Mondi Group
Integrated report and financial statements 2014

We are Mondi: IN TOUCH EVERY DAY

At Mondi, our products protect and preserve the things that matter.

We offer over 100 packaging and paper products, customised into more than 100,000 different solutions for customers and end consumers – touching the lives of millions of people every day.

And we're determined to deliver the highest quality in everything we do, from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. We work closely with our customers and other strategic partners to develop cutting edge solutions; while also prioritising the responsible and sustainable management of our resources.

We are committed to delivering value to our stakeholders. This integrated report provides an overview of how our strategy, governance, people and performance combine to generate this value in a sustainable way.

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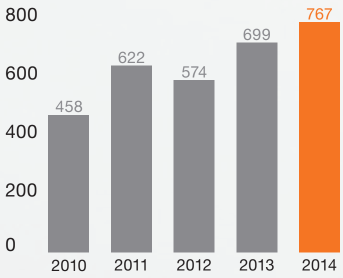
Our 2014 performance

Underlying operating profit

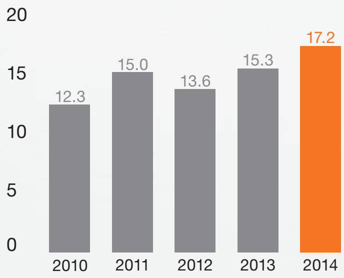
€767m



€ million

Return on capital employed (ROCE)

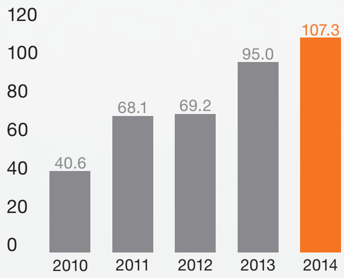
17.2%



%

Underlying earnings per share

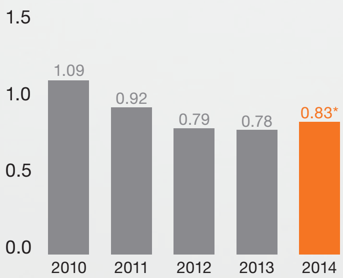
107.3€ cents



€ cents

Total recordable case rate (TRCR)

0.83

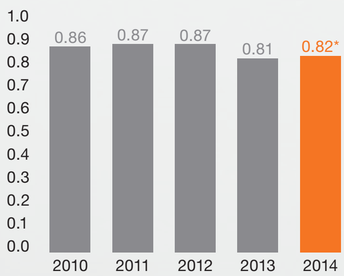


per 200,000 hours worked

* Recent acquisitions included therefore 2014 figures not comparable with historical data

Total specific CO_2e emissions from our pulp and paper mills

0.82

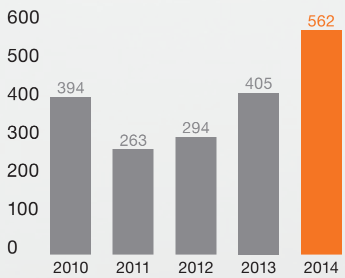


tonnes per tonne of saleable production

* Energy sales increased by 16%, causing an increase in CO_2e emissions from 2013

Capital expenditure

€562m



€ million

For more information visit:
www.mondigroup.com

02

Overview


Our products touch the lives of millions, worldwide, every day

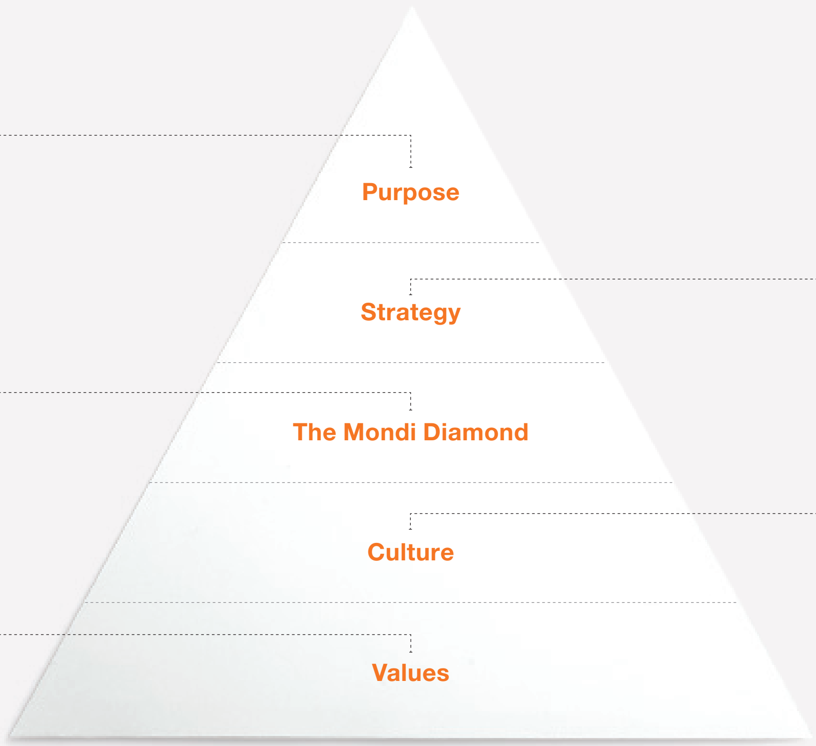
About us
Who we are

Mondi is an international packaging and paper Group with a dual listed company structure (primary listing on the JSE Limited for Mondi Limited and premium listing on the London Stock Exchange for Mondi plc).

With around 25,000 employees and operations across more than 30 countries, our people and our culture really matter. We're connected, guided and inspired by our culture and values. Our people are dynamic, entrepreneurial and empowered, with a real passion for performance. We show we care by being respectful and responsible. We act with integrity, encouraging honesty and transparency in all that we do.

The Mondi Way demonstrates how our purpose, strategy and operational framework fit together, underpinned by our shared culture and values. This guides the way in which we work, helping our people to understand how we all contribute to sustainable value creation.

The Mondi Way



To create solutions for our customers' success, delivering exceptional value in a sustainable way

Our key value drivers bring our strategy to life
Go to page 22

Our operating framework drives performance across our business
Go to page 25

Our culture

Dynamic
Respectful
Responsible
Entrepreneurial
Empowered
Transparent

Our values

Passion for performance
Caring
Acting with integrity

For more information see our Sustainable development report at www.mondigroup.com/sd14

Our approach to sustainability

For us, sustainable development makes good business sense. We don't just talk about sustainability; we make it part of the way we work every day. We have a clear sustainable development strategy, which links our material issues to a comprehensive set of commitments.

Our future relies on the responsible stewardship of the natural resources we need to source, manufacture and market our products. That's why we believe in engaging proactively on global issues and their local consequences, such as climate change, energy and the responsible management of ecosystem services including water. Collaboration with key stakeholders plays a vital role in helping us to achieve this. We play our part by looking for ways to achieve more from less, increasing resource efficiency and extending the range of sustainable product solutions we offer.

We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.

Mondi is fully integrated across the packaging and paper value chain – from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions.

We are focused on growing our packaging interests. Our key value drivers bring our strategy to life:

- We focus on developing in markets that offer us growth opportunities
- We invest in our exceptional people and our high-quality, low-cost operations
- We are passionate about performance, reliability and sustainability
- We work with our customers and help them to succeed by finding innovative solutions

Many of our customers are leaders in their industries and their products are household names around the world. Our innovative technologies and products can be found in a variety of applications including hygiene components, stand-up pouches, super-strong cement bags, clever retail boxes and office paper. Our key customers are in industries such as automotive; building and construction; chemicals; food and beverage; home and personal care; medical and pharmaceutical; packaging and paper converting; pet care; and office and professional printing.

Our Group is structured into the Europe & International Division (E&I) and the South Africa Division. The E&I Division is further organised along product lines, combining business units with similar product portfolios.

Read more about our key value drivers on page 22

Group structure

mondi

Europe & International Division

Packaging Paper
- Containerboard
- Sack kraft paper
- Speciality kraft paper
- Pulp

Fibre Packaging
- Corrugated packaging
- Industrial bags
- Extrusion coatings

Consumer Packaging
- Advanced materials
- Consumer goods packaging

Uncoated Fine Paper
- Uncoated fine paper
- Pulp

South Africa Division
- Pulp
- Uncoated fine paper
- Containerboard

Market positions

#1	Kraft paper and industrial bags producer in Europe
#1	Industrial bags producer in North America
#2	Virgin containerboard producer in Europe
#1	Containerboard producer in emerging Europe
#2	Corrugated packaging producer in emerging Europe
#1	Commercial release liner producer in Europe
#2	Extrusion coatings producer in Europe
#1	Uncoated fine paper producer in Europe
#1	Hardwood pulp, white top kraftliner and uncoated fine paper producer in South Africa

About us
Where we operate

The Group's key operations are located in central Europe, Russia, North America and South Africa.

Key

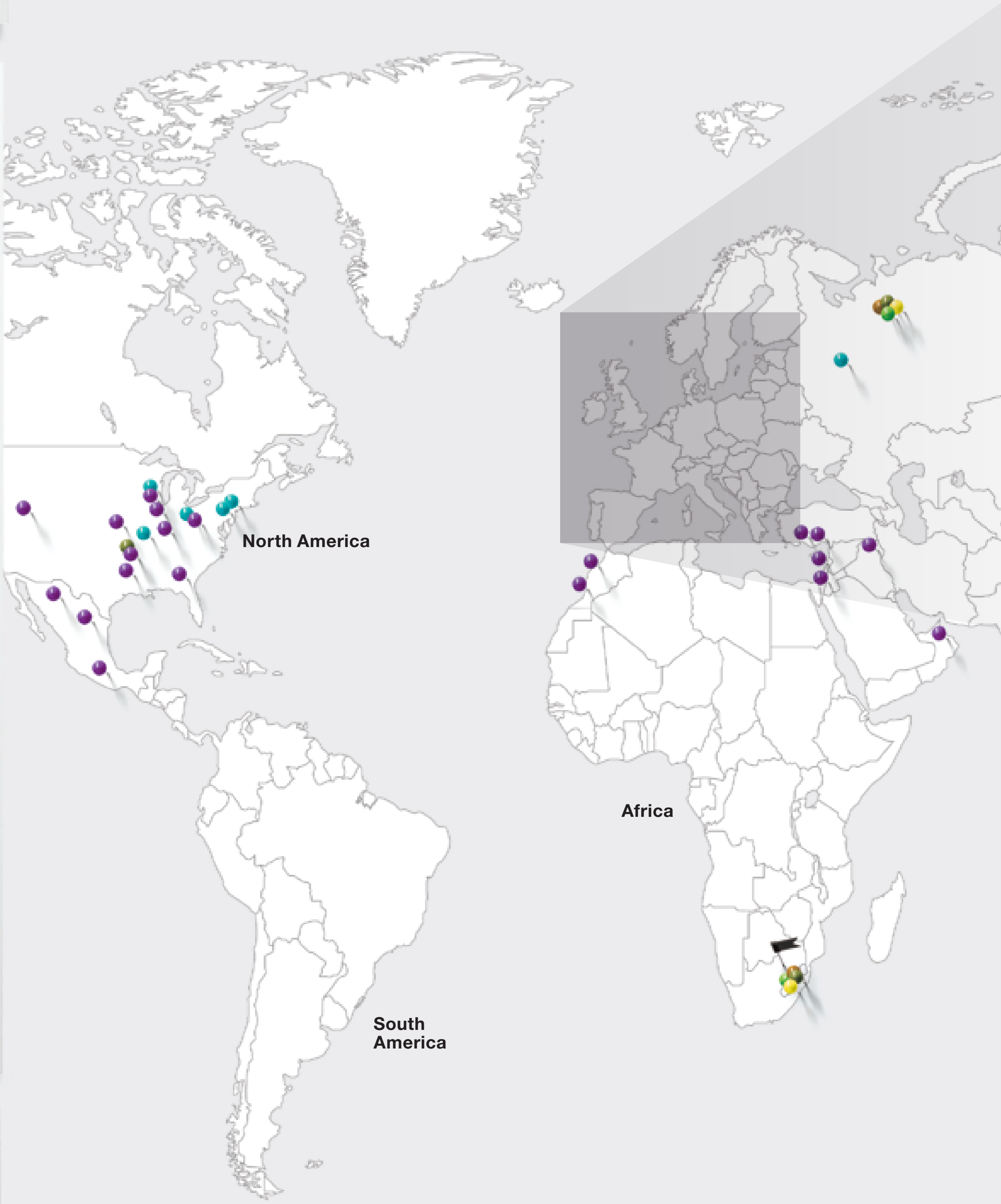
- Packaging paper
- Fibre packaging
- Consumer packaging
- Uncoated fine paper
- Pulp
- Forestry

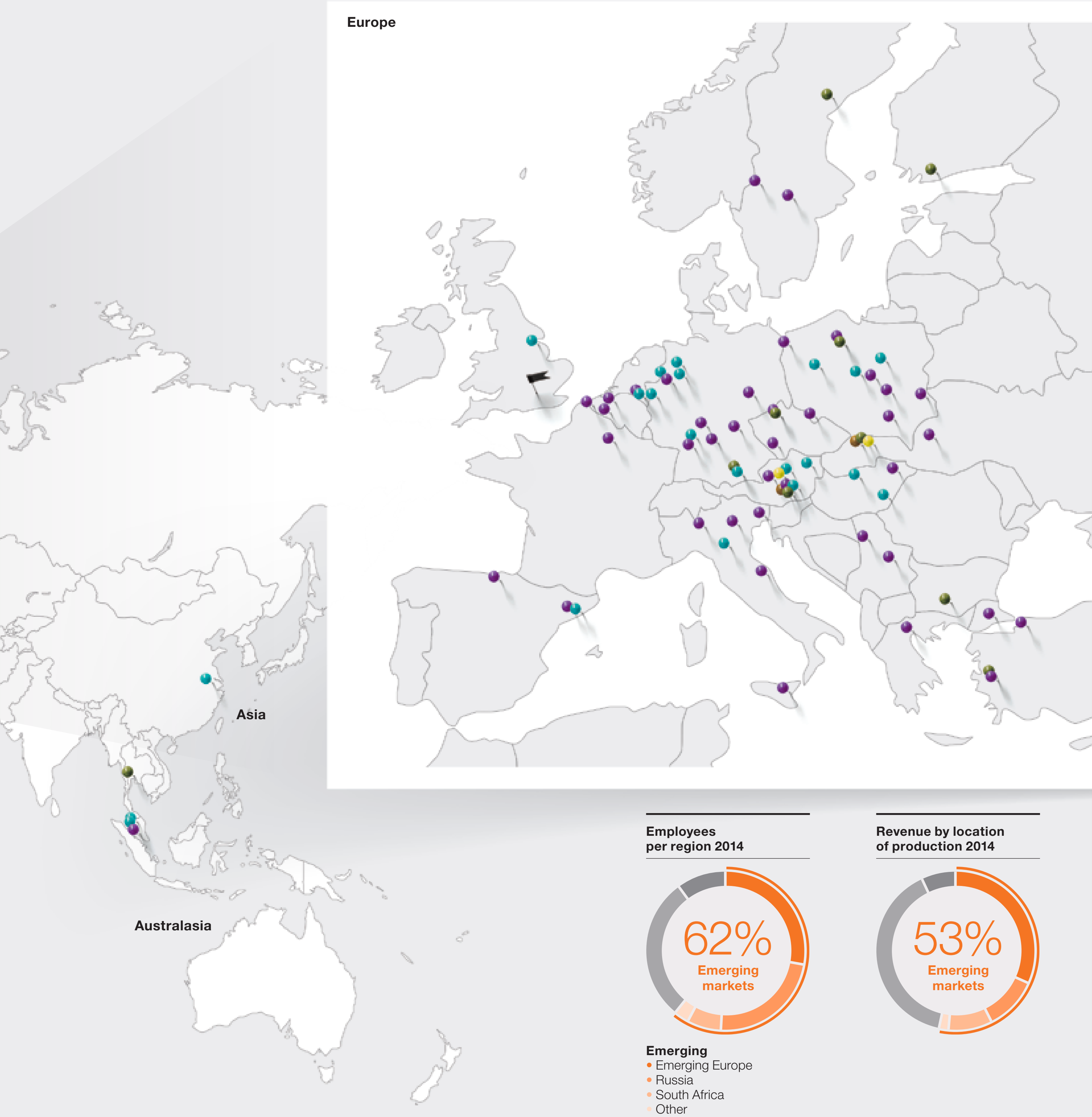
Production sites

	Packaging paper	Fibre packaging	Consumer packaging	Uncoated fine paper	Pulp	Forestry
Austria	●	●	●	●	●	
Belgium		●				
Bulgaria	●					
China			●			
Czech Republic	●	●				
Finland	●					
France		●				
Germany	●	●	●			
Greece		●				
Hungary		●	●			
Iraq		●				
Italy		●	●			
Jordan		●				
Lebanon		●				
Malaysia		●	●			
Mexico		●				
Morocco		●				
Netherlands		●	●			
Oman		●				
Poland	●	●	●			
Russia	●		●	●	●	●
Serbia		●				
Slovakia	●			●	●	
South Africa	●			●	●	●
Spain		●	●			
Sweden	●	●				
Thailand	●					
Turkey	●	●				
Ukraine		●				
UK			●			
USA	●	●	●			

Corporate head offices

- Johannesburg
- London





Employees per region 2014

62%
Emerging markets

Revenue by location of production 2014

53%
Emerging markets

Emerging
- Emerging Europe
- Russia
- South Africa
- Other

Mature
- Western Europe
- North America

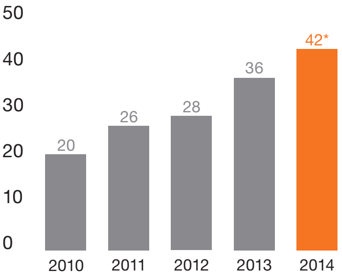
Joint chairmen's statement

Read more about global macroeconomic developments on page 21

From a global macroeconomic perspective, 2014 was a year of relatively low and uneven growth. Against this backdrop, Mondi delivered exceptionally strong results, with a ROCE of 17.2%, a record for the Group.

Total dividend

42€ cents



€ cents per share

* Based on proposed final dividend of 28.77 euro cents per share

Joint chairmen
David Williams, left
Fred Phaswana, right

"We continued to make steady progress in developing our packaging interests in a sustainable way, while maintaining the competitiveness of our existing operations."

Building on our strengths to deliver value

In our view, Mondi's ability to deliver strongly across the cycle is testament to the quality of the business and the strength of our strategy. Mondi's success is based on investing in our high-quality, low-cost asset base, driving sustainable operational improvements, developing in markets that offer us growth opportunities, and working with our customers to find the right solutions. Combined with a strong balance sheet and sustainable cash flow generation, this makes Mondi an extremely resilient organisation, and one in which we have every reason to be confident going forward.

Looking back on another year of good progress

We continued to make steady progress in developing our packaging interests in a sustainable way, while maintaining the competitiveness of our existing operations. We expanded our packaging converting footprint through acquisitions and we completed a number of key capital projects during the year. A number of our significant capital expenditure projects are aimed at improving energy efficiency and self-sufficiency. In November 2014, we celebrated the start-up of a new recovery boiler at our Ružomberok mill in Slovakia and in 2015 we expect to start up a similar investment at our Świecie mill in Poland.

We continued to integrate sustainability as a key factor in our strategic business decisions across the Group. Collaboration is fundamental to the way we do things. An important development for us was the signing of a three-year strategic global partnership with WWF International, focusing on environmental stewardship in the packaging and paper sectors through ecosystems management, manufacturing practices and product stewardship.

The safety and health of our employees and contractors will always be central to our success. Our goal of zero harm is an absolute imperative for the business, and we will keep our focus on making it a reality. We are very pleased that the Group did not experience any fatalities in 2014 and we know we need to keep working hard if we are to make this the norm going forward.

Further details can be found in the chief executive's review on pages 14 to 19, the sustainable development review on pages 34 to 37 and the business reviews on pages 38 to 53

Ružomberok, Slovakia

Improving energy efficiency

In 2014, we continued our efforts to improve energy efficiency and self-sufficiency, while reducing our reliance on carbon intensive energy sources.

Read more about our energy-related investments in our online Sustainable development report: www.mondigroup.com/sd14

Joint chairmen's statement continued

Transparent sustainability reporting

We have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007. We continue to report annually to CDP's climate, water, forests and supply chain programmes, and were included in the CDP FTSE350 Climate Disclosure Leadership Index (CDLI) for the fourth time since 2010. In addition, we submitted our annual Communication on Progress (CoP) report to the United Nations Global Compact (UNGC) as an Advanced Level reporter.

Read more about our outputs and the value we create on page 27

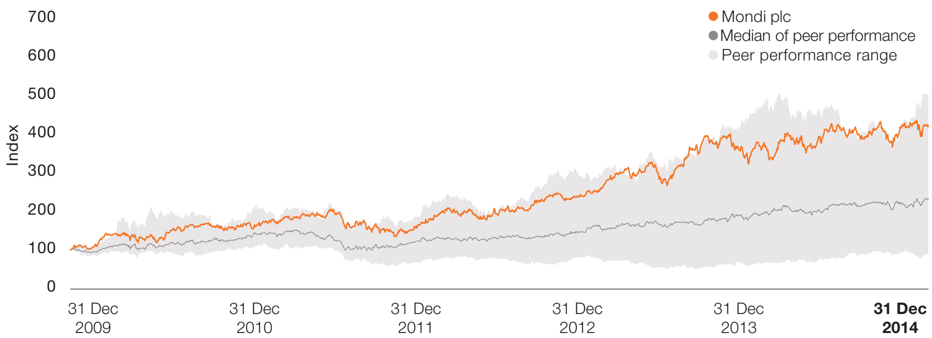
See pages 64 to 116 to find out more about our high standards of corporate governance

Delivering value to our shareholders

We are confident in Mondi's ability to deliver ongoing shareholder value. To fulfil our board responsibilities, we need to be effective in the way we guide and support management to maximise the potential of this high-quality business. We openly discuss strategic decisions, bringing the required level of challenge and support. Our collaborative yet thorough approach means that we take advantage of our strengths, agree on the right course of action and hold management accountable as we work together to create long-term value.

Mondi's financial results and strong share price performance underline the soundness of our strategic decisions, with the Group continuing to outperform the peer average in 2014.

Five year total shareholder return (TSR) (Indexed to 1 Jan 2010)



On the back of Mondi's record financial performance and strong cash generation in 2014, we are pleased to continue to offer shareholders long-term dividend growth within the targeted dividend cover range of two to three times, on average, over the cycle. The boards of Mondi Limited and Mondi plc have recommended a final dividend of 28.77 euro cents per share (2013: 26.45 euro cents per share). Together with the interim dividend of 13.23 euro cents per share, this amounts to a total dividend for the year of 42 euro cents per share, an increase of 17% from 2013.

Ensuring good governance into the future

The boards of Mondi Limited and Mondi plc uphold the highest standards of corporate governance and best practice. We are fully committed to the principles of transparency, integrity and accountability. For us good governance goes beyond compliance. We need to ensure that appropriate objectives are set across all disciplines and that the right processes are in place to achieve long-term growth for our shareholders.

Regular dialogue with shareholders is important to facilitate a clear understanding of the progress we are making. In 2014, Mondi held a number of investor and analyst events, including results presentations, roadshows and one-on-one meetings. We promote transparent communication and we value the opportunity to engage with shareholders. The Group plans to host its second Capital Markets Day in the fourth quarter of 2015 where the executive directors and other key senior management will share insights into Mondi's business.

Positioning the Group for growth

The Boards continue to focus on creating long-term value for stakeholders and taking advantage of selected growth opportunities, with a focus on growing the Group's packaging interests.

The priorities for the business in 2015 are to fully realise the potential of acquisitions made in recent years, successfully deliver ongoing capital expenditure projects, continue to manage costs tightly and meticulously evaluate further growth opportunities.

Stand-up pouches offer our customers an innovative packaging solution Korneuburg, Austria

Mondi's current five-year sustainable development targets were set in 2010 and we reach the end of this commitment period in 2015. On pages 36 and 37 we report on progress against our key commitments. We are in the process of evaluating our material issues and setting new commitments, taking cognisance of the significant changes to the composition and strategic focus of our Group and continuing developments in global sustainability trends. Our 2020 commitments will address our response to the sustainable development issues that impact on Mondi's long term value creation, providing both opportunity and challenge for the Group.

Recognising an exceptional team

Mondi is a well-run organisation, with clear objectives that are widely understood. Every time we visit Mondi's offices and operations we see just how talented and performance-driven people are at all levels of the organisation. It is this uncompromising focus on getting things right that sets Mondi apart in many ways. Equally important for us is the constructive way in which people engage with each other and Mondi's broader stakeholders.

It has been a challenging macro environment, yet Mondi's people have worked together, combining professionalism and dedication to deliver exceptionally good results. On behalf of the Boards, we extend heartfelt thanks to all of Mondi's people.

This is Mondi's fourth integrated report and provides insight into the Group's long-term approach to strategy and governance. It gives a holistic and balanced overview of performance in 2014 and insight into how we plan to create value in the short, medium and long term.

Strategic report

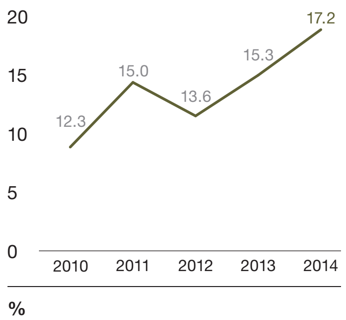
We work closely with our customers to develop cutting edge solutions

Chief executive's review

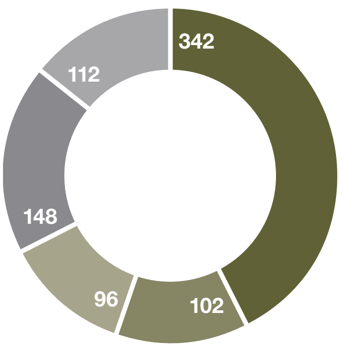
I am pleased to report another successful year for Mondi. Underlying earnings per share increased by 13% to 107.3 euro cents per share, and our ROCE was 17.2%. The Group's solid financial results, delivered despite continued slow economic growth in a number of key markets, are testament to our robust business model and high-quality, low-cost asset base.

ROCE

17.2%



Underlying operating profit 2014



€ million

- Packaging Paper
- Fibre Packaging
- Consumer Packaging
- Uncoated Fine Paper
- South Africa Division

Chief executive officer
David Hathorn

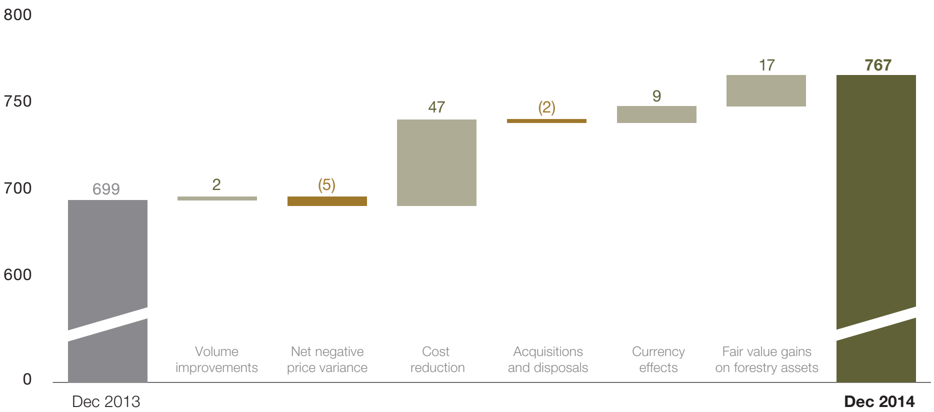
Reviewing our financial performance

Revenue was broadly in line with the prior year. On a like-for-like basis, selling prices and volumes were similar to the prior year with revenue boosted by the acquisition of the bags business in the US, offset by negative currency impacts and disposals or closures of non-core businesses.

"It is pleasing to see the strong contribution from all our business units."

Underlying operating profit of €767 million was up 10% on 2013. Packaging Paper continued to deliver very strongly despite a generally weaker pricing environment, driven by cost reduction and currency benefits. Our Fibre Packaging business benefited from lower paper input costs and good volume growth. Consumer Packaging saw a strong improvement in trading in the second half of the year. Coupled with the benefits of a number of sales and margin improvement initiatives, the business was able to deliver a pleasing improvement in year-on-year performance. Uncoated Fine Paper came under pressure from weaker pricing and negative currency effects, but nevertheless continued to deliver strongly, while the South Africa Division benefited from higher average selling prices and the weak rand.

Underlying operating profit



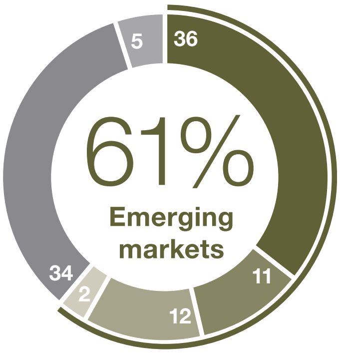
€ million

Contributing to these results were the benefits from recently completed capital investments, primarily around energy efficiencies and other cost optimisation in the pulp and paper operations, and continued strong cost management across the Group. In addition to lower energy costs, our energy investments completed over the last few years have significantly improved the efficiency and self-sufficiency of our larger, more energy intensive pulp and paper operations.

Chief executive's review continued

We invest in our high-quality, low-cost operations   Štětí, Czech Republic

Net operating assets by location 2014



%

Emerging
- Emerging Europe
- Russia
- South Africa
- Other

Mature
- Western Europe
- North America

Consistent with the prior year, the impact of the Group's maintenance shuts on underlying operating profit was around €55 million. In 2015, the effect is expected to be more significant, with longer shuts planned at certain mills to allow for project implementation and the move of certain mills to an 18 month rotation. The impact on underlying operating profit, at prevailing price levels, is estimated at around €80 million.

Cash generated from operations of €1,033 million was similar to 2013, despite an increase in working capital of €87 million. Excluding the impact of acquisitions, working capital as a percentage of revenue was 12.3%, marginally above our targeted 10-12% range.

Growing in line with our strategy

We remain well positioned as a leading international packaging and paper group, with a strong platform for growth. Our clear intention is to grow our packaging interests.

We will continue to develop our presence in emerging markets, particularly in our pulp and paper operations, where inherent growth and cost benefits are most apparent. In our Fibre Packaging and Consumer Packaging businesses, we see opportunity to develop by leveraging our competencies in both mature and emerging markets.

Read more about our strategy on pages 22 and 23

Our key value drivers bring our strategy to life:

- We develop and maintain leading positions in markets that offer us growth opportunities
- We invest in our exceptional people and our high-quality, low-cost operations, keeping us competitive and giving us sustainable cost advantages
- Our continuous focus on sustainable operational improvements and rigorous asset management helps us to keep improving productivity and reducing costs
- We work with our customers to develop smarter, more cost-effective processes and products to help them succeed

While acquisition-led growth remains a key component of our strategy, and we will continue to evaluate opportunities as they arise, we currently see greater opportunity for value-enhancing growth through capital investments in our existing operations. To this end, we successfully completed a number of major projects during the year, and have approved a strong pipeline of projects for implementation over the coming two years.

We completed the following key projects during the year:

- In April, our €70 million, 155,000 tonne per annum bleached kraft paper machine in Štětí, Czech Republic was successfully started up
- In November, we commissioned the new €128 million recovery boiler in Ružomberok, Slovakia, making the mill 100% energy self-sufficient and significantly improving its environmental footprint, in addition to reducing ongoing operating and maintenance costs and providing additional pulp production capacity
- Also in November we completed the €30 million pulp dryer in Syktyvkar, Russia, which can produce 100,000 tonnes of FSC® certified softwood market pulp per year

We have a strong capital project pipeline:

- The €166 million project in Świecie, Poland, bringing forward the planned replacement of the recovery boiler and coal fired boilers, is progressing according to plan and on track for project start-up in the second half of 2015
- Early in 2015, the Boards approved the €94 million second phase of the above project at Świecie to ensure full utilisation of the new recovery boiler's capacity, providing an additional 100,000 tonnes per annum of softwood pulp, 80,000 tonnes per annum of kraftliner and further improving the mill's product mix flexibility
- The Boards have approved approximately €30 million for a project at the South Africa Division's Richards Bay mill to upgrade its wood yard
- Other significant projects in progress or approved during the year, amounting to approximately €130 million, include projects intended to further modernise some of the Group's kraft paper and converting operations, provide additional capacity and production flexibility and reduce ongoing operating and maintenance costs

The incremental operating profit expected from major projects in 2015 is around €50 million (2014: €45 million), illustrating the benefits that arise from these high-return investments. Given this project pipeline, and in the absence of any other major projects, capital expenditure is expected to average €550 – €560 million per year over the next two years.

In terms of acquisitions, we extended our global leadership position in industrial bags with the acquisition of Graphic Packaging's bags business in the US in June, while in Consumer Packaging we acquired a modern converting plant in Poland in July.

We successfully launched a number of new products and received a variety of product awards, demonstrating our commitment to innovation. We were particularly pleased to receive the distinguished External Business Partner Excellence Award 2014 from Procter & Gamble.

New products launched include:

ProVantage Prestigewhite (fully bleached kraftliner for superior printability)

Advantage Formable White (specially designed kraft paper for forming and embossing applications)

Hang-on Stand (rack-attachable display solution)

Touch Bag (embossed industrial bag for improved branding and piracy protection)

Nespresso Bag (Nespresso Austria using our Sustainex® biodegradable coating for their recycling bags)

ColdSealPack® (self-sealing packaging)

PolywovenBag (lightweight and tear-resistant pinch bottom bag)

YBBS® premium board (uncoated 100% virgin fibre solution for folding boxes or cupstock)

Chief executive's review continued

In our continued efforts to improve performance, we undertook a number of restructuring activities during the year. In our Consumer Packaging business, we have grown our sales team and moved production to plants that better serve our customers and optimise margins. As part of the process of integrating our newly acquired bags business in the US, we announced various restructuring activities, including the closure of a plant in New Philadelphia. We also announced the closure of one of our two speciality kraft paper machines in Finland, in addition to restructuring activities in the Extrusion Coatings segment of our Fibre Packaging business unit.

Risk management

Risk management is an inherent part of any business and identifying and managing the risks specific to Mondi is critical to our long-term success. Our proactive risk management system is embedded in the way we operate, allowing us to identify, evaluate and respond to the ever changing business environment. Our risk management framework, most significant risks and our responses to those risks are set out on pages 30 to 33. We maintain a deliberate investment strategy to limit regional and country specific risks to limits considered acceptable to our Boards.

Safeguarding our sustainable future

Our online Sustainable development report provides a comprehensive overview of all our commitments and the progress we have made over the last five years: www.mondigroup.com/sd14

We view sustainable development as integral to the success of our business. We engage proactively on global issues and their local consequences, and we are seeing increased collaboration as we integrate sustainable development, both internally and with our customers and other stakeholders.

In 2010, we undertook a detailed materiality assessment and identified six material issues to guide our sustainable development to 2015:

- Securing access to sustainable fibre in the short, medium and long term
- Maintaining our licence to trade by making a real and lasting contribution to the communities in which we operate
- Understanding and minimising our contribution to climate change
- Operating in a world of constrained resources and recognising concerns regarding biodiversity, forests, water and ecosystem services
- Safeguarding the wellbeing of employees and contractors and securing key talent and skills
- Increasing the eco-efficiency of our products

We developed a set of commitments to support these material issues and on pages 36 and 37 we set out the progress we have made. In 2015, we will complete a detailed and comprehensive review of our material issues and our new set of commitments will be developed accordingly.

The safety of our people is of particular importance to Mondi as a business and to me personally, so I am pleased that we continue to improve our safety performance. In 2014, we implemented a project focusing on the Top 5 Fatal Risks and there were no fatalities during the year. The Boards have committed capital of €17 million over the next two years to engineer these risks out and manage residual risk.

Acknowledging our remarkable people

Our successful year has been driven by the effort of all our people. The dynamic environment we work in makes it imperative that we employ skilful people who are committed to implementing our strategy and living our culture. The outstanding work I see being done across the Group, along with the passion I feel when I visit our operations, makes me more confident in our future than ever.

Our state-of-the-art blown film line helps us to meet our customers' needs Zeltweg, Austria

2015 is no doubt going to be another exciting year for us at Mondi. We value open and honest feedback so that we can continue creating an inspiring work environment for our employees and offer an attractive employment option for new recruits. At the end of 2013, we conducted another Group-wide employee survey, with feedback showing steady progress across all key dimensions. There are a few common areas that require strengthening across Mondi and we have agreed on follow-up actions to improve the quality of our communication with direct reports and teams and further increase our emphasis on feedback, recognition and appreciation. To keep tracking our progress we will conduct a further employee survey in November 2015. We have also extended our 360-degree feedback surveys to all employees with at least three direct reports.

We are delighted to have our new employees in China, Poland, Serbia and the US on board, and on behalf of the executive committee I sincerely thank all our people for contributing to the outstanding progress we have made this year.

Looking ahead

Economic growth is expected to remain well below historical averages in the regions in which we operate. We expect this slow economic growth to continue to impact on demand for our products in the short term, although underlying industry fundamentals remain generally sound, with supply/demand balance supported by supply-side constraint.

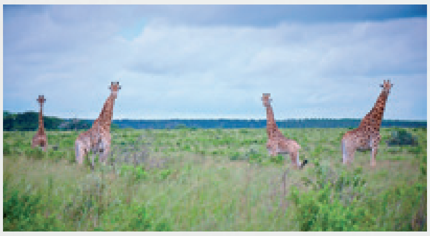
Recent exchange rate movements provide a mixed impact, although with a clearly positive bias when considered for the Group as a whole. Furthermore, the recently completed capital investments and ongoing projects should contribute meaningfully to our performance going forward. As such, we are confident of making further progress in the year ahead.

Our external context

The world we live in is changing – fast. Accelerating globalisation, shifts in demographics, dynamic macroeconomic environment, improved technology, climate change and biodiversity loss are just some of the trends that are increasingly affecting the way we do business.

Global sustainability trends

Despite global efforts, greenhouse gas (GHG) emissions continue to rise and **climate change** is the most significant global challenge we face. It remains top of the global environmental policy agenda, influencing regulations and market dynamics. We fully consider climate change in our business decisions, strategies for growth and public commitments.



WWF's Living Planet Index indicates severe degradation of ecosystems over the last decades. **Biodiversity and habitat loss** can have adverse impacts on the ecosystem services that businesses and communities rely upon. We manage our land and associated ecosystems in a sustainable way and procure wood exclusively from responsible sources.

Changing global social trends (such as population growth, urbanisation and rising incomes) and the associated rise in material consumption is causing **increased pressure on constrained natural resources**. We are responsibly managing the natural resources we rely on, such as fibre, fresh water and fuel, and offer products that promote resource efficiency.

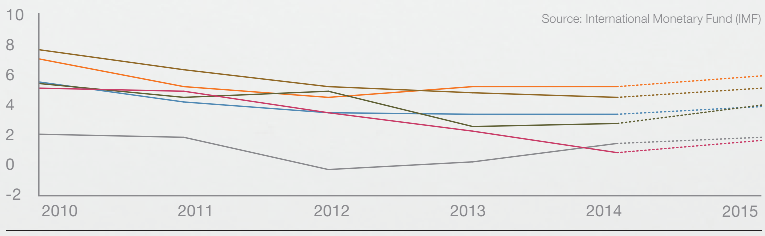
Ongoing **deforestation** and land conversion continue to cause biodiversity loss and are major contributors to climate change. Forest certification not only addresses deforestation, but also promotes sustainable forest management. However, about 90% of global forests remain uncertified and unless urgent change is made to improve and simplify certification processes it is unlikely that the situation will improve. We are actively involved in promoting change.

We are operating in an increasingly **transparent and globalised world**, with people connected through information and communication technology and the rising use of social media. This trend impacts on our markets, strategy, communication and engagement approach, stakeholder expectations and our reputation. We actively engage with a wide range of stakeholders, and seek to increase transparency by publicly disclosing our performance on a regular basis.

Global macroeconomic developments

Economic growth is a clear driver of demand for Mondi's products. From a global perspective, the recovery from the 2008/2009 financial crisis continued in 2014, albeit at a slower and more uneven pace than was anticipated. In particular, growth in emerging markets was at a slower pace than historical averages. In the short term, conditions are expected to remain challenging, with growth below the long-term average in most regions where we operate.

Real GDP growth (annual % change)



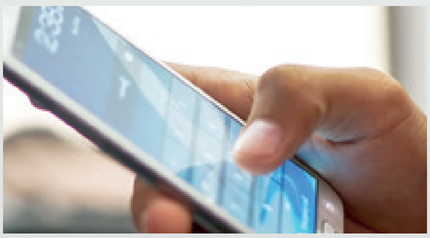
Industry trends

Economic development in **emerging markets** is supporting the rise of a sizeable middle class. As more people enter this demographic, new hubs for consumer demand appear, creating growth opportunities for many of our products.

Global populations are becoming increasingly urbanised, often resulting in smaller and busier households. Improved living standards are also helping to increase life expectancy. These **demographic trends** influence packaging demand as consumers require more convenient and innovative solutions such as enhanced shelf-life and storage, flexible portion sizes, and easy-to-open features.

Packaging is often the most important way for **brands** to communicate with consumers, particularly in-store. For products with fast moving consumer goods (FMCG) applications, there is increased demand for packaging to enhance the visual appearance of products through advanced options for printing, design functionality and materials usage. Packaging can also provide protection from counterfeiting and theft, particularly in premium segments.

Consumers are increasingly aware of environmental issues, supporting the growth of products that use **sustainable materials** and are produced in an **environmentally responsible** way. Brand owners and end users require packaging products that minimise cost and waste, without impacting product functionality. A key element of this trend is light-weighting, essentially doing more with less. Plastic-based packaging has a role to play in supporting the sustainability agenda. It provides benefits ranging from enhancing food security by extending shelf-life and reducing food waste, to offering solutions that incorporate recycled materials.



Digital technology continues to revolutionise the way people do business, buy things, work and live. Improved connectivity provides more opportunities for trade and online shopping, extending the reach of global commerce and supporting growth in our key packaging grades that help to protect, transport and sell goods. In office environments, digital platforms such as cloud storage and email are changing the way in which paper is used. While substitution effects prevail, opportunities have emerged such as digital print solutions that allow businesses to offer customised mailings and related services.

Our strategy

See pages 16 to 18 where our chief executive discusses our strategy

We are focused on growing our packaging interests, which currently account for more than 70% of the Group's revenues, both organically and through acquisitions.

We continue to develop our presence in emerging markets, particularly in our pulp and paper operations where inherent growth and cost benefits are most apparent. In our Fibre Packaging and Consumer Packaging businesses, we see opportunity to develop by leveraging our competencies in both mature and emerging markets. Overall, approximately 60% of the Group's net operating assets and 50% of sales by destination are in emerging markets. In our pulp and paper operations, around 80% of the Group's net operating assets are in emerging markets.

Read more about our sustainability commitments on pages 36 and 37

Sustainable development is integral to the success of our business and our ability to create value. Our strategy is informed by our material issues, within the context of the global sustainability trends that impact our business and are of concern to our stakeholders.

Our key value drivers bring our strategy to life

We **focus on developing in markets** that offer us growth opportunities

We develop and maintain leading positions in markets that offer us growth opportunities.

We **invest** in our **exceptional people** and our **high-quality, low-cost operations**

This keeps us competitive, and gives us sustainable cost advantages. Through our high levels of vertical integration we realise synergies along the entire value chain. We promote resource efficiency using innovative technologies and by making continuous process and product improvements.

We are **passionate about performance**, reliability and sustainability

We work efficiently, effectively and profitably. Our continuous focus on sustainable operational improvements and rigorous asset management helps us to keep improving productivity and reducing costs.

We **work with our customers** and help them to succeed by finding innovative solutions

Together we develop smarter, more cost-effective processes and products that meet their needs. We follow our customers into high-growth markets, where we can offer cutting edge products that deliver exceptional value.

We are confident in our ability to adapt and execute our strategy successfully across the business cycle. Our strategic approach is closely linked to our competitive advantages, and differentiates us from the market in a number of key areas:

Our **low-cost production model** is particularly important for our pulp and paper operations where we largely produce commoditised products. Our sustainable cost advantages typically result from lower wood, energy and personnel costs. In addition, our technical expertise and culture of operational excellence ensure that these cost advantages are optimised.

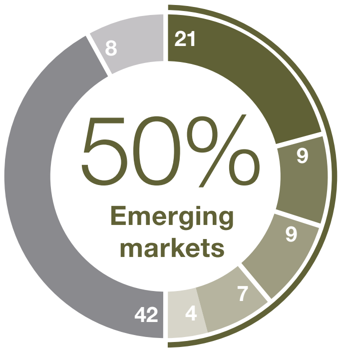
Our **exposure to emerging markets** offers us both inherent operating cost advantages and attractive growth opportunities.

Our **high level of vertical integration** improves security of supply and reduces our exposure to price volatility for key raw materials, particularly wood and pulp. Our vertical integration extends to the conversion of containerboard into corrugated packaging products, sack kraft paper into industrial bags, and resins and films into consumer packaging.

Our vertical integration also gives us the opportunity to be **innovative across the value chain**, with a focus on manufacturing processes and product design. Combined with our specialised Research & Development (R&D) capabilities, this enables us to develop, improve and customise products to fit customer requirements and generate new products. This can range from features such as improved barrier properties for extended shelf-life and easy-to-open capabilities, to enhanced environmental and recycling properties.

