mondi

# Mondi Group
## Half-yearly report 2009

# Financial summary

## Operational and financial highlights

– Cash inflow from operations up 26% at €392 million

– A strong performance from the European uncoated fine paper business

– Successful execution of a number of restructuring initiatives

– Well on track to deliver full-year cost savings target of €180 million – €109 million to date

– Demonstrated excellent financial discipline with net debt at €1.66 billion (€29 million reduction since 31 December 2008)

– Over €1 billion of undrawn committed facilities as at end of June

– Major projects in Poland and Russia are on schedule and within budgeted capital cost

– Interim dividend of 2.5 euro cents per share

## Financial summary[1]

| *€ million, except for percentages and per share measures* | **Six months June 2009** | Six months June 2008 | Half-year change % |
|---|---|---|---|
| Group revenue | **2,614** | 3,263 | -20 |
| EBITDA | **308** | 456 | -32 |
| Underlying operating profit | **138** | 263 | -48 |
| Underlying profit before tax | **81** | 210 | -61 |
| Reported (loss)/profit before tax | **(1)** | 171 | -100 |
| Basic (loss)/earnings per share (€ cents per share) | **(7.1)** | 17.1 | -142 |
| Underlying earnings per share (€ cents per share) | **8.3** | 24.8 | -67 |
| Headline (loss)/earnings per share (€ cents per share) | **(0.8)** | 18.3 | -104 |
| Interim dividend per share (€ cents per share) | **2.5** | 7.7 | -68 |
| Cash flow from operations | **392** | 310 | 26 |
| Net debt | **1,661** | 1,655 | 0 |
| Group ROCE | **7.4%** | 11.1% | -33 |

[1] See Glossary of financial terms

**Contents**

“This is a resilient performance in the face of a very challenging trading environment, supported by the strong performance of our European uncoated fine paper business.

Particularly pleasing is the strong cashflow generation, evidenced by the fact that we achieved a reduction in net debt for the period despite funding a further circa €179 million investment in our two major projects in Poland and Russia. Similarly, we continue to make good progress in improving efficiencies and reducing costs, in part by exiting higher-cost operations that we believe will not prosper through the economic cycle.

The benefits of the actions taken to restructure the cost base are expected to continue to flow through in the second half. Order inflows in most of our key product areas have improved following a weak start to the year, albeit they remain well down on the prior year. However, the full impact of the price declines in our main products over the course of the first half is now being felt. This is likely to provide further challenges in the near term. While prices appear to be bottoming following some industry rationalisation, the impact of new capacity expected to come on to the market in the second half is uncertain.

We believe the decisive actions taken to reduce capacity, lower the overall cost base and optimise cash flows, coupled with our high-quality, low-cost asset base leave us well positioned to benefit when market conditions improve.”

**David Hathorn**
Mondi Group chief executive

# Group performance overview

The Group's underlying operating profit was 48% down on the comparable period in the prior year, reflecting a continuation of the difficult trading conditions brought on by the general economic slowdown. Order inflows for the Group's major products have recovered from the lows reached in the December to January period, albeit they remain well down on the prior year. Prices have, however, declined during the period.

While the European businesses were the first to be impacted by the economic slowdown, with a sharp fall in profitability in the fourth quarter of 2008, the profitability of the South African operations only began to decline during the current period on the back of softer volumes and reduced export prices.

The Group continues to make good progress on the various initiatives taken in response to the downturn, including delivering on the €180 million cost reduction programme announced at the 2008 full-year results in February (€109 million delivered year-to-date), exiting various higher-cost operations, focusing on working capital management and reducing capital expenditure. These efforts build on Mondi's competitive advantages, and ensure the Group remains well positioned to benefit when market conditions improve.

The Group remains in a sound financial position, with net debt at the end of June 2009 of €1.66 billion, a decrease of around €29 million on the position at the end of December 2008. Taking into consideration a further circa €179 million spent on the two major capital projects in Poland and Russia in the period, this outcome is testament to the strong focus on cash flow optimisation. At the end of June 2009, the Group had just over €1 billion of undrawn committed debt facilities.

## Europe & International Division

| *€ million* | **Six months June 2009** | Six months June 2008 | Half-year change % |
|---|---|---|---|
| Segment revenue | **2,063** | 2,742 | -25 |
| – of which inter-segment revenue | **53** | 81 | -35 |
| EBITDA | **238** | 364 | -35 |
| Underlying operating profit | **108** | 215 | -50 |
| Uncoated Fine Paper | **71** | 69 | +3 |
| Corrugated | **1** | 37 | -97 |
| Bags & Specialities | **36** | 109 | -67 |
| Capital expenditure[1] | **272** | 260 | +5 |
| Net segment assets | **3,620** | 4,166 | -13 |
| Return on capital employed (%)[2] | **7.3%** | 12.0% | -39 |

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

[2] Return on capital employed (%) is calculated based on the trailing 12 months data

Underlying operating profit of €108 million was 50% lower than the comparable period last year, although the trend was up on a very weak fourth quarter of 2008, driven by better performances from Bags & Specialities and Uncoated Fine Paper.
To balance weak demand across all businesses, around 163,000 tonnes of market-related downtime was taken in the first half, representing around 8% of capacity in the period. Encouragingly, market-related downtime taken in the second quarter of 2009 was significantly below that of the first quarter (44,000 tonnes versus 119,000 tonnes), reflecting a steady pickup in order inflows from the lows reached over the turn of the year. Disappointingly, selling prices declined in all major grades, under pressure from the slowdown in demand coupled with insufficient supply-side response. There has been some offset from decreasing input costs, including wood, recovered paper, chemicals and other variable costs, although many of these are now showing signs of stabilising. Some input costs have increased since the beginning of the year, notably recovered paper. The restructuring actions the Group has taken in exiting higher-cost capacity are helping to offset the revenue pressures while also contributing to a more balanced market.

Underlying operating profit in the **Uncoated Fine Paper Business** was up €2 million on the comparable period at €71 million and up around €14 million on the second half of 2008. This represents a very strong result in the current economic environment and reinforces the strength of the Group's low-cost asset base and favourable market positioning. While order inflows for European producers as a whole are down around 11% versus the comparable period, the Group has been significantly less impacted due to its greater exposure to the cut-size product segment and, geographically, to emerging Europe, both market segments that have proved more resilient to the economic downturn. In Russia, where management estimates that overall demand is down by similar levels to that seen in Europe, as a domestic producer the business has been able to maintain volumes at the expense of importers. Results from the Russian operation were particularly strong, with marginally improved domestic selling prices supported by good cost control. Combined with decreasing pulp input costs at the non-integrated facilities and cost-reduction initiatives across the business, this more than offset the impact of lower European selling prices (office paper down 4% since the year end).

In the **Corrugated Business** trading remains extremely challenging. The business delivered a marginal underlying operating profit, significantly down on the €37 million achieved in the comparable period. Weak demand coupled with insufficient supply-side response put pressure on containerboard prices. Average recycled containerboard prices were down around 36% on the comparable period. At the end of June 2009 prices were down around 27% on those in December 2008. Similarly, virgin containerboard prices are down around 20% since the beginning of the year, driven downwards by the increased substitution threat caused by lower recycled containerboard prices. Results from our important Polish operations continued to be impacted by the relatively strong Polish zloty as the business delivered into forward currency contracts taken out under the Group's rolling six month currency hedging programme. Under this programme the weakening of the Polish zloty seen at the end of 2008 and into early 2009 only started to benefit the business late in the second quarter. Converted box prices have been impacted by the reduction in paper prices.

In the **Bags & Specialities Business** underlying operating profit was sharply down on a strong comparable period a year ago. Pleasingly, the trend in underlying operating profit is up on a very weak fourth quarter of 2008 on better volumes, strong cost control and a good performance from the consumer flexibles segment. However, the business continued to be affected by weak year-on-year demand in kraft paper and industrial bags, impacting both volumes and pricing. Significant market-related downtime of around 86,000 tonnes was taken in the period to balance inventories, although encouragingly this was predominantly in the first quarter as the market stabilised following the lows reached over the December 2008–January 2009 period, when destocking appeared to be at its height. The previously announced mothballing of the Dynas PM5 kraft paper machine has been delayed until the end of the year due to stronger than anticipated seasonal demand. Mothballing of the Stambolijski kraft paper mill became effective in May. The expected effect of these actions will be to reduce the Group's fixed cost base and ensure the business is well positioned to face the challenges of a lower demand environment. Profitability in the Specialities Business Unit has improved since the second half of 2008 driven by resilient demand, lower plastic resin input costs and stable pricing.

## South Africa Division

| *€ million* | **Six months June 2009** | Six months June 2008 | Half-year change % |
|---|---|---|---|
| Segment revenue | **249** | 274 | -9 |
| – of which inter-segment revenue | **113** | 174 | -35 |
| EBITDA | **48** | 67 | -28 |
| Underlying operating profit | **28** | 45 | -38 |
| Uncoated Fine Paper | **13** | 30 | -57 |
| Containerboard | 15 | 15 | 0 |
| Capital expenditure[1] | **13** | 23 | -43 |
| Net segment assets | **868** | 789 | +10 |
| Return on capital employed (%)[2] | **13.5%** | 10.6% | +27 |

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

[2] Return on capital employed (%) is calculated based on the trailing 12 months data

First half underlying operating profit in the South Africa Division was 38% below the comparable period last year, impacted by lower pulp, woodchip and uncoated fine paper export prices together with lower woodchip and uncoated fine paper volumes. Significant market-related downtime in uncoated fine paper production of 62,000 tonnes was taken in the period to balance inventories. This in turn led to an increase in sales of market pulp as the Richards Bay pulp mill continued to run at full capacity. The domestic prices for uncoated fine paper cut-size continue to hold up, although there are signs of softening volumes. Similarly, open market pulp prices appear to be increasing, albeit off low levels (30% lower than last year). In response to the continued difficult trading conditions, in particular the weak export sales margins on uncoated fine paper due to a combination of the strong local currency and softening export prices, the proposed mothballing of the 120,000 tonnes per annum PM32 at Merebank in the second half was announced. This is expected to result in annualised cash cost savings of around €7 million while not significantly affecting production volumes from current levels.

