 million) will be incurred over a period longer than one year.

All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre-tax yield on long-term bonds over the last five years.

Acquired contingent liabilities arise from business combinations made in the prior year. See note 30.

24 Deferred tax

Deferred tax assets

€ million	2008	2007
At 1 January	32	35
Charged to the combined and consolidated income statement	(5)	(2)
Charged directly to equity	6	–
Acquired through business combinations[1]	3	2
Reclassifications	4	(1)
Currency movements	(4)	(2)
At 31 December	**36**	32

Deferred tax liabilities

€ million	2008	2007
At 1 January	(322)	(317)
Charged to the combined and consolidated income statement	(14)	(13)
Credited directly to equity	11	2
Acquired through business combinations[1]	(4)	(9)
Disposal of businesses	1	1
Reclassifications	(7)	1
Currency movements	43	13
At 31 December	**(292)**	(322)

Note:
1 See note 30.

Notes to the combined and consolidated financial statements
continued

24 Deferred tax (continued)

The amount of deferred taxation provided in the accounts is presented as follows:

€ million	2008	2007
Deferred tax assets		
Tax losses[1]	31	24
Other temporary differences	5	8
Total deferred tax assets	**36**	32
Deferred tax liabilities		
Capital allowances in excess of depreciation	313	341
Fair value adjustments	89	37
Tax losses	(48)	(56)
Other temporary differences	(62)	–
Total deferred tax liabilities	**292**	322

Notes:
1 Based on forecast data, the Group believes that there will be sufficient future taxable profits available in the relevant jurisdictions to absorb these tax losses.

The amount of deferred taxation (charged)/credited to the combined and consolidated income statement is presented as follows:

€ million	2008	2007
Capital allowances in excess of depreciation	(5)	(26)
Fair value adjustments	(37)	(3)
Tax losses	18	24
Other temporary differences	5	(10)
Total	**(19)**	(15)

The current expectation regarding the maturity of deferred tax balances is:

€ million	2008	2007
Deferred tax assets		
Recoverable within 12 months	3	6
Recoverable after 12 months	33	26
Total deferred tax assets	**36**	32
Deferred tax liabilities		
Payable within 12 months	–	–
Payable after 12 months	292	322
Total deferred tax liabilities	**292**	322

The Group has the following amounts in respect of which no deferred tax asset has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised:

€ million	2008	2007
Tax losses – revenue	955	883
Tax losses – capital	20	28
Other temporary differences	6	16
Total	**981**	927

Included in unrecognised tax losses, as at 31 December 2008, are losses of €4 million (2007: €3 million) that will expire within one year, €10 million (2007: €11 million) that will expire between one and five years, and €40 million (2007: €44 million) that will expire after five years. A further €921 million (2007: €853 million) of losses have no expiry date.

24 Deferred tax (continued)

No liability has been recognised in respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. At 31 December 2008, the aggregate amount of undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised was €3.4 billion (2007: €3.2 billion).

25 Retirement benefits

The Group operates post-retirement defined contribution and defined benefit plans for the majority of its employees. It also operates post-retirement medical arrangements in South Africa. The accounting policy for pensions and post-retirement benefits is included in note 1.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €15 million (2007: €18 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at 31 December 2008 and 31 December 2007.

Defined benefit pension plans and post-retirement medical arrangements

The majority of the post-retirement defined benefit plans are funded. The assets of these plans are held separately from those of the Group in independently administered funds, in accordance with statutory requirements or local practice throughout the world. The unfunded pension plans are principally in Europe.

The post-retirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. The majority of these plans are unfunded. There are no plan assets in respect of post-retirement medical plans.

The Group's defined benefit pension and post-retirement healthcare arrangements, for the five years ended 31 December 2008, are summarised as follows:

	2008			2007		
€ million	**Southern Africa**	**Europe**	**Total**	Southern Africa	Europe	Total
Assets						
Defined benefit plans	**–**	**–**	**–**	8	3	11
Liabilities						
Defined benefit plans (funded and unfunded)	–	132	132	–	129	129
Post-retirement medical plans	50	–	50	71	–	71
Total liabilities	**50**	**132**	**182**	71	129	200
Experience adjustments						
On plan liabilities	(14)	(3)	(17)	4	(1)	3
On plan assets	(4)	(30)	(34)	6	(2)	4
Total experience adjustments	**(18)**	**(33)**	**(51)**	10	(3)	7
Income statement charge[1]						
Defined benefit pension plan costs	–	10	10	–	4	4
Post-retirement medical plan costs	5	–	5	6	–	6
Total income statement charge	**5**	**10**	**15**	6	4	10

Note:
1 Includes service costs, past service costs and curtailments where applicable, interest payable on scheme liabilities and expected returns on scheme assets.

Notes to the combined and consolidated financial statements
continued

25 Retirement benefits (continued)

€ million	2006 Southern Africa	2006 Europe	2006 Total	2005 Southern Africa	2005 Europe	2005 Total	2004 Southern Africa	2004 Europe	2004 Total
Assets									
Defined benefit plans	5	2	7	–	1	1	–	2	2
Liabilities									
Defined benefit plans (funded and unfunded)	–	143	143	–	188	188	–	154	154
Post-retirement medical plans	77	–	77	98	–	98	91	–	91
Total liabilities	77	143	220	98	188	286	91	154	245
Experience adjustments									
On plan liabilities	35	–	35	(14)	(11)	(25)	(9)	1	(8)
On plan assets	22	2	24	(13)	60	47	(3)	(2)	(5)
Total experience adjustments	57	2	59	(27)	49	22	(12)	(1)	(13)

Balance sheet

The amounts recognised in the combined and consolidated balance sheet are determined as follows:

€ million	**2008 Southern Africa**	**2008 Europe**	**2008 Total**	2007 Southern Africa	2007 Europe	2007 Total
Present value of unfunded obligations	–	(114)	(114)	–	(127)	(127)
Present value of funded obligations	(119)	(116)	(235)	(144)	(136)	(280)
Present value of pension plan liabilities	(119)	(230)	(349)	(144)	(263)	(407)
Fair value of plan assets	135	100	235	172	151	323
Surplus/(deficit)	16	(130)	(114)	28	(112)	(84)
Surplus restrictions	(16)	(2)	(18)	(20)	(14)	(34)
(Deficit)/surplus on pension and post retirement medical plans	**–**	**(132)**	**(132)**	8	(126)	(118)
Amounts reported in the balance sheet						
Retirement benefits surplus	–	–	–	8	3	11
Retirement benefits obligation:						
Defined benefit pension plans[1]	–	(132)	(132)	–	(129)	(129)
Post-retirement medical plans	(50)	–	(50)	(71)	–	(71)
Total retirement benefits obligation	**(50)**	**(132)**	**(182)**	(71)	(129)	(200)

Note:
1 Underlying obligations are grossed up for the surpluses that exist.

Independent qualified actuaries carry out full valuations every three years using the projected credit unit method. The actuaries have updated the valuations to 31 December 2008.

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 100% (2007: 114%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the schemes' trustees and in accordance with local actuarial advice and statutorial provisions.

The majority of the defined benefit pension plans are closed to new members. Consequently, it is expected that the Group's share of contributions will increase as the schemes' members age. The aggregate benefit obligation in respect of the unfunded plans at 31 December 2008 is €114 million (2007: €127 million).

The total loss, net of applicable tax, recognised in the statement of recognised income and expense relating to experience movements on scheme liabilities and plan assets and actuarial assumption changes for the year ended 31 December 2008 is €14 million (2007: gain of €12 million). The cumulative total recognised since 1 January 2004 is a loss of €6 million.

The expected return on plan assets is based on market expectations, at the beginning of a reporting period, for returns over the entire life of the related pension obligations. Expected returns may vary from one reporting period to the next in line with changes in long-run market sentiment and updated evaluations of historic fund performance.

For the year ended 31 December 2008, the actual return on plan assets in respect of defined benefit pension schemes was a loss of €17 million (2007: gain of €26 million).

25 Retirement benefits (continued)

Income statement

The amounts recognised in the combined and consolidated income statement are as follows:

	2008			2007		
€ million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
Analysis of the amount charged/(credited) to operating profit						
Current service costs	9	–	9	10	1	11
Past service costs	–	–	–	(4)	–	(4)
Other amounts credited to profit and loss (curtailments and settlements)	(2)	–	(2)	(3)	–	(3)
Total within operating costs	**7**	**–**	**7**	3	1	4
Analysis of the amount charged to net finance costs on plan liabilities						
Expected return on plan assets[1]	(20)	–	(20)	(22)	–	(22)
Interest costs on plan liabilities[2]	23	5	28	23	5	28
Net charge to other net finance costs	**3**	**5**	**8**	1	5	6
Total charge to income statement	**10**	**5**	**15**	4	6	10

Notes:
1 Included in investment income (see note 6).
2 Included in interest expense (see note 6).

Assured healthcare trend rates have a significant effect on the amounts recognised in profit or loss. A 1% change in assumed healthcare cost trend rates would have the following effects on the post-retirement medical plans:

€ million	1% increase	1% decrease
Effect on the aggregate of the current service cost and interest cost	1	–
Effect on the defined benefit obligation	5	(3)

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs under IAS 19, 'Employee Benefits', are detailed below:

	2008		2007	
%	**Southern Africa**	**Europe**	Southern Africa	Europe
Defined benefit pension plan				
Average discount rate for plan liabilities	**7.2**	**4.0-6.1**	8.2	3.5-5.9
Average rate of inflation	**4.0**	**1.1-9.0**	5.5	1.1-9.0
Average rate of increase in salaries	**5.3**	**1.5-6.0**	6.8	1.5-6.0
Average rate of increase of pensions in payment	**4.0**	**1.7-5.0**	5.5	1.8-5.0
Average long-term rate of return on plan assets	**7.5**	**4.0-6.3**	8.8	4.0-6.8
Post-retirement medical plan				
Average discount rate for plan liabilities	**7.2**	**N/A**	8.2	N/A
Expected average increase of healthcare costs	**5.5**	**N/A**	7.0	N/A

The assumption for the average discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency.

Notes to the combined and consolidated financial statements
continued

25 Retirement benefits (continued)

Mortality assumptions
The assumed life expectations on retirement at age 65 are:

%	2008 Southern Africa	2008 Europe
Retiring today:		
Males	**17.56**	**17.63-19.82**
Females	**21.91**	**20.88-23.52**
Retiring in 20 years:		
Males	**19.40**	**18.10-22.45**
Females	**23.70**	**21.10-25.78**

The market value of the pension assets in these plans and the long-term expected rate of return as at 31 December 2008 and 31 December 2007 are detailed below:

	2008				
	Southern Africa		**Europe**		**Total**
	Rate of return (%)	**Fair value (€ million)**	**Rate of return (%)**	**Fair value (€ million)**	**Fair value (€ million)**
Equity	**9.88**	55	**7.19**	35	90
Bonds	**–**	–	**5.25**	45	45
Other	**5.98**	80	**4.54**	20	100
Fair value of plan assets		**135**		**100**	**235**

	2007				
	Southern Africa		Europe		Total
	Rate of return (%)	Fair value (€ million)	Rate of return (%)	Fair value (€ million)	Fair value (€ million)
Equity	10.84	68	7.26	69	137
Bonds	7.74	15	5.01	50	65
Other	7.48	89	5.08	32	121
Fair value of plan assets		172		151	323

25 Retirement benefits (continued)

Movement analysis

The changes in the fair value of plan assets are as follows:

€ million	**2008** Fair value of plan assets	2007 Fair value of plan assets
At 1 January	323	313
Expected return on plan assets	20	22
Actuarial (losses)/gains	(37)	4
Disposals of subsidiaries[2]	(11)	–
Contribution paid by employer	2	21
Contribution paid by other members	1	1
Benefit paid	(13)	(30)
Reclassifications	11	–
Other	–	16
Currency movements	(61)	(24)
As at 31 December	**235**	323

The changes in the present value of defined benefit obligations are as follows:

	2008			2007		
€ million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
At 1 January	407	71	478	408	77	485
Current service cost	9	–	9	10	1	11
Business combinations[1]	–	–	–	11	–	11
Disposals of subsidiaries[2]	(12)	–	(12)	(1)	(1)	(2)
Past service costs and effects of settlements and curtailments	(2)	–	(2)	(7)	–	(7)
Interest cost	23	5	28	23	5	28
Actuarial (gains)/losses	(1)	(6)	(7)	4	(1)	3
Contributions paid by other members	1	–	1	1	–	1
Benefit paid	(25)	(3)	(28)	(30)	(4)	(34)
Reclassifications	11	–	11	–	–	–
Other	–	–	–	11	–	11
Currency movements	(62)	(17)	(79)	(23)	(6)	(29)
As at 31 December	**349**	**50**	**399**	407	71	478

Notes:
1 See note 30.
2 See note 31.