The **scale and global reach** of our operations gives us a number of advantages compared to regional producers. In addition to the cost benefits associated with scale, our geographical footprint means we can offer our customers a consistently high level of quality and service delivery across different regions. We can also partner with our global customers as they enter new markets, making the most of our combined know-how and experience.

Sales by destination 2014

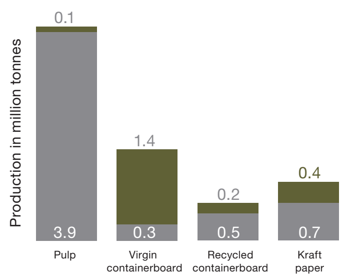


%

Emerging
- Emerging Europe
- Russia
- Asia & Australia
- South Africa
- Other

Mature
- Western Europe
- North America

Vertical integration 2014



- We use internally
- We sell

Product mix 2014

%
- Consumer related packaging
- Industrial packaging
- Uncoated fine paper
- Other

Our business model

Mondi is fully integrated across the packaging and paper value chain – from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions.

Our business model explains how we use our resources to create value for our customers, investors, employees and other stakeholders.

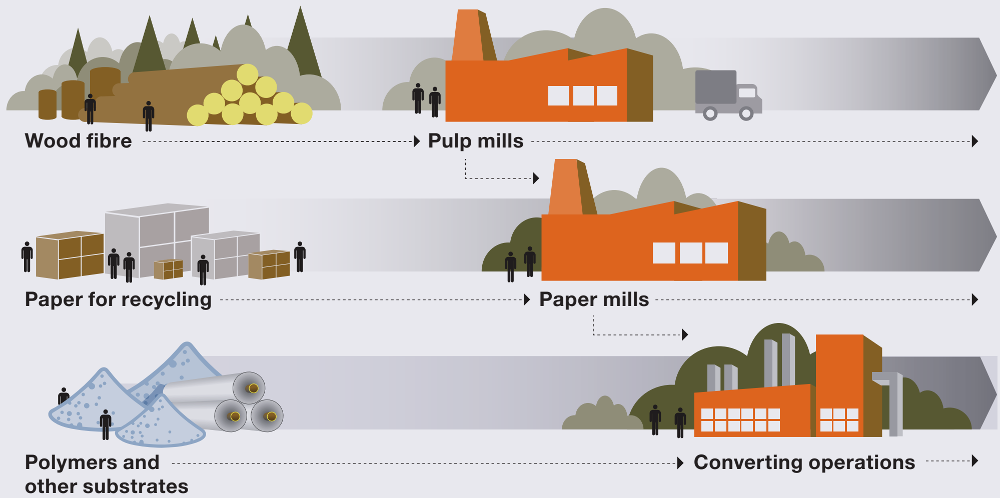
Inputs: what we have

see page 26

Our key value drivers bring our strategy to life (see page 22)

Activities: what we do

The value chain for each of our business units can be found in the business reviews, from page 38. Our Group value chain is summarised here:



We offer over 100 packaging and paper products customised into more than 100,000 solutions (see pages 28 and 29)

We use the Mondi Diamond as our operating framework to drive performance across our business

Outputs: value we create

see page 27

What we do

Mondi's pulp mills convert wood into pulp and our paper mills convert pulp and paper for recycling into packaging paper and uncoated fine paper. Our packaging paper products include containerboard and kraft paper, and our uncoated fine paper business produces office and professional printing paper.

We also convert packaging paper, polymers, films, aluminium foil and other raw materials into packaging products such as corrugated packaging, industrial bags, extrusion coatings, consumer packaging and advanced materials.

We use the Mondi Diamond as our operating framework to drive performance across our business in line with our key value drivers. It guides our people to focus on what we need to do to deliver value, bringing strategy down to an operational level. Every operation puts a different emphasis on each of the areas of the Mondi Diamond, depending on the nature of their business, but overall it brings a consistency to how we do things at Mondi.

The Mondi Diamond

The Mondi Diamond guides the way we work and helps our people to understand how they contribute to our sustainable value creation. It drives performance across five key areas:

Customer Focus

- Understanding market and customer needs so we can act accordingly
- Striving for flawless service and on-time delivery
- Facilitating sustainable partnerships and measuring success

Cutting Edge Products

- Listening to our customers to deliver exceptional value
- Creating competitive advantages with high-quality products and brands
- Leveraging our global expertise and cross business unit know-how to create tailor-made solutions

Operational Excellence

- Maximising equipment and process efficiencies
- Delivering on quality and productivity expectations
- Improving cost competitiveness

People Development

- Shaping our culture and embracing diversity and mobility
- Inspiring and developing our people
- Promoting excellence in leadership

Sustainable Development

- Achieving zero harm and providing a healthy and safe work environment
- Practising sustainable forestry
- Increasing resource efficiency and minimising environmental impacts
- Putting social responsibility into practice

R&D is an important contributor to our ongoing success. For us, innovation is key to generating increased value. This can be from working with customers on ground-breaking products, through to finding new ways to develop our people or be more efficient.

We operate five R&D centres to improve existing products and processes and innovate new solutions that excite our customers. We have formed strategic partnerships with research institutes, universities, raw material suppliers and original equipment manufacturers to help us anticipate market trends and new technologies ahead of our competitors.

We focus on:

- Improving the technological and environmental performance of pulp fibres
- Developing surfaces that enhance printability
- Complying with stringent food hygiene standards and extending the shelf life of our customers' products
- Developing unique film recipes and processes for multilayer blown films, cast films and laminates

Our business model continued
Inputs: what we have

Read more about how we are committed to operating sustainably on page 34

See pages 54 to 57 to find out about our strong financial position

Our **industry-leading integrated pulp and paper mills and converting plants** give us a lower cost position than many of our competitors. Our production assets have a carrying value of €3.4 billion and over the last five years we have invested €1.9 billion in our asset base to further improve our operations, reduce our environmental footprint, enhance our competitive cost advantage and pursue growth opportunities.

Our intellectual capital is inextricably linked to our team of **exceptional people** who together drive performance and find the solutions that our customers are looking for. We are committed to fostering a safe, fair and inspiring work environment that will continue to attract and retain talented individuals.

Mondi's **strong financial position** is founded on equity invested by our shareholders of €2.6 billion and committed credit facilities of €2.1 billion as at 31 December 2014 and strong cash flow generation from our operations of €1 billion in 2014. Our investment grade credit ratings enable us to access debt capital markets to fund selected growth opportunities when required.

Our value chain is dependent on the supply of a broad range of production equipment and materials including wood, paper for recycling, polymers, foils, chemicals, energy and other raw materials. We **partner with our suppliers** to be first to market with new developments and access sustainable resources across our business. Our forestry resources in Russia and South Africa give us access to our own fibre supply, resulting in a potential wood self-sufficiency of 55% for pulp production.

Mondi depends on **natural resources**, most notably fibre, water and fuel, which are required for the manufacturing of pulp, paper, converted packaging products and advanced materials. We are committed to **using** these **resources responsibly**. Our pulp and paper operations are capable of generating 97% of our overall electricity requirements mainly as a by-product of the pulp production process.

We are **committed** to **operating sustainably** and being proactive in the way we deal with the global issues and their local consequences relating to climate change, energy, water and biodiversity. We work together with our communities, governments, NGOs and other stakeholders to foster strong and long-lasting relationships, deepen understanding and increase our positive impact and influence.

Outputs: value we create

We deliver **value to our shareholders** through capital appreciation and the distribution of dividends. Our internal ROCE hurdle rate of 13% through the economic cycle helps us to measure our success. Over the past four years, while investing for the future, we have consistently exceeded this measure. Mondi's share price has also consistently outperformed the average of our industry peers and the broader market. Over the same period we have distributed €585 million in dividends to our shareholders.

We work closely with our customers and other strategic partners to develop cutting edge solutions that contribute to their success. Our **innovative technologies and products** can be found in a variety of applications including components for hygiene products, stand-up pouches, super-strong cement bags, clever retail boxes and environmentally responsible office paper.

Being a responsible employer with an open and honest culture helps us to deliver value while enhancing our position as an employer of choice. We **develop and train our talented people**, offering a variety of tailored courses in several languages on a range of topics including safety, technology, business tools, personal development and leadership skills.

We see it as our responsibility to make a real and lasting contribution to the communities in which we operate. We **support local communities and livelihoods by creating employment and business**. We employ local people, engage the services of local (and multinational) suppliers and contribute to regional and national economies through regular tax payments. We also seek to support and **invest in the development of local people and communities** and in 2014 we contributed €7 million to local community projects.

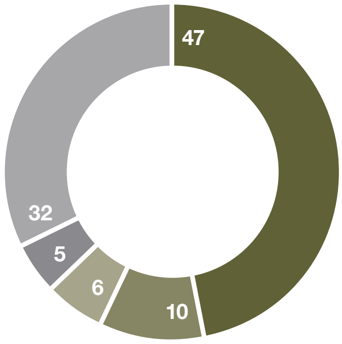
We seek to minimise our impact on the environment and enhance the eco-efficiency of our products through **resource efficiency** and the **responsible use of materials** across the value chain. Our **active stewardship** of land and freshwater ecosystems helps us to develop more resilient landscapes, and we are committed to credible certification of our forests and to procuring wood only from responsible sources.

Value added statement

€ million	2014	2013	2012	2011	2010
Revenue	6,402	6,476	5,790	5,739	5,610
Purchased materials and services	(4,334)	(4,478)	(4,039)	(3,969)	(3,933)
Value added	2,068	1,998	1,751	1,770	1,677
Distributed to					
Employees	975	957	850	812	852
Providers of equity capital	209	198	157	169	72
Providers of loan capital	110	115	110	111	106
Direct taxes paid	106	126	109	85	47
Reinvested in the Group	668	602	525	593	600
	2,068	1,998	1,751	1,770	1,677

Value distribution in 2014

€2,068m



%

Distributed to
- Employees
- Providers of equity capital
- Providers of loan capital
- Direct taxes paid
- Reinvested in the Group

Read more about how our products touch the lives of millions worldwide, every day on pages 28 and 29

Our products touch the lives of millions, worldwide, every day

We offer over 100 packaging and paper products, customised into more than 100,000 different solutions for customers and end consumers. Our key customers are in industries such as automotive; building and construction; chemicals; food and beverage; home and personal care; medical and pharmaceutical; packaging and paper converting; pet care; and office and professional printing. The overview below provides a flavour of the variety of products we offer.

Our **containerboard** is used to make **corrugated packaging**, primarily designed to protect our customers' products along the value chain. Through design improvements and innovation, our corrugated packaging solutions extend their benefits well beyond traditional packaging requirements and range from standard transit cases to fully customised trays and wraps, multipiece solutions, point of sale displays and heavy duty containers.

Our **sack kraft paper** is used to make **industrial bags** that are mainly used for cement and other building materials, but also for agricultural, chemical and food packaging. They provide customers with a strong, lightweight and sustainable packaging solution.

Our broad range of **speciality kraft paper** products are used for a multitude of purposes, from heavy-duty industrial packaging to attractive and functional food packaging for supermarket shelves, as well as customised applications.

Our innovative **extrusion coatings** products comprise paper, foils and other materials coated with a polymer layer to provide excellent barrier properties against bacteria, odour, grease, moisture, oxygen etc. They are used in applications such as protective medical clothing, food and beverages, wrappers and case linings, and in building and construction.

Reclosable bags that make pets love their owners even more

Kraft paper that can carry more than 100 times its own weight

Corrugated boxes that help fruit to arrive safely

Our range of **advanced materials** includes hygiene components, films, and release liners. Our hygiene components are mainly used in diapers and feminine hygiene products, while our films are used for label and laminating films, barrier and protective solutions, as well as technical and decorative applications. **Release liners** have a variety of applications including graphic art materials, tapes, fibre composites, medical and hygiene products, and labels. Where applicable these products are produced using Mondi's **speciality kraft paper.**

Our **consumer goods packaging** business produces high-quality laminates and barrier materials and converts them into a broad range of flexible packaging solutions, such as stand-up pouches, reclosable plastic bags, paper-based bags and microwaveable packaging. They help to optimise shelf life, improve convenience for the end user, and provide superior visual appearance.

Our extensive range of **office papers** are designed to meet the varying demands of the modern office and achieve optimal results on laser, inkjet and copy machines. Our high-performance **printing papers** can be used on digital, offset and high-speed inkjet presses in the professional printing industry.

Extrusion coatings that offer innovative solutions for our customers

Release liners that make sure things stick where they should

For information on our full product range please go to www.mondigroup.com/products

Industrial bags that carry the foundations of our homes

Paper for life's important messages

Our principal risks

Our risk management framework is designed to address all the significant strategic, sustainability, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives into the future.

Our risk management framework

Boards

- Overall responsibility for Group strategy and managing risk
- Determine risk appetite in line with Group strategy and approve risk management framework

Audit committee

- Reviews risk management policy, plan and risk tolerance levels and monitors the effectiveness of the risk management process
- Monitors and reviews all risks except those allocated to the sustainable development committee

Sustainable development committee

- Monitors and reviews material safety, health and environment risks

Internal audit

- Provides assurance to the Boards and committees on the effectiveness of the risk management process
- Evaluates internal control environment to ensure that controls are operating efficiently and effectively across all business units

Executive committee

- Formulates risk management policies within the approved risk management framework to ensure risks are managed within accepted tolerance levels
- Assesses and monitors risks on an ongoing basis

Business units

- Responsible for implementation of risk management policies and procedures

Group functions

- Responsible for managing areas of risk that benefit from central coordination (treasury, tax, safety and health, and sustainable development)
- Work closely with business units to manage and monitor these risk areas

Risk aware culture embedded across the organisation

The executive committee, audit committee and Boards conduct an annual formal systematic review of the Group's most significant risks and uncertainties, including how these risks are monitored and managed. Risk management is embedded in all decision making processes, with ongoing review of the Group's risks throughout the year as well as risk assessments being conducted as part of all investment decisions. A number of the key risks to which we are exposed are a function of our strategy and thus are long-term in nature and do not tend to change significantly from year to year.

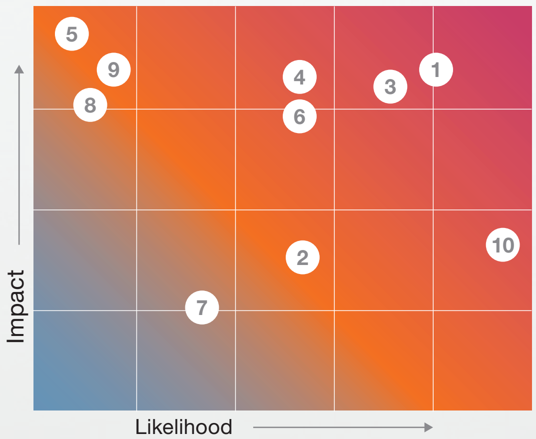
Risk management is by nature a dynamic and ongoing process. Our risk management framework is designed to address all the significant strategic, sustainability, financial, operational and compliance-related risks that could undermine our ability to achieve our business objectives into the future. It is flexible, to ensure that it remains relevant at all levels of the business; and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group's locations, markets and production processes.

Over the course of the past year, the audit committee has reviewed each of the principal risks set out below. In evaluating the Group's risk management and internal control processes, the committee has considered both internal and external audit reports and received confirmation from the finance heads of the business units that financial control frameworks have operated satisfactorily.

The Boards are satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established by the Boards.

The Boards are satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established by the Boards.

Our most significant risks



1. Industry capacity
2. Product substitution
3. Selling price variability
4. Country risk
5. Employee and contractor safety
6. Fibre supply
7. Energy and related input costs
8. Environmental impact
9. Reputational risk
10. Financial risks

Read about how we are responding to these risks on the next page

Our principal risks continued

Risk	Response	In 2014
1. Industry capacity **Plant utilisation levels are the main driver of profitability in paper mills. New capacity additions are usually in large increments which, through their impact on the supply/demand balance, influence market prices. Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices.**	We monitor industry developments in terms of changes in capacity as well as trends and developments in our own product markets. Our strategic focus on low-cost production and innovation activities to produce higher value added products, combined with our focus on growing markets, with consistent investment in our operating capacity ensures that we remain competitive. **Link to key value drivers**	**Major capacity expansions undertaken by the Group included completion of our new 155,000 tonne per annum bleached kraft paper machine in the Czech Republic and 100,000 tonne per annum pulp dryer in Russia.** **Read more about our capacity expansions in the chief executive's review on page 17**
2. Product substitution **Sustainability considerations and changes in consumer preferences affect the demand for packaging products. Factors such as the weight of packaging materials, increased use of recycled materials, electronic substitution of paper products, increasing demand for certified and labelled goods and specific material qualities all impact on the demand for the products Mondi produces.**	Our ability to meet changes in consumer demand depends on our capacity to correctly anticipate such changes and develop new products on a sustainable, competitive and cost-effective basis. Our focus for growth is on products enjoying positive substitution dynamics and growing regional markets. We work with our customers in developing new markets and new products. Our broad range of converting products provides some protection from the effects of substitution between paper and plastic based packaging products. **Link to key value drivers**	**We invested €18 million on research into new products and applications.** **See page 17 to find out about some of the new products we launched this year**
3. Selling price variability **Our selling prices are determined by changes in capacity and by demand for our products, which are, in turn, influenced by macroeconomic conditions, consumer spending preferences and inventory levels maintained by our customers. Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time.**	Our strategic focus is on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or a production cost advantage. We continue to invest in our low-cost, high-quality production assets to ensure we maintain our competitive cost position. Our high levels of vertical integration reduce our exposure to price volatility of our key input costs. Our financial policies and structures are designed taking the inherent price volatility of the markets in which we operate into consideration. **Link to key value drivers**	**We invested €562 million in our operations to ensure they remain competitive.**
4. Country risk **We have production operations across more than 30 countries, a number of which are in jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, nationalisation or expropriation of assets may have a material effect on our operations in those countries.**	We actively monitor all countries and environments in which we operate and have established limits on exposure to any particular geographic environment. We engage in regular formal and informal interaction with the authorities to ensure we remain abreast of any new development. New investments are subject to rigorous strategic and commercial evaluation. Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduces our exposure to any specific jurisdiction. **Link to key value drivers**	**We have around 11% of our capital employed in Russia and a limited presence in the Ukraine. The US, European Union and a number of other countries imposed economic sanctions and other measures on persons and corporate entities in Russia and the Ukraine. Possible additional sanctions and/or other measures on Russia could have a material adverse effect on our business. To date, the measures imposed have had no material impact on our operations.**
5. Employee and contractor safety **We operate large facilities, often in remote locations. Accidents/incidents cause injury to our employees or contractors, property damage, lost production time and/or harm to our reputation.**	We have a zero harm policy. We continually monitor incidents and close calls and actively transfer learnings across our operations. We apply an externally accredited safety management system and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose. **Link to key value drivers**	**We committed a further €17 million across all our material operations, aimed at engineering out the most significant risks faced by our employees and contractors in our operations.**

Key value drivers:

- We focus on developing in markets that offer us growth opportunities
- We invest in our exceptional people and our high-quality, low-cost operations
- We are passionate about performance, reliability and sustainability
- We work with our customers and help them to succeed by finding innovative solutions

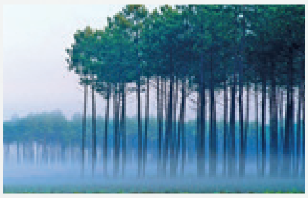
Risk	Response	In 2014
6. Fibre supply **Wood, pulp and paper for recycling comprise approximately a third of our input costs. We have access to our own sources of wood in Russia and South Africa and purchase wood, pulp and paper for recycling to meet our needs in the balance of our operations. Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for chain-of-custody certified or controlled wood, and initiatives to promote the use of wood as a renewable energy source.**	We are committed to acquiring fibre from sustainable, responsible sources and avoiding the use of any controversial or illegal supply. The sustainable management of our forestry operations is key in managing our overall environmental impact, helping to protect ecosystems and develop resilient landscapes. We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries. We have multiple suppliers for each of our mills and actively pursue longer term agreements with strategic suppliers of wood, pulp and paper for recycling. We are involved in multi-stakeholder processes to address challenges in meeting the global demand for sustainable, responsible fibre. **Link to key value drivers**	**We maintained 100% FSC® certification of our forests in Russia and South Africa.**
7. Energy and related input costs **Energy and related input costs comprise approximately a third of our variable costs. Mondi is a significant consumer of electricity and both purchases electricity from external suppliers and generates it internally. To the extent that we don't generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal.**	We monitor our electricity usage, emission levels and use of renewable energy. Most of our larger operations have high levels of electricity self-sufficiency. We focus on improving the efficiency of our operations and have invested in our operations to improve our energy profile and increase electricity self-sufficiency, while reducing ongoing operating costs and emission levels. To the extent that we generate electricity surplus to our own requirements, we may sell such surplus externally. We also generate revenue from the sale of green energy credits in certain of our operations, the prices of which are determined in the open market. **Link to key value drivers**	**We completed the €128 million replacement of the recovery boiler at our operations in Slovakia thus reducing the Ružomberok mill's environmental footprint and improving its overall cost position.**
8. Environmental impact **We operate in a high-impact sector and need to manage the associated risks and responsibilities. Our operations are water, carbon and energy intensive; consume materials such as fibre, polymers, metals and chemicals; and generate emissions to air, water and land. We are the custodian of more than two million hectares of forested land. We are subject to a wide range of international, national and local environmental laws and regulations as well as the requirements of our customers.**	We ensure that we are complying with all applicable environmental, health and safety requirements where we operate. Our own policies and procedures, at or above local policy requirements, are embedded in all our operations. We focus on a clean production philosophy to address the impact from emissions, discharge and waste. We focus on increasing the energy efficiency of our operations and using biomass-based fuels, reducing our use of fossil-based energy sources. We emphasise the responsible management of forests and associated ecosystems, protecting high conservation value areas. **Link to key value drivers**	**Our online Sustainable development report provides a comprehensive overview of our policies and activities: www.mondigroup.com/sd14** **See pages 36 and 37 for a brief summary of our performance against our commitments**
9. Reputational risk **Non-compliance with the legal and governance requirements in any of the jurisdictions in which we operate could expose us to significant risk if not actively managed. These include laws relating to the environment, exports, price controls, taxation and labour.**	We operate a comprehensive training and compliance programme, supported by self-certification and reporting. We also operate a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about conduct that may be contrary to our values. **Link to key value drivers**	**129 Speakout messages were recorded and followed up on.**
10. Financial risks **Our trading and financing activities expose the Group to financial risks that, if left unmanaged, could adversely impact our financial position. These risks relate to the currencies in which we conduct our activities, interest rate and liquidity risks and exposure to customer credit risk.**	Our approach to financial risk management is described in our financial statements. **Link to key value drivers**	**See notes 29 and 30 of the financial statements on pages 162 to 169 for further details**

Sustainability at Mondi: being part of the solution

See page 20 for more details on our external context

We are operating in a world facing global environmental, social and economic challenges. Without integrating sustainability into every business decision, we cannot remain a successful, profitable and value-adding business.

We believe that being part of the solution to help address sustainability challenges secures the future prospects of our business and our communities, and provides us with a competitive edge going forward.



Forests, biodiversity and fibre supply

Wood is one of our primary raw materials, so it is a business imperative that our forestry practices are sustainable – from the management of our own forests, to the procurement of our wood and fibre. We are not party to deforestation or illegal logging.

We maintain FSC® certification of our forests, and strive to continually increase the amount of credibly certified wood we procure.

We also work with key stakeholders such as local NGOs and governments to identify and protect high conservation value areas, and set aside some of our land for conservation purposes.

100%

100% of our owned and leased forests are FSC® certified

Zero

Zero deforestation, and no illegal logging

25%

25% of owned and leased land set aside for conservation

Greenhouse gas emissions and climate change*

Our climate change response focuses on increasing our energy efficiency and reducing our reliance on carbon intensive energy sources. We also place emphasis on the responsible management of forests and associated ecosystems, acknowledging the role of sustainable forests in mitigating climate change and storing carbon.

4.2m

In 2014 our scope 1[1] emissions amounted to 4.2 million tonnes CO_2e[2] (2013: 3.9 million tonnes) while specific[3] scope 1 emissions were 0.67 tonnes per saleable tonne of production (2013: 0.62)

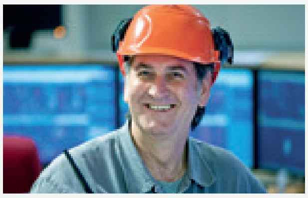
0.9m

Scope 2[4] emissions amounted to 0.9 million tonnes CO_2e (2013: 1.1 million tonnes), while specific scope 2 emissions were 0.15 tonnes per saleable tonne of production (2013: 0.18)

Total specific CO_2e emissions from our pulp and paper mills

tonnes per tonne of saleable production

● Specific Scope 1 ● Specific Scope 2
● Total specific CO_2e



Managing safety and health

We have a goal of zero harm in the workplace. The nature of our business involves many high-risk activities, and we require all our operations to focus on their top risks – developing suitable action plans to engineer the risks out or, where this is not possible, introducing robust procedures and controls to manage residual risk.

We also tailor occupational health management to the specific needs of our operations. Our focus includes reducing ergonomic risks, improving noise management (and subsequent hearing loss), preventing injuries, and in South Africa, addressing HIV/AIDS.

0.83

TRCR of 0.83 per 200,000 hours worked

47

47 employees and 165 contractors in our South African operations are currently on anti-retroviral treatment

Community engagement

Maintaining healthy relationships with local communities is vital to our continued success. We also see it as our responsibility to make a real and lasting contribution to the communities in which we operate.

Our operations support local communities and livelihoods by creating wealth, employment and business, and through voluntary community investments. Since 2010, we have contributed around €61 million to community investments and local initiatives. In making these investments, we focus on health, education, and enterprise development, which we believe are core drivers for community development.

€61m

Around €61 million contributed to community investments and local initiatives since 2010

* We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the World Resources Institute, and have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable assurance on our scope 1 and 2 GHG data in accordance with ISO 14064:3-2006. See their full statement on page 102 of our online Sustainable development report: www.mondigroup.com/sd14

1 Scope 1 emissions: Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries of the Group boundaries. This includes CO_2e from fossil fuels and processes, Group leased/owned vehicles, waste and wastewater treatment, from make-up chemicals, and from other GHG gases.

2 GHGs are often compared on the basis of their estimated potential to cause global warming. Factors can be used to convert a quantity of non-CO_2 GHG (such as CH_4 or N_2O) into an amount of CO_2 with an equivalent warming potential. Of importance in the pulp and paper industry, CH_4 and N_2O emissions are considered. Every gram of CH_4 is equivalent to 21 grams of CO_2 and each N_2O gram is equivalent to 310 grams of CO_2. Total GHG emissions can be calculated as the sum of several GHGs expressed as the equivalent amount of CO_2, abbreviated as CO_2e.

3 Specific: calculated in tonnes of CO_2e per tonne of saleable production.

4 Scope 2 emissions: Total GHG emissions from sources that are related to generation of purchased energy outside the Group boundaries (no other GHG considered but CO_2).

5 Energy sales increased by 16%, causing an increase in CO_2e emissions from 2013.

We do not achieve this in isolation. We work with our stakeholders for joint solutions across the value chain and on landscape level, and use global thinking in addressing impacts locally.

Sustainability is therefore fully integrated into our business, as is reflected throughout this report. The summary below gives a high level overview of our approach to sustainable development across key areas, with pages 36 and 37 providing more detail on the progress we have made against our public commitments on material issues. Please also see our online Sustainable development report 2014 at www.mondigroup.com/sd14 for more in-depth discussions.

Diversity and equal opportunity

The Fundamental Rights Convention of the International Labour Organization (ILO) informs our employment practices, and we are guided by the United Nations Global Compact (UNGC) policy initiative[1]. Our Global Employment Policy www.mondigroup.com/SD_policies commits us to workplace equality and eliminating unfair discrimination; fair[2] wages; not tolerating child labour and other forced labour; prohibiting harassment of any kind in the workplace; encouraging workplace diversity; respecting the right of all employees to form and join trade unions of their choice and to bargain collectively; and promoting the observance of human rights[3]. Labour and employment issues are managed locally under the guidance of the Group policies and standards.

In line with our philosophy of encouraging diversity and eliminating discrimination, we provide equal opportunity for all men and women in the Group.

Gender diversity	Male	%	Female	%
Directors	7	78	2	22
Senior managers	280	92	24	8
Employees	20,000	78	5,500	22

Two of our nine board members are women and two of the four South African-based board members are from historically disadvantaged communities.

Applications for employment by disabled persons are fully considered. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be consistent with that of other employees. Human rights and labour performance according to our own policies and standards are among the requirements we ask our suppliers to comply with, and are a core element of Mondi's Suppliers Code of Conduct www.mondigroup.com/suppliers_code_of_conduct.

22%

In 2014, 22% of our employees were female (2013: 20%) and 8% of our senior managers were female (2013: 7%)

1 A UN policy initiative that aligns businesses with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
2 Ensuring that wages paid for a standard working week shall at least meet legal or industry minimum standards and shall always be sufficient to meet the basic needs of our employees and to provide some discretionary income.
3 As set out in the Universal Declaration of Human Rights, where it is within our power to do so within the countries where we operate.

Operational excellence through resource efficiency and clean production

Our environmental strategy contributes to operational excellence, drives resource efficiency, and addresses our emissions, discharges and waste. We regularly monitor process waste, and where recycling or reuse is not possible, we treat our waste, combust (preferably in combination with energy recovery) or send to landfill as a last resort.

We focus on reducing air emissions of sulphur compounds (TRS) from kraft pulp mills, as they may create an odour nuisance, and we regularly engage with local communities to address odour-related complaints.

To minimise our impact on freshwater sources, we have reduced our water consumption by implementing closed loops and recycling water streams, where economically feasible. The discharge after production is treated in waste water treatment plants before being released back into the natural environment.

11%

11% reduction of landfilled waste since 2010

5%

5% reduction of specific water consumption since 2010

Developing our people

People development is an underlying element of our business model, and central to our strategy and material issues. We invest in our people's development and training. Employee engagement is also integral to the way we monitor and improve our performance. Mondi has formal and informal processes to communicate with and engage employees across the Group. In addition to electronic communications and publications, regular local briefing sessions by managers focus on safety, operational objectives and performance, financial performance and the Group's values and culture.

The Group has a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, and the majority of our employees participate in these schemes.

89%

We achieved an overall participation rate of 89% in our 2013 employee survey (2011: 81%)

871,000

In 2014, approximately 871,000 hours of employee and contractor time were devoted to training and development (2013: 854,000), with around 40% focused on safety-related topics

Progress against our sustainability commitments

We've made good progress against many of the five-year commitments we set in 2010, although there is still work to do to achieve targets over the coming year. Here's how we are progressing across a number of our key sustainability commitments:

Our material issues	What we said
Securing access to sustainable fibre in the short, medium and long term	We will maintain our FSC® **certification** of all owned and leased forests.
	We will procure over **60% of wood, virgin fibre and biomass products** from credible certified sources. The balance will be sourced with products as defined in the FSC® Controlled Wood Standard.
Maintaining our licence to trade by making a real and lasting contribution to the communities in which we operate	We will continue to engage with the **United Nations Global Compact (UNGC)** and promote, support and implement its 10 principles.
	All mills and forestry operations to have a rolling **community engagement plan (CEP)** and Russian and South African forestry and mill operations to have a **socioeconomic assessment toolbox (SEAT)** process updated on a three-to-five year cycle.
Understanding and minimising our contribution to climate change	By 2014, we will reduce our **CO_2e emissions** per unit of saleable production from our mills by 15%, against a 2004 baseline.
	By 2014, we will reduce our carbon based **energy consumption** per unit of saleable production from our mills by 15%, against a 2004 baseline.
	We will progress towards being a carbon neutral business in the longer term, by increasing the proportion of **renewable resources** for primary energy needs against the 2010 baseline.
Operating in a world of constrained resources and recognising concerns regarding biodiversity, forests, water and ecosystem services	We will report on land set aside for **conservation** purposes.
	Mondi participates in **WWF New Generation Plantations (NGP)** platform and is committed to the concept.
Safeguarding the wellbeing of employees and contractors and securing key talent and skills	Avoid work related employee and contractor **fatalities**.
	We will achieve a **total recordable case rate (TRCR)** of 0.75 or below by 2015, including employees and contractors, against a 2010 baseline.
Increasing the eco-efficiency of our products	We will progress towards being a zero waste organisation by reducing the **total waste to landfill** by 20% by 2015 against a 2010 baseline.
	We will promote conservation, reuse and recycling practices to reduce **specific contact water** consumption by 10% by 2015, against a 2010 base year.

For our full set of sustainability commitments, visit: www.mondigroup.com/sd14

What we did	2014 Performance highlight	Status
In 2014, we maintained 100% FSC® certification of our owned and leased forests.	**100%** of our owned and leased forests FSC® certified	On target
66% of our total procured wood in 2014 was Chain-of-Custody (CoC) certified to FSC® or PEFC™ standards (a 6% improvement on 2010 baseline) and the balance met the FSC® Controlled Wood Standard.	**66%** of wood CoC certified	On target
We continue to engage with UNGC and reported our Communication on Progress (CoP) in August 2014. We continue to report at an Advanced Level. We are also a member of UN Global Compact 100.	Advanced Level reporter at the UNGC	On target
All our forestry operations and largest pulp and paper mills have a CEP in place. With the exception of our Merebank mill and Russian forestry operation, our South African and Russian mills and forestry operations have undertaken SEAT reviews within the three-to-five year cycle. The first SEAT report for our Bulgarian operation was published in 2014, and we plan further SEAT reviews for other operations in 2015, including our Merebank mill and Russian forestry operations.	**100%** of our largest pulp and paper mills and forestry operations have CEPs in place Published our first SEAT in Bulgaria	More work needed to deliver 2015 target
We have exceeded our commitment, achieving a 29% reduction of our specific CO_2e emissions against 2004 levels by the end of 2014.	**29%** reduction of specific CO_2e emissions	Commitment period ended 31 December 2014 Exceeded commitments
Our integrated mills have achieved a reduction of 23% by 2014, and non-integrated mills a reduction of 10%, against a 2004 baseline. Overall we have reduced our specific energy consumption by 21%.	**21%** reduction of specific energy	
59% of the total fuel consumption of our pulp and paper mills came from renewable energy sources (mainly biomass) in 2014.	**59%** of fuel consumption of mills from renewables	On target
In 2014, 25% of our owned and leased forestry land was set aside for conservation purposes.	**25%** of owned and leased forestry land set aside for conservation	On target
In 2014, Mondi and WWF co-hosted the WWF NGP platform annual summit. In addition, Mondi and WWF took 42 representatives from 17 countries on a catchment study tour to share knowledge and learning from the successful approach of the WWF Mondi Wetlands Programme.	Co-hosted NGP annual summit with WWF	On target
In 2014 we placed focus on the Top 5 Fatal Risks at Mondi. There were no fatalities in the year. We will continue to focus on the top risks to help avoid fatalities.	**Zero** fatalities	On track
In 2014 we restated our TRCR milestone of 0.75 to 0.89 to reflect the inclusion of our recent acquisitions. We achieved a TRCR of 0.83 for the year, 7% ahead of this milestone. We have set a new milestone of 0.83 for 2015.	**0.83** TRCR	On track with revised milestone
An 11% reduction on the 2010 levels was achieved by the end of 2014, mainly as a result of eliminating the need to landfill waste by recycling and reusing solid waste as building materials or for energy generation. New initiatives set up in Świecie in 2014 should deliver the 20% reduction.	**11%** reduction of landfilled waste	Actions initiated, on track for 2015 delivery
At the end of 2014, we achieved a 5% reduction of our specific contact water consumption compared to 2010. Further planned investments in our pulp and paper mills such as at Syktyvkar and Świecie, as well as improvements from action plans resulting from water impact assessments, will help us improve further going forward.	**5%** reduction of specific water consumption	More work needed to deliver 2015 target

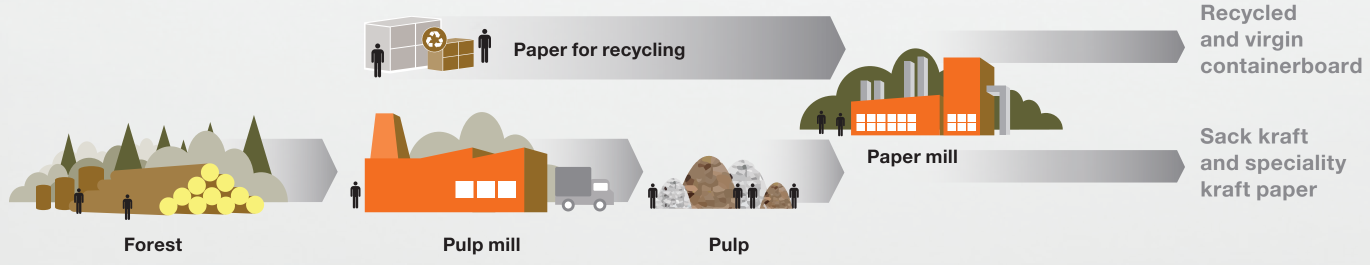
Europe & International Division
Packaging Paper

Our Packaging Paper business manufactures and sells a wide range of virgin and recycled containerboard and sack and speciality kraft paper for conversion by the Fibre and Consumer Packaging businesses or for use by external customers.

We have established leading market positions in our core grades, with our low-cost production operations located mainly in emerging markets. We are focused on continuous improvement in profitability, quality and efficiency.

Our broad product range is designed to meet specific customer needs providing properties such as printability, strength and moisture resistance; using raw materials from sustainable sources and providing products that are biodegradable and contain recycled content.

Packaging Paper value chain



Key statistics

Number of countries

12

Number of operating sites

12

Number of employees

5,000

Production information

		2014	2013
Containerboard	'000 tonnes	2,160	2,139
Kraft paper	'000 tonnes	1,130	1,011
Softwood pulp			
Internal consumption	'000 tonnes	1,970	1,860
Market pulp	'000 tonnes	115	148

Our lightweight recycled containerboard production facility | Świecie, Poland

Financial performance

€ million	Year ended 31 December 2014	Year ended 31 December 2013	Change %
Segment revenue	2,043	2,073	(1)
Underlying EBITDA	443	408	9
Underlying operating profit	342	308	11
Underlying operating profit margin	16.7%	14.9%	
Special items	(6)	–	
Capital expenditure	259	141	
Net segment assets	1,588	1,543	
ROCE	23.7%	21.7%	

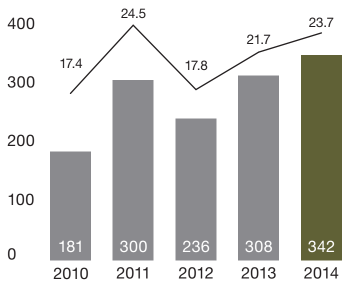
Building on the strong performance of 2013, Packaging Paper's underlying operating profit increased by 11% to €342 million, with a ROCE of 23.7%. This was achieved on modest volume growth, lower costs and foreign exchange gains, offset in part by lower average selling prices.

Sales volumes of containerboard grades were similar to the previous year, with all operations running at capacity. Sales volumes of kraft paper increased as the business benefited from the successful start-up of the 155,000 tonne per annum bleached kraft paper machine in the second quarter, forward integrating pulp that was previously sold on the open market, and the additional volumes from the kraft paper machine in the US following the acquisition from Graphic Packaging in June.

Average benchmark unbleached virgin containerboard prices were 5% lower than the previous year. After starting the year at lower levels than the previous year and subsequently drifting lower during the first half, price increases were successfully implemented towards the end of the third quarter. Further price increases of €40 per tonne were announced in February 2015 in southern Europe.

Underlying operating profit

€342m



€ million

● ROCE %

Europe & International Division
Packaging Paper continued

European white top kraftliner prices remained stable throughout the year. Price increases were implemented in Russia to offset the weaker rouble.

Average benchmark recycled containerboard prices were 3% higher than the previous year. Having fallen sharply through the first half due to increased supply from newly installed capacity, prices stabilised before a series of price increases were implemented in the third quarter.

At the beginning of 2014, sack kraft prices were approximately 9% lower than the highs of the previous year. On the back of a strong pick-up in demand, price increases in brown sack kraft paper of around 4% to 5% were successfully implemented early in the second half, although average selling prices for the year remained approximately 4% lower than the previous year. In early 2015, sack kraft prices had reduced by approximately 2–4% as a result of seasonally weak demand and increased competition from producers experiencing a reduction in their cost base from currency devaluation.

The Speciality Kraft Paper business benefited from good demand, with generally higher average selling prices than in the previous year.

The business benefited from lower energy input costs with gas and electricity costs lower than the previous year. Paper for recycling input costs declined marginally throughout the year impacted by lower demand from China. Average benchmark prices were 3% lower than the previous year.

Good progress is being made in integrating the kraft paper mill in the US acquired in June 2014 as part of the Graphic Packaging bags acquisition.

The annual maintenance shut at the Świecie mill took place in June 2014 and the remainder of the shuts were completed in the second half of the year.

In 2013, operating profit was impacted by the €11 million write-down of green energy credits following the significant decline in market prices. Green energy prices recovered during 2014 and the business benefited from both the increased market prices and increased volumes.

As a net exporter from Russia, the Czech Republic and Sweden, the weakness of these currencies relative to the euro provided a net benefit to the Packaging Paper business.

Sustainable development performance

		Year ended 31 December 2014	Year ended 31 December 2013
TRCR	per 200,000 hours worked	1.01	0.93
Energy consumption	million GJ	53.28	56.59
Scope 1 and 2 GHG emissions	million tonnes CO_2e	1.50	1.53
CoC-certified wood procured	%	53	50
Environmental management certification	% operations certified to ISO 14001 standards	100	100

Automated laboratory strength-test of sack kraft paper — Dynäs, Sweden

The optimisation of sources of and use of energy are a key focus area in Packaging Paper. During the year, we continued to focus our efforts on energy efficiency and self-sufficiency, with the highlight being the good progress made on our €166 million Green Świecie investment which we expect to start up in the second half of 2015.

In our mills, we have increased the emphasis on our safety policies and procedures during periods of higher activity such as during maintenance shuts and major capital project execution. While we are making progress, we remain vigilant to ensure our employees and contractors work in safe operating conditions at all times.

At the beginning of 2014, we completed and published our transparent and comprehensive socio-economic assessment toolbox (SEAT) report for our Stambolijski operations in Bulgaria. This report was well received by the business and stakeholders, including the surrounding communities and provides a unique and valuable tool to understand and address our interdependence with and impact on the community.

During 2014, we conducted two product surveys with our customers to better understand their view on sustainability in packaging and to address their needs. Our product innovation is focused on a variety of factors and is informed by our customer engagement activities. The most significant of these is the increasing requirement for lighter weight components while retaining the underlying properties of strength and functionality.

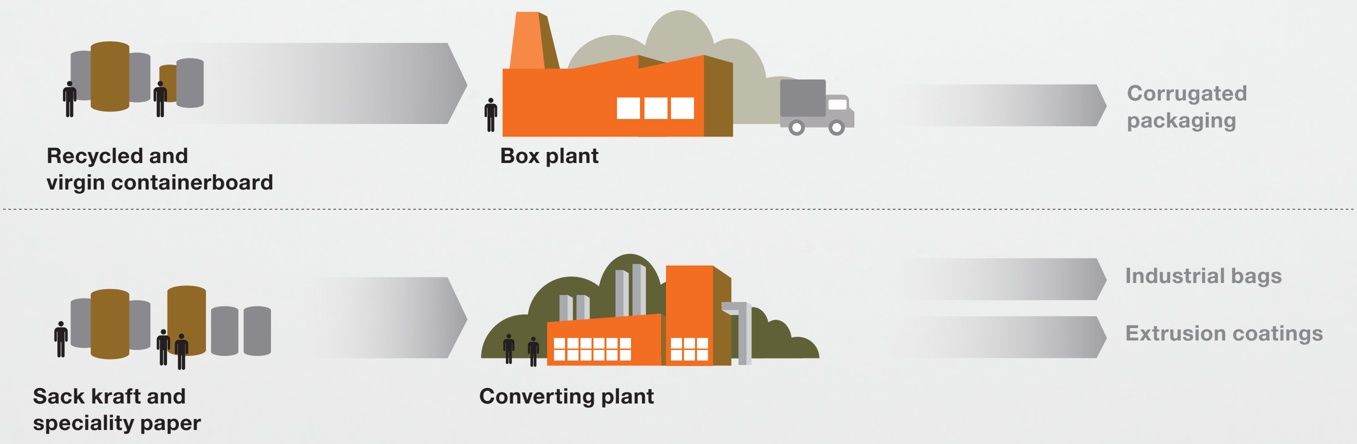
Our product innovation is focused on a variety of factors and is informed by our customer engagement activities. The most significant of these is the increasing requirement for lighter weight components while retaining the underlying properties of strength and functionality.

Europe & International Division
Fibre Packaging

Our Fibre Packaging business consists of our primarily paper-based converting operations. We manufacture and sell a range of corrugated packaging products, industrial bags and extrusion coatings for a variety of consumer and industrial applications.

We develop products that meet the increasing demand for optimised solutions (lightweight papers, smaller sizes), more complex products and high-quality printing.