In April 2009 agreement was reached on the settlement of a further seven land claims in South Africa. Structured around the initial Mondi land claims model as a sale and leaseback agreement, Mondi retains ownership of the forests while meeting the needs of the land restitution process in South Africa.

A recent wage dispute that led to industry-wide strike action affecting all South African mills was settled on 29 July 2009. All sites have since returned to normal operations, with no significant impact to Group profitability.



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# Group performance overview

continued

## Mondi Packaging South Africa (MPSA)

| € million | Six months June 2009 | Six months June 2008 | Half-year change % |
|---|---|---|---|
| Segment revenue | **227** | 223 | +2 |
| – of which inter-segment revenue | **13** | 14 | -7 |
| EBITDA | **23** | 27 | -15 |
| Underlying operating profit | **11** | 14 | -21 |
| Capital expenditure[1] | **6** | 25 | -76 |
| Net segment assets | **342** | 308 | +11 |
| Return on capital employed (%)[2] | **7.3%** | 11.1% | -34 |

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

[2] Return on capital employed (%) is calculated based on the trailing 12 months data

Underlying operating profit is €3 million below the comparable period last year as lower sales volumes and increasing input costs are only partially offset by higher selling prices and additional cost savings. Sales volumes are down across all business units although revenues are above the comparable period as businesses benefited from the price increases implemented in the fourth quarter of last year. The softening volumes are starting to lead to pressure for price reductions. Market related downtime of 33,000 tonnes was taken in the period to balance inventories.

## Merchant and Newsprint

| € million | Six months June 2009 | Six months June 2008 | Half-year change % |
|---|---|---|---|
| Segment revenue | **254** | 293 | -13 |
| – of which inter-segment revenue | **–** | – | 0 |
| EBITDA | **16** | 18 | -11 |
| Underlying operating profit | **8** | 10 | -20 |
| Capital expenditure[1] | **2** | 5 | -60 |
| Net segment assets | **218** | 248 | -13 |
| Return on capital employed (%)[2] | **2.9%** | 15.0% | -81 |

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

[2] Return on capital employed (%) is calculated based on the trailing 12 months data

To date Europapier is performing well below the comparable period in the prior year due to lower sales volumes and prices, exacerbated by the weakening of certain of the emerging European currencies in which it trades. Mondi Shanduka Newsprint continues to hold up well, although there is some evidence of softening demand and pricing pressures in its domestic market. Aylesford Newsprint has benefited from improved pricing on its annual contract business (up around 20% in sterling terms), although demand weakness from significantly reduced advertising spend and rising input costs remain a concern.

## Supplementary Group financials

**Restructuring**

The restructuring actions previously announced in response to the economic downturn are on schedule. We have completed the divestment of the four remaining corrugated converting operations in France for total consideration of approximately €51 million, thereby completing our withdrawal from this market.

Restructuring and impairment costs recorded as special items in the first half of 2009 amounted to €79 million. The restructuring of the Turkish corrugated business, the coatings business in Finland and the UK, and the consumer flexibles business in Austria are well under way. Furthermore, we have completed the closure of a corrugated plant in the UK and will complete the closure of four bag-converting plants across Europe by the end of the third quarter. As mentioned, the mothballing of the Stambolijski mill is now complete, while the process to mothball the Dynas PM5 paper machine has been delayed to the end of the year. The sale of the Italian recycled containerboard plant, Cartonstrong (100,000 tonnes per annum capacity) and related sheet feeder was completed at the end of July.

After the period end we announced the proposed mothballing of the 120,000 tonnes per annum PM32 paper machine at Merebank as well as the reorganisation of its newsprint and paper production operations.

These closures will have seen Mondi exit around 700,000 tonnes of higher-cost paper capacity in Europe (around 16% of the Group's European paper production capacity) and around 8% (120,000 tonnes) of its South African paper production capacity in 2008/2009.

The above measures are expected to have the effect of adjusting the Group's production capacity in light of the changing demand environment, lowering its overall cost base and streamlining its asset portfolio to focus on those businesses that we believe provide Mondi with sustainable competitive advantage in its respective markets.

**Major projects**

We have made good progress in the development of our two major projects in Poland and Russia, which will serve to further secure the Group's position as a cost leader in its chosen markets. The construction of the new 470,000-tonne recycled containerboard machine and related box plant at Swiecie in Poland, at a total cost of €350 million, is progressing well. Mondi remains on track for completion in the second half of 2009 within the budgeted cost. We anticipate that this machine will have the lowest operating cost of its type, with up to around 50% of its offtake secured by physical integration with the surrounding box plant network. The project to modernise the Russian mill at a total cost of €525 million is also making good progress and remains on track for completion within the budgeted cost in 2010. The key objectives of the project are to lower the Group's cost base in Russia, improve efficiency, increase energy production and revenue by selling surplus energy to the grid as well as providing limited extra capacity (both pulp and paper) for the domestic market. As such, the market risk on the project is relatively limited.

The previously announced initiatives to curtail capital expenditure outside of the two major projects (new capital expenditure approvals limited to 40% of depreciation) are ongoing with benefits in cash flows already evident.

**Input costs and currency**

There has been easing of key input costs, notably wood, recovered paper, pulp and chemicals since the comparable period in the prior year. However, some key input costs have already risen since the beginning of this year. Recovered paper, while down around 60% on average since the comparable period last year, has risen around 40% since the start of the year. Importantly, results continue to benefit from Mondi's ongoing focus on cost reductions, restructuring and productivity improvements, all of which help to mitigate the impact of the weaker markets. Mondi remains on track to achieve the cost savings target set for the year of €180 million. €109 million of cost savings were delivered in the first half.

The weakening of the major eastern European currencies witnessed towards the end of 2008 and into early 2009, notably the Polish zloty and Czech koruna, will have a positive impact on the results of our eastern European production base, although the effect is delayed due to the Group's rolling six-month currency hedging programme. Conversely, the recent strengthening of the South African rand is putting pressure on margins on export sales from the South Africa Division.

# Group performance overview
continued

**Special items (refer to note 5 of the condensed financial statements)**
In aggregate, pre tax special items amounted to a charge of €82 million.

An operating special item charge of €79 million was recognised, principally comprising:

– asset impairment costs of €36 million;

– closure and restructuring costs of €40 million; and

– charges related to arrangements put in place for senior executives following the demerger from Anglo American plc in July 2007 of €3 million.

The asset impairments relate primarily to the write-down of the PM32 paper machine at Merebank and converting operations in the Corrugated and Bags & Specialities business units that have been restructured or closed. Other costs related to the mothballing of PM32 will be recognised mainly in the second half of this year.

Costs related to the mothballing of the Stambolijski mill and the closure or restructuring of the various converting operations represent the bulk of the €40 million closure and restructuring charge.

A non-operating special item charge of €3 million was recognised, which mainly comprises the net profit on the sale of four corrugated operations in France (€5 million profit) and the impairment of the assets in corrugated operations held for sale (approximately €8 million charge).

**Finance cost**
Net finance charges of €58 million were €3 million higher than the comparable period due mainly to higher average interest rates as the proportion of debt denominated in higher-yielding currencies increased.

**Taxation**
The effective tax rate before special items of 34% is significantly higher than the prior period (29%) due primarily to an increase in non-recognised assessed losses as a consequence of the decline in profitability. There is only minor tax relief on special items.

**Minority interests**
Minority interests for the period were €11 million lower than the comparable period, as earnings were down at the significant operations where there are non-controlling interests, particularly at Swiecie in Poland within the Europe & International Division.

**Cash flow and borrowings**
EBITDA of €308 million in the period was 32%, or €148 million, lower than 2008, reflecting the more difficult trading environment. Cash inflows from operations of €392 million were €82 million up on the comparable period, mainly due to working capital inflows of €99 million versus an outflow of €126 million in the comparable period.

Capital expenditure of €116 million (excluding spend on the two major strategic projects of €179 million) was lower than depreciation of €170 million, reflecting the decision taken in the fourth quarter of 2008 to limit 2009 capital expenditure approvals to below 40% of depreciation. The remaining expenditure on the two major projects is estimated at €332 million. While phasing of the capital expenditure outflows on the projects has been adjusted such that more than originally planned will be spent in 2010 with some flow through to 2011, the bulk will still be spent in 2009.

**Treasury and borrowings**
Net debt of €1.66 billion at 30 June 2009 was €29 million lower than 31 December 2008 and €6 million higher than 30 June 2008. Gearing as at 30 June 2009 was 37.9% and the net debt to trailing 12 months EBITDA ratio was 2.5.

Group liquidity is provided through various committed debt facilities totalling €2.8 billion, of which, approximately €1 billion is currently undrawn. The principal debt facility is a €1.55 billion syndicated revolving credit facility maturing in June 2012. Despite the unfavourable banking environment the Group has been successful in maintaining the quantum of committed debt facilities available to it since the prior year end through securing an additional R500 million (€46 million) of committed 3 year amortising term loan facilities and successfully rolling over most of the smaller facilities maturing in the period.

The average maturity of the committed debt facilities is 2.9 years (3.4 years at December 2008). Drawn facilities maturing over the next 12 months amount to €343 million, the majority of which are expected to be renewed; however, to the extent they are not renewed they can be financed out of existing undrawn committed facilities (in excess of €1 billion at 30 June 2009).

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

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

## Principal risks and uncertainties

It is in the nature of our business that Mondi is exposed to risks and uncertainties that may have an impact on future performance and financial results, as well as upon our ability to meet certain social and environmental objectives. The Group believes that it has effective systems and controls in place to manage the key risks identified below. The key risks identified have not changed significantly from those discussed on pages 22 and 23 of the 2008 annual report.

