21 February 2013

Mondi Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1967/013038/06)
JSE share code: MND ISIN: ZAE000156550

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

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

Full year results for the year ended 31 December 2012

Financial highlights

- Strong profitability despite challenging start to the year
- Supported by excellent operating performance and cost management
- ROCE of 13.7%, in excess of the Group's through-the-cycle target of 13%
- Strong cash generation from operations of €845 million
- Total dividend for the year of 28.0 euro cents per share, up 8%

Strategic highlights

- Significant progress with strategic initiatives
  - €1.2 billion spent on acquisitions increasing exposure to higher growth packaging segments
  - Disposal of interest in non-core Aylesford Newsprint
  - Capital employed in packaging businesses now 67% of Group total (57% at end of 2011)
- Integration of acquisitions on track
- Cost synergies from recent acquisitions now estimated at €30 million per annum, up 33%

Financial Summary

€ million, except for percentages and per share measures	**Year ended 31 December 2012**	Year ended 31 December 2011	Change %	**Six months ended 31 December 2012**	Six months ended 31 December 2011	Change %
From continuing operations						
Group revenue	**5,807**	5,739	1	**2,967**	2,797	6
Underlying EBITDA[1]	**923**	964	(4)	**487**	438	11
Underlying operating profit[1]	**568**	622	(9)	**299**	268	12
Underlying profit before tax[1]	**462**	512	(10)	**245**	216	13
Operating profit	**541**	568	(5)	**272**	213	28
Profit before tax	**371**	457	(19)	**148**	157	(6)
Per share measures						
Basic earnings per share - alternative measure[2] (€ cents)	**69.6**	71.8	(3)			
Basic earnings per share from continuing operations (€ cents)	**50.5**	57.5	(12)			
Total dividend per share (€ cents)	**28.0**	26.0	8			
Free cash flow per share[3] (€ cents)	**51.3**	78.8	(35)			
Cash generated from operations	**845**	917	(8)			
Net debt	**1,864**	831				
Group return on capital employed (ROCE)[4]	**13.7%**	15.0%				

Notes:
1. The Group presents underlying EBITDA, operating profit, profit before tax and related per share information as measures which exclude special items in order to provide a more effective comparison of the underlying financial performance of the Group between financial reporting periods.
2. The directors have elected to continue to present an alternative, non-IFRS measure of earnings per share from continuing operations. As more fully set out in note 8 of the condensed financial statements, the effects of the demerger of Mpact Limited and the Mondi Limited share consolidation have been adjusted in the 2011 comparative earnings per share figures to reflect the position as if the transaction had been completed on 1 January 2011. This is intended to enable a more useful comparison of underlying earnings per share from continuing operations, based on the consolidated number of shares. In 2012, there is no difference between the alternative measure presented and underlying earnings per share.

[3] Free cash flow per share is the net increase in cash and cash equivalents before the effects of acquisitions and disposals of businesses, changes in net debt and dividends paid divided by the net number of shares in issue at year end.
[4] ROCE is underlying profit expressed as a percentage of the average capital employed for the year, adjusted for impairments and spend on strategic projects which are not yet in operation.

David Hathorn, Mondi Group chief executive, said:

'Mondi delivered a solid financial performance in what remains an uncertain economic environment. While the early part of the year was particularly challenging, trading picked up as the year progressed, culminating in a strong final quarter.

Continued strong profitability resulted in a return on capital employed (ROCE) of 13.7%, once again above our through-the-cycle target of 13%. Net debt finished the year at €1,864 million, largely due to the €1.2 billion of strategic acquisitions in higher growth packaging segments completed during the year. Our continued strong cash generation and underlying earnings per share of 69.6 euro cents per share has resulted in the directors recommending a final dividend of 19.1 euro cents per share, bringing the total dividend to 28.0 euro cents per share for the year, an increase of 8%.

Our focus in the near term is on the integration and optimisation of the recent acquisitions and successful delivery of the significant capital investment projects we have initiated over the course of the past year. I am very pleased to see the progress we have already made in integrating our recent acquisitions, exemplified by the fact we have revised upwards by 33% our estimate of expected synergies to €30 million per annum within two years.

Fundamentals for our core segments remain sound, although recently announced capacity additions by various manufacturers in selected paper grades are a concern, exacerbated by the prevailing demand softness as Europe remains affected by the macroeconomic slowdown. However, with the strong finish to the year, coupled with the expected contribution from the recent acquisitions, we remain confident of making progress in the year ahead.'

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Conference call dial-in and audio cast details

Please see below details of our dial-in conference call and audio cast that will be held at 09:00 (UK) and 11:00 (SA).

The conference call dial-in numbers are:

South Africa	0800 200 648 (toll-free)
UK Primary	0808 162 4061 (toll-free)
UK Alternative	0800 917 7042 (toll-free)
Europe & Other	00800 246 78 700 (toll-free)

An online audio cast facility will be available via: www.mondigroup.com/FYResults12.

The presentation will be available online via the above website address before the audio cast commences. Questions can be submitted via the dial-in conference call or by e-mail via the audio cast.

Should you have any issues on the day with accessing the dial-in conference call, please call +27 11 535 3600.

Should you have any issues on the day with accessing the audio cast, please e-mail mondi@kraftwerk.co.at and you will be contacted immediately.

An audio recording of the presentation will be available on Mondi's website during the afternoon of 21 February 2013.

Editors' notes

Mondi is an international packaging and paper Group, with production operations across 30 countries and revenues of €5.8 billion in 2012. The Group's key operations are located in central Europe, Russia and South Africa and as at the end of 2012, Mondi employed 25,700 people.

Mondi Group is fully integrated across the packaging and paper value chain, from the growing of wood and the production of pulp and paper (packaging paper and uncoated fine paper), to the conversion of packaging paper into corrugated packaging, industrial bags, extrusion coatings and release liner. Mondi is also a supplier of innovative consumer packaging solutions, advanced films and hygiene products components.

Mondi Group has a dual listed company structure, with a primary listing on the JSE Limited for Mondi Limited under the ticker code MND and a premium listing on the London Stock Exchange for Mondi plc, under the ticker code MNDI. The Group has been recognised for its sustainability through its inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index since 2007. The Group was also included in the Carbon Disclosure Project's (CDP) Carbon Disclosure Leadership Index for the third year and in CDP's Carbon Performance Leadership Index (CPLI) for the first time in 2012.

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'. 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.

Overview

Financial review

While the first quarter was particularly difficult, characterised by a continuation of the weak order books seen towards the end of 2011, trading picked up as the year progressed. Sales volumes recovered into the second quarter and this, in turn, saw some price recovery in certain of the Group's major grades going into the second half of the year. The third quarter was impacted by the traditional European summer slowdown in trading, but a strong finish to the year, with good volumes and reasonable price levels in Europe, meant the Group was able to deliver full year underlying operating profit of €568 million, 9% down on the very strong prior year result.

Fundamentals for each of the Group's core businesses remain good, although recently announced capacity additions in segments that remain in oversupply are a concern. While the uncoated fine paper business remains in structural decline in the mature western European region, prices have remained stable due to continued supply side contraction in the face of poor profitability among the more marginal players. Such rationalisation will need to continue in order to ensure market stability. On the packaging side, fundamentals for growth in the medium term remain firmly in place with only the kraft paper/industrial bags value chain in western Europe suffering some secular demand decline, offset by strong export markets.

The Group continued to be strongly cash generative with cash generated from operations of €845 million. Working capital levels were maintained within the Group's targeted level of 10-12% as a percentage of turnover, closing the year (based on the annualised sales of Nordenia) at 11.8%. During the year, capital expenditure amounted to €298 million.

Net debt at 31 December 2012 was €1,864 million, an increase of €1,033 million from 31 December 2011. The increase is attributable to the €1.2 billion of strategic acquisitions completed during the year (further detailed below). The acquisitions were financed by the proceeds from an 8-year 3.375% €500 million Eurobond and from existing borrowing facilities. Excluding the effects of acquisitions, net debt reduced by €180 million.

At the underlying earnings per share level, results were down only 3% on the comparable prior year figure, supported by lower interest charges and a reduction in the non-controlling interest charge, primarily due to the acquisition of the remaining minority interest in Mondi Swiecie in the first half of the year. This strong performance bears testament not only to the strength of our strategic positioning, but also the unrelenting focus on cost management and strong operating performance achieved across the Group.

The Group is proposing to pay a final dividend of 19.1 euro cents per share, bringing the total dividend for the year to 28.0 euro cents per share, an increase of 8% on 2011.

Progress on strategy

During the year good progress was made in the ongoing process of shifting Mondi's portfolio to higher growth products. This included €1.2 billion of acquisitions in the growing corrugated packaging and consumer packaging value chains and the disposal of the 50% interest in Aylesford Newsprint, which operates in the structurally challenged newsprint sector.

Key acquisitions included:

- Packaging Paper
  - the acquisition of the remaining minority interest in Mondi Swiecie;
  - Mondi Swiecie acquired a combined heat and power generating plant, providing the bulk of its electricity requirements and all of its heat and steam needs;
- Consumer Packaging
  - the acquisition of a 99.93% interest in Nordenia; and
- Fibre Packaging
  - the acquisition of Duropack's two corrugated packaging plants in Germany and the Czech Republic.

Over the past year, the share of the Group's capital employed in the packaging businesses, with typically higher structural growth rates than the graphic paper grades, has increased from 57% to 67%.

Following the completion of the Nordenia acquisition and disposal of Aylesford Newsprint, the Group management and reporting structures were reorganised. The Europe & International Division has been restructured into four business units, divided into upstream and downstream activities with a clear separation between packaging and uncoated fine paper: Packaging Paper, Fibre Packaging, Consumer Packaging and Uncoated Fine Paper. The remaining Newsprint business, Mondi Shanduka Newsprint, has been incorporated into the South Africa Division. Europe & International contributed €538 million to underlying operating profit and the South Africa Division €68 million. Corporate costs remained at similar levels to the previous year.

