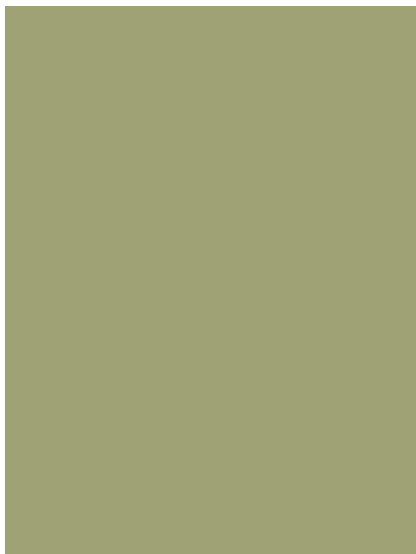


# Mondi Group

Half-yearly report 2012



# From the CEO

We are pleased to announce good results following the anticipated pick-up in trading after a challenging start to the year. Cash generation is robust and our return on capital employed remains above our through-the-cycle target, reflecting the strength of our low-cost operating model.

We have made significant progress on a number of strategic initiatives, most notably the acquisition of the remaining minority interest in Świecie and the agreement to acquire a 93.9% interest in Nordenia. These steps build on our position as a leading international packaging and paper company with a strong platform for continued growth in emerging markets.

The macroeconomic environment remains a concern, with continued soft demand evident in certain western European

markets. Encouragingly, demand in a number of the emerging markets to which the Group is exposed remains firm, and positive supply side fundamentals in various of our core grades offer price support. As such, we remain confident of delivering against our expectations for the full year.

## David Hathorn

Mondi Group chief executive officer

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# Financial summary

## Operational and financial highlights

- Good operating performance after a challenging start to the year
- Return on capital employed of 13.3%, in excess of the Group's through-the-cycle target of 13%
- Interim dividend of 8.9 euro cents per share, up 8%
- Strong cash generation of €353 million
- Significant strategic acquisitions:
  - Świecie minorities acquired for €296 million
  - €655 million acquisition of Nordenia agreed

## Financial summary

	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 31 December 2011
<i>€ million, except for percentages and per share measures</i>			
<b>From continuing operations</b>			
Group revenue	2,840	2,942	2,797
Underlying EBITDA <sup>1</sup>	436	526	438
Underlying operating profit <sup>1</sup>	269	354	268
Underlying profit before tax <sup>1</sup>	217	296	216
Profit before tax	223	300	157
<b>Per share measures</b>			
Basic underlying earnings per share (€ cents)	30.9	38.2	29.9
Basic earnings per share – alternative measure <sup>2</sup> (€ cents)	30.9	41.7	30.1
Basic earnings per share from continuing operations (€ cents)	31.7	39.0	18.5
Basic earnings per share (€ cents)	31.7	41.6	24.5
Interim dividend per share (€ cents)	8.9	8.25	
Free cash flow per share <sup>3</sup> (€ cents)	9.3	19.6	59.2
Cash generated from operations	353	403	514
Net debt	1,273	1,200	831
Group Return on Capital Employed (ROCE <sup>4</sup> )	13.3%	15.2%	15.0%

### Notes:

<sup>1</sup> The Group presents underlying EBITDA, operating profit and profit before tax as measures which exclude special items in order to provide a more effective comparison of the underlying financial performance between reporting periods.

<sup>2</sup> The directors have elected to present an alternative, non-IFRS measure of earnings per share from continuing operations. As more fully set out in note 11 of the half-yearly financial statements, the effects of the recapitalisation and the demerger of Mpact (formerly Mondi Packaging South Africa) and the Mondi Limited share consolidation have been adjusted in the 2011 comparative earnings per share figures to reflect the position as if the transaction had been completed on 1 January 2011. This is intended to enable a more useful comparison of earnings per share from continuing operations, based on the consolidated number of shares.

<sup>3</sup> Free cash flow per share is net increase in cash and cash equivalents before the effects of acquisitions and disposals of businesses and changes in net debt and dividends paid divided by the net number of shares in issue at the end of the reporting period.

<sup>4</sup> ROCE is the 12 month rolling average underlying operating profit expressed as a percentage of the average rolling 12 month capital employed, adjusted for impairments and spend on strategic projects which are not yet in operation.

# Group performance review

The Group's underlying operating profit of €269 million was in line with that of the second half of 2011 and 24% below that of the comparable prior year period.

Average selling prices were lower across all grades compared to both the first and second half of the prior year.

Sales volumes were above those of the second half of the prior year, reflecting improving demand, but were still below the volumes achieved in the first half of 2011 in certain segments, most notably kraft paper and industrial bags.

Input costs provided some benefit with recovered fibre and pulp prices, on average, below 2011 levels.

Finance charges for the period were lower than those of the comparable prior year period mainly as a result of the lower average net debt.

The underlying effective tax rate of 20% is consistent with that of 2011 as the Group continued to benefit from a favourable profit mix and investment incentives, most notably in Poland.

Underlying earnings per share in the six months ended 30 June 2012 was 30.9 euro cents per share, a 26% decrease on the basic earnings per share – alternative measure applicable to the comparable prior year period and better than that achieved in the second half of 2011. An interim dividend of 8.9 euro cents per share, up 8% on the prior year interim dividend of 8.25 euro cents per share, has been declared.

The Group achieved a return on capital employed (ROCE) of 13.3%, above the through-the-cycle target of 13%.

The Group remains strongly cash generative with cash generated from operations of €353 million, including the effects of the normal seasonal pick-up in working capital in the first half of the year.

Capital expenditure of €112 million represents 67% of the Group's depreciation charge. An increase in capital expenditure is expected in the second half, partly due to investment in the previously announced energy and de-bottlenecking investment projects ramping up as well as the normal seasonal variation in capital expenditure.

On 18 April 2012, Mondi concluded an all cash public tender offer for the shares in Mondi Świecie that it did not already own increasing its holding to 93.2% from 66%. On 18 May 2012, Mondi acquired the remaining shares it did not already own. The total consideration paid by Mondi was €296 million.

On 2 May 2012, Mondi Świecie S.A. acquired Saturn Management Sp. Z o.o., the company that owns the power and heat generating plant that provides Mondi Świecie S.A. with most of its electricity requirements and all of its heat and steam needs, for a net cash consideration of €31 million and the assumption of debt of €57 million.

Net debt of €1,273 million at 30 June 2012 increased from €831 million at 31 December 2011, reflecting the impact of the Mondi Świecie acquisitions described above as well as the usual bias towards the first half of the year in respect of cash outflows from other financing activities.

The average maturity of the Group's committed debt facilities at 30 June 2012 was 4.0 years, with unutilised committed facilities in excess of €580 million.

On 11 July 2012, Mondi announced that it has agreed to acquire 93.4% of the outstanding share capital of Nordenia International AG for a total cash consideration of €240 million and the assumption of debt and debt like liabilities of €398 million, implying an enterprise value of €655 million. The transaction is subject to customary completion conditions including the approval of certain competition authorities. On 23 July 2012, agreement was reached to acquire a further 0.5% interest on the same completion conditions. The acquisition is expected to be completed in the fourth quarter of 2012 and the cash consideration will be financed by means of a new, two-year €250 million committed bank debt facility obtained subsequent to 30 June 2012. Nordenia is an international supplier of innovative consumer packaging solutions and hygiene components.

Following the completion of the Nordenia acquisition, Mondi will reorganise its Europe & International Division into four businesses: Packaging Paper; Fibre Packaging; Consumer Packaging; and Uncoated Fine Paper (UFP). Nordenia will form part of the Consumer Packaging business. The Group's restated historical segmental information, to reflect this reorganisation, is presented as an annexure to this half-yearly report.

## Europe & International – Uncoated Fine Paper business

€ million	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 31 December 2011
Segment revenue	749	734	695
– of which inter-segment revenue	8	13	7
EBITDA	154	169	140
Underlying operating profit	100	118	87
Capital expenditure	24	33	28
Net segment assets	1,270	1,360	1,283
ROCE	15.7%	16.9%	16.7%

The business continued to deliver a strong operating performance with ROCE of 15.7%. Underlying operating profit of €100 million, 15% below the comparable prior year period, reflects primarily the effects of the annual planned maintenance shut at Syktyvkar, which took place during June, compared to July in the previous year, resulting in lower sales volumes and higher costs compared to the first half of 2011. Marginally

lower average net selling prices, due in part to a change in sales mix, also contributed to the lower result. Average benchmark European uncoated fine paper prices were slightly lower than the comparable prior year period and approximately 2% below the average prices in the second half of 2011.

Lower pulp and chemical costs benefited the business whilst energy costs increased across all mills due to higher gas and other fuel costs. Wood costs were lower in central Europe but higher in Russia.

Planned maintenance shuts in Ružomberok and Neusiedler will take place during the third quarter of the year as European markets enter the traditional slower summer period.

### Europe & International – Corrugated business

€ million	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 31 December 2011
Segment revenue	680	704	680
– of which inter-segment revenue	20	34	30
EBITDA	100	142	109
Underlying operating profit	65	105	73
Capital expenditure	22	18	26
Net segment assets	1,087	1,058	967
ROCE	14.1%	20.1%	18.5%

While ROCE remained above the Group's through-the-cycle target at 14.1%, the underlying operating profit of €65 million was well below that of the comparable prior year period due to significantly lower average selling prices of containerboard. Sales volumes were slightly higher over the same period.

Despite price increases implemented across all grades during the period following the lows reached in the early part of the year, average benchmark kraftliner and recycled containerboard prices were both 12% lower than those of the comparable prior year period. While the virgin containerboard grades showed positive price momentum throughout the period under review, supported by capacity reductions in Europe and the stronger US dollar, recycled containerboard grades came under pressure in the second quarter due to a combination of lower recovered fibre costs, low demand growth and new production capacity. Price increases for white top, virgin and recycled containerboard were announced in July. The actual price increase achieved will be subject to individual negotiations with customers.

Average benchmark recovered fibre costs declined by approximately 6% compared to the second half of 2011 during the period, and were more than 10% lower than the comparable prior year period. Wood, pulp and energy costs were also lower during the period whilst chemical costs increased marginally.

The planned maintenance shut for Mondi Świecie took place during July.

The corrugated packaging business reflected a pleasing improvement in underlying operating profit, mainly due to increased average selling prices due to product mix improvements driven by an increased focus on customer segmentation and lower paper input costs.

### Europe & International – Bags & Coatings business

€ million	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 31 December 2011
Segment revenue	1,149	1,319	1,159
– of which inter-segment revenue	22	27	19
EBITDA	145	179	148
Underlying operating profit	96	128	100
Capital expenditure	47	43	67
Net segment assets	1,347	1,398	1,279
ROCE	16.5%	17.4%	19.0%

Underlying operating profit of €96 million was 25% lower than the comparable prior year period but broadly in line with the second half of 2011. ROCE remained robust at 16.5%.

Commercial downtime in the kraft paper business, taken in the second half of 2011, continued at reduced levels into the first quarter of 2012. Full production resumed in the second quarter on the back of the end of destocking and improved demand in export markets. Average selling prices were approximately 7% lower than the comparable prior year period and 9% lower than the second half of 2011, reflecting the lower prices agreed on contract volumes set in the early part of the year. Price increases were announced in the latter part of the second quarter and are expected to take effect in the second half of the year. While the outlook for near-term European demand continues to be uncertain, export markets remain strong, driven by a combination of underlying demand growth and supply contraction. The business benefited from lower wood and pulp input costs whilst energy prices were higher.

Selling prices in industrial bags were broadly in line with the comparable prior year period but demand was weaker, particularly in southern Europe. The business benefited from lower paper input costs and an ongoing focus on fixed costs savings.

Coatings was negatively impacted by lower sales prices and volumes versus the comparable prior year period, although sales volumes have improved from the weaker demand seen during the second half of 2011. Furthermore, the start-up of a new facility in the US, coupled with the related closure of an old site and relocation of activities negatively impacted results.



# Group performance review

## continued

Consumer packaging benefited from stable demand. Higher resin prices were successfully passed on to customers and the business also benefited from an improved product mix.

### South Africa Division

€ million	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 31 December 2011
Segment revenue	287	269	300
– of which inter-segment revenue	57	90	65
EBITDA	55	54	60
Underlying operating profit	29	27	35
Capital expenditure	15	13	14
Net segment assets	840	877	828
ROCE	9.5%	9.7%	8.9%

The underlying operating profit of €29 million was marginally higher than the comparable prior year period. The business benefited from both the weaker South African rand and an increase in sales volumes and lower operating costs, primarily due to the shift in the planned annual maintenance shut at the key Richards Bay operations from the first half in the prior year to the third quarter in the current year. This was partially offset by lower average selling prices, particularly for hardwood pulp and white top containerboard. A continued focus on the domestic market and improved operating performance at Richards Bay has benefited the business through improved margins.