### Mondi operates in a highly competitive environment

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

### Input costs are subject to significant fluctuations

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

### Significant capital investment, including aquisitions carry project risk

Mondi is in the process of completing two significant capital investments to expand and upgrade existing facilities in Poland and Russia. These projects carry risks and Mondi has put in place dedicated teams to ensure delivery of the projects on time and within budget.

## Going concern

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

The Group meets its funding requirements through a number of loan facilities, the principal one being a €1.55 billion, 5 year syndicated revolving credit facility expiring in June 2012. The availability of these facilities is dependent upon the Group meeting certain financing covenants, most significantly an EBITDA to net debt ratio of 3.5. At the period end this ratio was 2.5. Mondi had in excess of €1 billion of committed debt facilities as at 30 June 2009 with an average maturity of 2.9 years.

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

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

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

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

# Group performance overview

continued

**Dividend**

An interim dividend of 2.5 euro cents per share will be paid on 15 September 2009 to those shareholders on the register of Mondi plc on 28 August 2009.

An equivalent interim dividend will be paid in South African rand on 15 September 2009 to shareholders on the register of Mondi Limited on 28 August 2009.

**Current year outlook**

The benefits of the actions taken to restructure the cost base are expected to continue to flow through in the second half. Order inflows in most of our key product areas have improved following a weak start to the year, albeit they remain well down on the prior year. However, the full impact of the price declines in our main products over the course of the first half is now being felt. This is likely to provide further challenges in the near term. While prices appear to be bottoming following some industry rationalisation, the impact of new capacity expected to come onto the market in the second half is uncertain.

We believe the decisive actions taken to reduce capacity, lower the overall cost base and optimise cash flows, coupled with our high-quality, low-cost asset base leave us well positioned to benefit when market conditions improve.

## 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 IAS 34, 'Interim Financial Reporting';
- the Half-yearly report includes a fair review of the important events during the six months ended 30 June 2009 and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2009;
- there have been no changes in the Group's related party relationships from those reported in the Group's annual financial statements for the year ended 31 December 2008; and
- the Half-yearly report includes a fair review of the Group's related party transactions.

By order of the Boards,

**David Hathorn**
Director

**Andrew King**
Director

4 August 2009

# Independent review report to the members of Mondi Limited

**Introduction**
We have reviewed the accompanying condensed combined and consolidated statement of financial position of Mondi Limited as at 30 June 2009 and the related condensed combined and consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The company's directors are responsible for the preparation and fair presentation of this interim financial information in accordance with the international accounting standard applicable to interim financial reporting and in the manner required by the Companies Act of South Africa. Our responsibility is to express a conclusion on this interim financial information 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 accompanying interim financial information does not present fairly, in all material respects, the financial position of Mondi Limited as at 30 June 2009, and of its financial performance and its cash flows for the six-month period then ended in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) and in the manner required by the Companies Act of South Africa.

**B Nosworthy**
Partner
Sandton
4 August 2009

**Deloitte & Touche,** Registered Auditors, Buildings 1 and 2, Deloitte Place, The Woodlands, Woodlands Drive, Woodmead, Sandton

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

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

# Independent review report to the members of Mondi plc

We have been engaged by the company to review the condensed set of financial statements in the Half-yearly report for the six months ended 30 June 2009, 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 19. We have read the other information contained in the Half-yearly 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 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 them 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 report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-yearly 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 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 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 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 (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 report for the six months ended 30 June 2009 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 Auditors
London

4 August 2009

Note:
A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

# Condensed combined and consolidated income statement

for the six months ended 30 June 2009

| € million | Notes | (Reviewed) Six months ended 30 June 2009 | | | (Reviewed) Six months ended 30 June 2008 | | | (Audited) Year ended 31 December 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Before special items** | **Special items (note 5)** | **After special items** | Before special items | Special items (note 5) | After special items | Before special items | Special items (note 5) | After special items |
| **Group revenue** | 4 | **2,614** | **–** | **2,614** | 3,263 | – | 3,263 | 6,345 | – | 6,345 |
| Materials, energy and consumables used | | (1,387) | – | (1,387) | (1,729) | – | (1,729) | (3,384) | – | (3,384) |
| Variable selling expenses | | (225) | – | (225) | (281) | – | (281) | (542) | – | (542) |
| **Gross margin** | | **1,002** | **–** | **1,002** | 1,253 | – | 1,253 | 2,419 | – | 2,419 |
| Maintenance and other indirect expenses | | (111) | – | (111) | (143) | – | (143) | (300) | – | (300) |
| Personnel costs | | (430) | (11) | (441) | (470) | (17) | (487) | (926) | (41) | (967) |
| Other net operating expenses | | (153) | (32) | (185) | (184) | (16) | (200) | (379) | (24) | (403) |
| Depreciation, amortisation and impairments | | (170) | (36) | (206) | (193) | (3) | (196) | (373) | (293) | (666) |
| **Operating profit/(loss)** | 4 | **138** | **(79)** | **59** | 263 | (36) | 227 | 441 | (358) | 83 |
| Net profit/(loss) on disposals | 5 | – | 5 | 5 | – | (3) | (3) | – | (27) | (27) |
| Impairment of assets held for sale | 5 | – | (8) | (8) | – | – | – | – | (2) | (2) |
| Net income from associates | | 1 | – | 1 | 2 | – | 2 | 2 | – | 2 |
| **Total profit/(loss) from operations and associates** | | **139** | **(82)** | **57** | 265 | (39) | 226 | 443 | (387) | 56 |
| Investment income | | 13 | – | 13 | 19 | – | 19 | 15 | – | 15 |
| Interest expense | | (71) | – | (71) | (74) | – | (74) | (174) | – | (174) |
| **Net finance costs** | 6 | **(58)** | **–** | **(58)** | (55) | – | (55) | (159) | – | (159) |
| **Profit/(loss) before tax** | | **81** | **(82)** | **(1)** | 210 | (39) | 171 | 284 | (387) | (103) |
| Taxation (charge)/credit | 7 | (27) | 4 | (23) | (61) | – | (61) | (82) | 4 | (78) |
| **Profit/(loss) from continuing operations** | | **54** | **(78)** | **(24)** | 149 | (39) | 110 | 202 | (383) | (181) |
| Attributable to: | | | | | | | | | | |
| Minority interests | | **12** | **–** | **12** | 23 | – | 23 | 30 | – | 30 |
| Equity holders of the parent companies | | **42** | **(78)** | **(36)** | 126 | (39) | 87 | 172 | (383) | (211) |
| **Earnings per share ('EPS') for (loss)/profit attributable to equity holders of the parent companies** | | | | | | | | | | |
| Basic EPS (€ cents) | 8 | | | **(7.1)** | | | 17.1 | | | (41.6) |
| Diluted EPS (€ cents) | 8 | | | **(7.1)** | | | 16.9 | | | (41.6) |
| Basic underlying EPS (€ cents) | 8 | | | **8.3** | | | 24.8 | | | 33.9 |
| Diluted underlying EPS (€ cents) | 8 | | | **8.1** | | | 24.4 | | | 33.4 |
| Basic headline EPS (€ cents) | 8 | | | **(0.8)** | | | 18.3 | | | 20.3 |
| Diluted headline EPS (€ cents) | 8 | | | **(0.8)** | | | 18.0 | | | 20.0 |

There were no discontinued operations in any of the periods presented.

# Condensed combined and consolidated statement of comprehensive income
for the six months ended 30 June 2009

| € million | (Reviewed) As at 30 June 2009 | (Reviewed) As at 30 June 2008 | (Audited) As at 31 December 2008 |
|---|---|---|---|
| **(Loss)/profit for the financial period/year** | **(24)** | 110 | (181) |
| **Other comprehensive income:** | | | |
| Fair value gains/(losses) on cash flow hedges | 14 | 8 | (61) |
| Actuarial gains/(losses) and surplus restriction on post-retirement benefit schemes | 1 | 2 | (17) |
| Fair value losses on available for sale investments | – | – | (1) |
| Exchange gains/(losses) on translation of foreign operations | 72 | (64) | (246) |
| Share of other comprehensive income of associates | 1 | (1) | (1) |
| Taxation relating to components of other comprehensive income | (1) | (2) | 17 |
| **Other comprehensive income for the financial period/year, net of tax** | **87** | (57) | (309) |
| **Total comprehensive income for the financial period/year** | **63** | 53 | (490) |
| Attributable to: | | | |
| Minority interests | **14** | 45 | 23 |
| Equity holders of the parent companies | **49** | 8 | (513) |