Fibre Packaging value chain



Key statistics

Number of countries

23

Number of operating sites

64

Number of employees

7,300

Production information

		2014	2013
Corrugated board and boxes	million m^2	1,343	1,344
Industrial bags	million units	4,446	4,032
Extrusion coatings	million m^2	1,401	1,472

Financial performance

€ million	Year ended 31 December 2014	Year ended 31 December 2013	Change %
Segment revenue	1,852	1,690	10
Underlying EBITDA	166	146	14
Underlying operating profit	102	86	19
Underlying operating profit margin	5.5%	5.1%	
Special items	(16)	(3)	
Capital expenditure	77	71	
Net segment assets	875	771	
ROCE	13.4%	11.8%	

Quality control at our industrial bags plant — Zeltweg, Austria

The Fibre Packaging business continues to show steady progress with underlying operating profit of €102 million, an increase of 19%, and a ROCE of 13.4%. The business benefited from gross margin expansion and good cost control.

Higher average selling prices across all geographic regions, stable input costs and good fixed cost management resulted in a strong improvement in the Corrugated Packaging business. Sales volumes were broadly in line with the previous year despite the negative impact of the rationalisation activities in Turkey completed in the previous year. The business was negatively impacted by currency translation losses as a result of the weaker Turkish lira.

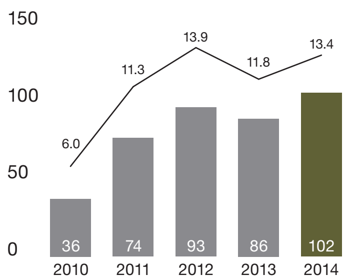
Industrial Bags had a very strong start to the year and, despite a slowdown in the second half, on a like-for-like basis, sales volumes for the year ended 3% higher than in 2013. The volume growth coupled with lower average paper input costs enabled the business to deliver a strong underlying operating profit performance.

The acquisition of the bags business from Graphic Packaging in the US, combined with the Group's existing operations in that region creates a leading player in the North American bags market, further expanding the Group's global footprint. Following the acquisition, a number of rationalisation and restructuring activities were implemented, with a net special item charge of €10 million recognised. The business contributed €150 million of revenue in the six months since it was acquired, with a negligible contribution to underlying operating profit, as planned.

The Extrusion Coatings business benefited from good cost management, the restructuring of the Belgian operations and stable pricing, but was negatively impacted by lower sales volumes.

Underlying operating profit

€102m



€ million

● ROCE %

Europe & International Division
Fibre Packaging continued

We have implemented a quality initiative programme in our converting operations to increase product quality and customer satisfaction through tighter, standardised and more efficient processes, while achieving energy and material savings and minimising waste.

Sustainable development performance

		Year ended 31 December 2014	Year ended 31 December 2013
TRCR	per 200,000 hours worked	1.31	1.59
CoC Certification	% operations certified to FSC® or PEFC™ CoC standards	68	60

Our paper-based products provide a sustainable, environmentally friendly solution for many of our customers' packaging requirements. We continue to invest in research and development to provide products for our customers that help address sustainability challenges like food security and reduce their environmental footprint by using lighter weight material and other smart packaging solutions.

Resource efficiency is critical to the long-term sustainability of the Fibre Packaging business. We focus our efforts on reducing material used in our products while still providing the same features. We have implemented a quality initiative in our converting operations to increase product quality and customer satisfaction through tighter, standardised and more efficient processes, while achieving energy and material savings and minimising waste.

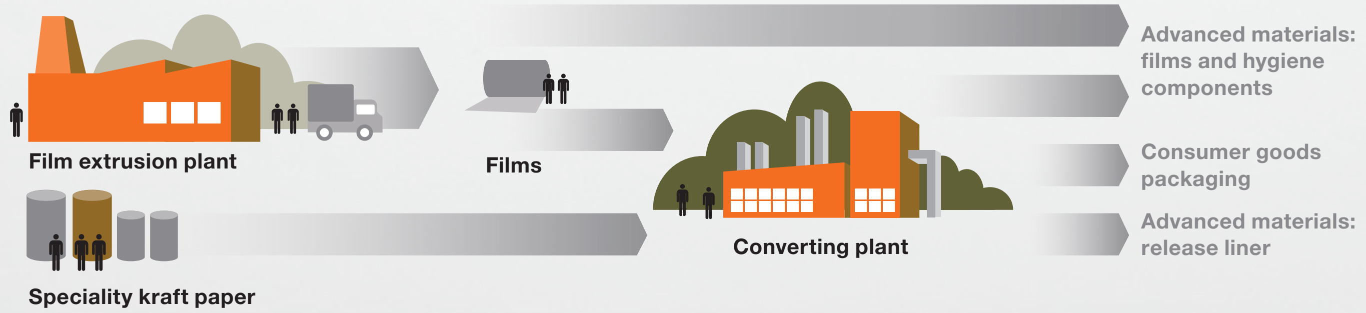
Some food packaging contains metals which have a high environmental impact during production, so we also look for opportunities, particularly in our Extrusion Coatings segment to replace metals with materials with a lower environmental footprint.

Europe & International Division
Consumer Packaging

Our Consumer Packaging business develops, manufactures and sells innovative consumer packaging solutions, advanced films, components for hygiene products and release liner.

We operate a high-quality asset base, using proprietary processing technology with vertical integration along the full value chain. Our leading positions in chosen end-use applications, especially hygiene and pet food, and product innovation culture provide a strong platform for growth.

Consumer Packaging value chain



Production information

		2014	2013
Consumer packaging	million m²	6,397	6,387

Financial performance

€ million	Year ended 31 December 2014	Year ended 31 December 2013	Change %
Segment revenue	1,379	1,414	(2)
Underlying EBITDA	158	143	10
Underlying operating profit	96	79	22
Underlying operating profit margin	7.0%	5.6%	
Special items	(17)	(13)	
Capital expenditure	80	61	
Net segment assets	1,021	964	
ROCE	10.4%	8.7%	

Key statistics

Number of countries

12

Number of operating sites

28

Number of employees

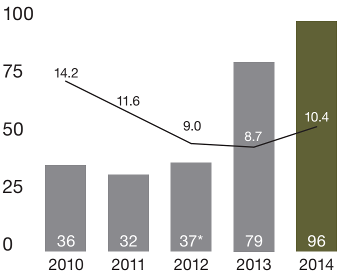
4,600

Europe & International Division
Consumer Packaging continued

Release liner production Hilm, Austria

Underlying operating profit

€96m



€ million

● ROCE %

* Excludes €14 million one-off costs relating to Nordenia acquisition

Underlying operating profit increased by 22% to €96 million. The second half performance was particularly encouraging as the business benefited from improving volumes, input cost reductions and successful implementation of various sales and margin improvement initiatives.

Management sought to proactively phase out a number of lower value-added mature products during the year, although the weak trading conditions, particularly in the first half, made it difficult to adequately replace these volumes by sales into higher value-added segments. Sales volumes increased during the second half of the year in a generally more favourable trading environment.

A number of steps were taken during the year to improve the underlying operating performance of the business, including increasing investments in innovation activities and the business' sales and application engineering infrastructure as well as further optimisation and specialisation of production facilities. The acquisition of a plant for €17 million provides additional production capacity and, importantly, expands the production technology base through the addition of flexographic printing technology in Poland. During the year, the Taicang plant in China started commercial production, with good sales volumes and underlying operating profit ahead of plan in its first year of operation.

Our focus is on developing product alternatives that provide the same, or better, properties and features as their rigid packaging alternatives, realising savings for our customers and reducing the impact on the environment.

Sustainable development performance

		Year ended 31 December 2014	Year ended 31 December 2013
TRCR[1]	per 200,000 hours worked	1.56	1.33
Hygiene certification	% food contact operations certified to recognised food hygiene standards	100%	94%

[1] 2014 figures include ex-Nordenia operations and are therefore not comparable with historical data

Consumer Packaging provides flexible packaging solutions to customers. Flexible packaging provides significant advantages over the alternative rigid packaging solutions in the form of both material and energy savings as well as landfill benefits. Our focus is on developing product alternatives that provide the same, or better, properties and features as their rigid packaging alternatives, realising savings for our customers and reducing the impact on the environment.

We have made good progress during the year in safety management, with the plants acquired from Nordenia in 2012 now fully integrated into our Group systems and procedures and demonstrating similar safety performance to our other converting operations. We continue to focus on safety, targeting a zero harm environment.

Innovation and sustainability are inextricably linked. Our approach to product development is founded on the principles of sustainability, convenience, cost efficiency and lifestyle; and takes into account not only customer demand, but the global sustainability trends and how these impact our markets.

We actively engage with our stakeholders to increase transparency on social and environmental issues across the supply chain and to provide a framework for the audit and certification of our operations against social and environmental principles.

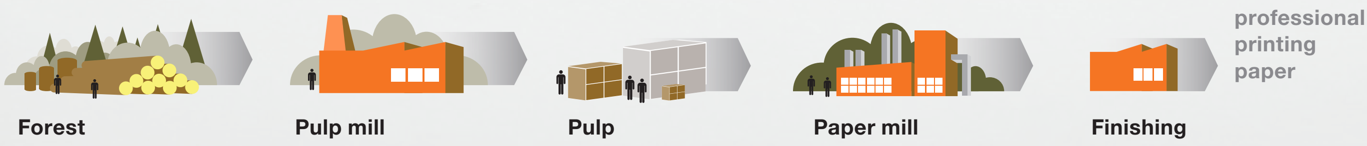
Europe & International Division
Uncoated Fine Paper

Our Uncoated Fine Paper (UFP) business manufactures and sells a wide range of quality papers for use in offices and professional printing.

We have a leading position in the European market, with a focus on emerging Europe and Russia, placing a focus on our cut size grades.

We operate a vertically integrated high-quality, low-cost asset base with an overall focus on efficiency and productivity improvements.

Uncoated Fine Paper value chain



Key statistics

Number of countries

3

Number of operating sites

4

Number of employees

6,500

Production information

		2014	2013
Uncoated fine paper	'000 tonnes	1,361	1,381
Newsprint	'000 tonnes	202	207
Hardwood pulp			
Internal consumption	'000 tonnes	1,041	1,014
Market pulp	'000 tonnes	86	74

Financial performance

€ million	Year ended 31 December 2014	Year ended 31 December 2013	Change %
Segment revenue	1,240	1,335	(7)
Underlying EBITDA	238	266	(11)
Underlying operating profit	148	164	(10)
Underlying operating profit margin	11.9%	12.3%	
Special items	–	(60)	
Capital expenditure	117	80	
Net segment assets	922	1,099	
ROCE	16.1%	16.0%	

Uncoated fine paper production Ružomberok, Slovakia

The Uncoated Fine Paper business generated underlying operating profit of €148 million, down on the prior year as a result of lower average selling prices in Europe and the impact of a significantly weaker Russian rouble. Good cost control, benefits from the restructuring of the Neusiedler mill in Austria, completed in 2013, and lower input costs provided some offset to these headwinds.

Demand for uncoated fine paper increased by around 1% in Europe, while Russian demand is estimated to have declined by approximately 3% compared to the previous year.

Uncoated fine paper sales volumes were marginally down on the prior year due to the effects of the restructuring at the Neusiedler mill, while sales of market pulp increased as more volume was produced at the Ružomberok operation following the successful start-up of the new recovery boiler. Sales into the domestic Russian market were maintained at similar levels to the prior year despite the lower overall market demand as the business gained market share at the expense of importers.

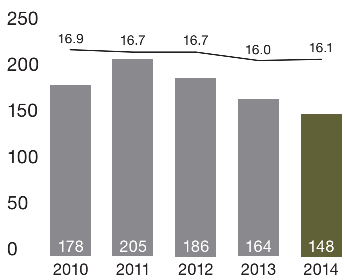
Average benchmark uncoated fine paper selling prices were down 2% year on year in Europe. Selling price increases were implemented during the year in Russia, although these were not sufficient to fully offset the negative impact of the weaker rouble. Following the significant devaluation of the rouble towards the end of the year, a 15% price increase in the domestic Russian market was implemented in February 2015. In Europe, price increases of 5-8% were announced to take effect from the end of the first quarter of 2015.

The business benefited from lower wood costs in Russia, with local currency increases more than offset by the weaker rouble. Wood costs in central Europe were up marginally. Significantly lower gas and chemical input costs provided a further benefit to the business.

A continued focus on cost optimisation meant that fixed costs were contained well within inflationary levels. The benefits of the recently completed recovery boiler replacement in Ružomberok are expected to be fully realised in 2015.

Underlying operating profit

€148m



€ million

● ROCE %

Europe & International Division
Uncoated Fine Paper continued

Sustainable development performance

		Year ended 31 December 2014	Year ended 31 December 2013
TRCR	per 200,000 hours worked	0.37	0.43
Energy consumption	million GJ	62.36	59.79
Scope 1 and 2 GHG emissions	million tonnes CO_2e	2.32*	2.25
Forest certification	% managed land certified to FSC® standards	100**	100
CoC-certified wood procured	%	76	75
Environmental management certification	% of operations certified to ISO 14001 standards		
	forestry operations	100	–
	pulp and paper mills	100	100

* We provide heat and electricity to the community. In 2014, energy sales increased by 16%, causing an increase in GHG emissions

** We have also achieved 100% certification to PEFC™ standards in 2014

Securing our supply of sustainable fibre, meeting our stakeholders' needs for certified products, and creating value for our communities requires our continued commitment to certification, sustainable forest management and responsible sourcing.

Our products are based on a renewable resource and are inherently sustainable. Our Green Range promotes products manufactured to high environmental and social standards, in response to global trends such as climate change that call for the more responsible and efficient use of scarce resources.

Our primary raw material is wood, and we manage 2.1 million hectares of natural boreal forests and associated ecosystems in the Komi Republic, Russia. Additionally, many of our stakeholders (in particular the rural communities on or around Mondi leases) rely on the health of the ecosystems that we manage for their livelihoods. Securing our supply of sustainable fibre, meeting our stakeholders' needs for certified products, and creating value for our communities requires our continued commitment to certification, sustainable forest management and responsible sourcing.

In Russia, we have invested in a new greenhouse to increase our reforestation capacity and have also modernised our waste water treatment plant to further reduce emissions.

The most significant capital project completed during the year was the €128 million replacement of the recovery boiler in Ružomberok, Slovakia. The recovery boiler will make the mill totally electricity self-sufficient and will provide significant benefits in the form of increased operating efficiency and reduced operating costs, while also providing additional pulp capacity.

Pleasingly, despite the large project and complex maintenance shuts being completed, our safety performance has continued to improve. Through our Top 5 Fatal Risks initiative and focus on moving/rotating equipment and working at heights, we have identified our most critical risks and developed action plans to engineer these risks out or reduce them to an acceptable level.

We continue to engage with the local communities surrounding our operations in Russia, Austria and Slovakia as our mills are in close proximity to the local population. We partner with our communities to increase their understanding and awareness of our operations and to address community needs and concerns on a proactive basis.

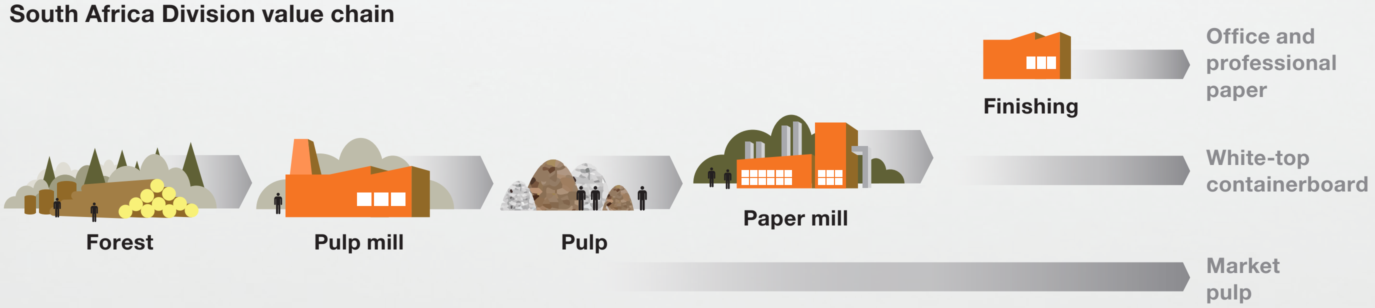
We have invested further in talent development to ensure that we secure the next generation of leaders for our business, focusing on the development of local management resources, and have increased our collaboration with universities in Russia to identify new sources of talent.

South Africa Division

Our South Africa Division manages forestry operations and manufactures and sells a range of pulp, virgin containerboard, uncoated fine paper and newsprint products.

We are focused on leveraging our strong domestic market position and the global competitiveness of our Richards Bay mill.

South Africa Division value chain



Production information

		2014	2013
Containerboard	'000 tonnes	253	255
Uncoated fine paper	'000 tonnes	258	259
Hardwood pulp			
Internal consumption	'000 tonnes	332	332
External	'000 tonnes	317	314
Newsprint	'000 tonnes	117	145
Softwood pulp – internal consumption	'000 tonnes	139	166

Financial performance

€ million	Year ended 31 December 2014	Year ended 31 December 2013	Change %
Segment revenue	596	624	(4)
Underlying EBITDA	153	135	13
Underlying operating profit	112	93	20
Underlying operating profit margin	18.8%	14.9%	
Special items	–	(11)	
Capital expenditure	29	52	
Net segment assets	626	622	
ROCE	21.9%	16.0%	

Key statistics

Number of countries

1

Number of operating sites

2

Number of employees

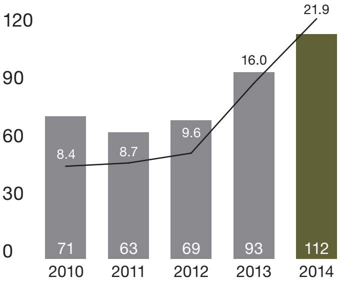
1,600

South Africa Division continued

Modernisation of our forestry activities KwaZulu-Natal, South Africa

Underlying operating profit

€112m



€ million

• ROCE %

Underlying operating profit of €112 million was 20% higher than the prior year, with the business delivering a ROCE of 21.9%. The business benefited from higher average selling prices, the weaker rand and higher fair value gains from its forestry assets.

Domestic selling prices were, on average, higher than the previous year. Benchmark average international hardwood pulp prices were 6% lower than the previous year, but, as a net exporter of pulp and containerboard, the business benefited from the stronger US dollar and euro which offset the lower international selling prices.

Sales volumes were similar to the prior year except for newsprint as a result of the closure of a newsprint machine during 2013. The newsprint business realised price increases and cost savings as a result of the restructuring and machine closure completed in 2013, enabling this business to continue to generate a modest level of operating profit.

Higher selling prices for wood and lower input costs, attributable in part to reduced transportation costs as a result of the oil price decline, resulted in a €17 million increase in fair value gains on forestry assets compared to the previous year.

The business remains under pressure from higher administered costs with labour and electricity costs increasing in excess of inflationary levels. Strong cost management and active measures to improve productivity and competitiveness enabled the business to limit increases to well within inflationary levels. The business benefited from energy sales following completion of the steam turbine at the end of 2013, which moved the Richards Bay mill into a net energy producing position.

The maintenance shut in Richards Bay was completed during the first half of the year. In 2015, a longer shut is required in order to conduct additional planned maintenance activities and is scheduled to take place in the first half of the year.

Sustainable development performance

		Year ended 31 December 2014	Year ended 31 December 2013
TRCR	per 200,000 hours worked	0.42	0.45
Energy consumption	million GJ	29.56	27.97
Scope 1 and 2 GHG emissions	million tonnes CO_2e	1.36*	1.27
Forest certification	% managed land certified to FSC® standards	100	100
CoC-certified wood procured	%	81	84
Environmental management certification	% of operations certified to ISO 14001 standards		
	forestry operations	100	–
	pulp and paper mills	100	100

* In 2014, GHG emissions have increased due to an improvement in our electricity self-sufficiency from 61% in 2013 to 72%

We have continued with the process of modernisation in our forests, moving from a labour intensive model to one that includes higher skilled and better rewarded workers and is more sustainable. The benefits are in safety, ergonomics, skills development and reduced operating costs.

In terms of our land claims process, we have settled approximately 29% of claims registered to date. During 2014, the government reopened the land claims process and we are uncertain as to how these will progress. All settled claimants continue to play an active role in providing us with some of our fibre requirements.

We remain committed to sustainable forestry management practices. This means increasing the long-term productivity of our forests while ensuring that we contribute to the protection of adjacent high conservation value areas, including wetlands. To make a significant and sustainable difference, we continue to place importance on engaging and collaborating with others beyond our boundaries. In that way, we can contribute to a positive industry-wide impact on key ecosystems in South Africa.

Our investment in tree research is yielding significant benefits in the form of increased yield and disease resistance. Over the last 10 years, yields have improved between 11% and 24% from the use of superior genetic material.

We are committed to developing the skills of our people and provide world-class training to our operators through one of Europe's leading pulp and paper making training institutions.

We have established strong ties in our surrounding communities, particularly in the more rural forestry areas. We provide health and educational support, aligned to the communities' most pressing needs. Our enterprise development activities are focused on growing small businesses around our forestry activities.

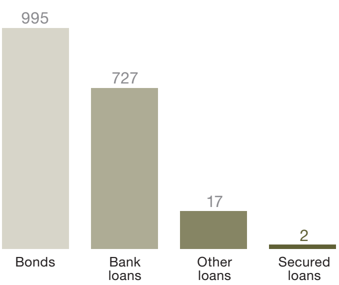
At both our mills, we continue to update our processes to ensure that we minimise waste and reduce material consumption. We have also implemented a process to reduce the impact of electricity interruptions.

We are committed to developing the skills of our people and provide world-class training to our operators through one of Europe's leading pulp and paper making training institutions.

Chief financial officer's review

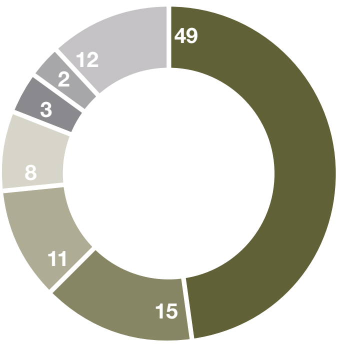
Mondi's cash generation continues to be strong. In 2014, the cash generated from our operating activities was €1,033 million. On average over the last five years, our cash generation from operating activities has increased by 7% per year.

Composition of debt in 2014



€ million

Currency split of net debt in 2014



%

- Euro
- Polish złoty
- Czech koruna
- Russian rouble
- Rand
- Pounds sterling
- Other

Our capital structure

The Group maintains diversified sources of funding and debt maturities. Our policy is to fund subsidiaries in their local functional currency. External funding is obtained in a range of currencies and, where required, translated into the subsidiaries' functional currencies through the swap market.

Chief financial officer
Andrew King

"The upgrade in our credit rating is testament to the robustness of the Group's business model and ability to generate strong cash flows through the business cycle."

Net debt at 31 December 2014 of €1,613 million was at a similar level to the previous year. Net finance costs of €97 million were €18 million lower than the previous year, with the Group benefiting from lower average interest rates and lower average net debt.

The fair value of the Group's debt-related derivative instruments is included in the calculation of net debt. The significant depreciation of the rouble towards the end of 2014 led to a significant unrealised gain being recognised at 31 December 2014.

Mondi's public credit ratings, first issued in March 2010, were reaffirmed during the year by Standard and Poor's at BBB- and Moody's Investors Service upgraded the Group's credit rating from Baa3 to Baa2. The upgrade validates the Group's high-quality, low-cost and well-diversified asset base and is testament to the robustness of the Group's business model and ability to generate strong cash flows through the business cycle.

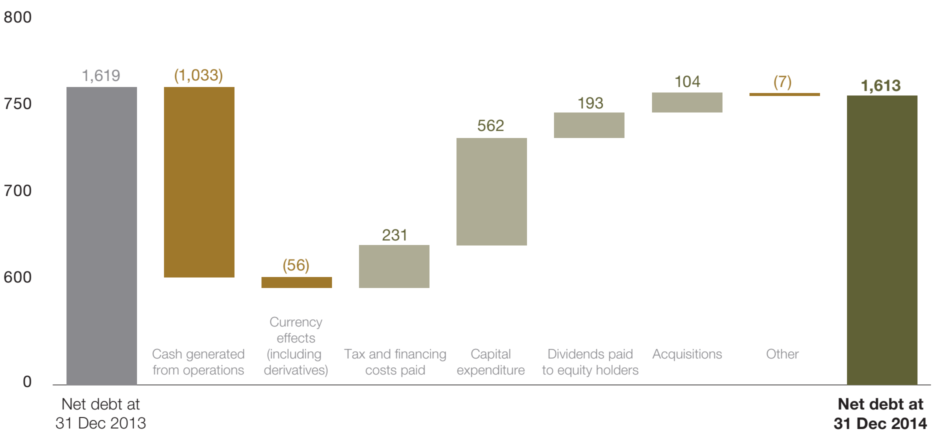
In July 2014, the 9.75% €280 million bond assumed as part of the acquisition of Nordenia in 2012 was redeemed at a premium of 4.875%. The net loss on redemption of €13 million was recognised as a special item. The redemption was financed from existing borrowing facilities.

Gearing at 31 December 2014 was 36%, similar to the prior year. The Group's net debt to 12 month trailing EBITDA ratio was 1.4 times, well within the Group's key financial covenant requirement of 3.5 times.

The weighted average maturity of the Eurobonds and committed debt facilities was four years at 31 December 2014. At the end of the year, €456 million of the Group's €2.1 billion committed debt facilities remained undrawn.

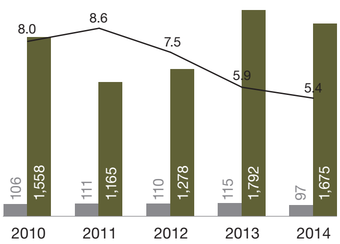
Cash flow

Cash flow effect – movement in net debt



€ million

Net debt and finance costs



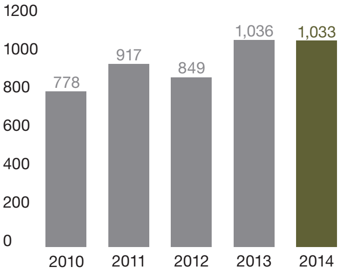
€ million

- Net finance costs (underlying)
- Average net debt
- Effective interest %

Chief financial officer's review continued

Cash flows from operating activities

€1,033m



€ million

Mondi's cash generation continues to be strong. In 2014, the cash generated from our operating activities was €1,033 million. On average over the last five years, our cash generation from operating activities has increased by 7% per year.

Excluding the impact of the Graphic Packaging acquisition, working capital as a percentage of revenue was 12.3%, marginally above the Group's targeted range of 10-12%. The net investment in working capital during the year was €87 million (2013: €27 million).

Interest paid and returns to shareholders amounted to €331 million during the year, compared to €322 million in the previous year. Dividends of €193 million were paid to shareholders of the Group (2013: €138 million) and interest paid was €125 million (2013: €124 million). Dividends paid to holders of non-controlling interests in the Group's subsidiaries were lower in 2014, primarily due to the lower dividend from the 51% held Ružomberok operations as cash was utilised for the completion of the €128 million recovery boiler investment.

In 2014, we invested €562 million in capital expenditure and completed three acquisitions with a total purchase price (including debt assumed) of €104 million.

Currencies

Volatility in foreign exchange rates had a significant impact on the performance of the different business units, although the net impact on the Group was limited. The sharp devaluation of the rouble in the second half negatively impacted the domestically focused Russian operations of the Uncoated Fine Paper business unit, while benefiting the export orientated Russian Packaging Paper activities. Rand weakness supported the export business from South Africa. The stronger US dollar versus the euro had a net positive impact on US dollar denominated export sales, although the greater impact is expected to be in the support it provides going forward to European pricing levels given the reduced import threat.

Costs

The Group benefited from a general reduction in variable costs compared with the prior year. European wood costs were lower as a result of lower demand and currency effects. Paper for recycling costs were 3% lower than the previous year. Chemical input costs, particularly starch, also declined during the year. The packaging converting operations benefited from lower average paper input costs. Benchmark polyethylene prices were broadly in line with the previous year but declined sharply towards the end of the year as a consequence of lower oil prices.

Lower average oil and gas prices also contributed to the lower energy costs, in addition to supporting a reduction in transport and logistic costs.

Fixed costs were lower than the previous year, driven by foreign exchange benefits and our continued strategic focus on operating performance and efficiencies.

Segment reorganisation and restatement

In the second half of the year, we refined our organisational structure, resulting in several changes to the Group's segmental reporting.

The most significant of these changes were the:

- transfer of the Release Liner business from Fibre Packaging to Consumer Packaging to take advantage of identified synergies in customer relations, innovation and the global footprint of these businesses; and
- transfer of the 66,000 tonne per annum kraft paper machine at the Ružomberok mill from Uncoated Fine Paper to Packaging Paper.

All comparative segmental information has been restated and the reorganisation had no impact on the overall Group result.

Tax

Our underlying effective tax rate of 19% was up 2% on the prior year on changes to the underlying profit mix and as the incentives related to previous major investments were fully utilised during the year.

Non-controlling interests

The non-controlling interest charge of €26 million is similar to that of the previous year with continued good profitability in the Group's 51% held Ružomberok operations.

Special items

Special items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group. These items are considered to be material either in nature or in amount.

The net special item charge of €52 million before tax comprised the following:

- €2 million charge for transaction costs relating to the acquisition of the bags and kraft paper business from Graphic Packaging in the US;
- €38 million charge for various restructuring activities and €6 million charge for related asset impairments in the Speciality Kraft Paper business, Industrial Bags business, Extrusion Coatings business and Consumer Packaging business;
- €4 million gain on release of a provision for transaction costs attributable to the Nordenia acquisition;
- €3 million gain on settlement of a 2007 court case; and
- €13 million charge on early redemption of the 9.75% €280 million Eurobond.

Further detail is provided in note 3 of the financial statements.

After taking special items into consideration, profit attributable to shareholders of €471 million (97.4 euro cents per share) was 22% higher than the previous year (€386 million, 79.8 euro cents per share).

Cashflow priorities

We are well positioned as a leading international packaging and paper group with a strong platform for growth. In pursuing opportunities to grow, we are committed to maintaining discipline around expansionary capital expenditure and acquisitions.

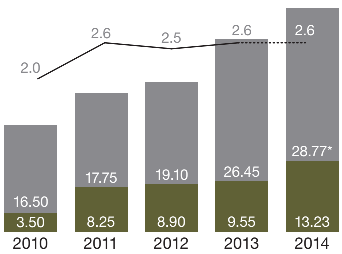
In prioritising the use of cash generated by the business we aim to:

- maintain our strong and stable financial position and investment grade credit metrics;
- grow through selective capital investment opportunities;
- support payment of dividends to our shareholders, targeting a cover ratio of two to three times underlying earnings through the cycle; and
- evaluate acquisition-led growth opportunities, particularly in the faster growing packaging segments, that are value enhancing to Mondi.

Shareholder returns

Given the Group's strong financial position and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, the Boards have recommended an increase in the final dividend to 28.77 euro cents per share. Together, with the interim dividend of 13.23 euro cents per share, this amounts to a total dividend for the year of 42 euro cents per share. In 2013, the total dividend for the year was 36 euro cents per share.

Dividends



€ cents per share
- Interim dividend
- Final dividend
- Dividend cover

* Proposed

The strategic report

was approved by the Boards on 23 February 2015 and is signed on their behalf by:

David Hathorn
Chief executive officer

Andrew King
Chief financial officer

Governance


We are passionate about performance, reliability and sustainability
mondi

Board of directors

Fred Phaswana, 70
Joint chairman

Appointed: June 2013

Committee membership: nominations

Qualifications: MA (Unisa), BCom (Hons) (RAU), BA (Philosophy, Politics and Economics) (Unisa)

Experience: Fred has a wealth of experience in African and global businesses with well developed strategic and commercial skills having previously been regional president of BP Africa, a non-executive director of Anglo American plc and chairman of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the Advisory Board of the Cape Town Graduate School of Business. He was former vice chairman of the World Wildlife Fund South Africa and Business Leadership of South Africa and was the honorary president of the Cape Town Press Club.

External appointments: chairman of Standard Bank group and The Standard Bank of South Africa. He is also chairman of the South African Institute of International Affairs and non-executive director of Naspers.

David Williams, 69
Joint chairman

Appointed: May 2007
and as joint chairman in August 2009

Committee memberships: nominations (chairman), remuneration

Qualifications: graduated in economics from Manchester University, chartered accountant (UK)

Experience: David has significant experience in senior financial roles held across a range of multinational companies, with board experience as both an executive and non-executive director. He retired as finance director of Bunzl plc in January 2006, having served on the board for 14 years. He was previously a member of the Tootal management board and finance director of Tootal plc.

Formerly a non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc, Medeva plc, George Wimpey plc, Taylor Wimpey plc and Tullow Oil plc. In April 2014 David retired as a non-executive director of Dubai-based DP World Limited.

External appointments: senior independent director of Meggitt plc. He also chairs the audit committee.

David Hathorn, 52
Chief executive officer

Appointed: May 2007

Committee memberships: executive (chairman), sustainable development, social & ethics

Qualifications: graduated in commerce from the University of Natal, chartered accountant (South Africa)

Experience: David has more than 23 years' experience in the packaging and paper industry with strong financial and commercial experience of the sector. He completed articles with Deloitte & Touche in Johannesburg in 1987. He joined Anglo American plc in 1989 as a divisional finance manager, moving to Mondi in 1991 and going on to serve as finance director and then general manager of Mondi Europe until 2000, when he was appointed chief executive officer of the Mondi Group. He has led Mondi through major change, especially the demerger from Anglo in 2007.

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 DeBeers, Anglo Platinum and Anglo Coal.

External appointments: none

See page 90 for the biographies of our DLC executive committee and company secretaries.

Andrew King, 45
Chief financial officer

Appointed: October 2008

Committee membership: executive

Qualifications: graduated in commerce from the University of Cape Town, chartered accountant (South Africa)

Experience: Andrew has more than 12 years' experience with Mondi in various strategy, business development and finance roles. He has played a key role in defining the Group's strategic direction and re-shaping the capital structure since listing.

Andrew completed articles with Deloitte & Touche in Johannesburg in 1994. In 1995 he joined Minorco, the international arm of Anglo American, as a financial analyst, before assuming responsibility for the group's investment management activities, and transferring to their corporate finance department in 1998. He worked on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999.

He 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. He was then appointed as Group strategy and business development director before becoming the chief financial officer of the Mondi Group in 2008.

External appointments: none

Peter Oswald, 52
Chief executive officer: Europe & International Division

Appointed: January 2008

Committee membership: executive

Qualifications: graduated in law from the University of Vienna and in business administration from WU-Vienna Business School

Experience: Peter has over 22 years' experience of the sector with detailed knowledge of operations and extensive experience of the acquisition, disposal, restructuring and turnaround of businesses. He began his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the head of internal audit, later becoming corporate controller.

After serving as chief executive of the bag and flexibles business from 1995 to 2001, overseeing its recovery and expansion, he was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach into the new Mondi packaging division. Having held a number of senior executive roles within Mondi Peter was appointed chief executive officer of the Europe & International Division in January 2008.

He was a non-executive director of Telekom Austria AG between 2008 and 2014.

External appointments: non-executive director of MIBA AG.

Board of directors continued

Anne Quinn CBE, 63
Senior independent director

Appointed: May 2007 and as senior independent director in August 2009

Committee memberships: audit, nominations, remuneration (chairman), sustainable development

Qualifications: BCom from Auckland University and MSc in management science from the Massachusetts Institute of Technology. Awarded a CBE for services to the natural gas industry.

Experience: Anne has extensive experience in the natural resources sector. She spent her early career with NZ Forest Products Limited and the US management consulting company Resource Planning Associates. She has wide-ranging oil and gas global experience having joined Standard Oil of Ohio, which was subsequently acquired by BP plc, following which she went on to work for BP in the US, Belgium, Colombia and the UK and held a number of executive positions, including group vice president. Previously a managing director of Riverstone Holdings (Europe), a private equity investment firm specialising in the renewable and conventional energy and power industries and a former non-executive director of The BOC Group plc from 2004 to 2006.

External appointments: non-executive director of Smiths Group plc.

John Nicholas, 58
Non-executive director

Appointed: October 2009

Committee memberships: audit (chairman), nominations

Qualifications: master's degree in business administration from Kingston University, chartered accountant (UK)

Experience: John has business and commercial experience having spent his early career in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing. He became group finance director of Kidde plc on its demerger from Williams Holdings and was group finance director at Tate & Lyle plc from 2006 to 2008. He was a non-executive director of Ceres Power Holdings plc until December 2012, chairing the audit committee.

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

External appointments: non-executive director of Hunting PLC where he chairs the audit committee, non-executive director of Rotork p.l.c. where he is the senior independent director and Diploma PLC where he was the senior independent director and chair of the remuneration committee until being appointed chairman in January 2015.

Imogen Mkhize, 51
Non-executive director

Appointed: May 2007

Committee memberships: nominations, remuneration, social & ethics (chairman)

Qualifications: BSc (Information Systems) from Rhodes University in 1984, an MBA from Harvard Business School in 1995. Completed a Diploma in Company Direction with the Institute of Directors/GIMT in 2000. Imogen is a Chartered Director with the Institute of Directors of Southern Africa.

Experience: Imogen has been involved in corporate governance for over two decades. She spent her early career with Anglo American, Andersen Consulting and the financial services group Nedcor, before becoming managing director of telecommunications group Lucent Technologies South Africa. Between 2003 and July 2006, she held the position of chief executive officer of the 18th World Petroleum Congress, an international oil and gas event. In 2001 Imogen was recognised by the World Economic Forum as a Global Leader for Tomorrow. Formerly chairman of Richards Bay Coal Terminal, a former non-executive director of Murray & Roberts Holdings Limited and of Mobile Telephone Networks Proprietary Limited and emeritus member of the Harvard Business School Global Alumni Board.

External appointments: non-executive director of Sasol Limited and of the Ethics Institute of South Africa. A member of Accenture South Africa Advisory Board. A member of Rhodes University Board of Governors and chairman of Rhodes Business School.

Stephen Harris, 56
Non-executive director

Appointed: March 2011

Committee memberships: audit, nominations, remuneration, sustainable development (chairman), social & ethics

Qualifications: chartered engineer, graduated in engineering from Cambridge University, master's degree in business administration from the University of Chicago, Booth School of Business

Experience: Stephen has extensive experience in engineering and manufacturing having spent his early career with Courtaulds plc and then moved to the USA to join APV Inc from 1984 until 1995, where he held several senior management positions. He was appointed to the board of Powell Duffryn plc as an executive director in 1995 and then went on to join Spectris plc as an executive director from 2003 until 2008. He was also a non-executive director of Brixton plc from 2006 to 2009.

External appointments: chief executive officer of Bodycote plc.

Corporate governance
Introduction from joint chairmen

The directors ensure governance oversight of the Group's established framework of policies, practices and management systems in order to maintain the integrity of our business operations.

Dear shareholder

We have continued to focus on the application of good governance, sound risk assessment and sustainable practices throughout the Group. We prioritise ensuring we operate with integrity, monitor standards of behaviour, enhance our business by being ethical and deliver on our promises. While we know the dual listed company (DLC) structure presents us with some complexities, we continue to strive to follow best practice and work in a way that benefits shareholders of both Mondi Limited and Mondi plc as a unified organisation.

Governance and regulation in both South Africa and the UK have continued to develop during the past year, in particular with the publication in September of both the updated Listings Requirements of the JSE Limited (JSE) and the revised UK Corporate Governance Code. With increased focus on the responsibilities of both the audit and remuneration committees, work has been undertaken to review and challenge our current practices to ensure they reflect the new requirements. The directors ensure governance oversight of the Group's established framework of policies, practices and management systems in order to maintain the integrity of our business operations. This is managed in a way that does not restrict the innovation and entrepreneurial spirit of our employees.

While there is a formal annual review of strategy, every discussion and decision made by the Boards takes account of, and informs the development of the Group strategy. We are open with ourselves and management to ensure we consider long-term sustainable value and regularly test that we are meeting the objectives we have set ourselves. The industry and sector in which we operate is not without its challenges but we respond to those challenges and the opportunities they present to demonstrate Mondi's passion for performance.

While it was pleasing that the feedback from the external evaluation in 2013 was positive regarding the operation of the Boards, we have revisited this again through our internal review in 2014, explained in more detail on pages 72 and 73. We are pleased to report that dialogue remains open and transparent with the directors working in a collaborative way, providing the required leadership to put into effect the Group's strategic aims.

Each committee plays a vital role in supporting the Boards as a whole in managing the stewardship of the Group. Each with its own area of focus and accountability, together they ensure transparency and probity, enforcing the principles of sound governance.

In June this year the directors had the opportunity to visit the plant at Štětí in the Czech Republic. The Boards were able to celebrate the success of the completion of the €70 million investment in a 155,000 tonne per annum bleached kraft paper machine with the local team, the new machine having been successfully started up in April 2014. Another investment brought in on time and within budget.

We have not had any changes in directors during the year, providing a year of stability. We have, however, spent time considering the future need to make effective and timely changes to the composition of the Boards, especially as the business continues to grow its various packaging interests. Executive succession plans have also been an area of discussion. We continue to believe in the appropriateness of shareholders having the opportunity to vote on the re-election of each director each year. You will find resolutions to this effect being presented to you at the annual general meetings of both Mondi Limited and Mondi plc.

We endeavour to ensure we report to shareholders in a way that reflects the open and transparent way in which the Boards operate, and have carefully reviewed this integrated report to ensure that it presents a fair, balanced and understandable view of the Group's position and performance (this is explained more fully in the audit committee report). We hope that the following governance report provides you with a helpful insight into how we operate.

Fred Phaswana
Joint chairman

David Williams
Joint chairman

Compliance statement

Mondi's dual listed company structure requires us to comply with the principles contained in the South African King III Code of Corporate Governance Principles (available at www.iodsa.co.za) and the September 2012 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk). It is the view of the Boards that, except as referred to below, Mondi has complied throughout the year with all the provisions of these codes.

The Boards determined that the DLC sustainable development committee provided the appropriate oversight for the sustainability reporting in the Integrated report and financial statements 2014 rather than the DLC audit committee, as recommended under King III. Due to the nature of Mondi's business the DLC sustainable development committee regularly reviews all key sustainability issues for the Group, meeting six times a year and reporting directly to the Boards. Therefore it is considered to be better placed to review the integrity of the sustainability reporting. The DLC sustainable development committee has therefore provided the assurance on sustainability issues in the Integrated report and financial statements 2014.

A more detailed analysis of Mondi's compliance with King III is available on the Mondi Group website at: www.mondigroup.com.

The Boards acknowledge the publication of the September 2014 edition of the UK Corporate Governance Code that applies for reporting years beginning on or after 1 October 2014. The Boards have reviewed the new and revised principles and are working with management to enhance our governance procedures to reflect these new requirements and to enable us to report to shareholders more fully on these matters in the next report.

Composition of the Boards

The directors holding office during the year ended 31 December 2014 are listed below, together with their attendance at board meetings. As at 31 December 2014 there were nine directors: the joint chairmen, four non-executive directors, each considered by the Boards to be independent, and three executive directors. All directors served throughout the year.

While the size and composition of the Boards and its committees are kept under review by the DLC nominations committee, we are of the view that collectively there is an appropriate balance of capabilities, business experience, independence and diversity to meet the Group's current business needs.

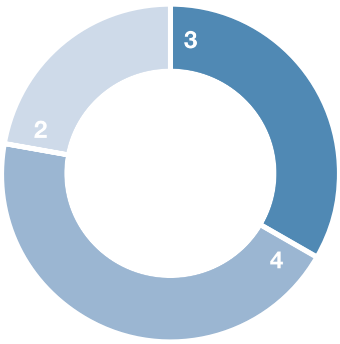
Those in office as at the date of this report, together with their biographical details, can be found on pages 60 to 63.

A more detailed analysis of Mondi's compliance with King III is available on the Mondi Group website at: www.mondigroup.com

Directors	Position	Independent	Board member since	Mondi Limited board (one meeting)	Mondi plc board (one meeting)	DLC board (six meetings)
Fred Phaswana	Joint chairman	Yes (on appointment)	June 2013	1	1	6
David Williams	Joint chairman	Yes (on appointment)	May 2007	1	1	6
Stephen Harris	Non-executive director	Yes	March 2011	1	1	6
David Hathorn	Chief executive officer	No	May 2007[1]	1	1	6
Andrew King	Chief financial officer	No	October 2008	1	1	6
Imogen Mkhize	Non-executive director	Yes	May 2007	1	1	6
John Nicholas	Non-executive director	Yes	October 2009	1	1	6
Peter Oswald	Chief executive officer, Europe & International Division	No	January 2008	1	1	6
Anne Quinn	Senior independent non-executive director	Yes	May 2007	1	1	6

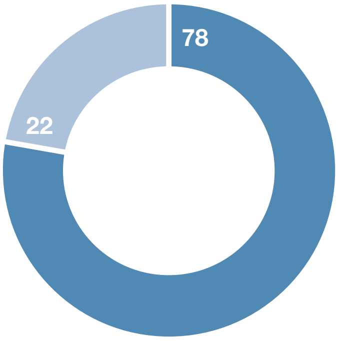
[1] David Hathorn was appointed a director of Mondi Limited in May 1997.