In June 2012, a further eight forestry land settlement agreements were reached. To date Mondi has signed a total of 19 land settlements involving about 35,000 hectares of its forestry land. The settlements were reached using a sale and lease back framework developed by Mondi and the South African Government which ensures that title to the land is transferred to the various claimant communities, that Mondi is paid a fair price for the land and which secures a continued fibre supply for its mills.

### Newsprint

€ million	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 31 December 2011
Segment revenue	83	80	84
– of which inter-segment revenue	1	–	–
EBITDA	–	1	(6)
Underlying operating profit	(3)	(5)	(13)
Capital expenditure	1	2	2
Net segment assets	66	100	59
ROCE	(20.6%)	(9.2%)	(19.2%)

The Newsprint business made an operating loss of €3 million. Mondi Shanduka Newsprint benefited from price increases during the period, which were sufficient to return the business to a modest level of profitability in the second quarter and address electricity price increases for the year. Aylesford Newsprint was negatively impacted by lower average selling prices as well as higher chemical and energy costs, offset by cost reduction initiatives and a lower depreciation charge.

### Financial review

#### Input costs

Lower input costs provided some offset to lower selling prices during the period. Lower wood costs were experienced in general across central Europe, although this was offset by higher costs in Russia and South Africa. Benchmark recovered fibre costs were approximately 10% lower on average than the comparable prior year period. Prices were volatile throughout the period, increasing significantly off the lows at the end of 2011 through the first quarter, and subsequently weakening in the latter part of the period under review. Average benchmark pulp prices were approximately 7% lower in euro terms (14% lower in US dollar terms) than the comparable prior year period benefiting the European businesses in the Group that are net consumers of pulp. Overall, the Group is around 95,000 tonnes long in pulp, resulting in a small negative impact on overall Group profitability.

Higher energy costs impacted margins across the business. The coatings & consumer packaging business benefited from lower average resin prices and other chemical input costs versus the comparable prior year period, although prices did increase during the period under review.

#### Currency exposure

Currency effects were muted during the period with most production currencies at similar average levels versus the euro to those of the second half of 2011 and weaker than levels of the comparable prior year period. The stronger US dollar versus the euro has however had a positive impact across the Group, both on dollar denominated exports, and due to the support offered to European pricing levels.

#### Non-controlling interests

Lower profitability in the Świecie and Ružomberok mills, particularly in the first quarter of 2012, resulted in a reduction in earnings attributable to holders of non-controlling interests in those entities. The acquisition of the non-controlling interests in April and May in Mondi Świecie S.A. further contributed to the reduction in earnings attributable to holders of non-controlling interests. The full effect of this acquisition will be seen in the second half of the year.

## Special items

There were no significant special items during the period. A gain of €6 million was realised on the sale of land in the South Africa Division and Mondi Shanduka Newsprint as part of their ongoing settlement of land claims.

## Cash flow

Cash flow from operations of €353 million was negatively impacted by the lower profitability compared to the prior year period as well as a net outflow due to increased working capital. Working capital as a percentage of turnover increased during the period to 12.6%, due to normal seasonal effects as well as a build up of inventory in anticipation of a number of planned maintenance shuts to take place in the second half of the year.

## Capital expenditure

Good progress is being made on the energy related investments in Syktyvkar, Stambolijski, Richards Bay and Frantschach. The pulp dryer approved for Syktyvkar has been put on hold pending clarification of various technical and financial parameters.

Capital expenditure in the period under review was at 67% of the Group's depreciation charge. This is expected to increase in the second half of the year, and in subsequent years, to approximate the Group's depreciation charge as expenditure on the various energy related investments ramps up.

## Treasury and borrowings

Net debt of €1,273 million was €442 million higher than at 31 December 2011. This was impacted by the acquisitions of both the non-controlling interest in Mondi Świecie S.A., and of Saturn Management Sp. Z o.o. (together €384 million). The net debt to trailing 12 month EBITDA ratio was 1.5 times and gearing was 31% at 30 June 2012. The Group's long-term investment grade credit ratings of Baa3 (Moody's Investor Services) and BBB- (Standard and Poor's) were reaffirmed during the period.

In July 2012, Mondi secured a new two-year €250 million committed bank debt facility in order to fund the proposed acquisition of Nordenia International AG.

## Supplementary information

### Principal risks and uncertainties

It is in the nature of Mondi's business that the Group is exposed to risks and uncertainties which may have an impact on future performance and financial results, as well as on its ability to meet certain social and environmental objectives.

On an annual basis, the DLC executive committee and Boards conduct a formal systematic review of the most significant risks and uncertainties and the Group's responses to those risks. These risks are assessed against pre-determined risk tolerance

limits, established by the Boards. Additional risk reviews are undertaken on an ad-hoc basis for significant investment decisions and when changing business conditions dictate. The key risks have been reviewed as part of the half-yearly results and remain consistent with those presented on pages 24 and 25 of the 2011 integrated report and financial statements.

The Group believes that it has effective systems and controls in place to manage the key risks identified below within the risk tolerance levels established by the Boards.

- *Mondi operates in a highly competitive environment*

The markets for paper and packaging products are highly competitive. Prices of Mondi's key products have experienced substantial fluctuations in the past. Furthermore, product substitution and declining demand in certain markets, coupled with new capacity being introduced, may have an impact on market prices. A downturn in trading conditions in the future may have an impact on the carrying value of goodwill and tangible assets and may result in further restructuring activities.

Mondi is flexible and responsive to changing market and operating conditions and the Group's geographical and product diversification provide some measure of protection.

- *Cost and availability of a sustainable supply of fibre*

Fibre (wood, pulp, recovered paper) is Mondi's most important raw material, comprising approximately one-third of total input costs. Increases in the costs of any of these raw materials, or any difficulties in procuring a sustainable supply of wood, pulp or recovered paper in certain countries, could have an adverse effect on Mondi's business, operational performance or financial position.

The Group's focus on operational performance, relatively high levels of integration and access to its own FSC™ certified virgin fibre in Russia and South Africa, serve to mitigate these risks. It is the Group's objective to acquire fibre (wood and pulp) from sustainable sources with internationally credible certification and to avoid any illegal or controversial supply.

- *Foreign currency exposure and exchange rate volatility*

The location of a number of the Group's significant operations in a range of different countries results in foreign currency exposure. Adverse currency movements and high degrees of volatility may impact on the financial performance and position of the Group. The most significant currency exposures are to the US dollar, South African rand, Russian rouble, Czech koruna, Polish zloty, Swedish krona and Turkish lira.

The Group's policy is to hedge balance sheet exposures against short-term currency volatility. Furthermore, the Group's geographic diversification provides some level of protection.

# Group performance review

## continued

- *Investments in certain countries may be adversely affected by political, economic and legal developments in those countries*

The Group operates in a number of countries with differing political, economic and legal systems. In some countries, such systems are less predictable than in countries with more developed institutional structures. Significant changes in the political, economic or legal landscape of any country in which the Group is invested may have a material effect on the Group's operations in that country.

The Group has invested in a number of countries thereby diversifying its exposure to any single jurisdiction. The Group's diversified management structure ensures that business managers are able to closely monitor and adapt to changes in the environment in which they operate.

- *Employee attraction, retention and safety*

The complexity of operations and geographic diversity of the Group demands high quality, experienced employees in all operations.

Appropriate reward and retention strategies are in place to attract and retain talent at all levels of the organisation. Mondi has a policy of working towards zero-harm. Incidents are fully investigated, remedial actions taken and early warning indicators used to direct preventative work. Mondi adopts internationally recognised safety and health management systems across all its operations.

- *Capital intensive operations*

Mondi operates large facilities, often in remote locations. The ongoing safety and sustainable operation of such sites is critical to the success of the Group.

Mondi's management system ensures ongoing monitoring of all operations to ensure they meet the requisite standards and performance requirements. A structured maintenance programme is in place under the auspices of the Group technical director. Emergency preparedness and response procedures are in place and subject to periodic drills. Mondi has adequate insurance in place to cover material property damage, business interruption and liability risks.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. 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 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. 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 €584 million of undrawn committed debt facilities as at 30 June 2012 which should provide sufficient liquidity in the medium term. In addition, subsequent to 30 June 2012, the Group has obtained a new, two-year €250 million committed bank debt facility to fund the cash consideration of the purchase of Nordenia International AG.

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

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be adopted in preparing the half-yearly financial statements.

### Dividend

An interim dividend of 8.9 euro cents per share has been declared by the directors and will be paid on 18 September 2012 to those shareholders on the register of Mondi plc on 24 August 2012. An equivalent South African rand interim dividend will be paid on 18 September 2012 to shareholders on the register of Mondi Limited on 24 August 2012. The dividend will be paid from distributable reserves of Mondi Limited and of Mondi plc, as presented in the respective company annual financial statements for the year ended 31 December 2011.

### Outlook

The macroeconomic environment remains a concern, with continued soft demand evident in certain western European markets. Encouragingly, demand in a number of the emerging markets to which the Group is exposed remains firm, and positive supply side fundamentals in various of our core grades offer price support. As such, we remain confident of delivering against our expectations for the full year.



# Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed set of combined and consolidated financial statements has been prepared in accordance with International Financial Reporting Standards and in particular with International Accounting Standard 34, 'Interim Financial Reporting';
- the half-yearly report includes a fair review of the important events during the six months ended 30 June 2012 and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2012; and
- there have been no significant individual related party transactions during the first six months of the financial year and nor have there been any significant changes in the Group's related party relationships from those reported in the Group's annual financial statements for the year ended 31 December 2011.

**David Hathorn**  
Director

6 August 2012

**Andrew King**  
Director

# Independent review report to the shareholders of Mondi Limited

## Introduction

We have reviewed the Group's condensed combined and consolidated financial statements for the six months ended 30 June 2012 which comprise the condensed combined and consolidated income statement, the condensed combined and consolidated statement of comprehensive income, the condensed combined and consolidated statement of financial position, the condensed combined and consolidated statement of cash flows and the condensed combined and consolidated statement of changes in equity, the summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed combined and consolidated financial statements in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies Act of South Africa. Our responsibility is to express a conclusion on these Group condensed combined and consolidated financial statements based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Group's interim condensed combined and consolidated financial statements is not prepared, in all material respects, in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies Act of South Africa.

**Deloitte & Touche**  
Registered Auditor

**Per Bronwyn Kilpatrick**  
Partner  
Sandton

6 August 2012

**Deloitte & Touche**  
Registered Auditors  
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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 **L Geeringh** Consulting & Clients & Industries **JK Mazzocco** Talent & Transformation **CR Beukman** Finance **M Jordan** Strategy **S Gwala** Special Projects **TJ Brown** Chairman of the Board **MJ Comber** Deputy Chairman of the Board.

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

**B-BBEE rating:** Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

# Independent review report to the members of Mondi plc

We have been engaged by the Company to review the condensed combined and consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed combined and consolidated income statement, the condensed combined and consolidated statement of comprehensive income, the condensed combined and consolidated statement of financial position, the condensed combined and consolidated statement of cash flows, the condensed combined and consolidated statement of changes in equity and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## Deloitte LLP

Chartered Accountants and Statutory Auditor  
London, United Kingdom

6 August 2012

# Condensed combined and consolidated income statement

for the six months ended 30 June 2012

		(Reviewed) Six months ended 30 June 2012			(Reviewed) Six months ended 30 June 2011			(Audited) Year ended 31 December 2011		
€ million	Notes	Before special items	Special items (note 6)	After special items	Before special items	Special items (note 6)	After special items	Before special items	Special items (note 6)	After special items
<b>Continuing operations</b>										
<b>Group revenue</b>	4	2,840	–	2,840	2,942	–	2,942	5,739	–	5,739
Materials, energy and consumables used		(1,500)	–	(1,500)	(1,528)	–	(1,528)	(2,998)	–	(2,998)
Variable selling expenses		(264)	–	(264)	(257)	–	(257)	(511)	–	(511)
<b>Gross margin</b>		1,076	–	1,076	1,157	–	1,157	2,230	–	2,230
Maintenance and other indirect expenses		(124)	–	(124)	(133)	–	(133)	(272)	–	(272)
Personnel costs		(413)	–	(413)	(417)	–	(417)	(808)	(4)	(812)
Other net operating expenses		(103)	–	(103)	(81)	1	(80)	(186)	(2)	(188)
Depreciation, amortisation and impairments		(167)	–	(167)	(172)	–	(172)	(342)	(48)	(390)
<b>Operating profit/(loss)</b>	4/5	269	–	269	354	1	355	622	(54)	568
Non-operating special items	6	–	6	6	–	3	3	–	(1)	(1)
Net income from associates		1	–	1	2	–	2	1	–	1
<b>Total profit/(loss) from operations and associates</b>		270	6	276	356	4	360	623	(55)	568
<b>Net finance costs</b>		(53)	–	(53)	(60)	–	(60)	(111)	–	(111)
Investment income		6	–	6	15	–	15	30	–	30
Foreign currency losses		(3)	–	(3)	(2)	–	(2)	–	–	–
Finance costs	7	(56)	–	(56)	(73)	–	(73)	(141)	–	(141)
<b>Profit/(loss) before tax</b>		217	6	223	296	4	300	512	(55)	457
Tax (charge)/credit	8	(43)	(2)	(45)	(59)	–	(59)	(102)	2	(100)
<b>Profit/(loss) from continuing operations</b>		174	4	178	237	4	241	410	(53)	357
<b>Discontinued operation</b>										
Profit from discontinued operation	9			–			13			43
<b>Profit for the financial period/year</b>				178			254			400
Attributable to:										
Non controlling interests				25			42			70
Equity holders of the parent companies				153			212			330