# Condensed combined and consolidated statement of financial position

as at 30 June 2009

| € million | Notes | (Reviewed) As at 30 June 2009 | (Reviewed) As at 30 June 2008 | (Audited) As at 31 December 2008 |
|---|---|---|---|---|
| Intangible assets | | 321 | 524 | 323 |
| Property, plant and equipment | | 3,769 | 3,750 | 3,611 |
| Forestry assets | | 268 | 206 | 214 |
| Investments in associates | | 8 | 7 | 5 |
| Financial asset investments | | 24 | 25 | 19 |
| Deferred tax assets | | 43 | 39 | 36 |
| Retirement benefits surplus | | – | 15 | – |
| Derivative financial instruments | | – | 5 | – |
| **Total non-current assets** | | **4,433** | 4,571 | 4,208 |
| Inventories | | 611 | 759 | 684 |
| Trade and other receivables | | 1,075 | 1,349 | 1,104 |
| Current tax assets | | 23 | 24 | 32 |
| Cash and cash equivalents | 10 | 171 | 152 | 155 |
| Derivative financial instruments | | 15 | 19 | 73 |
| **Total current assets** | | **1,895** | 2,303 | 2,048 |
| Assets held for sale | | 22 | – | 5 |
| **Total assets** | | **6,350** | 6,874 | 6,261 |
| Short-term borrowings | 10 | (435) | (406) | (378) |
| Trade and other payables | | (1,013) | (1,095) | (1,035) |
| Current tax liabilities | | (46) | (87) | (53) |
| Provisions | | (47) | (14) | (25) |
| Derivative financial instruments | | (40) | (14) | (38) |
| **Total current liabilities** | | **(1,581)** | (1,616) | (1,529) |
| Medium and long-term borrowings | 10 | (1,397) | (1,401) | (1,467) |
| Retirement benefits obligation | | (184) | (190) | (182) |
| Deferred tax liabilities | | (329) | (313) | (292) |
| Provisions | | (48) | (46) | (39) |
| Other non-current liabilities | | (14) | (16) | (14) |
| Derivative financial instruments | | (47) | – | (39) |
| **Total non-current liabilities** | | **(2,019)** | (1,966) | (2,033) |
| Liabilities directly associated with assets classified as held for sale | | (3) | – | (3) |
| **Total liabilities** | | **(3,603)** | (3,582) | (3,565) |
| **Net assets** | | **2,747** | 3,292 | 2,696 |
| **Equity** | | | | |
| Ordinary share capital | | 114 | 114 | 114 |
| Share premium | | 532 | 532 | 532 |
| Retained earnings and other reserves | | 1,707 | 2,239 | 1,677 |
| **Total equity attributable to equity holders of the parent companies** | | **2,353** | 2,885 | 2,323 |
| Minority interests in equity | | 394 | 407 | 373 |
| **Total equity** | | **2,747** | 3,292 | 2,696 |

# Condensed combined and consolidated statement of cash flows

for the six months ended 30 June 2009

| *€ million* | Notes | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|---|
| Cash inflows from operations | 12 | 392 | 310 | 795 |
| Dividends from associates | | – | – | 2 |
| Income tax paid | | (18) | (27) | (71) |
| **Net cash inflows generated from operating activities** | | **374** | 283 | 726 |
| **Cash flows from investing activities** | | | | |
| Acquisition of subsidiaries, net of cash and cash equivalents | | (2) | (35) | (49) |
| Proceeds from disposal of subsidiaries, net of cash and cash equivalents | | 47 | 2 | 17 |
| Purchases of property, plant and equipment | 11 | (293) | (313) | (693) |
| Proceeds from the disposal of property, plant and equipment | | 7 | 7 | 29 |
| Investment in forestry assets | | (20) | (22) | (43) |
| Purchases of financial asset investments | | – | – | (2) |
| Purchase of intangible assets | | (2) | (4) | (7) |
| Proceeds from the sale of financial asset investments | | – | 2 | 1 |
| Loan (advances to)/repayments from related parties | | (1) | (2) | 1 |
| Interest received | | 4 | 9 | 28 |
| Other investing activities | | – | 1 | 8 |
| **Net cash used in investing activities** | | **(260)** | (355) | (710) |
| **Cash flows from financing activities** | | | | |
| Repayment of short-term borrowings | 10 | (81) | (143) | (214) |
| (Repayment of)/Proceeds from medium and long-term borrowings | 10 | (6) | 285 | 543 |
| Interest paid | | (93) | (69) | (169) |
| Dividends paid to minority interests | | – | (9) | (20) |
| Dividends paid to equity holders | 9 | (26) | (80) | (118) |
| Purchase of treasury shares | | (1) | (15) | (15) |
| Injection by minorities | | 10 | – | – |
| Net realised gain on cash and asset management swaps | | 84 | 12 | 4 |
| Other financing activities | | (1) | 1 | (3) |
| **Net cash (used in)/generated from financing activities** | | **(114)** | (18) | 8 |
| **Net increase/(decrease) in cash and cash equivalents** | | – | (90) | 24 |
| Cash and cash equivalents at start of financial period/year[1] | 10 | **75** | 59 | 59 |
| Cash movement in the financial period/year | 10 | **–** | (90) | 24 |
| Cash acquired through business combinations | 10 | **–** | – | 3 |
| Reclassifications | 10 | **–** | – | (2) |
| Effects of changes in foreign exchange rates | 10 | **4** | 1 | (9) |
| **Cash and cash equivalents at end of financial period/year[1]** | | **79** | (30) | 75 |

Note:
1 'Cash and cash equivalents' includes overdrafts.

# Condensed combined and consolidated statement of changes in equity

## for the six months ended 30 June 2009

| € million | Share Capital: Mondi Limited share capital | Mondi Limited share premium | Mondi plc share capital | Combined share capital and share premium | Retained earnings | Other reserves[1] | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2008 | 11 | 532 | 103 | 646 | 2,154 | 163 | 2,963 | 373 | 3,336 |
| Dividends paid | – | – | – | – | (80) | – | (80) | (9) | (89) |
| Total comprehensive income for the financial period/year | – | – | – | – | 87 | (79) | 8 | 45 | 53 |
| Issue of shares under employee share schemes | – | – | – | – | 1 | (1) | – | – | – |
| Purchase of treasury shares[2] | – | – | – | – | (15) | – | (15) | – | (15) |
| Share options exercised – Anglo American share scheme | – | – | – | – | (3) | – | (3) | – | (3) |
| Adjustments to minority share in the net asset values of business acquisitions | – | – | – | – | – | – | – | (2) | (2) |
| Other | – | – | – | – | – | 12 | 12 | – | 12 |
| At 30 June 2008 | 11 | 532 | 103 | 646 | 2,144 | 95 | 2,885 | 407 | 3,292 |
| Dividends paid | – | – | – | – | (38) | – | (38) | (11) | (49) |
| Total comprehensive income for the financial period/year | – | – | – | – | (298) | (223) | (521) | (22) | (543) |
| Issue of shares under employee share schemes | – | – | – | – | 6 | (6) | – | – | – |
| Disposal of business | – | – | – | – | (1) | – | (1) | – | (1) |
| Minority share dilution | – | – | – | – | (4) | – | (4) | 4 | – |
| Adjustments to minority share in the net asset values of business acquisitions | – | – | – | – | – | – | – | (1) | (1) |
| Minorities bought out | – | – | – | – | – | – | – | (3) | (3) |
| Other | – | – | – | – | – | 2 | 2 | (1) | 1 |
| At 31 December 2008 | 11 | 532 | 103 | 646 | 1,809 | (132) | 2,323 | 373 | 2,696 |
| Dividends paid | – | – | – | – | (26) | – | (26) | – | (26) |
| Total comprehensive income for the financial period/year | – | – | – | – | (36) | 85 | 49 | 14 | 63 |
| Issue of shares under employee share schemes | – | – | – | – | 2 | (2) | – | – | – |
| Purchase of treasury shares[2] | – | – | – | – | (1) | – | (1) | – | (1) |
| Reclassification | – | – | – | – | (14) | 14 | – | – | – |
| Minorities buy in | – | – | – | – | – | – | – | 10 | 10 |
| Minorities bought out | – | – | – | – | – | – | – | (3) | (3) |
| Other | – | – | – | – | – | 8 | 8 | – | 8 |
| **At 30 June 2009** | 11 | 532 | 103 | 646 | 1,734 | (27) | 2,353 | 394 | 2,747 |

Notes:
1 Other reserves include the share-based payments, cumulative translation adjustment, available-for-sale, cash flow hedge, post-retirement benefit obligation, merger and other sundry reserves.

2 The treasury shares purchased represents the cost of shares in Mondi plc and Mondi Limited purchased in the market and held by the Mondi Employee Share Trust and the Mondi Incentive Schemes Trust, respectively, to satisfy options under the Group's share options schemes. The number of ordinary shares held by the Mondi Employee Share Trust and the Mondi Incentive Schemes Trust at 30 June 2009 was 7,113,962 and 259,334 shares respectively (at 30 June 2008: 8,417,103 and nil respectively, at 31 December 2008: 7,943,115 and 115,000 respectively) at an average price of £4.03 and R33.24 per share, respectively (at 30 June 2008: £4.07 and Rnil per share respectively, at 31 December 2008: £3.95 and R47.51 per share, respectively).

# Notes to the condensed combined and consolidated financial information

## 1 Basis of preparation

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

The condensed combined and consolidated Half-yearly financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with all applicable IFRSs. There are no differences for the Group in applying IFRSs as issued by the International Accounting Standards Board and as endorsed by the European Union (EU). Consequently, the Group's annual financial statements for the year ended 31 December 2008 are also compliant with IFRSs as endorsed by the EU. The financial statements have been prepared on a going concern basis. This is discussed in the Group performance overview under the heading 'Going concern'.

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined by section 240 of the Companies Act 1985 of the United Kingdom. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report was not qualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

## 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 2008. In addition the Group has implemented the revised IAS 1 'Presentation of Financial Statements' and IFRS 8 'Operating Segments' for its interim reporting. Both standards became effective on 1 January 2009.

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

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

There is no impact on the financial results disclosed.