Composition of the Boards

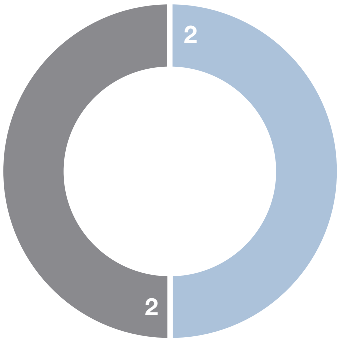


Corporate governance continued

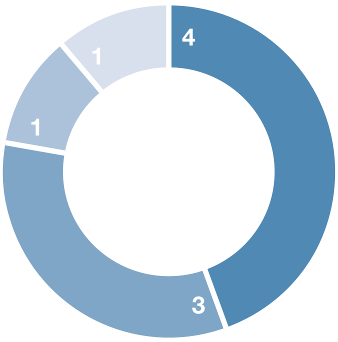
Diversity of the Boards (%)



Non-executive director tenure



Nationalities represented on the Boards

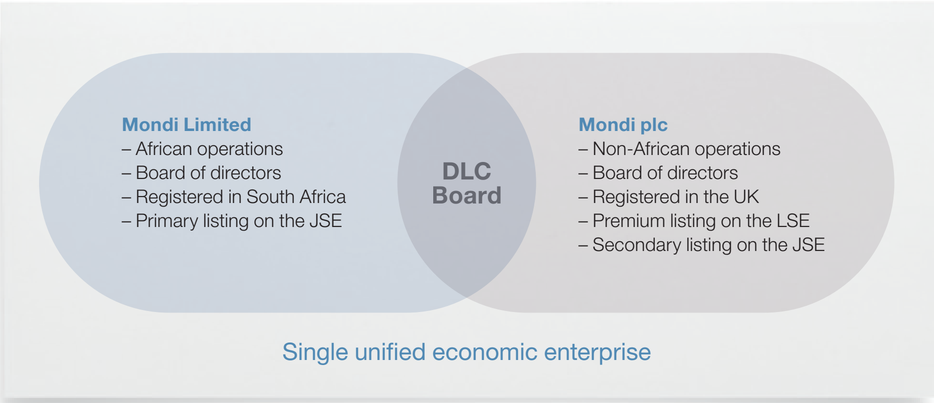


Composition of the Boards continued

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 2014, in line with market practice, Mondi maintained directors' and officers' liability insurance.

Board structure



Mondi comprises Mondi Limited, registered and listed in South Africa, and Mondi plc, registered and listed in the UK. Each entity has its own board of directors comprising the same individuals. This enables the effective management of the dual listed company structure as a single unified economic enterprise with due consideration being given to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc.

Leadership of the Boards comes from the joint chairmen who have agreed a rolling agenda to ensure that all key matters reserved for the consideration of the directors is covered in the annual cycle of meetings. Agendas for each meeting are agreed with the chairmen to ensure that, in addition to regular items, consideration is being given to matters that may impact the Group's operations from the wider economic or business environment. Examples of additional agenda items during 2014 were the regular monitoring of developments in Russia and the Ukraine and a report on paper machine conversion risk. Responding to the changing environment in which the Group operates is vital for the long-term success of Mondi.

In line with governance practice the Boards delegate certain responsibilities to each of the following committees:

- DLC audit committee;
- DLC nominations committee;
- DLC remuneration committee;
- DLC sustainable development committee; and
- Mondi Limited social and ethics committee.

The role of each committee is described later in this report. After each committee meeting, each committee chair reports back to the next board meeting. This facilitates the communication between directors and ensures that all aspects of the Boards' mandate have been addressed.

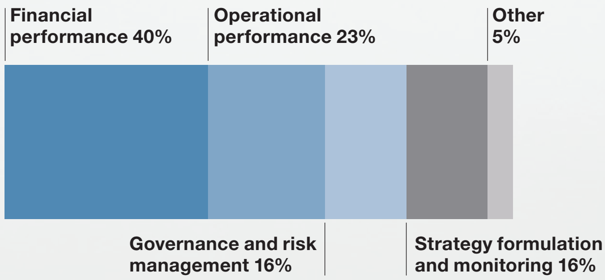
The matters reserved for the Boards together with the terms of reference of each of the committees are available on Mondi's website and are reviewed and updated as required at least on an annual basis but also when there have been changes in circumstances, governance or regulation. During 2014 certain of the committee terms of reference were updated in response to changes to the UK Corporate Governance Code and best practice guidance issued by the South African Institute of Directors.

The Boards meet six times a year as a DLC board plus at least once each year as separate legal entity boards. Fred Phaswana chairs those meetings held in South Africa and David Williams those held in Europe. They oversee the issue of appropriate, accurate and well presented materials and ensure there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings in order that effective decisions are reached.

Key areas of board responsibility:

- Review and approval of the Mondi Group strategy
- Setting the Group's values, governance and ethical standards
- Oversight of the Group's operations including the integrity of financial performance, controls and compliance
- Consideration of material acquisitions and disposals and major capital expenditure
- Oversight and review of risk and reward structures
- Oversight and review of safety performance and serious incidents
- Shareholder engagement and communications
- Approval and oversight of the implementation of key Group policies

How the Boards spent their time:



Principal topics considered during 2014:

- Monitored developments in Russia and the Ukraine and any potential impact on Mondi's business operations
- Considered and approved the acquisition of the bags and kraft paper business of Graphic Packaging International, Inc. in the US
- Maintained oversight of material capital expenditure projects in progress
- Considered a number of potential acquisitions in line with agreed Group strategy
- Monitored the implementation by management of actions arising from the revised focus on the Top 5 Fatal Risks
- Considered the principal risks that could impact the Group including review of the risk management policy, plan and risk tolerance limits and undertook a separate review of potential IT risks, security and governance
- Reviewed the treasury policy and activities together with a funding update leading to approval of extended facilities and changes to the delegated finance authorities
- Reviewed the current governance framework and approved amendments in response to changes in corporate governance in South Africa and the UK
- Reviewed and discussed the results of the employee engagement survey carried out at the end of 2013 and actions proposed by management

Focus for the Boards in 2015:

- Continue to drive safety initiatives in order to maintain Mondi's performance among the best in our industry
- Focus on board succession planning, particularly of non-executive directors
- Support management in their implementation of the agreed Group strategy, reviewing growth opportunities as they arise
- Monitor the progress of the significant capital expenditure projects approved by the Boards
- Monitor developments in key operating regions experiencing a high degree of political and/or economic uncertainty
- Continue to drive financial and operational performance, benchmarking against agreed plans and competitors
- Maintain a focus on the key Group risks and the mitigation of those risks
- Continue to monitor changes in governance and legislation that may impact the Group

Corporate governance continued

The Boards support the established governance structures and processes through a regular programme of review and challenge of key areas such as divisional performance and trends, treasury and IT.

Board structure continued

In order to nurture productive relationships between the directors and management, senior managers are encouraged to make presentations to the Boards. The Boards also meet with as many employees as possible, utilising site visits, off-site meetings and board dinners as well as meeting presentations. This also helps to provide the directors with exposure to potential future successors for executive management roles.

The Boards support the established governance structures and processes through a regular programme of review and challenge of key areas such as divisional performance and trends, treasury and IT. There is an annual review of Group policies and corporate governance compliance, testing what remains appropriate and effective and where changes may be warranted.

Board responsibilities

Principal responsibilities of the joint chairmen:

- Lead and manage the dynamics of the Boards, ensuring their effectiveness, consideration of succession and setting the agenda
- Ensure that the Boards set a clear and appropriate strategy for the Group
- Ensure high standards of corporate governance and ethical behaviour
- Ensure effective communication with shareholders and other stakeholders

Principal responsibilities of the chief executive officer:

- Leads the business, in particular the execution of strategy
- Chairs the DLC executive committee and leads and motivates the management team
- Ensures the Group has effective processes, controls and risk management systems
- Ensures the Boards receive accurate, timely and clear information about the Group's performance

Mondi has joint chairmen, Fred Phaswana and David Williams, with the chief executive officer role held separately by David Hathorn. Having joint chairmen ensures that the Group and its stakeholders benefit from an extensive knowledge and experience of the jurisdictions relating specifically to its dual listed company structure. The joint chairmen maintain a regular dialogue with each other and manage the Boards through mutual agreement.

The division of responsibilities between the joint chairmen and the chief executive officer has been clearly defined and approved by the Boards. They do, however, work closely on matters such as the relationships with major shareholders, governments, analysts, media and other external relationships.

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. The main positions held by Fred Phaswana and David Williams outside the Mondi Group are detailed in their biographies set out on page 60. There have been no changes to the commitments of Fred Phaswana during the year while David Williams has relinquished his non-executive directorship of Dubai-based DP World Limited. Both Fred Phaswana and David Williams were independent upon appointment.

The Boards continue to consider that the chairmen's external directorships do not interfere with the time they devote to Mondi, with both having attended all meetings and made themselves available to management and other directors when required.

Anne Quinn is the senior independent director, having been appointed to this role in August 2009.

Principal responsibilities of the senior independent director:

- Provides support to, and acts as a sounding board for, the joint chairmen
- Available as a point of contact for shareholders
- Available as an intermediary for the other directors, as necessary
- Chairs a meeting of the non-executive directors at which the performance of the joint chairmen is considered

The non-executive directors provide a valuable level of independent oversight of the Group's activities and constructive challenge of management. Their varied business backgrounds enable them to apply diverse knowledge and experience to issues raised with the Boards, particularly when considering the setting of the Group's strategy.

Non-executive director meetings

Non-executive director meetings, chaired by one of the joint chairmen (except when their performance is being considered), are held twice a year. These meetings focus particularly on the performance of the executives although the agendas are driven by the non-executive directors and cover a variety of topics. One of these meetings is attended by the chief executive officer in order to provide input to the discussions on executive performance and succession.

Philip Laubscher is the company secretary of Mondi Limited and Carol Hunt the company secretary of Mondi plc. They work together on the coordination of Mondi's dual listed company structure.

Company secretaries:

- Appointed and removed by the Boards and are accountable to the Boards as a whole
- Both are professionally qualified and have gained experience over a number of years (their biographies are on page 90)
- Report at each board meeting on relevant corporate governance and regulatory matters and changes, including the provision of advice on the performance of directors' duties and the continuing obligations of the JSE and LSE
- Ensure the timely distribution of meeting packs ahead of each meeting

Pursuant to the Listings Requirements of the JSE, the Boards confirm that they have reviewed and are satisfied that each of the company secretaries is competent and has the relevant qualifications and experience.

In assessing their competence the Boards have considered the expected role and duties pursuant to the requirements of both the South African and UK Companies' Acts, governance codes and continuing obligations of the stock exchanges on which Mondi is listed, and considered their respective compliance with each of these. The Boards have reviewed their performance not only during the last year but since joining Mondi. The Boards concluded that the company secretaries have each complied with all the requirements of the Companies Acts, governance codes and continuing obligations of the relevant stock exchanges.

While all directors have access to the advice and services of the company secretaries, the company secretaries maintain an arms-length relationship with the Boards. They do not take part in board deliberations and only advise on matters of governance, form or procedure. Throughout the year they have not only ensured compliance with board procedures, but have provided independent advice to the Boards, in particular the chairmen and non-executive directors, on a range of governance and compliance matters and best practice.

The non-executive directors provide a valuable level of independent oversight of the Group's activities and constructive challenge of management.

Corporate governance continued

Left: Board visit to Štětí, Czech Republic.

Right: Board visit to the South African forestry operations.

Training and development

When new directors join the Boards they undertake an induction. While there is an outline induction programme in place this is discussed with each new director and is tailored to meet any specific requirements they may have. In particular this is focused on any committee responsibilities. The programme generally includes meetings with each member of the executive committee and key advisers in addition to site visits. The aim is to provide a new director with sufficient background and information about the Group and its performance and to highlight any specific areas of risk or concern.

The starting point for the induction is for one of the company secretaries to explain the dual listed company structure and its implications for the operation of the Boards. The committee and governance framework will also be discussed with a copy of the directors' handbook, containing all the key documents of reference for directors, provided.

Each director has the opportunity to discuss any development needs with one of the joint chairmen during the annual review process when the chairmen have discussions with each individual regarding their performance.

All directors are encouraged to attend workshops and seminars relevant to their respective roles and details of the availability of these are provided regularly by the company secretaries. During the year directors have attended programmes relating to finance, remuneration, cyber security and responding to global risks.

Part of the Boards' annual rolling agenda is focused on updating skills and knowledge. Periodically Mondi's South African and UK advisers facilitate sessions on the duties and responsibilities of directors and on corporate governance developments. In addition, annually an economist from one of Mondi's relationship banks will give a presentation on the global economic outlook. Management also provide updates on issues affecting the packaging and paper industry as a whole.

During 2014 two site visits were undertaken, one to the South African forestry operations and the other to Štětí in the Czech Republic. In South Africa the directors were able to see firsthand the improvements in working conditions and operational efficiency in the forests since their previous visit. At Štětí they received presentations from local management providing an overview of the Packaging Paper business unit and the Speciality Kraft Paper segment as well as of the local paper mill, extrusion coatings and industrial bags operations. During the site tour the directors visited the new 155,000 tonne per annum bleached kraft paper machine that had been successfully started up in April.

To ensure that the directors are aware of developing trends and future changes in governance and regulation and the likely impact on the Group, the company secretaries report to the Boards at each meeting. These reports provide updates on matters of interest or concern in the context of their duties to the Group and explain what impact there may be for Mondi and outline implementation plans where applicable. They also brief the directors on government and regulatory consultations for information and to assist the directors with context for their decision making during board and committee deliberations. Other corporate function specialists, for example from Group tax and Group treasury, report to the Boards to enable the directors to gain a greater insight into the way Mondi is managed and controlled. This provides opportunities to question processes, resources and key risks as well as providing context on the wider economic environment.

Although it is recognised that valuable experience can be gained from executive directors accepting appointments as non-executive directors on other boards, it is important to ensure the appropriateness and number of such commitments. There is a policy in place setting out the parameters regarding such appointments. A director will retain any fee paid to them in respect of directorships external to Mondi. Peter Oswald is currently the only executive director holding an external position, being a non-executive director of MIBA AG. MIBA AG did not pay any fees to Peter during 2014. Until August 2014 Peter was a non-executive director of Telekom Austria AG. Up to the date of his resignation he received fees totalling €16,800.

Performance evaluation

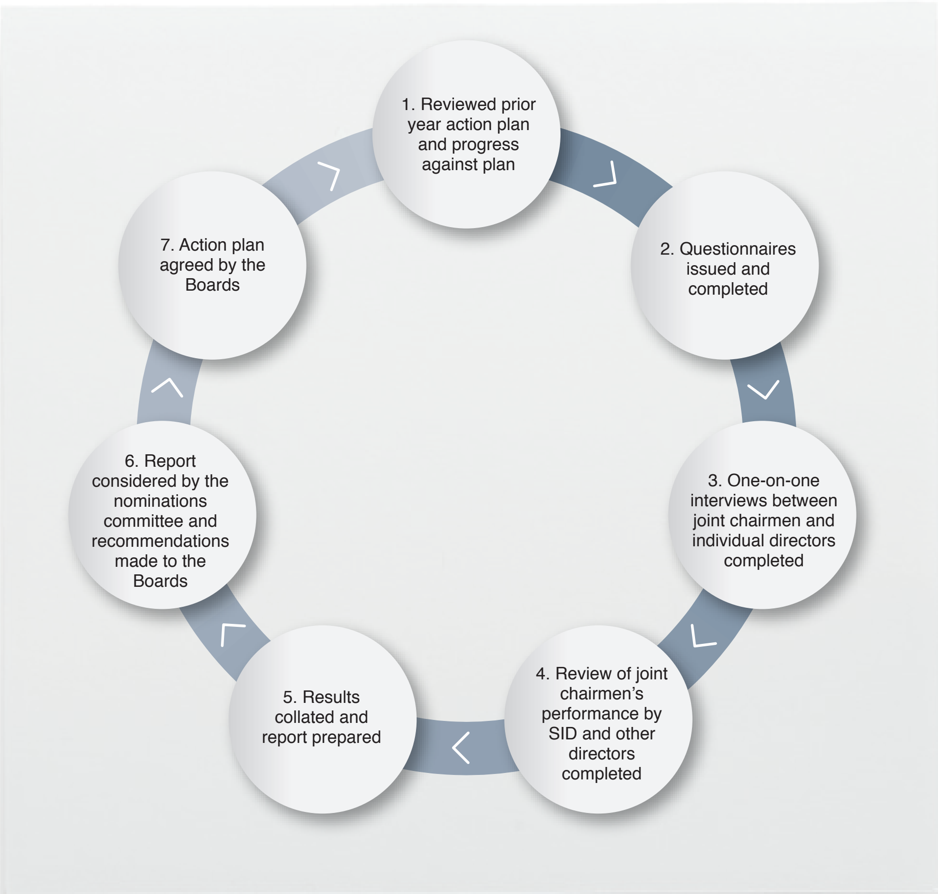
As previously reported, in 2013 the review of the Boards and committees was an independent external evaluation conducted by Independent Audit Limited, which had no other connection with Mondi. Below are the key actions reported last year and details of the progress we have made against those actions:

Action agreed from 2013 evaluation	Progress achieved
As the Group's products and geographic spread continue to grow, to consider the future need for non-executive directors with direct exposure to these areas	While there have been no changes to the composition of the Boards during 2014, succession planning discussions have focused on formulating the capabilities required to manage the future growth of the Group in line with the agreed strategy of growing our packaging interests. This has involved considering the overall skills and experience required for the Boards going forward based on a review of what will be necessary to support the strategy. Planning how changes to the Boards can be made and the timing of such changes to ensure that they are managed effectively has also been discussed. This remains an ongoing area of consideration.
To encourage non-executive directors to engage in regular knowledge development of the business of the Group	Opportunities were taken around the site visits made during the year to present more detailed information on the respective businesses, recent developments, areas of concern and future prospects. Local management attended board dinners providing additional opportunities for engagement with directors. In addition, specific business-related presentations were given at board meetings in response to requests from individual directors.
To continue to evolve the risk report format	After understanding the underlying requirements of the directors it was agreed that each of the in-depth reviews on individual risks would be enhanced. More focus was placed on how each risk has developed and what specific mitigation actions had been taken during the period since last reported.

Corporate governance continued

2014 internal board evaluation process

In line with best practice, we have conducted external evaluations at least once every three years. As no material concerns were raised during the 2013 external evaluation the Boards determined that an internal evaluation would be carried out in 2014, recognising the opportunity this provides to reflect on the activities and performance of the Boards, committees and individual directors. The process followed, which was facilitated by the company secretaries, is illustrated below:



The report highlighted the positive and open dynamics of the Boards, noting the continued high degree of trust between the executive and non-executive directors. The robustness of debates and appropriate level of challenge, particularly during discussions of strategy and key business transactional agenda items, combined with the willingness to ask challenging questions, were of particular note.

The report highlighted the positive and open dynamics of the Boards, noting the continued high degree of trust between the executive and non-executive directors.

The review of the performance of the joint chairmen, led by Anne Quinn as the senior independent director, incorporated feedback from the non-executive and executive directors. The positive working relationship between the joint chairmen and the way in which they effectively manage their joint role was noted.

The key actions agreed by the Boards following the 2014 evaluation are:

- to continue to consider the future need for non-executive directors with relevant experience of the product areas and geographic locations identified as growth areas for the Group;
- to continue to monitor developments in cyber security and any potential impacts for the Group;
- to review all committee terms of reference to eliminate, where possible, any overlap in responsibilities following changes in regulation in South Africa resulting in some duties and committee structures being required by law rather than governance; and
- to ensure procedures are in place to meet the new UK governance requirements relating to risk management and going concern.

The Boards consider that they continue to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

During 2014 Stephen Harris completed his three-year term. A more detailed review of his performance, including consideration of the governance code requirements, evaluation feedback and shareholder opinion, was considered against the time he devotes to his duties at Mondi and his other business commitments. Feedback from his fellow directors and his contribution to the board debate were considered. It was concluded that Stephen remained independent and able to contribute effectively to Mondi in the best interests of shareholders.

Procedure for conflicts of interest

Company law, the memorandum of incorporation of Mondi Limited and the articles of association of Mondi plc allow directors to manage potential conflicts. A formal procedure for the reporting and review of any potential conflicts of interest involving the Boards with support from the company secretaries is in place, with authorisations reviewed on an annual basis.

Committee reports

The committees, to which the Boards delegate specific areas of responsibility as described in this report, have authority to make decisions according to their terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. Each committee reviews its terms of reference on an annual basis and these are available on the Mondi Group website at: www.mondigroup.com or on request. The committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

Only committee members are entitled to attend committee meetings, although the chairmen of each committee can invite, as they consider appropriate, management and advisers to meetings to provide information, answer questions and generally to assist the committees in carrying out their duties. An indication of the regular attendees is given for each committee.

The Boards consider that they continue to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

Corporate governance continued

Our work during 2014 continued to focus on the integrity of the Group's financial reporting and the independence and effectiveness of the external and internal audit activities. We have also considered the regulatory changes that will apply to the Group from 2015 and incorporated these into our work agenda for the coming year. A significant task during 2015 will be to conduct a tender for the statutory audit of the Group.

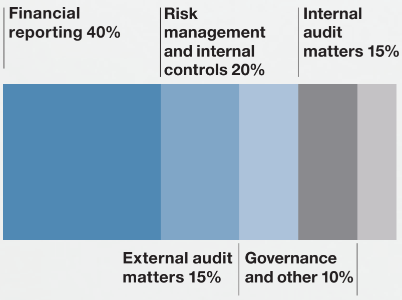
John Nicholas, chairman of the DLC audit committee

DLC audit committee

Meeting schedule and attendance

The committee met four times during the year. Meetings are planned around the Group's financial reporting cycle.

How the committee spent its time



Composition

Members throughout the year	Committee member since	Meeting attendance (four meetings in the year)
Stephen Harris	March 2011	4
John Nicholas, chairman	October 2009	4
Anne Quinn	May 2007	4

Other regular attendees:

- Chief executive officer
- Chief financial officer
- Group financial controller
- Heads of internal audit
- South African and UK representatives from Deloitte

Key responsibilities:

- Monitor the integrity of the Group's financial statements, financial announcements and the disclosures made, making recommendations to the Boards
- Review the consistency of the application of significant accounting policies, the ongoing appropriateness of those policies and the impact of any changes
- Oversee that there is an appropriate relationship with the external auditors and the objectivity and effectiveness of the audit process as a whole, making recommendations to the Boards on the appointment, retention and removal of the external auditors and tendering of external audit services
- Review the adequacy and effectiveness of the Group's system of internal control
- Oversee the Group's risk management processes
- Monitor and review the effectiveness of the Group's internal audit function and review regular reports from the heads of internal audit
- Review the Group's performance against aspects of the code of business ethics reserved for review by the committee
- Review the adequacy of the Group's policies and practices regarding business conduct and ethics and the arrangements for employees and third parties to raise concerns

Composition

The committee is constituted as a statutory committee in respect of the duties set out in the South African Companies Act 2008 and a DLC committee of the Boards in respect of other duties assigned to it by the Boards.

All members of the committee are independent non-executive directors. The Boards consider each member has appropriate knowledge and understanding of financial matters and commercial expertise, sufficient to enable them to consider effectively the financial and accounting issues that are presented to the committee. The Boards consider John Nicholas, the chairman of the committee, to have specific recent and relevant financial experience; he is a chartered accountant and a member of the UK Financial Reporting Review Panel. The full biographies detailing the experience of each member of the committee can be found on pages 62 and 63.

In accordance with the Listings Requirements of the JSE, the committee has considered and satisfied itself that Andrew King, Mondi's chief financial officer, has appropriate expertise and experience. Andrew is a chartered accountant and throughout his career has held various finance and business development roles. The committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and expertise of the senior management responsible for the finance function.

Activities of the audit committee during 2014

The committee operates under formal terms of reference that are reviewed at least annually. The committee considers that it has appropriately discharged its responsibilities as set out in its terms of reference during the year and has operated in compliance with relevant legal, regulatory and other responsibilities. Apart from the significant issues relating to the financial statements, set out on pages 77 and 78, there were no material matters requiring review or decision during 2014, so the committee agenda covered the regular matters reserved for its consideration during the annual financial reporting cycle.

The principal matters covered by the committee during the meetings held in the year included:

February 2014

- Reviewed the full-year results and the announcement of those results, with input provided by reports from the Group financial controller and Deloitte
- Reviewed the Group's Integrated report and financial statements 2013 including assisting the Boards with their assessment of whether the report was fair, balanced and understandable
- Reviewed Deloitte's audit effectiveness, independence and objectivity leading to the consideration of their reappointment
- Reviewed the Group risk management policy, plan and risk tolerance levels and most significant risks
- Reviewed and approved the revised IT security policy
- Met with the heads of internal audit and Deloitte, separately and without management present

May 2014

- Reviewed the interim management statement
- Reviewed the effectiveness of internal controls and risk management systems and procedures
- Reviewed the accounting policies to apply to the 2014 reporting period
- Received a presentation from Deloitte of the audit management letter
- Reviewed the competition compliance programme with the aid of a presentation from the chief financial officer who chairs the divisional competition compliance committees
- Reviewed the elements of the code of business ethics reserved for the committee together with the ongoing implementation of the business integrity policy

Corporate governance continued

Activities of the audit committee during 2014 continued

August 2014

- Reviewed the half-yearly results and the announcement of those results, with input provided by reports from the Group financial controller and Deloitte
- Received a presentation on the governance and regulatory developments regarding external audit tendering

October 2014

- Reviewed the interim management statement
- Reviewed the restated segmental information arising from the refinement of the Group's organisational structure
- Considered the implications of new accounting pronouncements assisted by a report from the Group financial controller
- Reviewed and approved the external audit plan, fees and engagement letters with input provided by the chief financial officer, Group financial controller and Deloitte
- Reviewed IT risk management, security and governance assisted by a presentation from the information management director
- Reviewed and updated the committee terms of reference to include recent governance developments
- Agreed the committee's work programme for 2015

In addition, there are several matters that are considered at every meeting of the committee, including the report from the internal audit function (explained in more detail on page 81), a more in-depth review of two or three of the most significant Group risks and the review of non-audit services provided by Deloitte.

While the committee annually receives a presentation on IT risks this has been extended to ensure that security is reviewed in response to the increased focus on potential cyber security threats. A revised IT security policy was reviewed and adopted during the year.

The committee always meets prior to meetings of the Boards to enable the committee to report to the Boards and provide any necessary recommendations or advice relevant for their deliberations.

Significant issues related to the financial statements

The audit committee has considered each of the following items based on discussions with, and submissions by, management and satisfied itself as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditors during the planning stage and on completion of the audit.

The key considerations in relation to the 2014 financial statements were:

Matter considered	Action
Special items are non-recurring financial items which the Group believes should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group. The classification of an item as special is based on judgement and generally must exceed €5 million and/or be material in the context of the current year's financial performance. In 2014, the special items relate to the loss on redemption of the €280 million Eurobond assumed as part of the acquisition of Nordenia in 2012; restructuring activities and related impairments in Packaging Paper, Fibre Packaging and Consumer Packaging; the reversal of a provision for transaction costs for the 2012 Nordenia acquisition; transaction costs related to the bags and kraft paper business acquired from Graphic Packaging International, Inc.; and a gain on settlement of a 2007 legal case. See note 3 in the financial statements.	The committee has critically reviewed each item presented by management as being special to ensure that the items are non-recurring in nature as well as the quantification and presentation of such items.
In 2014, the Group concluded a number of business combinations, the most significant of which was the €74 million acquisition of the bags and kraft paper business of Graphic Packaging International, Inc. On acquisition, the Group determined the fair value of assets acquired and liabilities assumed, based on its own experience in the industry and input from experts. See note 23 in the financial statements.	The committee has reviewed the significant assumptions made by management and considered the explanations where the fair value differs significantly from the carrying value in the underlying financial statements. The committee is satisfied that the fair values recognised are appropriate and that there is no goodwill applicable to the acquisition.
The Group operates a number of large, capital-intensive facilities and incurs significant amounts of capital expenditure. In 2014, the Group incurred €562 million of capital expenditure. Significant projects completed in 2014 included the 155,000 tonne per annum bleached kraft paper machine in the Czech Republic, the recovery boiler in Slovakia and the 100,000 tonne per annum pulp dryer in Russia. See note 12 in the financial statements.	In approving significant capital projects, the Boards approve the underlying assumptions including the estimated useful lives of these investments. The committee has reviewed the submissions by management in respect of the significant capital expenditure during the year, summarising the depreciation rates applied, estimated residual values and the carrying values of the Group's tangible assets. The committee has interrogated management and satisfied itself of the appropriateness of the assumptions made, the consistency of those assumptions compared to the initial approvals and the basis on which any changes were made. The committee has also considered the internal audit reports completed in respect of the Group's procurement and capital expenditure processes, in which there were no significant weaknesses identified.

Corporate governance continued

The key considerations in relation to the 2014 financial statements were: continued

Matter considered	Action
The Group has operations in a number of geographical locations, is subject to a number of tax jurisdictions and is exposed to a number of cross-border and complex tax arrangements. See note 8 in the financial statements.	The committee receives regular reports from management about ongoing tax audits and new legislative developments that may impact the Group's tax positions. The committee has evaluated the Group's most significant tax exposures, the corporate judgements and related tax provisions recognised by management and satisfied itself that these are appropriate.
The Group's operations are exposed to a number of risks, refer to pages 30 to 33. In addition to property, plant and equipment of €3,432 million, goodwill of €545 million is recognised as an asset in the statement of financial position. As set out in the accounting policies, the Group reviews its assets at least annually and whenever there is any indication that certain of its assets may be impaired. See note 11 in the financial statements.	The critical underlying assumptions and outcomes were reviewed by the committee and compared to the Group's budget and the current macroeconomic environment. The committee considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recognised value of the underlying assets. The committee has satisfied itself that there is no impairment of goodwill and that the impairments of property, plant and equipment recognised are directly related to approved restructuring activities.
Significant judgement is required in determining the assumptions to be applied for the valuation of the Group's afforestation asset and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries. The most significant assumptions and sensitivities are disclosed in note 13 for afforestation and 20 for retirement benefits in the financial statements.	The assumptions, and the basis on which they were determined, were evaluated by the committee and compared both to prior years and market developments during 2014.

Fair, balanced and understandable

A key role of the committee is to ensure that the interests of shareholders are protected, in particular that there is robust financial reporting with good internal controls in place and appropriate accounting practices and policies combined with sound judgement. Although oversight and review of material financial reporting matters are considered throughout the year, at the February 2015 meeting the integrity of the Group's Integrated report and financial statements 2014 was assessed and the clarity of disclosures reviewed, taking cognisance of guidance issued by regulatory bodies. The committee assisted the Boards in their assessment of the report to ensure that the disclosures were complete and in context and that the report as a whole fairly reflected the financial performance and prospects of the Group.

The collaborative approach, with well documented planning and procedures combined with a thorough review and verification exercise, helped provide confidence as to the accuracy and consistency of information in the report. The committee received a detailed report on the financial statements from the Group financial controller outlining the significant matters, in particular those areas where management judgement had been made, and the assessment of the going concern basis of preparation. The committee also received a report on the audit from Deloitte. These reports were presented in the meeting and provided the opportunity for challenge by the committee. The committee also met with Deloitte without management present in order to discuss the audit in general.

The committee reported to the Boards that they considered the report to present a fair, balanced and understandable assessment of the Group's position and prospects.

Committee focus in 2015

While the committee will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2015:

- finalisation of the rotation of the South African external audit partner;
- overseeing the external audit tender process; and
- consideration of the assessment of the Group's long-term solvency and liquidity in order to provide an appropriate viability statement to shareholders, as required by the 2014 edition of the UK Corporate Governance Code, in the 2015 integrated report.

Corporate governance continued

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained.

External audit

Deloitte & Touche in South Africa and Deloitte LLP in the UK (together 'Deloitte') were appointed as auditors at the time of Mondi's demerger from Anglo American plc in July 2007. The South African audit partner's tenure is scheduled to conclude after the audit of the 2014 results. The committee has been overseeing the rotation and appointment process for a new audit partner with Deloitte. The UK audit partner has been in place since the audit of the 2012 results. The committee anticipates putting the audit out to tender ahead of the rotation of the UK audit partner in 2016; this will be a key focus of the committee's work during 2015.

When considering the tender process a key factor in the committee's choice will be the ability of the audit firm to effectively manage the complexities of Mondi's dual listed company structure and geographic footprint.

A formal framework for the assessment of the effectiveness of the external audit process and quality of the audit has been adopted by the committee, covering all aspects of the audit service provided by Deloitte. The main focus is on: the audit team, in particular the lead audit partners; the approach to planning and execution of the audit, including the role of management in the process; and how effective the communications between the audit team and the committee are, including how value is added as well as the formal reporting of issues. The committee has also incorporated a review of auditor independence and objectivity.

The assessment is managed annually through the use of questionnaires to the committee members, key management and finance function personnel directly involved with the audit process at Group, divisional and business unit level. The feedback from this process is collated and reviewed by the committee with a report and agreed action plan provided to both management and the Deloitte audit team.

For the review of the 2014 audit the committee considered the audit team, having been consistent with the prior year audit and thereby providing continuity of knowledge; and the approach to the audit plan, including engagement with management and the committee to agree the materiality levels and which sites would be individually reviewed. Consideration was given to the work undertaken against the agreed plan, including feedback from Deloitte's visits to specific Mondi locations, their involvement in the audit of the significant consolidation of the Europe & International Division, as well as questioning any deviations from the plan and the reasons for this. Of particular importance is the timely consideration of, and engagement with management and the committee on, areas requiring specific judgement. The committee chairman has also met with the Deloitte audit partners to discuss the results of the audit without management present. Representatives from Deloitte report to the committee on their independence and objectivity and the mechanisms employed to ensure this is maintained and how any opportunities highlighted for improvement will be addressed. They present their firm's own quality control procedures and report on the output from the audit quality review of Deloitte by the Financial Reporting Council. There are also Group policies in place regarding the employment of ex-audit staff and the provision of non-audit services.

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained.

The committee confirmed that Deloitte & Touche is included in the JSE list of accredited auditors. Following these considerations the committee made a recommendation to, which was accepted by, the Boards that resolutions to reappoint Deloitte be proposed at the annual general meetings of Mondi Limited and Mondi plc, to be held in May 2015.

Non-audit services

A policy is in place that governs the provision of non-audit services provided by Deloitte to Mondi, including the requirement for the pre-approval of such services. The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services. This enables regular oversight of a key threat to auditor independence and objectivity.

In order to limit the non-audit services provided by the external auditor, the policy restricts those services by type and monetary limit. The auditors will only be engaged on matters where specific knowledge and understanding of Mondi is required. The committee has agreed delegation limits enabling requests for the provision of non-audit services to be approved by either the chief financial officer or chairman of the committee in certain circumstances. Requests falling outside these delegated limits are referred to the committee for consideration. The policy also clearly defines those services that the auditor is prohibited from providing, for example financial information systems design and internal audit outsourcing.

The breakdown of the fees paid to Deloitte, including the split between audit and non-audit fees, is included in note 5 to the financial statements on page 137. The non-audit fees for 2014 represent 11% of the audit fee paid.

Internal audit

The audit committee has responsibility for monitoring and reviewing the scope and effectiveness of the Group's internal audit function and appoints and discharges the heads of internal audit (the equivalent of the chief audit executive as envisaged by King III). The heads of internal audit have direct access to, and responsibility to, the committee and work closely with the committee in liaison with Deloitte.

Each year the committee considers and approves the internal audit plan, which is designed to focus on the Group's key risks to ensure that they are managed effectively within the context of our business objectives and that appropriate internal controls are in place. The committee ensures that all material operations are covered and that there is an appropriate degree of financial and geographical coverage. Reports are given at each committee meeting providing an update on activities, progress against plan, results from audits carried out and management's response to address any areas highlighted for improvement. The committee will consider deviations from plan as the need arises during the year, usually in response to a material acquisition or change in the Group's risk profile highlighted through audit reports and through matters raised via the confidential reporting hotline, Speakout. The committee regularly challenges the nature and speed of management's response to issues raised in audits and to Speakout messages in order to be satisfied that this has been appropriate to the circumstances. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work.

The committee also monitors the staffing and resources available to the internal audit function and the quality of those resources. The last external review of the internal audit function was carried out in 2010 by PricewaterhouseCoopers. That review concluded positively on the effectiveness of the internal audit function while making some recommendations to further improve on this. Since that review the committee has monitored progress with the implementation of the recommendations and annually reviews the effectiveness of the function. The next external review has been scheduled for 2015. The committee has concluded that the heads of internal audit provide appropriate leadership of the internal audit function which remains effective in carrying out its remit.

Corporate governance continued

Internal control

The Group's system of internal control, embedded in all key operations, is designed to provide 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. Full details of Mondi's risk management framework and most significant risks can be found in the Strategic report on pages 30 to 33.

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

- a simple and focused business strategy;
- a clearly-defined organisation structure with established and reasonable division of responsibilities;
- Group financial, business conduct, operating and administrative policies and procedures which incorporate statements of required behaviour;
- 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;
- a continuous review of operating performance;
- a comprehensive reporting system, including monthly results, annual budgets and periodic forecasts, monitored by the executive committee and Boards;
- approval by the Boards of all major investments, with proposals being subject to rigorous strategic and commercial examination;
- a centrally coordinated 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, listing any weaknesses; and
- assurance activities covering the key business risks summarised and reported annually to the Boards, the audit committee and the sustainable development committee.

Speakout

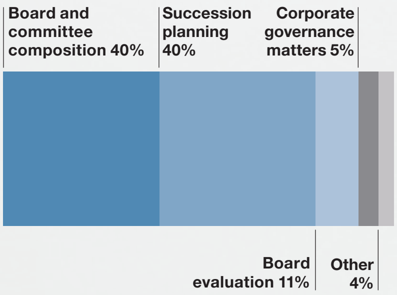
The Group has a confidential reporting hotline called 'Speakout' operated by an independent third party. Speakout, monitored by the audit committee, enables employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns about conduct that is considered to be contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practice in the Group's operations. During 2014, 129 (2013: 79) Speakout messages were received covering a number of areas.

DLC nominations committee

Meeting schedule and attendance

The committee met five times during the year.

How the committee spent its time



Composition

Members throughout the year	Committee member since	Meeting attendance (five meetings in the year)
Stephen Harris	March 2011	5
Imogen Mkhize	January 2008	5
John Nicholas	October 2009	5
Anne Quinn	May 2007	5
Fred Phaswana	June 2013	5
David Williams, chairman	May 2007	5

Other regular attendees:

- Chief executive officer

The key focus for the committee during 2014 has been the consideration of future skills and experience required for the Boards in line with our stated strategy of growing our packaging interests. We have also considered executive director succession planning acknowledging the challenges created by our dual listed company structure. I expect that these considerations will continue to form a material part of our deliberations during 2015.

David Williams, chairman of the DLC nominations committee

Key responsibilities:

- Evaluate and review the structure, size and composition of the Boards and committees
- Consider succession planning and management development
- Conduct selection processes, identifying and nominating candidates to fill director and executive management vacancies
- Oversee annual performance evaluation and implementation of the resulting action plan
- Review external commitments and the independence of directors
- Ensure new appointees are provided with a full and appropriate induction
- Consider the re-election of directors and recommendation to shareholders

David Williams chairs this committee but is not permitted to chair meetings during sessions regarding his own performance. Neither does he chair meetings at which the appointment of his successor is discussed.

As there were no changes on the Boards during the year the committee focused its deliberations on reviewing the current composition, skills and experience of the directors and considering what may be required to meet Mondi's business and strategic needs going forward. It was concluded that the present composition of the Boards remained appropriate and included a good mix of expertise, including international manufacturing and engineering experience. However it was acknowledged that future changes would need to include consideration of broader skills and experience particularly able to support the strategic focus on developing our packaging interests and more experience in downstream manufacturing.

Succession planning for the directors and senior management has also been a key area of focus for the committee this year. Considerations included taking account of the length of tenure, current and likely future business operating locations and potential gaps in knowledge of areas of potential risk for the Group. We recognise the need for orderly changes to the Boards and are anticipating potential challenges that may arise before they happen to ensure we retain an appropriate balance on the Boards.

Corporate governance continued

DLC nominations committee continued

The senior management talent pool was also reviewed. The presentations looked at the corporate functions, divisional and business units, and detailed the current role holder as well as likely successors over a timeline of up to five years. The talent review included consideration of diversity in its broadest sense but highlighted in particular the initiatives being implemented to redress gender balance below board level.

Regular governance matters in accordance with the committee's terms of reference were also considered. These included a review of the tenure and time commitment of non-executive directors and the composition and length of service of members of each committee. During the year Stephen Harris completed his three-year term and the committee undertook a more detailed review of his tenure which is explained in more detail on page 73.

The committee is responsible for overseeing the annual board evaluation as explained on pages 71 to 73. In 2014 this was an internal review.

The committee continued to be of the view that, in line with best practice, all directors should stand for re-election at the annual general meetings of Mondi Limited and Mondi plc.

Appointments to the Boards

There were no appointments to the Boards during 2014.

At least annually the committee reviews the composition of the Boards and each of its committees to ensure that they remain appropriate. The Mondi Boards are relatively small and it is recognised that this can mean there is little flexibility to change the committee compositions, however, changes to the Boards over time has resulted in the natural refreshing of the committees.

Terms of appointment

On appointment each non-executive director receives letters of appointment from each of Mondi Limited and Mondi plc setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any committees of which they will be a member. Non-executive directors are initially appointed for a three-year term, although Mondi now follows governance best practice with all directors standing for re-election by shareholders at each annual general meeting.

Diversity

In line with our philosophy of encouraging diversity and eliminating discrimination, we provide equal opportunities within the Group. The Group's gender diversity statistics can be found in the Strategic report on page 35. We currently have two female directors representing 22% of the composition of the Boards. While our aim is to maintain at least this level of female representation on the Boards going forward, it remains important to have the right mix of skills, knowledge and experience. Therefore, while the directors are committed to always considering gender diversity when making appointments, ensuring there is a diversity of business skills and experience to meet our business needs and future strategy remains paramount.

As a global organisation operating in more than 30 countries, diversity forms an integral part of the way we do business and is encouraged. We are committed to creating a culture that embraces diversity and provides a working environment that is non-discriminatory from recruitment, training and career development to reward and promotion. We employ, empower and develop competent people with the necessary potential required to meet our business needs and maintain a competitive business advantage.

In South Africa we are committed to making a positive contribution to the process of transformation. We have taken active steps to meet the requirements of broad-based black economic empowerment (BBBEE), including establishing transformation forums in our South African operations to allow our employees to discuss equity and training-related issues and ideas.

The Boards have adopted a formal diversity policy for the Group which sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews. A number of initiatives continue to be moved forward including the implementation of new training modules for our leadership programmes such as 'Intercultural Diversity & International Business Competence' to enhance the understanding and appreciation of the benefits of diversity within the business. Employee exchanges where individuals spend time working in different business units and locations around the Group enables them to gain experience of different working practices and skills as well as having exposure to different cultures.

While it is recognised that there is more work to do Mondi believes that continually sharing best practice, networking and sharing experiences both internally and externally helps us to make good progress. More details can be found on page 35.

Committee focus in 2015

During 2015 the committee will continue to focus on succession plans and considering the appropriate composition of the Boards required to meet our future strategic needs. Ensuring that any proposed changes are effected in a timely way with minimum disruption to the efficient operation of the Boards will be important. Maintaining a watch on diversity within the Group and following through on our action plans from the 2014 evaluation process will continue to be key.

DLC remuneration committee

Meeting schedule and attendance

The committee met four times during the year.

Composition

Members throughout the year	Committee member since	Meeting attendance (four meetings in the year)
Stephen Harris	March 2011	4
Imogen Mkhize	May 2007	4
Anne Quinn, chairman	May 2007	4
David Williams	May 2007	4

Other regular attendees:

- Chief executive officer
- Joint chairman (Fred Phaswana)
- Group head of reward
- External remuneration consultant

Key responsibilities:

- Making recommendations on the Group's policy on senior management remuneration
- Determination of the remuneration packages for each executive director and members of senior management, including pension rights and any compensation payments
- Determination of the remuneration of the joint chairmen
- Implementation of employee share schemes

The committee's full report on directors' remuneration, including details of the Group's remuneration policies and practices, is set out on pages 94 to 113.

The committee believes that the remuneration policy will continue to motivate our senior team to achieve the Group's objectives and deliver sustained returns for our shareholders. We also believe that the remuneration of executives during 2014 reflects our successes to date in the delivery of our strategy.

Anne Quinn, chairman of the DLC remuneration committee

DLC sustainable development committee

In 2014 the committee focused on improving safety performance as well as monitoring our work on environmental and social issues against our 2015 commitments. During 2015 we will review our material issues and develop new commitments to take Mondi forward.

Stephen Harris, chairman of the DLC sustainable development committee

Meeting schedule and attendance

The committee met six times during the year.

Composition

Members throughout the year	Committee member since	Meeting attendance (six meetings in the year)
Stephen Harris, chairman	March 2011	6
David Hathorn	May 2007	6
Anne Quinn	August 2009	6

Other regular attendees:

- Group head of sustainable development
- Group head of safety and health

Key responsibilities:

- Oversees the Group's strategy, commitments, targets and performance relating to safety, health, the environment, social responsibility, other sustainable development matters and business ethics

The committee oversees and monitors the progress of our sustainable development strategy, commitments, targets and performance within a global context. It ensures that the Group's sustainable development strategy addresses the Group's material issues relating to sustainability, and that policies and commitments are aligned with global best practice. Furthermore, the committee oversees performance in respect of safety and health, environment, forestry, product stewardship, stakeholder engagement and community matters across the Group. It reviews performance against environmental targets, receives safety performance reports including details of major incidents within the Group and monitors management's response to such incidents.