# Condensed combined and consolidated income statement

continued

for the six months ended 30 June 2012

	Notes	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Earnings per share (EPS) for profit attributable to equity holders of the parent companies</b>				
<b>From continuing operations</b>				
Basic EPS (€ cents)	10	31.7	39.0	57.5
Diluted EPS (€ cents)	10	31.6	38.5	56.8
Basic underlying EPS (€ cents)	10	30.9	38.2	68.1
Diluted underlying EPS (€ cents)	10	30.8	37.7	67.3
<b>From continuing and discontinued operations</b>				
Basic EPS (€ cents)	10	31.7	41.6	66.1
Diluted EPS (€ cents)	10	31.6	41.0	65.3
Basic headline EPS (€ cents)	10	30.9	39.4	69.9
Diluted headline EPS (€ cents)	10	30.8	38.9	69.1

# Condensed combined and consolidated statement of comprehensive income

for the six months ended 30 June 2012

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Profit for the financial period/year</b>	<b>178</b>	254	400
<b>Other comprehensive income:</b>			
Items that may subsequently be reclassified to the combined and consolidated income statement:			
Effect of cash flow hedges	3	5	12
Exchange differences on translation of foreign operations	48	(84)	(196)
Share of other comprehensive income of associates	–	(1)	(1)
Tax effect thereof	–	(1)	(4)
Items that will not subsequently be reclassified to the combined and consolidated income statement:			
Actuarial losses on post-retirement benefit schemes	(35)	(1)	(18)
Surplus restriction on post-retirement benefit schemes	23	(1)	(3)
Tax effect thereof	1	–	4
<b>Other comprehensive income for the financial period/year, net of tax</b>	<b>40</b>	(83)	(206)
<b>Total comprehensive income for the financial period/year</b>	<b>218</b>	171	194
Attributable to:			
Non-controlling interests	36	33	43
Equity holders of the parent companies	182	138	151



# Condensed combined and consolidated statement of financial position

as at 30 June 2012

€ million	Notes	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
Intangible assets		243	241	238
Property, plant and equipment		3,454	3,625	3,377
Forestry assets		306	299	297
Investments in associates		12	12	10
Financial asset investments		40	31	33
Deferred tax assets		5	11	5
Retirement benefits surplus	13	6	12	8
Derivative financial instruments		2	–	3
<b>Total non-current assets</b>		<b>4,068</b>	<b>4,231</b>	<b>3,971</b>
Inventories		666	726	637
Trade and other receivables		936	959	829
Current tax assets		5	8	6
Financial asset investments		–	–	1
Cash and cash equivalents	17b-c	60	33	191
Derivative financial instruments		5	4	10
Assets held for sale				
Continuing operations	16	–	1	–
Discontinued operation	9	–	495	–
<b>Total current assets</b>		<b>1,672</b>	<b>2,226</b>	<b>1,674</b>
<b>Total assets</b>		<b>5,740</b>	<b>6,457</b>	<b>5,645</b>
Short-term borrowings	17c	(319)	(485)	(286)
Trade and other payables		(884)	(989)	(891)
Current tax liabilities		(81)	(84)	(78)
Provisions		(34)	(45)	(43)
Derivative financial instruments		(5)	(4)	(8)
<b>Total current liabilities</b>		<b>(1,323)</b>	<b>(1,607)</b>	<b>(1,306)</b>
Medium and long-term borrowings	17c	(1,014)	(748)	(737)
Retirement benefits obligation	13	(217)	(196)	(202)
Deferred tax liabilities		(317)	(326)	(310)
Provisions		(33)	(36)	(35)
Derivative financial instruments		(1)	(10)	–
Other non-current liabilities		(20)	(20)	(20)
Liabilities directly associated with assets classified as held for sale				
Discontinued operation	9	–	(248)	–
<b>Total non-current liabilities</b>		<b>(1,602)</b>	<b>(1,584)</b>	<b>(1,304)</b>
<b>Total liabilities</b>		<b>(2,925)</b>	<b>(3,191)</b>	<b>(2,610)</b>
<b>Net assets</b>		<b>2,815</b>	<b>3,266</b>	<b>3,035</b>
<b>Equity</b>				
Ordinary share capital and stated capital		542	646	542
Retained earnings and other reserves		1,973	2,168	2,044
<b>Total attributable to equity holders of the parent companies</b>		<b>2,515</b>	<b>2,814</b>	<b>2,586</b>
Non-controlling interests in equity		300	452	449
<b>Total equity</b>		<b>2,815</b>	<b>3,266</b>	<b>3,035</b>

The Group's condensed combined and consolidated financial statements, and related notes 1 to 21, were approved by the Boards and authorised for issue on 6 August 2012 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

# Condensed combined and consolidated statement of cash flows

for the six months ended 30 June 2012

€ million	Notes	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Cash generated from operations	17a	353	403	917
Dividends from associates		–	–	2
Income tax paid		(45)	(45)	(85)
<b>Net cash generated from operating activities</b>		<b>308</b>	<b>358</b>	<b>834</b>
<b>Cash flows from investing activities</b>				
Investment in property, plant and equipment		(109)	(126)	(263)
Investment in intangible assets		(3)	(1)	(5)
Proceeds from the disposal of property, plant and equipment and intangible assets		5	7	9
Investment in forestry assets		(29)	(23)	(42)
Investment in financial asset investments		(4)	(7)	(13)
Proceeds from the sale of financial asset investments		4	7	8
Acquisition of subsidiaries, net of cash and cash equivalents	15	(34)	(12)	(12)
Acquisition of associates, net of cash and cash equivalents		–	–	(2)
Proceeds from the disposal of subsidiaries, net of cash and cash equivalents		1	14	17
Disposal of discontinued operation's cash and cash equivalents		–	–	(38)
Loan advances to related parties		(8)	(1)	–
Loan repayments from/(advances to) external parties		–	1	(1)
Interest received		2	5	9
Other investing activities		–	–	2
<b>Net cash used in investing activities</b>		<b>(175)</b>	<b>(136)</b>	<b>(331)</b>
<b>Cash flows from financing activities</b>				
Repayment of short-term borrowings	17c	(52)	(13)	(135)
Proceeds from medium and long-term borrowings	17c	291	13	123
Repayment of medium and long-term borrowings	17c	(51)	(112)	(127)
Interest paid		(60)	(75)	(106)
Dividends paid to non-controlling interests	12	(29)	(40)	(43)
Dividends paid to equity holders of the parent companies	12	(85)	(86)	(126)
Purchases of treasury shares		(34)	(7)	(12)
Non-controlling interests bought out	14	(296)	(1)	(1)
Net realised gain/(loss) on cash and asset management swaps		2	–	9
Other financing activities		–	2	(1)
<b>Net cash used in financing activities</b>		<b>(314)</b>	<b>(319)</b>	<b>(419)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(181)</b>	<b>(97)</b>	<b>84</b>
Cash and cash equivalents at beginning of financial period/year <sup>1</sup>	17c	117	24	24
Cash movement in the financial period/year	17c	(181)	(97)	84
Reclassification of discontinued operation	17c	–	(23)	–
Effects of changes in foreign exchange rates	17c	(1)	3	9
<b>Cash and cash equivalents at end of financial period/year<sup>1</sup></b>		<b>(65)</b>	<b>(93)</b>	<b>117</b>

Note:

<sup>1</sup> 'Cash and cash equivalents' includes overdrafts and cash flows from disposal groups and is reconciled to the condensed combined and consolidated statement of financial position in note 17c.

# Condensed combined and consolidated statement of changes in equity

for the six months ended 30 June 2012

€ million	Combined share capital and stated capital	Retained earnings	Other reserves <sup>1</sup>	Total attributable to equity holders of the parent companies	Non-controlling interests	Total equity
At 1 January 2011	646	1,916	201	2,763	461	3,224
Dividends paid	–	(86)	–	(86)	(40)	(126)
Total comprehensive income for the financial period	–	212	(74)	138	33	171
Issue of shares under employee share schemes	–	7	(7)	–	–	–
Purchases of treasury shares	–	(7)	–	(7)	–	(7)
Non-controlling interests bought out	–	1	–	1	(2)	(1)
Other	–	–	5	5	–	5
At 30 June 2011	646	2,043	125	<b>2,814</b>	452	<b>3,266</b>
Dividends paid	–	(40)	–	(40)	(3)	(43)
Effect of dividend in specie distributed	(104)	(101)	–	(205)	–	(205)
Total comprehensive income for the financial period	–	118	(105)	13	10	23
Issue of shares under employee share schemes	–	5	(5)	–	–	–
Purchases of treasury shares	–	(5)	–	(5)	–	(5)
Disposal of treasury shares	–	4	–	4	–	4
Disposal of discontinued operation	–	–	(5)	(5)	(6)	(11)
Disposal of businesses	–	–	(1)	(1)	–	(1)
Non-controlling interests bought out	–	4	–	4	(4)	–
Reclassification	–	13	(13)	–	–	–
Other	–	–	7	7	–	7
At 31 December 2011	542	2,041	3	<b>2,586</b>	449	<b>3,035</b>
Dividends paid	–	(85)	–	(85)	(29)	(114)
Total comprehensive income for the financial period	–	153	29	182	36	218
Issue of shares under employee share schemes	–	9	(9)	–	–	–
Purchases of treasury shares	–	(34)	–	(34)	–	(34)
Non-controlling interests bought out	–	(140)	–	(140)	(156)	(296)
Other	–	–	6	6	–	6
<b>At 30 June 2012</b>	<b>542</b>	<b>1,944</b>	<b>29</b>	<b>2,515</b>	<b>300</b>	<b>2,815</b>

Note:

<sup>1</sup> Other reserves consist of the share-based payment reserve in surplus of €14 million (six months ended 30 June 2011: €15 million; year ended 31 December 2011: €17 million), cumulative translation adjustment reserve in deficit of €171 million (six months ended 30 June 2011: €107 million; year ended 31 December 2011: €208 million), cash flow hedge reserve in surplus of €1 million (six months ended 30 June 2011: deficit of €7 million; year ended 31 December 2011: deficit of €2 million), post-retirement benefit reserve in deficit of €66 million (six months ended 30 June 2011: €41 million; year ended 31 December 2011: €56 million), merger reserve in surplus of €259 million (six months ended 30 June 2011: €259 million; year ended 31 December 2011: €259 million) and other sundry reserves in deficit of €8 million (six months ended 30 June 2011: surplus of €6 million; year ended 31 December 2011: deficit of €7 million).

# Notes to the condensed combined and consolidated financial statements

for the six months ended 30 June 2012

## 1 Basis of preparation

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

The condensed combined and consolidated half-yearly financial information for the six months ended 30 June 2012 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011, prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Group has also complied with South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice.

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 condensed combined and consolidated financial statements have been prepared on a going concern basis as discussed in the Group performance review, under the heading 'Going concern'.

The information for the year ended 31 December 2011 does not constitute statutory accounts as defined by section 434 of the UK Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the UK Companies Act 2006.

These financial statements have been prepared under supervision of the Group Chief Financial Officer, Andrew King CA (SA), as required by Section 29(1)(e)(ii) of the Companies Act of South Africa 2008.

## 2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

The condensed combined and consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

## 3 Seasonality

The seasonality of the Group's operations has no significant impact on the condensed combined and consolidated financial statements.

# Notes to the condensed combined and consolidated financial statements

continued

for the six months ended 30 June 2012

## 4 Operating segments

### Operating segment revenues

	(Reviewed) Six months ended 30 June 2012			(Reviewed) Six months ended 30 June 2011			(Audited) Year ended 31 December 2011		
€ million	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>
Europe & International									
Uncoated Fine Paper	749	(8)	741	734	(13)	721	1,429	(20)	1,409
Corrugated	680	(20)	660	704	(34)	670	1,384	(64)	1,320
Bags & Coatings	1,149	(22)	1,127	1,319	(27)	1,292	2,478	(46)	2,432
Intra-segment elimination	(50)	50	–	(73)	73	–	(129)	129	–
Total Europe & International	2,528	–	2,528	2,684	(1)	2,683	5,162	(1)	5,161
South Africa Division	287	(57)	230	269	(90)	179	569	(155)	414
Newsprint businesses	83	(1)	82	80	–	80	164	–	164
<b>Segments total</b>	<b>2,898</b>	<b>(58)</b>	<b>2,840</b>	<b>3,033</b>	<b>(91)</b>	<b>2,942</b>	<b>5,895</b>	<b>(156)</b>	<b>5,739</b>
Inter-segment elimination	(58)	58	–	(91)	91	–	(156)	156	–
<b>Group total</b>	<b>2,840</b>	<b>–</b>	<b>2,840</b>	<b>2,942</b>	<b>–</b>	<b>2,942</b>	<b>5,739</b>	<b>–</b>	<b>5,739</b>

Notes:

<sup>1</sup> Inter-segment transactions are conducted on an arm's length basis.