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

## 3 Seasonality

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

# Notes to the condensed combined and consolidated financial information

## 4 Operating segments

### Identification of the Group's externally reportable operating segments

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

### Operating segment revenues

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

| | **(Reviewed) Six months ended 30 June 2009** | | | (Reviewed) Six months ended 30 June 2008 | | | (Audited) Year ended 31 December 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| *€ million* | **Segment revenue** | **Internal revenue** | **External revenue** | Segment revenue | Internal revenue | External revenue | Segment revenue | Internal revenue | External revenue |
| Europe & International | | | | | | | | | |
| Uncoated Fine Paper | 680 | (62) | 618 | 846 | (92) | 754 | 1,565 | (174) | 1,391 |
| Corrugated | 527 | (16) | 511 | 830 | (34) | 796 | 1,555 | (58) | 1,497 |
| Bags & Specialities | 893 | (12) | 881 | 1,121 | (10) | 1,111 | 2,138 | (22) | 2,116 |
| Intra-segment elimination | (37) | 37 | – | (55) | 55 | – | (99) | 99 | – |
| Total Europe & International | 2,063 | (53) | 2,010 | 2,742 | (81) | 2,661 | 5,159 | (155) | 5,004 |
| South Africa | | | | | | | | | |
| Uncoated Fine Paper | 197 | (64) | 133 | 221 | (122) | 99 | 474 | (174) | 300 |
| Containerboard | 66 | (63) | 3 | 63 | (62) | 1 | 134 | (132) | 2 |
| Intra-segment elimination | (14) | 14 | – | (10) | 10 | – | (21) | 21 | – |
| Total South Africa | 249 | (113) | 136 | 274 | (174) | 100 | 587 | (285) | 302 |
| Mondi Packaging South Africa | 227 | (13) | 214 | 223 | (14) | 209 | 474 | (27) | 447 |
| Merchant and Newsprint | 254 | – | 254 | 293 | – | 293 | 593 | (1) | 592 |
| Corporate and other businesses | – | – | – | – | – | – | – | – | – |
| **Segments total** | **2,793** | **(179)** | **2,614** | 3,532 | (269) | 3,263 | 6,813 | (468) | 6,345 |
| Inter-segment elimination | (179) | 179 | – | (269) | 269 | – | (468) | 468 | – |
| **Group total** | **2,614** | **–** | **2,614** | 3,263 | – | 3,263 | 6,345 | – | 6,345 |

# Notes to the condensed combined and consolidated financial information

## 4 Operating segments (continued)

**Operating segment operating profit**

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

| | Segment operating profit before special items[1] | | | Segment operating profit/(loss) after special items[1/2] | | |
|---|---|---|---|---|---|---|
| *€ million* | **(Reviewed) Six months ended 30 June 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 | **(Reviewed) Six months ended 30 June 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
| Europe & International | | | | | | |
| Uncoated Fine Paper | 71 | 69 | 126 | 71 | 42 | 98 |
| Corrugated | 1 | 37 | 49 | (10) | 35 | (62) |
| Bags & Specialities | 36 | 109 | 159 | (13) | 103 | (58) |
| Total Europe & International | 108 | 215 | 334 | 48 | 180 | (22) |
| South Africa | | | | | | |
| Uncoated Fine Paper | 13 | 30 | 75 | (6) | 30 | 75 |
| Containerboard | 15 | 15 | 36 | 15 | 15 | 36 |
| Total South Africa | 28 | 45 | 111 | 9 | 45 | 111 |
| Mondi Packaging South Africa | 11 | 14 | 28 | 11 | 14 | 28 |
| Merchant and Newsprint | 8 | 10 | 7 | 8 | 10 | 7 |
| Corporate and other businesses | (17) | (21) | (39) | (17) | (22) | (41) |
| **Segments total** | **138** | 263 | 441 | **59** | 227 | 83 |
| Net profit/(loss) on disposals (see note 5) | – | – | – | 5 | (3) | (27) |
| Impairment of assets held for sale (see note 5) | – | – | – | (8) | – | (2) |
| Net income from associates | 1 | 2 | 2 | 1 | 2 | 2 |
| Net finance costs (see note 6) | (58) | (55) | (159) | (58) | (55) | (159) |
| **Group profit/(loss) before tax and discontinued operations** | **81** | 210 | 284 | **(1)** | 171 | (103) |

Notes:

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

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



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# Notes to the condensed combined and consolidated financial information

## 4 Operating segments (continued)

**Segment assets and liabilities**

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

| € million | (Reviewed) As at 30 June 2009 | | | (Reviewed) As at 30 June 2008 | | | (Audited) As at 31 December 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Segment assets[1]** | **Segment liabilities[2]** | **Net segment assets** | Segment assets[1] | Segment liabilities[2] | Net segment assets | Segment assets[1] | Segment liabilities[2] | Net segment assets |
| Europe & International | | | | | | | | | |
| Uncoated Fine Paper | 1,640 | (174) | 1,466 | 1,605 | (200) | 1,405 | 1,589 | (177) | 1,412 |
| Corrugated | 1,044 | (207) | 837 | 1,356 | (247) | 1,109 | 1,171 | (241) | 930 |
| Bags & Specialities | 1,585 | (268) | 1,317 | 1,965 | (313) | 1,652 | 1,632 | (315) | 1,317 |
| Intra-segment elimination | (25) | 25 | – | (30) | 30 | – | (76) | 76 | – |
| Total Europe & International | 4,244 | (624) | 3,620 | 4,896 | (730) | 4,166 | 4,316 | (657) | 3,659 |
| South Africa | | | | | | | | | |
| Uncoated Fine Paper | 834 | (100) | 734 | 765 | (99) | 666 | 720 | (80) | 640 |
| Containerboard | 152 | (18) | 134 | 138 | (15) | 123 | 139 | (19) | 120 |
| Intra-segment elimination | (3) | 3 | – | (2) | 2 | – | (2) | 2 | – |
| Total South Africa | 983 | (115) | 868 | 901 | (112) | 789 | 857 | (97) | 760 |
| Mondi Packaging South Africa | 438 | (96) | 342 | 385 | (77) | 308 | 371 | (70) | 301 |
| Merchant and Newsprint | 290 | (72) | 218 | 330 | (82) | 248 | 283 | (87) | 196 |
| Corporate and other businesses | 7 | (1) | 6 | 5 | (2) | 3 | 13 | (3) | 10 |
| Inter-segment elimination | (97) | 97 | – | (110) | 110 | – | (101) | 101 | – |
| **Segments total[3]** | **5,865** | **(811)** | **5,054** | 6,407 | (893) | 5,514 | 5,739 | (813) | 4,926 |
| **Unallocated:** | | | | | | | | | |
| Investment in associates | 8 | – | 8 | 7 | – | 7 | 5 | – | 5 |
| Deferred tax assets/(liabilities) | 43 | (329) | (286) | 39 | (313) | (274) | 36 | (292) | (256) |
| Other non-operating assets/(liabilities)[4] | 239 | (631) | (392) | 244 | (569) | (325) | 307 | (615) | (308) |
| **Group trading capital employed** | **6,155** | **(1,771)** | **4,384** | 6,697 | (1,775) | 4,922 | 6,087 | (1,720) | 4,367 |
| Financial asset investments | 24 | – | 24 | 25 | – | 25 | 19 | – | 19 |
| Net debt[5] | 171 | (1,832) | (1,661) | 152 | (1,807) | (1,655) | 155 | (1,845) | (1,690) |
| **Group net assets** | **6,350** | **(3,603)** | **2,747** | 6,874 | (3,582) | 3,292 | 6,261 | (3,565) | 2,696 |

Notes:
1 Segment assets are operating assets and consist of property, plant and equipment, intangible assets, forestry assets, retirement benefits surplus, inventories and operating receivables.
2 Segment liabilities are operating liabilities and consist of non-interest bearing current liabilities, provisions and provisions for post-retirement benefits.
3 Management reviews net segment assets on a regular basis as part of the resource allocation decision making process and the ongoing assessment of segment performance. Accordingly, net segment assets are presented here, together with segment assets, as required by IFRS 8. Segment liabilities are also presented since the Group believes that this provides useful additional information to the user of the Group's condensed combined and consolidated financial statements.
4 Other non-operating assets consist of derivative assets, current income tax receivables, other non-operating receivables, assets held for sale. Other non-operating liabilities consist of derivative liabilities, non-operating provisions, current income tax liabilities, other non-operating liabilities and liabilities directly associated with assets held for sale.
5 Overdrafts are included in borrowings.

# Notes to the condensed combined and consolidated financial information

## 4 Operating segments (continued)

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

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Revenues** | | | |
| South Africa | 291 | 284 | 616 |
| Rest of Africa | 103 | 133 | 251 |
| Western Europe | 1,185 | 1,552 | 2,932 |
| Emerging Europe | 526 | 688 | 1,326 |
| Russia | 188 | 224 | 430 |
| North America | 79 | 97 | 183 |
| South America | 9 | 15 | 31 |
| Asia and Australia | 233 | 270 | 576 |
| **Group total** | **2,614** | 3,263 | 6,345 |

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

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Revenues** | | | |
| South Africa | 467 | 470 | 1,015 |
| Rest of Africa | 5 | 6 | 15 |
| Western Europe | 1,071 | 1,475 | 2,772 |
| Emerging Europe | 687 | 895 | 1,691 |
| Russia | 251 | 282 | 569 |
| North America | 54 | 58 | 120 |
| Asia and Australia | 79 | 77 | 163 |
| **Group total** | **2,614** | 3,263 | 6,345 |

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

| | (Reviewed) As at 30 June 2009 | | | (Reviewed) As at 30 June 2008 | | | (Audited) As at 31 December 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| € million | Segment assest | Segment liabilities | Net segment assets | Segment assest | Segment liabilities | Net segment assets | Segment assest | Segment liabilities | Net segment assets |
| South Africa | 1,388 | (189) | 1,199 | 1,266 | (141) | 1,125 | 1,195 | (152) | 1,043 |
| Rest of Africa | 14 | (4) | 10 | 12 | (4) | 8 | 11 | (1) | 10 |
| Western Europe total | 1,814 | (359) | 1,455 | 2,204 | (374) | 1,830 | 1,993 | (392) | 1,601 |
| Emerging Europe total | 1,707 | (179) | 1,528 | 2,132 | (282) | 1,850 | 1,700 | (190) | 1,510 |
| Russia | 736 | (41) | 695 | 576 | (40) | 536 | 618 | (33) | 585 |
| North America | 78 | (9) | 69 | 97 | (12) | 85 | 86 | (11) | 75 |
| South America | – | – | – | – | – | – | – | – | – |
| Asia and Australia | 128 | (30) | 98 | 120 | (40) | 80 | 136 | (34) | 102 |
| **Group total** | **5,865** | **(811)** | **5,054** | 6,407 | (893) | 5,514 | 5,739 | (813) | 4,926 |