Europe & International - Packaging Paper

€ million	**Year ended 31 December 2012**	Year ended 31 December 2011	Change %	**Six months ended 31 December 2012**	Six months ended 31 December 2011	Change %
Segment revenue	**1,896**	2,006	(5)	**936**	943	(1)
- of which inter-segment revenue	**469**	469		**220**	209	
Underlying EBITDA	**321**	392	(18)	**171**	168	2
Underlying operating profit	**227**	295	(23)	**123**	122	1
Special items	**-**	(11)		**-**	(11)	
Capital expenditure	**89**	67		**55**	47	
Net segment assets	**1,466**	1,249				
ROCE	**17.9%**	24.4%				

Packaging Paper delivered another good financial performance despite the more challenging trading environment, with a ROCE of 17.9% and underlying operating profit of €227 million.

The early part of the year was characterised by weak demand, with market related downtime continuing from the end of 2011 into the first quarter of 2012. Demand improved during the first half, enabling the business to implement price increases in the virgin containerboard and kraft paper grades, which became effective during the second half of the year. Sales volumes of containerboard were similar to those of the previous year whilst volumes of kraft paper increased as a result of stronger export markets.

Whilst industry wide demand for the various containerboard grades was marginally lower than the previous year, with growth in the emerging central European countries only partly offsetting the decline in the more mature western markets, Mondi increased its volumes by 3% during the year. European markets for sack kraft paper remained weak with demand below prior year levels. The sack kraft business, however, continued to benefit from strong export growth, particularly in Asia and Africa.

In 2012, virgin containerboard pricing was weaker on average than in 2011. Average benchmark kraftliner prices were 6% lower. However, supply side contraction coupled with reduced imports from the US resulted in an improved supply/demand balance with price increases being realised in stages throughout the second half of 2012. Average benchmark prices in the second half of 2012 for kraftliner were 7% higher than in the first half. European virgin containerboard markets remain firm in early 2013.

Surplus capacity in recycled containerboard continued to influence pricing and average benchmark prices were 10% lower than in 2011. After recovering through the end of the first quarter and into the second quarter from the January 2012 lows, pricing weakened in the second half on lower input costs. Average benchmark prices in the second half of 2012 were 4% lower than in the first half. Recent capacity closures coupled with a stable demand environment have firmed up the recycled containerboard market. As yet, there has been little impact from the start-up of new capacity in Poland. A price increase of €60/tonne was announced in January 2013.

Sack kraft paper prices were on average 2-4% lower than in 2011 despite price increases having been implemented in the third quarter, reflected in average prices in the second half being around 2% higher than the first half. European price levels have weakened marginally in early 2013, while pricing in export markets remains stable.

Packaging Paper benefited from lower input costs particularly in the second half of the year with lower wood costs in central Europe, and recycled paper costs being on average 16% lower than in 2011. The acquisition by Mondi Swiecie of the power and heat generating plant benefited the business with lower costs and increased green energy credits, although the lower average selling prices achieved for green energy credits did provide some offset.

The business also benefited significantly from profit improvement initiatives, which, along with improved productivity, enabled the business to continue to realise good returns on invested capital.

The containerboard business is expected to benefit from synergies from the acquisition of the Duropack corrugated packaging plants in Germany and the Czech Republic, completed in November 2012, primarily through reduced transportation costs (refer to Europe & International - Fibre Packaging for more detail).

Europe & International - Fibre Packaging

€ million	**Year ended 31 December 2012**	Year ended 31 December 2011	Change %	**Six months ended 31 December 2012**	Six months ended 31 December 2011	Change %
Segment revenue	**1,860**	1,881	(1)	**914**	908	1
- of which inter-segment revenue	**42**	33		**23**	15	
Underlying EBITDA	**168**	149	13	**88**	72	22
Underlying operating profit	**101**	86	17	**54**	40	35
Special items	**(16)**	(8)		**(16)**	(10)	
Capital expenditure	**76**	72		**48**	38	
Net segment assets	**958**	866				
ROCE	**12.5%**	11.0%				

Fibre Packaging realised a 17% increase in underlying operating profit to €101 million in 2012. The improvement reflects the benefits of ongoing profit improvement initiatives and lower input costs. The ROCE of 12.5%, whilst still below our 13% target, reflects a pleasing improvement on 2011 levels.

The corrugated packaging business benefited from generally stable pricing and volumes coupled with lower paper input costs. Market demand for corrugated packaging products was broadly unchanged in the mature central European markets whilst pleasing growth continued to be seen in emerging Europe. Average selling prices in emerging Europe were higher than in 2011 which offset in part the declines experienced in the more mature markets.

In line with the Group's strategy to strengthen its leading market position in corrugated packaging in central and eastern Europe, Mondi acquired two corrugated box plants in Germany and the Czech Republic consuming 130,000 tonnes of containerboard per annum, and a 105,000 tonne recycled containerboard mill in the Czech Republic from Duropack GmbH on 5 November 2012. On 19 November 2012, Mondi announced its intention to close the recycled containerboard mill. The acquisition of the packaging plants is expected to provide the Group with improved access to these regional markets and generate logistics synergies from their proximity to the Swiecie containerboard mill in Poland. Cost synergies are estimated at approximately €10 million per annum, up around one-third from the original estimate at the time of acquisition. After taking into account the restructuring and closure costs of the containerboard mill of €3 million, the contribution to underlying operating profit in 2012 from this acquisition was a loss of €2 million.

Industrial bags benefited from lower paper input costs and productivity and cost improvement initiatives, which more than offset lower sales volumes and lower average selling prices. Growth in the CIS, Middle East, North Africa and Asia regions was positive whilst the western European markets continued to be weak, particularly in the south. This has necessitated restructuring in Belgium, Spain and France with restructuring provisions and an asset impairment charge amounting to €21 million being recognised in special items.

The coatings business benefited from lower input costs for both paper and resin as well as from stringent cost management measures and productivity improvements. These gains were offset in part by weaker demand, particularly from the automotive and building industries, and consequently lower selling prices. The new facility in the US continues to ramp up its activities, particularly in respect of product qualification in higher value markets.

Europe & International - Consumer Packaging

€ million	**Year ended 31 December 2012**	Year ended 31 December 2011	Change %	**Six months ended 31 December 2012**	Six months ended 31 December 2011	Change %
Segment revenue	**502**	372	35	**352**	165	113
- of which inter-segment revenue	**4**	5		**3**	2	
Underlying EBITDA	**45**	37	22	**30**	17	76
Underlying operating profit	**19**	25	(24)	**9**	11	(18)
Special items	**(11)**	(5)		**(7)**	(5)	
Capital expenditure	**28**	15		**21**	8	
Net segment assets	**872**	131				
ROCE	**6.2%**	15.0%				
Adjusted for non-recurring items in 2012 and the effect of the disposal of Unterland in 2011						
Adjusted underlying EBITDA	**54**	30	80			
Adjusted underlying operating profit	**33**	20	65			
Adjusted ROCE	**10.8%**	16.9%				

The growth in consumer packaging reflects a significant step in the Group's strategic development in higher growth markets. Mondi acquired a 99.93% interest in Nordenia International AG with effect from 1 October 2012.

Nordenia, as an international supplier of innovative consumer packaging solutions and hygiene components, enables the Group to develop a leading consumer packaging business, building on existing deep, long-term customer relationships. Nordenia enjoys a strong competitive advantage through its proprietary technology, global presence and a proven track record of innovation and growth.

Stripping out the effects of one-off costs and depreciation and amortisation charges largely related to the acquisition accounting of €18 million detailed below, the ex-Nordenia business delivered underlying operating profit of €19 million in the fourth quarter, in line with expectations at the time of the acquisition.

On acquisition, the Group recognised the net assets of Nordenia at their fair market value (the details of which are set out in note 12 of the condensed financial statements) resulting in a higher depreciation and amortisation charge than recognised in the stand-alone Nordenia business. In the three months to 31 December 2012, this charge amounted to €4 million. The increase in depreciation and amortisation from 2013 will be approximately €13 million per year.

In the fourth quarter a number of one-off costs, amounting to €14 million were recognised. These costs mainly related to the acquisition accounting for the Nordenia transaction and include the effect of the recognition of short-term assets at their fair value which were subsequently recognised as an expense in the income statement.

Comparability with the prior year is further complicated by the sale of Unterland in October 2011 which contributed €7 million of EBITDA and €5 million of underlying operating profit up to the date of disposal.

In addition to the full year contribution from Nordenia in 2013, synergies amounting to approximately €20 million per annum are expected to be realised by the end of 2014, with approximately half the benefit already expected in 2013. This synergy target exceeds the original estimates at the time of the acquisition of €15 million per annum, largely due to increased confidence in the delivery of a number of cost reduction initiatives.

Consumer Packaging has a strong product pipeline in development. The business expects its plant in Taicang, China to commence operations towards the end of 2013 with full capacity being reached by 2015.

Europe & International - Uncoated Fine Paper

€ million	Year ended 31 December 2012	Year ended 31 December 2011	Change %	Six months ended 31 December 2012	Six months ended 31 December 2011	Change %
Segment revenue	**1,466**	1,429	3	**717**	695	3
- of which inter-segment revenue	**13**	20		**5**	7	
Underlying EBITDA	**300**	309	(3)	**146**	140	4
Underlying operating profit	**191**	205	(7)	**91**	87	5
Special items	**-**	2		**-**	-	
Capital expenditure	**58**	61		**34**	28	
Net segment assets	**1,248**	1,283				
ROCE	**16.7%**	16.7%				

Uncoated Fine Paper again delivered a strong operating performance with underlying operating profit of €191 million and a ROCE of 16.7%.

Whilst western European markets remained soft, impacted by both short-term cyclical and longer-term structural challenges, demand growth in eastern Europe (excluding the CIS region) was marginally positive. Market demand in Russia was down on a very strong 2011. In aggregate, Mondi's sales volumes for uncoated fine paper were on a similar level to that of the previous year.

In Europe, selling prices were stable throughout the year with average benchmark European uncoated fine paper prices declining by 1% in the year, while marginal price increases were achieved in the Russian market.

Russia entered the World Trade Organisation in August 2012 and, as a consequence, import duties for uncoated fine paper will reduce by 2.5% per year until they reach a level of 5% in 2016. Implementation is due to start in 2013. The reduction in trade duties, coupled with new capacity coming on stream in both Russia and France, is expected to place some pressure on pricing in the short to medium term.

The business benefited from lower input costs, driven by lower pulp costs for the unintegrated Neusiedler operation, partially offset by higher wood costs in Russia and generally higher energy costs. Fixed costs were higher, largely due to a higher depreciation charge offset by ongoing cost optimisation initiatives.