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

### External revenue by product type

	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
€ million			
<b>Products</b>			
Corrugated products	697	686	1,369
Uncoated fine paper	687	684	1,337
Kraft paper & industrial bags	630	716	1,350
Coatings & consumer packaging	414	479	881
Pulp	140	125	263
Newsprint	130	123	251
Woodchips	28	25	60
Merchant	21	14	41
Other <sup>1</sup>	93	90	187
<b>Group total</b>	<b>2,840</b>	<b>2,942</b>	<b>5,739</b>

Note:

<sup>1</sup> Revenues derived from product types that are not individually material are classified as other.



## External revenue by location of customer

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Revenue</b>			
Africa			
South Africa <sup>1</sup>	197	129	303
Rest of Africa	122	137	268
Africa total	319	266	571
Western Europe			
Germany	383	420	810
United Kingdom <sup>1</sup>	138	145	278
Rest of western Europe	731	821	1,529
Western Europe total	1,252	1,386	2,617
Emerging Europe	569	584	1,144
Russia	291	281	556
North America	124	130	243
South America	21	15	30
Asia and Australia	264	280	578
<b>Group total</b>	<b>2,840</b>	<b>2,942</b>	<b>5,739</b>

Note:

<sup>1</sup> These revenues, which total €335 million (six months ended 30 June 2011: €274 million; year ended 31 December 2011: €581 million), are attributable to the countries in which the Group's parent entities are domiciled.

## External revenue by location of production

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Revenue</b>			
Africa			
South Africa <sup>1</sup>	323	281	617
Rest of Africa	5	4	10
Africa total	328	285	627
Western Europe			
Austria	526	593	1,110
United Kingdom <sup>1</sup>	75	67	147
Rest of western Europe	520	572	1,090
Western Europe total	1,121	1,232	2,347
Emerging Europe			
Poland	382	406	794
Rest of emerging Europe	544	568	1,075
Emerging Europe total	926	974	1,869
Russia	359	355	703
North America	89	81	159
Asia and Australia	17	15	34
<b>Group total</b>	<b>2,840</b>	<b>2,942</b>	<b>5,739</b>

Note:

<sup>1</sup> These revenues, which total €398 million (six months ended 30 June 2011: €348 million; year ended 31 December 2011: €764 million), are attributable to the countries in which the Group's parent entities are domiciled.

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

# Notes to the condensed combined and consolidated financial statements

## continued

for the six months ended 30 June 2012

### 4 Operating segments (continued)

#### Operating profit/(loss) from continuing operations before special items

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Europe & International			
Uncoated Fine Paper	100	118	205
Corrugated	65	105	178
Bags & Coatings	96	128	228
Total Europe & International	261	351	611
South Africa Division	29	27	62
Newsprint businesses	(3)	(5)	(18)
Corporate & other businesses	(18)	(19)	(33)
<b>Segments total</b>	<b>269</b>	<b>354</b>	<b>622</b>
Special items (see note 6)	6	4	(55)
Net income from associates	1	2	1
Net finance costs	(53)	(60)	(111)
<b>Group profit from continuing operations before tax</b>	<b>223</b>	<b>300</b>	<b>457</b>

#### Earnings before interest, tax, depreciation and amortisation (EBITDA)

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Europe & International			
Uncoated Fine Paper	154	169	309
Corrugated	100	142	251
Bags & Coatings	145	179	327
Total Europe & International	399	490	887
South Africa Division	55	54	114
Newsprint businesses	–	1	(5)
Corporate & other businesses	(18)	(19)	(32)
<b>Group and segments total from continuing operations</b>	<b>436</b>	<b>526</b>	<b>964</b>

#### Operating margin<sup>1</sup>

%	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
Europe & International			
Uncoated Fine Paper	13.4	16.1	14.3
Corrugated	9.6	14.9	12.9
Bags & Coatings	8.3	9.7	9.2
South Africa Division	10.1	10.0	10.9
Newsprint businesses	(3.6)	(6.3)	(11.0)
<b>Group</b>	<b>9.5</b>	<b>12.0</b>	<b>10.8</b>

Note:

<sup>1</sup> Operating margin is underlying operating profit divided by revenue.

## Return on capital employed (ROCE)<sup>1</sup>

%	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
Europe & International			
Uncoated Fine Paper	15.7	16.9	16.7
Corrugated	14.1	20.1	18.5
Bags & Coatings	16.5	17.4	19.0
South Africa Division	9.5	9.7	8.9
Newsprint businesses	(20.6)	(9.2)	(19.2)
<b>Group</b>	<b>13.3</b>	<b>15.2</b>	<b>15.0</b>

Note:

<sup>1</sup> Return on capital employed (ROCE) is trailing 12 month underlying operating profit, including share of associates' net income, divided by trailing 12 month average trading capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on the strategic projects which are not yet in production.

## Operating segment assets

€ million	(Reviewed) As at 30 June 2012		(Reviewed) As at 30 June 2011		(Audited) As at 31 December 2011	
	Segment assets <sup>1</sup>	Net segment assets	Segment assets <sup>1</sup>	Net segment assets	Segment assets <sup>1</sup>	Net segment assets
Europe & International						
Uncoated Fine Paper	1,469	1,270	1,553	1,360	1,473	1,283
Corrugated	1,300	1,087	1,286	1,058	1,215	967
Bags & Coatings	1,727	1,347	1,839	1,398	1,640	1,279
Intra-segment elimination	(59)	–	(56)	–	(87)	–
<b>Total Europe &amp; International</b>	<b>4,437</b>	<b>3,704</b>	<b>4,622</b>	<b>3,816</b>	<b>4,241</b>	<b>3,529</b>
South Africa Division	978	840	1,015	877	964	828
Newsprint businesses	95	66	130	100	94	59
Corporate & other businesses	8	9	10	10	6	3
Inter-segment elimination	(32)	–	(52)	–	(40)	–
<b>Segments total</b>	<b>5,486</b>	<b>4,619</b>	<b>5,725</b>	<b>4,803</b>	<b>5,265</b>	<b>4,419</b>
Unallocated:						
Discontinued operation	–	–	495	247	–	–
Investments in associates	12	12	12	12	10	10
Deferred tax assets/(liabilities)	5	(312)	11	(315)	5	(305)
Other non-operating assets/(liabilities) <sup>2</sup>	137	(271)	150	(312)	140	(291)
<b>Group trading capital employed</b>	<b>5,640</b>	<b>4,048</b>	<b>6,393</b>	<b>4,435</b>	<b>5,420</b>	<b>3,833</b>
Financial asset investments	40	40	31	31	33	33
Net debt	60	(1,273)	33	(1,200)	192	(831)
<b>Group assets</b>	<b>5,740</b>	<b>2,815</b>	<b>6,457</b>	<b>3,266</b>	<b>5,645</b>	<b>3,035</b>

Notes:

<sup>1</sup> Segment assets are operating assets and consist of property, plant and equipment, intangible assets, forestry assets, retirement benefits surplus, inventories and operating receivables.

<sup>2</sup> Other non-operating assets consist of derivative assets, current income tax receivables, other non-operating receivables and assets held for sale. Other non-operating liabilities consist of derivative liabilities, non-operating provisions, current income tax liabilities, other non-operating payables and deferred income, and liabilities directly associated with assets classified as held for sale.

# Notes to the condensed combined and consolidated financial statements

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for the six months ended 30 June 2012

## 4 Operating segments (continued)

### Additions to non-current non-financial assets

€ million	Additions to non-current non-financial assets <sup>1</sup>			Capital expenditure cash payments <sup>2</sup>		
	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Europe & International						
Uncoated Fine Paper	21	21	51	24	33	61
Corrugated	115	19	43	22	18	44
Bags & Coatings	47	53	120	47	43	110
Total Europe & International	183	93	214	93	94	215
South Africa Division	42	34	66	15	13	27
Newsprint businesses	3	4	7	1	2	4
<b>Segments total</b>	<b>228</b>	131	287	<b>109</b>	109	246
Unallocated:						
Discontinued operation	–	18	18	–	17	17
<b>Group total</b>	<b>228</b>	149	305	<b>109</b>	126	263

Notes:

<sup>1</sup> Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment, intangible assets and forestry assets and include interest capitalised as well as additions resulting from acquisitions through business combinations. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets, retirement benefits surplus and non-current financial assets.

<sup>2</sup> Capital expenditure cash payments exclude business combinations, interest capitalised and investments in intangible and forestry assets.

## 5 Write-down of inventories to net realisable value

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Combined and consolidated income statement</b>			
<b>From continuing operations</b>			
Write-downs of inventories to net realisable value	(9)	(9)	(15)
Aggregate reversal of previous write-downs of inventories	3	4	4

## 6 Special items

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Operating special items</b>			
Asset impairments	–	–	(48)
Restructuring and closure costs			
Restructuring and closure costs excluding related personnel costs	–	(1)	(5)
Personnel costs relating to restructuring	–	–	(4)
Reversal of restructuring and closure costs excluding related personnel costs	–	2	3
<b>Total operating special items</b>	<b>–</b>	<b>1</b>	<b>(54)</b>
<b>Non-operating special items</b>			
Profit/(loss) on disposals	6	3	(1)
<b>Total non-operating special items</b>	<b>6</b>	<b>3</b>	<b>(1)</b>
<b>Total special items from continuing operations before tax and non-controlling interests</b>	<b>6</b>	<b>4</b>	<b>(55)</b>
Tax	(2)	–	2
Non-controlling interests	–	–	–
<b>Total special items attributable to equity holders of the parent companies</b>	<b>4</b>	<b>4</b>	<b>(53)</b>

### Special items from continuing operations before tax and non-controlling interests by operating segment

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Europe & International			
Uncoated Fine Paper	–	2	2
Corrugated	–	3	3
Bags & Coatings	–	(1)	(27)
<b>Total Europe &amp; International</b>	<b>–</b>	<b>4</b>	<b>(22)</b>
South Africa Division	5	–	–
Newsprint businesses	1	–	(33)
<b>Group and segments total from continuing operations</b>	<b>6</b>	<b>4</b>	<b>(55)</b>

### Non-operating special items

A gain of €6 million was realised on the sale of land in South Africa Division and Mondi Shanduka Newsprint as part of their ongoing settlement of land claims. The settlements were reached using the sale and leaseback framework developed by Mondi and the South African Government which ensures that title to the land is transferred to the claimant, that Mondi is paid a fair price for the land and secures a continued fibre supply for its mills.



# Notes to the condensed combined and consolidated financial statements

## continued

for the six months ended 30 June 2012

### 7 Finance costs

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>From continuing operations</b>			
Total interest expense	(56)	(74)	(141)
Less: interest capitalised	–	1	–
<b>Total finance costs from continuing operations</b>	<b>(56)</b>	<b>(73)</b>	<b>(141)</b>

### 8 Tax charge

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>From continuing operations</b>			
UK corporation tax at 24.5% (2011: 26.5%)	–	–	1
SA corporation tax at 28% (2011: 28%)	11	4	7
Overseas tax	38	51	84
<b>Current tax (including tax on special items from continuing operations)</b>	<b>49</b>	<b>55</b>	<b>92</b>
Deferred tax	(4)	4	8
<b>Total tax charge from continuing operations</b>	<b>45</b>	<b>59</b>	<b>100</b>

The Group's estimated effective annual rate of tax from continuing operations before special items for the six months ended 30 June 2012, calculated on profit from continuing operations before tax before special items and including net income from associates, is 20% (six months ended 30 June 2011: 20%; year ended 31 December 2011: 20%). The Group continues to benefit from tax incentives granted in certain countries in which the Group operates, most notably Poland.

### 9 Discontinued operation

On 30 June 2011, the Mondi Group shareholders approved a special resolution to separate the Group's interest in Mondi Packaging South Africa (MPSA) via a demerger in terms of which all the ordinary shares in MPSA held by Mondi Limited were distributed to the Mondi Limited ordinary shareholders by way of a dividend in specie. MPSA was listed on 11 July 2011 under a new name, Mpact Limited (Mpact), on the securities exchange operated by the JSE Limited (JSE).

Subsequent to the demerger, a consolidation of the Mondi Limited ordinary shares owned by Mondi Limited shareholders, the effect of which was to reduce their proportionate interest in the Mondi Group, was undertaken in order to compensate Mondi plc shareholders for the value distributed to Mondi Limited shareholders in terms of the demerger.

The result of the Mondi Limited share consolidation was that the number of Mondi Limited shares in issue reduced from 147 million to 118 million and the total number of Mondi shares in issue reduced from 514 million to 486 million.