Notes to the combined and consolidated financial statements
continued

26 Reconciliation of movement in combined and consolidated equity

	Share capital						
€ million	**Mondi Limited share capital**	**Mondi Limited share premium**	**Mondi plc share capital**	**Combined share capital and share premium**	**Retained earnings**	**Other reserves[1]**	**Total equity attributable to equity holders**
At 1 January 2008	11	532	103	646	2,154	163	2,963
Final dividend – 2007	–	–	–	–	(80)	–	(80)
Interim dividend – 2008	–	–	–	–	(38)	–	(38)
Retained loss	–	–	–	–	(211)	–	(211)
Issue of shares under employee share schemes	–	–	–	–	7	(7)	–
Purchase of treasury shares[2]	–	–	–	–	(15)	–	(15)
Share options exercised – Anglo American share scheme	–	–	–	–	(3)	–	(3)
Disposal of business	–	–	–	–	(1)	–	(1)
Minority share dilution	–	–	–	–	(4)	–	(4)
Other	–	–	–	–	–	(288)	(288)
At 31 December 2008	**11**	**532**	**103**	**646**	**1,809**	**(132)**	**2,323**

Notes:
1 Other reserves are further analysed below.
2 The treasury shares purchased represents the cost of shares in Mondi plc and Mondi Limited purchased in the market and held by the Mondi Employee Share Trust and the Mondi Incentive Schemes Trust respectively to satisfy options under the Group's share options schemes (see note 29). The number of ordinary shares held by the Mondi Employee Share Trust and the Mondi Incentive Schemes Trust at 31 December 2008 was 7,943,115 and 115,000 shares respectively (2007: 5,820,232 and nil respectively) at an average price of £3.95 and R47.51 per share respectively (2007: £4.08 per share and Rnil per share respectively).

	Share capital							
€ million	Anglo investment in Mondi Group	Mondi Limited share capital	Mondi Limited share premium	Mondi plc share capital	Combined share capital and share premium	Retained earnings	Other reserves[1]	Total equity attributable to equity holders
At 1 January 2007 – as restated	1,899	–	–	–	1,899	1,100	(33)	2,966
Anglo American plc contribution	120	–	–	–	120	–	–	120
Dividend in specie[2]	32	–	–	–	32	(32)	–	–
Dividends paid to Anglo American plc	–	–	–	–	–	(202)	–	(202)
Retained profit pre-demerger	–	–	–	–	–	164	–	164
Termination of Anglo American plc equity interest	(2,051)	3	540	–	(1,508)	(832)	2,411	71
Dividend in specie to Anglo American plc shareholders	–	–	–	2,938	2,938	–	(2,938)	–
Share issue expenses	–	–	–	–	–	(74)	–	(74)
Share capital reduction	–	–	–	(2,864)	(2,864)	2,864	–	–
Dividend in specie to Mondi plc shareholders	–	–	–	–	–	(794)	794	–
Issue of special converting shares	–	8	(8)	29	29	(29)	–	–
Interim dividend	–	–	–	–	–	(38)	–	(38)
Purchase of treasury shares[3]	–	–	–	–	–	(33)	–	(33)
Post-demerger retained profit	–	–	–	–	–	68	–	68
Share-based payments transfer	–	–	–	–	–	(8)	–	(8)
Other	–	–	–	–	–	–	(71)	(71)
At 31 December 2007	–	11	532	103	646	2,154	163	2,963

Notes:
1 Other reserves are further analysed below.
2 The dividend in specie represents interest accrued to Anglo American plc during the period ended 3 July 2007 on a loan instrument classified as equity under IAS 32, 'Financial Instruments: Presentation'. On demerger from Anglo American plc, the Group's obligation under this loan instrument ceased.
3 The treasury shares purchased represents the cost of shares in Mondi plc and Mondi Limited purchased in the market and held by the Mondi Employee Share Trust and the Mondi Incentive Schemes Trust respectively to satisfy options under the Group's share options scheme (see note 29). The number of ordinary shares held by the Mondi Employee Share Trust and the Mondi Incentive Schemes Trust at 31 December 2007 was 5,820,232 and nil shares respectively at an average price of £4.08 and Rnil per share respectively.

26 Reconciliation of movement in combined and consolidated equity (continued)

				Other reserves				
€ million	**Share-based payment reserve**	**Cumulative translation adjustment reserve**	**Available for sale reserve**	**Cash flow hedge reserve**	**Post-retirement benefit obligation reserve**	**Merger reserve**	**Other reserves**	**Total**
At 1 January 2008	13	(88)	–	4	(22)	259	(3)	163
Mondi share schemes' charge	18	–	–	–	–	–	–	18
Issue of shares under employee share schemes	(7)	–	–	–	–	–	–	(7)
Actuarial and surplus restriction movements	–	–	–	–	(14)	–	–	(14)
Fair value losses accreted	–	–	(1)	(25)	–	–	–	(26)
Fair value gains recycled to the income statement	–	–	–	(14)	–	–	–	(14)
Call option issued	–	–	–	–	–	–	(4)	(4)
Currency translation adjustment	–	(248)	–	–	–	–	–	(248)
At 31 December 2008	**24**	**(336)**	**(1)**	**(35)**	**(36)**	**259**	**(7)**	**(132)**

				Other reserves				
€ million	Share-based payment reserve	Cumulative translation adjustment reserve	Available for sale reserve	Cash flow hedge reserve	Post-retirement benefit obligation reserve	Merger reserve	Other reserves	Total
At 1 January 2007	12	(17)	1	7	(34)	–	(2)	(33)
Termination of Anglo American plc equity interest	–	9	–	–	–	2,403	(1)	2,411
Dividend in specie to Anglo American plc shareholders	–	–	–	–	–	(2,938)	–	(2,938)
Dividend in specie to Mondi plc shareholders	–	–	–	–	–	794	–	794
Purchase of Anglo American plc shares	(19)	–	–	–	–	–	–	(19)
Anglo American plc share schemes' charge	10	–	–	–	–	–	–	10
Exiting Anglo American plc share schemes	(3)	–	–	–	–	–	–	(3)
Mondi share schemes' charge	13	–	–	–	–	–	–	13
Actuarial and surplus restriction movements	–	–	–	–	12	–	–	12
Fair value losses accreted	–	–	(1)	(20)	–	–	–	(21)
Fair value losses recycled to the income statement	–	–	–	17	–	–	–	17
Currency translation adjustment	–	(80)	–	–	–	–	–	(80)
At 31 December 2007	13	(88)	–	4	(22)	259	(3)	163

Demerger impact on equity

On 2 July 2007, the execution of the final demerger transaction resulted in the Mondi companies successfully demerging from Anglo American plc and becoming, collectively, a stand-alone legal Group. The Group has a dual listed structure and the shares of both Mondi Limited and Mondi plc, the ultimate holding companies for the African and the non-African assets respectively, were admitted to the JSE Limited (JSE) and the London Stock Exchange (LSE) on 3 July 2007.

The sharing agreement between Mondi Limited and Mondi plc ensures that the two respective sets of shareholders can be regarded as having the interests of a single economic group. Accordingly, the Group presents combined and consolidated equity, which represents the combined interests in the Group's equity of both sets of shareholders.

Anglo American plc

Prior to the demerger, Anglo American plc injected capital of €120 million into the Mondi Group and took receipt of a final dividend of €202 million, crystallising a net return of capital of €82 million. Interest of €32 million on a loan instrument deemed to be equity in nature was also capitalised using retained earnings attributable to Anglo American plc.

On 2 July 2007, the Anglo American plc investment in the Mondi Group (€2,051 million) was terminated by way of a dividend in specie of the whole interest in the Mondi Group to Mondi plc's newly created shareholders (see below). In addition, the legacy profits attributable to Anglo American plc, excluding Mondi Limited's reserves (€198 million), at the date of the demerger (€832 million) were written off to the demerger reserve.

Notes to the combined and consolidated financial statements
continued

26 Reconciliation of movement in combined and consolidated equity (continued)

Mondi plc
On 2 July 2007, Mondi plc issued its own equity instruments to the owners of Anglo American plc, on a pro rata basis of one ordinary share of Mondi plc for every one Anglo American plc ordinary share held, in exchange for a 100% ownership interest in Mondi Investments Limited (formerly Anglo Mondi Investments Limited or AMIL), a holding entity for the entire Mondi Group. The fair value of the equity instruments issued (€2,938 million) equalled the fair value of the underlying net assets of Mondi Investments Limited.

Prior to the listing of Mondi plc's shares on the LSE, the nominal share capital raised on the inward transfer of AMIL was reduced and transferred to retained earnings (€2,864 million) net of share issue costs (€74 million) and the issue of special converting shares (€29 million). The scrip issue of special converting shares is discussed in note 28. The dividend in specie represents the transfer of Mondi Limited to its own, newly-created, external shareholders. The share capital reduction, legally sanctioned by the UK High Court on 2 July 2007, was therefore used to create opening distributable reserves of Mondi plc (€1,968 million).

Mondi Limited
Mondi Limited's historical equity has been combined and consolidated with the equity attributable to Mondi plc. A one-off currency translation adjustment resulted from the retranslation of Mondi Limited's equity as at 2 July 2007.

27 Asset values per share

Asset values per share are disclosed in accordance with the JSE Listings Requirements. Net asset value per share is defined as net assets divided by the combined number of shares in issue as at 31 December 2008, 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 shares in issue as at 31 December 2008, less treasury shares held.

	2008	2007
Net asset value per share (€)	**5.34**	6.56
Tangible net asset value per share (€)	**4.70**	5.54

28 Share capital and share premium

	Authorised	
	Number of shares	**R million**
Mondi Limited R0.20 ordinary shares	250,000,000	50

	Authorised	
	Number of shares	**€ million**
Mondi plc €0.20 ordinary shares	3,177,608,605	636

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.

	Number of shares	**Called up, allotted and fully paid/€ million**		
2008		**Share capital**	**Share premium**	**Total**
Mondi Limited R0.20 ordinary shares issued on the JSE	146,896,322	3	532	535
Mondi plc[1] €0.20 ordinary shares issued on the LSE	367,240,805	74	–	74
Total ordinary shares in issue	514,137,127	77	532	609
Mondi Limited R0.20 special converting shares[2]	367,240,805	8	–	8
Mondi plc €0.20 special converting shares	146,896,322	29	–	29
Total special converting shares	514,137,127	37	–	37
Total shares	1,028,274,254	114	532	646

28 Share capital and share premium (continued)

2007	Number of shares	Called up, allotted and fully paid/€ million Share capital	Share premium	Total
Mondi Limited R0.20 ordinary shares issued on the JSE	146,896,322	3	532	535
Mondi plc[1] €0.20 ordinary shares issued on the LSE	367,240,805	74	–	74
Total ordinary shares in issue	514,137,127	77	532	609
Mondi Limited R0.20 special converting shares[2]	367,240,805	8	–	8
Mondi plc €0.20 special converting shares	146,896,322	29	–	29
Total special converting shares	514,137,127	37	–	37
Total shares	1,028,274,254	114	532	646

Notes:
1 Mondi plc also issued 50,000 5% cumulative £1 preference shares in 2007. The Group classifies these preference shares as a liability, and not as equity instruments, since they contractually obligate the Group to make cumulative dividend payments to the holders. The dividend payments are treated as a finance cost rather than distributions.
2 The special converting shares are held on trust and do not carry dividend rights. The special converting shares provide a mechanism for equality of treatment on termination for both Mondi Limited and Mondi plc ordinary equity holders.

29 Share-based payments

Mondi share awards

The Group has set up its own share-based payment arrangements to incentivise employees, as well as certain transitional schemes to compensate relevant employees for the benefits foregone on outstanding Anglo American plc schemes. The Group also operates equity-settled demerger arrangements for directors and key management to provide for an orderly transition into the post-demerger period. In addition, the Co-Investment Plan has been created for the chief executive officer of the Group.

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or Mondi plc. The Group has no legal or constructive obligation to settle the awards made under these schemes in cash, except for the reimbursement of dividends foregone on BSP awards that vest.

The demerger arrangements were instituted prior to, and in anticipation of, the demerger. The associated fair value charge, attributable to the vesting period elapsed, has been recognised from 1 January 2007. The fair value charges resulting from all other share awards made by the Group, attributable to the vesting periods elapsed, have been recognised from the effective date of grant. The total fair value charge in respect of all the Mondi share awards granted during the year ended 31 December 2008 is made up as follows:

€ million	**2008**	2007
Demerger (see note 5)	9	9
Transitional BSP	1	1
BSP 2007	2	1
LTIP 2007	1	2
Co-Investment Plan	1	–
BSP 2008	2	–
LTIP 2008	2	–
Total share-based payment expense[1]	**18**	13

Note:
1 The fair value charges associated with the transitional LTIP share award scheme are immaterial for the year ended 31 December 2008 and 31 December 2007.

Financial statements

Notes to the combined and consolidated financial statements
continued

29 Share-based payments (continued)

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited	Transitional BSP	Transitional LTIP	BSP 2007	LTIP 2007	Demerger arrange-ments
Date of grant	3 July 2007	3 July 2007	3 July 2007	3 July 2007	3 July 2007
Vesting period (years)[1]	1.8	1.8	2.8	2.8	2
Vesting conditions	[2]	[2]	[2]	[3]	[2]
Expected leavers per annum (%)	3	3	3	3	nil
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	N/A	33[7]	N/A
Fair value per instrument (R)	61.33[4]	61.33[4]	64.23[5]	59.12[6]	59.88[4]

Mondi Limited	BSP 2008	LTIP 2008
Date of grant	31 March 2008	31 March 2008
Vesting period (years)[1]	3	3
Vesting conditions	[2]	[3]
Expected leavers per annum (%)	5	5
Expected outcome of meeting performance criteria at date of grant (%)	N/A	89
Fair value per instrument (R)	56.39[5]	57.59[6]

Notes:
1 The number of years' continuous employment (service condition).
2 The service condition must be satisfied in order for vesting to occur.
3 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined by the congruence of market and Group performance outcomes with specified market-based and internal Group performance targets.
4 The average mid-market share price for the month ended 3 August 2007 has been used to quantify the fair value of each instrument granted (the base fair value), as adjusted for the present value of anticipated dividends foregone over future vesting periods.
5 Accrued entitlements to dividends on BSP awards are accounted for on a cash-settled basis and are included in the fair value estimate.
6 The base fair value has been adjusted for contractually-determined market-based performance conditions.
7 At 31 December 2007 it was assumed that the expected outcome would be 89%.