# Notes to the condensed combined and consolidated financial information

## 5 Special items

| *€ million* | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Operating special items** | | | |
| **Asset impairments** | | | |
| Uncoated Fine Paper (Europe & International) | – | – | (1) |
| Corrugated (Europe & International) | (3) | – | (28) |
| Bags & Specialities (Europe & International) | (14) | – | (70) |
| Uncoated Fine Paper (South Africa) | (19) | – | – |
| **Total asset impairments** | **(36)** | – | (99) |
| **Restructuring and closure costs** | | | |
| Restructuring and closure costs excluding related personnel costs | | | |
| Uncoated Fine Paper (Europe & International) | – | (18) | (15) |
| Corrugated (Europe & International) | (3) | – | (1) |
| Bags & Specialities (Europe & International) | (26) | (3) | (8) |
| Personnel costs relating to restructuring | | | |
| Uncoated Fine Paper (Europe & International) | – | (8) | (8) |
| Corrugated (Europe & International) | (3) | – | (6) |
| Bags & Specialities (Europe & International) | (8) | (2) | (18) |
| **Total restructuring and closure costs** | **(40)** | (31) | (56) |
| **Goodwill impairments** | | | |
| Corrugated (Europe & International) | – | – | (74) |
| Bags & Specialities (Europe & International) | – | – | (120) |
| **Total goodwill impairments** | – | – | (194) |
| **Demerger arrangements** | | | |
| Uncoated Fine Paper (Europe & International) | – | (1) | (4) |
| Corrugated (Europe & International) | (2) | (2) | (2) |
| Bags & Specialities (Europe & International) | (1) | (1) | (1) |
| Corporate and other businesses | – | (1) | (2) |
| **Total demerger arrangements** | **(3)** | (5) | (9) |
| **Total operating special items** | **(79)** | (36) | (358) |
| **Profit/(loss) on disposals** | | | |
| Corrugated (Europe & International) | 5 | (3) | (11) |
| Bags & Specialities (Europe & International) | – | – | (16) |
| **Net profit/(loss) on disposal** | **5** | (3) | (27) |
| **Asset impairment of assets held for sale** | | | |
| Corrugated (Europe & International) | (8) | – | (2) |
| **Total non-operating special items** | **(3)** | (3) | (29) |
| **Total special items before tax and minority interests** | **(82)** | (39) | (387) |
| Taxation | 4 | – | 4 |
| **Total special items attributable to equity holders** | **(78)** | (39) | (383) |

# Notes to the condensed combined and consolidated financial information

## 5 Special items (continued)

**Operating special items**
The sharp decline in demand experienced in a number of markets, together with the recognition that we are in a prolonged global economic downturn has resulted in management taking a number of actions.

**Uncoated Fine Paper (South Africa)**
In response to the continued difficult trading conditions, in particular the weak export sales margins on uncoated fine paper due to a combination of the strong local currency and softening export prices, the proposed mothballing of the 120,000 tonnes per annum PM32 paper machine at Merebank has been announced resulting in an impairment of €19 million.

**Corrugated**
Given the continued difficult trading conditions in the Corrugated Packaging sector Mondi responded by closing, or restructuring, certain high cost operations. This has resulted in closure costs of €6 million and asset impairment costs of €3 million.

**Bags & Specialities**
Significant market-related downtime has been taken due to overcapacity created by a significant slowdown in demand. Various restructuring initiatives have been implemented in response to the lower demand environment. As a result the Group has incurred restructuring and closure costs of €34 million, and asset impairment costs of €14 million.

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

**Non-operating special items**
The Group disposed of its interest in four corrugated operations in France for a consideration of €51 million at a profit of €5 million. The Group has impaired the €8 million assets of the Cartonstrong corrugated plant in Italy that is reflected as held for sale in the statement of financial position.



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# Notes to the condensed combined and consolidated financial information

## 6 Net finance costs

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Investment income** | | | |
| Interest and other financial income | 5 | 8 | 24 |
| Expected return on defined benefit arrangements | 8 | 10 | 20 |
| Foreign currency (losses)/gains[1] | (2) | 1 | (28) |
| Impairment reversal/(charge) of financial assets (excluding trade receivables) | 2 | – | (1) |
| **Total investment income** | **13** | 19 | 15 |
| | | | |
| **Financing costs** | | | |
| Interest on bank loans, overdrafts and finance leases[2] | (90) | (67) | (170) |
| Interest on defined benefit arrangements | (12) | (13) | (28) |
| Total interest expense | **(102)** | (80) | (198) |
| Less: interest capitalised | 31 | 6 | 24 |
| **Total financing costs** | **(71)** | (74) | (174) |
| **Net finance costs** | **(58)** | (55) | (159) |

Notes:
1 Net of fair value movements attributable to forward foreign exchange contracts.
2 Net of fair value movements attributable to interest rate swap contracts.

## 7 Taxation charge

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| United Kingdom taxation | – | – | (5) |
| Overseas taxation | 23 | 55 | 64 |
| **Current tax (including tax on special items)** | **23** | 55 | 59 |
| Deferred taxation | – | 6 | 19 |
| **Total tax charge** | **23** | 61 | 78 |

The Group's estimated effective annual rate of taxation before special items for the six months ended 30 June 2009 is 34% (six months ended 30 June 2008: 29%).

IAS 1 requires income from associates to be presented net of tax on the face of the condensed combined and consolidated income statement. The Group's share of its associates' tax charge is therefore not presented within the Group's total tax charge. The associates' tax charge included within 'Net income from associates' for the six months ended 30 June 2009 is €0.5 million (six months ended 30 June 2008: €0.5 million, year ended 31 December 2008: €1 million).



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# Notes to the condensed combined and consolidated financial information

## 8 Earnings per share

| *€ cents per share* | **(Reviewed) Six months ended 30 June 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **(Loss)/profit for the financial period/year attributable to equity holders** | | | |
| Basic EPS | **(7.1)** | 17.1 | (41.6) |
| Diluted EPS | **(7.1)**[3] | 16.9 | (41.6)[3] |
| **Underlying earnings for the financial period/year**[1] | | | |
| Basic EPS | **8.3** | 24.8 | 33.9 |
| Diluted EPS | **8.1** | 24.4 | 33.4 |
| **Headline (loss)/earnings for the financial period/year**[2] | | | |
| Basic EPS | **(0.8)** | 18.3 | 20.3 |
| Diluted EPS | **(0.8)** | 18.0 | 20.0 |

Notes:

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

2 The presentation of Headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular8/2007, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants. Please see the reconciliation presented below.

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

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

| | Earnings | | |
|---|---|---|---|
| *€ million* | **(Reviewed) Six months ended 30 June 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
| **(Loss)/profit for the financial period/year attributable to equity holders** | **(36)** | 87 | (211) |
| Special items: operating | 79 | 36 | 358 |
| Net (profit)/loss on disposals | (5) | 3 | 27 |
| Impairment of assets held for sale | 8 | – | 2 |
| Related tax | (4) | – | (4) |
| **Underlying earnings for the financial period/year** | **42** | 126 | 172 |
| Profit on disposal of tangible fixed assets | (4) | – | (6) |
| Special items: demerger arrangements | (3) | (5) | (9) |
| Special items: restructuring and closure cost | (40) | (28) | (56) |
| Related tax | 1 | – | 2 |
| **Headline (loss)/earnings for the financial period/year** | **(4)** | 93 | 103 |

| | Number of shares | | |
|---|---|---|---|
| *million* | **(Reviewed) Six months ended 30 June 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
| **Basic number of ordinary shares outstanding**[1] | **507** | 508 | 507 |
| Effect of dilutive potential ordinary shares[2] | 12 | 8 | 8 |
| **Diluted number of ordinary shares outstanding** | **519** | 516 | 515 |

Notes:

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

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

# Notes to the condensed combined and consolidated financial information

## 9 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 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Amounts recognised as distributions to equity holders** | | | |
| Final and interim dividends paid | **26** | 80 | 38 |
| **Amounts proposed as distributions to equity holders** | | | |
| Proposed interim and final dividends | **13** | 40 | 26 |
| **Full year dividend paid and proposed** | | | 64 |

| *€ cents per share* | **(Reviewed) Six months ended 30 June 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Amounts recognised as distributions to equity holders** | | | |
| Final and interim dividends paid | **5.0** | 15.7 | 7.7 |
| **Amounts proposed as distributions to equity holders** | | | |
| Interim and final dividends | **2.5** | 7.7 | 5.0 |
| **Full year dividend paid and proposed** | | | 12.7 |

# Notes to the condensed combined and consolidated financial information

## 10 Net debt

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

| € million | Cash and cash equivalents[1] | Debt due within one year[2] | Debt due after one year | Total net debt |
|---|---|---|---|---|
| Balance at 1 January 2008 | 59 | (332) | (1,234) | (1,507) |
| Cash flow | (90) | 143 | (285) | (232) |
| Business combinations | – | (3) | (5) | (8) |
| Disposal of businesses | – | 4 | 16 | 20 |
| Reclassifications | – | (42) | 42 | – |
| Currency movements | 1 | 6 | 65 | 72 |
| Closing balance at 30 June 2008 | (30) | (224) | (1,401) | (1,655) |
| Cash flow | 114 | 71 | (258) | (73) |
| Business combinations | 3 | – | (32) | (29) |
| Disposal of businesses | – | 1 | 4 | 5 |
| Reclassifications | (2) | (173) | 173 | (2) |
| Currency movements | (10) | 27 | 47 | 64 |
| Closing balance at 31 December 2008 | 75 | (298) | (1,467) | (1,690) |
| Cash flow | – | 81 | 6 | 87 |
| Business combinations | – | – | 2 | 2 |
| Disposal of businesses | – | 8 | – | 8 |
| Reclassifications | – | (112) | 112 | – |
| Currency movements | 4 | (22) | (50) | (68) |
| **Closing balance at 30 June 2009** | **79** | **(343)** | **(1,397)** | **(1,661)** |

Notes:

1 The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

2 Excludes overdrafts, which are included as cash and cash equivalents. At 30 June 2009, short-term borrowings on the condensed combined and consolidated statement of financial position of €435 million (at 30 June 2008: €406 million, at 31 December 2008: €378 million) include €92 million of overdrafts (at 30 June 2008: €182 million, at 31 December 2008: €80 million).