Prior to the demerger, Mpact paid interest of €13 million for the six months ended 30 June 2011 (year ended 31 December 2011: €13 million) to Mondi Limited in respect of intercompany financing provided, which eliminated on consolidation and thus was not taken into consideration in the tables below.

The results of the discontinued operation were:

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Revenue	296	296
Expenses	(283)	(282)
<b>Profit before tax</b>	<b>13</b>	<b>14</b>
Related tax charge	–	–
<b>Profit after tax from discontinued operation</b>	<b>13</b>	<b>14</b>
Gain on distribution of discontinued operation	–	29
Related tax charge	–	–
<b>Net gain on distribution of discontinued operation</b>	<b>–</b>	<b>29</b>
<b>Total profit attributable to discontinued operation</b>	<b>13</b>	<b>43</b>
Attributable to:		
Non-controlling interests	–	–
Equity holders of the parent companies	13	43

Earnings per share from the discontinued operation were (see note 10):

<i>€ cents per share</i>	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Profit from discontinued operation for the financial period/year attributable to equity holders of the parent companies</b>		
Basic EPS	2.6	8.6
Diluted EPS	2.5	8.5

Details of the disposal group and assets held for sale of the discontinued operation as at 30 June 2011 were:

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011
Non-current assets	273
Current assets	222
<b>Total assets classified as held for sale</b>	<b>495</b>
Current liabilities	(115)
Non-current liabilities	(133)
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>(248)</b>
<b>Net assets</b>	<b>247</b>

# Notes to the condensed combined and consolidated financial statements

## continued

for the six months ended 30 June 2012

### 9 Discontinued operation (continued)

Details of the discontinued operation disposed were:

€ million	(Audited) Year ended 31 December 2011
<b>Net assets disposed</b>	181
Cumulative translation adjustment reserve realised	(5)
Non-controlling interests disposed	(6)
<b>Net carrying value of discontinued operation distributed</b>	170
<b>Dividend in specie distributed to Mondi Limited shareholders</b>	205
Net carrying value of discontinued operation distributed	(170)
<b>Fair value gain on discontinued operation distributed</b>	35
Transaction costs	(6)
<b>Net fair value gain on discontinued operation distributed</b>	29

### 10 Earnings per share

#### (a) From continuing operations

€ cents per share	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Profit from continuing operations for the financial period/year attributable to equity holders of the parent companies</b>			
Basic EPS	31.7	39.0	57.5
Diluted EPS	31.6	38.5	56.8
<b>Underlying earnings for the financial period/year<sup>1</sup></b>			
Basic EPS	30.9	38.2	68.1
Diluted EPS	30.8	37.7	67.3

Note:

<sup>1</sup> Underlying EPS excludes the impact of special items.

The calculation of basic and diluted EPS and basic and diluted underlying EPS from continuing operations is based on the following data:

€ million	Earnings		
	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Profit for the financial period/year attributable to equity holders of the parent companies</b>	<b>153</b>	212	330
Profit from discontinued operation (see note 9)	–	(13)	(14)
Net gain on distribution of discontinued operation (see note 9)	–	–	(29)
Related tax (see note 9)	–	–	–
Related non-controlling interests (see note 9)	–	–	–
<b>Profit from continuing operations for the financial period/year attributable to equity holders of the parent companies</b>	<b>153</b>	199	287
Special items (see note 6)	(6)	(4)	55
Related tax (see note 6)	2	–	(2)
Related non-controlling interests (see note 6)	–	–	–
<b>Underlying earnings for the financial period/year<sup>1</sup></b>	<b>149</b>	195	340

Note:

<sup>1</sup> Underlying earnings excludes the impact of special items.

As described in note 9, Mondi Limited's ordinary shares were subject to a share consolidation which was recognised from 1 August 2011, the date on which the new Mondi Limited ordinary shares commenced trading on the JSE.

IFRS requires that the number of shares subject to the consolidation be adjusted from the effective date of the consolidation, hence for the periods under review the effect of the share consolidation was included from 1 August 2011.

million	Number of shares		
	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
<b>Basic number of ordinary shares outstanding<sup>1</sup></b>	<b>483</b>	510	499
Effect of dilutive potential ordinary shares <sup>2</sup>	1	7	6
<b>Diluted number of ordinary shares outstanding</b>	<b>484</b>	517	505

Notes:

<sup>1</sup> The basic number of ordinary shares outstanding represents the weighted average number in issue for Mondi Limited and Mondi plc for the period/year, as adjusted for the weighted average number of treasury shares held during the period/year, and includes the impact of the share consolidation in 2011.

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

# Notes to the condensed combined and consolidated financial statements

## continued

for the six months ended 30 June 2012

### 10 Earnings per share (continued)

#### (b) From continuing and discontinued operations

€ cents per share	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Profit for the financial period/year attributable to equity holders of the parent companies</b>			
Basic EPS	31.7	41.6	66.1
Diluted EPS	31.6	41.0	65.3
<b>Headline earnings for the financial period/year<sup>1</sup></b>			
Basic EPS	30.9	39.4	69.9
Diluted EPS	30.8	38.9	69.1

Note:

<sup>1</sup> The presentation of Headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

The calculation of basic and diluted EPS and basic and diluted headline EPS from continuing and discontinued operations is based on the following data:

€ million	Earnings		
	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Profit for the financial period/year attributable to equity holders of the parent companies</b>	153	212	330
Net gain on distribution of discontinued operation (see note 9)	–	–	(29)
Special items	(6)	(4)	55
Special items: restructuring and closure costs	–	1	(6)
Profit on disposal of tangible and intangible assets	–	(6)	–
Impairments not included in special items	–	–	1
Related tax	2	(2)	(2)
Related non-controlling interests	–	–	–
<b>Headline earnings for the financial period/year</b>	149	201	349

### 11 Alternative measure of earnings per share

The directors have elected to present an alternative, non-IFRS measure of earnings per share from continuing operations in order to provide shareholders with a comparison of the continuing operations of the Group as if the demerger and related share consolidation had occurred at the beginning of each period presented. This is deemed appropriate as it is the continuing operations of the Group, after taking the impact of the share consolidation into consideration, which will be the basis of the future performance of the Group. This approach will enable a useful comparison of earnings per share from continuing operations, based on the consolidated shares, for all future periods.

The presentation of such an alternative, non-IFRS measure of earnings per share is classified by the JSE Limited as pro-forma financial information. Refer to pages 34 to 39 for the pro-forma financial information and independent reporting accountants' report thereon.

In addition, the effect of the recapitalisation of Mpact resulted in a repayment of intercompany debt by Mpact to Mondi Limited on 4 and 5 July 2011 of €76 million. These proceeds were used to reduce the Group's net debt. The alternative measure of earnings per share has therefore been adjusted to take the related saving on interest paid into consideration as if the recapitalisation had occurred at the beginning of each period presented.



€ million	Earnings		
	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Underlying earnings for the financial period/year<sup>1</sup></b>	<b>149</b>	195	340
Tax saving by Mondi Limited on intercompany interest received from Mpact <sup>2</sup>	–	4	4
Saving of interest paid on net debt at 8.6% per annum	–	3	3
Tax at 28% on saving of interest paid	–	(1)	(1)
<b>Adjusted earnings for the financial period/year</b>	<b>149</b>	201	346

Notes:

<sup>1</sup> Underlying earnings excludes the impact of special items.

<sup>2</sup> Had the recapitalisation of Mpact occurred at the beginning of each period presented, Mondi Limited would no longer have received interest on its intercompany loans to Mpact and thus the tax charge on the interest received would not have been incurred.

The revised weighted average number of shares is determined as follows:

million	Number of shares		
	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
<b>Basic number of ordinary shares outstanding</b>	<b>483</b>	510	499
Adjustment for Mondi Limited share consolidation <sup>1</sup>	–	(28)	(17)
<b>Adjusted basic number of ordinary shares outstanding<sup>2</sup></b>	<b>483</b>	482	482
Effect of dilutive potential ordinary shares <sup>3</sup>	1	6	6
<b>Diluted number of ordinary shares outstanding after Mondi Limited share consolidation</b>	<b>484</b>	488	488

Notes:

<sup>1</sup> The actual number of shares subject to consolidation was 29 million. The adjustment reflects the impact on the number of shares as if the share consolidation had occurred with effect from 1 January 2011 and takes treasury shares into consideration. The adjustment reflects the period up to the date of the share consolidation as the share consolidation is included in the basic number of ordinary shares outstanding from 1 August 2011.

<sup>2</sup> The basic number of ordinary shares outstanding represents the weighted average number in issue for Mondi Limited and Mondi plc for the period/year, as adjusted for the weighted average number of treasury shares held during the period/year.

<sup>3</sup> Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, net of treasury shares, on the assumption of conversion of all potentially dilutive ordinary shares.

Based on the adjusted earnings and weighted average number of shares, the alternative, non-IFRS earnings per share figures for continuing operations would be:

€ cents per share			
	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Earnings per share – alternative measure for the financial period/year</b>			
Basic EPS – alternative measure	<b>30.9</b>	41.7	71.8
Diluted EPS – alternative measure	<b>30.8</b>	41.2	70.9

# Notes to the condensed combined and consolidated financial statements

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for the six months ended 30 June 2012

### 12 Dividends

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

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Interim dividend paid	–	–	40
Final dividend paid (in respect of prior year)	85	86	86
<b>Interim dividend proposed for the six months ended 30 June<sup>1</sup></b>	43	40	–
Final dividend proposed for the year ended 31 December <sup>1</sup>	–	–	86
Paid to non-controlling interests	29	40	43

Note:

<sup>1</sup> Proposed interim dividends are not accrued for until approved by the Boards, after the necessary liquidity and solvency tests have been performed. Proposed final dividends are not accrued for until approved by the shareholders at the annual general meetings of Mondi Limited and Mondi plc respectively.

€ cents per share	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
Interim dividend paid	–	–	8.25
Final dividend paid (in respect of prior year)	17.75	16.50	16.50
<b>Interim dividend proposed for the six months ended 30 June</b>	8.90	8.25	–
Final dividend proposed for the year ended 31 December	–	–	17.75

The dividend in specie declared to Mondi Limited shareholders on 18 July 2011, as discussed in note 9, was measured at the fair value of the Mpact shares distributed of €205 million.

### 13 Retirement benefits

In November 2011 the trustees of the defined benefit pension plan in South Africa, with agreement from the participating pensioners and employees, resolved to initiate a process to wind up the fund subject to regulatory approval. Regulatory approval was received in January 2012 and accordingly, Mondi Limited recognised a settlement charge of €2 million in the condensed combined and consolidated income statement. Mondi Limited expects to receive a reimbursement of the pension surplus of €6 million once the fund is wound up, subject to any potential claims.

All assumptions of the Group's material defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually and the remaining Group defined benefit schemes and unfunded statutory retirement obligations were re-assessed in aggregate for the six months ended 30 June 2012. The net retirement benefit obligation increased by €17 million mainly due to changes in assumptions, an exchange rate impact of €2 million and the above mentioned settlement charge of €2 million. The assets backing the defined benefit scheme liabilities reflect their market values as at 30 June 2012. Any movements in the assumptions have been recognised as an actuarial movement in the condensed combined and consolidated statement of comprehensive income.

## 14 Non-controlling interests bought out

On 18 April 2012, Mondi concluded an all cash public tender offer for the share in Mondi Świecie S.A. that it did not already own, increasing its shareholding to 93.2% from 66%. On 18 May 2012, Mondi acquired the remaining shares it did not already own. The total consideration paid by Mondi was €296 million including transaction costs of approximately €1 million which were expensed. The acquisition is reflected in the condensed combined and consolidated statement of changes in equity as a transaction between shareholders with the premium over the carrying value of the non-controlling interests being reflected as a reduction in retained earnings.

## 15 Business combinations

On 2 May 2012, following completion of a number of suspensive conditions, including a ruling from the Arbitration Court of the National Chamber of Commerce in Poland, Mondi Świecie S.A. acquired the entire share capital of Saturn Management Sp. Z o.o. from Polish Energy Partners S.A. for a net cash consideration of €31 million and the assumption of debt of €57 million. Transaction costs of approximately €1 million were expensed. Saturn Energy is the owner of the power and heat generating plant that provides Mondi Świecie S.A. with most of its electricity requirements and all of its heat and steam needs.

The fair value accounting reflected in these results is provisional in nature. If necessary, adjustments will be made to these fair values, and to the goodwill on acquisition, within 12 months of the acquisition date.

The acquired business has contributed underlying operating profit of €2 million. Had the acquisition occurred on 1 January 2012, the acquired business would have contributed underlying operating profit of €9 million.