A summary report from the directors on the Group's sustainability practices is set out on pages 34 to 37 and further details, including a full review of Mondi's sustainability activities and progress in 2014, can be found at: www.mondigroup.com/sd14

Mondi Limited social and ethics committee

Meeting schedule and attendance
The committee met twice during the year.

Composition

Members throughout the year	Committee member since	Meeting attendance (two meetings in the year)
Stephen Harris	February 2012	2
David Hathorn	February 2012	2
Imogen Mkhize, chairman	February 2012	2

The composition of the committee is in accordance with the requirements of section 72(8) of the South African Companies Act 2008 and its associated regulations.

Other regular attendees:
- Non-executive directors (who are not members of the committee)
- Executive management who present on relevant topics

During the year the committee focused on reviewing Mondi Limited's compliance with various obligations under the South African Companies Act and regulation.

Imogen Mkhize, chairman of the Mondi Limited social and ethics committee

Key responsibilities:

- Oversees and monitors activities relating to:
  - Social and economic development, including the principles contained in the United Nations Global Compact and the Organisation for Economic Co-operation and Development's recommendations regarding corruption;
  - Broad-Based Black Economic Empowerment;
  - Good corporate citizenship including the promotion of equality, the prevention of unfair discrimination, and corporate social responsibility;
  - Safety, health and the environment;
  - Consumer relationships; and
  - Labour, employment and skills development, including employment equity.
- Recommends to the Mondi Limited board key policies and guidelines for the management of the abovementioned social, ethics and transformation priorities
- Considers reports and feedback from any other committees in relation to social, ethics and transformation priorities, and contributes to other committee initiatives where there is an overlap of responsibility
- Notes reports from the DLC sustainable development committee on environmental, labour, human rights and product responsibility matters and from the DLC audit committee on risk management, whistle-blowing and fraud and business integrity as they pertain to the overall responsibility of the committee
- Evaluates management's performance against Mondi Limited board approved targets and/or policies on matters relating to social, ethics and transformation priorities

The Mondi Limited social and ethics committee works closely with the DLC audit and sustainable development committees in fulfilling its statutory duties. More detailed information on Mondi Group practices relating to such matters as anti-corruption, ethics, environment and labour can be found in the DLC audit committee report on pages 74 to 82 and sustainability report on pages 34 to 37 of this integrated report. We also publish a printed document, Working together for a sustainable future, as well as a detailed online Sustainable development report: www.mondigroup.com/sd14

Corporate governance continued

Highlights of initiatives monitored during the year

Broad-Based Black Economic Empowerment:

The government of South Africa embarked on a legislated process to ensure the viable economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies that include aspects such as ownership, management and control of productive assets; skills development; preferential procurement from enterprises that are owned or managed by black people; and investment in enterprises that are owned or managed by black people.

An independent assessment confirmed that Mondi again maintained its status as a level three contributor. During the year a review was completed of the amended Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice and its effects on Mondi Limited. Sector Councils, including the Forestry Council which Mondi Limited is aligned with, have until 30 April 2015 to formulate and gazette revised and aligned Sector Codes, failing which the revised Generic Codes will be applied.

Environmental initiatives:

- In January 2014 Mondi and WWF International entered into a global partnership agreement which focuses on promoting environmental stewardship in the packaging and paper sectors. This partnership builds on the work of the Mondi Wetlands Programme (MWP) established in 1991 by WWF and the Wildlife and Environment Society of South Africa (WESSA) with Mondi as its principal sponsor since 2001.
- Odour-related issues

  At Richards Bay mill instability (including due to power outages) resulted in increased odour complaints in 2014. Actions have been taken to improve the mill's ability to cope with both internal and external outages. Equipment will be commissioned during the March 2015 annual maintenance shut to further minimise the risk of outages.
- FSC® audit

  During 2014 our forestry operations achieved ISO 14001 environmental certification and in October, the Forest Stewardship Council® (FSC®) audit was also successfully completed with no non-compliances.
- External recognition

  In October 2014 Massmart named Mondi its Environmental Supplier of the Year. The award honours local suppliers for their ongoing commitment, exceptional performance and implementation of environmentally sustainable business practices.

  In September 2014 WWF's Living Planet Report stated that "Mondi has taken the lead in mapping, protecting and rehabilitating a critical wetland, allowing commercial tree plantations and the iSimangaliso Wetland Park, a World Heritage Site, to live side by side."

Social and economic development of forestry communities:

Education

Several community development initiatives focused on maths and science education at School and Tertiary level. Through the Rural Education Access Programme (REAP), an NGO established to assist academically able learners from poor rural backgrounds, more than 60 students are studying towards degrees in medicine, engineering, education, commerce and social sciences at recognised institutions. Many of these students graduated at the end of 2014.

Health services

In partnership with local NGOs and government departments in KwaZulu-Natal and Mpumalanga, Mondi runs five mobile clinics that provide in-field health services to local communities. As at the end of December 2014, a total of 50,162 visits by local contractor workers, community workers and children were recorded. This demonstrates good progress towards comprehensive and accessible primary healthcare to all, particularly forestry workers and their families.

Land claims

Since 2008 Mondi's successful land claims model has enabled the settlement of 19 land claims representing just over 36,000 hectares. Factors contributing to the slowdown in claim settlement include the government's financial situation and land-related legislative changes. A key focus during 2014 was on providing post-settlement support to ensure the success of land claimant businesses. Mondi's approach continues to be the proactive settlement of land claims that are in an advanced stage, and to work closely with the government's Land Department on the balance. In 2014 one signed claim was cancelled by the State due to community issues.

Mondi Zimele

Over several years Mondi Zimele has focused on developing and supporting small businesses in Mondi's supply chain. This includes new emerging community forestry businesses to ensure the availability of sustainable, competitive timber by private growers for Mondi mills. The employment footprint in 2014 was 2,600 jobs and 400 potential entrepreneurs and business people were trained.

Further examples of Mondi Zimele's work are the 8,000 small scale timber growers in the Zululand area receiving guidance on Forest Stewardship Council® related matters; the establishment of three land claimant silviculture businesses with a further two under development; non-Mondi land claimant projects and 17 contractor businesses who receive business, technical, institutional or financial support totalling approximately ZAR43 million.

Mkhondo Development Programme (MMDP)

The MMDP is a public-private partnership between Mondi and the government and aims to facilitate people residing on Mondi-owned land with security of tenure, access to basic services, social amenities and economic opportunities. Planning commenced for eight development nodes agreed with the municipality. At the Jabulani agri-village in Iswepe 110 houses, support infrastructure and services including solar street lights, a Multi-Purpose Centre, and Early Childhood Development Centre have been completed to date, and toilet and electrical connections are underway.

During 2014 Mondi Limited invested approximately ZAR15.3 million in various social and economic development initiatives, primarily in its forestry areas. This is in addition to the Mondi Zimele initiatives.

Skills development:

To thrive, the business needs skilled and committed employees who are passionate about performance. Mondi is an exciting and challenging working environment, where employees are encouraged to learn and develop in order to advance. A range of employee skills training and leadership development programmes are conducted annually. In addition, Mondi's strong values serve as the primary guiding principle that inspires a high-performance culture.

Corporate governance continued

DLC executive committee and company secretaries

John Lindahl, 55
Group technical director

Appointed: August 2011

Committee membership: executive

Qualifications: graduated in pulp and paper engineering from the Technical University of Helsinki in 1985 and an MBA from Jyvaskyla University in 1996.

Experience: between 1985 and 2000 John had an extensive career in the forest industry, working in different operational managerial positions in Finland, the US and France in companies including M-real, Myllykoski and UPM. At UPM he then moved on to roles within corporate technology and investment coordination.

From the industry he moved on to consulting and engineering company Pöyry, where he held a number of executive positions in the forest industry business group, being involved in advisory services, pre-engineering studies and major implementation projects for the global Pulp and Paper Industry until 2011 when he joined Mondi.

External appointments: none

Ron Traill, 60
Chief executive officer: South Africa Division

Appointed: January 2008

Committee membership: executive

Qualifications: graduated in mechanical engineering and management from Dundee Colleges in Scotland in 1980.

Experience: Ron has over 34 years' experience in the paper industry. 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.

He has also held senior operational positions with Fletcher Challenge and with Tullis Russell, 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. He then relocated to South Africa, being appointed chief executive officer of the South Africa Division in January 2008.

External appointments: none

Philip Laubscher, 59
Company secretary Mondi Limited

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

Carol Hunt, 53
Company secretary Mondi plc

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

Philip and Carol work together on the coordination of Mondi's DLC structure.

David Hathorn, 52
Chief executive officer

See full biography on page 60.

Peter Oswald, 52
Chief executive officer: Europe & International Division

See full biography on page 61.

Andrew King, 45
Chief financial officer

See full biography on page 61.

DLC executive committee

Meeting schedule and attendance

The committee met 12 times during the year.

Composition

Members throughout the year	Committee member since	Meeting attendance (12 meetings in the year)
David Hathorn, chairman	May 2007	12
Andrew King	May 2007	12
John Lindahl	August 2011	12
Peter Oswald[1]	May 2007	11
Ron Traill	June 2008	12

[1] Peter Oswald was unable to attend one meeting due to business meetings with major customers.

Other regular attendees:

- Business unit managers
- Representatives from corporate functions each of whom present on relevant topics

Continuing to drive our operational excellence programmes and ensuring that our expansionary and energy projects were being managed on time and within budget were focus areas for 2014. Overseeing the integration of the bags and kraft paper business of Graphic Packaging International, Inc. has also been a priority for the committee.

David Hathorn, chairman of the DLC executive committee

Key responsibilities:

- Day-to-day management of the Group within the limits set by the Boards
- Strategy implementation
- Monitoring financial, operational and safety performance
- Policy implementation

Shareholder engagement

While the joint chairmen maintain responsibility for ensuring there is effective communication with shareholders, it is the chief executive officer and chief financial officer who have a regular programme of dialogue with institutional shareholders, analysts and fund managers. All contact with investors is strictly controlled in terms of timing and content such that no information is made available on a selective basis. This programme is based primarily around the financial reporting calendar. In 2014 the following events took place:

Month	Event
February	• Preliminary results announcement
March	• Investor roadshows in South Africa (Johannesburg, Pretoria and Cape Town) • Investor roadshows in Europe (London and Edinburgh) • Sun City Merrill Lynch conference
April	• Investor roadshows in the US (New York and Boston)
May	• Interim management statement • Annual general meetings
August	• Half-yearly results • Investor roadshows in South Africa (Johannesburg, Pretoria and Cape Town)
September	• Investor roadshows in Europe (London, Edinburgh and Zurich) • New York UBS conference
October	• Interim management statement
November	• London UBS conference

Corporate governance continued

Shareholder engagement continued

Investors are regularly offered the opportunity to meet with the joint chairmen and other directors. During the year David Williams met institutional investors in order to gain an understanding of their views of the Group and to discuss any issues or concerns. We acknowledge that at times our shareholders may take a different view to us which is why we maintain a regular dialogue as it is important that we explain our reasoning in the context of our strategy.

The remuneration committee consults with shareholders on remuneration matters when appropriate and responds to remuneration governance questions when raised. In advance of the 2014 annual general meetings the chair of the committee wrote to key shareholders to explain Mondi's remuneration policy.

With our focus on delivering value in a sustainable way our Group head of sustainable development also maintains a dialogue on socially responsible investment through focused briefings with interested investors and stakeholders.

Throughout the year responses are given to correspondence received from shareholders and other interested parties on a variety of subjects.

Feedback from the dialogue with shareholders, in particular following the full and half-yearly results roadshows, is provided by the brokers direct to the Boards. When available, the directors also receive analysis of Mondi's performance against other companies in the sector. Analysts and brokers briefings relating to Mondi and the packaging and paper industry are circulated to the directors on a regular basis, further enhancing their understanding of investor views.

The investor section of the Mondi Group website is a valuable reference point for shareholders and others interested in our business. It contains financial reports, trading updates and news about our business operations as well as the share price, governance and sustainability information.

Many of our shareholders are choosing to receive shareholder information electronically rather than by post. Information on how to elect to receive financial reports and other communications from Mondi via electronic means can be found in the shareholder information on pages 192 to 196.

During 2014, Mondi did not receive any requests for access to records under the South African Promotion of Access to Information Act 2000.

Annual general meetings

The annual general meetings of Mondi Limited and Mondi plc are scheduled to be held on 13 May 2015 in Johannesburg and London respectively, presenting an opportunity for shareholders to question the directors about our activities and prospects. It is expected that all directors and, in particular, the chairmen of the committees will be present.

Separate resolutions will be proposed for each item of business to be considered at the annual general meetings with the voting at the meetings conducted by polls. The voting results will be announced on the JSE and LSE and made available on the Mondi Group website as soon as practicable following the close of both meetings.

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

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 in South Africa and the UK. The code sets out the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Group pending its public release and availability to shareholders and other interested parties. The code is reviewed regularly and updated as required to ensure continued compliance with regulation and best practice. Regular reminders of the procedures to be followed are issued and periodic training is provided to relevant employees.

All dealings by directors and persons discharging managerial responsibilities and their connected persons are announced to the JSE and the LSE when they occur. Details of the directors' interests in the shares of both Mondi Limited and Mondi plc can be found on pages 108 to 112.

Business ethics

The Boards have adopted a code of business ethics, which applies throughout the Group and sets out five fundamental principles that govern the way in which Mondi and its employees conduct business. Three of the principles are monitored and reviewed by the sustainable development committee (human rights, stakeholders and sustainability) and two by the audit committee (legal compliance and honesty and integrity).

The code incorporates the requirement for the Group to comply with all applicable laws and regulations. Although the Group does not have a single compliance function the legal teams of each division, together with the company secretaries of both Mondi Limited and Mondi plc, have oversight of compliance, including consideration of the application of non-binding rules, codes and standards. Regular reports are presented to the Boards, or relevant committees, on compliance matters.

The detailed application of the principles of the code is documented in Mondi's policies and procedures, in particular the business integrity policy and the sustainable development policy. These policies have been rolled out across the Group and regular training is provided to all relevant employees. Our internal audit team test the implementation of these policies and report to the audit committee on their findings. 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 with the code. The code is available on the Mondi Group website.

Mondi has not been the subject of any legal actions against it for anti-competitive behaviour, anti-trust or monopoly practices during the year. Mondi has also not received any material fines or non-monetary sanctions for non-compliance with laws and regulations.

Remuneration report
Introduction from the DLC remuneration committee chairman

Anne Quinn, chairman of the DLC remuneration committee

I am pleased to present the Committee's report on directors' remuneration.

Due to Mondi's DLC structure and our need to comply with both South African and UK regulation the structure of the remuneration report has been left largely unchanged from last year and comprises the directors' remuneration policy and the annual report on remuneration. The annual report on remuneration will be put to an advisory shareholder vote at the 2015 AGMs. The directors' remuneration policy, which remains unchanged since it was approved by shareholders at the 2014 AGMs, will be tabled for a non-binding advisory vote to Mondi Limited shareholders in 2015 in accordance with South African regulations. Under UK regulations the policy report is required to be put to a binding shareholder resolution every three years (or sooner if changes are proposed) and is not being presented for Mondi plc shareholder approval in 2015.

Our remuneration policy for executive directors is based on the principle of pay for performance and alignment with shareholders. Annual bonuses are dependent on a scorecard of financial and non-financial elements with robust metrics and 50% of any bonus is deferred into Mondi shares for three years. The long-term incentive plan rewards sustained financial performance, measured through our percentage Return on Capital Employed (ROCE) and our relative Total Shareholder Return (TSR) compared to other international companies in our sector. Executive directors are also required to build a personal shareholding in Mondi.

As described in the Strategic report, Mondi's financial performance in the year under review was very strong. ROCE performance for 2014 was 17.2% and EBITDA was €1,126 million. This performance is reflected in the remuneration received by directors:

- Annual bonuses of approximately 92% to 94% of the maximum have been awarded in respect of performance in 2014. This recognises the Group's good financial and safety performance as well as strong performance against personal operational and strategic objectives that were set at the start of the year.
- The performance period for the 2012 LTIP ended on 31 December 2014. Half of the award was based on ROCE performance and the other half on relative TSR performance. ROCE for the three-year performance period was 15.4%, above the applicable performance range of 10% to 14%. The Group's TSR over the period was in excess of 175% (179% for Mondi plc and 176% for Mondi Limited) which placed it in the top 25% of the comparator group. As a result of this performance both the ROCE and TSR elements, and therefore the overall LTIP award, vested in their entirety.

Base salary increases of 2.9% were implemented with effect from 1 January 2015, after consideration of percentage increases for the wider employee population.

The Committee believes that the remuneration policy will continue to motivate our senior team to achieve the Group's objectives and deliver sustained returns for our shareholders. We also believe that the remuneration of executives during 2014 reflects our successes to date in the delivery of our strategy.

I trust that you will feel able to support the remuneration resolutions at this year's annual general meetings.

Anne C Quinn

Chairman of the DLC remuneration committee

The report

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

- executive directors' and non-executive directors' remuneration and associated footnotes on page 103;
- the table of share awards granted to executive directors and associated footnotes on pages 110 and 111; and
- the statement of directors' shareholdings and share interests on pages 108 and 109.

Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy was developed taking into account the principles of the governance codes in South Africa and the UK and the views of our major shareholders and describes the policy applicable from 2014 onwards. The policy report was approved under a binding shareholder vote at the 2014 annual general meetings.

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

Remuneration policy for executive directors 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 and the management of risk;
- a significant proportion of the remuneration of executive directors 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 should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

Directors' remuneration policy
continued

Executive directors' remuneration policy table

The following table summarises key elements of the remuneration of executive directors in accordance with reporting regulations:

Component	Purpose and link to strategy
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required.
Benefits	To provide market competitive benefits.
Pension	To provide market competitive pension contributions.
Bonus Share Plan (BSP)	To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component.
Long-Term Incentive Plan (LTIP)	To provide incentive and reward for the delivery of the Group's strategic objectives, and provide further alignment with shareholders through the use of shares.
Share ownership policy	To align the interests of executive directors with those of shareholders.

Operation	Maximum opportunity
Reviewed annually by the Committee, taking account of Group performance, individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is also made to market median levels in companies of similar size and complexity. The Committee considers the impact of any base salary increase on the total remuneration package. Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	There is no prescribed maximum salary or annual increase. However, increases will normally be no more than the general level of increase in the UK market or the market against which the executive's salary is determined. On occasions a larger increase may be needed to recognise, for example, development in role or change in responsibility. Details of the outcome of the most recent review are provided in the annual report on remuneration.
The Group typically provides: • car allowance or company car; • medical insurance; • death and disability insurance; • limited personal taxation and financial advice; and • other ancillary benefits, including relocation and assistance with expat expenses (as required). The policy authorises the Committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.	Maximum values are determined by reference to market practice, avoiding paying more than is necessary.
Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	Company contribution of 30% of base salary for the chief executive and 25% of base salary for other executive directors.
Awards are based on annual performance against a balanced scorecard of metrics as determined by the Committee from time to time such as EBITDA and percentage Return on Capital Employed (ROCE) and safety. These have the highest weighting (currently 70% of the total). Individual performance is also assessed against suitable objectives, and currently has a 30% weighting. The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome. Half of the award is delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. On vesting of deferred shares, participants receive a bonus of equivalent value to the dividends that would have been payable on those shares between the date when the awards were granted and when they vest. Clawback provisions apply to awards made since January 2011.	The policy permits a maximum annual bonus of up to 150% of base salary. The Committee's practice has been to apply a limit of 150% for the chief executive, and 120% (i.e. below the policy maximum) for other executive directors.
Individuals are considered each year for an award of shares that normally vest after three years to the extent that performance conditions are met and in accordance with the terms of the plan approved by shareholders. Under the plan rules, the Committee has the ability to cash-settle awards, if necessary, in exceptional circumstances. There is no current intention for awards to the executive directors to be delivered in this way. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years, which are set by the Committee before each grant. For awards to be granted in 2015, metrics comprise Total Shareholder Return against a suitable peer group, and percentage ROCE, each with a 50% weighting. The vesting outcome can also be reduced, if necessary, to reflect the underlying or general performance of the Group. Performance is measured over three calendar years, starting with the year of grant. For awards granted from 2013 onwards, an amount equivalent to dividends that would have been payable on the unvested share awards are rolled up and paid out (in cash and/or additional shares) at the end of the vesting period based on the proportion of the award that actually vests. Clawback provisions apply to awards made since January 2011.	The maximum grant limit in the plan rules and under this policy is 200% of base salary (face value of shares at grant), to any individual in a single year. Individual awards, up to this limit, are determined each year by the Committee. The Committee's practice has been to make grants below this policy maximum as detailed in the annual report on remuneration. 25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level.
The chief executive officer is required to build a shareholding, in 'unfettered' shares, equivalent to at least 150% of base salary, and other executive directors equivalent to 100% of base salary, over a period of not more than five years from the date of appointment to the Boards. Executive directors are required to retain at least 50% of any vested shares, other than as necessary to meet tax obligations, under Mondi's various share plans until the requirement is met.	Not applicable.

Directors' remuneration policy
continued

Choice of performance measures and approach to target setting

Bonus Share Plan (BSP)

The table below shows the metrics for 2015, why they were chosen and how targets are set.

Metric	Why chosen?	How are targets set
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	A key indicator of the underlying profit performance of the Group, reflecting both revenues and costs.	Targets and ranges are set each year by the Committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE (%) (Return on Capital Employed)	A key indicator of the effective use of capital.	Targets and ranges are set each year by the Committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety	One of the key indicators of whether the business is meeting its sustainability goal of 'zero harm'.	The Committee considers input from the Boards' sustainable development committee, and sets appropriate standards and goals.
Personal performance	An indicator of the contribution each executive director is making to the overall success of the management team.	Targets are set each year by the Committee, based on the specific priorities, and areas of responsibility of the role.

The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Long-Term Incentive Plan (LTIP)

The table below shows the metrics for 2015 grants, why they were chosen and how targets are set.

Metric	Why chosen?	How are targets set
Total Shareholder Return (TSR), relative to a peer group of competitors	TSR measures the total returns to Mondi's shareholders, so provides close alignment with shareholder interests.	The Committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests below median. 25% vests for median performance; 100% vests for upper quartile performance, with a straight-line scale between these two points.
ROCE (%) (Return on Capital Employed)	A key indicator of the effective use of capital.	The Committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE. Nothing vests below threshold. 25% vests for threshold performance; 100% vests for stretch performance, with a straight-line scale between these two points.

The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Differences in remuneration policy for executive directors compared to other employees

There are differences in the structure of the remuneration policy for the executive directors and employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on performance-related pay in senior roles. Lower maximum incentive pay opportunities apply below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the LTIP and the BSP as these plans are targeted on those individuals who have the greatest responsibility for Group performance.

Executive directors' existing service contracts, and policy on loss of office

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

The service contracts for David Hathorn and Andrew King provide for one year's notice by either party. They include pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period and an amount in compensation for annual bonus only for that part of the financial year the individual has worked.

Peter Oswald was recruited, and is based, in Austria. His service contract is required under Austrian law to be for a fixed period, which renewable fixed period expires on 30 April 2019. However, the contract has also been structured as far as possible to conform to the accepted practice for directors in the UK, and can be terminated on one year's notice by either party. Prior to 2008, he did not have a notice period, and was entitled to receive compensation on termination equivalent to remuneration for the unexpired term of the five-year fixed term contract. The Committee renegotiated this contract in 2008 to substantially reduce the Group's potential liabilities, and introduced a standard 12-month notice period, together with an accompanying lump sum payment on termination, which was necessary to facilitate the transition from the previous contract. In the event of termination by Mondi, other than for 'cause', the current contract provides for payment of base salary, benefits and pension contribution in respect of the 12-month notice period and eligibility for annual bonus in respect of the period he has worked. He would also be eligible for a lump sum amount calculated as €908,800 plus interest on this amount accrued at the Euribor interest rate for the period since 1 January 2008.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, vesting of BSP awards that are not subject to performance conditions is accelerated to as soon as practical after employment termination. LTIP awards remain subject to performance conditions (measured over the original time period) and are reduced pro rata to reflect the proportion of the performance period actually served. The Committee has the discretion to disapply the application of performance conditions and/or time pro rating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

Directors' remuneration policy continued

Executive directors' existing service contracts, and policy on loss of office continued

Details of the service contracts of the executive directors who served during the period under review are as follows. These contracts were all signed prior to 27 June 2012.

Executive director	Effective date of contract	Unexpired term/notice period
David Hathorn	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed term expiring on 30 April 2019 but terminable at any time on 12 months' notice

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Service contracts for new appointments

Normally, for any new executive director appointments, the Group's policy is that the service contracts should provide for one year's notice by either party. The contract would provide that, in the event of termination by the company, other than for 'cause', the executive would be eligible for:

- payment of the base salary, pension contribution and benefits in respect of the unexpired portion of the 12-month notice period;
- annual bonus only in respect of the period they have served, payable following the relevant performance year end and subject to the normal performance conditions for annual bonus; and
- share-based awards they hold, subject to the plan rules, which include arrangements for pro ration of LTIP awards and continued application of performance conditions.

The Group would seek to apply the principle of mitigation to the termination payment by, for example, making payments in instalments that can be reduced or ended if the former executive wishes to commence alternative employment during the payment period.

In exceptional circumstances, such as to secure for the Group the appointment of a highly talented and experienced executive in a market such as Germany or Austria where it is common for the most senior executives to have three-year or five-year fixed term contracts, the Committee may need to offer a longer initial notice period that reduces progressively to one year over a set time period. In such exceptional circumstances, the Committee would seek to ensure that any special contract provisions are not more generous than is absolutely necessary to secure the appointment of such a highly talented individual. The Committee would also take account of the remuneration and contract features that the executive may be foregoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limits on variable pay referred to in the policy table on pages 96 and 97.

For an internal appointment, any legacy pay elements awarded in respect of the prior role would be allowed to pay out according to their terms.

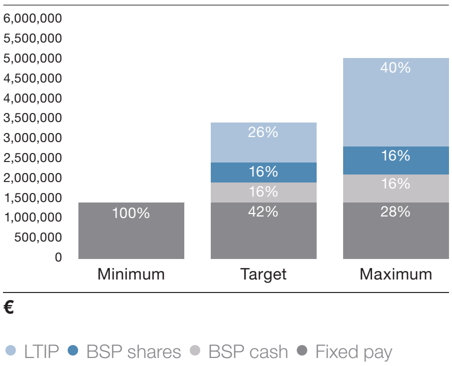
For internal and external appointments, the Group may meet certain relocation expenses, as appropriate.

For external appointments, the Committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Mondi and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration.

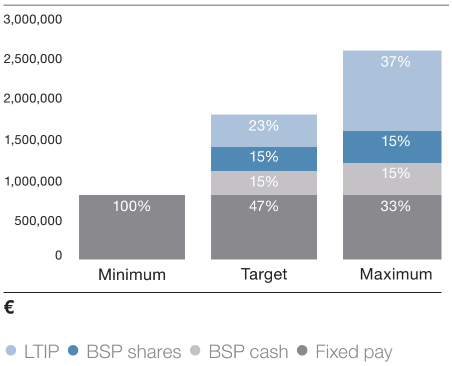
Remuneration scenarios at different performance levels[1]

The charts below illustrate the total potential remuneration for each executive director at three performance levels.

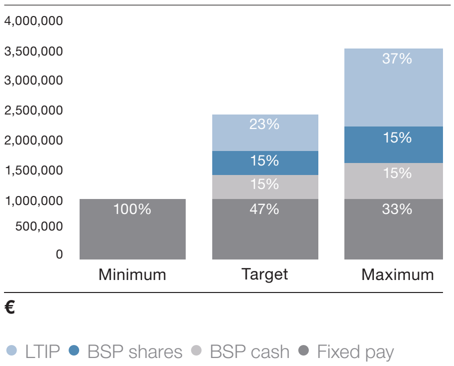
CEO



CFO



CEO Europe & International Division



[1] Assumptions:
Below Target = fixed pay only (salary + benefits + pension)
On target = 70% vesting of the annual bonus and 44% for LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2015.

Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive chairmen fees	To attract and retain high calibre chairmen, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The joint chairmen each receive an all-inclusive fee.	The joint chairmen's fees are reviewed periodically by the Committee. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high calibre non-executives with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairmen of the main board committees and the senior independent director are paid additional fees to reflect their extra responsibilities.	Non-executive directors' fees are reviewed periodically by the joint chairmen and executive directors. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.

Directors' remuneration policy continued

Remuneration policy for non-executive directors continued

All non-executive directors have letters of appointment with Mondi Limited and Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the annual general meetings. Appointments may be terminated by Mondi with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

Statement of consideration of employment conditions elsewhere in the Group

The Group's remuneration policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other colleagues in the Group.

The Committee annually receives a report from management on pay practices across the Group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the Committee additionally receives a report on the approach management propose to adopt for general staff increases. Both these reports are taken into account in the Committee's decisions about the remuneration of executive directors and other senior executives.

The Group does not engage in formal consultation with employees on directors' remuneration policy. However, employees of the Group are encouraged to provide feedback on the Group's general employment policies. In some countries where the Group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions in accordance with local custom and practice. The Group also conducts periodic employee engagement surveys which gauge employees' satisfaction with their working conditions. The Mondi Boards are given feedback on these survey results.

Shareholder context

The Committee considers the views of shareholders in its deliberations about the remuneration of executive directors and other senior executives, and consults directly with major shareholders when any material changes to policy are being considered.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

Annual report on remuneration

2014 remuneration of directors

This table reports executive and non-executive directors' remuneration in accordance with UK reporting regulations applicable to financial reporting periods ending on or after 1 October 2013.

		Base salary/ NED fees[1]	Benefits	Pension contribution	Annual bonus including grant value of BSP award	Value of LTIP vesting in the performance year[3]	Value of LTIP vesting at date of grant[4]	Share price gain on vesting LTIP award between grant and vest dates[5]	Other[6]	Total
David Hathorn	2014	€1,078,353	€48,824	€322,614	€1,478,738	€3,243,917	€1,696,853	€1,547,064	€263,306	€6,435,752
	2013	€994,017	€46,796	€298,205	€1,089,662	€3,396,956	€1,656,206	€1,740,750	€74,504	€5,900,140
Andrew King	2014	€637,322	€39,652	€159,330	€714,430	€1,252,923	€655,389	€597,534	€223,380	€3,027,037
	2013	€587,480	€37,952	€146,870	€515,207	€1,292,174	€630,310	€661,864	€30,577	€2,610,260
Peter Oswald	2014	€895,000	€40,617	€223,750	€983,784	€1,941,722	€1,016,402	€925,320	€53,236	€4,138,109
	2013	€872,000	€36,956	€218,003	€773,290	€1,997,935	€989,190	€1,008,745	€57,371	€3,955,555
Fred Phaswana[2]	2014	€336,658	–	–	–	–	–	–	–	€336,658
	2013	€184,896	–	–	–	–	–	–	–	€184,896
David Williams	2014	€336,658	–	–	–	–	–	–	–	€336,658
	2013	€310,425	–	–	–	–	–	–	–	€310,425
Stephen Harris	2014	€106,399	–	–	–	–	–	–	–	€106,399
	2013	€98,093	–	–	–	–	–	–	–	€98,093
Imogen Mkhize	2014	€100,802	–	–	–	–	–	–	–	€100,802
	2013	€101,375	–	–	–	–	–	–	–	€101,375
John Nicholas	2014	€109,111	–	–	–	–	–	–	–	€109,111
	2013	€100,577	–	–	–	–	–	–	–	€100,577
Anne Quinn	2014	€115,852	–	–	–	–	–	–	–	€115,852
	2013	€106,785	–	–	–	–	–	–	–	€106,785

1 David Hathorn's and Andrew King's salaries are denominated in pounds sterling and their 2014 salaries were £868,000 and £513,000 respectively.

The non-executive directors' fees are also denominated in pounds sterling. Euro amounts are reported based on exchange rates on the dates actual payments were made. Non-executive director fees were increased by 2.6% with effect from 14 May 2014 following the passing of a resolution at the annual general meetings of Mondi Limited and Mondi plc. See the table on page 108 for current fee levels.

2 For 2013, the fee paid to Fred Phaswana covers the period from his appointment on 1 June 2013.

3 For 2014, the three-year performance cycle of the 2012 LTIP award ended on 31 December 2014. The award value shown is based on the average share price over the last three months of the performance cycle. For 2013, the three-year performance cycle of the 2011 LTIP award ended on 31 December 2013. The award value shown in the 2013 remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £10.16 for Mondi plc LTIP awards and ZAR167.85 for Mondi Limited LTIP awards. The actual award price on vesting was £10.84 for Mondi plc LTIP awards and ZAR195.49 for Mondi Limited LTIP awards. The award values for 2013 have been revised on this basis.

4 For 2014, the value is shown of the 2012 LTIP award made at the start of the three-year performance cycle, and for 2013, the value of the 2011 LTIP award made at the start of the three-year performance cycle.

5 For 2014, the enhanced value is shown of the 2012 LTIP based on the share price gain between grant and the average share price over the last three months of the performance cycle. The value of Mondi plc's shares increased from £5.84 to £10.38, and the value of Mondi Limited shares from ZAR69.79 to ZAR183.79 during this time. For 2013, the enhanced value is shown of the 2011 LTIP that vested based on share price appreciation during the holding period. The value of Mondi plc's shares increased from £5.43 to £10.84, and the value of Mondi Limited shares from ZAR62.06 to ZAR195.49.

6 Includes cash amounts of equivalent value to dividends on vested BSP shares during the year and net gain from exercise of options under Mondi Sharesave Option Plan. See table of share awards granted to executive directors on pages 110 and 111 and the Sharesave table on page 112.

Annual report on remuneration continued

Performance measures used for variable pay, and performance against these measures

For the annual bonus in respect of 2014 performance the performance measures and achievement levels were:

	BSP performance measures				
	EBITDA	ROCE	Safety	Personal	Total
Weight	30	30	10	30	100
Outcomes:					
David Hathorn	27.6	30	10	24	91.6
Andrew King	27.6	30	10	26	93.6
Peter Oswald	27.6	30	10	24	91.6

Financial performance for 2014 was strong. Both EBITDA and ROCE were between target and stretch performance and also exceeded prior year performance. For 2014, EBITDA was €1,126 million and ROCE was 17.2%. Safety was measured on total recordable incidents and fatalities. Total recordable incidents targets were achieved and there were no fatalities of employees or contractors. Executives' personal performance was assessed against objectives agreed by the Committee at the start of the year including: development of strategy; operational performance; financial efficiency; stakeholder relationships; credit ratings and financing; streamlining of organisational structures; integration of acquisitions and achievement of synergies.

Detail of annual bonus awarded in the year

Name	Awarded in cash	Awarded in shares	Total
David Hathorn	€739,369	€739,369	€1,478,738
Andrew King	€357,215	€357,215	€714,430
Peter Oswald	€491,892	€491,892	€983,784

Clawback

The Committee considered whether there were any circumstances in the year that would have required clawback and agreed that such circumstances did not exist. Under Mondi's LTIP and BSP rules clawback can be applied to awards made on or after 1 January 2011 if there has been a misstatement of financial results, or performance outcomes that are relevant to the Plans, that had the effect that awards were larger than they would have been had such errors not been made. Clawback may, at the Committee's discretion, take the form of a demand for the participant to repay amounts to Mondi, a reduction of future bonus payments to the participant, and a reduction in the number of conditional share awards held by a participant. Clawback applies to misstatement of results or miscalculation of relevant performance conditions. In the case of employment termination Mondi is able to cancel subsisting but unvested share awards, withhold payments that would otherwise be due to the participant, and, where appropriate, initiate legal proceedings to recover funds to which the Group is legally entitled.

Long-Term Incentive Plan (LTIP)

Vesting of the 2012 award

The LTIP awards that were made in 2012, with a three-year performance period that ended on 31 December 2014, were reviewed by the Committee in February 2015 against the (equally weighted) relative Total Shareholder Return (TSR) and Return on Capital Employed (ROCE) performance conditions. Maximum performance was achieved against the TSR targets and ROCE targets. 100% of the shares under award therefore vested in March 2015.

Awards granted in 2014

The maximum award that can be made to any LTIP participant in any year is equal to two times salary. For 2014, the award made to David Hathorn was 185% of salary and the awards made to Andrew King and Peter Oswald were 130% of salary.

For the LTIP awards made in 2014, the performance conditions are based on two performance measures of equal weight – relative TSR and ROCE, measured over a three-year performance period ending on 31 December 2016. The Committee believes that this combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. For the 2011, 2012, 2013 and 2014 LTIP awards, the following group of companies were selected:

Amcor (2013)[1]	Metsä Board
Bemis (2013)[1]	Norske Skog (2011, 2012)[2]
Billerud	Portucel
DS Smith	Sappi
Domtar	SCA (2011)[3]
Holmen	Smurfit Kappa
International Paper	Stora Enso
Mayr-Melnhof	UPM
MeadWestvaco	

[1] As previously reported, Amcor and Bemis were added to the peer group for 2013 and subsequent awards.

[2] As previously reported, Norske Skog was excluded from the peer group for 2013 and subsequent awards.

[3] SCA was removed from the peer group for 2012 and subsequent awards following the acquisition of SCA Packaging by DS Smith.

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

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 16% (i.e. 50% of the total award).

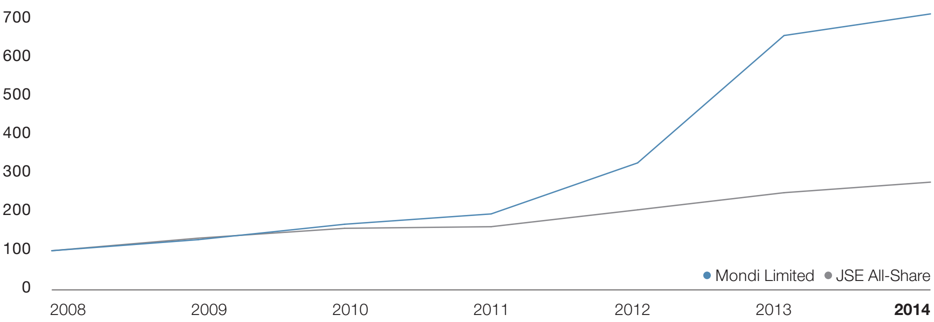
Annual report on remuneration continued

Mondi's TSR performance over the last six years

The following graphs set out the comparative TSR of Mondi Limited relative to the JSE All-Share Index, and Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2008 and 31 December 2014. Those indices were chosen because they are broad equity market indices of which Mondi Limited and Mondi plc, respectively, are members.

JSE All-Share Index

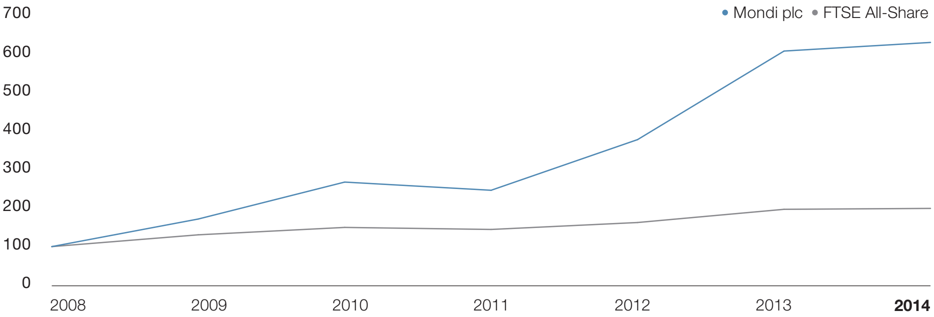
Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value by 31 December 2014 of ZAR100 invested in Mondi Limited on 31 December 2008 compared with the value of ZAR100 invested in the JSE All-Share Index. The other points plotted are the values at intervening financial year ends.

FTSE All-Share Index

Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value by 31 December 2014 of £100 invested in Mondi plc on 31 December 2008 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

CEO remuneration from 2009

Year	Total remuneration	% of maximum bonus earned	% of LTI vested
2014	€6,435,752	91.6	100
2013	€5,900,140[1]	73	100
2012	€6,305,794	80	100
2011	€12,824,112[2]	78	92
2010	€3,160,318	89	33
2009	€2,627,196	83	12

[1] For 2013, the three-year performance cycle of the 2011 LTIP award ended on 31 December 2013. The award value shown in the 2013 Remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £10.16 for Mondi plc LTIP awards and ZAR167.85 for Mondi Limited LTIP awards. The actual award price on vesting for Mondi plc LTIP awards was £10.84 and ZAR195.49 for Mondi Limited LTIP awards. The total remuneration for 2013 has been updated on this basis.

[2] David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile – Mondi was the top-performing company in the comparator group – the Committee approved the maximum vesting in accordance with the Plan rules.

Comparison of 2014 and 2013 remuneration of CEO versus other employees

	Percentage change in remuneration elements from 2013 to 2014		
	Salary	Benefits	Bonus
CEO[1]	2.6%	-0.1%	29%
Mondi Group[2]	2.2%	N/A[3]	20%

[1] CEO remuneration is reported in euros, but denominated in pounds sterling. See the table on page 103. Change percentages shown are for pounds sterling values.

[2] Includes salaries and bonuses for all employees of Mondi Group excluding the CEO with year-on-year movements reported in per capita terms. Based on aggregate values across more than 30 countries. Reported at constant (2014) exchange rates. Percentage movements reported are influenced by changes in the workforce composition over time (such as the acquisition of the bags and kraft paper business of Graphic Packaging International, Inc. in the US during 2014) and different inflation rates across countries.

[3] In most of the Group the majority of benefits are provided through social security. Additional benefits represent only circa 6% of the salary bill. This does therefore not provide an appropriate or stable comparator with the CEO's benefits.

Relative importance of spend on pay

€ million	2014	2013	% change
Dividends	193	138	39.9
Overall remuneration expenditure[1]	946	940	0.6

[1] Remuneration expenditure for all Mondi Group employees.

Annual report on remuneration
continued

Non-executive directors' remuneration

Current fee levels are as follows:

Role	Annual fee[2]
Joint chairman fee[1]	£272,000
Non-executive base fee	£43,500
Additional fees:	
Senior independent director and DLC remuneration committee chairman fee	£16,350
DLC audit committee chairman fee	£10,900
DLC sustainable development committee chairman fee	£8,700
Mondi Limited social and ethics committee chairman fee	£8,700
Attendance fee per meeting (outside country of residence)	£5,450
Attendance fee per day (inside country of residence)	£1,630

[1] No supplement is payable for additional commitments in relation to this role.

[2] Fees are determined in pounds sterling. In the remuneration table on page 103, euro amounts are reported based on exchange rates on the dates actual payments were made.

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

Statement of directors' shareholdings and share interests

The chief executive officer is required to build a shareholding equivalent to at least 150% of base salary, and other executive directors a shareholding equivalent to at least 100% of base salary. As at 31 December 2014, all executive directors had significantly exceeded the shareholding requirements.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2014 or, if later, on appointment, and as at 31 December 2014, or as at their date of resignation if earlier, were as follows:

		Shareholding at 1 Jan 2014	Shareholding at 31 Dec 2014	Total shareholding as multiple of salary(%)	Deferred BSP shares outstanding at 31 Dec 2014[1]	Deferred LTIP shares outstanding at 31 Dec 2014[2]
David Hathorn	Mondi plc	193,922	193,922	240	126,717	404,478
	Mondi Limited	0	0	0	54,605	174,311
Andrew King	Mondi plc	108,330	78,330	227	58,146	162,971
	Mondi Limited	208	208	0.44	25,058	70,232
Peter Oswald	Mondi plc	130,000	100,000	194	126,396	350,970

[1] BSP shares subject to service condition.

[2] LTIP shares subject to service and performance conditions.

Non-executive directors

Mondi Limited

	Shareholding at 1 Jan 2014	Shareholding at 31 Dec 2014
Imogen Mkhize	3,222	3,222

Mondi plc

	Shareholding at 1 Jan 2014	Shareholding at 31 Dec 2014
Fred Phaswana	5,000	5,143
David Williams	5,000	5,000
Stephen Harris	1,000	1,000
Imogen Mkhize	2,000	2,000
John Nicholas	6,000	6,000
Anne Quinn	11,882	11,882

The aggregate number of Mondi Limited shares held by directors (excluding deferred BSP and LTIP shares) at 31 December 2014 was 3,430 and the aggregate number of Mondi plc shares was 403,277.

There has been no change in the interests of the directors and their connected persons between 31 December 2014 and the date of this report.

Remuneration committee governance

The DLC remuneration committee

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

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

The members of the Committee are Anne Quinn (chairman of the Committee), Stephen Harris, Imogen Mkhize and David Williams, all of whom are independent non-executive directors. David Williams is joint chairman of Mondi Limited and Mondi plc and Anne Quinn is senior independent director. Philip Laubscher and Carol Hunt act as secretary to the Committee.

The Group head of reward, Paul Wessels, provides advice on remuneration policies and practices and is usually invited to attend meetings of the Committee, along with David Hathorn, the chief executive officer and Fred Phaswana, joint chairman.

The Committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The Committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms. No director or other attendee takes part in any discussion regarding his or her personal remuneration.

In the year to 31 December 2014, New Bridge Street ('NBS') provided remuneration advice and benchmarking data to the Committee. NBS do not undertake any other work for the Group. Total fees paid to NBS in respect of the year under review were £73,562.

Annual report on remuneration
continued

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 2014.