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

| *€ million* | **(Reviewed) Six months ended 30 June 2009** | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Expiry date** | | | |
| In one year or less | 178 | 154 | 167 |
| In more than one year | 895 | 934 | 895 |
| **Total credit available** | **1,073** | 1,088 | 1,062 |

# Notes to the condensed combined and consolidated financial information

## 11 Capital expenditure cash payments

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Europe & International** | | | |
| Uncoated Fine Paper | 122 | 130 | 266 |
| Corrugated | 108 | 83 | 199 |
| Bags & Specialities | 42 | 47 | 136 |
| **Sub-total** | 272 | 260 | 601 |
| **South Africa** | | | |
| Uncoated Fine Paper | 12 | 4 | 37 |
| Containerboard | 1 | 19 | 7 |
| **Sub-total** | 13 | 23 | 44 |
| Mondi Packaging South Africa | 6 | 25 | 38 |
| Merchant and Newsprint | 2 | 5 | 10 |
| **Total[1]** | **293** | 313 | 693 |

Note:

1 Excludes business combinations, interest capitalised and the purchase of intangible assets.

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

A reconciliation of cash inflows from operations to EBITDA is presented as follows:

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Cash inflows from operations** | **392** | 310 | 795 |
| Share option expense | (4) | (6) | (9) |
| Fair value gains on forestry assets | 15 | 24 | 46 |
| Cost of felling | (26) | (22) | (43) |
| Decrease in provisions and post employment benefits | 9 | 11 | 21 |
| (Decrease)/increase in inventories | (81) | 11 | (26) |
| (Decrease)/increase in operating receivables | (19) | 87 | (106) |
| Decrease in operating payables | 1 | 28 | 105 |
| Profit on disposal of assets | 4 | – | 6 |
| Add back cash effect of operating special items | 18 | – | 19 |
| Other adjustments | (1) | 13 | 6 |
| **EBITDA[1]** | **308** | 456 | 814 |

Note:

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

# Notes to the condensed combined and consolidated financial information

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

EBITDA by business segment is presented as follows:

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Europe & International** | | | |
| Uncoated Fine Paper | 117 | 122 | 221 |
| Corrugated | 32 | 78 | 131 |
| Bags & Specialities | 89 | 164 | 271 |
| **Sub-total** | 238 | 364 | 623 |
| | | | |
| **South Africa** | | | |
| Uncoated Fine Paper | 29 | 48 | 109 |
| Containerboard | 19 | 19 | 43 |
| **Sub-total** | 48 | 67 | 152 |
| Mondi Packaging South Africa | 23 | 27 | 52 |
| Merchant and Newsprint | 16 | 18 | 24 |
| Corporate and other businesses | (17) | (20) | (37) |
| **EBITDA** | **308** | 456 | 814 |

EBITDA is stated before special items and is reconciled to 'Total profit from operations and associates' as follows:

| € million | (Reviewed) Six months ended 30 June 2009 | (Reviewed) Six months ended 30 June 2008 | (Audited) Year ended 31 December 2008 |
|---|---|---|---|
| **Total profit from operations and associates** | **57** | 226 | 56 |
| Operating special items (excluding associates) | 79 | 36 | 358 |
| Net (profit)/loss on disposals (excluding associates) | (5) | 3 | 27 |
| Impairment of assets held for sale | 8 | – | 2 |
| Depreciation and amortisation | 170 | 193 | 373 |
| Share of associates' net income | (1) | (2) | (2) |
| **EBITDA** | **308** | 456 | 814 |

## 13 Business combinations

There are no material business combinations for the six months ended 30 June 2009.

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

The write-downs of inventories to net realisable value, recognised as an expense for the six months ended 30 June 2009, total €11 million (2008: €9 million). The aggregate reversal of previous write-downs, recognised as a reduction in the amount of inventories expensed for the six months ended 30 June 2009, total €2 million (2008: €1 million).



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# Notes to the condensed combined and consolidated financial information

## 15 Retirement benefits

There were no significant curtailments, settlements, or other significant one-time events relating to the Group's defined benefit schemes, post-retirement medical plans or statutory retirement obligations during the six months ended 30 June 2009.

**Material schemes**
The Group's material defined benefit scheme and post-retirement medical plan liabilities were re-assessed for the half-year ended 30 June 2009. The net change in assumptions from those applied as at 31 December 2008 resulted in an immaterial impact on the present value of the liabilities. The assets backing the defined benefit scheme liabilities were updated to reflect their market values as at 30 June 2009. Any difference between the expected return on assets and the actual return on assets has been recognised as an actuarial experience movement within equity.

**Remaining Group defined benefit schemes and unfunded statutory obligations**
The remaining Group defined benefit schemes and unfunded statutory retirement obligations are calculated on a year-to-date basis. The calculations performed make use of the actuarial and financial assumptions published in the Group's annual financial statements for the year ended 31 December 2008. Although certain of these assumptions require adjustment to reflect market fluctuations during the half-year ended 30 June 2009, the net effect of applying these adjustments would have been immaterial.

## 16 Capital commitments

| *€ million* | **(Reviewed) As at 30 June 2009** | (Reviewed) As at 30 June 2008 | (Audited) As at 31 December 2008 |
|---|---|---|---|
| **Contracted for but not provided** | **258** | 421 | 405 |
| **Approved, not yet contracted for** | **136** | 436 | 219 |

## 17 Related party transactions

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

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

# Notes to the condensed combined and consolidated financial information

## 17 Related party transactions (continued)

| € million | Joint Ventures | Associates |
|---|---|---|
| **Six months ended/as at 30 June 2009** | | |
| Sales to related parties | 5 | – |
| Purchases from related parties | – | (13) |
| Loans to related parties | 15 | – |
| Receivables due from related parties | 7 | – |
| Payables due to related parties | – | (2) |
| **Six months ended/as at 30 June 2008** | | |
| Sales to related parties | 5 | – |
| Purchases from related parties | – | (18) |
| Loans to related parties | 13 | – |
| Receivables due from related parties | 5 | – |
| **Year ended/as at 31 December 2008** | | |
| Sales to related parties | 11 | – |
| Purchases from related parties | (1) | (32) |
| Loans to related parties | 10 | – |
| Receivables due from related parties | 7 | 1 |

Cyril Ramaphosa, joint chairman of Mondi, has a 29.82% (at 30 June 2008: 39.96%, at 31 December 2008: 32.7%) stake in Shanduka Group (Pty) Limited, an entity that has controlling interests in Shanduka Advisors (Pty) Limited, Shanduka Resources (Pty) Limited, Shanduka Packaging (Pty) Limited and Shanduka Newsprint (Pty) Limited and participating interests in Mondi Shanduka Newsprint (Pty) Limited, Kangra Coal (Pty) Limited, Shanduka Coal (Pty) Limited and Mondi Packaging South Africa (Pty) Limited. Fees of €178,285 (six months ended 30 June 2008: €166,000, year ended 31 December 2008: €340,000) and €nil (six months ended 30 June 2008: €303,000, year ended 31 December 2008: €392,000) were paid to Shanduka Advisors (Pty) Limited and Shanduka Resources (Pty) Limited respectively for management services provided to the Group during the six months ended 30 June 2009. Shanduka Packaging (Pty) Limited and Shanduka Newsprint (Pty) Limited have also provided a shareholder's loan to the Group. The balance outstanding at 30 June 2009 was €15.5 million (at 30 June 2008: €14 million, at 31 December 2008: €12.9 million) and €8.5 million (at 30 June 2008: €7 million, at 31 December 2008: €7.1 million), respectively. In the normal course of business, and on an arm's length basis, the Group purchased supplies from Kangra Coal (Pty) Limited totalling €4.2 million (six months ended 30 June 2008: €6 million, year ended 31 December 2008: €12 million) and from Shanduka Coal (Pty) Limited totalling €0.5 million (six months ended 30 June 2008: €nil, year ended 31 December 2008: €nil) during the period. €0.5 million (at 30 June 2008: €1 million, at 31 December 2008: €1 million) remains outstanding on these purchases at 30 June 2009.

Dividends received from associates for the six months ended 30 June 2009 totalling €0.4 million (six months ended 30 June 2008: €nil, year ended 31 December 2008: €2 million), as disclosed in the condensed combined and consolidated statement of cash flows.

# Notes to the condensed combined and consolidated financial information

## 18 Asset values per share

Asset values per share are disclosed in accordance with the JSE Listings Requirements. Net asset value per share is defined as net assets divided by the combined number of shares in issue as at the reporting date, less treasury shares held as at the same date. Tangible net asset value per share is defined as the net assets less intangible assets divided by the combined number of shares in issue as at the reporting date, less treasury shares held as at the same date.

| | **(Reviewed) As at 30 June 2009** | (Reviewed) As at 30 June 2008 | (Audited) As at 31 December 2008 |
|---|---|---|---|
| Net asset value per share (€) | **5.42** | 6.51 | 5.34 |
| Tangible net asset value per share (€) | **4.79** | 5.47 | 4.70 |

## 19 Events occurring after 30 June 2009

With the exception of the proposed interim dividend for 2009, as disclosed in note 9, there have been no material reportable events since 30 June 2009.