Details of the aggregate net assets acquired, as adjusted from book to fair value, are:

€ million	Book value	Revaluation	Fair value
<b>Net assets acquired:</b>			
Property, plant and equipment	70	25	95
Trade and other receivables	3	–	3
Cash and cash equivalents	2	–	2
Trade and other payables	(6)	–	(6)
Short-term borrowings	(11)	–	(11)
Medium and long-term borrowings	(48)	–	(48)
Deferred tax liabilities	–	(8)	(8)
<b>Net assets acquired</b>	<b>10</b>	<b>17</b>	<b>27</b>
Goodwill arising on acquisition			4
<b>Total cost of acquisition</b>			<b>31</b>
Cash acquired net of overdrafts			(2)
Purchase price adjustment receivable			5
<b>Net cash paid</b>			<b>34</b>

## 16 Disposal groups and assets held for sale

There were no major disposal groups or assets held for sale as at 30 June 2012.

# Notes to the condensed combined and consolidated financial statements

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## 17 Consolidated cash flow analysis

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

€ million	(Reviewed) Six months ended 30 June 2012	(Reviewed) Six months ended 30 June 2011	(Audited) Year ended 31 December 2011
<b>Profit from continuing operations before tax</b>	<b>223</b>	300	457
Depreciation and amortisation	167	172	342
Share-based payments	6	5	10
Non-cash effect of special items	(4)	(13)	36
Net finance costs	53	60	111
Net income from associates	(1)	(2)	(1)
Decrease in provisions and post-employment benefits	(7)	(15)	(25)
Increase in inventories	(19)	(104)	(55)
Increase in operating receivables	(86)	(134)	(32)
Increase in operating payables	3	95	19
Fair value gains on forestry assets	(13)	(23)	(49)
Felling costs	32	34	65
Profit on disposal of tangible and intangible assets	–	(6)	–
Other adjustments	(1)	2	5
<b>Cash generated from continuing operations</b>	<b>353</b>	371	883
Cash generated from discontinued operation	–	32	34
<b>Cash generated from operations</b>	<b>353</b>	403	917

### (b) Cash and cash equivalents

€ million	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
Cash and cash equivalents per condensed combined and consolidated statement of financial position	60	33	191
Bank overdrafts included in short-term borrowings (see note 17c)	(125)	(126)	(74)
<b>Net cash and cash equivalents per condensed combined and consolidated statement of cash flows</b>	<b>(65)</b>	(93)	117

### (c) Movement in net debt

The Group's net debt position, excluding disposal groups, is:

€ million	Cash and cash equivalents <sup>1</sup>	Debt due within one year <sup>2</sup>	Debt due after one year	Current financial asset investments	Total net debt
At 1 January 2011	24	(351)	(1,037)	–	(1,364)
Cash flow	(97)	–	112	–	15
Business combinations	–	(4)	(1)	–	(5)
Movement in unamortised loan costs	–	–	(3)	–	(3)
Effect of discontinued operation	(23)	15	119	–	111
Reclassification	–	(39)	39	–	–
Currency movements	3	20	23	–	46
At 30 June 2011	(93)	(359)	(748)	–	(1,200)
Cash flow	181	135	(108)	1	209
Disposal of businesses	–	30	12	–	42
Movement in unamortised loan costs	–	–	(3)	–	(3)
Effect of discontinued operation	23	–	76	–	99
Reclassification	–	(25)	25	–	–
Currency movements	6	7	9	–	22
At 31 December 2011	117	(212)	(737)	1	(831)
Cash flow	(181)	52	(240)	(1)	(370)
Business combinations	–	(11)	(49)	–	(60)
Movement in unamortised loan costs	–	–	(2)	–	(2)
Reclassification	–	(19)	19	–	–
Currency movements	(1)	(4)	(5)	–	(10)
<b>At 30 June 2012</b>	<b>(65)</b>	<b>(194)</b>	<b>(1,014)</b>	<b>–</b>	<b>(1,273)</b>

Notes:

<sup>1</sup> 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.

<sup>2</sup> Excludes overdrafts, which are included as cash and cash equivalents. As at 30 June 2012, short-term borrowings on the condensed combined and consolidated statement of financial position of €315 million (as at 30 June 2011: €485 million; as at 31 December 2011: €286 million) include €125 million of overdrafts (as at 30 June 2011: €126 million; as at 31 December 2011: €74 million).

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
<b>Expiry date</b>			
In one year or less	26	39	38
In more than one year	558	742	851
<b>Total credit available</b>	<b>584</b>	<b>781</b>	<b>889</b>

# Notes to the condensed combined and consolidated financial statements

continued

for the six months ended 30 June 2012

## 18 Capital commitments

€ million	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
Contracted for but not provided	178	122	140
Approved, not yet contracted for	230	182	372

These capital commitments relate to the following categories of non-current non-financial assets:

€ million	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
Intangible assets	11	5	13
Property, plant and equipment	397	299	499
<b>Total capital commitments</b>	<b>408</b>	<b>304</b>	<b>512</b>

The expected maturity of these capital commitments is:

€ million	(Reviewed) As at 30 June 2012	(Reviewed) As at 30 June 2011	(Audited) As at 31 December 2011
Within one year	270	237	339
One to two years	122	58	141
Two to five years	16	9	32
<b>Total capital commitments</b>	<b>408</b>	<b>304</b>	<b>512</b>

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 will be financed by existing cash resources and borrowing facilities.

Capital commitments related to joint venture entities are immaterial.

## 19 Contingent liabilities and contingent assets

Contingent liabilities comprise aggregate amounts as at 30 June 2012 of €13 million (as at 30 June 2011: €19 million; as at 31 December 2011: €17 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 condensed combined and consolidated statement of financial position for all periods presented.

There are a number of legal and tax claims against the Group. Provision is made for all liabilities that are expected to materialise.

There were no contingent assets for all periods presented.

Contingent assets and liabilities related to joint venture entities are immaterial.

## 20 Related party transactions

The Group has related party relationships with its associates and joint ventures. Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with joint ventures and associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Other than the transactions described in notes 13 and 14, there have been no significant changes to the related parties as disclosed in note 39 of the Group's annual financial statements for the year ended 31 December 2011.

Dividends received from associates for the six months ended 30 June 2012 amount to €nil million (six months ended 30 June 2011: €nil; year ended 31 December 2011: €2 million).

## 21 Events occurring after 30 June 2012

On 11 July 2012, Mondi announced that it had agreed to acquire 93.4% of the outstanding share capital of Nordenia International AG for a total cash consideration of €240 million, subject to customary completion conditions including the approval of certain competition authorities. On 23 July 2012, agreement was reached to acquire a further 0.5% interest on the same completion conditions. The acquisition is expected to be completed in the fourth quarter of 2012.

The directors declared an interim dividend of 8.9 euro cents per share as set out in note 12.



# Pro-forma financial information

The directors have in the past presented underlying earnings per share in accordance with IAS 33.73 as they believe it provides a useful measure for shareholders to understand the underlying financial performance of the Group. Underlying earnings represents the earnings of the Group, from continuing operations, excluding special items. Special items are 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 of the Group. IAS 33 requires that the number of shares subject to the Mondi Limited share consolidation be adjusted from the effective date of the consolidation. This results in a mismatch between the underlying earnings, which excludes the discontinued operation for the full year, and the weighted average number of shares, which only reflects the adjusted number of shares from the date of the share consolidation.

The directors have therefore elected to present an alternative, non-IFRS measure of underlying earnings per share from continuing operations for the prior year comparative periods in order to provide shareholders with a comparison of the continuing operations of the Group as if the demerger of Mpact and related Mondi Limited share consolidation had occurred at the beginning of each financial period presented. This is deemed appropriate as it is the continuing operations of the Group, after taking the impact of the share consolidation into consideration, which will be the basis of the future performance of the Group. This approach will enable a useful comparison of earnings per share from continuing operations, based on the consolidated shares, for all future periods.

The presentation of such an alternative, non-IFRS measure of earnings per share is classified by the JSE Limited (JSE) as pro-forma financial information and must comply with section 8 of the JSE Listings Requirements. The unaudited pro-forma financial information below has been prepared for illustrative purposes to provide information on how the alternative

measure of earnings per share adjustments would have impacted on the financial results of the Group. Because of its nature, the unaudited pro-forma financial information does not reflect the Group's actual results of operations which are set out in the combined and consolidated financial statements.

The unaudited pro-forma results set out below only reflect an adjustment to the combined and consolidated income statement as no adjustments were made to the combined and consolidated statement of financial position. The combined and consolidated statement of comprehensive income is not presented as the pro-forma information relates only to the earnings per share measures, determined from the combined and consolidated income statement. The directors do not propose to present any pro-forma measures other than those relating to underlying earnings per share and therefore have not presented the effect of the pro-forma adjustments to headline earnings per share or earnings per share measures from continuing and discontinued operations.

The underlying information used in the preparation of the pro-forma financial information has been prepared using the accounting policies set out in note 1 of the audited combined and consolidated financial statements for the year ended 31 December 2011 without adjustment.

The directors of the Group are responsible for the compilation, contents and preparation of the unaudited pro-forma financial information set out below. Their responsibility includes determining that: the unaudited pro-forma financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the Group; and the pro-forma adjustments are appropriate for the purposes of the unaudited pro-forma financial information disclosed in terms of the JSE Listings Requirements.

The unaudited pro-forma financial information should be read in conjunction with the Deloitte & Touche independent reporting accountants' report thereon.

# Pro-forma condensed combined and consolidated income statement

€ million	Six months ended 30 June 2011			Year ended 31 December 2011		
	Reviewed (A)	Adjustments	Pro-forma (unaudited)	Audited (A)	Adjustments	Pro-forma (unaudited)
<b>Continuing operations</b>						
<b>Group revenue</b>	2,942	–	2,942	5,739	–	5,739
Materials, energy and consumables used	(1,528)	–	(1,528)	(2,998)	–	(2,998)
Variable selling expenses	(257)	–	(257)	(511)	–	(511)
<b>Gross margin</b>	1,157	–	1,157	2,230	–	2,230
Maintenance and other indirect expenses	(133)	–	(133)	(272)	–	(272)
Personnel costs (excluding special items)	(417)	–	(417)	(808)	–	(808)
Other net operating expenses (excluding special items)	(81)	–	(81)	(186)	–	(186)
Depreciation and amortisation	(172)	–	(172)	(342)	–	(342)
<b>Underlying operating profit</b>	354	–	354	622	–	622
Special items (note B)	4	–	4	(55)	–	(55)
Net income from associates	2	–	2	1	–	1
<b>Total profit from operations and associates</b>	360	–	360	568	–	568
<b>Net finance costs</b>	(60)	3	(57)	(111)	3	(108)
Investment income	15	–	15	30	–	30
Foreign currency losses	(2)	–	(2)	–	–	–
Finance costs (note B)	(73)	3	(70)	(141)	3	(138)
<b>Profit before tax</b>	300	3	303	457	3	460
Tax (charge)/credit (note B)	(59)	3	(56)	(100)	3	(97)
<b>Profit from continuing operations</b>	241	6	247	357	6	363
Profit from discontinued operations	13	–	13	43	–	43
<b>Profit for the financial period/year</b>	254	6	260	400	6	406
Attributable to:						
Non-controlling interests	42	–	42	70	–	70
Equity holders of the parent companies	212	6	218	330	6	336
<b>Earnings per share (EPS) for profit attributable to equity holders of the parent companies</b>						
<b>From continuing operations (note D)</b>						
Basic underlying EPS (€ cents)	38.2		41.7	68.1		71.8
Diluted underlying EPS (€ cents)	37.7		41.2	67.3		70.9

# Notes to the pro-forma condensed combined and consolidated income statement

- A. The Group financial information has been extracted, without adjustment, from the Group's reviewed combined and consolidated financial statements for the six months ended 30 June 2011 and the Group's audited combined and consolidated financial statements for the year ended 31 December 2011.
- B. The adjustments to the combined and consolidated financial statements to reflect the unaudited pro-forma earnings are set out below:

€ million	Earnings	
	Six months ended 30 June 2011	Year ended 31 December 2011
<b>Profit for the period/year attributable to equity holders of the parent companies</b>	212	330
Discontinued operation	(13)	(43)
Effect of special items (refer note 10a of the financial statements)	(4)	55
Tax and non-controlling interests in respect of special items (refer note 10a of the financial statements)	–	(2)
<b>Underlying earnings attributable to equity holders of the parent companies (refer note 10a of the financial statements)<sup>1</sup></b>	195	340
<b>Pro-forma adjustments</b>		
Saving of interest paid on net debt at 8.6% per annum <sup>2</sup>	3	3
Tax at 28% on saving of interest paid	(1)	(1)
Tax saving by Mondi Limited on intercompany interest received from Mpact <sup>3</sup>	4	4
<b>Adjusted pro-forma underlying earnings for the financial period/year</b>	201	346

Notes:

<sup>1</sup> Underlying earnings excludes the impact of special items as described in note 6 of the condensed combined and consolidated financial statements.

<sup>2</sup> The effect of the recapitalisation of Mpact resulted in a repayment of intercompany debt by Mpact to Mondi Limited on 4 and 5 July 2011 of €76 million. These proceeds were used to reduce the Group's net debt. The alternative measure of earnings per share has been adjusted to take the related saving on interest paid into consideration as if the recapitalisation had occurred at the beginning of each period presented.