Share awards granted to executive directors

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

Mondi Limited

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during the year	Shares lapsed	Awards exercised during the year	Award price basis (ZAc)	Date of award	Awards held as at 31 Dec 2014	Release date
David Hathorn	BSP	29,838	–	–	29,838	6206	Mar 11	–	Mar 14
	BSP	24,216	–	–	–	6979	Mar 12	24,216	Mar 15
	BSP	17,506	–	–	–	11464	Mar 13	17,506	Mar 16
	BSP	–	12,883	–	–	19435	Mar 14	12,883	Mar 17
	LTIP	80,749	–	–	80,749	6206	Mar 11	–	Mar 14
	LTIP	74,355	–	–	–	6979	Mar 12	74,355	Mar 15
	LTIP	55,233	–	–	–	11464	Mar 13	55,233	Mar 16
	LTIP	–	44,723	–	–	19435	Mar 14	44,723	Mar 17
Andrew King	BSP	13,096	–	–	13,096	6206	Mar 11	–	Mar 14
	BSP	11,177	–	–	–	6979	Mar 12	11,177	Mar 15
	BSP	7,790	–	–	–	11464	Mar 13	7,790	Mar 16
	BSP	–	6,091	–	–	19435	Mar 14	6,091	Mar 17
	LTIP	29,762	–	–	29,762	6206	Mar 11	–	Mar 14
	LTIP	28,719	–	–	–	6979	Mar 12	28,719	Mar 15
	LTIP	22,939	–	–	–	11464	Mar 13	22,939	Mar 16
	LTIP	–	18,574	–	–	19435	Mar 14	18,574	Mar 17

[1] For note 1 please refer to the table on page 111.

Mondi plc

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during the year	Shares lapsed	Awards exercised during the year	Award price basis (GBp)	Date of award	Awards held as at 31 Dec 2014	Release date
David Hathorn	BSP	66,689	–	–	66,689	543	Mar 11	–	Mar 14
	BSP	56,154	–	–	–	584	Mar 12	56,154	Mar 15
	BSP	40,803	–	–	–	851	Mar 13	40,803	Mar 16
	BSP	–	29,760	–	–	1088	Mar 14	29,760	Mar 17
	LTIP	180,479	–	–	180,479	543	Mar 11	–	Mar 14
	LTIP	172,423	–	–	–	584	Mar 12	172,423	Mar 15
	LTIP	128,740	–	–	–	851	Mar 13	128,740	Mar 16
	LTIP	–	103,315	–	–	1088	Mar 14	103,315	Mar 17
Andrew King	BSP	29,269	–	–	29,269	543	Mar 11	–	Mar 14
	BSP	25,917	–	–	–	584	Mar 12	25,917	Mar 15
	BSP	18,158	–	–	–	851	Mar 13	18,158	Mar 16
	BSP	–	14,071	–	–	1088	Mar 14	14,071	Mar 17
	LTIP	69,614	–	–	69,614	543	Mar 11	–	Mar 14
	LTIP	66,596	–	–	–	584	Mar 12	66,596	Mar 15
	LTIP	53,467	–	–	–	851	Mar 13	53,467	Mar 16
	LTIP	–	42,908	–	–	1088	Mar 14	42,908	Mar 17
Peter Oswald	BSP	66,504	–	–	66,504	543	Mar 11	–	Mar 14
	BSP	56,039	–	–	–	584	Mar 12	56,039	Mar 15
	BSP	41,064	–	–	–	851	Mar 13	41,064	Mar 16
	BSP	–	29,293	–	–	1088	Mar 14	29,293	Mar 17
	LTIP	153,991	–	–	153,991	543	Mar 11	–	Mar 14
	LTIP	147,547	–	–	–	584	Mar 12	147,547	Mar 15
	LTIP	115,276	–	–	–	851	Mar 13	115,276	Mar 16
	LTIP	–	88,147	–	–	1088	Mar 14	88,147	Mar 17

[1] The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 103.

[2] In addition to the number of shares that vested as shown in the table above in respect of the BSP, the executive directors also received the following cash amounts of equivalent value to dividends on vested shares over the vesting period, in accordance with the plan rules:

Name	Amount
David Hathorn	€71,157 (£59,664)
Andrew King	€31,230 (£26,186)
Peter Oswald	€53,236

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 £150 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.

Annual report on remuneration
continued

Sharesave

Employees resident in the UK are also eligible to participate in a Sharesave scheme when offered. Participants enter into a savings contract under which they choose to save a fixed amount of between £5 and £500 per month by deduction from their salary. They are granted an option to acquire Mondi plc shares to the value of their savings at a specified price. In normal circumstances the option can only be exercised during the six months following the end of the savings contract. The last Sharesave invitation was made in 2009.

SIP

Details of shares purchased and awarded to executive directors in accordance with the terms of the SIP:

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during the year	Total shares held as at 31 Dec 2014
David Hathorn	4,102	160	160	–	4,422
Andrew King	4,546	160	160	–	4,866

Since 1 January 2015 up to the date of this report, David Hathorn has acquired 27 partnership shares and was awarded 27 matching shares. Andrew King acquired 27 partnership shares and was awarded 27 matching shares.

Sharesave

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

	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards lapsed during year	Awards exercised during year	Exercise price per share (GBp)	Date of award	Awards held as at 31 Dec 2014	Exercise period
David Hathorn	15,808	–	–	15,808	99	Mar 09	–	1 May 14 - 31 Oct 14
Andrew King	15,808	–	–	15,808	99	Mar 09	–	1 May 14 - 31 Oct 14

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2014 was ZAR188.74 and the range during the period between 1 January 2014 and 31 December 2014 was ZAR166.08 (low) and ZAR200.97 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2014 was £10.50 and the range during the period between 1 January 2014 and 31 December 2014 was £9.13 (low) to £11.23 (high).

Statement of voting at annual general meetings

The annual general meetings of Mondi Limited and Mondi plc were both held on 14 May 2014. As required by the dual listed company structure, all resolutions were treated as joint electorate actions and were decided on a poll. All resolutions at both meetings were passed. The voting results of the joint electorate actions are identical and are given below. Overall, in excess of 74% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	Votes withheld
Mondi Limited business						
14. To endorse the remuneration policy	352,496,750	98.23	6,360,763	1.77	358,857,513	1,675,904
15. To authorise a 2.6% increase in non-executive director fees*	359,812,868	99.99	37,287	0.01	359,850,155	803,262
Mondi plc business						
25. To approve the remuneration policy	352,090,246	98.12	6,743,571	1.88	358,833,817	1,699,600
26. To approve the remuneration report, other than the policy	355,192,251	98.95	3,760,684	1.05	358,952,935	1,700,482

*Special resolution.

Statement of implementation of directors' remuneration policy in 2015

Current salary levels, and increases awarded in January 2015, are as follows:

Name	Base salary effective 1 Jan 2015	Previous base salary	% change
David Hathorn	£893,000	£868,000	2.9
Andrew King	£528,000	£513,000	2.9
Peter Oswald	€921,000	€895,000	2.9

David Hathorn remains eligible for a bonus of up to 150% of salary in respect of 2015 and the other executive directors for a bonus of up to 120% of salary. Half of any bonus earned will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares. The bonus structure for 2015 will remain as it was for 2014, i.e. a maximum of 60 points on financial objectives (30 on EBITDA and 30 on ROCE), 10 points on safety and 30 points on personal objectives.

For 2015, the Committee intends to make an LTIP award of 185% of salary to David Hathorn and of 150% of salary to Andrew King and Peter Oswald. There will continue to be two performance conditions of equal weight - TSR and ROCE, measured over a three-year performance period commencing on 1 January 2015.

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group on page 105, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 16% (i.e. 50% of the total award).

The Group will continue to operate pensions and benefits in accordance with its approved policy in 2015.

Current non-executive directors' fees, and increases proposed for implementation with effect from the date of the annual general meetings of Mondi Limited and Mondi plc to be held on 13 May 2015, are:

Role	Annual fee	Proposed with effect from 13 May 2015	Percentage increase proposed
Joint chairman fee[1]	£272,000	£278,000	2.2
Non-executive base fee	£43,500	£44,400	2.1
Additional fees:			
Senior independent director and DLC remuneration committee chairman fee	£16,350	£16,680	2.0
DLC audit committee chairman fee	£10,900	£11,100	1.8
DLC sustainable development committee chairman fee	£8,700	£8,870	2.0
Mondi Limited social and ethics committee chairman fee	£8,700	£8,870	2.0
Attendance fee per meeting (outside country of residence)	£5,450	£5,560	2.0
Attendance fee per day (inside country of residence)	£1,630	£1,660	1.8

[1] No supplement is payable for additional commitments in relation to this role.

This report was approved by the Boards on 23 February 2015 and is signed on their behalf.

Anne C Quinn
Senior independent director and chairman of the DLC remuneration committee

Other statutory information

For the purposes of the UK Companies Act, the disclosures below, including those incorporated by reference, together with the biographies on pages 60 to 63 and the Corporate governance report set out on pages 64 to 93, form the Directors' report.

In addition, disclosures relating to the following items, which also form part of the Directors' report, have been included in the Strategic report which can be found on pages 14 to 57:

- dividends;
- financial risk management objectives and policies;
- principal risks;
- likely future developments in the business;
- research and development activities;
- greenhouse gas emissions; and
- employees.

Information required to be disclosed under UK Listing Rule 9.8.4 R

The UK Listing Authority listing rules require the disclosure of certain specified information in the annual financial report of Mondi plc.

The information required under rule 9.8.4 (1) in relation to interest capitalised and related tax relief can be found on page 144. The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 156. This information is incorporated by reference into this Directors' report.

Besides the above, the information required to be disclosed under rule 9.8.4 R is not applicable to Mondi plc and therefore no disclosures have been made in this regard.

Share capital

Full details of the Group's share capital can be found in note 21 to the financial statements.

Substantial interests

Mondi Limited

Based on the Mondi Limited share register as at 31 December 2014, the directors are aware of the following shareholders holding directly 5% or more of the issued share capital of Mondi Limited:

Shareholder	Shares	%
GEPF Equity	24,279,387	20.52
Coronation Fund Managers	17,866,587	15.10
State Street Bank and Trust	5,831,390	4.93

Save as indicated above, the directors have not been advised of and have no certainty whether any of the shareholders could be beneficially interested in 5% or more of the issued share capital of Mondi Limited.

Mondi plc

As at 31 December 2014, the Group had received notifications from the following parties in the voting rights of Mondi plc. The number of shares and percentage interests shown are as disclosed at the date on which the holding was notified.

Shareholder	Shares	%
Coronation Asset Management Proprietary Limited	36,480,248	9.99
Public Investment Corporation Limited	28,983,935	7.89
Investec Asset Management Limited	18,770,328	5.11
AXA S.A.	17,210,471	4.69
Standard Life Investments Limited	16,476,021	4.49
Old Mutual Plc	11,978,984	3.26
Norges Bank	11,025,198	3.00
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

The following changes in interests have been notified between 1 January 2015 and the date of this report:

Date	Shareholder	Shares	%
23 January 2015	Public Investment Corporation Limited	29,529,597	8.04

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act can be found on pages 189 to 191 of this report.

Political donations

No political donations were made during 2014 and it is Mondi's policy not to make such donations.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The most significant risks and the Group's related management and mitigating actions are set out on pages 30 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

Mondi's geographical spread, product diversity and large customer base mitigate potential risks of customer or supplier liquidity issues. Ongoing initiatives by management in implementing profit improvement initiatives which include ongoing investment in its operations, plant optimisation, cost-cutting, and restructuring and rationalisation activities have consolidated the Group's leading cost position in its chosen markets. Working capital levels and capital expenditure programmes are strictly monitored and controlled.

The Group meets its funding requirements from a variety of sources as more fully described in notes 18 and 29 of the financial statements. The availability of some of these facilities is dependent on the Group meeting certain financial covenants all of which have been complied with. Mondi had €456 million of undrawn committed debt facilities as at 31 December 2014 which should provide sufficient liquidity in the medium term. The Group's debt facilities have maturity dates of between 1 and 11 years, with a weighted average maturity of four years.

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

Other statutory information continued

Going concern continued

The directors have reviewed the overall Group strategy, the budget for 2015 and subsequent years, considered the assumptions contained in the budget and reviewed the critical risks which may impact the Group's performance. After making such enquiries, the directors are satisfied that the Group remains solvent and has adequate liquidity in order to meet its obligations and continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the integrated report and financial statements.

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 13 May 2015.

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

Events occurring after 31 December 2014

With the exception of the proposed final dividend for 2014, included in note 10 to the financial statements, there have been no material reportable events since 31 December 2014.

Annual general meetings

The annual general meeting of Mondi Limited will be held at 11:30 (SA time) on Wednesday 13 May 2015 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 10:30 (UK time) on Wednesday 13 May 2015 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 Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Boards on 23 February 2015 and is signed on their behalf.

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

Registration No. 1967/013038/06

23 February 2015

Carol Hunt
Company secretary

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

Registered No. 6209386

23 February 2015

Financial statements

Directors' responsibility statement

The directors are responsible for preparing the Integrated report, Remuneration report and the financial statements in accordance with applicable laws and regulations.

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

- Under the Companies Act of South Africa 2008, the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for each financial year giving a true and fair view of the Mondi Limited parent company's and the Group's state of affairs at the end of the year and profit or loss for the year.
- Under the UK Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Mondi plc parent company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Furthermore, under UK company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent companies' transactions; disclose with reasonable accuracy at any time the financial position of the Group and parent companies; and enable them to ensure that the financial statements comply with the Companies Act of South Africa 2008 and the UK Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent companies and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the financial statements

These financial statements have been prepared under the supervision of the Group chief financial officer, Andrew King CA (SA), and have been audited in compliance with the applicable requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006.

The Boards confirm that to the best of their knowledge:

- the financial statements of the Group and Mondi Limited, prepared in accordance with IFRS, and Mondi plc, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Integrated report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Group's combined and consolidated financial statements, and related notes 1 to 34, were approved by the Boards and authorised for issue on 23 February 2015 and were signed on their behalf by:

David Hathorn
Director

Andrew King
Director

Independent auditors' report to the shareholders of Mondi Limited

Report on the financial statements

We have audited the combined and consolidated financial statements of Mondi Limited set out on pages 126 to 179, which comprise the combined and consolidated statement of financial position as at 31 December 2014, the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated statement of cash flows and the combined and consolidated statement of changes in equity for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the 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 about 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 combined and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and 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 Group'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 combined and consolidated financial statements present fairly, in all material respects, the combined and consolidated financial position of Mondi Limited as at 31 December 2014, and of its combined and consolidated financial performance and its combined and consolidated cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa 2008.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the Directors' report included in the Governance section of the Integrated report and the DLC audit committee's report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Registered Auditors
Per: Bronwyn Kilpatrick
Partner
Sandton

23 February 2015

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

Independent auditors' report to the members of Mondi plc

Opinion on financial statements of Mondi plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Mondi plc parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Mondi plc parent company financial statements have been properly prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the UK Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated and Mondi plc parent company statements of financial position, the combined and consolidated statement of cash flows, the combined and consolidated and Mondi plc parent company statements of changes in equity and the related notes 1 to 34 of the combined and consolidated financial statements and notes 1 to 8 of the Mondi plc parent company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Mondi plc parent company financial statements is applicable law and Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

Separate opinion in relation to IFRSs as issued by the IASB

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

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

Going concern

As required by the Listing Rules of the London Stock Exchange we have reviewed the directors' statement on pages 115 to 116 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent auditors' report to the members of Mondi plc continued

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of goodwill and property, plant and equipment	
Goodwill of €545 million (2013: €550 million) is reviewed annually for impairment using a value-in-use basis, while property, plant and equipment of €3,432 million (2013: €3,428 million) are assessed for impairment where possible impairment indicators are identified. The Group's assessment of the carrying value of goodwill and property, plant and equipment requires significant management judgement, as described in note 1 to the Group financial statements, in particular in relation to the forecast future cash flows, future growth rates and the discount rates applied.	Our audit procedures included testing the design and implementation of key controls around the impairment review process, and challenging management's key assumptions used in the cash flow forecasts included within the impairment models for goodwill and property, plant and equipment with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets by the Group. Particular focus was given to the incorporation of country risk within the Group's forecasts. In performing our audit procedures, we used internal valuation specialists to assess the discount rate applied by benchmarking against independent data. Key assumptions challenged include those related to the level at which impairment is assessed, being for property, plant and equipment the lowest level at which largely independent cash inflows can be identified and for goodwill the businesses that are expected to benefit from the acquisition, forecast future cash flows, future growth rates and the discount rates applied. We also evaluated management's assessment of the sensitivity of the Group's impairment models to reasonably possible charges and considered the disclosures provided by the Group in relation to its impairment review.
Business combinations	
During the year, the Group made a number of acquisitions as detailed in note 23, most notably the acquisition of the bags and kraft paper business of Graphic Packaging for €74 million. On acquisition, the Group was required to determine the fair value of identifiable assets acquired and liabilities assumed in the acquiree. The determination of the fair value of these assets and liabilities requires the exercise of significant management judgement, in particular, where their values differ significantly from prior book value, to ensure the completeness of assets and liabilities identified and in relation to the fair value adjustments applied to the book values of other assets acquired. Management engaged external valuation specialists to assist in relation to the acquisition accounting process, focusing specifically on the adjustments arising from property, plant and equipment.	We tested the design and implementation of controls around management's process for the determination of fair value adjustments. Furthermore, our audit work, which involved internal valuation specialists to assess whether the methodology utilised by management in determining the fair valuation of assets and liabilities acquired was appropriate, included assessing the completeness of fair value adjustments recognised and the appropriateness of valuation methodologies applied in order to determine the fair value of assets and liabilities. We further assessed the completeness and appropriateness of the accounting by reading the key documents associated with the acquisition, including the sale and purchase agreement, board papers and due diligence reports. We challenged key assumptions utilised by reference to historical and forecast cash flows, third party evidence such as local market data relating to property and discount rates applied. We also visited the kraft paper mill and bags plant in Pine Bluff to understand the nature of the acquired operations and assess the condition of the assets.

Capitalisation of property, plant and equipment

The Group continues to invest in significant capital projects with capital expenditure of €590 million during the year ended 31 December 2014, as detailed in note 12, of which €303 million relating to the Group's major capital projects, including those in Świecie, Štětí, Syktyvkar and Ružomberok.

The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment', specifically in relation to assets constructed by the Group, and the application of management judgement in assigning appropriate useful economic lives.

Our audit work included testing the design and implementation of key controls around the capitalisation process, assessing the nature of property, plant and equipment capitalised by the Group to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16. Our work considered whether capitalisation of assets ceased when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all operations.

Furthermore, we challenged the useful economic lives assigned with reference to the Group's historical experience, our understanding of the future utilisation of assets by the Group and by reference to the depreciation policies applied by third parties operating similar assets.

Taxation

The Group operates across a number of tax jurisdictions giving rise to a high level of cross border transactions and complex taxation arrangements.

Furthermore, as detailed in note 8, the existence of tax incentives available to the Group and significant tax losses give rise to additional judgement in determining the appropriate tax charge for the Group.

Our audit work, which involved taxation audit specialists within specific locations where local tax knowledge was required, included the assessment of taxation assets and liabilities, with particular consideration and challenge given to the judgements taken in relation to corporate tax provisions and the recognition of deferred tax assets and liabilities.

Our assessment included the review of applicable third party evidence and correspondence with tax authorities.

In relation to deferred tax assets, we considered the appropriateness of management's judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets.

The description of risks above should be read in conjunction with the significant issues considered by the DLC audit committee as discussed on pages 77 and 78.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €30 million (2013: €28 million), which is below 5% (2013: 5%) of profit before tax and special items, and below 2% (2013: 2%) of equity. Special items are defined by the Group as those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance by the Group with further details provided in note 3 to the financial statements. Since these items are non-recurring in nature, we have concluded that it is appropriate to exclude these items in determining materiality.

We agreed with the DLC audit committee that we would report to the committee all audit differences identified in excess of €600,000 (2013: €560,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the DLC audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditors' report to the members of Mondi plc continued

An overview of the scope of our audit

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

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused primarily on the audit work at 16 locations (2013: 15 locations) from across Mondi Group, which were subject to a full audit completed using materiality which was set at a level lower than Group materiality. These 16 locations (2013: 15 locations) represent the principal business units and account for 63% (2013: 63%) of the Group's revenue. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

A further 27 locations (2013: 30 locations) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These 27 locations (2013: 30 locations) represent a further 20% (2013: 21%) of the Group's revenue.

From the above audit scope, in aggregate the locations subject to audit procedures represents 83% (2013: 84%) of the Group's revenue.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits the 10 operating locations (2013: eight operating locations) that have been assessed as the most financially significant to the Group at least once every three years, or more frequently where other indicators are identified. In the current year, a senior member of the Group audit team therefore visited certain of the Group's operations in the Czech Republic, Poland, Russia, South Africa, Turkey and the United States.

For all full scope locations, we discussed risk assessment and audit planning with the component team before the commencement of our work. Furthermore, for each of the businesses included within the programme of planned visits, the Group audit team also discussed audit findings with the relevant component audit team throughout the audit engagement and reviewed relevant audit working papers.

For the remaining six locations (2013: seven locations) where full audits were completed, we discussed audit findings with the relevant component audit team, reviewed audit working papers in relation to key issues and discussed key matters with divisional management where considered necessary in forming our Group audit opinion.

In relation to the 27 locations (2013: 30 locations) which were subject to an audit of specified account balances, we discussed the results of these businesses and accounting matters arising through our involvement in divisional meetings with management.

Opinion on other matters prescribed by the UK Companies Act 2006

In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006; and
- the information given in the Strategic report and the Governance section of the Integrated report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the UK Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the UK Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Remuneration report to be audited is not in agreement with the accounting records and returns.
We have nothing to report arising from these matters or our review.

Corporate governance section	Under the Listing Rules we are also required to review the part of the Corporate governance section relating to the company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Integrated report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Integrated report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Integrated report is fair, balanced and understandable and whether the Integrated report appropriately discloses those matters that we communicated to the DLC audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibility statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Integrated report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Mitchell (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

23 February 2015

Combined and consolidated income statement
for the year ended 31 December 2014

€ million		Notes	2014 Before special items	2014 Special items (note 3)	2014 After special items	2013 Before special items	2013 Special items (note 3)	2013 After special items
Group revenue		2	**6,402**	**–**	**6,402**	6,476	–	6,476
Materials, energy and consumables used			(3,314)	–	(3,314)	(3,391)	–	(3,391)
Variable selling expenses			(499)	–	(499)	(523)	–	(523)
Gross margin			**2,589**	**–**	**2,589**	2,562	–	2,562
Maintenance and other indirect expenses			(283)	–	(283)	(278)	–	(278)
Personnel costs		6	(946)	(29)	(975)	(940)	(17)	(957)
Other net operating expenses			(234)	(4)	(238)	(276)	(10)	(286)
Depreciation, amortisation and impairments			(359)	(6)	(365)	(369)	(67)	(436)
Operating profit		2;4	**767**	**(39)**	**728**	699	(94)	605
Non-operating special items		3	–	–	–	–	7	7
Net profit from associates		14	1	–	1	2	–	2
Total profit from operations and associates			**768**	**(39)**	**729**	701	(87)	614
Net finance costs		7	**(97)**	**(13)**	**(110)**	(115)	–	(115)
Investment income			3	–	3	3	–	3
Foreign currency losses			–	–	–	(1)	–	(1)
Finance costs			(100)	(13)	(113)	(117)	–	(117)
Profit before tax			**671**	**(52)**	**619**	586	(87)	499
Tax charge		8a	(126)	4	(122)	(98)	13	(85)
Profit for the year			**545**	**(48)**	**497**	488	(74)	414
Attributable to:								
Non-controlling interests			26		**26**	28		28
Shareholders			519		**471**	460		386
Earnings per share (EPS) for profit attributable to shareholders								
Basic EPS	(€ cents)	9			**97.4**			79.8
Diluted EPS	(€ cents)	9			**97.1**			79.6
Basic underlying EPS	(€ cents)	9			**107.3**			95.0
Diluted underlying EPS	(€ cents)	9			**107.0**			94.8
Basic headline EPS	(€ cents)	9			**99.5**			91.3
Diluted headline EPS	(€ cents)	9			**99.2**			91.1

Combined and consolidated statement of comprehensive income
for the year ended 31 December 2014

€ million	2014 Before tax amount	2014 Tax (expense)/ benefit	2014 Net of tax amount	2013 Before tax amount	2013 Tax expense	2013 Net of tax amount
Profit for the year			**497**			414
Other comprehensive (expense)/income						
Items that may subsequently be reclassified to the combined and consolidated income statement:						
Fair value gains/(losses) on cash flow hedges	2	(1)	1	(2)	–	(2)
Gains on available-for-sale investments	1	–	1	2	–	2
Exchange differences on translation of foreign operations	(193)	–	(193)	(233)	–	(233)
Share of other comprehensive expense of associates	–	–	–	(1)	–	(1)
Items that will not subsequently be reclassified to the combined and consolidated income statement:						
Remeasurements on retirement benefits plans:	(44)	9	(35)	19	(6)	13
Return on plan assets	11			4		
Actuarial gains/(losses) arising from changes in demographic assumptions	2			(4)		
Actuarial (losses)/gains arising from changes in financial assumptions	(62)			17		
Actuarial gains arising from experience adjustments	3			4		
Asset ceiling movement	2			(2)		
Other comprehensive (expense)/income for the year	**(234)**	**8**	**(226)**	(215)	(6)	(221)
Other comprehensive (expense)/income attributable to:						
Non-controlling interests	2	–	**2**	(11)	–	(11)
Shareholders	(236)	8	**(228)**	(204)	(6)	(210)
Total comprehensive income for the year			**271**			193
Total comprehensive income attributable to:						
Non-controlling interests			**28**			17
Shareholders			**243**			176

Combined and consolidated statement of financial position as at 31 December 2014

€ million	Notes	2014	2013
Intangible assets	11	658	675
Property, plant and equipment	12	3,432	3,428
Forestry assets	13	235	233
Investments in associates	14	5	6
Financial instruments	30	26	28
Deferred tax assets	8b	10	4
Net retirement benefits asset	20	1	–
Total non-current assets		**4,367**	4,374
Inventories	15	843	746
Trade and other receivables	16	966	954
Current tax assets		23	26
Financial instruments	30	76	6
Cash and cash equivalents	25b	56	130
Assets held for sale	24	17	4
Total current assets		**1,981**	1,866
Total assets		**6,348**	6,240
Short-term borrowings	18	(176)	(181)
Trade and other payables	17	(998)	(989)
Current tax liabilities		(85)	(76)
Provisions	19	(58)	(46)
Derivative financial instruments	30	(6)	(4)
Total current liabilities		**(1,323)**	(1,296)
Medium and long-term borrowings	18	(1,565)	(1,571)
Net retirement benefits liability	20	(250)	(211)
Deferred tax liabilities	8b	(259)	(264)
Provisions	19	(36)	(32)
Derivative financial instruments	30	–	(1)
Other non-current liabilities		(21)	(19)
Total non-current liabilities		**(2,131)**	(2,098)
Total liabilities		**(3,454)**	(3,394)
Net assets		**2,894**	2,846
Equity			
Share capital and stated capital	21	542	542
Retained earnings and other reserves		2,086	2,049
Total attributable to shareholders		**2,628**	2,591
Non-controlling interests in equity		266	255
Total equity		**2,894**	2,846

The Group's combined and consolidated financial statements, and related notes 1 to 34, were approved by the Boards and authorised for issue on 23 February 2015 and were signed on their behalf by:

David Hathorn
Director

Andrew King
Director

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

Combined and consolidated statement of changes in equity for the year ended 31 December 2014

€ million	Combined share capital and stated capital	Treasury shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2013	542	(15)	1,994	51	2,572	301	2,873
Total comprehensive income/(expense) for the year	–	–	386	(210)	176	17	193
Dividends paid	–	–	(138)	–	(138)	(60)	(198)
Issue of shares under employee share schemes	–	–	12	(11)	1	–	1
Purchases of treasury shares	–	(30)	–	–	(30)	–	(30)
Distribution of treasury shares	–	21	(21)	–	–	–	–
Non-controlling interests bought out	–	–	(1)	–	(1)	(3)	(4)
Reclassification	–	–	1	(1)	–	–	–
Mondi share schemes' charge	–	–	–	11	11	–	11
At 31 December 2013	542	(24)	2,233	(160)	2,591	255	2,846
Total comprehensive income/(expense) for the year	–	–	471	(228)	**243**	28	**271**
Dividends paid	–	–	(193)	–	**(193)**	(16)	**(209)**
Issue of shares under employee share schemes	–	–	8	(9)	**(1)**	–	**(1)**
Purchases of treasury shares	–	(22)	–	–	**(22)**	–	**(22)**
Distribution of treasury shares	–	22	(22)	–	**–**	–	**–**
Non-controlling interests bought out	–	–	–	–	**–**	(1)	**(1)**
Mondi share schemes' charge	–	–	–	10	**10**	–	**10**
At 31 December 2014	**542**	**(24)**	**2,497**	**(387)**	**2,628**	**266**	**2,894**

Other reserves[1]

€ million	Cumulative translation adjustment reserve	Post-retirement benefits reserve	Share-based payment reserve	Cash flow hedge reserve	Statutory reserves[2]	Total
At 1 January 2013	(151)	(69)	18	–	253	51
Total comprehensive (expense)/income for the year	(223)	13	–	(2)	2	(210)
Mondi share schemes' charge	–	–	11	–	–	11
Issue of shares under employee share schemes	–	–	(11)	–	–	(11)
Reclassification	–	(1)	–	–	–	(1)
At 31 December 2013	(374)	(57)	18	(2)	255	(160)
Total comprehensive (expense)/income for the year	(195)	(35)	–	1	1	**(228)**
Mondi share schemes' charge	–	–	10	–	–	**10**
Issue of shares under employee share schemes	–	–	(9)	–	–	**(9)**
At 31 December 2014	**(569)**	**(92)**	**19**	**(1)**	**256**	**(387)**

Notes:

[1] All movements in other reserves are disclosed net of non-controlling interests.

[2] Statutory reserves consist of the merger reserve of €259 million (2013: €259 million) and other sundry reserves in deficit of €3 million (2013: deficit of €4 million).

Combined and consolidated statement of cash flows
for the year ended 31 December 2014

€ million	Notes	2014	2013
Cash flows from operating activities			
Cash generated from operations	25a	1,033	1,036
Dividends from associates	14	2	1
Income tax paid		(106)	(126)
Net cash generated from operating activities		**929**	911
Cash flows from investing activities			
Investment in property, plant and equipment		(562)	(405)
Investment in intangible assets	11	(8)	(12)
Investment in forestry assets	13	(37)	(41)
Proceeds from the disposal of property, plant and equipment and intangible assets		33	36
Investment in financial asset investments		–	(4)
Proceeds from the disposal of financial asset investments		–	1
Acquisition of subsidiaries, net of cash and cash equivalents	23	(72)	–
Proceeds from the disposal of businesses, net of cash and cash equivalents		(1)	2
Proceeds from disposal of associates		–	4
Loan repayments from related parties		–	1
Loan repayments from external parties		1	2
Interest received		3	3
Net cash used in investing activities		**(643)**	(413)
Cash flows from financing activities			
Proceeds from medium and long-term borrowings	25c	354	107
Repayment of medium and long-term borrowings	25c	–	(117)
Repayment of short-term borrowings	25c	(375)	(77)
Interest paid		(125)	(124)
Dividends paid to shareholders	10	(193)	(138)
Dividends paid to non-controlling interests		(13)	(60)
Purchases of treasury shares		(22)	(30)
Non-controlling interests bought out		(1)	(4)
Net realised gain on held-for-trading derivatives		27	30
Government grants received		7	2
Other financing activities		1	–
Net cash used in financing activities		**(340)**	(411)
Net (decrease)/increase in cash and cash equivalents		**(54)**	87
Cash and cash equivalents at beginning of year		64	(37)
Cash movement in the year	25c	(54)	87
Effects of changes in foreign exchange rates	25c	(1)	14
Cash and cash equivalents at end of year	25b	**9**	64

Notes to the combined and consolidated financial statements
for the year ended 31 December 2014

1 Basis of preparation

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.

The Group's combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The principal accounting policies adopted are set out in note 34.

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and therefore the Group also complies with Article 4 of the EU IAS Regulation.

The combined and consolidated financial statements have been prepared on a going concern basis as discussed in the Governance section under other statutory information under the heading 'Going concern.'

Critical accounting judgements and key estimates

The preparation of the Group's combined and consolidated financial statements includes the use of estimates and assumptions which affect certain items reported in the combined and consolidated statement of financial position and the combined and consolidated income statement. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. Such estimates relate to management's assumptions about expected future cash flows, market exposures, useful lives and discount rates, amongst others.

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:

Critical accounting judgements
- Estimated impairment of goodwill, property, plant and equipment and intangible assets – refer to notes 11 and 12.

Key estimates
- Capitalisation of property, plant and equipment – estimated residual values and useful economic lives – refer to notes 12 and 34.
- Fair value of forestry assets – refer to note 13.
- Retirement benefits – refer to note 20.
- Business combinations – refer to notes 23 and 34.

Special items

Special items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items must exceed €5 million or are material in nature in relation to the financial year's results.

Subsequent adjustments to amounts previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed €5 million.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

2 Operating segments

Identification of the Group's externally reportable operating segments

The Group's externally reportable segments reflect the internal reporting structure of the Group. The Group operates under two primary geographic regions reflecting its South African activities and assets, and its international, principally European, activities and assets. The broad Europe & International Division is further split by product segments.

Reorganisation of business segments

During the year, the Group refined its organisational structure, resulting in several changes to segmental reporting. The most significant of these changes were the:

- transfer of the release liner business from Fibre Packaging to Consumer Packaging to take advantage of identified synergies in customer relations, innovation and the global footprint of these businesses; and
- transfer of the 66,000 tonne per annum kraft paper machine at the Ružomberok mill from Uncoated Fine Paper to Packaging Paper.

All comparative segmental information has been restated. The reorganisation had no impact on the overall Group result.

Year ended 31 December 2014

	Europe & International							
€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa Division	Corporate & other	Intersegment elimination	**Segments total**
Segment revenue	2,043	1,852	1,379	1,240	596	–	(708)	**6,402**
Internal revenue	(559)	(41)	(5)	(6)	(97)	–	708	**–**
External revenue	1,484	1,811	1,374	1,234	499	–	–	**6,402**
EBITDA	443	166	158	238	153	(32)	–	**1,126**
Depreciation, amortisation and impairments	(101)	(64)	(62)	(90)	(41)	(1)	–	**(359)**
Operating profit/(loss) from operations before special items	342	102	96	148	112	(33)	–	**767**
Special items	(6)	(16)	(17)	–	–	(13)	–	**(52)**
Operating segment assets	1,961	1,165	1,185	1,089	743	4	(166)	**5,981**
Operating net segment assets	1,588	875	1,021	922	626	2	–	**5,034**
Additions to non-current non-financial assets	279	104	109	125	68	–	–	**685**
Capital expenditure cash payments	259	77	80	117	29	–	–	**562**
Operating margin (%)	*16.7*	*5.5*	*7.0*	*11.9*	*18.8*	–	–	***12.0***
Return on capital employed (%)	*23.7*	*13.4*	*10.4*	*16.1*	*21.9*	–	–	***17.2***
Average number of employees (thousands)	5.0	7.3	4.6	6.5	1.6	0.1	–	**25.1**

Year ended 31 December 2013 (restated)

	Europe & International							
€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa Division	Corporate & other	Intersegment elimination	**Segments total**
Segment revenue	2,073	1,690	1,414	1,335	624	–	(660)	6,476
Internal revenue	(506)	(43)	(4)	(6)	(101)	–	660	–
External revenue	1,567	1,647	1,410	1,329	523	–	–	6,476
EBITDA	408	146	143	266	135	(30)	–	1,068
Depreciation, amortisation and impairments	(100)	(60)	(64)	(102)	(42)	(1)	–	(369)
Operating profit/(loss) from operations before special items	308	86	79	164	93	(31)	–	699
Special items	–	(3)	(13)	(60)	(11)	–	–	(87)
Operating segment assets	1,905	1,001	1,121	1,270	731	2	(140)	5,890
Operating net segment assets	1,543	771	964	1,099	622	1	–	5,000
Additions to non-current non-financial assets	165	66	65	85	93	–	–	474
Capital expenditure cash payments	141	71	61	80	52	–	–	405
Operating margin (%)	*14.9*	*5.1*	*5.6*	*12.3*	*14.9*	–	–	*10.8*
Return on capital employed (%)	*21.7*	*11.8*	*8.7*	*16.0*	*16.0*	–	–	*15.3*
Average number of employees (thousands)	5.0	6.7	4.6	7.1	1.8	–	–	25.2

Reconciliation of operating profit before special items

€ million	**2014**	2013
Operating profit before special items	**767**	699
Special items (see note 3)	(52)	(87)
Net profit from associates	1	2
Net finance costs (excluding financing special item)	(97)	(115)
Group profit before tax	**619**	499

Reconciliation of total profit from operations and associates to EBITDA

€ million	**2014**	2013
Total profit from operations and associates	**729**	614
Special items (see note 3) (excluding financing special item)	39	87
Depreciation, amortisation and impairments	359	369
Net profit from associates	(1)	(2)
EBITDA	**1,126**	1,068

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

2 Operating segments (continued)

Reconciliation of operating segment assets

€ million	2014 Segment assets	2014 Net segment assets	(Restated) 2013 Segment assets	(Restated) 2013 Net segment assets
Segments total	**5,981**	**5,034**	5,890	5,000
Unallocated				
Investments in associates	5	5	6	6
Deferred tax assets/(liabilities)	10	(249)	4	(260)
Other non-operating assets/(liabilities)	224	(283)	207	(281)
Group capital employed	**6,220**	**4,507**	6,107	4,465
Financial instruments/(net debt)	128	(1,613)	133	(1,619)
Total assets/equity	**6,348**	**2,894**	6,240	2,846

Product revenues

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

Operating segments	Revenues
Europe & International	
Packaging Paper	– Packaging paper
	– Pulp
Fibre Packaging	– Fibre packaging
Consumer Packaging	– Consumer packaging
Uncoated Fine Paper	– Uncoated fine paper
	– Pulp
	– Newsprint
South Africa Division	– Packaging paper
	– Uncoated fine paper
	– Pulp
	– Newsprint

External revenue by product type

€ million	2014	(Restated) 2013
Products		
Fibre packaging products	1,776	1,617
Packaging paper products	1,435	1,482
Consumer packaging products	1,385	1,422
Uncoated fine paper	1,185	1,284
Pulp	240	269
Newsprint	146	177
Other	235	225
Group total	**6,402**	6,476

€ million	External revenue by location of production 2014	External revenue by location of production 2013	External revenue by location of customer 2014	External revenue by location of customer 2013
Revenue				
Africa				
South Africa	596	623	419	432
Rest of Africa	10	11	216	231
Africa total	606	634	635	663
Western Europe				
Austria	960	958	153	161
Germany	931	993	966	1,003
United Kingdom	34	48	236	262
Rest of western Europe	664	720	1,331	1,390
Western Europe total	2,589	2,719	2,686	2,816
Emerging Europe				
Poland	873	877	484	450
Rest of emerging Europe	1,144	1,168	857	893
Emerging Europe total	2,017	2,045	1,341	1,343
Russia	685	741	559	608
North America	437	274	515	349
South America	–	–	61	57
Asia and Australia	68	63	605	640
Group total	**6,402**	6,476	**6,402**	6,476

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

€ million	2014 Non-current non-financial assets	2014 Segment assets	2014 Net segment assets	2013 Non-current non-financial assets	2013 Segment assets	2013 Net segment assets
Africa						
South Africa	598	717	600	600	710	601
Rest of Africa	7	22	20	6	20	19
Africa total	605	739	620	606	730	620
Western Europe						
Austria	440	780	570	442	809	606
United Kingdom	37	51	45	34	45	41
Rest of western Europe	892	1,295	1,087	892	1,300	1,095
Western Europe total	1,369	2,126	1,702	1,368	2,154	1,742
Emerging Europe						
Poland	650	824	725	604	761	672
Slovakia	468	516	463	418	461	406
Rest of emerging Europe	540	742	609	450	633	501
Emerging Europe total	1,658	2,082	1,797	1,472	1,855	1,579
Russia	479	581	531	735	878	821
North America	151	325	265	95	166	141
Asia and Australia	64	128	119	60	107	97
Segments total	**4,326**	**5,981**	**5,034**	4,336	5,890	5,000

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

2 Operating segments (continued)

Average number of employees

thousands	2014	(Restated) 2013
By principal locations of employment		
South Africa and rest of Africa	1.8	1.9
Western Europe	7.6	8.0
Eastern Europe	7.0	7.0
Russia	6.0	6.5
North America	2.0	1.1
Asia and Australia	0.7	0.7
Group total	**25.1**	25.2

3 Special items

€ million	2014	2013
Operating special items		
Asset impairments	(6)	(67)
Restructuring and closure costs:		
Personnel costs relating to restructuring	(29)	(17)
Restructuring and closure costs excluding related personnel costs	(9)	(10)
Reversal of provision for transaction costs attributable to Nordenia acquisition	4	–
Transaction costs for US acquisition	(2)	–
Gain on settlement of 2007 legal case	3	–
Total operating special items	**(39)**	(94)
Non-operating special item		
Gain on sale of land	–	7
Financing special item		
Net charge on early redemption of €280 million Eurobond	**(13)**	–
Total special items before tax and non-controlling interests	**(52)**	(87)
Tax (see note 8)	4	13
Total special items attributable to shareholders	**(48)**	(74)

Operating special items

Restructuring and closure costs and related asset impairments during the year comprise:

- closure of one of the two speciality kraft paper machines in Finland with a capacity of 30,000 tonnes per annum. Restructuring costs of €5 million and related impairment of assets of €1 million were recognised in Packaging Paper;
- restructuring of certain operations in the Extrusion Coatings segment of Fibre Packaging giving rise to restructuring costs of €7 million;
- restructuring following the acquisition of the bags business from Graphic Packaging in the US, including the closure of the New Philadelphia operation. Restructuring costs of €10 million were recognised in Fibre Packaging; and
- relocation of the Consumer Packaging head office and restructuring activities in its operations across Europe. Restructuring costs of €16 million and related asset impairments of €5 million were recognised.

Transaction costs of €2 million for the acquisition of the bags and kraft paper business from Graphic Packaging in the US were incurred.

A provision of €4 million in respect of transaction costs for the 2012 Nordenia acquisition was released.

A gain of €3 million was recognised in the Corrugated Packaging segment of Fibre Packaging for the settlement of a 2007 legal case.

Financing special item

On 15 July 2014, the Group redeemed the 9.75% €280 million Eurobond assumed as part of the acquisition of Nordenia in 2012. The net charge on redemption of €13 million was recognised.

4 Operating profit before special items

Operating profit before special items includes:

€ million	2014	2013
Depreciation of property, plant and equipment (see note 12)	(333)	(342)
Profit on disposal of property, plant and equipment and intangible assets	–	2
Amortisation of intangible assets (see note 11)	(22)	(23)
Impairment of property, plant and equipment (excluding special items) (see note 12)	(4)	(4)
Operating lease charges	(36)	(35)
Research and development expenditure	(18)	(14)
Reversal/(recognition) of restructuring and closure costs (excluding special items)	1	(6)
Net foreign currency gains/(losses)	6	(2)
Green energy sales and disposal of emissions credits	81	47
Fair value gains on forestry assets (see note 13)	34	17

5 Auditors' remuneration

€ million	2014	2013
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual financial statements	0.5	0.4
United Kingdom	0.4	0.3
South Africa	0.1	0.1
Fees payable to the auditors and their associates for the audit of Mondi Limited's and Mondi plc's subsidiaries	3.1	3.5
Total audit fees	**3.6**	3.9
Audit-related assurance services	0.2	0.2
Taxation compliance services	0.1	0.1
Other services	0.1	–
Total non-audit fees	**0.4**	0.3
Total fees	**4.0**	4.2

6 Personnel costs

€ million, unless otherwise stated	2014	2013
Within operating costs		
Wages and salaries	755	745
Social security costs	170	168
Defined contribution retirement plan contributions (see note 20)	7	11
Defined benefit retirement benefit service costs (see note 20)	4	5
Share-based payments (see note 22)	10	11
Total within operating costs	**946**	940
Within special items		
Personnel costs relating to restructuring (see note 3)	**29**	17
Within net finance costs		
Retirement benefit medical plan net interest costs	5	5
Retirement benefit pension plan net interest costs	6	6
Total within net finance costs	**11**	11
Group total	**986**	968
Average number of employees (thousands)	**25.1**	25.2

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

7 Net finance costs

Net finance costs and related foreign exchange losses are presented below:

€ million	2014	2013
Investment income		
Interest on bank deposits, loan receivables and other	**3**	3
Foreign currency losses		
Foreign currency losses	**–**	(1)
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(94)	(108)
Net interest expense on net retirement benefits liability (see note 20)	(11)	(11)
Total interest expense	**(105)**	(119)
Less: interest capitalised (see note 12)	5	2
Total finance costs before special item	**(100)**	(117)
Financing special item (see note 3)	**(13)**	–
Total finance costs after special item	**(113)**	(117)
Net finance costs	**(110)**	(115)

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2014 is 8.36% (2013: 5.34%) and is related to investments in Poland, Russia and the Czech Republic (2013: related to investments in Austria and South Africa).