Mondi plc	Transitional BSP	Transitional LTIP	BSP 2007	LTIP 2007	Demerger arrange-ments	Co-investment plan
Date of grant	3 July 2007	3 July 2007	3 July 2007	3 July 2007	3 July 2007	3 July 2007
Vesting period (years)[1]	1.8	1.8	2.8	2.8	2	4
Vesting conditions	[2]	[2]	[2]	[3]	[2]	[4]
Expected leavers per annum (%)	3	3	3	3	nil	nil
Expected outcome of meeting performance criteria at date of grant (%)	N/A	N/A	N/A	33[8]	N/A	84
Fair value per instrument (£)	4.43[5]	4.43[5]	4.64[6]	4.27[7]	4.32[5]	3.25[7]

Mondi plc	BSP 2008	LTIP 2008
Date of grant	31 March 2008	31 March 2008
Vesting period (years)[1]	3	3
Vesting conditions	[2]	[3]
Expected leavers per annum (%)	5	5
Expected outcome of meeting performance criteria at date of grant (%)	N/A	89
Fair value per instrument (£)	3.36[6]	3.40[7]

Notes:
1 The number of years' continuous employment (service condition).
2 The service condition must be satisfied in order for vesting to occur.
3 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined by the congruence of market and Group performance outcomes with specified market-based and internal Group performance targets.
4 The service condition must be satisfied in order for vesting to occur. In addition, the level of vesting is determined with reference to a market-based performance condition.
5 The average mid-market share price for the month ending 3 August 2007 has been used to quantify the fair value of each instrument granted (the base fair value), as adjusted for the present value of anticipated dividends foregone over future vesting periods.
6 Accrued entitlements to dividends on BSP awards are accounted for on a cash-settled basis and are included in the fair value estimate.
7 The base fair value has been adjusted for contractually-determined market-based performance conditions.
8 At 31 December 2007 it was assumed that the expected outcome would be 89%.

29 Share-based payments (continued)

A reconciliation of share award movements for the Mondi share schemes is shown below.

Mondi Limited – 2008

Scheme	1 January 2008	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December 2008
Transitional BSP	54,028	–	(1,872)	(1,220)	50,936
BSP	106,048	235,165	(1,782)	(2,928)	336,503
Transitional LTIP	23,083	–	–	–	23,083
LTIP	116,450	148,088	–	–	264,538
Demerger arrangements	187,710	–	(15,842)	–	171,868
Total	**487,319**	**383,253**	**(19,496)**	**(4,148)**	**846,928**

Mondi Limited – 2007

Scheme	3 July 2007	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December 2007
Transitional BSP	–	54,028	–	–	54,028
BSP	–	106,048	–	–	106,048
Transitional LTIP	–	23,083	–	–	23,083
LTIP	–	116,450	–	–	116,450
Demerger arrangements	–	187,710	–	–	187,710
Total	–	487,319	–	–	487,319

Mondi plc – 2008

Scheme	1 January 2008	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December 2008
Transitional BSP	172,666	–	(25,050)	–	147,616
BSP	563,749	1,183,727	(106,583)	(66,821)	1,574,072
Transitional LTIP	150,074	–	–	–	150,074
LTIP	1,318,455	1,709,264	–	(403,865)	2,623,854
Demerger arrangements	3,167,407	–	(651,863)	(211,928)	2,303,616
Co-Investment Plan	538,795	–	–	–	538,795
Total	**5,911,146**	**2,892,991**	**(783,496)**	**(682,614)**	**7,338,027**

Mondi plc – 2007

Scheme	3 July 2007	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December 2007
Transitional BSP	–	172,666	–	–	172,666
BSP	–	563,749	–	–	563,749
Transitional LTIP	–	150,074	–	–	150,074
LTIP	–	1,318,455	–	–	1,318,455
Demerger arrangements	–	3,194,347	(26,940)	–	3,167,407
Co-Investment Plan	–	538,795	–	–	538,795
Total	–	5,938,086	(26,940)	–	5,911,146

Notes to the combined and consolidated financial statements
continued

29 Share-based payments (continued)

Combined share award schemes

					2008
Entity	**1 January 2008**	**Shares conditionally awarded in year**	**Shares vested in year**	**Shares expired in year**	**31 December 2008**
Mondi Limited	487,319	383,253	(19,496)	(4,148)	846,928
Mondi plc	5,911,146	2,892,991	(783,496)	(682,614)	7,338,027
Total	**6,398,465**	**3,276,244**	**(802,992)**	**(686,762)**	**8,184,955**

					2007
Entity	3 July 2007	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December 2007
Mondi Limited	–	487,319	–	–	487,319
Mondi plc	–	5,938,086	(26,940)	–	5,911,146
Total	–	6,425,405	(26,940)	–	6,398,465

Anglo American plc share awards

The Group participated in the share-based payment arrangements of Anglo American plc up to the date of demerger during 2007. All of the schemes were equity-settled, either by award of options to acquire ordinary shares, under the Employee Share Option Scheme (ESOS), or award of ordinary shares, under the Bonus Share Plan (BSP), the Long-Term Incentive Plan (LTIP) and the Share Incentive Plan (SIP).

Disclosure of the assumptions used to fair value the awards made under these schemes is contained within the Prospectus dated 1 June 2007.

On demerger from Anglo American plc, the Group cash-settled its obligations in respect of share awards made under these schemes, with the minor exception of outstanding 2004 ESOS awards in South Africa, which will be cash-settled as options are exercised by recipients over a period of two years from the demerger date. The share-based payments reserve has been adjusted to remove the balance attributable to these schemes, thereby reflecting the elimination of Anglo American plc's equity interest in the Group (see note 26 for further information on the Group's demerger accounting).

The total share-based payment charge for the respective periods is made up as follows:

€ million	**2008**	2007[1]
ESOS	**–**	1
BSP	**–**	5
LTIP	**–**	4
Total share-based payment expense	**–**	10

Note:
1 Included within the charge for 2007 is an amount of €8 million representing the accelerated charge on legacy Anglo American plc schemes, which were deemed to have fully vested on demerger. The accelerated charge has been classified as an operating special item (see note 5).

30 Business combinations

To 31 December 2008

Principal acquisitions made during the year to 31 December 2008, accounted for under the acquisition method, were:

Name of entity acquired	Nature of entity acquired	Date of acquisition	Percentage acquired
Dunapack	Bag converting	April 2008	100.0
Rochester	Coating	April 2008	100.0
Loparex Group	Coating and Kraft paper	April 2008	100.0

Details of the aggregate net assets acquired, as adjusted from book to fair value, and the attributable goodwill are presented as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired:[1]			
Intangible assets	1	8	9
Property, plant and equipment	59	(32)	27
Financial asset investments	5	–	5
Deferred tax assets	1	2	3
Inventories	22	(1)	21
Trade and other receivables	44	2	46
Cash and cash equivalents	3	–	3
Short-term borrowings	(3)	–	(3)
Other current liabilities	(44)	–	(44)
Long-term borrowings	(37)	–	(37)
Deferred tax liabilities	(3)	(1)	(4)
Contingent liabilities[2]	2	–	2
Equity minority interest	5	–	5
Net assets acquired	55	(22)	33
Goodwill arising on acquisition			19
Total cost of acquisition			**52**
Cash acquired net of overdrafts			(3)
Net cash paid			**49**

Notes:
1 The business combinations were not individually material and therefore have not been shown separately.
2 Adjustments to the acquired contingent liabilities of Tire Kutsan which was acquired in 2007.

The values used in accounting for the identifiable assets and liabilities of these acquisitions are provisional in nature at the balance sheet date. If necessary, adjustments will be made to these carrying values, and to the related goodwill, within 12 months of the acquisition date.

The goodwill which arose on the acquisition of Dunapack represents the value harnessed of further expanding into the emerging markets of Hungary and Ukraine and consolidating the Group's position in Bag Converting in the CEE region. Furthermore it represents significant potential for synergies and rationalisation in Hungary. The goodwill which arose in Rochester represent the value associated with strengthening the Group's market position in Coatings and the realisation of substantial synergies. No goodwill was recognised on acquisition of the Loparex Group.

To 31 December 2007

Principal acquisitions made during the year to 31 December 2007, accounted for under the acquisition method, were:

Name of entity acquired	Nature of entity acquired	Date of acquisition	Percentage acquired
Lenco	Rigid plastics manufacturer	4 July 2007	100.0
Unterland Flexible Packaging	Plastic films manufacturer	31 August 2007	100.0
Tire Kutsan	Containerboard and corrugated packaging manufacturer	3 September 2007	63.4

Notes to the combined and consolidated financial statements
continued

30 Business combinations (continued)

Details of the aggregate net assets acquired, as adjusted from book to fair value, and the attributable goodwill are presented as follows:

€ million	Lenco	Unterland	Tire Kutsan	Other	Total
Net assets acquired:					
Intangible assets	24	–	–	–	24
Property, plant and equipment	43	32	74	15	164
Financial asset investments	1	1	–	1	3
Deferred tax assets	–	2	–	–	2
Inventories	10	14	23	11	58
Trade and other receivables	13	21	45	14	93
Cash and cash equivalents	–	4	1	2	7
Short-term borrowings	(4)	(2)	(18)	(18)	(42)
Other current liabilities	(12)	(14)	(25)	(10)	(61)
Long-term borrowings	(40)	(34)	(33)	(1)	(108)
Deferred tax liabilities	(5)	–	(3)	(1)	(9)
Provisions	(1)	(1)	–	–	(2)
Contingent liabilities[1]	–	–	(5)	–	(5)
Retirement benefits obligation	–	(4)	(4)	(3)	(11)
Equity minority interest	–	–	(20)	(1)	(21)
Net assets acquired	29	19	35	9	92
Goodwill arising on acquisition[2]	38	19	58	3	118
Total cost of acquisition	**67**	**38**	**93**	**12**	**210**
Cash acquired net of overdrafts	4	(4)	(1)	(2)	(3)
Debt consideration[3]	–	–	(14)	–	(14)
Net cash paid	**71**	**34**	**78**	**10**	**193**

Notes:
1 Acquired contingent liabilities relate to financial guarantees that have been issued by the acquiree entity to third parties prior to the acquisition date.
2 The total capitalised goodwill is stated net of negative goodwill arising on an immaterial acquisition, which was expensed to the combined and consolidated income statement in the year ended 31 December 2007.
3 The purchase price attributable to a 9.83% ownership interest in Tire Kutsan is due by 3 October 2010. The obligation carries interest at a market rate until discharged.

During the year to 31 December 2008 adjustments totalling €7 million have been made to the provisional values estimated of net assets of Tire Kutsan acquired in the year to 31 December 2007.

The goodwill which arose on the acquisition of Lenco represented the strategic value placed on the diversification of product mix and on entering the relatively higher growth rigid plastics market sector in South Africa. The goodwill which arose on the acquisition of Unterland Flexible Packaging represented significant expected synergies with other operations of the Group and the strategic value placed on becoming an integrated operator in the consumer flexibles market. The goodwill which arose on the acquisition of Tire Kutsan represented the value harnessed from entering a high-growth Turkish market for corrugated packaging and the complementarity achieved with the Group's existing emerging market strategy.

30 Business combinations (continued)

(a) Lenco

The acquired business has contributed revenues of €41 million, underlying profit of €nil and a net loss of €4 million in the year ended 31 December 2007. If the acquisition had occurred on 1 January 2007, the acquired business would have contributed revenues of €81 million and a net loss of €9 million.

(b) Unterland Flexible Packaging

The acquired business has contributed revenues of €41 million, underlying loss of €1 million and a net loss of €2 million in the year ended 31 December 2007. If the acquisition had occurred on 1 January 2007, the acquired business would have contributed revenues of €137 million and a net loss of €2 million.

(c) Tire Kutsan

The acquired business has contributed revenues of €56 million, underlying operating loss of €1 million and a net loss of €nil in the year ended 31 December 2007. If the acquisition had occurred on 1 January 2007, the acquired business would have contributed revenues of €165 million and a net profit of €2 million.