<sup>3</sup> Had the recapitalisation of Mpact occurred at the beginning of each financial period presented, Mondi Limited would no longer have received interest on its intercompany loans to Mpact and thus the tax charge on the interest received would not have been incurred.

- C. The revised weighted average number of shares is determined as follows:

million	Number of shares	
	Six months ended 30 June 2011	Year ended 31 December 2011
<b>Basic number of ordinary shares outstanding</b>	510	499
Adjustment for Mondi Limited share consolidation <sup>1</sup>	(28)	(17)
<b>Adjusted basic number of ordinary shares outstanding<sup>2</sup></b>	482	482
Effect of dilutive potential ordinary shares <sup>3</sup>	6	6
<b>Diluted number of ordinary shares outstanding after Mondi Limited share consolidation</b>	488	488

Notes:

<sup>1</sup> The actual number of shares subject to consolidation was 29 million. The adjustment reflects the impact on the number of shares as if the share consolidation had occurred with effect from 1 January 2011 and takes treasury shares into consideration. The adjustment reflects the period up to the date of the share consolidation as the share consolidation is included in the basic number of ordinary shares outstanding from 1 August 2011 as set out in note 10a of the condensed combined and consolidated financial statements.

<sup>2</sup> The basic number of ordinary shares outstanding represents the weighted average number in issue for Mondi Limited and Mondi plc for the period/year, as adjusted for the weighted average number of treasury shares held during the period/year.

<sup>3</sup> Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, net of treasury shares, on the assumption of conversion of all potentially dilutive ordinary shares.

- D. Based on the adjusted earnings and weighted average number of shares, the alternative, non-IFRS underlying earnings per share figures for continuing operations would be:

<i>€ cents per share</i>	Six months ended 30 June 2011	Year ended 31 December 2011
<b>Underlying earnings per share – alternative measure for the financial period/year</b>		
Basic EPS – alternative measure	41.7	71.8
Diluted EPS – alternative measure	41.2	70.9

The directors do not propose to present any pro-forma measures other than those relating to underlying earnings per share and therefore have not presented the effect of the pro-forma adjustments to headline earnings per share or earnings per share measures from continuing and discontinued operations.

# **Independent reporting accountants' assurance report on the pro-forma financial information of the Mondi dual listed structure (Mondi Group)**

We have performed our limited assurance engagement in respect of the pro-forma financial information set out on pages 34 to 37 of the condensed combined and consolidated financial statements for the six months ended 30 June 2012 dated 6 August 2012 issued in connection with presentation of the alternative, non-IFRS measure of earnings per share from continuing operations in the condensed combined and consolidated financial statements of Mondi Group for the six months ended 30 June 2011 and the year ended 31 December 2011. The presentation of this alternative, non-IFRS measure is disclosed to provide shareholders with a comparison of the continuing operations of the Group as if the demerger of Mpact Limited and related share consolidation in Mondi Limited had occurred at the beginning of each financial period presented. The demerger of Mpact Limited and the share consolidation was finalised in August 2011. The pro-forma financial information has been prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, for illustrative purposes only, to provide information about how the alternative, non-IFRS measure might affect the reported financial information presented.

## **Directors' responsibility**

The directors are responsible for the compilation, contents and presentation of the pro-forma financial information contained in the condensed combined consolidated financial statements. Their responsibility includes determining that: the pro-forma financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the Mondi Group and the pro-forma adjustments are appropriate for the purposes of the pro-forma financial information disclosed in terms of the JSE Listings Requirements.

## **Reporting accountants' responsibility**

Our responsibility is to express our limited assurance conclusion on the pro-forma financial information included in the condensed combined consolidated financial statements of the Mondi Group. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on Pro Forma Financial Information issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro-forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

## **Sources of information and work performed**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the pro-forma adjustments in light of the accounting policies of the Mondi Group, the issuer, considering the evidence supporting the pro-forma adjustments and discussing the adjusted pro-forma financial information with the directors of the Group in respect of the alternative, non-IFRS measure presented in the condensed combined and consolidated results that is a result of the demerger of Mpact completed in August 2011.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of the Mondi Group and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of the section 8.17 and 8.30 of the JSE Listings Requirements:

- the pro-forma financial information has not been properly compiled on the basis stated,
- such basis is inconsistent with the accounting policies of the issuer, and
- the adjustments are not appropriate for the purposes of the pro-forma financial information as disclosed.

## Consent

We consent to the inclusion of this report, which will form part of the SENS announcement and the condensed combined and consolidated financial statements, to be issued on or about 6 August 2012, in the form and context in which it will appear.

### Deloitte & Touche

Registered Auditors

Per Bronwyn Kilpatrick  
Partner

### Deloitte & Touche

Registered Auditors

Buildings 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 **L Geeringh** Consulting & Clients & Industries **JK Mazzocco** Talent & Transformation **CR Beukman** Finance **M Jordan** Strategy **S Gwala** Special Projects **TJ Brown** Chairman of the Board **MJ Comber** Deputy Chairman of the Board.

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

**B-BBEE rating:** Level 2 contributor in terms of the Chartered Accountancy profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

# Revised operating segments subsequent to acquisition of Nordenia International AG

Subject to the successful completion of the acquisition of Nordenia International AG, Mondi will reorganise its Europe & International Division into four businesses. The Group's restated historical segmental information, reflecting this reorganisation, is set out below.

## Operating segment revenues

€ million	Six months ended 30 June 2012			Six months ended 30 June 2011		
	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>
Europe & International						
Packaging Paper	960	(249)	711	1,063	(260)	803
Fibre Packaging	946	(19)	927	973	(18)	955
Consumer Packaging	150	(1)	149	207	(3)	204
Uncoated Fine Paper	749	(8)	741	734	(13)	721
Intra-segment elimination	(277)	277	–	(293)	293	–
<b>Total Europe &amp; International</b>	<b>2,528</b>	<b>–</b>	<b>2,528</b>	<b>2,684</b>	<b>(1)</b>	<b>2,683</b>
South Africa Division	287	(57)	230	269	(90)	179
Newsprint businesses	83	(1)	82	80	–	80
<b>Segments total</b>	<b>2,898</b>	<b>(58)</b>	<b>2,840</b>	<b>3,033</b>	<b>(91)</b>	<b>2,942</b>
Inter-segment elimination	(58)	58	–	(91)	91	–
<b>Group total</b>	<b>2,840</b>	<b>–</b>	<b>2,840</b>	<b>2,942</b>	<b>–</b>	<b>2,942</b>

€ million	Year ended 31 December 2011			Year ended 31 December 2010		
	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>
Europe & International						
Packaging Paper	2,006	(469)	1,537	1,747	(423)	1,324
Fibre Packaging	1,881	(33)	1,848	1,728	(30)	1,698
Consumer Packaging	372	(5)	367	348	(7)	341
Uncoated Fine Paper	1,429	(20)	1,409	1,516	(129)	1,387
Intra-segment elimination	(526)	526	–	(487)	487	–
<b>Total Europe &amp; International</b>	<b>5,162</b>	<b>(1)</b>	<b>5,161</b>	<b>4,852</b>	<b>(102)</b>	<b>4,750</b>
South Africa Division	569	(155)	414	580	(211)	369
Newsprint businesses	164	–	164	492	(1)	491
<b>Segments total</b>	<b>5,895</b>	<b>(156)</b>	<b>5,739</b>	<b>5,924</b>	<b>(314)</b>	<b>5,610</b>
Inter-segment elimination	(156)	156	–	(314)	314	–
<b>Group total</b>	<b>5,739</b>	<b>–</b>	<b>5,739</b>	<b>5,610</b>	<b>–</b>	<b>5,610</b>

Notes:

<sup>1</sup> Inter-segment transactions are conducted on an arm's length basis.

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



## External revenue by product type

€ million	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011	Year ended 31 December 2010
<b>Products</b>				
Fibre packaging products	909	937	1,810	1,657
Packaging paper	689	748	1,438	1,202
Uncoated fine paper	687	684	1,337	1,351
Consumer packaging products	149	204	367	341
Pulp	140	125	263	247
Newsprint	130	123	251	221
Other <sup>1</sup>	136	121	273	591
<b>Group total</b>	<b>2,840</b>	2,942	5,739	5,610

Note:

<sup>1</sup> Revenues derived from product types that are not individually material are classified as other.

## Operating profit/(loss) from continuing operations before special items

€ million	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011	Year ended 31 December 2010
Europe & International				
Packaging Paper	104	173	295	178
Fibre Packaging	47	46	86	52
Consumer Packaging	10	14	25	22
Uncoated Fine Paper	100	118	205	179
Total Europe & International	261	351	611	431
South Africa Division	29	27	62	64
Newsprint businesses	(3)	(5)	(18)	(4)
Corporate & other businesses	(18)	(19)	(33)	(33)
<b>Segments total</b>	<b>269</b>	354	622	458
Special items (see note 6)	6	4	(55)	(21)
Net income from associates	1	2	1	2
Net finance costs	(53)	(60)	(111)	(106)
<b>Group profit from continuing operations before tax</b>	<b>223</b>	300	457	333

# Revised operating segments subsequent to acquisition of Nordenia International AG

## continued

### Significant components of operating profit from continuing operations before special items

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.

€ million	EBITDA			
	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011	Year ended 31 December 2010
Europe & International				
Packaging Paper	150	224	392	270
Fibre Packaging	80	77	149	120
Consumer Packaging	15	20	37	35
Uncoated Fine Paper	154	169	309	279
Total Europe & International	399	490	887	704
South Africa Division	55	54	114	117
Newsprint businesses	–	1	(5)	10
Corporate & other businesses	(18)	(19)	(32)	(33)
<b>Group and segments total from continuing operations</b>	<b>436</b>	<b>526</b>	<b>964</b>	<b>798</b>

€ million	Depreciation and amortisation		Operating lease charges		Green energy sales and disposal of emissions credits	
	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
Europe & International						
Packaging Paper	97	92	32	25	79	74
Fibre Packaging	63	68	9	9	–	–
Consumer Packaging	12	13	1	2	–	–
Uncoated Fine Paper	104	100	7	8	5	6
Total Europe & International	276	273	49	44	84	80
South Africa Division	52	53	5	5	–	–
Newsprint businesses	13	14	1	6	–	–
Corporate & other businesses	1	–	1	2	–	–
<b>Group and segments total from continuing operations</b>	<b>342</b>	<b>340</b>	<b>56</b>	<b>57</b>	<b>84</b>	<b>80</b>

## Operating margin<sup>1</sup>

%	As at 30 June 2012	As at 30 June 2011	As at 31 December 2011	As at 31 December 2010
Europe & International				
Packaging Paper	10.8	16.3	14.7	10.2
Fibre Packaging	5.0	4.7	4.6	3.0
Consumer Packaging	6.7	6.8	6.7	6.3
Uncoated Fine Paper	13.4	16.1	14.3	11.8
South Africa Division	10.1	10.0	10.9	11.0
Newsprint businesses	(3.6)	(6.3)	(11.0)	(0.8)
<b>Group</b>	<b>9.5</b>	<b>12.0</b>	<b>10.8</b>	<b>8.2</b>

Note:

<sup>1</sup> Operating margin is underlying operating profit divided by revenue.

## Return on capital employed (ROCE)<sup>1</sup>

%	As at 30 June 2012	As at 30 June 2011	As at 31 December 2011	As at 31 December 2010
Europe & International				
Packaging Paper	18.5	25.8	24.4	17.0
Fibre Packaging	10.9	8.5	11.0	7.5
Consumer Packaging	14.6	14.4	15.0	13.5
Uncoated Fine Paper	15.7	16.9	16.7	16.9
South Africa Division	9.5	9.7	8.9	8.4
Newsprint businesses	(20.6)	(9.2)	(19.2)	(2.8)
<b>Group</b>	<b>13.3</b>	<b>15.2</b>	<b>15.0</b>	<b>12.3</b>

Note:

<sup>1</sup> Return on capital employed (ROCE) is trailing 12 month underlying operating profit, including share of associates' net income, divided by trailing 12 month average trading capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on the strategic projects which are not yet in production.