# Exchange Rates

| | Six months ended 30 June 2009 | Six months ended 30 June 2008 | Year ended 31 December 2008 |
|---|---|---|---|
| **Closing rates against the euro** | | | |
| South African rand | **10.89** | 12.34 | 13.07 |
| Pounds sterling | **0.85** | 0.79 | 0.95 |
| Polish zloty | **4.45** | 3.35 | 4.15 |
| Russian rouble | **43.88** | 36.95 | 41.28 |
| US dollar | **1.41** | 1.58 | 1.39 |
| Czech koruna | **25.88** | 23.89 | 26.87 |
| **Average rates for the period against the euro** | | | |
| South African rand | **12.25** | 11.73 | 12.06 |
| Pounds sterling | **0.89** | 0.78 | 0.80 |
| Polish zloty | **4.47** | 3.49 | 3.52 |
| Russian rouble | **44.08** | 36.61 | 36.45 |
| US dollar | **1.33** | 1.53 | 1.47 |
| Czech koruna | **27.13** | 25.21 | 24.97 |

# Production statistics

| | | Six months ended 30 June 2009 | Six months ended 30 June 2008 | Year ended 31 December 2008 |
|---|---|---|---|---|
| **Europe & International** | | | | |
| Containerboard | tonnes | **836,456** | 965,319 | 1,926,829 |
| Kraft paper | tonnes | **383,373** | 461,754 | 814,187 |
| Corrugated board and boxes | m $m^2$ | **924** | 1,143 | 2,104 |
| Bag converting | m units | **1,655** | 1,902 | 3,536 |
| Coating and release liners | m $m^2$ | **1,258** | 1,414 | 2,667 |
| Uncoated fine paper | tonnes | **709,433** | 754,364 | 1,452,058 |
| Newsprint | tonnes | **99,390** | 97,821 | 192,921 |
| Total hardwood pulp | tonnes | **513,666** | 607,356 | 1,012,470 |
| Total softwood pulp | tonnes | **756,960** | 970,356 | 1,620,155 |
| External hardwood pulp | tonnes | **17,098** | 38,171 | 126,479 |
| External softwood pulp | tonnes | **98,880** | 105,299 | 200,676 |
| **South Africa** | | | | |
| Containerboard | tonnes | **120,989** | 117,449 | 251,944 |
| Uncoated fine paper | tonnes | **179,325** | 229,938 | 416,509 |
| Wood chips | bone dry tonnes | **197,436** | 364,247 | 780,932 |
| Total hardwood pulp | tonnes | **305,763** | 264,003 | 595,449 |
| Total softwood pulp | tonnes | **55,394** | 50,321 | 106,390 |
| External hardwood pulp | tonnes | **101,287** | 13,214 | 139,235 |
| **Mondi Packaging South Africa** | | | | |
| Packaging papers | tonnes | **177,796** | 186,583 | 388,199 |
| Corrugated board and boxes | m $m^2$ | **177** | 183 | 381 |
| Total hardwood pulp | tonnes | **37,583** | 40,147 | 82,554 |
| Total softwood pulp | tonnes | **22,057** | 34,090 | 43,090 |
| **Newsprint joint ventures (attributable share)** | | | | |
| Newsprint | tonnes | **158,483** | 163,753 | 331,929 |
| Aylesford | tonnes | **96,262** | 99,639 | 200,540 |
| Shanduka | tonnes | **62,221** | 64,114 | 131,389 |
| Total softwood pulp Shanduka | tonnes | **36,450** | 40,816 | 86,464 |

# Shareholder information

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

## Registrars

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

**Mondi Limited shares and Mondi plc shares on the South African branch register**

Link Market Services South Africa (Proprietary) Limited
Postal address:
PO Box 4844
Johannesburg
South Africa

Helpline number:
011 630 0888 (if calling from South Africa)
+27 11 630 0888 (if calling from outside South Africa)

**Mondi plc shares and Mondi Limited Depositary Interests held through the Corporate Sponsored Nominee**

Equiniti
Postal address:
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
UK

Helpline number:
0871 384 2837
(if calling from the UK; calls cost 8p per minute from a BT landline; other telephony providers' costs may vary)
+44 121 415 7047 (if calling from outside the UK)

**Mondi Limited Depositary Interests**

Capita IRG Trustees Limited
Postal address:
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
UK

Helpline number:
0871 664 0335
(if calling from the UK; calls cost 10p per minute plus network extras)

+44 208 639 3135 (if calling from outside the UK)

Shareholders holding their shares or depositary interests through Equiniti may access details of their holdings, amend their details or elect to receive shareholder documents electronically by registering with Shareview, an online service offered by Equiniti, at www.shareview.co.uk.

## Financial calendar

| | |
|---|---|
| 15 September 2009 | Payment date for 2009 interim dividend (see below) |
| 18 September 2009 | Payment date for 2009 interim dividend to Depositary Interest holders (see below) |
| 27 October 2009 | Interim management statement |
| 8 March 2010 | 2009 preliminary results announcement |
| 6 May 2010 | 2010 annual general meetings |

## Dividends

**Dividend payments**

A final dividend for the year ended 31 December 2008 of 63.34650 rand cents or 5.0 euro cents per share was paid on 20 May 2009 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 24 April 2009.

**Dividend timetable**

The interim dividend for the year ending 31 December 2009 of 2.5 euro cents per share will be paid in accordance with the following timetable:

| | **Mondi Limited** | **Mondi plc** |
|---|---|---|
| **Last date to trade shares cum-dividend** | | |
| JSE Limited | 21 August 2009 | 21 August 2009 |
| London Stock Exchange | Not applicable | 25 August 2009 |
| **Shares commence trading ex-dividend** | | |
| JSE Limited | 24 August 2009 | 24 August 2009 |
| London Stock Exchange | Not applicable | 26 August 2009 |
| **Record date** | | |
| JSE Limited | 28 August 2009 | 28 August 2009 |
| London Stock Exchange | Not applicable | 28 August 2009 |
| Last date for Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants | 2 September 2009 | 2 September 2009 |
| Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc | 3 September 2009 | 3 September 2009 |
| **Payment date** | | |
| South African Register | 15 September 2009 | 15 September 2009 |
| UK Register | Not applicable | 15 September 2009 |
| Depositary Interest holders (dematerialised DIs) | 18 September 2009 | Not applicable |
| Holders within the Equiniti Corporate Nominee | 22 September 2009 | Not applicable |
| DRIP purchase settlement dates | 22 September 2009 | 18 September 2009* |

* 22 September 2009 for Mondi plc South African branch register shareholders.

**Currency conversion dates**

| | | |
|---|---|---|
| ZAR/euro | 5 August 2009 | 5 August 2009 |
| Euro/sterling | Not applicable | 7 September 2009 |

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 24 August 2009 and 30 August 2009, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 19 August 2009 and 31 August 2009, both dates inclusive.

### Dividend currency

All dividends are declared in euros but are paid in the following currencies:

| | |
|---|---|
| Mondi Limited | South African rand |
| Mondi Limited Depositary Interest holders | sterling |
| Mondi plc | euros |
| Mondi plc (UK residents) | sterling |
| Mondi plc (South African residents) | South African rand |

### Dividend mandate

Shareholders wishing to have their dividends paid directly into a bank or building society account should contact either Link Market Services South Africa (Proprietary) Limited or Equiniti as appropriate to obtain an application form.

Mondi Limited shareholders holding their shares on the main register may only set up a mandate if they have a South African bank account.

Mondi plc shareholders located outside the UK may be able to take advantage of the Overseas Payment Service offered by Equiniti. This is also available to those holding Mondi Limited Depositary Interests through the Corporate Sponsored Nominee. A fee is charged per dividend for this service. For further information or for an application form please contact Equiniti.

### Dividend reinvestment plans

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

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those resident in the US and Canada). This service is not available for holders of Mondi Limited Depositary Interests.

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

## Account amalgamations

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

## Fraudulent transactions

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

## Alternative formats

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

## Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, 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, above. 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.

# Glossary of financial terms

## This report contains a number of terms, some of which are particular to the paper and packaging industry, which are explained below:

**EBITDA**

Operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

**EBITDA interest cover**

EBITDA divided by net debt finance charges (before special financing items).

**Gearing**

The ratio of net debt to total capital employed.

**Group revenue**

Total turnover of subsidiaries and proportionate share of joint venture turnover.

**Headline earnings**

JSE listing measure, calculated in accordance with Circular 8/2007, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

**Net debt**

A non-GAAP measure, comprising short and medium-term borrowings and bank overdrafts less cash and cash equivalents and current financial asset investments.

**Net segment assets**

Net segment assets are segment assets, consisting of property, plant and equipment, intangibles, forestry assets, retirement benefit surplus, inventories and operating receivables less segment liabilities consisting of non-interest-bearing current liabilities, restoration and decommissioning provisions and provisions for post-retirement benefits.

**Operating margin**

Underlying operating profit divided by Group revenue.

**Reported (loss)/profit before tax**

Reported (loss)/profit before tax but after special items.

**Return on capital employed (ROCE)**

This is trailing twelve month underlying operating profit, including share of associates' net earnings, divided by trailing twelve 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 two strategic projects in Poland and Russia, which are not yet in production.

**Shareholders' funds**

Share capital, share premium, retained profits and other reserves attributable to equity holders of the parent companies.

**Special items**

Those non-recurring financial items which the Group believes should be separately disclosed on the face of the condensed combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group and its businesses.

**Total equity**

Shareholders' funds and minority interests in equity.

**Trading capital employed**

Net segment assets plus investment in associates, deferred tax, and other non-operating assets and liabilities excluding financial investments.

**Underlying earnings**

Net profit after tax before special items attributable to equity holders of the Group.

**Underlying operating profit**

Operating profit of subsidiaries and joint ventures before special items.

**Underlying profit before tax**

Reported profit before tax and special items.

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