8 Taxation

(a) Analysis of tax charge for the year

The Group's effective rate of tax before special items for the year ended 31 December 2014, calculated on profit before tax before special items and including net profit from associates, is 19% (2013: 17%).

€ million	2014	2013
UK corporation tax at 21.5% (2013: 23.25%)	1	1
SA corporation tax at 28% (2013: 28%)	30	21
Overseas tax	86	105
Current tax	**117**	127
Deferred tax in respect of the current period	23	(1)
Deferred tax in respect of prior period over provision	(14)	(28)
Total tax charge before special items	**126**	98
Current tax on special items	–	(5)
Deferred tax on special items	(4)	(8)
Total tax credit on special items (see note 3)	**(4)**	(13)
Total tax charge	**122**	85

Factors affecting tax charge for the year

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the weighted average UK and SA corporation tax rate of 22.5% (2013: 23.8%), as follows:

€ million	2014	2013
Profit before tax	**619**	499
Tax on profit before tax calculated at the weighted average UK and SA corporation tax rate of 22.5%[1] (2013: 23.8%[1])	**139**	119
Tax effects of:		
Expenses not (taxable)/deductible for tax purposes	**–**	(1)
Intangible amortisation and non-qualifying depreciation	(7)	(9)
Special items not deductible	4	7
Other non-deductible expenses	3	1
Non-taxable income	**(1)**	–
Temporary difference adjustments	**1**	(18)
Changes in tax bases and rates	–	(5)
Current year tax losses and other temporary differences not recognised	15	15
Prior period tax losses and other temporary differences not previously recognised	(14)	(28)
Other adjustments	**(17)**	(15)
Current tax prior period adjustments	(1)	17
Tax incentives	(20)	(37)
Effect of differences between local rates and UK and SA rates	(7)	(7)
Other adjustments	11	12
Tax charge for the year	**122**	85

Note:
[1] The weighted average tax rate has been determined by weighting the profit before tax after special items of Mondi Limited and its subsidiaries and Mondi plc and its subsidiaries.

(b) Deferred tax

	Deferred tax assets		Deferred tax liabilities	
€ million	2014	2013	2014	2013
At 1 January	4	10	(264)	(344)
(Charged)/credited to combined and consolidated income statement	–	(6)	(5)	43
Credited/(charged) to combined and consolidated statement of comprehensive income	–	–	8	(6)
Acquired through business combinations (see note 23)	–	–	(1)	–
Reclassification	6	–	(6)	–
Currency movements	–	–	9	43
At 31 December	**10**	4	**(259)**	(264)

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

8 Taxation (continued)

Deferred tax comprises:

	Deferred tax assets		Deferred tax liabilities	
€ million	2014	2013	2014	2013
Capital allowances in excess of depreciation	(1)	–	(266)	(277)
Fair value adjustments	–	–	(66)	(61)
Tax losses[1]	–	2	21	20
Other temporary differences	11	2	52	54
Total	**10**	4	**(259)**	(264)

Note:
[1] Based on forecast data, the Group believes that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses.

The amount of deferred tax (charged)/credited to the combined and consolidated income statement comprises:

€ million	2014	2013
Capital allowances in excess of depreciation	–	27
Fair value adjustments	(2)	(1)
Tax losses	–	3
Other temporary differences	(3)	8
Total (charge)/credit	**(5)**	37

The current expectation regarding the maturity of deferred tax balances is:

	Deferred tax assets		Deferred tax liabilities	
€ million	2014	2013	2014	2013
Recoverable/(payable) within 12 months	7	2	(5)	–
Recoverable/(payable) after 12 months	3	2	(254)	(264)
Total	**10**	4	**(259)**	(264)

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	2014	2013
Tax losses – revenue	1,602	1,637
Tax losses – capital	18	17
Other temporary differences	68	119
Total	**1,688**	1,773

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2014	2013
Expiry date		
Within one year	13	13
One to five years	110	94
After five years	117	125
No expiry date	1,380	1,422
Total	**1,620**	1,654

No deferred tax liability is recognised on gross temporary differences of €593 million (2013: €786 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. A change to UK tax legislation largely exempts, from UK tax, overseas dividends received on or after 1 July 2009. As a result, the gross temporary differences at 31 December 2014 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

9 Earnings per share

€ cents per share	2014	2013
Profit for the year attributable to shareholders		
Basic EPS	**97.4**	79.8
Diluted EPS	**97.1**	79.6
Underlying earnings for the year		
Basic underlying EPS	**107.3**	95.0
Diluted underlying EPS	**107.0**	94.8
Headline earnings for the year		
Basic headline EPS	**99.5**	91.3
Diluted headline EPS	**99.2**	91.1

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	2014	2013
Profit for the year attributable to shareholders	**471**	386
Special items (see note 3)	52	87
Related tax (see note 3)	(4)	(13)
Underlying earnings for the year	**519**	460
Special items not excluded from headline earnings	(46)	(27)
Profit on disposal of property, plant and equipment and intangible assets	–	(2)
Impairments not included in special items	4	4
Related tax	4	7
Headline earnings for the year	**481**	442

	Weighted average number of shares	
million	2014	2013
Basic number of ordinary shares outstanding	**483.6**	484
Effect of dilutive potential ordinary shares	1.3	1
Diluted number of ordinary shares outstanding	**484.9**	485

10 Dividends

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

€ cents per share	2014	2013
Final dividend paid (in respect of prior year)	26.45	19.10
Interim dividend paid	13.23	9.55
Final dividend proposed for the year ended 31 December	**28.77**	26.45

€ million	2014	2013
Final dividend paid (in respect of prior year)	129	92
Interim dividend paid	64	46
Final dividend proposed for the year ended 31 December	**139**	128
Declared by Group companies to non-controlling interests	16	60

The final dividend proposed is subject to approval by shareholders at the annual general meetings of Mondi Limited and Mondi plc scheduled for 13 May 2015.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

11 Intangible assets

(a) Reconciliation

€ million	2014 Goodwill	2014 Other intangible assets	2014 Total	2013 Goodwill	2013 Other intangible assets	2013 Total
Net carrying value						
At 1 January	550	125	675	561	134	695
Fair value adjustment to assets acquired through business combinations	–	–	–	(3)	–	(3)
Acquired through business combination (see note 23)	–	1	1	–	–	–
Additions	–	8	8	–	12	12
Amortisation charge for the year	–	(22)	(22)	–	(23)	(23)
Reclassification	–	3	3	–	3	3
Currency movements	(5)	(2)	(7)	(8)	(1)	(9)
At 31 December	**545**	**113**	**658**	550	125	675
Cost		252			266	
Accumulated amortisation and impairments		(139)			(141)	

The carrying value of other intangible assets comprises:

€ million	2014	2013
Internally generated		
Software development costs	28	32
Acquired in business combinations		
Customer relationships	38	44
Patents and trademarks	38	42
Other	9	7
Total other intangible assets	**113**	125

(b) Goodwill

€ million, unless otherwise stated	Weighted average discount rate	Growth rate	Carrying value 2014	(Restated)[1] 2013
Europe & International				
Consumer Packaging	10.2%	2%	293	293
Kraft Paper	10.5%	0%	84	84
Containerboard	9.7%	0%	58	59
Industrial Bags	9.9%	0%	50	50
Uncoated Fine Paper	11.2%	0%	31	36
Corrugated Packaging	9.9%	0%	21	21
Extrusion Coatings	9.9%	0%	8	7
Total goodwill			**545**	550

Note:
[1] Comparative segmental information has been restated due to changes in Mondi's organisational structure (see note 2).

Key assumptions

The recoverable amounts of the Group's cash-generating units are determined from value-in-use calculations. The key assumptions in the value-in-use calculations are:

- Cash flow forecasts which are derived from the budgets most recently approved by the Boards covering the three-year period to 31 December 2017.
- Sales volumes, sales prices and variable input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance and announced industry capacity changes.
- Cash flow projections beyond three years are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. In general, such growth rates are assumed to be zero, but for Consumer Packaging, a growth rate of 2% is applied for each of the following five years beyond the budget period and zero thereafter into perpetuity.
- Capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.

The pre tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each cash-generating unit, adjustments are made to reflect the impacts of country risk and tax.

Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are 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.

Sensitivity analyses of reasonably possible changes in the underlying assumptions included:

- 1% increase in discount rate;
- 0% growth rate assumed in Consumer Packaging; and
- 5% decrease in cash flows.

None of these downside sensitivity analyses indicated the need for an impairment.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

12 Property, plant and equipment

€ million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2013	976	2,459	220	54	3,709
Fair value adjustment to assets acquired through business combinations	3	–	–	–	3
Additions	22	115	268	16	421
Disposal of assets	(10)	(14)	–	(2)	(26)
Disposal of businesses	(1)	–	–	(1)	(2)
Depreciation charge for the year	(41)	(281)	–	(20)	(342)
Impairments[2]	(14)	(54)	(3)	–	(71)
Transfer from assets under construction	35	198	(240)	7	–
Reclassification	15	(30)	(2)	11	(6)
Currency movements	(52)	(186)	(17)	(3)	(258)
At 31 December 2013	933	2,207	226	62	3,428
Cost	1,589	5,801	235	269	7,894
Accumulated depreciation and impairments	(656)	(3,594)	(9)	(207)	(4,466)
Acquired through business combinations (see note 23)	24	21	3	1	49
Additions	45	149	376	20	590
Disposal of assets	(12)	(10)	(1)	(3)	(26)
Depreciation charge for the year	(44)	(267)	–	(22)	(333)
Impairments[2]	(3)	(7)	–	–	(10)
Transfer from assets under construction	53	267	(334)	11	(3)
Reclassification	(10)	6	–	(2)	(6)
Currency movements	(65)	(181)	(8)	(3)	(257)
At 31 December 2014	**921**	**2,185**	**262**	**64**	**3,432**
Cost	1,552	5,826	269	274	7,921
Accumulated depreciation and impairments	(631)	(3,641)	(7)	(210)	(4,489)

Notes:
[1] The land value included in 'Land and buildings' is €353 million (2013: €376 million).
[2] Impairments include €6 million (2013: €67 million) of asset impairments reflected in operating special items and €4 million (2013: €4 million) of other impairments.

Included in the cost above is €5 million (2013: €2 million) of interest incurred on qualifying assets which has been capitalised during the year. These amounts are deductible for tax purposes either when incurred or included in the amount permitted to be deducted for capital expenditure, depending on the jurisdiction in which they are capitalised.

The carrying value and depreciation charges relating to assets held under finance leases amount to €3 million (2013: €7 million) and €1 million (2013: €1 million) respectively.

The carrying value of land and buildings comprises:

€ million	2014	2013
Freehold	915	928
Leasehold – long	4	3
Leasehold – short (less than 50 years)	2	2
Total land and buildings	**921**	933

13 Forestry assets

€ million	2014	2013
At 1 January	233	311
Capitalised expenditure	35	39
Acquisition of assets	2	2
Fair value gains	34	17
Disposal of assets	(13)	(9)
Felling costs	(54)	(55)
Reclassified to assets held for sale (see note 24)	(11)	–
Currency movements	9	(72)
At 31 December	**235**	233
Comprising		
Mature	148	146
Immature	87	87
Total forestry assets	**235**	233

The Group has approximately 164,000 hectares of owned and leased land under afforestation, all of which is in South Africa.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. This period ranges from 6.5 to 14.5 years, depending on species, climate and location.

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 30b) and this category is consistent with prior years. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Group's owned forestry assets, discounted based on a pre tax yield on long-term bonds over the last five years.

The following assumptions have a significant impact on the valuation of the Group's forestry assets:

- The net selling price which is defined as the selling price less the costs of transport, harvesting, extraction and loading. The net selling price is based on third party transactions and is influenced by the species, maturity profile and location of timber. In 2014, the net selling price used ranged from €10 per tonne to €35 per tonne (2013: €10 per tonne to €44 per tonne) with a weighted average of €22 per tonne (2013: €21 per tonne).
- The conversion factor used to convert hectares of land under afforestation to tonnes of standing timber, which is dependent on the species, the maturity profile of the timber, the geographic location, climate and a variety of other environmental factors. In 2014, the conversion factors ranged from 8.8 to 25.2 (2013: 6.7 to 24.8).
- The discount rate of 10.6% (2013: 11.4%) based on a pre tax yield from long-term government bonds matching the average age of the timber and adjusted for the risks associated with forestry assets.

The valuation of the Group's forestry assets is determined in rand and converted to euro at the closing exchange rate on 31 December of each year.

The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions:

€ million	2014
Effect of €1/tonne increase in net selling price	12
Effect of 1% increase in conversion factor (hectares to tonnes)	2
Effect of 1% increase in discount rate	(2)
Effect of 1% increase in EUR/ZAR exchange rate	(2)

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

14 Investments in associates

€ million	2014	2013
At 1 January	6	6
Net profit from associates	1	2
Dividends received	(2)	(1)
Currency movements	–	(1)
At 31 December	**5**	6

The Group's share of its associates' tax charge included within net profit from associates for the year ended 31 December 2014 is €nil (2013: €nil).

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

€ million	2014	2013
Total non-current assets	2	8
Total current assets	8	8
Total current liabilities	(4)	(5)
Total non-current liabilities	(1)	(5)
Share of associates' net assets	**5**	6
Total revenue	27	38
Total operating costs	(26)	(36)
Share of associates' profit	**1**	2

There are no material capital commitments or contingent liabilities for which the Group is jointly or severally liable at the reporting dates presented.

15 Inventories

€ million	2014	2013
Valued using the first-in-first-out cost formula		
Raw materials and consumables	24	20
Work in progress	12	7
Finished products	29	26
Total valued using the first-in-first-out cost formula	**65**	53
Valued using the weighted average cost formula		
Raw materials and consumables	324	290
Work in progress	106	110
Finished products	348	293
Total valued using the weighted average cost formula	**778**	693
Total inventories	**843**	746
Of which, held at net realisable value	150	172
Combined and consolidated income statement		
Cost of inventories recognised as expense	(2,812)	(2,867)
Write-down of inventories to net realisable value	(24)	(21)
Aggregate reversal of previous write-down of inventories	16	12

16 Trade and other receivables

€ million	2014	2013
Trade receivables	829	823
Allowance for doubtful debts	(36)	(37)
Net trade receivables	**793**	786
Other receivables	61	64
Tax and social security	93	82
Prepayments and accrued income	19	22
Total trade and other receivables	**966**	954

The fair values of trade and other receivables approximate their carrying values presented.

Trade receivables: credit risk

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 or customer concentration of credit risk.

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 decentralised 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.

€ million	2014	2013
Credit risk exposure		
Gross trade receivables	829	823
Credit insurance	(681)	(663)
Total exposure to credit risk	**148**	160

The insured cover is presented gross of contractually agreed excess amounts. In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €15 million (2013: €17 million).

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €111 million (2013: €44 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €32 million (2013: €42 million) which are past due but not impaired at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact. An ageing analysis of net trade receivables is provided as follows:

€ million	2014	2013
Trade receivables within terms	761	744
Past due by less than one month	24	33
Past due by one to two months	3	3
Past due by two to three months	1	3
Past due by more than three months	4	3
At 31 December	**793**	786

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

16 Trade and other receivables (continued)

Movement in the allowance account for bad and doubtful debts

€ million	2014	2013
At 1 January	37	42
Increase in allowance recognised in combined and consolidated income statement	6	7
Amounts written off or recovered during the year	(6)	(9)
Currency movements	(1)	(3)
At 31 December	**36**	37

17 Trade and other payables

€ million	2014	2013
Trade payables	505	497
Tax and social security	56	68
Capital expenditure payables	72	46
Other payables	55	72
Accruals and deferred income	310	306
Total trade and other payables	**998**	989

The fair values of trade and other payables approximate their carrying values presented.

18 Borrowings

	2014			2013		
€ million	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	2	2	4	4	2	6
Obligations under finance leases	1	1	2	1	6	7
Total secured	**3**	**3**	**6**	5	8	13
Unsecured						
Bank loans and overdrafts	170	553	723	175	261	436
Bonds	–	995	995	–	1,289	1,289
Bonds				–	1,340	1,340
Call option derivative				–	(51)	(51)
Other loans	3	14	17	1	13	14
Total unsecured	**173**	**1,562**	**1,735**	176	1,563	1,739
Total borrowings	**176**	**1,565**	**1,741**	181	1,571	1,752

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

2014/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	199	999	–	1,198	1,309
Pounds sterling	355	–	–	355	355
South African rand	58	–	7	65	65
Polish zloty	48	–	–	48	48
Russian rouble	11	–	–	11	11
Turkish lira	28	–	–	28	28
Other currencies	24	6	6	36	36
Carrying value	**723**	**1,005**	**13**	**1,741**	
Fair value	**723**	**1,116**	**13**		**1,852**

2013/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	208	1,299	–	1,507	1,591
South African rand	79	–	6	85	85
Polish zloty	64	–	–	64	64
Russian rouble	30	–	–	30	30
Turkish lira	33	–	–	33	33
Other currencies	25	2	6	33	33
Carrying value	439	1,301	12	1,752	
Fair value	439	1,385	12		1,836

The fair values of the €500 million 2017 Eurobond and €500 million 2020 Eurobond are estimated from reference to the last price quoted in the secondary market. All other financial liabilities are 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 maturity analysis of the Group's borrowings, presented on an undiscounted future cash flow basis, is as follows:

2014/€ million	< 1 year	1-2 years	2-5 years	> 5 years	Total[1]
Bank loans and overdrafts	172	52	448	55	727
Bonds	–	–	497	498	995
Other loans	3	8	–	6	17
Obligations under finance leases	1	–	1	–	2
Total borrowings	**176**	**60**	**946**	**559**	**1,741**
Interest on borrowings net of amortised costs and discounts	59	53	99	20	231
Total undiscounted cash flows	**235**	**113**	**1,045**	**579**	**1,972**

2013/€ million	< 1 year	1-2 years	2-5 years	> 5 years	Total[1]
Bank loans and overdrafts	179	56	128	79	442
Bonds	–	–	791	498	1,289
Other loans	1	5	2	6	14
Obligations under finance leases	1	1	2	3	7
Total borrowings	181	62	923	586	1,752
Interest on borrowings net of amortised costs and discounts	84	79	162	55	380
Total undiscounted cash flows	265	141	1,085	641	2,132

Note:
[1] It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows.

In addition to the above, the Group swaps euro and sterling debt into other currencies through the foreign exchange market as disclosed in note 30.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

18 Borrowings (continued)

Financing facilities

Group liquidity is provided through a range of committed debt facilities. The principal loan arrangements in place include the following:

€ million, unless otherwise stated	Maturity	Interest rate %	2014	2013
Financing facilities				
Syndicated Revolving Credit Facility	July 2019	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	April 2017	5.75%	500	500
€500 million Eurobond	September 2020	3.375%	500	500
€280 million Eurobond	July 2014	9.75%	–	280
Export Credit Agency Facility	June 2020	EURIBOR + margin	92	111
European Investment Bank Facility	June 2025	EURIBOR + margin	100	100
Other	Various	Various	192	246
Total committed facilities			**2,134**	2,487
Drawn			(1,678)	(1,695)
Total committed facilities available			**456**	792

Both the €500 million Eurobonds contain a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if Mondi fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa2, outlook stable) and Standard & Poor's (BBB-, outlook positive).

Obligations under finance leases

The maturity of obligations under finance leases is:

€ million	2014	2013
Not later than one year	1	1
Later than one year but not later than five years	1	4
Later than five years	–	7
Future value of finance lease liabilities	**2**	12
Future finance charges	–	(5)
Present value of finance lease liabilities	**2**	7

The Group does not have any individual finance lease arrangements which are considered material.

The Group has pledged specific assets as collateral against certain borrowings. The fair values of these assets as at 31 December are as follows:

€ million	2014	2013
Assets held under finance leases		
Property, plant and equipment	3	7
Assets pledged as collateral for other borrowings		
Property, plant and equipment	11	10
Inventories	–	3
Financial assets	–	3
Total value of assets pledged as collateral	**14**	23

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.

19 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2013	26	31	6	37	100
Charged to combined and consolidated income statement	27	8	–	7	42
Unwinding of discount	–	1	–	–	1
Released to combined and consolidated income statement	–	–	–	(3)	(3)
Amounts applied	(34)	(9)	–	(17)	(60)
Reclassification	1	–	–	–	1
Currency movements	–	(3)	–	–	(3)
At 31 December 2013	20	28	6	24	78
Charged to combined and consolidated income statement	39	12	–	23	74
Unwinding of discount	–	1	–	–	1
Released to combined and consolidated income statement	(2)	–	–	(4)	(6)
Amounts applied	(30)	(9)	–	(15)	(54)
Currency movements	1	–	–	–	1
At 31 December 2014	**28**	**32**	**6**	**28**	**94**

Maturity analysis of total provisions on a discounted basis:

€ million	2014	2013
Current	58	46
Non-current	36	32
Total provisions	**94**	78

Other provisions are mainly attributable to onerous contracts. €21 million (2013: €16 million) is due to be incurred within the next 12 months. The residual €7 million (2013: €8 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.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

20 Retirement benefits

The Group operates post-retirement defined contribution and defined benefit pension plans for many of its employees. It also operates two post-retirement medical plans.

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 €7 million (2013: €11 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 the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2015 are €7 million (2014: €6 million).

Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 retirement plans across its global operations. A large proportion of the Group's defined benefit plans are closed to new members.

The most significant unfunded defined benefit plans are operated in Austria, Germany and Russia and funded plans are operated primarily in the United Kingdom. These plans are established in accordance with applicable local labour legislation and/or collective agreements with participating employees.

The majority of these plans are unfunded and provide pensions and severance benefits to members of those plans.

The benefits are based on a variety of factors, the most significant of which are a combination of pensionable service and final salary. A number of these plans also provide additional benefits in the event of death in service, disability or ill-health retirement which are derived from the final salary benefit formula.

The assets of the funded plans are held separately in independently administered funds, in accordance with statutory requirements or local practice where those funds are operated. The boards of trustees of these plans are required to act in the best interest of the plans and all relevant stakeholders of the plans (active employees, inactive employees, retirees and employers) and are responsible for the investment policy with regard to the assets of the plans.

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded while the Austrian plan is funded. The South African plan has been closed to new participants since 1 January 1999.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

Defined benefit plans typically expose the Group to the following actuarial risks:

Investment risk (Asset volatility)	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the return on the plan's debt instruments.
Longevity risk	The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability/asset is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.
Medical cost inflation risk	The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

	2014			2013		
%	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	8.3	2.3	5.9	8.7	3.8	6.1
Rate of inflation	6.5	2.3	5.2	6.6	2.4	8.4
Rate of increase in salaries	7.5	2.8	6.0	7.6	3.2	8.0
Rate of increase of pensions in payment	–	1.9	2.1	–	2.0	1.3
Expected average increase of medical cost trend rates	8.0	4.1	–	8.1	4.1	–

The assumption for the discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency. In South Africa, the discount rate assumption has been based on the zero coupon government bond yield curve.

Mortality assumptions

The assumed life expectancies on retirement at age 65 are:

	2014			2013		
years	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Retiring today						
Males	15.99	13.98-22.70	13.93	15.94	13.86-22.70	13.93
Females	19.93	17.35-26.89	17.72	19.89	17.08-26.77	17.72
Retiring in 20 years						
Males	20.44	13.98-23.00	13.93	20.34	13.86-22.70	13.93
Females	24.74	14.00-26.00	17.72	24.64	14.00-25.99	17.72

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 75% (2013: 76%) 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 plans' trustees and in accordance with local actuarial advice and statutory provisions.

The expected maturity analysis of undiscounted retirement benefits is as follows:

	2014			2013		
€ million	Defined benefit pension plans	Post-retirement medical plans	Total	Defined benefit pension plans	Post-retirement medical plans	Total
Less than a year	10	7	**17**	8	7	15
Between one to two years	10	11	**21**	8	11	19
Between two to five years	29	20	**49**	25	20	45
After five years	276	98	**374**	246	102	348

The weighted average duration of the defined retirement benefits liability for South Africa is 11 years, Europe 15 years and other regions 12 years.

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2015 are €18 million (2014: €17 million).

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

20 Retirement benefits (continued)

The amounts recognised in the combined and consolidated statement of financial position are determined as follows:

€ million	2014 South Africa	2014 Europe	2014 Other regions	2014 Total	2013 South Africa	2013 Europe	2013 Other regions	2013 Total
Present value of unfunded liabilities	(59)	(131)	(13)	(203)	(56)	(108)	(6)	(170)
Present value of funded liabilities	–	(187)	–	(187)	–	(148)	(12)	(160)
Present value of plan liabilities	**(59)**	**(318)**	**(13)**	**(390)**	(56)	(256)	(18)	(330)
Fair value of plan assets	–	141	–	141	–	121	–	121
Deficit on retirement benefits	**(59)**	**(177)**	**(13)**	**(249)**	(56)	(135)	(18)	(209)
Asset ceiling	–	–	–	–	–	(2)	–	(2)
Net retirement benefits liability	**(59)**	**(177)**	**(13)**	**(249)**	(56)	(137)	(18)	(211)
Amounts reported in combined and consolidated statement of financial position								
Defined benefit pension plans	–	1	–	1	–	–	–	–
Net retirement benefits asset	**–**	**1**	**–**	**1**	–	–	–	–
Defined benefit pension plans	–	(171)	(13)	(184)	–	(137)	(18)	(155)
Post-retirement medical plans	(59)	(7)	–	(66)	(56)	–	–	(56)
Net retirement benefits liability	**(59)**	**(178)**	**(13)**	**(250)**	(56)	(137)	(18)	(211)

The changes in the present value of defined benefit liabilities and fair value of plan assets are as follows:

€ million	Defined benefit liabilities 2014	Defined benefit liabilities 2013	Fair value of plan assets 2014	Fair value of plan assets 2013	Net liability 2014	Net liability 2013
At 1 January	(330)	(370)	121	117	(209)	(253)
Included in combined and consolidated income statement						
Current service cost	(5)	(5)	–	–	(5)	(5)
Past service cost	(2)	–	–	–	(2)	–
Gains from settlements	3	–	–	–	3	–
Interest (cost)/income	(16)	(16)	5	5	(11)	(11)
Included in combined and consolidated statement of comprehensive income						
Remeasurement (losses)/gains	(57)	17	–	–	(57)	17
Return on plan assets	–	–	11	4	11	4
Acquired through business combinations (see note 23)	(1)	–	–	–	(1)	–
Disposal of businesses	1	–	–	–	1	–
Contributions paid by other members	(3)	(3)	3	3	–	–
Contributions paid by employer	–	–	3	3	3	3
Benefits paid	24	23	(9)	(8)	15	15
Reclassification	1	–	(1)	–	–	–
Currency movements	(5)	24	8	(3)	3	21
At 31 December	**(390)**	(330)	**141**	121	**(249)**	(209)
Asset ceiling					–	(2)
Net retirement benefits liability					**(249)**	(211)

The changes in the asset ceiling are as follows:

€ million	2014	2013
At 1 January	(2)	–
Asset ceiling movement	2	(2)
At 31 December	**–**	(2)

The market values of the plan assets in these plans are detailed below:

€ million	2014 Quoted	2014 Unquoted	2014 Total	2013 Quoted	2013 Unquoted	2013 Total
External equity	39	–	39	37	–	37
Property	–	–	–	1	–	1
Bonds	77	–	77	63	–	63
Insurance contracts	–	23	23	–	18	18
Cash	2	–	2	2	–	2
Fair value of plan assets	**118**	**23**	**141**	103	18	121

The majority of the Group's plan assets are located in Austria and the UK and the following asset-liability matching/investing strategies are applied:

Austria — The investment strategy is based on Austrian Social Security Law which stipulates that investments can only be made in high-quality euro bonds or deposits in euro in highly rated financial institutions. No investments in equity or equity funds are allowed. Due to legal and market restrictions asset-liability matching is not possible.

UK — The trustees invest in diverse portfolios of pooled funds. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the company to an undue level of risk. The mix of investments in each plan is determined taking into account the maturity, currency and nature of the expected benefit payments required.

There are no financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, bonds, property, insurance contracts and cash are determined based on quoted prices in active markets.

The actual return on plan assets in respect of defined benefit plans was a gain of €16 million (2013: gain of €9 million).

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analyses may not be representative of the actual changes in the net retirement benefits asset/(liability) as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses below.

A 1% change in the assumptions would have the following effects on the net retirement benefits plans:

€ million	1% increase	1% decrease
Discount rate		
Effect on current service cost	(1)	–
Effect on net retirement benefit asset/liability	(51)	68
Rate of inflation		
Effect on current service cost	–	(1)
Effect on net retirement benefit asset/liability	33	(27)
Rate of increase in salaries		
Effect on current service cost	–	–
Effect on net retirement benefit asset/liability	12	(10)

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

20 Retirement benefits (continued)

€ million	1% increase	1% decrease
Rate of increase of pensions in payment		
Effect on current service cost	–	–
Effect on net retirement benefit asset/liability	6	(5)
Medical cost trend rate		
Effect on aggregate of the current service cost and interest cost	1	(1)
Effect on net retirement benefit asset/liability	23	(9)

	1 year increase
Mortality rates	
Effect on current service cost	–
Effect on net retirement benefit asset/liability	12

21 Share capital and stated capital

Number of shares	Authorised
Mondi Limited ordinary shares with no par value	250,000,000
Mondi Limited special converting shares with no par value	650,000,000

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval.

		Called up, allotted and fully paid/€ million		
2014 & 2013	Number of shares	Share capital	Stated capital	Total
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	–	431	431
Mondi plc €0.20 ordinary shares issued on the LSE	367,240,805	74	–	74
Total ordinary shares in issue	**485,553,780**	**74**	**431**	**505**
Mondi Limited special converting shares with no par value	367,240,805	–	8	8
Mondi plc €0.20 special converting shares	118,312,975	24	–	24
Total special converting shares	**485,553,780**	**24**	**8**	**32**
Mondi plc €0.04 deferred shares	146,896,322	5	–	5
Total shares		**103**	**439**	**542**

The special converting shares are held in trust and do not carry dividend rights. The special converting shares provide a mechanism for equality of treatment on termination of the DLC agreement for both Mondi Limited and Mondi plc ordinary shareholders.

The deferred shares are held in trust and do not carry any dividend or voting rights.

Treasury shares represent the cost of shares in Mondi Limited (held by the Mondi Incentive Schemes Trust) and Mondi plc (held by the Mondi Employee Share Trust) purchased in the market to satisfy share awards under the Group's employee share schemes (see note 22). These costs are reflected in the combined and consolidated statement of changes in equity.

	Treasury shares held			
	2014		2013	
at 31 December	Number of shares held	Average price per share	Number of shares held	Average price per share
Mondi Incentive Schemes Trust				
Mondi Limited ordinary shares with no par value	682,260	ZAR159.50	720,489	ZAR117.66
Mondi Employee Share Trust				
Mondi plc €0.20 ordinary shares	1,133,804	GBP10.80	1,543,601	GBP8.90

A dividend waiver is in place in respect of shares held by the Mondi Employee Share Trust.

22 Share-based payments

Mondi share awards

The Group has set up its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or Mondi plc. The Group has no obligation to settle the awards made under these schemes in cash. Dividends foregone on Bonus Share Plan (BSP) share awards and, for awards made in 2013 and thereafter in respect of the Long-Term Incentive Plan (LTIP), are paid in cash upon vesting.

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 (ZAR) & Mondi plc (GBP)	BSP 2014	BSP 2013	BSP 2012
Date of grant	31 March 2014	25 March 2013	28 March 2012
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (GBP)	10.49	8.87	5.93
Grant date fair value per instrument (ZAR)	184.91	125.55	71.29
Number of shares conditionally awarded	448,670	609,817	813,117

Mondi Limited (ZAR) & Mondi plc (GBP)	LTIP 2014	LTIP 2013	LTIP 2012
Date of grant	31 March 2014	25 March 2013	28 March 2012
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	100	100	100
TSR component	25	25	25
Grant date fair value per instrument (GBP) – Mondi plc			
ROCE component	10.49	8.87	5.27
TSR component[1]	2.62	2.22	1.32
Grant date fair value per instrument (ZAR) – Mondi Limited			
ROCE component	184.91	125.55	63.60
TSR component[1]	46.23	31.39	15.90
Number of shares conditionally awarded	715,524	960,283	1,182,733

Note:
[1] The base fair value has been adjusted for contractually-determined market-based performance conditions.

The total fair value charge in respect of all the Mondi share awards granted during the year ended 31 December is made up as follows:

€ million	2014	2013
Bonus Share Plan (BSP)	5	6
Long-Term Incentive Plan (LTIP)	5	5
Total share-based payment expense	**10**	11

The weighted average share price of share awards that vested during the period:

	2014	2013
Mondi Limited	ZAR192.53	ZAR121.03
Mondi plc	GBP10.84	GBP8.66

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

22 Share-based payments (continued)

A reconciliation of share award movements for the Mondi share schemes is shown below:

	BSP			LTIP		
number of shares	Mondi Ltd	Mondi plc	Total	Mondi Ltd	Mondi plc	Total
At 1 January 2013	533,142	2,246,466	2,779,608	647,272	3,265,065	3,912,337
Shares conditionally awarded	126,627	483,190	609,817	139,373	820,910	960,283
Shares vested	(199,011)	(1,002,717)	(1,201,728)	(263,622)	(1,324,379)	(1,588,001)
Shares lapsed	–	(30,333)	(30,333)	–	(29,283)	(29,283)
At 31 December 2013	460,758	1,696,606	2,157,364	523,023	2,732,313	3,255,336
Shares conditionally awarded	71,043	377,627	448,670	96,844	618,680	715,524
Shares vested	(205,673)	(650,155)	(855,828)	(197,198)	(928,782)	(1,125,980)
Shares lapsed	(17,449)	(18,733)	(36,182)	(30,145)	(25,981)	(56,126)
At 31 December 2014	**308,679**	**1,405,345**	**1,714,024**	**392,524**	**2,396,230**	**2,788,754**

23 Business combinations

To 31 December 2014

Acquisition of bags and kraft paper business of Graphic Packaging International Inc

On 30 June 2014, Mondi acquired the bags and kraft paper business of Graphic Packaging International Inc (Graphic), a wholly-owned subsidiary of Graphic Packaging Holding Company, for a total consideration of US$101 million (€74 million) on a debt and cash-free basis. The production base comprised an integrated kraft paper mill, with production capacity of 135,000 tonnes per annum, and nine bags plants. The combination of Graphic with Mondi's existing network created a leading bags player in North America and expanded the Group's growing global footprint in this market.

Graphic's revenue for the year ended 31 December 2014 was €312 million with a loss after tax of €7 million. Graphic's revenue of €159 million and a loss after tax of €9 million since date of acquisition have been included in the combined and consolidated income statement.

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Intangible assets	–	1	1
Property, plant and equipment	77	(50)	27
Inventories	59	(7)	52
Trade and other receivables	28	(1)	27
Total assets	164	(57)	**107**
Trade and other payables	(30)	(1)	(31)
Net retirement benefits liability	(1)	–	(1)
Deferred tax liabilities	–	(1)	(1)
Total liabilities (excluding debt)	(31)	(2)	**(33)**
Short-term borrowings	(30)	–	**(30)**
Net assets acquired	**103**	**(59)**	**44**
Transaction costs expensed			2
Net cash paid per combined and consolidated statement of cash flows			**46**

Other acquisitions

On 31 July 2014, the acquisition of a consumer packaging plant in Poland from Printpack Inc (Printpack), for US$23 million (€17 million) on a debt and cash-free basis, was completed, adding to the Group's production capacity in that region.

Printpack's revenue for the year ended 31 December 2014 was €12 million with a loss after tax of €4 million. Since the acquisition date, revenue of €4 million and a loss after tax of €1 million was contributed by Printpack and included in the combined and consolidated income statement.

On 31 October 2014, the industrial bags business was acquired from Inn_Flex S.r.L. & David Tomasin (Intercell), for US$12 million (€9 million) on a debt and cash-free basis, in line with the Group's growth strategy.

Intercell's revenue for the year ended 31 December 2014 was €11 million with a loss after tax of €1 million. Since the acquisition date, revenue of €2 million and a loss after tax of €nil was contributed by Intercell and included in the combined and consolidated income statement.

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	20	2	22
Inventories	3	–	3
Trade and other receivables	5	–	5
Cash and cash equivalents	6	–	6
Total assets	34	2	**36**
Trade and other payables	(1)	(2)	(3)
Total liabilities (excluding debt)	(1)	(2)	**(3)**
Medium and long-term borrowings	(2)	–	**(2)**
Net assets acquired	**31**	**–**	**31**
Transaction costs expensed			1
Cash acquired net of overdrafts			(6)
Net cash paid per combined and consolidated statement of cash flows			**26**

€ million	Net assets	Net cash paid
Printpack	23	17
Intercell	8	9
Other acquisitions total	**31**	**26**

The fair value accounting of these acquisitions is provisional in nature. The nature of these businesses is such that further adjustments to the carrying values of acquired assets and/or liabilities are possible as the detail of the acquired businesses is evaluated post acquisition. If necessary, any adjustments will be made within 12 months of the acquisition dates.

In respect of trade and other receivables, the gross contractual amounts receivable and the best estimates at the acquisition dates of the contractual cash flows not expected to be collected approximate the book values and the revaluation amounts respectively as presented.

To 31 December 2013

There were no significant acquisitions during the year ended 31 December 2013.

24 Assets held for sale

€ million	2014	2013
Property, plant and equipment	6	4
Forestry assets	11	–
Total assets classified as held for sale	**17**	4

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

25 Consolidated cash flow analysis

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

€ million	2014	2013
Profit before tax	**619**	499
Depreciation and amortisation	355	365
Impairment of property, plant and equipment and intangible assets (not included in special items)	4	4
Share-based payments	10	11
Non-cash effect of special items	15	60
Net finance costs (including financing special item)	110	115
Net profit from associates	(1)	(2)
Decrease in provisions and net retirement benefits	(10)	(25)
Increase in inventories	(71)	(7)
Increase in operating receivables	(2)	(14)
Decrease in operating payables	(14)	(6)
Fair value gains on forestry assets	(34)	(17)
Felling costs	54	55
Profit on disposal of property, plant and equipment and intangible assets	–	(2)
Other adjustments	(2)	–
Cash generated from operations	**1,033**	1,036

(b) Cash and cash equivalents

€ million	2014	2013
Cash and cash equivalents per combined and consolidated statement of financial position	56	130
Bank overdrafts included in short-term borrowings	(47)	(66)
Net cash and cash equivalents per combined and consolidated statement of cash flows	**9**	64

The fair value of cash and cash equivalents approximate their carrying values presented.

(c) Movement in net debt

The composition of net debt has been revised to take into account the Group's debt-related derivative instruments. Comparative information has been restated accordingly.

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Debt due within one year	Debt due after one year	Current financial asset investments	Debt-related derivative financial instruments	Total net debt
At 1 January 2013 (Restated)	(37)	(188)	(1,648)	1	(3)	(1,875)
Cash flow	87	77	10	–	–	174
Movement in unamortised loan costs	–	–	18	–	–	18
Net movement in derivative financial instruments	–	–	–	–	5	5
Reclassification	–	(34)	34	–	–	–
Currency movements	14	30	15	–	–	59
At 31 December 2013 (Restated)	64	(115)	(1,571)	1	2	(1,619)
Cash flow	(54)	375	(354)	(1)	–	(34)
Business combinations (see note 23)	–	(30)	(2)	–	–	(32)
Movement in unamortised loan costs	–	–	16	–	–	16
Net movement in derivative financial instruments	–	–	–	–	70	70
Reclassification	–	(388)	388	–	–	–
Currency movements	(1)	29	(42)	–	–	(14)
At 31 December 2014	**9**	**(129)**	**(1,565)**	**–**	**72**	**(1,613)**

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.

26 Capital commitments

€ million	2014	(Restated) 2013
Contracted for but not provided	344	330
Approved, not yet contracted for	1,009	889
Total capital commitments	**1,353**	1,219

These capital commitments relate to the following categories of non-current non-financial assets:

€ million	2014	(Restated) 2013
Intangible assets	26	19
Property, plant and equipment	1,327	1,200
Total capital commitments	**1,353**	1,219

The expected maturity of these capital commitments is:

€ million	2014	(Restated) 2013
Within one year	570	509
One to two years	451	412
Two to five years	332	298
Total capital commitments	**1,353**	1,219

Capital commitments are based on capital projects approved to date and the budget approved by the Boards.

Major capital projects still require further approval before they commence. These capital commitments are expected to be financed from existing cash resources and borrowing facilities.

27 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2014 of €26 million (2013: €25 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's combined and consolidated statement of financial position for both years presented.

28 Operating leases

Lease agreements

The principal operating lease agreements in place include the following:

South African land lease

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 is renegotiated every five years. The operating lease charge recorded in the combined and consolidated income statement amounted to €1 million (2013: €1 million). The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the lessee. There are 56 years remaining on the lease.

Russian forestry leases

The forestry lease agreements were entered into by the Group on 1 November 2007 for a total term of 47 years and on 30 June 2008 for a total term of 49 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price inflation of the local jurisdiction. The leases do not contain any clauses with regard to contingent rent or options to purchase the forestry assets at the end of the lease term, and do not impose any significant restrictions on the lessee.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

28 Operating leases (continued)

Office building

The Group entered into an office building lease agreement for a total term of 20 years that commenced in October 2013. The lease may be terminated upon six months' notice to September 2023 and again to September 2028. Rent escalates on an annual basis by the consumer price index of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term and does not impose any significant restrictions on the lessee. Contingent rent is included in the lease charge and calculated at the consumer price index.

Other

The Group has also entered into approximately 850 (2013: 700) lease agreements, none of which are individually significant.

As at 31 December, the Group had the following outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014		(Restated) 2013	
€ million	Forestry assets	Land, buildings and other assets	Forestry assets	Land, buildings and other assets
Within one year	3	25	6	18
One to two years	3	21	5	18
Two to five years	10	32	15	32
After five years	91	30	122	30
Total operating leases	**107**	**108**	148	98

29 Capital management

The Group defines its capital employed as equity, as presented in the combined and consolidated statement of financial position, plus net debt.

€ million	2014	(Restated) 2013
Equity attributable to shareholders	2,628	2,591
Equity attributable to non-controlling interests	266	255
Equity	**2,894**	2,846
Net debt (see note 25c)	**1,613**	1,619
Capital employed	**4,507**	4,465

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. The Group is committed to managing its cost of capital by maintaining an appropriate capital structure. In order to do so, 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 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 capital employed; and
- return on capital employed, defined as trailing 12 month underlying operating profit, plus share of associates' net profit/(loss), divided by trailing 12 month average capital employed.

%	2014	2013
Gearing	35.8	36.3
Return on capital employed	17.2	15.3

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 optimally manage its capital structure. However, they do require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc, be constrained by the equality of treatment mechanism, which serves to maintain and protect the economic interests of both sets of shareholders. The Group has continually met the exchange control provisions in the past and management is committed to ensuring that the Group continues to meet these provisions in future.

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and 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 speculative positions on derivative contracts and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

30 Financial instruments

(a) Financial instruments by category

2014/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	At fair value through OCI	Available-for-sale investments	Total
Financial assets						
Trade and other receivables	Level 2	873	–	–	–	873
Financial asset investments	Level 2	8	–	–	18	26
Derivative financial instruments	Level 2	–	66	10	–	76
Cash and cash equivalents	Level 1	56	–	–	–	56
		937	**66**	**10**	**18**	**1,031**

2013/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	At fair value through OCI	Available-for-sale investments	Total
Financial assets						
Trade and other receivables	Level 2	872	–	–	–	872
Financial asset investments	Level 2	10	–	–	18	28
Derivative financial instruments	Level 2	–	5	1	–	6
Cash and cash equivalents	Level 1	130	–	–	–	130
		1,012	5	1	18	1,036

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

30 Financial instruments (continued)

2014/€ million	Fair value hierarchy	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
Financial liabilities					
Borrowings – bonds	Level 1	–	–	(995)	(995)
Borrowings – loans and overdrafts	Level 2	–	–	(746)	(746)
Trade and other payables	Level 2	–	–	(942)	(942)
Derivative financial instruments	Level 2	(6)	–	–	(6)
Other non-current liabilities	Level 2	–	–	(21)	(21)
Total		**(6)**	**–**	**(2,704)**	**(2,710)**

2013/€ million	Fair value hierarchy	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
Financial liabilities					
Borrowings – bonds	Level 1	–	–	(1,289)	(1,289)
Borrowings – loans and overdrafts	Level 2	–	–	(463)	(463)
Trade and other payables	Level 2	–	–	(921)	(921)
Derivative financial instruments	Level 2	(3)	(2)	–	(5)
Other non-current liabilities	Level 2	–	–	(19)	(19)
Total		(3)	(2)	(2,692)	(2,697)

The fair values of available-for-sale investments represent the published prices of the securities concerned. Loans and receivables are held at amortised cost. The fair value of loans and receivables approximate the carrying values presented.

(b) Fair value measurement

Financial instruments that are measured in the combined and consolidated statement of financial position at fair value or where the fair value of financial instruments have been disclosed in notes to the combined and consolidated financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group does not hold any financial instruments categorised as level 3 financial instruments. The only assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 13.

There have also been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Group specific estimates.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- the Group's commodity price derivatives are fair valued by independent third parties, who in turn calculate the fair values as the present value of expected future cash flows based on observable market data; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Except as detailed in the following table, the directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the combined and consolidated financial statements are approximately equal to their fair values.