South Africa Division

€ million	**Year ended 31 December 2012**	Year ended 31 December 2011	Change %	**Six months ended 31 December 2012**	Six months ended 31 December 2011	Change %
Segment revenue	**653**	645	1	**330**	339	(3)
- of which inter-segment revenue	**109**	155		**52**	64	
Underlying EBITDA	**123**	117	5	**68**	62	10
Underlying operating profit	**68**	63	8	**40**	36	11
Special items	**6**	-		**-**	-	
Capital expenditure	**46**	29		**30**	14	
Net segment assets	**811**	860				
ROCE	**9.9%**	8.7%				

South Africa Division delivered an improved result with underlying operating profit increasing by 8% to €68 million and ROCE to 9.9%. Whilst still below the Group's target rate, it is pleasing to note the continued improvement in this business from the lows of 2009.

Sales volumes increased across all grades, largely on the back of increasing domestic demand.

Domestic selling price increases for uncoated fine paper and newsprint were implemented early in 2012 and prices remained at those levels throughout the year. Both pulp and white-top kraftliner sales prices decreased on the back of lower average international benchmark US dollar selling prices. Lower average selling prices were offset in large part by gains from the weaker rand versus the US dollar and euro.

Above inflation wage and energy price increases were mitigated through ongoing cost management and efficiency improvement initiatives such that overall cost increases were kept below prevailing inflation rates.

Good progress is being made in land claims with a further eight claims having been settled during the year.

Financial review

Special items
Special items for the year, giving rise to a net charge of €91 million before tax, include the following:

- Loss of €70 million on disposal of Aylesford Newsprint;
- Transaction costs of €11 million attributable to the Nordenia acquisition;
- Restructuring activities and asset impairment in Fibre Packaging amounting to €21 million;
- Profit of €6 million on sale of land in South Africa Division; and
- A €5 million gain on settlement of an insurance claim.

Further detail is provided in note 4 of the condensed financial statements.

Input costs
Wood, recovered fibre and pulp comprise approximately one third of the input costs of the Group.

Wood costs decreased on average for both hardwood and softwood (1% and 5% respectively) versus the prior year. On average benchmark European recovered paper prices in 2012 were around 16% lower than in 2011 with an increase in the early part of the year followed by a significant drop off in the second half of the year. Current recovered paper prices are at their lowest levels since March 2010.

Average benchmark euro denominated pulp prices were 8% lower for softwood pulp and largely unchanged for hardwood pulp versus 2011. Softwood pulp prices continued to decline over the course of the year whilst average hardwood pulp prices were 6% higher in the second half of 2012 than the first half.

Energy cost increases for the year were significant, with oil increasing by 7%, gas by 12% and coal and power by 17% on average. This highlights the importance of the Group's efforts to increase both energy efficiency and energy self-sufficiency.

Mondi's well established and relentless pursuit of cost saving initiatives bore significant benefits across the value chain. These initiatives enabled the Group to realise significant savings on input costs and fixed cost increases were kept well within inflation.

Currencies
The weaker rand and a stronger Polish zloty and US dollar against the euro provided a net positive impact to the Group. Positive translational and transaction gains were realised in Packaging Paper, Fibre Packaging and the South Africa Division. Exchange rate volatility was more muted during the year with most currencies trading within a relatively narrow range against the euro.

Tax
The effective tax rate before special items was 20% - consistent with that of 2011. The low tax rate continues to be a result of profitability in regions with lower statutory tax rates and the benefits of tax incentives granted in certain countries in which the Group operates, notably those related to the major Polish and Russian projects.

Non-controlling interests
Earnings attributable to holders of non-controlling interests declined significantly from €70 million in the prior year to €35 million, primarily as a result of the acquisition of the non-controlling interest in Mondi Swiecie in the second quarter of 2012.

Cash flow

Despite the challenging economic environment, EBITDA from continuing operations of €923 million was only 4% lower than in 2011. The strong cash generation reflects the contribution in the fourth quarter from the acquisition of Nordenia and the successful profit improvement and cost management initiatives throughout the Group.

Mondi generated €845 million in cash from operations (2011: €917 million) after taking into account a net increase in working capital of €80 million. The increase in working capital includes the settlement of a number of short-term obligations recognised as part of the acquisition of Nordenia as well as the cancellation of the factoring arrangements that were in place prior to the acquisition.

The strong cash flow generation, supplemented by additional borrowings raised during the year, were applied to fund the Group's capital expenditure of €298 million, its strategic acquisitions and distributions to shareholders.

Capital expenditure

Capital expenditure of €298 million was €35 million higher than the prior year. The capital expenditure to depreciation ratio was 86% including expenditure on a number of the Group's strategic energy projects.

Mondi's approved energy related investments totalling approximately €140 million announced in early 2012 included a bark boiler at Syktyvkar in Russia, a steam turbine and recovery boiler economiser at Stambolijski, Bulgaria, a new recovery boiler at Frantschach, Austria and a new steam turbine at the Richards Bay mill in South Africa. The benefits of these investments, mainly in the form of reduced energy costs, improved efficiencies and energy self-sufficiency are expected to be realised from the end of 2013 as these projects reach completion. In addition, the decision has recently been taken to commence the €30 million pulp dryer project in Syktyvkar. The project was initially announced in early 2012 but put on hold pending clarification of various technical parameters, which have since been resolved.

As announced early in 2012 various additional energy related projects, amounting to approximately €250 million, were under consideration. In this regard, the Boards have since approved a further €128 million strategic energy investment at the 51% held Ruzomberok mill. Further options remain under evaluation.

The Ruzomberok investment, including a new recovery boiler at the mill, will increase pulp production, reduce the mill's environmental footprint and improve the overall cost position. The project will also include improvements in chemical recovery and green energy and heat production during the pulp production process. Some of the project benefits also result from avoiding otherwise essential stay-in-business capital expenditure. The project is expected to be completed in the fourth quarter of 2014, delivering an after-tax internal rate of return in excess of 40%.

The Boards also approved a €70 million project in the Steti kraft paper mill which will enable the mill to integrate the remaining open market pulp production on site by producing additional volumes of bleached kraft paper and will provide growth opportunities for the kraft business. The project is expected to be completed in the latter part of 2014 delivering an after tax internal rate of return of around 20%.

Including the announced strategic projects, capital expenditure is expected to be approximately 125% of the Group's depreciation charge on average over the next two years.

Treasury and borrowings

Net debt at the end of the year was €1,864 million, a €1,033 million increase from the prior year end. Gearing increased to 39.3% at the end of 2012, up from 21.5% at the end of 2011, and the net debt to 12 month trailing EBITDA ratio was 2.0, well within the Group's key financial covenant requirements.

Finance charges of €107 million were similar to the previous year (€111 million) due to a lower effective average interest rate offset by the increased net debt. The majority of the increase in the Group's net debt occurred in the last quarter of the year as a consequence of the acquisitions of Nordenia and the corrugated packaging plants of Duropack in Germany and the Czech Republic. The debt assumed in the Nordenia acquisition included a high yield bond, which was recognised on acquisition at its fair market value, with the premium over book value amortised over the remaining term of the bond. As a consequence, the effective interest rate recognised in the financial statements approximates the Group's average borrowing rate, well below the 9.75% coupon applicable to that bond.

Mondi's public credit ratings, first issued in March 2010, were reaffirmed during the year at BBB- from Standard and Poor's and Baa3 from Moody's Investors Service.

The Group actively manages its liquidity risk by ensuring it maintains diversified sources of funding and debt maturities. During the year the Euro Medium Term Note (EMTN) programme under which the €500 million, seven year bond was issued in March 2010 was renewed. In September 2012 Mondi successfully launched an eight year, 3.375% fixed coupon, €500 million bond maturing in 2020 under the same programme.

At the end of the year the Group's committed debt facilities amounted to €2.6 billion with €762 million undrawn, which provides significant liquidity to meet Mondi's short and medium-term funding requirements. Drawn committed facilities maturing in 2013 amount to €191 million.

The weighted average maturity of the Eurobonds and committed debt facilities increased to 4.8 years as at 31 December 2012 compared to 4.3 years a year earlier.

Principal risks and uncertainties

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

On an annual basis, the DLC executive committee and Boards conduct a formal systematic review of the most significant risks and uncertainties and the Group's responses to those risks. These risks are assessed against pre-determined risk tolerance limits, established by the Boards. In addition, the DLC audit committee reviews each of the principal risks in detail over the course of the year. Additional risk reviews are undertaken on an ad-hoc basis for significant investment decisions and when changing business conditions dictate.

The Boards' risk management framework addresses all significant strategic, sustainability, financial, operational and compliance-related risks which could undermine the Group's ability to achieve its business objectives in a sustainable manner. The risk management framework is designed to be flexible, to ensure that it remains relevant at all levels of the business given the diversity of the Group's locations, markets and production processes; and dynamic, to ensure that it remains current and responsive to changing business conditions.

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

Competitive environment in which Mondi operates
The industry in which Mondi operates is highly competitive and subject to significant volatility. New capacity additions are usually in large increments which, combined with product substitution towards lighter weight products and alternative packaging solutions and increasing environmental considerations, have an impact on the supply-demand balance and hence on market prices.

Mondi monitors industry developments in terms of changes in capacity as well as trends and developments in its own product range and potential substitutes. A flexible and responsive approach to market and operating conditions and the Group's strategic focus on low-cost production in growing markets, with consistent investment in its operating capacity serve to mitigate this risk.

In 2012, the acquisitions of Nordenia and the corrugated packaging plants in Germany and the Czech Republic, as well as the disposal of Aylesford Newsprint, further position the Group in its selected strategic growth areas.

Cost and availability of a sustainable supply of raw materials
Fibre (wood, pulp and recovered paper) and resins accounts for approximately one-third of the Group's input costs. It is the Group's objective to acquire fibre from sustainable sources and to avoid the use of any illegal or controversial supply.

All plantations in South Africa and leased/managed forests in Russia are FSC™ certified. With the exception of Stambolijski, Bulgaria, all mills have chain-of-custody certificates in place, ensuring that the wood procured in 2012 was from non-controversial sources. Stambolijski will be certified to FSC™ chain-of-custody standards in 2013 and currently wood supplies meet Mondi's minimum wood standards that ensure legality and non-controversial wood sources. Mondi constantly monitors international market prices for its other raw materials (recovered paper and resins) and, where possible, have cost pass-through mechanisms in place with customers to mitigate the risk of input cost increases. The Group's focus on high-quality, low-cost operations, relatively high levels of integration and access to its own fibre in Russia and South Africa further mitigate this risk.