31 Disposal of subsidiaries and associates

€ million	**2008**	2007
Net assets disposed:		
Property, plant and equipment	57	2
Inventories	9	7
Trade and other receivables	31	7
Assets classified as held for sale[1]	–	106
Cash and cash equivalents	–	4
Short-term borrowings	(5)	(1)
Trade and other payables	(26)	(4)
Retirement benefits obligation	(1)	(2)
Deferred tax liabilities	(1)	(1)
Long-term borrowings	(20)	–
Provisions	–	(1)
Liabilities classified as held for sale[1]	–	(39)
Minority interests	–	9
Total net assets disposed	44	87
(Loss)/profit on disposal	(27)	83
Disposal proceeds	17	170
Net cash disposed	–	(4)
Net cash inflow from disposal of subsidiaries during the year	**17**	112
Net cash inflow from disposal of associates during the year	**–**	54
	17	166

Note:
1 Disposal of assets and liabilities previously classified as held for sale. The carrying value includes all movements since the date of reclassification up to the date of disposal.

Financial statements

Notes to the combined and consolidated financial statements
continued

32 Disposal groups and non-current assets held for sale

€ million	**2008**
Property, plant and equipment	1
Total non-current assets	1
Inventories	–
Trade and other receivables	2
Cash and cash equivalents	2
Total current assets	4
Total assets classified as held for sale	**5**
Trade and other payables	(2)
Total current liabilities	(2)
Deferred tax liabilities	(1)
Total non-current liabilities	(1)
Total liabilities directly associated with assets classified as held for sale	**(3)**
Net assets	**2**

No assets were classified as held for sale as at 31 December 2007.

33 Consolidated cash flow analysis

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

€ million	**2008**	2007
(Loss)/profit before tax	**(103)**	382
Depreciation and amortisation	373	368
Share option expense	9	6
Non-cash effect of special items of subsidiaries and joint ventures	368	23
Net finance costs	159	99
Net income from associates	(2)	(2)
Decrease in provisions and post-employment benefits	(21)	(14)
Decrease/(increase) in inventories	26	(69)
Decrease in operating receivables	106	25
(Decrease)/increase in operating payables	(105)	141
Fair value gains on forestry assets	(46)	(32)
Cost of felling	43	51
(Profit)/loss on disposal of fixed assets	(6)	1
Purchase of Anglo American plc shares	–	(19)
Other adjustments	(6)	(3)
Cash inflows from operations	**795**	957

(b) Cash and cash equivalents

€ million	**2008**	2007
Cash and cash equivalents per balance sheet	155	180
Bank overdrafts included in short-term borrowings	(80)	(121)
Net cash and cash equivalents per cash flow statement	**75**	59

33 Consolidated cash flow analysis (continued)

(c) Movement in net debt

The Group's net debt position, excluding disposal groups is as follows:

€ million	Cash and cash equivalents[1]	Debt due within one year[2]	Debt due after one year	Total net debt
Balance at 1 January 2007	358	(1,181)	(656)	(1,479)
Cash flow	(286)	945	(564)	95
Business combinations[3]	–	(38)	(122)	(160)
Disposal of businesses[4]	–	1	–	1
Reclassifications	(3)	(82)	85	–
Currency movements	(10)	23	23	36
Closing balance at 31 December 2007	59	(332)	(1,234)	(1,507)
Cash flow	24	214	(543)	(305)
Business combinations[3]	3	(3)	(37)	(37)
Disposal of businesses[4]	–	5	20	25
Reclassifications	(2)	(215)	215	(2)
Currency movements	(9)	33	112	136
Closing balance at 31 December 2008	**75**	**(298)**	**(1,467)**	**(1,690)**

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 2008, short-term borrowings on the combined and consolidated balance sheet of €378 million (2007: €453 million) include €80 million of overdrafts (2007: €121 million).
3 See note 30.
4 See note 31.

€ million		Debt due within one year	Debt due after one year	
	Cash and cash equivalents	Carrying value	Carrying value	Total net funds
Disposal groups – 2008	2	–	–	2
Disposal groups – 2007	3	–	(4)	(1)

(d) Reconciliation of cash inflows from operations to EBITDA for the years ended 31 December

€ million	**2008**	2007
Cash inflows from operations	**795**	957
Share option expense	(9)	(6)
Fair value gains on forestry assets	46	32
Cost of felling	(43)	(51)
Decrease in provisions and post employment benefits	21	14
(Decrease)/increase in inventories	(26)	69
(Decrease) in operating receivables	(106)	(25)
Decrease/(increase) in operating payables	105	(141)
Purchase of Anglo American plc shares	–	19
Profit/(loss) on disposal of assets	6	(1)
Add back cash effect of operating special items of subsidiaries and joint ventures	19	–
Other adjustments	6	3
EBITDA[1]	**814**	870

Note:
1 EBITDA is operating profit before special items plus depreciation and amortisation in subsidiaries and joint ventures.

Notes to the combined and consolidated financial statements
continued

33 Consolidated cash flow analysis (continued)

(e) EBITDA by business segment

€ million	**2008**	2007
Europe & International		
Bags & Specialities	271	260
Uncoated Fine Paper	221	202
Corrugated	131	208
Sub-total	623	670
South Africa		
Uncoated Fine Paper	109	87
Corrugated	43	35
Sub-total	152	122
Mondi Packaging South Africa	52	53
Merchant and Newsprint businesses	24	60
Corporate and other businesses	(37)	(35)
EBITDA	**814**	870

EBITDA is stated before special items and is reconciled to 'Total profit from operations and associates' as follows:

€ million	**2008**	2007
Total profit from operations and associates	**56**	510
Special items (excluding associates)	358	77
Net loss/(profit) on disposals (excluding associates)	27	(83)
Impairment of assets held for sale	2	–
Depreciation and amortisation: subsidiaries and joint ventures	373	368
Share of associates' net income	(2)	(2)
EBITDA	**814**	870

(f) Capital expenditure cash payments[1]

€ million	**2008**	2007
Europe & International		
Bags & Specialities	136	102
Uncoated Fine Paper	266	98
Corrugated	199	111
Sub-total	601	311
South Africa		
Uncoated Fine Paper	37	21
Corrugated	7	2
Sub-total	44	23
Mondi Packaging South Africa	38	47
Merchant and Newsprint businesses	10	18
Corporate and other businesses	–	7
Total	**693**	406

Note:
1 Excludes business combinations and purchase of intangible assets.

34 Capital commitments

€ million	**2008**[1]	2007
Contracted for but not provided	**405**	74
Approved, not yet contracted for	**219**	824

Note:
1 The significant shift relates to the development of the new lightweight recycled containerboard machine and new box plant at the Świecie mill in Poland, and the modernisation and expansion of the Syktyvkar mill in Russia.

35 Contingent liabilities and contingent assets

Disclosable contingent liabilities comprise aggregate amounts at 31 December 2008 of €17 million (2007: €16 million) in respect of loans and guarantees given to banks and other third parties. Acquired contingent liabilities of €2 million (2007: €5 million) have been recorded on the Group's combined and consolidated balance sheet. See note 30.

There are a number of legal or potential claims against the Group. Provision is made for all liabilities that are expected to materialise.

There were no significant disclosable contingent assets at 31 December 2008 or 31 December 2007.

36 Operating leases

At 31 December, the Group had the following outstanding commitments under non-cancellable operating leases:

€ million	**2008**	2007[1]
Expiry date		
Within one year	45	48
One to two years	42	45
Two to five years	114	104
After five years	143	105
Total operating leases	**344**	302

Note:
1 The comparatives have been restated to include an operating lease commitment that was omitted in 2007.

The majority of these operating leases relate to land and buildings.

In addition to the above, the Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The operating lease commitment and annual escalation rate are renegotiated every 5 years. The operating lease charge recorded in the Group income statement amounted to €1 million (2007: €1 million). There are 62 years remaining on the lease. The operating lease commitments of this lease are not included in the table above and the prior year has been restated to reflect this.

37 Capital management

The Group defines its total capital employed as equity, as presented in the combined and consolidated balance sheet, plus net debt (see definition in note 33), excluding loans to joint ventures, less financial asset investments.

€ million	**2008**	2007
Total borrowings	1,765	1,566
Less: cash and cash equivalents[1]	(75)	(59)
Net debt	**1,690**	1,507
Less:		
Loans to joint ventures	(5)	(6)
Available for sale investments	(14)	(19)
Adjusted net debt	**1,671**	1,482
Equity	**2,696**	3,336
Total capital employed	**4,367**	4,818

Note:
1 Net of overdrafts.

Financial statements

Notes to the combined and consolidated financial statements
continued

37 Capital management (continued)

Total capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns for shareholders and benefits for other stakeholders. Additionally, the Group is also committed to reducing its cost of capital by maintaining an optimal capital structure. In order to maintain an optimal capital structure, the Group may adjust the future level of dividends paid to shareholders, repurchase shares from shareholders, issue new equity instruments or dispose of assets to reduce its net debt exposure.

The Group reviews its total capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the Group's operations and are consistent with conventional industry measures. The principal ratios used in this review process are:

– gearing, defined as net debt divided by total capital employed; and

– return on capital employed, defined as underlying operating profit, plus share of associates' net earnings, before special items, divided by average capital employed.

The Group operates a DLC structure which has been agreed with the South African Ministry of Finance and is subject to certain exchange control conditions. The exchange control conditions do not infringe upon the Group's ability to manage its capital structure optimally. However, they do require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc, is constrained by the equality of treatment mechanism, which serves to maintain and protect the economic interests of both sets of shareholders.

38 Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Boards and are overseen by the DLC executive committee. In turn, the DLC executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment, identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take positions on derivative contracts speculatively and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

Market risk

The Group's activities expose it primarily to foreign exchange and cash flow interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of forward foreign exchange contracts and floating-to-fixed interest rate swaps (interest rate swaps) respectively. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables. Consequently, the Group is not substantively exposed to commodity price risk as defined in IFRS 7. Since the impact on the Group's equity would be immaterial for a wide range of relevant commodity price changes, the Group has chosen not to perform sensitivity analysis on its commodity price derivatives. The Group is also exposed to a limited extent to the equity price risk that attaches to its available for sale financial asset investments. Even under stressed market conditions, the impact on earnings or equity attributable to the crystallisation of equity price risk would be immaterial. Accordingly, the Group has chosen not to disclose sensitivity analysis on equity price risk.

Foreign exchange risk

The Group operates across various national boundaries and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from forecast commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and the translational exposure on net investments in foreign operations.

38 Financial risk management (continued)

Forward foreign exchange contracts

The Group's foreign exchange policy requires its subsidiaries to actively manage foreign currency exposures against their functional currencies by entering into forward foreign exchange contracts. The management of foreign exchange exposures incorporates both forecast transactions and recognised monetary items in the balance sheet. For segmental reporting purposes, each subsidiary enters into, and accounts for, forward foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Currencies bought or sold forward to mitigate possible unfavourable movements on forecast transactions are designated as cash flow hedges. The Group's budgeting and forecasting systems enable subsidiaries to assign a high degree of probability to forecast transactions and this therefore qualifies them for designation as hedged items. The effective portion of changes in the fair value of designated forward foreign exchange contracts are initially taken to the cash flow hedging reserve in equity and are subsequently recycled to profit or loss when the underlying forecast transaction affects profit or loss. The fair value of a forward foreign exchange contract is determined by reference to the current applicable spot foreign exchange rate, as adjusted by the forward points and multiplied by the contracted nominal cash flows. The forward points reflect interest rate differentials between the two relevant currencies. Utilisation of cash flow hedging enables the Group to recycle the fair value movements accreted on forward foreign exchange contracts and to match them with the crystallisation of the foreign exchange risk attributable to the designated hedged items in the combined and consolidated income statement. The effect of applying this accounting treatment is to reduce the underlying volatility of reported earnings.

Hedging documentation is subjected to regular internal and external review, which reduces the risk of hedging ineffectiveness.

Currencies bought or sold forward to mitigate possible unfavourable movements on recognised monetary items are fair valued at each reporting date. Foreign currency monetary items are retranslated at each reporting date to incorporate the underlying foreign exchange movements, as prescribed by IAS 21, 'The Effects of Changes in Foreign Exchange Rates', and any such movements naturally offset against fair value movements on related forward foreign exchange contracts.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related forward positions. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to forward foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone[1]

	Net monetary foreign currency exposures – assets/(liabilities)[1]							
At 31 December 2008/*€ million*	**USD**	**EUR**	**PLN**	**GBP**	**SEK**	**SKK**	**CZK**	**Other**
Functional currency zones:[2]								
US dollar	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**
South African rand	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Euro	**6**	**–**	**–**	**1**	**–**	**–**	**–**	**14**
Russian rouble	**(2)**	**(18)**	**–**	**–**	**–**	**–**	**–**	**–**
Polish zloty	**2**	**(4)**	**–**	**–**	**–**	**–**	**–**	**1**
British pound	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**1**
Swedish krona	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Slovakian koruna	**–**	**(19)**	**–**	**–**	**–**	**–**	**–**	**(1)**
Czech koruna	**(2)**	**(6)**	**–**	**–**	**–**	**–**	**–**	**–**
Other	**(29)**	**(105)**	**–**	**–**	**–**	**–**	**–**	**–**

Financial statements

Notes to the combined and consolidated financial statements
continued

38 Financial risk management (continued)

At 31 December 2007/*€ million*	Net monetary foreign currency exposures – assets/(liabilities)[1]							
	USD	EUR	PLN	GBP	SEK	SKK	CZK	Other
Functional currency zones:[2]								
South African rand	18	53	–	3	–	–	–	(2)
Euro	8	–	(10)	(32)	20	7	18	(25)
Russian rouble	2	(81)	–	–	–	–	–	–
Polish zloty	5	(8)	–	–	1	–	–	–
British pound	–	1	–	–	–	–	–	–
Swedish krona	11	17	–	2	–	–	–	–
Slovakian koruna	(3)	–	–	–	–	–	–	–
Czech koruna	10	24	–	1	–	–	–	–
Other	(27)	(67)	–	1	–	–	–	–

Notes:
1 Presented in euros because this is the presentational currency of the Group.
2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign currency hedging, excluding cash flow hedging.