# Revised operating segments subsequent to acquisition of Nordenia International AG

continued

## Operating segment assets

€ million	As at 30 June 2012		As at 30 June 2011	
	Segment assets <sup>1</sup>	Net segment assets	Segment assets <sup>1</sup>	Net segment assets
Europe & International				
Packaging Paper	1,709	1,373	1,718	1,337
Fibre Packaging	1,207	916	1,244	928
Consumer Packaging	189	145	248	191
Uncoated Fine Paper	1,469	1,270	1,553	1,360
Intra-segment elimination	(137)	–	(141)	–
Total Europe & International	4,437	3,704	4,622	3,816
South Africa Division	978	840	1,015	877
Newsprint businesses	95	66	130	100
Corporate & other businesses	8	9	10	10
Inter-segment elimination	(32)	–	(52)	–
<b>Segments total</b>	<b>5,486</b>	<b>4,619</b>	<b>5,725</b>	<b>4,803</b>
Unallocated:				
Discontinued operation	–	–	495	247
Investments in associates	12	12	12	12
Deferred tax assets/(liabilities)	5	(312)	11	(315)
Other non-operating assets/(liabilities) <sup>2</sup>	137	(271)	150	(312)
<b>Group trading capital employed</b>	<b>5,640</b>	<b>4,048</b>	<b>6,393</b>	<b>4,435</b>
Financial asset investments	40	40	31	31
Net debt	60	(1,273)	33	(1,200)
<b>Group assets</b>	<b>5,740</b>	<b>2,815</b>	<b>6,457</b>	<b>3,266</b>

€ million	As at 31 December 2011		As at 31 December 2010	
	Segment assets <sup>1</sup>	Net segment assets	Segment assets <sup>1</sup>	Net segment assets
Europe & International				
Packaging Paper	1,593	1,249	1,526	1,208
Fibre Packaging	1,131	866	1,139	840
Consumer Packaging	175	131	239	183
Uncoated Fine Paper	1,473	1,283	1,672	1,512
Intra-segment elimination	(131)	–	(116)	–
Total Europe & International	4,241	3,529	4,460	3,743
South Africa Division	964	828	1,091	953
Newsprint businesses	94	59	141	106
Corporate & other businesses	6	3	10	7
Inter-segment elimination	(40)	–	(63)	–
<b>Segments total</b>	<b>5,265</b>	<b>4,419</b>	<b>5,639</b>	<b>4,809</b>
Unallocated:				
Discontinued operation	–	–	507	393
Investments in associates	10	10	16	16
Deferred tax assets/(liabilities)	5	(305)	21	(328)
Other non-operating assets/(liabilities) <sup>2</sup>	140	(291)	193	(336)
<b>Group trading capital employed</b>	<b>5,420</b>	<b>3,833</b>	<b>6,376</b>	<b>4,554</b>
Financial asset investments	33	33	34	34
Net debt	192	(831)	83	(1,364)
<b>Group assets</b>	<b>5,645</b>	<b>3,035</b>	<b>6,493</b>	<b>3,224</b>

Notes:

<sup>1</sup> Segment assets are operating assets and consist of property, plant and equipment, intangible assets, forestry assets, retirement benefits surplus, inventories and operating receivables.

<sup>2</sup> Other non-operating assets consist of derivative assets, current income tax receivables, other non-operating receivables and assets held for sale. Other non-operating liabilities consist of derivative liabilities, non-operating provisions, current income tax liabilities, other non-operating payables and deferred income, and liabilities directly associated with assets classified as held for sale.

# Revised operating segments subsequent to acquisition of Nordenia International AG

## continued

### Additions to non-current non-financial assets

€ million	Additions to non-current non-financial assets <sup>1</sup>		Capital expenditure cash payments <sup>2</sup>	
	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Europe & International				
Packaging Paper	125	22	34	20
Fibre Packaging	29	43	28	34
Consumer Packaging	8	7	7	7
Uncoated Fine Paper	21	21	24	33
Total Europe & International	183	93	93	94
South Africa Division	42	34	15	13
Newsprint businesses	3	4	1	2
<b>Segments total</b>	<b>228</b>	<b>131</b>	<b>109</b>	<b>109</b>
Unallocated:				
Discontinued operation	–	18	–	17
<b>Group total</b>	<b>228</b>	<b>149</b>	<b>109</b>	<b>126</b>

€ million	Additions to non-current non-financial assets <sup>1</sup>		Capital expenditure cash payments <sup>2</sup>	
	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
Europe & International				
Packaging Paper	66	94	67	109
Fibre Packaging	82	77	72	59
Consumer Packaging	15	10	15	11
Uncoated Fine Paper	51	138	61	151
Total Europe & International	214	319	215	330
South Africa Division	66	71	27	28
Newsprint businesses	7	10	4	7
Corporate & other businesses	–	–	–	1
<b>Segments total</b>	<b>287</b>	<b>400</b>	<b>246</b>	<b>366</b>
Unallocated:				
Discontinued operation	18	28	17	28
<b>Group total</b>	<b>305</b>	<b>428</b>	<b>263</b>	<b>394</b>

Notes:

<sup>1</sup> Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment, intangible assets and forestry assets and include interest capitalised as well as additions resulting from acquisitions through business combinations. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets, retirement benefits surplus and non-current financial assets.

<sup>2</sup> Capital expenditure cash payments exclude business combinations, interest capitalised and investments in intangible and forestry assets.

# Production statistics

## Production statistics

		Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
<b>Europe &amp; International</b>				
Containerboard	Tonnes	1,042,937	991,970	2,009,984
Kraft paper	Tonnes	489,279	535,238	955,741
Softwood pulp	Tonnes	992,772	1,011,757	1,954,284
Internal consumption	Tonnes	907,194	934,588	1,799,577
External	Tonnes	85,578	77,169	154,707
Corrugated board and boxes	Mm <sup>2</sup>	606	609	1,213
Industrial bags	M units	2,005	2,050	3,958
Coating and release liners	Mm <sup>2</sup>	1,758	1,797	3,357
Consumer packaging	Mm <sup>2</sup>	376	373	702
Uncoated fine paper	Tonnes	715,575	712,886	1,400,991
Newsprint	Tonnes	98,936	97,931	199,337
Hardwood pulp	Tonnes	527,310	527,889	1,033,226
Internal consumption	Tonnes	483,642	496,518	975,121
External	Tonnes	43,668	31,371	58,105
<b>South Africa Division</b>				
Containerboard	Tonnes	132,251	126,516	257,680
Uncoated fine paper	Tonnes	129,337	114,686	233,837
Hardwood pulp	Tonnes	330,963	282,284	637,205
Internal consumption	Tonnes	169,584	153,402	316,388
External	Tonnes	161,379	128,882	320,817
Softwood pulp	Tonnes	51,859	58,646	115,606
Woodchips	Bone dry tonnes	68,632	101,454	206,150
<b>Newsprint Joint Ventures (attributable share)</b>				
Aylesford	Tonnes	96,509	95,955	188,536
Mondi Shanduka Newsprint (MSN)	Tonnes	58,770	61,548	124,914

## Exchange rates

		Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
<b>Closing rates against the euro</b>				
South African rand		10.37	9.86	10.48
Pounds sterling		0.81	0.90	0.84
Czech koruna		25.64	24.34	25.79
Polish zloty		4.25	3.99	4.46
Russian rouble		41.37	40.40	41.77
Turkish lira		2.28	2.35	2.44
US dollar		1.26	1.45	1.29
<b>Average rates for the period against the euro</b>				
South African rand		10.29	9.69	10.10
Pounds sterling		0.82	0.87	0.87
Czech koruna		25.16	24.35	24.59
Polish zloty		4.24	3.95	4.12
Russian rouble		39.69	40.14	40.88
Turkish lira		2.34	2.21	2.34
US dollar		1.30	1.40	1.39



# Shareholder information

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa, and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited whilst Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

## Registrars

Any queries relating to your Mondi shareholdings should be directed to the relevant Registrar.

	<b>Mondi Limited shares and Mondi plc shares on the South African branch register</b>	<b>Mondi plc shares</b>
Registrar	Link Market Services South Africa (Proprietary) Limited	Capita Registrars
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)

Shareholders holding their shares through Capita Registrars may access details of their holdings, amend their details or elect to receive shareholder documents electronically by registering with the Capita Registrars share portal service, an online service offered by Capita, at [www.capitashareportal.com](http://www.capitashareportal.com).

## Financial calendar

18 September 2012	Payment date for 2012 interim dividend (see below)
31 October 2012	Interim management statement
21 February 2013	2012 preliminary results announcement
3 May 2013	2013 annual general meetings

## Dividends

### Dividend payments

A final dividend for the year ended 31 December 2011 of 181.38548 (net 154.17766) rand cents or 17.75 euro cents per share was paid on 10 May 2012 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 13 April 2012.

## Dividends (continued)

### Dividend timetable

The interim dividend for the year ending 31 December 2012 of 8.9 euro cents per share will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
<b>Last date to trade shares cum-dividend</b> JSE Limited London Stock Exchange	17 August 2012 Not applicable	17 August 2012 21 August 2012
<b>Shares commence trading ex-dividend</b> JSE Limited London Stock Exchange	20 August 2012 Not applicable	20 August 2012 22 August 2012
<b>Record date</b> JSE Limited London Stock Exchange	24 August 2012 Not applicable	24 August 2012 24 August 2012
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	30 August 2012	30 August 2012
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	31 August 2012	23 August 2012*
<b>Payment date</b> South African Register UK Register	18 September 2012 Not applicable	18 September 2012 18 September 2012
DRIP purchase settlement dates	27 September 2012	21 September 2012**
<b>Currency conversion dates</b> ZAR/euro Euro/sterling	7 August 2012 Not applicable	7 August 2012 31 August 2012

\* 31 August 2012 for Mondi plc South African branch register shareholders.

\*\* 27 September 2012 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 August 2012 and 26 August 2012, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 15 August 2012 and 26 August 2012, 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.

### 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

# Shareholder information

## continued

### Dividend mandate

Shareholders wishing to have their dividends paid directly into a bank or building society account should contact either Link Market Services South Africa (Proprietary) Limited or Capita Registrars as appropriate to obtain an application form. Shareholders holding their shares through Capita can also arrange this via the Capita Registrars share portal service at [www.capitashareportal.com](http://www.capitashareportal.com).

Mondi Limited shareholders may only set up a mandate if they have a South African bank account.

Mondi plc shareholders located outside the UK may be able to take advantage of the International Payment Service offered by Capita Registrars. A fee of £5 is charged per dividend for this service and is available to private shareholders receiving a dividend of £10 or more. For further information or for an application form please contact Capita.

### Dividend reinvestment plans

The dividend reinvestment plans provide an opportunity for shareholders to have their Mondi Limited and Mondi plc cash dividends reinvested in Mondi Limited and Mondi plc ordinary shares respectively.

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those in certain restricted jurisdictions). Please note that fees may apply.

For more information or for an application form, please contact either Link Market Services South Africa (Proprietary) Limited or Capita Registrars as appropriate.

### Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi Limited or Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

### Fraudulent transactions

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details and to report the organisation to the UK Financial Services Authority (FSA). For further information, please visit the FSA's web site at [www.fsa.gov.uk](http://www.fsa.gov.uk). Alternatively, please call 0845 606 1234 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

### Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or on audio cassette, please contact Mondi's company secretarial department on +44 (0)1932 826300.

# Glossary of financial terms

This report contains a number of terms which are explained below:

<b>EBITDA</b>	Operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.
<b>EBITDA interest cover</b>	EBITDA divided by net debt finance charges (before special financing items).
<b>Gearing</b>	The ratio of net debt to total capital employed.
<b>Group revenue</b>	Total turnover of subsidiaries and proportionate share of joint venture turnover.
<b>Headline earnings</b>	JSE Listings measure, calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.
<b>Net debt</b>	A measure comprising short, medium and long-term borrowings and bank overdrafts less cash and cash equivalents and current financial asset investments.
<b>Net segment assets</b>	Net segment assets are segment assets, consisting of property, plant and equipment, intangible assets, forestry assets, retirement benefit surplus, inventories and operating receivables less segment liabilities, consisting of non-interest bearing current liabilities, restoration and environmental provisions and provisions for post-retirement benefits.
<b>Operating margin</b>	Underlying operating profit divided by Group revenue.
<b>Reported profit/(loss) before tax</b>	Reported profit/(loss) before tax but after special items.
<b>Return on capital employed (ROCE)</b>	Trailing 12 month underlying operating profit, including share of associates' net income, divided by trailing 12 month average trading capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on the strategic projects which are not yet in production.
<b>Shareholders' funds</b>	Share capital and share premium, stated capital, retained earnings and other reserves attributable to equity holders of the parent companies.
<b>Special items</b>	Those non-recurring financial items from continuing operations which the Group believes should be separately disclosed on the face of the combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group and its businesses.
<b>Total equity</b>	Shareholders' funds and non-controlling interests in equity.
<b>Trading capital employed</b>	Net segment assets plus investments in associates, deferred tax, and other non-operating assets and liabilities excluding financial investments.
<b>Underlying earnings</b>	Net profit from continuing operations after tax before special items attributable to equity holders of the parent companies.
<b>Underlying operating profit</b>	Operating profit of subsidiaries and joint ventures from continuing operations before special items.
<b>Underlying profit before tax</b>	Reported profit from continuing operations before tax and special items.

## **Forward-looking statements**

This document includes (or may include) certain forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. 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 are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. Among the important factors that could cause Mondi's actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those discussed under Principal risks and uncertainties. These forward-looking statements speak only as of the date on which they are made. Mondi expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Mondi's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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Registration No. 1967/013038/06

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