Cost of energy and related input costs
Non-fibre input costs comprise approximately a third of the Group's total variable costs. Increasing energy costs, and the consequential impact thereof on both chemical and transport costs, may impact the Group's operating profit margins.

Active investment in energy related projects have significantly improved energy self-sufficiency and efficiency in the Group.

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

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

The locations in which the Group operates
Mondi operates in a number of countries with differing political, economic and legal systems. In some countries, such systems are less predictable than in countries with more developed institutional structures. In addition, economic risks in certain regions are heightened following the macroeconomic uncertainties experienced in recent years.

Mondi is invested in a number of geographical locations, with a strategic focus on low-cost high-growth markets. This geographical diversity and decentralised management structure utilising local resources in countries in which the Group operates reduces its exposure to any specific jurisdiction. Mondi continues to actively monitor and adapt to changes in the environments in which it operates.

Attraction and retention of key skills and talent
The complexity of operations and geographic diversity of the Group is such that high-quality, experienced employees are required in all locations.

Appropriate reward and retention strategies are in place to attract and retain talent across the organisation. At more senior levels, these include a share based incentive scheme.

Employee and contractor safety
Mondi's employees work in potentially dangerous environments where hazards are ever-present and must be managed. Mondi's objective is a zero harm environment.

The Group engages in extensive safety training sessions, involving employees and contractors, at all its operations. The Nine Safety Rules to Live By, applied across the Group, are integral to the safety strategy. Operations conduct statutory safety committee meetings where management and employees are represented. A risk-based approach underpins safety and health programmes. All business units and operations are required to have safety improvement plans in place. Mondi's Total Recordable Case Rate (TRCR per 200,000 hours worked) was 0.79 (2011: 0.92). Regrettably, there were two fatalities at our operations during the year – one in Finland and one in Russia.

Environmental footprint
Maintaining the Group's socio-economic license to trade is a strategic imperative. This encompasses continued access to credible sources of fibre as described above, protection of High Conservation Value (HCV) areas and bio-diversity, eco-efficiency of products throughout their lifecycle and the Group's carbon and energy footprint.

Mondi's approach to product stewardship is based on the Life-Cycle Initiative set out in the United Nations Environmental Programme (UNEP). The Group's certified products carry clear and informative labelling to ensure that its customers are aware of the environmental process controls and health and safety assessments conducted throughout the life cycles of Mondi's products. In 2012, no incidents of non-compliance relating to the regulation and voluntary codes, to which the Group subscribes, concerning product and service information and labelling were recorded. Mondi does not convert natural forests, riparian areas, wetlands or protected areas into plantations. HCV areas are identified and preserved or enhanced, as is biological diversity. In Russia 522,260 hectares have been set aside for conservation (24.8% of our landholding) and 76,398 hectares in South Africa (25% of our landholding). Mondi uses biomass energy sources such as black liquor as an alternative to fossil fuels at all of its mills. Some 58% of Mondi's fuel consumption comes from biomass and a number of operations are completely energy self-sufficient.

Governance risks
The Group operates in a number of legal jurisdictions and non-compliance with legal and governance requirements in these jurisdictions could expose the Group to significant risk if not adequately managed.

The Group's legal and governance risk management and compliance will be set out in the Corporate governance report in the integrated reporting and financial statements 2012.

Financial risks
Mondi's trading and financing activities expose the Group to financial risks that, if left unmanaged, could adversely impact current or future earnings. These risks relate to the currencies in which the Group conducts its activities, interest rate and liquidity risks as well as exposure to customer credit risk.

Mondi's approach to financial risk management is described in notes 37 and 38 of the annual financial statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the annual financial statements. In addition, the risk report sets out the most significant risks facing the Group and the management and mitigation thereof.

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

The Group meets its funding requirements from a variety of sources as more fully described in note 10 of the condensed financial statements. The availability of some of these facilities is dependent on the Group meeting certain financial covenants all of which have been complied with. Mondi had €762 million of undrawn committed debt facilities as at 31 December 2012 which should provide sufficient liquidity in the medium term.

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

The directors have reviewed the overall Group strategy, the budget for 2013 and subsequent years, considered the assumptions contained in the budget and reviewed the critical risks which may impact the Group's performance. After making such enquiries, the directors 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 integrated report and financial statements.

Dividend

The Boards' aim is to offer shareholders long-term dividend growth within a targeted dividend cover range of two to three times over the business cycle. Given the Group's strong financial position notwithstanding the significant debt-funded acquisitions during the year, and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, we are pleased to recommend an increase in the final dividend.

The boards of Mondi Limited and Mondi plc have recommended a final dividend of 19.1 euro cents per share (2011: 17.75 euro cents per share), payable on 16 May 2013 to shareholders on the register at 19 April 2013. Together with the interim dividend of 8.9 euro cents per share, paid on 18 September 2012, this amounts to a total dividend for the year of 28.0 euro cents per share. In 2011, the total dividend for the year was 26.0 euro cents per share.

Outlook

Mondi's focus in the near term will be the integration and optimisation of the recent acquisitions and successful delivery of the significant capital investment projects initiated over the course of the past year. It is pleasing to see the progress that has already been made in integrating the recent acquisitions, exemplified by the fact that the Group has revised upwards by 33% its estimate of expected synergies to €30 million per annum within two years.

Fundamentals for Mondi's core segments remain sound, although recently announced capacity additions by various manufacturers in selected paper grades are a concern, exacerbated by the prevailing demand softness as Europe remains affected by the macroeconomic slowdown. However, with the strong finish to the year, coupled with the expected contribution from the recent acquisitions, the Boards remain confident of making progress in the year ahead.

Directors' responsibility statement

These financial statements have been prepared under supervision of the Group Chief Financial Officer, Andrew King CA (SA), as required by Section 29(1)(e)(ii) of the Companies Act of South Africa 2008, and have been audited in compliance with the applicable requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006.

The responsibilty statement below has been prepared in connection with the Group's annual report for the year ended 31 December 2012. Certain parts thereof are not included within this announcement.

The Boards confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit and loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair view of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Group's combined and consolidated financial statements, and related notes, were approved by the Boards and authorised for issue on 20 February 2013 and were signed on its behalf by:

David Hathorn Director	**Andrew King** Director
20 February 2013	20 February 2013

Audited financial information

The combined and consolidated financial statements for the year ended 31 December 2012 have been audited by the Group's auditors, Deloitte LLP and Deloitte & Touche. Their unqualified audit reports are available for inspection at the Group's registered offices.

Condensed combined and consolidated income statement

for the year ended 31 December 2012

		2012			2011		
€ million	Notes	**Before special items**	**Special items (note 4)**	**After special items**	Before special items	Special items (note 4)	After special items
Continuing operations							
Group revenue	3	**5,807**	**-**	**5,807**	5,739	-	5,739
Materials, energy and consumables used		(3,049)	-	(3,049)	(2,998)	-	(2,998)
Variable selling expenses		(523)	-	(523)	(511)	-	(511)
Gross margin		**2,235**	**-**	**2,235**	2,230	-	2,230
Maintenance and other indirect expenses		(279)	-	(279)	(272)	-	(272)
Personnel costs		(840)	(16)	(856)	(808)	(4)	(812)
Other net operating expenses		(193)	(10)	(203)	(186)	(2)	(188)
Depreciation, amortisation and impairments		(355)	(1)	(356)	(342)	(48)	(390)
Operating profit/(loss)	3	**568**	**(27)**	**541**	622	(54)	568
Non-operating special items	4	-	(64)	(64)	-	(1)	(1)
Net income from associates		1	-	1	1	-	1
Total profit/(loss) from operations and associates		**569**	**(91)**	**478**	623	(55)	568
Net finance costs		**(107)**	**-**	**(107)**	(111)	-	(111)
Investment income		10	-	10	30	-	30
Foreign currency losses		(2)	-	(2)	-	-	-
Finance costs		(115)	-	(115)	(141)	-	(141)
Profit/(loss) before tax		**462**	**(91)**	**371**	512	(55)	457
Tax (charge)/credit	5	(91)	(1)	(92)	(102)	2	(100)
Profit/(loss) from continuing operations		**371**	**(92)**	**279**	410	(53)	357
Discontinued operation	6			-			43
Profit from discontinued operation							14
Net gain on distribution of discontinued operation							29
Profit for the financial year				**279**			400
Attributable to:							
Non-controlling interests				**35**			70
Equity holders of the parent companies				**244**			330
Earnings per share (EPS) for profit attributable to equity holders of the parent companies							
From continuing operations							
Basic EPS (€ cents)	7			**50.5**			57.5

Diluted EPS	(€ cents)	7	**50.3**	56.8
Basic underlying EPS	(€ cents)	7	**69.6**	68.1
Diluted underlying EPS	(€ cents)	7	**69.3**	67.3
From continuing and discontinued operations				
Basic EPS	(€ cents)	7	**50.5**	66.1
Diluted EPS	(€ cents)	7	**50.3**	65.3
Basic headline EPS	(€ cents)	7	**63.4**	69.9
Diluted headline EPS	(€ cents)	7	**63.1**	69.1

Condensed combined and consolidated statement of comprehensive income

for the year ended 31 December 2012

€ million	**2012**	2011
Profit for the financial year	**279**	400
Other comprehensive income/(expense):		
Items that may subsequently be reclassified to the combined and consolidated income statement:		
Effect of cash flow hedges	2	12
Gains on available-for-sale investments	1	-
Exchange differences on translation of foreign operations	49	(196)
Share of other comprehensive income of associates	-	(1)
Tax effect thereof	-	(4)
Items that will not subsequently be reclassified to the combined and consolidated income statement:		
Actuarial losses on post-retirement benefit schemes	(61)	(18)
Surplus restriction on post-retirement benefit schemes	26	(3)
Tax effect thereof	8	4
Other comprehensive income/(expense) for the financial year, net of tax	**25**	(206)
Total comprehensive income for the financial year	**304**	194
Attributable to:		
Non-controlling interests	**42**	43
Equity holders of the parent companies	**262**	151