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group believes that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's combined and consolidated income statement if these currency movements had occurred.

2008/*€ million*	**Income/(expense)**	
	+5%	**–5%**
Functional currency zones:		
Euro	**(1)**	**1**
Russian rouble	**1**	**(1)**
Slovakian koruna	**1**	**(1)**
Other	**7**	**(7)**

2007/*€ million*	Income/(expense)	
	+5%	–5%
Functional currency zones:		
South African rand	(2)	2
Euro	1	(1)
Russian rouble	4	(4)
Swedish krona	(2)	2
Czech koruna	(2)	2
Other	2	(2)

The corresponding fair value impact on the Group's combined and consolidated equity, resulting from the application of these reasonably possible changes to the valuation of the Group's forward foreign exchange contracts designated as cash flows hedges, would have been +/-€5 million (2007: +/-€9 million). It has been assumed that changes in the fair value of forward foreign exchange contracts designated as cash flow hedges are fully recorded in equity and that all other variables are held constant.

38 Financial risk management (continued)

Cash flow interest rate risk

The Group holds cash and cash equivalents, which earns interest at a variable rate and has variable rate debt in issue. Consequently, the Group is exposed to cash flow interest rate risk. Although the Group also has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings are held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the two most significant are syndicated facilities denominated in euros and South African rand respectively (see note 21). Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant inter-bank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are ordinarily formally designated as cash flow hedges and are fair valued at each reporting date. The fair value of interest rate swaps are determined at each reporting date by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract. The resultant effective portion of the fair value gains and losses are initially taken to the cash flow hedging reserve in equity and are subsequently recycled for offset against the interest cash flows arising on the hedged item. Cash flow hedging enables the Group to recycle the fair value movements accreted on interest rate swaps from equity and to match them with the crystallisation of the cash flow interest rate risk attributable to the variable rate debt in the Group's combined and consolidated income statement. The effect of applying this accounting treatment is to reduce the underlying volatility of reported earnings.

Hedging effectiveness documentation is subjected to regular internal and external review, which reduces the risk of hedging ineffectiveness. The Group's cash and cash equivalents also acts as a natural hedge against possible unfavourable movements in the relevant inter-bank lending rates on its variable rate debt, subject to any interest rate differentials that exist between corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, as denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

Cash flow interest rate risk sensitivities on variable rate debt and interest rate swaps

	Cash flow interest rate risk exposures and sensitivities										
At 31 December 2008/*€ million*	**USD**	**ZAR**	**EUR**	**RUR**	**PLN**	**GBP**	**SEK**	**SKK**	**CZK**	**Other**	**Total**
Total debt	**36**	**387**	**1,254**	**16**	**50**	**7**	**–**	**15**	**–**	**80**	**1,845**
Less:											
Fixed rate debt	(25)	(38)	(256)	(12)	(47)	–	–	–	–	(14)	(392)
Non-interest bearing debt	–	(11)	(2)	–	–	–	–	–	–	–	(13)
Cash and cash equivalents	(19)	(22)	(56)	(4)	(12)	(8)	(13)	(1)	5	(25)	(155)
Net variable rate debt	**(8)**	**316**	**940**	**–**	**(9)**	**(1)**	**(13)**	**14**	**5**	**41**	**1,285**
Interest rate swaps:											
Floating-to-fixed notionals	–	(38)	(568)	–	–	–	–	–	–	–	(606)
Net variable rate exposure	**(8)**	**278**	**372**	**–**	**(9)**	**(1)**	**(13)**	**14**	**5**	**41**	**679**
+/- basis points change											
Potential impact on earnings (+50 basis points)	**–**	**(1)**	**(2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**
Potential impact on earnings (-50 basis points)	**–**	**1**	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**

The potential impact on the Group's combined and consolidated equity resulting from the application of +/-50 basis points to the interest rate swaps designated as cash flow hedges would be a fair value gain/(loss) of €8 million.

In addition to the above, the Group has swapped through the foreign exchange market Euro for certain emerging market currencies, notably Russian rouble, Czech koruna, Polish zloty and Mexican peso, using foreign exchange contracts of mostly six month tenure, that has the effect of exposing the Group to interest rates of these emerging markets.

Financial statements

Notes to the combined and consolidated financial statements
continued

38 Financial risk management (continued)

Cash flow interest rate risk sensitivities on variable rate debt and interest rate swaps

	Cash flow interest rate risk exposures and sensitivities										
At 31 December 2007/*€ million*	USD	ZAR	EUR	RUR	PLN	GBP	SEK	SKK	CZK	Other	Total
Total debt	35	466	1,062	54	2	1	–	11	–	56	1,687
Less:											
Fixed rate debt	(25)	(50)	(279)	(11)	–	–	–	–	–	(27)	(392)
Non-interest bearing debt	–	(10)	(2)	–	–	–	–	–	–	–	(12)
Cash and cash equivalents	(13)	(25)	(61)	(4)	(17)	(13)	(2)	(4)	(24)	(17)	(180)
Net variable rate debt	(3)	381	720	39	(15)	(12)	(2)	7	(24)	12	1,103
Interest rate swaps:											
Floating-to-fixed notionals	–	(50)	(483)	–	–	–	–	–	(8)	–	(541)
Net variable rate exposure	(3)	331	237	39	(15)	(12)	(2)	7	(32)	12	562
+/- basis points change	+/-50	+/-50	+/-50	+/-50	+/-50	+/-50	+/-50	+/-50	+/-50	+/-50	+/-50
Potential impact on earnings (+50 basis points)	–	(2)	(1)	–	–	–	–	–	–	–	(3)
Potential impact on earnings (-50 basis points)	–	2	1	–	–	–	–	–	–	–	3

The potential impact on the Group's combined and consolidated equity resulting from the application of +/-50 basis points to the interest rate swaps designated as cash flow hedges would be a fair value gain/(loss) of €6 million for the year ended 31 December 2007.

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Any credit risk arising from cash deposits and derivative financial instruments is deemed to be insignificant on the basis that nearly all relevant counterparties are investment grade entities assigned by international credit rating agencies. Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole. The Group has also provided committed loan facilities to Mondi Packaging South Africa and Mondi Shanduka Newsprint. Full disclosure of the Group's maximum exposure to credit risk is presented in the following table.

Group's exposure to credit risk

€ million	**2008**	2007
Cash and cash equivalents	155	180
Derivative financial instruments	73	17
Trade and other receivables	1,088	1,289
Loans and receivables	5	6
Total credit risk exposure	**1,321**	1,492

38 Financial risk management (continued)

Credit risk associated with trade receivables

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group believes that there is no significant geographical concentration of credit risk, with each geographical segment representing a similar degree of exposure.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total trade receivables balance of €891 million (2007: €1,117 million) reported in the combined and consolidated balance sheet, credit insurance covering €592 million (2007: €462 million) of the total balance has been taken out by the Group's trading entities to insure against the related credit default risk. The insured cover is presented gross of contractually agreed excess amounts.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities.

€ million	**2008**	2007
Expiry date		
In one year or less	167	185
In more than one year	895	1,025
Total credit available	**1,062**	1,210

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's contractually determined cash outflows, principally related to supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Group's trade receivables and trade payables respectively. The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the balance sheet and is managed to ensure the ongoing operating liquidity of the Group. Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings. The Group also assesses its commitments under interest rate swaps, which hedge future cash flows from two to five years from the balance sheet date presented.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset held by the Group, are settled gross by customers. The Group's financial investments, which are not held for trading and therefore do not comprise part of the Group's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. Non-interest bearing financial liabilities which are due to be settled in less than 12 months from maturity equal their carrying values, since the impact of the time value of money is immaterial over such a short duration.

Notes to the combined and consolidated financial statements
continued

38 Financial risk management (continued)

Maturity profile of outstanding financial liabilities[1]

2008/*€ million*	Undiscounted cash flows **< 1 year**	**1-2 years**	**2-5 years**	**5+ years**	**Total**
Supplier payables	598	–	–	–	598
Finance leases	7	6	9	9	31
Borrowings	389	124	1,213	178	1,904
Total	**994**	**130**	**1,222**	**187**	**2,553**

2007/*€ million*	Undiscounted cash flows < 1 year	1-2 years	2-5 years	5+ years	Total
Supplier payables	1,046	–	–	–	1,046
Finance leases	6	5	11	10	32
Borrowings[2]	589	283	991	149	2,012
Total	1,641	288	1,002	159	3,090

Notes:
1 It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting balance sheet date will not vary over the time periods remaining for future cash outflows.
2 The refinancing arrangements entered into on demerger resulted in compensating cash inflows in the year ended 31 December 2007. The maturity analysis for the cash outflows on the Group's borrowings in the same year is therefore not representative of the Group's repayments profile.

The following table presents the Group's outstanding contractual maturity profile for its derivative financial instruments, which will be settled on a net basis. The amounts disclosed are the contractual undiscounted net cash flows.

Maturity profile of outstanding derivative positions

2008/*€ million*	Undiscounted cash flows **< 1 year**	**1-2 years**	**2-5 years**	**Total**[1]
Interest rate swaps	(12)	(12)	(3)	(27)
Forward foreign exchange contracts	45	–	–	45
Total	**33**	**(12)**	**(3)**	**18**

2007/*€ million*	Undiscounted cash flows < 1 year	1-2 years	2-5 years	Total[1]
Interest rate swaps	1	(1)	(1)	(1)
Forward foreign exchange contracts	13	–	–	13
Total	14	(1)	(1)	12

Note:
1 It has been assumed that, where applicable, foreign exchange rates prevailing at the reporting balance sheet date will not vary over the time periods projected.

39 Related party transactions

The Group has a related party relationship with its associates and joint ventures (see note 40) and, up to the date of demerger, with certain Anglo American plc group companies. 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 on pages 40 to 46.

€ million	Anglo American plc group	Joint ventures	Associates
2008			
Sales to related parties	–	11	–
Purchases from related parties	–	(1)	(32)
Loans to related parties	–	10	–
Receivables due from related parties	–	7	1
2007			
Sales to related parties	–	8	8
Purchases from related parties	–	(2)	(1)
Net finance costs	(22)	–	–
Dividends paid to related parties	(202)	–	–
Dividends in specie	(32)	–	–
Loans to related parties	–	13	–
Receivables due from related parties	–	5	–

Cyril Ramaphosa, joint chairman of Mondi, has a 32.7% (2007: 39.96%) 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, Rennies Distribution Services (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited. Fees of €340,000 (2007: €379,000) and €392,000 (2007: €681,000) 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 2008. Shanduka Packaging (Proprietary) Limited and Shanduka Newsprint (Proprietary) Limited have also provided a shareholder's loan to the Group. The balance outstanding at 31 December 2008 was €12.9 million (2007: €16.8 million) and €7.1 million (2007: €9.2 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 €12 million (2007: €9 million) and made use of transport and warehousing services provided by Rennies Distribution Services (Proprietary) Limited totalling €9 million (2007: €13 million) during the period. €1 million (2007: €1 million) remains outstanding on these purchases at 31 December 2008.

Dividends received from associates for the year ended 31 December 2008 totalling €2 million (2007: €1 million), as disclosed in the combined and consolidated cash flow statement.

Notes to the combined and consolidated financial statements
continued

40 Group companies

The principal subsidiaries, joint ventures and associates of the Group at 31 December 2008 and 31 December 2007, and the Group's percentage of equity owned, together with the Group's interests in joint venture entities are presented below. All of these interests are combined and consolidated within the Group's financial statements. The Group has restricted the information to its principal subsidiaries, as full compliance with Section 231(1) of the UK Companies Act 1985 would result in a statement of excessive length.

	Country of incorporation	Business	Percentage equity owned[1] 2008	2007
Subsidiary undertaking				
Mondi SCP a.s.	Slovakia	Uncoated fine paper	51	51
Mondi AG	Austria	Corrugated and uncoated fine paper	100	100
Mondi Packaging Europe SA	Luxembourg	Corrugated packaging	100	100
Mondi Packaging Corrugated Holding GmbH	Austria	Corrugated packaging	100	100
Mondi Świecie SA	Poland	Virgin containerboard	66	66
Mondi Packaging South Africa (Proprietary) Limited[2]	South Africa	Packaging	70	55
Europapier AG	Austria	Paper merchanting	100	90
Tire Kutsan Oluklu Mukavva Kutu ve Kagit Sanayi A.S.[3]	Turkey	Corrugated packaging	54	54
Mondi Syktykvar OAO	Russia	Uncoated fine paper, containerboard and newsprint	99	98
Mondi Štětí	Czech Republic	Kraft paper	100	100
Joint ventures[4]				
Aylesford Newsprint Holdings Limited	UK	Newsprint	50	50
Mondi Shanduka Newsprint[5]	South Africa	Newsprint	50	50

Notes:
1 This represents the percentage of equity owned and the proportion of voting rights held by the Group.
2 Consolidated at 75% due to the contractual arrangement with the subsidiary's employee share ownership trust.
3 Consolidated at 63.4% since the Group is obligated to acquire an additional 9.83% of the entity's equity instruments.
4 The presumption of significant influence over these entities does not apply because the economic activities of these entities are jointly controlled under contractual arrangements that have been entered into with venturer parties.
5 Due to the contractual arrangements with the entity's employee share and community ownership trust, shareholdings are proportionately consolidated at 58%.