	Carrying amount		Fair value	
€ million	2014	2013	2014	2013
Financial liabilities				
Borrowings	**1,741**	1,752	**1,852**	1,836

(c) Financial risk management

Market risk

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's treasury policy requires subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign exchange contracts entered into to mitigate possible movements on recognised monetary items are marked to market at each reporting date. Foreign currency monetary items are translated at each reporting date to incorporate the underlying foreign exchange movements and any such movements naturally offset 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 foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone

	Net monetary foreign currency exposures – assets/(liabilities)[1]			
	2014		2013	
€ million	EUR	Other	EUR	Other
Functional currency zones[2]				
Euro	–	(14)	–	9
South African rand	(1)	(2)	–	(2)
Pounds sterling	–	1	–	1
Czech koruna	(11)	–	(15)	–
Hungarian forint	(3)	–	3	–
Polish zloty	(14)	–	5	1
Russian rouble	(3)	2	2	(1)
Swedish krona	5	–	(3)	–
Turkish lira	–	2	(2)	–
US dollar	(7)	–	1	–
Other	(59)	12	(33)	1

Notes:
[1] Presented in euro, the presentation currency of the Group.
[2] Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

30 Financial instruments (continued)

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.

	Income/(expense)			
	2014		2013	
€ million	+5%	–5%	+5%	–5%
Functional currency zones				
Czech koruna	1	(1)	1	(1)
Euro	1	(1)	–	–
Polish zloty	1	(1)	–	–
Other	2	(2)	2	(2)

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €3 million (2013: €6 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be 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 on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the syndicated facility (RCF) (see note 18). When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are usually designated as cash flow hedges and are measured at fair value at each reporting date. The fair value of interest rate swaps are determined 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 Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's 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, denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

Interest rate risk sensitivities on variable rate debt and interest rate swaps

	Interest rate risk exposures							
	2014				2013			
€ million	EUR	GBP	Other	Total	EUR	GBP	Other	Total
Total debt	1,198	355	188	1,741	1,507	–	245	1,752
Less:								
Fixed rate debt	(999)	–	(6)	(1,005)	(1,299)	–	(2)	(1,301)
Cash and cash equivalents	(10)	–	(46)	(56)	(62)	(7)	(61)	(130)
Net variable rate debt and exposure	**189**	**355**	**136**	**680**	146	(7)	182	321

Included in other is net variable exposure to various currencies the most significant of which are ZAR, PLN, RUB and TRY.

The Group did not have any outstanding interest rate swaps at 31 December 2014.

The potential impact on the Group's combined and consolidated equity resulting from the application of +/- 50 basis points to the variable interest rate exposure would be €3 million (2013: €2 million) and in respect of interest rate swaps designated as cash flow hedges would be €nil for the year ended 31 December 2014.

In addition to the above, the Group swaps euro and sterling debt into other currencies through the foreign exchange market using foreign exchange contracts which has the effect of exposing the Group to interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

€ million	2014	2013
Long-dated contracts with tenures of more than 12 months		
Russian rouble	–	27
Short-dated contracts with tenures of less than 12 months		
Russian rouble	141	179
Czech koruna	179	81
US dollar	67	80
Pounds sterling	(322)	62
Swedish krona	50	34
Polish zloty	198	94
Other	41	57
Total swapped	**354**	614

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. 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 16.

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 only enters into financial derivative contractual arrangements with banks that have investment grade credit ratings.

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.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

30 Financial instruments (continued)

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	2014	2013
Expiry date		
Within one year	59	42
One to two years	–	–
Two to five years	397	750
Total credit available	**456**	792

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's expected cash outflows, principally related to the payment of employees, 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 typically takes place over a period of three to four months from recognition in the combined and consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group.

Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial assets held by the Group, are settled gross by customers. The Group's financial investments, which are not held-for-trading and therefore do not comprise part of the Group's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. Non-interest bearing financial liabilities which are due to be settled in less than 12 months from maturity equal their carrying values, since the impact of the time value of money is immaterial over such a short duration.

Maturity profile of outstanding financial liabilities

2014/€ million	< 1 year	1-2 years	2-5 years	> 5 years	Total[1]
Total borrowings (including interest and net of amortised costs and discounts) (see note 18)	235	113	1,045	579	1,972
Trade and other payables (excluding tax and social security) (see note 17)	942	–	–	–	942
Total undiscounted cash flows	**1,177**	**113**	**1,045**	**579**	**2,914**

2013/€ million	< 1 year	1-2 years	2-5 years	> 5 years	Total[1]
Total borrowings (including interest and net of amortised costs and discounts) (see note 18)	265	141	1,085	641	2,132
Trade and other payables (excluding tax and social security) (see note 17)	921	–	–	–	921
Total undiscounted cash flows	1,186	141	1,085	641	3,053

Note:

[1] It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows.

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value. At 31 December 2014, the Group recognised total derivative assets of €76 million (2013: €6 million) and derivative liabilities of €6 million (2013: €5 million). Of these amounts, €70 million (2013: €1 million) mature within one year and the balance thereafter.

The notional amount of €1,433 million (2013: €980 million) is the aggregate face value of all derivatives outstanding at the reporting date. 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. Of the €1,433 million (2013: €980 million) aggregate notional amount, €739 million (2013: €645 million) relates to the economic hedging of foreign exchange exposures on short-term intercompany funding balances, which are fully eliminated on consolidation.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to profit and loss in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

There were no fair value gains/(losses) reclassified from the cash flow hedge reserve during the current or prior year. There was no ineffectiveness recognised in profit or loss arising on cash flow hedges for both the years presented.

31 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with equity accounted investees 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. 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.

	Associates	
€ million	**2014**	2013
Sales to related parties	7	10
Purchases from related parties	202	219
Dividends received	1	1
Payables due to related parties	12	1

Compensation for the Boards and key management

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. The Boards and members of the DLC executive committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Remuneration report.

€ million	**2014**	2013
Salaries and short-term employee benefits	5.9	5.0
Non-executive directors	1.1	1.0
Defined contribution plan payments	0.9	0.8
Social security costs	1.0	0.9
Share-based payments	4.1	3.9
Total	**13.0**	11.6

The information presented in the table above, in conjunction with the audited information included in the Remuneration report, satisfies the disclosure requirements of the South African Companies Act 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Group.

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 20.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

32 Group companies

The principal subsidiaries of the Group as at the reporting dates are presented below. All of these interests are combined and consolidated within the Group's financial statements. The Group has restricted the information to its principal subsidiaries, as full compliance with Section 409 of the UK Companies Act 2006 would result in a statement of excessive length.

Subsidiaries	Country of incorporation	Business unit	Percentage equity owned and proportion of voting rights 2014	2013
Mondi Consumer Packaging International GmbH	Germany	Consumer Packaging	100	100
Mondi Finance plc	UK	Treasury	100	100
Mondi Gronau GmbH	Germany	Consumer Packaging	100	100
Mondi Paper Sales GmbH	Austria	Sales company	100	100
Mondi Štětí a.s.	Czech Republic	Packaging Paper	100	100
Mondi Świecie S.A.	Poland	Packaging Paper	100	100
JSC Mondi Syktyvkar	Russia	Uncoated Fine Paper and Packaging Paper	100	100
Mondi SCP a.s.	Slovakia	Uncoated Fine Paper	51	51

These companies operate principally in the countries in which they are incorporated. Non-operating intermediate holding companies are excluded from the above table.

There are no joint ventures or any material associates in the Group.

Refer to Mondi's global footprint on pages 6 and 7 for more information on the places of operation.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Number of subsidiaries	2014	2013
Wholly-owned subsidiaries		
Packaging Paper	21	17
Fibre Packaging	73	80
Consumer Packaging	27	25
Uncoated Fine Paper	13	17
South Africa Division	4	5
Corporate holding companies and other	19	21
Total	**157**	165
Non-wholly-owned subsidiaries		
Packaging Paper	8	8
Fibre Packaging	13	13
Consumer Packaging	4	5
Uncoated Fine Paper	5	4
South Africa Division	3	3
Total	**33**	33

Details of non-wholly-owned subsidiaries

Name of subsidiary	Country of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests 2014	2013	Profit allocated to non-controlling interests 2014	2013	Equity allocated to non-controlling interests 2014	2013
Mondi SCP a.s.	Slovakia	49	49	23	27	223	210
Individually immaterial subsidiaries with non-controlling interests				3	1	43	45
Total				**26**	28	**266**	255

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP a.s.

€ million	2014	2013
Statement of financial position		
Non-current assets	469	421
Current assets	127	157
Current liabilities	(84)	(92)
Non-current liabilities	(48)	(49)
Net assets	**464**	437
Equity attributable to owners of the company	241	227
Equity attributable to non-controlling interests	223	210
Income statement and statement of comprehensive income		
Revenue	453	475
Operating costs (including taxation)	(405)	(420)
Profit for the year	**48**	55
Attributable to owners of the company	25	28
Attributable to non-controlling interests	23	27
Profit and total comprehensive income for the year	**48**	55
Dividends paid to non-controlling interests	**10**	59
Statement of cash flows		
Net cash inflow from operating activities	80	79
Net cash outflow from investing activities	(93)	(42)
Net cash outflow from financing activities	(18)	(120)
Net cash outflow	**(31)**	(83)

The summarised financial information represents amounts before intragroup eliminations.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

33 Events occurring after 31 December 2014

With the exception of the proposed final dividend for 2014, included in note 10, there have been no material reportable events since 31 December 2014.

34 Accounting policies

Basis of consolidation

Subsidiaries

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 subsidiaries drawn up to 31 December each year. All intragroup balances, transactions, income and expenses are eliminated. A subsidiary is an entity over which the Group has control. Control is evident where the Group is exposed to or has rights to variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

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 acquiring control or up to the effective date of disposal, as appropriate.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses. Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted for and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders.

Associates

Associates are investments over which the Group is in a position to exercise significant influence 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.

Revenue recognition

Sale of goods

Revenue is derived principally from the sale of goods and is measured at the fair value of the 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 been transferred. This is when title and insurance risk have passed to the customer, and the goods have been delivered to a contractually agreed location.

Sale of green energy and CO_2e credits

Revenues generated from the sale of green energy and CO_2e credits issued under international trading 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 proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Dividend income

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

Business combinations

Identifiable net assets

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary or an associate are recorded at their fair values on acquisition date. Assets and liabilities which cannot be measured reliably are recorded at provisional fair values, which 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 associated with a business combination are expensed as incurred.

Goodwill

Any excess of the cost of the 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.

Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of cash-generating units (CGU) 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 CGU to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and cost as approved by the Boards. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines; management's projections; and historical performance and announced industry capacity changes.

Cash flow projections beyond three-years are based on internal management forecasts. Growth rates in the countries in which the Group operates are determined with reference to published growth domestic product information.

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

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

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

Property, plant and equipment

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

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Assets in the course of construction are carried at cost less any impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are not capitalised.

Depreciation is charged to the combined and consolidated income statement so as to write off the cost of assets, other than land and assets in the course of construction, over their estimated useful lives to their estimated residual values. Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated to their residual values at varying rates, on a straight-line basis over their estimated useful lives. Estimated useful lives range from three years to 20 years for items of plant and equipment and to a maximum of 50 years for buildings.

Intangible assets and research and development expenditure

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is written off in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised as an expense if they do not qualify for capitalisation.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment 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. 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 of disposal 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 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 and an impairment recognised as an expense. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to 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.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

34 Accounting policies (continued)

Agriculture – owned forestry assets

Owned forestry assets are measured at fair value, 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 determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted to present value by applying a market related pre tax discount rate.

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

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

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal from the date on which these conditions are met.

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 or amortised. Comparative amounts are not adjusted.

Current non-financial assets

Inventory

Inventory is 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. Costs comprise direct materials and, where applicable, direct labour costs and those 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 of disposal.

Retirement benefits

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

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

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on AA rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the reporting period.

The net retirement benefits liability recognised in the combined and consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of plan assets. Any net retirement benefits asset resulting from this calculation is limited to an asset ceiling which is the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the relevant Group plans.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to operating profit. A net interest expense or net interest income is calculated by applying the discount rate, on a per plan basis, to the net defined benefit liability or asset and recognised in the combined and consolidated income statement within net finance costs.

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (after recognising the net finance charge) are recognised in the combined and consolidated statement of financial position with a charge or credit to other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled, but those amounts recognised in other comprehensive income may be transferred within equity.

Tax

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current tax

The current tax charge is based on taxable profit for the year. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced 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 within a reasonable period of time. Similarly, it is increased to the extent that it is probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

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 to the combined and consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

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

Leases

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

Finance leases

Assets held under finance leases are recognised as assets of the Group at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting lease payments using the interest rate implicit in the lease. The interest element of the rental is recognised as a finance charge in the combined and consolidated income statement, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs. These assets are depreciated over the shorter of the lease term and the expected useful economic lives of the assets.

Operating leases

Rental costs under operating leases are charged to the combined and consolidated income statement in equal annual amounts over the lease term unless another systematic basis is more representative of the pattern of use.

Provisions

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

Government grants

Government grants are recognised when the right to receive such grants is established and are treated as deferred income. They are released to the combined and consolidated income statement on a systematic basis, either over the expected useful lives of the assets for which they are provided, or over the periods necessary to match them with the related costs which they are intended to compensate.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

34 Accounting policies (continued)

Foreign currency transactions and translation

Foreign currency transactions
Foreign currency transactions are recorded in their functional currencies at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the combined and consolidated income statement 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 euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates on the dates of the underlying transactions. Exchange differences arising, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Share-based payments

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial asset investments
Investments, other than investments in subsidiaries 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 other comprehensive income and deferred in equity until an investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is included in the combined and consolidated income statement.

Loans and receivables are measured on 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 in the combined and consolidated statement of financial position. Cash and cash equivalents in the combined and consolidated statement of cash flows and in the presentation of net debt are reflected net of overdrafts.

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

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

Borrowings

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

Borrowing costs

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised 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.

All other borrowing costs are recognised in the combined and consolidated income statement in the period in which they are incurred.

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 risks. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the combined and consolidated statement of financial position within derivative financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

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 to which the derivative relates.

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 other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the combined and consolidated income statement in the same period in which the hedged item affects profit and 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 the combined and consolidated income statement. Gains or losses from remeasuring the associated derivative are also recognised in the combined and consolidated income statement.

Ineffective, expired, sold, terminated or exercised hedging instruments

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

Equity instruments

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 shareholders 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 shareholders 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 shareholders at their respective annual general meetings and interim dividends are recognised when approved by the Boards.

Notes to the combined and consolidated financial statements continued for the year ended 31 December 2014

34 Accounting policies (continued)

Earnings per share (EPS)

Basic EPS
Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of the sum of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares.

Diluted EPS
For diluted EPS, the weighted average number of the sum 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. At present these only include share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease EPS.

Underlying and headline EPS
Underlying EPS excludes the impact of special items and is a non-IFRS 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 Listings Requirements of the JSE Limited and is calculated in accordance with Circular 2/2013, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Segmental reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the DLC executive committee, the chief operating decision-making body.

Measurement of operating segment revenues, profit and loss, assets and non-current non-financial assets
Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed adhere to the recognition and measurement criteria presented in the Group's accounting policies. In addition, the Group has presented certain non-IFRS measures by segment to supplement the user's understanding. All intragroup transactions are conducted on an arm's length basis.

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

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

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

There has been no change in the basis of measurement of segment profit and loss in the financial year.

The DLC executive committee uses EBITDA as a measure of cash flow, coupled with the depreciation and amortisation charge, for making decisions about, amongst others, allocation of funds for capital investment.

New accounting policies, early adoption and future requirements

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

Standards, amendments to published Standards and Interpretation effective during 2014
The following Standards, amendments to published Standards and Interpretation which the Group has adopted during the current year, had no significant impact on the Group's results:

- IFRS 2 – Share-based Payments
- IFRS 3 – Business Combinations
- IFRS 8 – Operating Segments
- IFRS 13 – Fair Value Measurement
- IAS 1 – Presentation of Financial Statements
- IAS 7 – Statement of Cash Flows
- IAS 12 – Income Taxes
- IAS 19 – Employee Benefits
- IAS 32 – Financial Instruments: Presentation
- IAS 39 – Financial Instruments
- IFRIC 21 – Levies

Standards, amendments to published Standards and Interpretations that are not yet effective and have not been early adopted by the Group
The impact of the following Standards on the Group's results, which will become effective and be adopted for annual reporting periods beginning on or after 1 January 2017 and 2018 respectively, are:

- IFRS 15 – Revenue from Contracts with Customers – no material impact is expected on Group revenue with any impact offset by a corresponding movement in other net operating expenses resulting in no impact on operating profit. Additional disclosures will be required.
- IFRS 9 – Financial Instruments – no impact is expected on the measurement of financial instruments, but additional disclosures and changes to current disclosure and presentation are required.

Independent auditors' report on the summary financial statements to the shareholders of Mondi Limited

The accompanying summary financial statements of Mondi Limited, which comprise the statement of financial position as at 31 December 2014 and selected notes, are derived from the audited annual financial statements of Mondi Limited for the year ended 31 December 2014. We expressed an unmodified audit opinion on those annual financial statements in our report dated 23 February 2015. Our auditors' report on the audited annual financial statements contained an Other Matter paragraph 'Other reports required by the Companies Act' (refer below).

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa 2008 as applicable to annual financial statements. Reading the summary financial statements, therefore, is not a substitute for reading the audited annual financial statements of Mondi Limited.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with framework concepts and the measurement and recognition requirements of IFRS and the requirements of the Companies Act of South Africa 2008 and for such internal control as the directors determine is necessary to enable the preparation of the summary financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, 'Engagements to Report on Summary Financial Statements.'

Opinion

In our opinion, the summary financial statements derived from the audited annual financial statements of Mondi Limited for the year ended 31 December 2014 are consistent, in all material respects, with those annual financial statements, in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the requirements of the Companies Act of South Africa 2008 as applicable to summary financial statements.

Other reports required by the Companies Act

The 'other reports required by the Companies Act' paragraph in our audit report dated 23 February 2015 states that as part of our audit of the annual financial statements for the year ended 31 December 2014, we have read the Directors' report, the Audit committee's report and the Company secretary's compliance statement for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary financial statements or our opinion thereon.

Deloitte & Touche
Registered Auditors
Per Bronwyn Kilpatrick
Partner
Sandton

23 February 2015

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

National Executive: ***LL Bam** Chief Executive ***AE Swiegers** Chief Operating Officer ***GM Pinnock** Audit **DL Kennedy** Risk Advisory ***NB Kader** Tax **TP Pillay** Consulting ***K Black** Clients & Industries ***JK Mazzocco** Talent & Transformation ***MJ Jarvis** Finance ***M Jordan** Strategy **S Gwala** Managed Services ***TJ Brown** Chairman of the Board **MJ Comber** Deputy Chairman of the Board

A full list of partners and directors is available on request

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

*Partner and Registered Auditor

Mondi Limited parent company statement of financial position
as at 31 December 2014

ZAR million	Notes	2014	2013
Property, plant and equipment		5,008	5,265
Forestry assets		2,647	2,752
Investments in subsidiaries	2	84	85
Investment in associate	3	24	24
Total non-current assets		**7,763**	8,126
Inventories		624	524
Trade and other receivables		1,563	1,582
Investments in subsidiaries	2	117	100
Current tax asset		–	3
Financial asset investments		128	127
Cash and cash equivalents		21	3
Derivative financial instruments		10	–
Assets held for sale		172	–
Total current assets		**2,635**	2,339
Total assets		**10,398**	10,465
Short-term borrowings		(913)	(1,318)
Trade and other payables		(1,018)	(924)
Current tax liability		(28)	–
Provisions		(76)	(61)
Derivative financial instruments		–	(9)
Total current liabilities		**(2,035)**	(2,312)
Retirement benefits liability		(811)	(797)
Deferred tax liability		(1,437)	(1,472)
Provisions		(28)	(27)
Total non-current liabilities		**(2,276)**	(2,296)
Total liabilities		**(4,311)**	(4,608)
Net assets		**6,087**	5,857
Equity			
Stated capital	4	4,188	4,188
Retained earnings and other reserves		1,899	1,669
Total equity		**6,087**	5,857

The statement of financial position and statement of changes in equity of Mondi Limited and related notes were approved by the board and authorised for issue on 23 February 2015 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06

Mondi Limited parent company statement of changes in equity for the year ended 31 December 2014

ZAR million	Stated capital	Retained earnings	Other reserves	Total equity
At 1 January 2013	4,188	821	(85)	4,924
Dividends paid	–	(416)	–	(416)
Total comprehensive income for the year	–	476	120	596
Mondi share schemes' charge	–	–	20	20
Issue of Mondi Limited shares under employee share schemes	–	30	(17)	13
Shares vested from Mondi Incentive Schemes Trust	–	(29)	–	(29)
Share options exercised – Anglo American share scheme	–	(1)	–	(1)
Transfer from Mondi plc	–	750	–	750
At 31 December 2013	4,188	1,631	38	5,857
Dividends paid	–	(683)	–	(683)
Total comprehensive income for the year	–	965	(29)	936
Mondi share schemes' charge	–	–	21	21
Issue of Mondi Limited shares under employee share schemes	–	20	(21)	(1)
Shares vested from Mondi Incentive Schemes Trust	–	(42)	–	(42)
Share options exercised – Anglo American share scheme	–	(1)	–	(1)
At 31 December 2014	**4,188**	**1,890**	**9**	**6,087**

Notes to the Mondi Limited parent company financial statements
for the year ended 31 December 2014

1 Accounting policies

Basis of preparation

The statement of financial position and selected notes of Mondi Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) under the historical cost convention.

Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in notes 1 and 34 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 policy, which is additional to those applied by the Group, is stated as follows:

Investments
Investments in subsidiaries and associates are reflected at cost less amounts written off and provisions for any impairments.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1).

2 Investments in subsidiaries

ZAR million	2014	2013
Unlisted		
Shares at cost	5	10
Loans advanced	196	275
Impairment	–	(100)
Total investments in subsidiaries	**201**	185
Repayable within one year disclosed as a current asset	(117)	(100)
Total long-term investments in subsidiaries	**84**	85

3 Investment in associate

ZAR million	2014	2013
Mpact Recycling Proprietary Limited		
Shares at cost	**24**	24

4 Stated capital

Full disclosure of the stated capital of Mondi Limited is set out in note 21 of the Group's combined and consolidated financial statements.

5 Contingent liabilities

Contingent liabilities for Mondi Limited comprise aggregate amounts at 31 December 2014 of R77 million (2013: R80 million), in respect of loans and guarantees given to banks and other third parties.

6 Events occurring after 31 December 2014

With the exception of the proposed final dividend for 2014, included in note 10 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2014.

Mondi plc parent company balance sheet
as at 31 December 2014

€ million	Notes	2014	2013
Fixed asset investments	5	**2,938**	2,938
Debtors – due within one year		3	3
Cash and cash equivalents		290	447
Total current assets		**293**	450
Total assets		**3,231**	3,388
Total creditors: amounts falling due within one year		(16)	(17)
Total provisions: amounts falling due after more than one year		(1)	(1)
Total liabilities		**(17)**	(18)
Net assets		**3,214**	3,370
Capital and reserves			
Share capital	6	103	103
Profit or loss account		3,097	3,254
Share-based payments reserve		14	13
Total shareholders' funds		**3,214**	3,370

The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the board and authorised for issue on 23 February 2015 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi plc company registered number: 6209386

Mondi plc parent company statement of changes in equity
for the year ended 31 December 2014

€ million	Share capital	Profit or loss account	Share-based payments reserve	Total equity
At 1 January 2013	103	2,914	14	3,031
Dividends paid	–	(105)	–	(105)
Mondi share schemes' charge	–	–	9	9
Issue of shares under employee share schemes	–	10	(10)	–
Purchase of treasury shares	–	(24)	–	(24)
Profit for the year	–	514	–	514
Transfer to Mondi Limited	–	(55)	–	(55)
At 31 December 2013	103	3,254	13	3,370
Dividends paid	–	(145)	–	(145)
Mondi share schemes' charge	–	–	9	9
Issue of shares under employee share schemes	–	8	(8)	–
Purchase of treasury shares	–	(18)	–	(18)
Loss for the year	–	(2)	–	(2)
At 31 December 2014	**103**	**3,097**	**14**	**3,214**

Notes to the Mondi plc parent company financial statements
for the year ended 31 December 2014

1 Accounting policies

Basis of accounting

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the Group accounts of Mondi plc, which are publicly available. The results, assets and liabilities of Mondi plc are included in the combined and consolidated Group financial statements, which are publicly available.

Mondi plc has made use of the exemption from preparing a profit and loss account, in terms of Section 408 of the UK Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the Governance section under other statutory information under the heading 'Going concern.'

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in notes 1 and 34 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 plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy additional to those applied by the Group is stated as follows:

Investments
Fixed asset investments are stated at cost, less, where appropriate, provisions for impairment.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi plc are discussed in the Group's combined and consolidated financial statements (see note 1).

2 Auditors' remuneration

Disclosure of the audit fees payable to the auditor for the audit of Mondi plc's financial statements is set out in note 5 of the Group's combined and consolidated financial statements.

3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 22 of the Group's combined and consolidated financial statements.

4 Deferred tax

A deferred tax asset of €4 million (2013: €6 million) has not been recognised in relation to temporary differences regarding the share-based payment arrangements. A deferred tax asset has not been recognised in relation to tax losses brought forward of €27 million (2013: €28 million). The deferred tax assets have not been recognised due to the unpredictability of future income against which they could be utilised.

Notes to the Mondi plc parent company financial statements continued for the year ended 31 December 2014

5 Fixed asset investments

€ million	2014	2013
Unlisted		
Shares at cost	**2,938**	2,938

The investment is in Mondi Investments Limited (incorporated in the UK), a wholly-owned subsidiary which acts as an investment holding company.

6 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 21 of the Group's combined and consolidated financial statements.

7 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the UK pension schemes of its subsidiaries, obligations incurred in the ordinary course of business and the 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 (2013: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2014	2013
Pension scheme guarantees	90	84
Guarantees of obligations of subsidiaries of Mondi plc		
– Incurred in the ordinary course of business	30	26
– In favour of banks and bondholders	2,057	2,185
At 31 December	**2,177**	2,295

8 Events occurring after 31 December 2014

With the exception of the proposed final dividend for 2014, included in note 10 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2014.

Group financial record

Financial performance 2007 – 2014[1]

Combined and consolidated income statement

€ million	2014	2013	2012	2011	2010	2009[2]	2008[2]	2007[2]
Group revenue	**6,402**	6,476	5,790	5,739	5,610	5,257	6,345	6,269
EBITDA	**1,126**	1,068	927	964	798	645	814	870
Underlying operating profit	**767**	699	574	622	458	294	441	502
Special items	(52)	(87)	(91)	(55)	(21)	(125)	(385)	6
Net finance costs (excluding financing special item)	(97)	(115)	(110)	(111)	(106)	(114)	(159)	(99)
Underlying earnings	**519**	460	334	340	206	95	172	241
Basic underlying EPS	**107.3**	95.0	69.2	68.1	40.6	18.7	33.9	46.9
Total dividend per share paid and proposed	**42.0**	36.0	28.0	26.0	20.0	9.5	12.7	23.0

Key performance indicators

%	2014	2013	2012	2011	2010	2009[2]	2008[2]	2007[2]
EBITDA margin	**17.6**	16.5	16.0	16.8	14.2	12.3	12.8	13.9
Operating margin	**12.0**	10.8	9.9	10.8	8.2	5.6	7.0	8.0
ROCE	**17.2**	15.3	13.6	15.0	12.3	7.6	9.5	10.6

Significant cash flows

€ million	2014	2013	2012	2011	2010	2009[2]	2008[2]	2007[2]
Cash generated from operating activities	**929**	911	742	834	734	867	795	957
Capital expenditure cash outflows[3]	**(562)**	(405)	(294)	(263)	(394)	(517)	(693)	(406)

Combined and consolidated statement of financial position

€ million	2014	2013[7]	2012[7]	2011	2010	2009[2]	2008[2]	2007[2]
Non-current assets	4,367	4,374	4,757	3,971	4,693	4,476	4,208	4,549
Current assets[4]	1,853	1,733	1,812	1,482	1,717	1,609	1,898	2,133
Total assets	**6,220**	6,107	6,569	5,453	6,410	6,085	6,106	6,682
Current liabilities[5]	(1,147)	(1,115)	(1,166)	(1,020)	(1,185)	(1,159)	(1,154)	(1,248)
Non-current liabilities[6]	(566)	(527)	(655)	(567)	(637)	(585)	(566)	(591)
Total liabilities	**(1,713)**	(1,642)	(1,821)	(1,587)	(1,822)	(1,744)	(1,720)	(1,839)
Net assets excluding net debt	**4,507**	4,465	4,748	3,866	4,588	4,341	4,386	4,843
Equity	2,628	2,591	2,572	2,586	2,763	2,399	2,323	2,963
Non-controlling interests	266	255	301	449	461	425	373	373
Net debt	1,613	1,619	1,875	831	1,364	1,517	1,690	1,507
Capital employed	**4,507**	4,465	4,748	3,866	4,588	4,341	4,386	4,843

Notes:
1 Prepared on a combined and consolidated basis and in accordance with applicable IFRS.
2 The information presented for the years prior to 2010 includes the results of Mpact Limited, formerly Mondi Packaging South Africa Proprietary Limited, which was demerged from the Group on 11 July 2011 and thus classified as a discontinued operation from 1 January 2010.
3 Excludes business combinations and investments in intangible assets.
4 Including assets held for sale and excluding cash and cash equivalents, current financial asset investments and debt-related derivatives.
5 Including liabilities directly associated with assets classified as held for sale and excluding net debt and debt-related derivatives.
6 Excluding net debt and debt-related derivatives.
7 Restated due to debt-related derivatives being included in net debt.

Production statistics

		2014	(Restated)[1] 2013
Packaging Paper			
Containerboard	Tonnes	2,160,485	2,138,714
Kraft paper	Tonnes	1,130,220	1,010,885
Softwood pulp	Tonnes	2,085,191	2,007,959
Internal consumption	Tonnes	1,970,491	1,859,597
Market pulp	Tonnes	114,700	148,362
Fibre Packaging			
Corrugated board and boxes	million m^2	1,343	1,344
Industrial bags	million units	4,446	4,032
Extrusion coatings	million m^2	1,401	1,472
Consumer Packaging			
Consumer packaging	million m^2	6,397	6,387
Uncoated Fine Paper			
Uncoated fine paper	Tonnes	1,361,243	1,381,141
Newsprint	Tonnes	201,998	207,228
Hardwood pulp	Tonnes	1,127,594	1,087,615
Internal consumption	Tonnes	1,041,104	1,013,790
Market pulp	Tonnes	86,490	73,825
South Africa Division			
Containerboard	Tonnes	252,526	254,714
Uncoated fine paper	Tonnes	258,083	258,751
Hardwood pulp	Tonnes	648,635	645,611
Internal consumption	Tonnes	332,085	331,928
Market pulp	Tonnes	316,550	313,683
Softwood pulp – internal consumption	Tonnes	138,640	166,101
Newsprint	Tonnes	117,087	145,498

Note:
[1] Restated to reflect the change in the Group's segmental reporting. Refer to note 2 of the combined and consolidated financial statements.

Exchange rates

	Average		Closing	
versus euro	**2014**	2013	**2014**	2013
South African rand	14.42	12.83	14.04	14.57
Czech koruna	27.53	25.99	27.74	27.43
Polish zloty	4.18	4.20	4.27	4.15
Pounds sterling	0.81	0.85	0.78	0.83
Russian rouble	50.73	42.32	72.34	45.32
Turkish lira	2.91	2.53	2.83	2.96
US dollar	1.33	1.33	1.21	1.38

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'). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Share capital

Mondi plc's issued share capital as at 31 December 2014 comprised 367,240,805 ordinary shares of 20 euro cents each (the 'Ordinary Shares') representing 71.4% of the total share capital, 118,312,975 PLC Special Converting Shares of 20 euro cents each representing 23.0% of the total share capital, 146,896,322 deferred shares of 4 euro cents each (the 'Deferred Shares') representing 5.5% of the total share capital, 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. Each of the Special Rights Share, PLC Special Voting Share, UK DAN Share and UK DAS Share represent only a nominal percentage of the total share capital.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Act, 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 Act, 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 Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use his discretion as to how to vote. On a poll every member who is present in person or by proxy has one vote for every fully paid share of which he is the holder. 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 Act, 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 proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting 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 Act.

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 Act, 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 a special 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.

Additional information for Mondi plc shareholders continued

Ordinary Shares continued

Transfer of shares

All transfers of shares which are in certificated form 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 and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

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 register any instrument of transfer unless: (i) the instrument of transfer is in respect of only one class of share, (ii) when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require and (iii) it is fully paid.

Subject to the Companies Act 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.

Deferred Shares

The rights and privileges attached to the Deferred Shares are as follows: no entitlement to receive any dividend or distribution declared, made or paid or any return of capital (save as described below) and does not entitle the holder to any further or other right of participation in the assets of Mondi plc.

On a return of capital on winding up, but not on a return of capital on any other class of shares of Mondi plc, otherwise than on a winding up of Mondi plc, the holders of the Deferred Shares shall be entitled to participate but such entitlement is limited to the repayment of the amount paid up or credited as paid up on such share and shall be paid only after the holders of any and all Ordinary Shares then in issue shall have received (i) payment in respect of such amount as is paid up or credited as paid up on those Ordinary Shares held by them at that time plus (ii) the payment in cash or *in specie* of £10,000,000 on each such Ordinary Share.

The holders of the Deferred Shares are not entitled to receive notice of, nor attend, speak or vote at, any general meeting of Mondi plc.

Shares required for the DLC structure

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding up, and they have no rights to dividends. The PLC Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each annual general meeting held in each year at least one-third of the directors, including at least one-third of non-executive 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 of incorporation 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 Act 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 Mondi plc and the memorandum of incorporation of 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 Act by way of special resolution.

Shareholder information

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited while Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

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; 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.

Financial calendar	
13 May 2015	2015 annual general meetings
13 May 2015	Interim management statement
21 May 2015	Payment date for 2014 final dividend (see below)
6 August 2015	2015 half-yearly results announcement
September 2015	2015 interim dividend payment
8 October 2015	Interim management statement

Analysis of shareholders

As at 31 December 2014 Mondi Limited had 118,312,975 ordinary shares in issue and Mondi plc had 367,240,805 ordinary shares in issue, of which 151,338,635 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
3,500	64.92	1 – 500	533,049	0.45
509	9.44	501 – 1,000	369,636	0.31
615	11.41	1,001 – 5,000	1,422,841	1.20
506	9.39	5,001 – 50,000	9,676,378	8.18
240	4.45	50,001 – 1,000,000	51,811,194	43.79
21	0.39	1,000,001 – highest	54,499,877	46.07
5,391	100.00		118,312,975	100.00

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
2,234	58.07	1 – 500	461,893	0.13
523	13.59	501 – 1,000	383,403	0.10
528	13.72	1,001 – 5,000	1,149,543	0.31
288	7.49	5,001 – 50,000	5,348,505	1.46
228	5.93	50,001 – 1,000,000	54,751,612	14.91
46	1.20	1,000,001 – highest	305,145,849	83.09
3,847	100.00		367,240,805	100.00

By type of holding

Mondi Limited

	No. of holders	No. of shares	% of shares
Public[1]	5,388	117,627,285	99.42
Non-public	3	685,690	0.58
Directors of Mondi Limited/Mondi plc	2	3,430	–
Mondi staff share schemes[2]	1	682,260	0.58
Total	5,391	118,312,975	100.00

Mondi plc

	No. of holders	No. of shares	% of shares
Public[1]	3,836	365,603,944	99.55
Non-public	11	1,636,861	0.45
Directors of Mondi Limited/Mondi plc	9	403,277	0.11
Mondi staff share schemes[2]	2	1,233,584	0.34
Total	3,847	367,240,805	100.00

Notes
[1] As per the Listings Requirements of the JSE Limited.
[2] Shares held for the purposes of Mondi staff share schemes are held in trust.

Managing your shares

Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

	Mondi Limited shares and Mondi plc shares on the South African branch register	Mondi plc shares on the UK register
Registrar	Link Market Services South Africa Proprietary Limited ('Link Market Services')	Capita Asset Services
Postal Address	PO Box 4844 Johannesburg, 2000 South Africa	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK
Helpline Number	011 713 0800 (if calling from South Africa) +27 11 713 0800 (if calling from outside South Africa)	0871 664 0300 (if calling from the UK; calls cost 10p per minute plus network extras; lines are open Mon-Fri 8:30am to 5:30pm) +44 208 639 3399 (if calling from outside the UK)
Email	info@linkmarketservices.co.za	ssd@capitaregistrars.com
Online	Not available	www.capitashareportal.com

Shareholder information continued

Sign up to email communications

Many of our shareholders choose to receive shareholder information electronically rather than by post. Benefits include faster notification of shareholder information, reduced costs and being more environmentally friendly.

Mondi plc shareholders on the UK register can sign up to email communications via the Capita Share Portal or by contacting Capita Asset Services.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register can sign up to email communications by contacting Link Market Services or by emailing corpactfax@linkmarketservices.co.za.

You will be notified by email each time new financial reports, notices of shareholder meetings and other shareholder communications are published on our website at: www.mondigroup.com.

Manage your shares online

Mondi plc shareholders on the UK register can sign up to the Capita Share Portal, a free secure online site provided by our registrar, Capita Asset Services, where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation
- Change your address
- Arrange to have dividends paid into your bank account
- Request to receive shareholder communications by email rather than post
- View your dividend payment history
- Make dividend payment choices
- Buy and sell shares and access stock market news and information
- Register your proxy voting instruction
- Download a Stock Transfer form

To register for the Capita Share Portal just visit www.capitashareportal.com. All you need is your investor code which can be found on your share certificate, dividend tax voucher or proxy form.

Dividends

A proposed final dividend for the year ended 31 December 2014 of 28.77 euro cents per ordinary share and an equivalent South African rand final dividend of 379.38999 rand cents per ordinary share will be paid to Mondi plc and Mondi Limited shareholders respectively in accordance with the below timetable. Payment is subject to the approval of the shareholders of Mondi plc and Mondi Limited at the respective annual general meetings scheduled for 13 May 2015.

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	17 April 2015	17 April 2015
London Stock Exchange	Not applicable	22 April 2015
Shares commence trading ex-dividend		
JSE Limited	20 April 2015	20 April 2015
London Stock Exchange	Not applicable	23 April 2015
Record date		
JSE Limited	24 April 2015	24 April 2015
London Stock Exchange	Not applicable	24 April 2015
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	30 April 2015	30 April 2015
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	4 May 2015	26 April 2015*
Payment Date		
South African Register	21 May 2015	21 May 2015
UK Register	Not applicable	21 May 2015
DRIP purchase settlement dates (subject to the purchase of shares in the open market)	29 May 2015	26 May 2015**
Currency conversion dates		
ZAR/euro	24 February 2015	24 February 2015
Euro/sterling	Not applicable	5 May 2015

* 4 May 2015 for Mondi plc South African branch register shareholders
** 29 May 2015 for Mondi plc South African branch register shareholders

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 20 April 2015 and 27 April 2015, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 15 April 2015 and 27 April 2015, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final dividend paid to Mondi Limited shareholders and Mondi plc shareholders on the South African branch register at the rate of 15%, unless a shareholder qualifies for an exemption.

Your dividend currency

All dividends are declared in euro but are paid in the following currencies:

Mondi Limited	South African rand
Mondi plc	euro
Mondi plc (UK residents)	pounds sterling
Mondi plc (South African residents)	South African rand

- Mondi plc shareholders on the UK register resident in the UK may elect to receive their dividends in euro.
- Mondi plc shareholders on the UK register resident outside the UK may elect to receive their dividends in pounds sterling.

Mondi plc shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Capita Asset Services using the details provided.

Payment of your dividends

Mondi encourages shareholders to have their dividends paid directly into their bank accounts. This means that the dividend will reach your bank account more securely and on the payment date without the inconvenience of depositing a cheque.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register

- Shareholders with a South African bank account can elect to receive dividends directly into their bank account by contacting Link Market Services.
- Shareholders without a South African bank account may consider dematerialising their shares with a Central Securities Depository Participant (CSDP) in South Africa as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting Link Market Services or any CSDP.

Mondi plc shareholders on the UK register

- Shareholders with a UK bank account can elect to receive dividends directly into their bank account via the Capita Share Portal or by contacting Capita Asset Services.
- Shareholders without a UK bank account may be able to take advantage of the International Payment Service offered by Capita Asset Services. Find out more via the Capita Share Portal or by contacting Capita Asset Services.

Reinvest your dividends

The dividend reinvestment plans (DRIPs) 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 in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs you can sign up via the Capita Share Portal or by contacting either Link Market Services or Capita Asset Services as appropriate.

South African dematerialisation

Mondi encourages Mondi Limited shareholders and Mondi plc shareholders on the South African branch register to consider dematerialising their shares. By surrendering your share certificate, you will hold your shares electronically with a Central Securities Depository Participant (CSDP) in South Africa.

Holding shares electronically can help to prevent share fraud, theft and loss of share certificates. Once dematerialised, your dividends can be paid directly into a bank account and your shares will be easier to sell.

Find out more by contacting Link Market Services or any CSDP.

Shareholder information continued

Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regards to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. Tax vouchers will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

Donating shares to charity

If you have a small number of shares which would cost you more to sell than they are worth, there is the option to donate these unwanted shares to charity free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities. Donate your shares or find out more using the relevant contact details below:

	Mondi Limited shares or Mondi plc shares on the South African branch register	**Mondi plc shares on the UK register**
	Strate Charity Shares	ShareGift
Postal Address	PO Box 78608 Sandton, 2146 South Africa	PO Box 72253 London SW1P 9LQ UK
Helpline Number	0800 202 363 (if calling from South Africa) +27 11 870 8207 (if calling from outside South Africa)	+44 (0)20 7930 3737
Email	info@strate.co.za	help@sharegift.org
Online	www.strate.co.za	www.sharegift.org

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.

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.

Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact Capita Asset Services, Link Market Services or Mondi's company secretarial department on +44 (0)1932 826300.

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Glossary of terms

This report contains a number of terms which are explained below. For a detailed glossary of sustainability terms refer to our Sustainable development report 2014 at www.mondigroup.com/sd14.

CoC	Chain-of-Custody (CoC) is a tracking system that allows manufacturers and traders to demonstrate that wood comes from a forest that is responsibly managed in accordance with credible standards.
EBITDA	Operating profit before special items, depreciation and amortisation.
FSC®	Forest Stewardship Council® (FSC®) is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third party certification and labelling of forest products.
GHG	Greenhouse gases (GHG) are gases listed in the Kyoto Protocol of the United Nations – Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol.
GRI	The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.
Net debt	A measure comprising short, medium and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents and current financial asset investments.
Return on capital employed (ROCE)	Trailing 12 month underlying operating profit, including share of associates' net profit, divided by trailing 12 month average trading capital employed and, for segments, has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on those strategic projects which are not yet in production.
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.
TRCR	Total recordable case rate (TRCR) is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.
TRS	Total reduced sulphur compounds, generated in the pulping process, and a source of emissions to air.
Underlying earnings	Net profit after tax before special items attributable to shareholders.
Underlying operating profit	Operating profit before special items.
Underlying profit before tax	Reported profit before tax and special items.

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Our 2014 suite of reports

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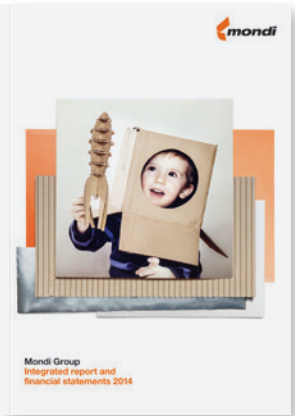

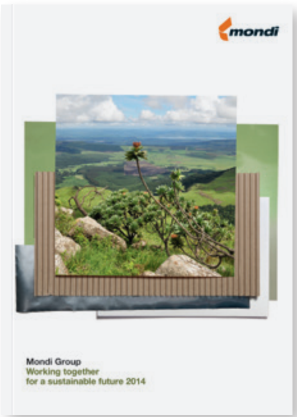

Integrated report and financial statements 2014

In this report we review our strategy, governance and performance in 2014. This report is also available online at **www.mondigroup.com/ir14**

Working together for a sustainable future 2014

This publication gives an overview of how we create sustainable value and highlights some of our biggest challenges and opportunities. It is also available as a downloadable pdf at **www.mondigroup.com/sdpublication14**

Online Sustainable development report 2014

This report gives a comprehensive view of our approach to sustainable development and our performance in 2014 with regards to environmental, social and governance issues.

This report is prepared in accordance with the Global Reporting Initiative (GRI) G3 guidelines to a B+ level with selected key performance indicators verified by an independent third party assurance provider – ERM Certification and Verification Services (ERM CVS) – and is available online as an interactive pdf at **www.mondigroup.com/sd14**

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. These forward-looking statements speak only as of the date on which they are made.

No assurance can be given that such future results will be achieved; various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include in particular but without any limitation: (1) operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Mondi's patents and other intellectual property rights and the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for Mondi's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of Mondi and potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in Mondi's principal geographical markets or fluctuations of exchange rates and interest rates.

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE.

This document includes market share estimates prepared by the Group based on industry publications and management estimates. Primary sources in relation to market share estimates are: RISI, POYRY, Eurosac, Henry Poole Consulting, Freedonia, EMGE, Eurograph delivery statistics, Pyrabelisk and Alexander Watson Associates.

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