Condensed combined and consolidated statement of financial position

as at 31 December 2012

€ million	Notes	**2012**	2011
Intangible assets		695	238
Property, plant and equipment		3,706	3,377
Forestry assets		311	297
Investments in associates		6	10
Financial asset investments		27	33
Deferred tax assets		10	5
Retirement benefits surplus	11	-	8
Derivative financial instruments		-	3
Total non-current assets		**4,755**	3,971
Inventories		779	637
Trade and other receivables		1,007	829
Current tax assets		10	6
Financial asset investments		1	1
Cash and cash equivalents		56	191
Derivative financial instruments		4	10
Assets held for sale		2	-
Total current assets		**1,859**	1,674
Total assets		**6,614**	5,645
Short-term borrowings	10	(281)	(286)
Trade and other payables		(1,025)	(891)
Current tax liabilities		(66)	(78)
Provisions		(67)	(43)
Derivative financial instruments		(4)	(8)
Total current liabilities		**(1,443)**	(1,306)
Medium and long-term borrowings	10	(1,640)	(737)
Retirement benefits obligation	11	(253)	(202)
Deferred tax liabilities		(344)	(310)
Provisions		(33)	(35)
Derivative financial instruments		(1)	-
Other non-current liabilities		(24)	(20)
Total non-current liabilities		**(2,295)**	(1,304)
Total liabilities		**(3,738)**	(2,610)
Net assets		**2,876**	3,035
Equity			
Ordinary share capital and stated capital		542	542
Retained earnings and other reserves		2,030	2,044
Total attributable to equity holders of the parent companies		**2,572**	2,586
Non-controlling interests in equity		304	449
Total equity		**2,876**	3,035

The Group's combined and consolidated financial statements, and related notes, were approved by the Boards and authorised for issue on 20 February 2013 and were signed on its behalf by:

David Hathorn Director	**Andrew King** Director
Mondi Limited company registration number:	1967/013038/06
Mondi plc company registered number:	6209386

Condensed combined and consolidated statement of cash flows

for the year ended 31 December 2012

€ million	Notes	**2012**	2011
Cash generated from operations	15a	845	917
Dividends from associates		1	2
Dividends from other investments		1	-
Income tax paid		(107)	(85)
Net cash generated from operating activities		**740**	834
Cash flows from investing activities			
Investment in property, plant and equipment	3	(298)	(263)
Investment in intangible assets		(9)	(5)
Investment in forestry assets		(60)	(42)
Investment in financial asset investments		(7)	(13)
Proceeds from the disposal of property, plant and equipment and intangible assets		15	9
Proceeds from the sale of financial asset investments		4	8
Acquisition of subsidiaries, net of cash and cash equivalents		(381)	(12)
Acquisition of associates, net of cash and cash equivalents		-	(2)
Proceeds from the disposal of businesses, net of cash and cash equivalents		(16)	17
Disposal of discontinued operation's cash and cash equivalents		-	(38)
Loan repayments from related parties		9	-
Loan repayments from/(advances to) external parties		16	(1)
Interest received		3	9
Other investing activities		(1)	2
Net cash used in investing activities		**(725)**	(331)
Cash flows from financing activities			
Repayment of short-term borrowings	15c	(132)	(135)
Proceeds from medium and long-term borrowings	15c	614	123
Repayment of medium and long-term borrowings	15c	(65)	(127)
Interest paid		(92)	(106)
Dividends paid to equity holders of the parent companies		(128)	(126)
Purchases of treasury shares		(34)	(12)
Dividends paid to non-controlling interests		(29)	(43)
Non-controlling interests bought out	13	(298)	(1)
Net realised (loss)/gain on cash and asset management swaps		(9)	9
Other financing activities		-	(1)
Net cash used in financing activities		**(173)**	(419)
Net (decrease)/increase in cash and cash equivalents		**(158)**	84

Cash and cash equivalents at beginning of year[1]		117	24
Cash movement in the year	15c	(158)	84
Effects of changes in foreign exchange rates	15c	4	9
Cash and cash equivalents at end of year[1]		**(37)**	117

Note:
[1] Cash and cash equivalents include overdrafts and cash flows from disposal groups and are reconciled to the combined and consolidated statement of financial position in note 15b.

Condensed combined and consolidated statement of changes in equity

for the year ended 31 December 2012

€ million	Combined share capital and stated capital[1]	Retained earnings	Other reserves[2]	**Total attributable to equity holders of the parent companies**	Non-controlling interests	**Total equity**
At 1 January 2011	646	1,916	201	**2,763**	461	**3,224**
Total comprehensive income for the year	-	330	(179)	**151**	43	**194**
Dividends paid	-	(126)	-	**(126)**	(43)	**(169)**
Effect of dividend in specie distributed (see note 6)	(104)	(101)	-	**(205)**	-	**(205)**
Issue of shares under employee share schemes	-	12	(12)	**-**	-	**-**
Purchases of treasury shares	-	(12)	-	**(12)**	-	**(12)**
Disposal of treasury shares	-	4	-	**4**	-	**4**
Disposal of discontinued operation (see note 6)	-	-	(5)	**(5)**	(6)	**(11)**
Disposal of businesses	-	-	(1)	**(1)**	-	**(1)**
Non-controlling interests bought out	-	5	-	**5**	(6)	**(1)**
Reclassification	-	13	(13)	**-**	-	**-**
Other	-	-	12	**12**	-	**12**
At 31 December 2011	542	2,041	3	**2,586**	449	**3,035**
Total comprehensive income for the year	-	244	18	**262**	42	**304**
Dividends paid	-	(128)	-	**(128)**	(29)	**(157)**
Issue of shares under employee share schemes	-	9	(9)	**-**	-	**-**
Purchases of treasury shares	-	(34)	-	**(34)**	-	**(34)**
Disposal of businesses (see note 14)	-	-	15	**15**	-	**15**
Non-controlling interests bought out	-	(141)	-	**(141)**	(157)	**(298)**
Reclassification	-	(12)	12	**-**	-	**-**
Other	-	2	10	**12**	(1)	**11**
At 31 December 2012	**542**	**1,981**	**49**	**2,572**	**304**	**2,876**

Notes:
[1] In August 2011, Mondi Limited's par value shares were converted by special resolution to shares with no par value. As a result Mondi Limited's share capital and share premium were combined into a stated capital account. The share consolidation described in notes 6 and 7 had no impact on the stated capital and share capital of Mondi Limited and Mondi plc respectively.
[2] Other reserves are analysed further below.

Condensed combined and consolidated statement of changes in equity (continued)

for the year ended 31 December 2012

€ million	Other reserves[1] Share-based payment reserve	Cumulative translation adjustment reserve	Cash flow hedge reserve	Post-retirement benefits reserve	Statutory reserves[2]	**Total**
At 1 January 2011	17	(31)	(10)	(40)	265	**201**
Total comprehensive income for the year	-	(171)	8	(16)	-	**(179)**
Mondi share schemes' charge	12	-	-	-	-	**12**
Issue of shares under employee share schemes	(12)	-	-	-	-	**(12)**
Disposal of discontinued operation (see note 6)	-	(5)	-	-	-	**(5)**
Disposal of businesses	-	(1)	-	-	-	**(1)**
Reclassification	-	-	-	-	(13)	**(13)**
At 31 December 2011	17	(208)	(2)	(56)	252	**3**
Total comprehensive income for the year	-	42	2	(27)	1	**18**
Mondi share schemes' charge	10	-	-	-	-	**10**
Issue of shares under employee share schemes	(9)	-	-	-	-	**(9)**
Disposal of businesses (see note 14)	-	15	-	-	-	**15**
Reclassification	-	-	-	12	-	**12**
At 31 December 2012	**18**	**(151)**	**-**	**(71)**	**253**	**49**

Notes:

[1] All movements in other reserves are disclosed net of non-controlling interests. The movement in non-controlling interests as a direct result of the movement in other reserves for the year ended 31 December 2012 was an increase in non-controlling interests related to total comprehensive income for the year of €7 million (2011: decrease of €27 million).

[2] Statutory reserves consist of the merger reserve of €259 million (2011: €259 million) and other sundry reserves in deficit of €6 million (2011: deficit of €7 million).

Notes to the condensed combined and consolidated financial statements

for the year ended 31 December 2012

1 Basis of preparation

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.

The condensed combined and consolidated financial information included in this preliminary announcement has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and contains the information required by IAS 34, 'Interim Financial Reporting'. The Group has also complied with the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Reporting Standards Council of South Africa. There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and therefore the Group also complies with Article 4 of the EU IAS Regulation. The combined and consolidated financial statements have been prepared on a going concern basis as discussed in the business review, under the heading 'Going concern'.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006. Copies of their unqualified auditors' reports are available for inspection at the Mondi Limited and Mondi plc registered offices.

2 Accounting policies

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

3 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 pursuit 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. The broad European region is further split by product segments reflecting the management structure of the Group.

Following the completion of the acquisition of Nordenia International AG (Nordenia) on 1 October 2012 (refer note 12) the Europe & International business was reorganised to comprise four operating segments: Packaging Paper, Fibre Packaging, Consumer Packaging and Uncoated Fine Paper. Furthermore, the disposal of Aylesford Newsprint on 2 October 2012 (refer note 14) resulted in the previously reported Newsprint segment no longer meeting any of the quantitative thresholds required for classification as a separate operating segment. The remaining newsprint joint venture, Mondi Shanduka Newsprint, has accordingly been incorporated into the South Africa Division due to similarities in geographical location, production processes and the integrated nature of the production facilities. The Group's segmental information for the year ended 31 December 2011 has been restated to reflect these reorganisations.

Product revenues

The material product types from which the Group's externally reportable segments derive both their internal and external revenues are presented as follows:

Operating segments	Revenues[1]
Europe & International	
Packaging Paper	- Packaging paper
Fibre Packaging	- Fibre packaging products
Consumer Packaging	- Consumer packaging products
Uncoated Fine Paper	- Uncoated fine paper - Pulp - Newsprint
South Africa Division	- Uncoated fine paper - Pulp - Packaging paper - Newsprint[2]

Notes:

[1] Revenues are generated from both internal and external sales. The Group operates a vertically-integrated structure in order to benefit from economies of scale and to more effectively manage the risk of adverse price movements in key input costs. Internal revenues are therefore generated across the supply chain.