These companies operate principally in the countries in which they are incorporated. Non-operating intermediate holding companies are excluded from the above table.

The Group's share of losses from subsidiary entities, excluding joint ventures, for the year ended 31 December 2008 is €209 million (2007: €214 million).

41 Events occurring after 31 December 2008

With the exception of the proposed final dividend for 2008, included in note 9, there have been no material reportable events since 31 December 2008.

Independent auditors' report to the members of Mondi plc

We have audited the parent company financial statements of Mondi plc for the year ended 31 December 2008 which comprise the balance sheet and the related notes 1 to 9. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Mondi Group for the year ended 31 December 2008 and on the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the directors' responsibilities statement.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the directors' report is consistent with the parent company financial statements. The information given in the directors' report includes that specific information presented in the other sections of the Annual Report that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report (as described in the contents section) and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

– the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008;

– the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and

– the information given in the directors' report is consistent with the parent company financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
London
25 February 2009

Mondi plc parent company balance sheet
as at 31 December 2008

€ million	Note	**2008**	2007
Fixed assets			
Investments	5	2,938	2,938
Current assets			
Other debtors		38	16
Cash and cash equivalents		4	15
Total current assets		**42**	31
Creditors: amounts falling due within one year	6	(1,139)	(986)
Net current liabilities		**(1,097)**	(955)
Total assets less current liabilities		**1,841**	1,983
Net assets		**1,841**	1,983
Capital and reserves			
Called-up share capital	7/8	103	103
Profit and loss account	8	1,716	1,868
Share-based payments reserve	8	22	12
Total capital and reserves		**1,841**	1,983

The balance sheet of Mondi plc and related notes on pages 121 to 123 were approved by the board and authorised for issue on 25 February 2009 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Notes to the Mondi plc parent company financial statements

1 Accounting policies

Basis of preparation

The financial statements of Mondi plc have been prepared in accordance with UK GAAP and in compliance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

The results, assets and liabilities of Mondi plc are included in the combined and consolidated financial statements of the Mondi Group, which are publicly available. Consequently, Mondi plc has made use of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised), 'Cash flow statements', and has also made use of the exemption from preparing a profit and loss account, as conferred by Section 230 of the Companies Act 1985.

Mondi plc is also exempt under the terms of FRS 8, 'Related Party Disclosures', from disclosing related party balances, and under the terms of FRS 29, 'Financial Instruments: Disclosures', from disclosing financial instruments and risk management disclosures. Financial instruments and risk management disclosures are presented in the combined and consolidated Group financial statements.

Principal accounting policies

Foreign currency

Foreign currency transactions are translated into euros, Mondi plc's functional and presentational currency, at the rates of exchange prevailing on the dates that transactions are entered into. Associated monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Gains and losses arising on foreign currency transactions and balances are recorded in the profit and loss account.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on a timing difference arising from the unremitted earnings of Mondi plc's direct and indirect subsidiaries, where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Distributions

Dividend distributions to the shareholders of Mondi plc are recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the board. Final dividends are accrued when approved by the shareholders at the annual general meeting and interim dividends are accounted for when paid.

Investments

Fixed asset investments are stated at cost, less provision for any diminution in value.

Loans and receivables

Loans and receivables are held at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the profit and loss account over the borrowing period using the effective interest rate method.

Share-based payments

Mondi plc operates a number of share-based payment plans for its own staff and staff employed by other Group undertakings. The fair value of an equity instrument granted under such a plan is recorded in the share-based payments reserve incrementally over the contractually-determined vesting period and either recognised as a capital contribution to the employing subsidiaries, where applicable, or within profit or loss.

At each balance sheet date, estimates regarding the future probability of service, and non-market performance conditions being met are revised on a basis consistent with recent experience. Any resultant revisions of original estimates are recorded as an adjustment to the cost of investments in employing subsidiaries or profit or loss, as appropriate, and the share-based payments reserve.

Employing subsidiaries reimburse Mondi plc for the cost of equity instruments granted. Reimbursement receipts represent a return of capital contributed and are treated as a reduction in the cost of investments in employing subsidiaries.

Treasury shares

The purchase by Mondi plc of its own equity instruments, either directly or via an Employee Share Ownership Plan (ESOP) trust over which Mondi plc has de facto control, results in the recognition of treasury shares. The consideration paid is deducted from shareholders' funds and is separately disclosed. Where treasury shares are subsequently sold, reissued, or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Pensions

The cost of defined contribution retirement schemes is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short-term asset or liability. Mondi plc does not participate in the Mondi Group's defined benefit retirement schemes.

2 Employees

The monthly average number of staff employed by Mondi plc for the period ended 31 December 2008 was 27 (2007: 27). Wages and salaries of €16 million (2007: €7 million) and social security costs of €1 million (2007: €1 million) were incurred in respect of these employees.

3 Auditors' remuneration

Disclosure of the audit fees payable to the auditors for the audit of Mondi plc's financial statements is made in note 3 of the Group's combined and consolidated financial statements.

Notes to the Mondi plc parent company financial statements
continued

4 Share-based payments

The number of share awards granted by Mondi plc to its employees is presented below:

Scheme	1 January 2008	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December 2008
Transitional LTIP	150,074	–	–	–	150,074
Transitional BSP	30,705	–	–	–	30,705
BSP	117,297	311,324	(10,241)	(56,705)	361,675
LTIP	599,514	775,989	–	(222,778)	1,152,725
Demerger share awards	450,651	–	(130,820)	(46,229)	273,602
Co-investment plan	538,795	–	–	–	538,795
Total	**1,887,036**	**1,087,313**	**(141,061)**	**(325,712)**	**2,507,576**

The total fair value charge in respect of these awards for the period ended 31 December 2008 was €5 million (2007: €3 million). The share schemes and the underlying assumptions used to estimate the associated fair value charge are discussed in note 29 of the Group's combined and consolidated financial statements.

5 Fixed asset investments

€ million	Investments
Cost	
At 1 January 2008	2,938
At 31 December 2008	**2,938**
Net book value at 31 December 2008	**2,938**

Mondi plc acquired Anglo Mondi Investments Limited (AMIL) on 2 July 2007 from Anglo American plc. The consideration provided by Mondi plc to acquire AMIL was in the form of equity instruments issued. AMIL was subsequently renamed Mondi Investments Limited (MIL).

Mondi plc also acquired Mondi Limited as part of the demerger of the Mondi Group from Anglo American plc. Mondi plc subsequently distributed its ownership interest in Mondi Limited to the newly created external shareholders by way of a dividend in specie. See note 8 for more details regarding the demerger.

Subsidiary undertaking	Country of incorporation	Nature of entity	% equity owned
Mondi Investments Limited	England	Holding company	100

6 Creditors: amounts falling due within one year

€ million	**2008**	2007
Amounts owed to Group undertakings	1,135	979
Accruals	4	7
Total	**1,139**	986

Mondi plc has borrowed funds from another Group undertaking. The borrowings are denominated in euros, carry interest at the one month inter-bank reference rate and are repayable on demand. There is no difference between the carrying value and the fair value of these borrowings.

Mondi plc has 50,000 £1 5% cumulative preference shares in issue. The preference shares contractually obligate Mondi plc to make future dividend payments to the holders of these equity instruments and, accordingly, have been recognised as a financial liability.

7 Called-up share capital

Full disclosure of the share capital of Mondi plc is disclosed in note 28 of the Group's combined and consolidated financial statements.

8 Reconciliation of shareholders' funds

€ million	Called-up share capital	Profit and loss account	Share-based payments reserve	Total
	2008			
At 1 January	103	1,868	12	1,983
Purchase of treasury shares	–	(15)	–	(15)
Share-based payments	–	–	17	17
Issue of shares under employee share schemes	–	7	(7)	–
Retained loss after tax	–	(59)	–	(59)
2007 final dividend and 2008 interim dividend	–	(85)	–	(85)
At 31 December	**103**	**1,716**	**22**	**1,841**

€ million	Called-up share capital	Profit and loss account	Share-based payments reserve	Total
	2007			
Issue of shares to acquire AMIL	2,938	–	–	2,938
Share capital reduction	(2,864)	2,864	–	–
Issue of special converting shares	29	(29)	–	–
Dividend in specie	–	(794)	–	(794)
Share issue expenses	–	(74)	–	(74)
Purchase of treasury shares	–	(33)	–	(33)
Share-based payments	–	–	12	12
Retained loss after tax	–	(27)	–	(27)
Interim dividend	–	(39)	–	(39)
At 31 December	103	1,868	12	1,983

On 2 July 2007, Mondi plc issued its own equity instruments to the owners of Anglo American plc, on a pro rata basis of one ordinary share for every one Anglo American plc ordinary share held, in exchange for a 100% ownership interest in AMIL. The fair value of the equity instruments issued equalled the fair value of the underlying net assets of AMIL, a holding entity for the Mondi Group.

Prior to the listing of Mondi plc's shares on the LSE, the nominal share capital raised on the transfer of AMIL was reduced and transferred to the profit and loss account, net of share issue costs and a dividend in specie. The share capital reduction was legally sanctioned by the UK High Court on 2 July 2007.

The dividend in specie represents the transfer of Mondi Limited to its own external shareholders. Share issue costs have been taken to reserves because they were incurred in respect of, and are directly attributable to, the issuance of Mondi plc's equity instruments.

9 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the bank borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and therefore the estimated financial effect of issuance is €nil (2007: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

Independent auditors' report to the members of Mondi Limited

Report on the components of the financial statements

We have audited the accompanying balance sheet and selected notes to the balance sheet of Mondi Limited for the year ended 31 December 2008 on pages 125 to 127.

Directors' responsibility for the components of the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the balance sheet and selected notes gives a true and fair view of the balance sheet of the company as of 31 December 2008 in accordance with the applicable International Financial Reporting Standards.

Deloitte & Touche
B Nosworthy
Partner
Sandton

25 February 2009

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

National Executive: G G Gelink (Chief Executive), A E Swiegers (Chief Operating Officer), G M Pinnock (Audit), D L Kennedy (Tax, Legal and Financial Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), C R Beukman (Finance), T J Brown (Clients & Markets), N T Mtoba (Chairman of the Board)

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

Mondi Limited parent company balance sheet

as at 31 December 2008

R million	Notes	**2008**	2007
Property, plant and equipment		6,535	6,492
Forestry assets		2,160	1,779
Investments in subsidiary entities	2	2,035	600
Investment in joint venture entity	3	128	128
Financial asset investments		127	122
Retirement benefits surplus		–	72
Total non-current assets		**10,985**	9,193
Inventories		623	573
Trade and other receivables		1,526	1,430
Current tax assets		–	36
Investments in subsidiary entities	2	82	65
Financial asset investments		1	43
Cash and cash equivalents		69	12
Derivative financial instruments		28	2
Total current assets		**2,329**	2,161
Assets held for sale		1	–
Total assets		**13,315**	11,354
Short-term borrowings		(841)	(697)
Trade and other payables		(927)	(716)
Provisions		(81)	–
Derivative financial instruments		(3)	(1)
Total current liabilities		**(1,852)**	(1,414)
Medium- and long-term borrowings		(1,819)	(682)
Retirement benefits obligation		(593)	(663)
Deferred tax liabilities		(1,485)	(1,215)
Provisions		(31)	(35)
Total non-current liabilities		**(3,928)**	(2,595)
Liabilities directly associated with assets classified as held for sale		–	–
Total liabilities		**(5,780)**	(4,009)
Net assets		**7,535**	7,345
Equity			
Ordinary share capital	4/5	103	103
Share premium	4/5	5,073	5,073
Retained earnings and other reserves	5	2,359	2,169
Total attributable to equity holders		**7,535**	7,345

The balance sheet of Mondi Limited and related notes on pages 126 to 127 were approved by the board and authorised for issue on 25 February 2009 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Notes to the Mondi Limited parent company financial statements

1 Accounting policies

Basis of preparation

The balance sheet and selected notes of Mondi Limited have been prepared in accordance with applicable IFRS.

Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in note 1 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to a set of the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policies which are either different, or additional, to those applied by the Group are stated as follows:

Investments

Investment in subsidiaries and joint ventures are reflected at cost less amounts written off and provisions for any impairments.

Share-based payments

Mondi Limited operates a number of share-based payment plans for its own staff and staff employed by other Group entities. The fair value of an equity instrument granted under such a plan is recorded in the share-based payments reserve incrementally over the contractually determined vesting period and either recognised as a capital contribution to the employing subsidiaries, where applicable, or within profit or loss.

At each balance sheet date, estimates regarding the future probability of service, and non-market performance conditions being met are revised on a basis consistent with recent experience. Any resultant revisions of original estimates are recorded as an adjustment to the cost of investments in employing Group entities or profit or loss, as appropriate, and the share-based payments reserve.

Employing Group entities reimburse Mondi Limited for the cost of equity instruments granted. Reimbursement receipts represent a return of capital contributed and are treated as a reduction in the cost of investments in employing Group entities.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1).

2 Investments in subsidiary entities

R million	**2008**	2007
Unlisted		
Shares at cost	255	11
Loans advanced	1,862	654
Total investment in subsidiary entities	**2,117**	665
Repayable within one year disclosed as a current asset	(82)	(65)
Total long-term investment in subsidiary entities	**2,035**	600
Directors' valuation of investment in subsidiary entities	2,584	665

3 Investment in joint venture entity

R million	**2008**	2007
Mondi Shanduka Newsprint (Proprietary) Limited		
Shareholder's loan	128	128
Total investment in joint venture	**128**	128
Total long-term investment in joint venture	**128**	128
Directors' valuation of investment in joint ventures	758	128

4 Share capital

2008/*R million*	**Share capital**	**Share premium**	**Total**
Called-up, allotted and fully paid[1]			
146,896,322 ordinary shares of R0.20 each	29	5,073	5,102
367,240,805 special converting shares of R0.20 each	74	–	74
Total	**103**	**5,073**	**5,176**

2007/*R million*	Share capital	Share premium	Total
Called-up, allotted and fully paid[1]			
146,896,322 ordinary shares of R0.20 each	29	5,073	5,102
367,240,805 special converting shares of R0.20 each	74	–	74
Total	103	5,073	5,176

Note:
1 The authorised share capital is disclosed in note 28 of the Group's combined and consolidated financial statements.

5 Reconciliation of movement in equity

R million	**Share capital**	**Share premium**	**Retained earnings**	**Other reserves**	**Total equity**
At 1 January 2008	103	5,073	1,937	232	7,345
Dividends declared and paid	–	–	(391)	–	(391)
Total recognised income and expense	–	–	605	8	613
Share-based payments – Mondi share scheme	–	–	–	7	7
Share-based payments vested	–	–	2	(2)	–
Share options exercised – Anglo American plc share scheme	–	–	(39)	–	(39)
At 31 December 2008	**103**	**5,073**	**2,114**	**245**	**7,535**

R million	Share capital	Share premium	Retained earnings	Other reserves	Total equity
At 1 January 2007	3	4,168	3,759	264	8,194
Issue of shares pre demerger	–	1,005	–	–	1,005
Share consolidation	26	(26)	–	–	–
Issue of special converting shares	74	(74)	–	–	–
Dividends paid to Anglo American plc group companies	–	–	(1,914)	–	(1,914)
Interim dividend	–	–	(105)	–	(105)
Total recognised income and expense	–	–	332	4	336
Reclassification	–	–	(135)	135	–
Other	–	–	–	(171)	(171)
At 31 December 2007	103	5,073	1,937	232	7,345

6 Contingent liabilities

Contingent liabilities for the Company comprise aggregate amounts at 31 December 2008 of R81 million (2007: R67 million) in respect of loans and guarantees given to banks and other third parties.

There are a number of legal or potential claims against the Company. Provision is made for all liabilities that are expected to materialise.

There were no significant contingent assets in the Company at 31 December 2008 or 31 December 2007.

Group financial record

Financial performance 2004 – 2008[1]

Income statement

€ million	**2008**	2007	2006	2005	2004
Group revenue (after inter-segmental revenue elimination)					
Europe & International					
Bags & Specialities	2,116	1,986	1,710	1,506	1,473
Uncoated Fine Paper	1,391	1,489	1,419	1,331	1,312
Corrugated	1,497	1,561	1,411	1,350	1,343
Sub-total	5,004	5,036	4,540	4,187	4,128
South Africa					
Uncoated Fine Paper	300	224	307	282	317
Corrugated	2	–	–	4	24
Sub-total	302	224	307	286	341
Mondi Packaging South Africa	447	391	335	348	330
Merchant and Newsprint businesses	592	590	538	509	521
Corporate and other businesses	–	28	31	34	65
Total group revenue	**6,345**	6,269	5,751	5,364	5,385
Underlying operating profit					
Europe & International					
Bags & Specialities	159	154	106	109	130
Uncoated Fine Paper	126	99	89	75	114
Corrugated	49	133	98	97	106
Sub-total	334	386	293	281	350
South Africa					
Uncoated Fine Paper	75	53	15	53	30
Corrugated	36	25	22	20	10
Sub-total	111	78	37	73	40
Mondi Packaging South Africa	28	35	35	32	40
Merchant and Newsprint businesses	7	40	29	18	28
Corporate and other businesses	(39)	(37)	(17)	(18)	1
Underlying operating profit	**441**	502	377	386	459
Operating special items	(358)	(77)	(78)	(203)	–
Group operating profit	**83**	425	299	183	459
Net (loss)/profit on disposals	(27)	83	(4)	10	18
Impairment of assets held for sale	(2)	–	–	–	–
Net income/(loss) from associates	2	2	5	5	(9)
Total profit from operations and associates	**56**	510	300	198	468
Net finance costs, including special finance item in 2007	(159)	(128)	(77)	(100)	(81)
(Loss)/profit before taxation	**(103)**	382	223	98	387
Tax	(78)	(102)	(94)	(89)	(108)
Minorities' share	(30)	(47)	(51)	(32)	(52)
(Loss)/profit attributable to equity holders	**(211)**	233	78	(23)	227
Underlying earnings[2]	**172**	241	139	166	220

Notes:
1 Prepared on a combined and consolidated basis and in accordance with applicable IFRS.
2 Underlying earnings is a non-GAAP measure that the Group believes provides a useful alternative basis to the measurement of earnings. Underlying earnings represent the Group's earnings before special items.

Financial performance 2004 – 2008 (continued)

Key performance indicators

	2008	2007	2006	2005	2004
EBITDA margin (%)[1]	**12.8**	13.9	12.6	13.4	14.5
Operating margin (%)[2]	**7.0**	8.0	6.6	7.2	8.5
ROCE (%)[3]	**9.5**	10.6	8.1	8.6	10.9

Notes:
1 EBITDA margin is Group EBITDA divided by Group revenue.
2 Operating margin is Group underlying operating profit divided by Group revenue.
3 ROCE is an annualised measure based on underlying operating profit, plus share of associates' net earnings, divided by average trading capital employed.

Significant cash flows

€ million	**2008**	2007	2006	2005	2004
EBITDA[1]	**814**	870	726	718	779
Cash inflows from operating activities	**795**	957	657	544	775
Capital expenditure cash outflows[2]	**(693)**	(406)	(460)	(551)	(618)

Notes:
1 EBITDA is Group operating profit before special items, depreciation and amortisation.
2 Excludes business combinations.

Balance sheet

€ million	**2008**	2007	2006	2005	2004
Non-current assets	4,208	4,549	4,349	4,516	4,420
Current assets[2]	1,898	2,133	2,075	1,942	1,758
Total assets	**6,106**	6,682	6,424	6,458	6,178
Current liabilities[3]	(1,151)	(1,248)	(1,055)	(1,045)	(1,075)
Non-current liabilities[4]	(569)	(591)	(593)	(694)	(627)
Total liabilities	**(1,720)**	(1,839)	(1,648)	(1,739)	(1,702)
Net assets excluding net debt	**4,386**	4,843	4,776	4,719	4,476
Equity[5]	2,323	2,963	2,966	2,781	2,629
Minority interests	373	373	331	326	318
Net debt	1,690	1,507	1,479	1,612	1,529
Total equity and net debt	**4,386**	4,843	4,776	4,719	4,476

Notes:
1 Prepared on a combined and consolidated basis and in accordance with applicable IFRS.
2 Including assets held for sale and excluding cash and cash equivalents and loans to related parties.
3 Including liabilities directly associated with assets held for sale and excluding net debt.
4 Excluding net debt.
5 Equity includes the Anglo American plc investment prior to demerger.

Production statistics

Production statistics

		Year ended 31 December 2008	Year ended 31 December 2007
Europe & International Division			
Containerboard	Tonnes	**1,926,829**	1,849,702
Kraft paper	Tonnes	**814,187**	891,385
Corrugated board and boxes	m m^2	**2,104**	2,088
Bag converting	m units	**3,536**	3,642
Coating and release liners	m m^2	**2,667**	2,971
Uncoated fine paper	Tonnes	**1,452,058**	1,517,792
Newsprint	Tonnes	**192,921**	192,329
Total hardwood pulp	Tonnes	**1,012,470**	1,182,476
Total softwood pulp	Tonnes	**1,620,155**	1,748,294
External hardwood pulp	Tonnes	**126,479**	76,244
External softwood pulp	Tonnes	**200,676**	213,218
South Africa Division			
Containerboard	Tonnes	**251,944**	251,661
Uncoated fine paper	Tonnes	**416,509**	469,782
Wood chips	Bone dry tonnes	**780,932**	690,447
Total hardwood pulp	Tonnes	**595,449**	630,210
Total softwood pulp	Tonnes	**106,390**	98,613
External hardwood pulp	Tonnes	**139,235**	86,802
Mondi Packaging South Africa			
Packaging papers	Tonnes	**388,199**	368,574
Corrugated board and boxes	m m^2	**381**	367
Total hardwood pulp	Tonnes	**82,554**	65,829
Total softwood pulp	Tonnes	**43,090**	64,274
Newsprint Joint Ventures (attributable share)			
Newsprint	Tonnes	**331,929**	314,847
Aylesford	Tonnes	**200,540**	185,990
Shanduka	Tonnes	**131,389**	128,857
Total softwood pulp Shanduka	Tonnes	**86,464**	86,469

Exchange rates

	Year ended 31 December 2008	Year ended 31 December 2007
Closing rates against the euro		
South African rand	**13.07**	10.03
Pounds sterling	**0.95**	0.73
Polish zloty	**4.15**	3.59
Russian rouble	**41.28**	35.99
Slovakian koruna	**30.13**	33.58
US dollar	**1.39**	1.47
Czech koruna	**26.87**	26.63
Average rates for the period against the euro		
South African rand	**12.06**	9.66
Pounds sterling	**0.80**	0.68
Polish zloty	**3.52**	3.78
Russian rouble	**36.45**	35.02
Slovakian koruna	**31.28**	33.77
US dollar	**1.47**	1.37
Czech koruna	**24.97**	27.76

Contents

Additional information for Mondi plc shareholders

Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association ('Articles') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together 'the Companies Acts'). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required.

Share capital

Mondi plc has an authorised share capital of 3,177,608,605 ordinary shares of 20 euro cents each (the 'Ordinary Shares'), 50,000 5% cumulative preference shares of £1 each (the 'Preference Shares'), 250,000,000 PLC Special Converting Shares of 20 euro cents each, the Special Rights Share of €1, the PLC Special Voting Share of €1, the UK DAN Share of €1 and the UK DAS Share of €1.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Acts, Mondi plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Acts, Mondi plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Mondi plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Mondi plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Acts.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person and every duly appointed proxy has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for every share. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares. Under the Companies Acts, members are entitled to appoint a proxy, who need not be a member of Mondi plc, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meetings as a corporate representative.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Acts.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Acts, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Where, under an employee share plan operated by Mondi plc, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully-paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require.

Subject to the Companies Acts and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Preference Shares

The rights and privileges attached to the Preference Shares are as follows: out of the profits available for distribution and resolved to be distributed, the holders of the Preference Shares shall be entitled, in priority to any payment of dividend to the holders of any other class of shares to be paid in respect of each financial year or other accounting period of Mondi plc, to a fixed cumulative preferential dividend (the 'Preferential Dividend').

On a return of capital on winding up, but not on a return of capital on any other class of shares of the company, otherwise than on a winding-up of the company, the holders of the Preference Shares shall be entitled, in priority to any payment to the holders of any other class of shares, to the repayment of a sum equal to the nominal capital paid-up or credited as paid-up on the Preference Shares held by them and the accrual (if any) of the Preferential Dividend, whether such dividend has been earned or declared or not, calculated up to the date of the commencement of the winding up.

The holders of the Preference Shares shall only have the right to receive notice of any general meeting of Mondi plc: (i) if and when, at the date of the notice convening such meeting, the MPLC Preferential Dividend (as defined in the Articles) on such Preference Shares is six months or more in arrears; or (ii) if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the cumulative Preference Shares, or for the winding up of Mondi plc, in which case they shall only be entitled to vote on such resolution.

Shares required for the DLC structure

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share, and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by ordinary resolution increase or reduce the maximum or minimum number of directors.

At each annual general meeting held in each year one-third of the directors, or if their number is not a multiple of three then the number nearest to, but not less than, one-third, shall retire from office. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last election or re-election or, if later, deemed election or re-election and so that as between persons who became or were last re-elected directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. In casting the lot, the provision that a director must also be a director of Mondi Limited and the corresponding provision of the Mondi Limited Memorandum and Articles shall be observed. A retiring director shall be eligible for re-election.

The board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

Powers of the directors

Subject to the Articles, the Companies Acts and any directions given by special resolution, the business of Mondi plc will be managed by the board who may exercise all the powers of Mondi plc.

The board may exercise all the powers of Mondi plc to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi plc or of any third party.

Significant agreements: change of control

The articles of association of both Mondi plc and Mondi Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Mondi plc or Mondi Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Mondi plc and Mondi Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Mondi plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment of the Articles

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Acts by way of special resolution.