[2] South Africa Division generates newsprint revenue from external sales only.

3 Operating segments (continued)

Measurement of operating segment revenues, profit and loss, assets and non-current non-financial assets

Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed adhere to the recognition and measurement criteria presented in the Group's accounting policies. In addition, the Group has presented certain non-IFRS measures by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of retirement benefits surpluses and deficits on an appropriate basis. The measure of segment results exclude, however, the financing effects of the Group's defined benefit pension plans. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results includes the effects of certain movements in these unallocated balances.

The Group's geographic analysis is presented on the following level:

- continental; or
- sub-continental; or
- by individual country (if greater than 10% of the Group total).

There has been no change in the basis of measurement of segment profit and loss in the financial year.

3 Operating segments (continued)

Operating segment revenue

€ million	2012 Segment revenue	2012 Internal revenue[1]	2012 External revenue[2]	(Restated) 2011 Segment revenue	(Restated) 2011 Internal revenue[1]	(Restated) 2011 External revenue[2]
Europe & International						
Packaging Paper	1,896	(469)	1,427	2,006	(469)	1,537
Fibre Packaging	1,860	(42)	1,818	1,881	(33)	1,848
Consumer Packaging	502	(4)	498	372	(5)	367
Uncoated Fine Paper	1,466	(13)	1,453	1,429	(20)	1,409
Intra-segment elimination	(528)	528	-	(526)	526	-
Total Europe & International	5,196	-	5,196	5,162	(1)	5,161
South Africa Division	653	(109)	544	645	(155)	490
Segments total	**5,849**	**(109)**	**5,740**	5,807	(156)	5,651
Unallocated:						
Disposed operation	67	-	67	88	-	88
Inter-segment elimination	(109)	109	-	(156)	156	-
Group total	**5,807**	**-**	**5,807**	5,739	-	5,739

Notes:
[1] Inter-segment transactions are conducted on an arm's length basis.
[2] The description of each business segment reflects the nature of the main products they sell. In certain instances the business segments sell minor volumes of other products and due to this reason the external segment revenues will not necessarily reconcile to the external revenues by type of product presented below.

External revenue by product type

€ million	**2012**	(Restated) 2011
Products		
Fibre packaging products	1,785	1,810
Packaging paper	1,393	1,438
Uncoated fine paper	1,355	1,337
Consumer packaging products	498	367
Pulp	276	263
Newsprint	233	251
Other[1]	267	273
Group total	**5,807**	5,739

Note:
[1] Revenues derived from product types that are not individually material are classified as other.

3 Operating segments (continued)

External revenue by location of customer

€ million	**2012**	2011
Revenue		
Africa		
South Africa[1]	405	303
Rest of Africa	236	268
Africa total	641	571
Western Europe		
Germany	791	810
United Kingdom[1]	271	278
Rest of western Europe	1,445	1,529
Western Europe total	2,507	2,617
Emerging Europe	1,180	1,144
Russia	592	556
North America	270	243
South America	41	30
Asia and Australia	576	578
Group total	**5,807**	5,739

Note:
[1] These revenues, which total €676 million (2011: €581 million), are attributable to the countries in which the Group's parent entities are domiciled.

3 Operating segments (continued)

External revenue by location of production

€ million	**2012**	2011
Revenue		
Africa		
South Africa[1]	652	617
Rest of Africa	8	10
Africa total	660	627
Western Europe		
Austria	1,025	1,110
United Kingdom[1]	120	147
Rest of western Europe	1,179	1,090
Western Europe total	2,324	2,347
Emerging Europe		
Poland	766	794
Rest of emerging Europe	1,086	1,075
Emerging Europe total	1,852	1,869
Russia	729	703
North America	196	159
Asia and Australia	46	34
Group total	**5,807**	5,739

Note:
[1] These revenues, which total €772 million (2011: €764 million), are attributable to the countries in which the Group's parent entities are domiciled.

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

Operating profit from continuing operations before special items

€ million	**2012**	(Restated) 2011
Europe & International		
Packaging Paper	227	295
Fibre Packaging	101	86
Consumer Packaging	19	25
Uncoated Fine Paper	191	205
Total Europe & International	538	611
South Africa Division	68	63
Corporate & other businesses	(33)	(33)
Segments total	**573**	641

3 Operating segments (continued)

Disposed operation	(5)	(19)
Operating profit from continuing operations before special items	**568**	622
Special items (see note 4)	(91)	(55)
Net income from associates	1	1
Net finance costs	(107)	(111)
Group profit from continuing operations before tax	**371**	457

Significant components of operating profit from continuing operations before special items

The DLC executive committee uses EBITDA as a measure of cash flow, coupled with the depreciation and amortisation charge, for making decisions about, amongst others, allocation of funds for capital investment.

	EBITDA		Depreciation, amortisation and impairments[1]	
€ million	**2012**	(Restated) 2011	**2012**	(Restated) 2011
Europe & International				
Packaging Paper	321	392	94	97
Fibre Packaging	168	149	67	63
Consumer Packaging	45	37	26	12
Uncoated Fine Paper	300	309	109	104
Total Europe & International	834	887	296	276
South Africa Division	123	117	55	53
Corporate & other businesses	(32)	(32)	1	1
Segments total	**925**	972	**352**	330
Unallocated:				
Disposed operation	(2)	(8)	3	12
Group total from continuing operations	**923**	964	**355**	342

Note:
[1] Excluding impairments included in special items (see note 4).

3 Operating segments (continued)

€ million	Operating lease charges 2012	(Restated) 2011	Green energy sales and disposal of emissions credits 2012	(Restated) 2011
Europe & International				
Packaging Paper	13	32	67	79
Fibre Packaging	8	9	-	-
Consumer Packaging	3	1	-	-
Uncoated Fine Paper	7	7	9	5
Total Europe & International	31	49	76	84
South Africa Division	5	6	-	-
Corporate & other businesses	2	1	-	-
Group total from continuing operations	**38**	56	**76**	84

Reconciliation of total profit from operations and associates to EBITDA

€ million	2012	2011
Total profit from operations and associates	**478**	568
Special items (excluding associates) (see note 4)	91	55
Depreciation, amortisation and impairments[1]	355	342
Share of associates' net income	(1)	(1)
EBITDA	**923**	964

Note:
[1] Excluding impairments included in special items (see note 4).

3 Operating segments (continued)

Operating segment assets

€ million	2012 Segment assets[1]	2012 Net segment assets	(Restated) 2011 Segment assets[1]	(Restated) 2011 Net segment assets
Europe & International				
Packaging Paper	1,829	1,466	1,593	1,249
Fibre Packaging	1,229	958	1,131	866
Consumer Packaging	1,019	872	175	131
Uncoated Fine Paper	1,450	1,248	1,473	1,283
Intra-segment elimination	(120)	-	(131)	-
Total Europe & International	5,407	4,544	4,241	3,529
South Africa Division	962	811	1,007	860
Corporate & other businesses	5	1	6	3
Inter-segment elimination	(30)	-	(40)	-
Segments total	**6,344**	**5,356**	5,214	4,392
Unallocated:				
Disposed operation	-	-	51	27
Investments in associates	6	6	10	10
Deferred tax assets/(liabilities)	10	(334)	5	(305)
Other non-operating assets/(liabilities)[2]	170	(315)	140	(291)
Group trading capital employed	**6,530**	**4,713**	5,420	3,833
Financial asset investments	27	27	33	33
Net debt	57	(1,864)	192	(831)
Group assets	**6,614**	**2,876**	5,645	3,035

Notes:

1 Segment assets are operating assets and as at 31 December 2012 consist of property, plant and equipment of €3,706 million (2011: €3,377 million), intangible assets of €695 million (2011: €238 million), forestry assets of €311 million (2011: €297 million), retirement benefits surplus of €nil (2011: €8 million), inventories of €779 million (2011: €637 million) and operating receivables of €854 million (2011: €708 million).

2 Other non-operating assets consist of derivative assets of €4 million (2011: €13 million), current income tax receivables of €10 million (2011: €6 million), other non-operating receivables of €153 million (2011: €121 million) and assets held for sale of €2 million (2011: €nil). Other non-operating liabilities consist of derivative liabilities of €4 million (2011: €8 million), non-operating provisions of €94 million (2011: €68 million), current income tax liabilities of €66 million (2011: €78 million) and other non-operating payables and deferred income of €320 million (2011: €277 million).

3 Operating segments (continued)

Non-current non-financial assets

€ million	2012 Non-current non-financial assets[1]	2012 Segment assets	2012 Net segment assets	(Restated) 2011 Non-current non-financial assets[1]	(Restated) 2011 Segment assets	(Restated) 2011 Net segment assets
Africa						
South Africa[2]	793	938	786	825	974	827
Rest of Africa	7	20	19	6	17	16
Africa total	800	958	805	831	991	843
Western Europe						
Austria	477	828	611	453	796	576
United Kingdom[2]	39	69	60	37	77	66
Rest of western Europe	929	1,359	1,136	398	671	525
Western Europe total	1,445	2,256	1,807	888	1,544	1,167
Emerging Europe						
Poland	623	805	703	469	594	511
Slovakia	408	456	388	439	490	427
Rest of emerging Europe	451	628	511	342	482	388
Emerging Europe total	1,482	1,889	1,602	1,250	1,566	1,326
Russia	855	985	925	836	957	917
North America	84	162	136	57	105	91
Asia and Australia	46	94	81	19	51	48
Segments total	**4,712**	**6,344**	**5,356**	3,881	5,214	4,392

Notes:

[1] Non-current non-financial assets are non-current assets and consist of property, plant and equipment, intangible assets and forestry assets, but exclude retirement benefits surplus, deferred tax assets and non-current financial assets.

[2] These non-current non-financial assets, segment assets and net segment assets, which total €832 million, €1,007 million and €846 million respectively (2011: €862 million, €1,051 million and €893 million respectively), are attributable to the countries in which the Group's parent entities are domiciled.