Shareholder information

Introduction

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited whilst Mondi plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Analysis of shareholders

As at 31 December 2008 Mondi Limited had 146,896,322 ordinary shares in issue, of which 9,135,155 were held as Depositary Interests, and Mondi plc had 367,240,805 ordinary shares in issue, of which 91,807,174 were held on the South African branch register.

By size of holding

Mondi Limited

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
45,151	94.79	1 – 500	1,429,148	0.97
871	1.83	501 – 1,000	637,103	0.44
805	1.69	1,001 – 5,000	1,699,886	1.16
458	0.96	5,001 – 50,000	9,064,010	6.17
323	0.68	50,001 – 1,000,000	61,479,490	41.85
26	0.05	1,000,001 – highest	72,586,685	49.41
47,634	**100.00**		**146,896,322**	**100.00**

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
5,900	77.51	1 – 500	682,266	0.18
539	7.08	501 – 1,000	389,038	0.11
582	7.64	1,001 – 5,000	1,278,235	0.35
273	3.59	5,001 – 50,000	4,594,049	1.25
270	3.55	50,001 – 1,000,000	65,889,655	17.94
48	0.63	1,000,001 – highest	294,407,562	80.17
7,612	**100.00**		**367,240,805**	**100.00**

By type of holding

Mondi Limited

	No. of shares	% of shares
Public*	146,775,454	99.92
Non-public	120,868	0.08
Directors of Mondi Limited/Mondi plc	*5,868*	*0.00*
Mondi staff share schemes	*115,000*	*0.08*
Total	**146,896,322**	**100.00**

Mondi plc

	No. of shares	% of shares
Public*	358,393,746	97.59
Non-public	8,847,059	2.41
Directors of Mondi Limited/Mondi plc	*653,540*	*0.18*
Mondi staff share schemes	*8,193,519*	*2.23*
Total	**367,240,805**	**100.00**

* as per the Listings Requirements of the JSE Limited.

Registrars

Any queries relating to your Mondi shareholdings should be directed to the relevant Registrar.

Mondi Limited shares and Mondi plc shares on the South African branch register

Registrar
Link Market Services South Africa (Proprietary) Limited

Postal address
PO Box 4844
Johannesburg
South Africa

Helpline number
011 630 0888 (if calling from South Africa)
+27 11 630 0888 (if calling from outside South Africa)

Mondi plc shares and Mondi Limited Depositary Interests held through the Corporate Sponsored Nominee

Registrar
Equiniti

Postal address
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
UK

Helpline number
0871 384 2837 (if calling from the UK; calls cost 8p per minute from a BT landline; other telephony providers' costs may vary)
+44 121 415 7047 (if calling from outside the UK)

Mondi Limited Depositary Interests

Registrar
Capita IRG Trustees Limited

Postal address
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
UK

Helpline number
0871 664 0335 (if calling from the UK; calls cost 10p per minute plus network extras)
+44 208 639 3135 (if calling from outside the UK)

Shareholders holding their shares or depositary interests through Equiniti may access details of their holdings, amend their details or elect to receive shareholder documents electronically by registering with Shareview, an online service offered by Equiniti, at www.shareview.co.uk.

Financial calendar

7 May 2009	2009 annual general meetings
7 May 2009	Interim management statement
20 May 2009	Payment date for 2008 final dividend (see below)
26 May 2009	Payment date for 2008 final dividend to Depositary Interest holders (see below)
5 August 2009	2009 half-yearly results announcement
September 2009	2009 interim dividend payment
27 October 2009	Interim management statement

Dividends

Dividend payments

An interim dividend for the year ended 31 December 2008 of 88.68113 rand cents/7.7 euro cents per share was paid on 16 September 2008 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 29 August 2008.

A proposed final dividend for the year ended 31 December 2008 of 63.34650 rand cents/5.0 euro cents per share will be paid on 20 May 2009 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 24 April 2009. 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 7 May 2009.

Dividend timetable

The proposed final dividend for the year ended 31 December 2008 of 5.0 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	17 April 2009	17 April 2009
London Stock Exchange	Not applicable	21 April 2009
Shares commence trading ex-dividend		
JSE Limited	20 April 2009	20 April 2009
London Stock Exchange	Not applicable	22 April 2009
Record date		
JSE Limited	24 April 2009	24 April 2009
London Stock Exchange	Not applicable	24 April 2009
Last date for Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	5 May 2009	5 May 2009
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	6 May 2009	6 May 2009
Payment date		
South African Register	20 May 2009	20 May 2009
UK Register	Not applicable	20 May 2009
Depositary Interest holders (dematerialised DIs)	26 May 2009	Not applicable
Holders within the Equiniti Corporate Nominee	28 May 2009	Not applicable
DRIP purchase settlement dates	27 May 2009	26 May 2009*

*27 May 2009 for Mondi plc South African branch register shareholders

	Mondi Limited	Mondi plc
Currency conversion date		
ZAR/euro	26 February 2009	26 February 2009
Euro/sterling	Not applicable	11 May 2009

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 20 April 2009 and 24 April 2009, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 15 April 2009 and 24 April 2009, both dates inclusive.

In the event South African National Elections are confirmed for 22 April 2009, a public holiday may be declared and the above dividend timetable would be impacted. In such instance, Mondi would likely bring the Mondi Limited and Mondi plc South African branch register cum-dividend dates forward by one day to 16 April 2009, with the respective ex-dividend dates being changed to 17 April 2009. The record and payment dates would remain as stated above.

Dividend currency

All dividends are declared in euros but are paid in the following currencies:

Mondi Limited	South African rand
Mondi Limited Depositary Interest holders	sterling
Mondi plc	euros
Mondi plc (UK residents)	sterling
Mondi plc (South African residents)	South African rand

Dividend mandate

Shareholders wishing to have their dividends paid directly into a bank or building society account should contact either Link Market Services South Africa (Proprietary) Limited or Equiniti as appropriate to obtain an application form.

Mondi Limited shareholders holding their shares on the main register may only set up a mandate if they have a South African bank account.

Mondi plc shareholders located outside the UK may be able to take advantage of the Overseas Payment Service offered by Equiniti. This is also available to those holding Mondi Limited Depositary Interests through the Corporate Sponsored Nominee. A fee is charged per dividend for this service. For further information or for an application form please contact Equiniti.

Dividend reinvestment plans

The dividend reinvestment plans provide an opportunity for shareholders to have their Mondi Limited and Mondi plc cash dividends reinvested in Mondi Limited and Mondi plc ordinary shares respectively.

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those resident in the US and Canada). This service is not available to holders of Mondi Limited Depositary Interests.

For more information or for an application form, please contact either Link Market Services South Africa (Proprietary) Limited or Equiniti as appropriate.

Shareholder information
continued

Donating shares to charity

For shareholders wishing to dispose of small holdings of shares, the sale of which would be uneconomical, there is the option to donate the shares to charity.

The following charity donation schemes in South Africa and the UK allow shareholders to donate unwanted shares free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities.

South Africa – Strate Charity Shares
If you would like to donate your Mondi Limited shares or Mondi plc shares held on the South African branch register, or for further information, please visit www.strate.co.za/strate/charityshares, call 0800 202 363 if calling from South Africa or +27 11 373 0038 if calling from outside South Africa or write to Strate, PO Box 78608, Sandton 2146, South Africa.

UK – Sharegift
If you would like to donate your Mondi plc shares, or for further information, please visit www.sharegift.org, call +44 (0) 20 7930 3737 or write to Sharegift, 17 Carlton House Terrace, London SW1Y 5AH, UK.

Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi Limited or Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

Fraudulent transactions

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details and to report the organisation to the UK Financial Services Authority (FSA). For further information, please visit the FSA's web site at www.fsa.gov.uk. Alternatively, please call 0845 606 1234 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or on audio cassette, please contact Mondi's company secretarial department on +44 (0) 1932 826300.

Cautionary statement

By their nature, the statements concerning the risks and uncertainties facing the Mondi Group in the 2008 annual report and accounts involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and accounts and Mondi undertakes no obligation to update these forward-looking statements. Nothing in this annual report and accounts should be construed as a profit forecast.

Registered and head office

Mondi Limited
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No. 3 Melrose Boulevard
Melrose Arch 2196
Gauteng
Republic of South Africa
Tel. +27 (0) 11 994 5400
Fax. +27 (0) 86 520 4688
Registered in South Africa
Registered No. 1967/013038/06

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Glossary of terms

This report contains a number of terms, some of which are particular to the paper and packaging industry, which are explained below:

Annual allowable cut
Volume of timber which can be harvested annually, subject to government regulations and the principles of sustained yield. It is a key part of the management model by which forests can be sustained from generation to generation.

Cartonboard
Paperboard used to produce folding cartons and graphic products like cards and covers.

Chemical pulp
Wood pulp or fibres obtained by digesting and bleaching of wood chips, to remove lignin and other organic materials surrounding cellulose fibres and isolate them for papermaking.

Containerboard
Collective term for kraftliner and/or testliner and fluting, the two basic components used to make the walls of corrugated boxes and cases.

Converting
Process of transforming paper and containerboard into value added products; e.g. wood-free reels into cut-size, or folding containerboard into folding cartons.

Corrugated board
Packing material produced by gluing outer layers of containerboard to a rippled middle layer of fluting.

Corrugated boxes
Boxes produced from corrugated board.

Corrugated packaging
Packaging materials made from corrugated board.

De-inked pulp
Waste-paper pulp produced from used printed paper from which the ink has been removed.

Extrusion-coated
Substrate material (e.g. paper, board, aluminium) coated with a molten web of resin (polymer) to enhance its barrier properties (e.g. to make it waterproof).

Flexible packaging
Papers, cellulose films and aluminium foils primarily used, separately or in combination, for retail food and non-food packaging (e.g. pet food, hygiene product overwrap, detergents) and other specialist uses such as medical, pharmaceutical and tobacco.

Fluting
Raw material used for the rippled middle layer of corrugated board.

Industrial bags
Flexible bags made of paper, typically used to package between 10 and 50 kilograms of powdered, granular or coarse products.

Kraftliner
Containerboard manufactured primarily from virgin fibre.

Kraft paper
Strong paper made from virgin fibre.

Mechanical pulp
Pulp produced by mechanically grinding debarked wood to separate the wood fibre.

Office paper
Uncoated fine paper in cut sizes (e.g. A4, A3) and other converted products (e.g. forms, computer sheets, coloured papers and envelopes).

Plantations
Selected species of tree planted in regimented lines to maximise yield and ease of management.

Recovered fibre
Used paper and board separately collected for re-use as fibre raw material in paper and board manufacture.

Recycled fibre
Fibre derived from the collection and treatment of waste paper.

Release liners
Protective backing of self-adhesive products, the prerequisite for modern pressure-sensitive adhesive technology (e.g. for self-adhesive tapes, labels, advertising films, diaper tapes, roofing membranes, etc.).

Semi-chemical fluting
Fluting manufactured primarily from virgin fibre.

Testliner
Containerboard manufactured primarily from recycled product.

Uncoated fine paper
Uncoated ‘wood-free’ paper, produced from chemical pulp and used, for example, in office papers.

Virgin fibre
Fibre derived directly from wood pulp.

Wood pulp
Principal raw material of paper and containerboard. The suitability of certain types of wood pulp for specific products depends upon the type of wood used and the pulping process. Pulp produced from hardwood trees (e.g. eucalyptus, aspen, birch and acacia) has short fibres and is better suited to coated packaging boards, coated and uncoated fine paper and tissues. Softwood (e.g. pine and fir) has long fibres and is generally used for strengthening.

Financial terms

EBITDA
Operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

EBITDA interest cover
EBITDA divided by net debt finance charges (before special financing items).

Gearing
The ratio of net debt to total capital employed.

Group revenue
Total turnover of subsidiaries and proportionate share of joint venture turnover.

Headline earnings
JSE listing measure, calculated in accordance with Circular 8/2007, ‘Headline Earnings’, as issued by the South African Institute of Chartered Accountants.

Net debt
A non-GAAP measure, comprising short- and medium-term borrowings and bank overdrafts less cash and cash-equivalents and current financial asset investments.

Net segment assets
Net segment assets are segment assets, consisting of property, plant and equipment, intangibles, forestry assets, retirement benefit surplus, inventories and operating receivables less segment liabilities consisting of non-interest-bearing current liabilities, restoration and decommissioning provisions and provisions for post-retirement benefits.

Operating margin
Underlying operating profit divided by Group revenue.

Return on capital employed (ROCE)
Underlying operating profit, including share of associates’ net earnings, divided by average trading capital employed and for segments has been extracted from management reports.

Shareholders’ funds
Share capital, share-premium, retained profits and other reserves attributable to equity holders.

Special items
Those non-recurring financial items which the Group believes should be separately disclosed on the face of the combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group and its businesses.

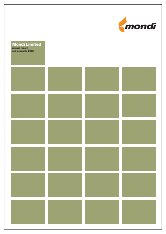
Total equity
Shareholders’ funds and minority interests in equity.

Trading capital employed
Net segment assets plus investment in associates, deferred tax, and other non-operating assets and liabilities excluding financial investments.

Underlying earnings
Net profit after tax before special items attributable to equity holders of the Group.

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

For further information, please see:



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