3 Operating segments (continued)

Additions to non-current non-financial assets

€ million	Additions to non-current non-financial assets[1] 2012	Additions to non-current non-financial assets[1] (Restated) 2011	Capital expenditure cash payments[2] 2012	Capital expenditure cash payments[2] (Restated) 2011
Europe & International				
Packaging Paper	249	66	89	67
Fibre Packaging	144	82	76	72
Consumer Packaging	620	15	28	15
Uncoated Fine Paper	60	51	58	61
Total Europe & International	1,073	214	251	215
South Africa Division	106	71	46	29
Segments total	**1,179**	285	**297**	244
Unallocated:				
Disposed and discontinued operations	1	20	1	19
Group total	**1,180**	305	**298**	263

Notes:

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

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

4 Special items

€ million	**2012**	2011
Operating special items		
Asset impairments	(1)	(48)
Restructuring and closure costs:		
Restructuring and closure costs excluding related personnel costs	(4)	(5)
Personnel costs relating to restructuring	(16)	(4)
Reversal of restructuring and closure costs excluding related personnel costs	-	3
Transaction costs incurred on the acquisition of Nordenia	(11)	-
Gain on insurance settlement	5	-
Total operating special items	**(27)**	(54)
Non-operating special items		
Loss on disposals (see note 14)	(70)	(1)
Gain on sale of land	6	-
Total non-operating special items	**(64)**	(1)
Total special items from continuing operations before tax and non-controlling interests	**(91)**	(55)
Tax (see note 5)	(1)	2
Total special items attributable to equity holders of the parent companies	**(92)**	(53)

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

€ million	**2012**	(Restated) 2011
Europe & International		
Packaging Paper	-	(11)
Fibre Packaging	(16)	(8)
Consumer Packaging	(11)	(5)
Uncoated Fine Paper	-	2
Total Europe & International	(27)	(22)
South Africa Division	6	-
Segments total	**(21)**	(22)
Unallocated:		
Disposed operation	(70)	(33)
Group total from continuing operations	**(91)**	(55)

Operating special items

Asset impairments of €1 million and restructuring costs of €20 million in the Industrial Bags segment of the Fibre Packaging business in Belgium, Spain, France and Mexico were recognised. These costs were partly offset by a €5 million gain on the settlement of an insurance claim.

Transaction costs incurred by the Consumer Packaging business on the acquisition of Nordenia amounted to €11 million.

4 **Special items** (continued)

Non-operating special items

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

The disposal of Aylesford Newsprint resulted in a loss on disposal of €70 million. The shares in Aylesford Newsprint were sold for a nominal consideration satisfied in cash at completion.

5 Tax charge

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

€ million	**2012**	2011
UK corporation tax at 24.5% (2011: 26.5%)	-	1
SA corporation tax at 28% (2011: 28%)	17	7
Overseas tax	66	84
Current tax (excluding tax on special items)	**83**	92
Deferred tax in respect of the current period (excluding tax on special items)	16	22
Deferred tax in respect of prior period over provision	(8)	(12)
Total tax charge before special items	**91**	102
Current tax on special items	2	-
Deferred tax on special items	(1)	(2)
Total tax charge/(credit) on special items (see note 4)	**1**	(2)
Total tax charge from continuing operations	**92**	100

(b) Factors affecting tax charge for the year

The Group's effective rate of tax from continuing operations before special items for the year ended 31 December 2012, calculated on profit from continuing operations before tax before special items and including net income from associates, is 20% (2011: 20%).

5 Tax charge (continued)

The Group's total tax charge from continuing operations for the year can be reconciled to the tax on the Group's profit from continuing operations before tax at the weighted average UK and SA corporation tax rate of 24.9% (2011: 26.6%), as follows:

€ million	**2012**	2011
Profit from continuing operations before tax	371	457
Tax on profit from continuing operations before tax calculated at the weighted average UK and SA corporation tax rate of 24.9%[1] (2011: 26.6%[1])	**92**	121
Tax effect of net income from associates, calculated at 24.9% (2011: 26.6%)	-	-
Tax effects of:		
Tax in Mondi Limited on intercompany interest received from Mpact Limited	**-**	4
Expenses not deductible/(taxable) for tax purposes	**6**	(7)
Intangible amortisation and non-qualifying depreciation	(7)	(11)
Special items not deductible	5	1
Other non-deductible expenses	8	3
Non-taxable income	**(1)**	(1)
Temporary difference adjustments	**35**	14
Changes in tax rates[2]	7	-
Current year tax losses and other temporary differences not recognised	36	26
Prior period tax losses and other temporary differences not previously recognised	(8)	(12)
Other adjustments	**(40)**	(31)
Current tax prior period adjustments	(11)	6
South African Secondary Tax on Companies	-	4
Tax incentives	(20)	(20)
Effect of differences between local rates and UK and SA rates	(19)	(28)
Other adjustments	10	7
Tax charge from continuing operations for the financial year	**92**	100

Note:
[1] The weighted average tax rate has been determined by weighting the profit from continuing operations before tax after special items of Mondi Limited and its subsidiaries and Mondi plc and its subsidiaries.
[2] For the year ended 31 December 2012, changes in tax rates principally relate to adjustments made to deferred tax balances based on substantively enacted future changes in corporation tax rates in Slovakia and Sweden.

The Group's share of its associates' tax charge included within net income from associates for the year ended 31 December 2012 is €nil (2011: €nil).

6 Discontinued operation

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

Subsequent to the demerger, a consolidation of the Mondi Limited ordinary shares owned by Mondi Limited shareholders, the effect of which was to reduce their proportionate interest in the Mondi

6 **Discontinued operation** (continued)

Group, was undertaken in order to compensate Mondi plc shareholders for the value distributed to Mondi Limited shareholders in terms of the demerger.

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

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

The results of the discontinued operation were:

€ million	2011
Revenue	296
Expenses	(282)
Profit before tax	14
Related tax charge	-
Profit after tax from discontinued operation	14
Gain on distribution of discontinued operation	29
Related tax charge	-
Net gain on distribution of discontinued operation	29
Total profit attributable to discontinued operation	43
Attributable to:	
Non-controlling interests	-
Equity holders of the parent companies	43

Earnings per share from the discontinued operation were:

€ cents per share	2011
Profit from discontinued operation for the financial year attributable to equity holders of the parent companies	
Basic EPS	8.6
Diluted EPS	8.5

6 Discontinued operation (continued)

Details of the discontinued operation disposed were as follows:

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

7 Earnings per share

As described in note 6, Mondi Limited's ordinary shares were subject to a share consolidation which was recognised from 1 August 2011, the date on which the new Mondi Limited ordinary shares commenced trading on the JSE.

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

	Number of shares	
million	**2012**	2011
Basic number of ordinary shares outstanding[1]	**483**	499
Effect of dilutive potential ordinary shares	2	6
Diluted number of ordinary shares outstanding	**485**	505

Note:
[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, and includes the impact of the share consolidation in 2011.

(a) From continuing operations

€ cents per share	**2012**	2011
Profit from continuing operations for the financial year attributable to equity holders of the parent companies		
Basic EPS	**50.5**	57.5
Diluted EPS	**50.3**	56.8
Underlying earnings for the financial year		
Basic EPS	**69.6**	68.1
Diluted EPS	**69.3**	67.3

7 Earnings per share (continued)

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

	Earnings	
€ million	**2012**	2011
Profit for the financial year attributable to equity holders of the parent companies	**244**	330
Profit from discontinued operation (see note 6)	-	(14)
Net gain on distribution of discontinued operation (see note 6)	-	(29)
Profit from continuing operations for the financial year attributable to equity holders of the parent companies	**244**	287
Special items (see note 4)	91	55
Related tax (see note 4)	1	(2)
Underlying earnings for the financial year	**336**	340

(b) From continuing and discontinued operations

€ cents per share	**2012**	2011
Profit for the financial year attributable to equity holders of the parent companies		
Basic EPS	**50.5**	66.1
Diluted EPS	**50.3**	65.3
Headline earnings for the financial year[1]		
Basic EPS	**63.4**	69.9
Diluted EPS	**63.1**	69.1

Note:
[1] The presentation of headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 3/2012, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

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

	Earnings	
€ million	**2012**	2011
Profit for the financial year attributable to equity holders of the parent companies	**244**	330
Net gain on distribution of discontinued operation (see note 6)	-	(29)
Special items (see note 4)	91	55
Special items: restructuring and closure costs	(20)	(6)
Transaction costs attributable to the acquisition of Nordenia (see note 12)	(11)	-
Profit on disposal of tangible and intangible assets	(4)	-
Impairments not included in special items	4	1
Related tax	2	(2)
Headline earnings for the financial year	**306**	349

8 Alternative measure of earnings per share

The directors elected to present an alternative, non-IFRS measure of earnings per share from continuing operations in order to provide shareholders with a comparison of the continuing operations of the Group as if the demerger and related share consolidation had occurred on 1 January 2011. This is deemed appropriate as it is the continuing operations of the Group, after taking the impact of the share consolidation into consideration, which form the basis of the performance of the Group. This approach enables a useful comparison of earnings per share from continuing operations, based on the consolidated shares, for all future periods.

The presentation of such an alternative, non-IFRS measure of earnings per share is classified by the JSE Limited as pro-forma financial information. Refer to the Mondi Group Integrated report and financial statements for the year ended 31 December 2011 for the pro-forma financial information and independent reporting accountants' report thereon.

In addition, the effect of the recapitalisation of Mpact resulted in a repayment of intercompany debt by Mpact to Mondi Limited on 4 and 5 July 2011 of €76 million. These proceeds were used to reduce the Group's net debt. The alternative measure of earnings per share has therefore been adjusted to take the related saving on interest paid into consideration as if the recapitalisation had occurred on 1 January 2011.

The demerger and related share consolidation had no impact on the Group's results for the year ended 31 December 2012.

	Earnings	
€ million	**2012**	2011
Underlying earnings for the financial year	**336**	340
Tax saving by Mondi Limited on intercompany interest received from Mpact[1]	-	4
Saving of interest paid on net debt at 8.6% per annum	-	3
Tax at 28% on saving of interest paid	-	(1)
Adjusted earnings for the financial year	**336**	346

Note:
[1] Had the recapitalisation of Mpact occurred on 1 January 2011, Mondi Limited would no longer have received interest on its intercompany loans to Mpact and thus the tax charge on the interest received would not have been incurred.

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

	Number of shares	
million	**2012**	2011
Basic number of ordinary shares outstanding	**483**	499
Adjustment for Mondi Limited share consolidation[1]	-	(17)
Adjusted basic number of ordinary shares outstanding[2]	**483**	482
Effect of dilutive potential ordinary shares	2	6
Diluted number of ordinary shares outstanding after Mondi Limited share consolidation	**485**	488

Notes:
[1] The actual number of shares subject to consolidation was 29 million. The adjustment reflects the impact on the number of shares as if the share consolidation had occurred with effect from 1 January 2011 and takes treasury shares into consideration. In 2011, the adjustment reflects the period up to the date of the share consolidation as the share consolidation is included in the basic number of ordinary shares outstanding from 1 August 2011.
[2] 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.

8 Alternative measure of earnings per share (continued)

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

€ cents per share	**2012**	2011
Earnings per share - alternative measure for the financial year		
Basic EPS - alternative measure	**69.6**	71.8
Diluted EPS - alternative measure	**69.3**	70.9

9 Dividends

Dividend payments

An interim dividend for the year ended 31 December 2012 of 90.44358 rand cents / 8.90 euro cents per share was paid on 18 September 2012 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 24 August 2012.

A proposed final dividend for the year ended 31 December 2012 of 19.1 euro cents per ordinary share will be paid on 16 May 2013 to all those shareholders on the register of Mondi plc on 19 April 2013. An equivalent South African rand final dividend will be paid on 16 May 2013 to shareholders on the register of Mondi Limited on 19 April 2013. The final dividend is subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective annual general meetings scheduled for 3 May 2013.

Dividend timetable

The proposed final dividend for the year ended 31 December 2012 of 19.1 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	12 April 2013	12 April 2013
London Stock Exchange	Not applicable	16 April 2013
Shares commence trading ex-dividend		
JSE Limited	15 April 2013	15 April 2013
London Stock Exchange	Not applicable	17 April 2013
Record date		
JSE Limited	19 April 2013	19 April 2013
London Stock Exchange	Not applicable	19 April 2013

9 **Dividends** (continued)

Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	25 April 2013	25 April 2013
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	26 April 2013	21 April 2013*
Payment Date		
South African Register	16 May 2013	16 May 2013
UK Register	Not applicable	16 May 2013
DRIP purchase settlement dates	24 May 2013	21 May 2013**
Currency conversion date		
ZAR/euro	21 February 2013	21 February 2013
Euro/sterling	Not applicable	30 April 2013

*26 April 2013 for Mondi plc South African branch register shareholders
**24 May 2013 for Mondi plc South African branch register shareholders

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 15 April 2013 and 21 April 2013, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 10 April 2013 and 21 April 2013, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi Limited shareholders and Mondi plc shareholders on the South African branch register will be announced separately, together with the ZAR/euro exchange rate to be applied, on or shortly after 21 February 2013.

10 Borrowings

€ million	2012 Current	2012 Non-current	2012 Total	2011 Current	2011 Non-current	2011 Total
Secured						
Bank loans and overdrafts	5	3	8	9	1	10
Obligations under finance leases	2	9	11	2	10	12
Total secured	**7**	**12**	**19**	11	11	22
Unsecured						
Bank loans and overdrafts	253	251	504	253	155	408
Bonds	-	1,310	1,310	-	492	492
Bonds	-	1,357	1,357	-	492	492
Embedded call option derivative	-	(47)	(47)	-	-	-
Other loans	21	67	88	22	79	101
Total unsecured	**274**	**1,628**	**1,902**	275	726	1,001
Total borrowings	**281**	**1,640**	**1,921**	286	737	1,023

Obligations under finance leases

The maturity of obligations under finance leases is:

€ million	2012	2011
Not later than one year	3	3
Later than one year but not later than five years	8	10
Later than five years	5	-
Future value of finance lease liabilities	**16**	13
Future finance charges	(5)	(1)
Present value of finance lease liabilities	**11**	12

The Group does not have any individual finance lease arrangements which are considered material.

Financing facilities

Group liquidity is provided through a range of committed debt facilities. The principal loan arrangements in place include the following:

€750 million Syndicated Revolving Credit Facility (RCF)
The RCF is a five year multi-currency revolving credit facility which was signed on 14 April 2011. Interest is charged on the balance outstanding at market-related rates linked to EURIBOR.

€500 million 2017 Eurobond
Mondi Finance plc launched its inaugural seven year publicly traded bond, guaranteed by Mondi plc, in March 2010. The €500 million bond, which matures on 3 April 2017, was issued at a discount of €5.63 million and pays a fixed coupon of 5.75% per annum. The bond contains a coupon step up clause whereby the coupon will be increased by 1.25% per annum if Mondi fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Standard & Poor's (BBB-, outlook stable) and Moody's Investors Service (Baa3, outlook stable).

10 Borrowings (continued)

€500 million 2020 Eurobond
In September 2012 Mondi Finance plc launched an eight year publicly traded bond, guaranteed by Mondi plc. The €500 million bond, which matures on 28 September 2020, was issued at a discount of €0.1 million and pays a fixed coupon of 3.375% per annum. The bond contains the same 1.25% per annum coupon step up clause as the €500 million 2017 Eurobond.

€280 million Eurobond
As part of the acquisition of Nordenia (see note 12) Mondi assumed Nordenia's €280 million Eurobond, paying a coupon of 9.75% per annum and maturing on 15 July 2017. The bond was recognised at its fair value of €324 million at date of acquisition. The fair value of the bond includes the fair value of an option to call the bond early at the following redemption rates:

%	Redemption rate
Redemption date	
15 July 2014	104.875
15 July 2015	102.438
15 July 2016 and thereafter	100.000

The option is valued at €47 million at 31 December 2012.

€160 million Export Credit Agency Facility (ECAF)
The ECAF is used to part finance expansionary capital expenditure in Russia. The facility has an amortising repayment until 2020 and interest is charged on the balance outstanding at a market-related rate linked to LIBOR.

PLN 474 million European Investment Bank Facility (EIBF1)
The EIBF1 is used to part finance expansionary capital expenditure at Mondi Świecie in Poland. The facility has an amortising repayment until 2017 and interest is charged at a market-related rate linked to WIBOR (Warsaw Interbank Offered Rate).

€100 million European Investment Bank Facility (EIBF2)
The EIBF2 is used to part finance expansionary capital expenditure in Russia. The facility is currently undrawn and is available to be drawn until 28 May 2013. Once drawn, the facility amortises over 12 years with a two year grace period. Interest is charged on the balance outstanding at a market-related rate linked to EURIBOR.

RUB 1.6 billion European Bank for Reconstruction and Development Facility (EBRDF)
The EBRDF is used to part finance expansionary capital expenditure in Russia. The facility has an amortising repayment until 2019 and interest is charged on the balance outstanding at a market-related rate linked to MOSPRIME (Moscow Prime Offered Rate).

In addition to the facilities above, the Group has committed facilities amounting to R1.2 billion in South Africa, comprising of two revolving loans of R500 million (2011: R500 million) and R700 million (2011: R500 million) respectively. These loans are repayable on their extended maturity dates of 15 June 2013 and 23 August 2013 and bear interest at one month JIBAR plus different margins, payable monthly.

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

10 Borrowings (continued)

2012/*€ million*	**Floating rate borrowings**	**Fixed rate borrowings**	**Non-interest bearing borrowings**	**Total carrying value**	**Fair value**
Euro	126	1,322	-	1,448	1,559
South African rand	180	-	-	180	180
Polish zloty	84	-	-	84	84
Russian rouble	41	-	-	41	41
Turkish lira	29	-	-	29	29
Pounds sterling	116	-	-	116	116
Other currencies	22	1	-	23	23
Carrying value	**598**	**1,323**	**-**	**1,921**	
Fair value	**598**	**1,434**	**-**		**2,032**

2011/*€ million*	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	152	503	-	655	682
South African rand	178	-	-	178	178
Polish zloty	94	-	-	94	94
Russian rouble	39	-	-	39	39
Turkish lira	26	-	-	26	26
Pounds sterling	19	-	-	19	19
Other currencies	3	9	-	12	12
Carrying value	511	512	-	1,023	
Fair value	511	539	-		1,050

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market.

The fair values of the €500 million 2017 Eurobond, €500 million 2020 Eurobond and €280 million Eurobond are estimated with reference to the last price quoted in the secondary market and for all other financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group has pledged specific assets as collateral against certain borrowings. The fair values of these assets as at 31 December are as follows:

€ million	**2012**	2011
Assets held under finance leases		
Property, plant and equipment	9	9
Assets pledged as collateral for other borrowings		
Property, plant and equipment	8	21
Inventories	4	5
Financial assets	2	17
Other	-	17
Total value of assets pledged as collateral	**23**	69

The Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

11 Retirement benefits

All assumptions of the Group's material defined benefit schemes and post-retirement medical plan liabilities were reassessed individually and the remaining Group defined benefit schemes and unfunded statutory retirement obligations were reassessed in aggregate for the year ended 31 December 2012.

The net retirement benefit obligation increased by €59 million mainly due to changes in assumptions, €21 million of net liabilities acquired through business combinations (see note 12), an exchange rate impact of €4 million and a €2 million settlement charge resulting from the winding-up of the Mondi Pension Fund in South Africa. Mondi Limited expects to receive a reimbursement of the pension surplus of €6 million once the fund is wound up, subject to any potential claims. The reimbursement is included in trade and other receivables.

The assets backing the defined benefit scheme liabilities reflect their market values as at 31 December 2012. Any movements in the assumptions have been recognised as an actuarial movement in the combined and consolidated statement of comprehensive income.

12 Business combinations

To 31 December 2012

Acquisition of Nordenia
On 1 October 2012 Mondi acquired 99.93% of the outstanding share capital of Nordenia from Oaktree Capital Management L.P. and certain other minority shareholders for a cash consideration of €259 million. The acquisition enables Mondi to create a leading consumer packaging business.

Nordenia generated operating profits prior to its acquisition by Mondi, but was highly geared and as a result had an equity deficit. The premium of €268 million paid over the fair values of Nordenia's identifiable net assets was recognised as goodwill on acquisition and can be attributed to significant synergies to be realised from combining Nordenia's existing consumer packaging activities with those of Mondi, the ability to leverage Nordenia's existing competencies in high-growth emerging markets, exposure to Nordenia's proven innovation and product development processes and access to Nordenia's long-term relationships with a broad blue chip customer base. It is not expected that any portion of the goodwill will be deductible for tax purposes.

The interest of non-controlling interests in Nordenia of 0.07% recognised at the acquisition date was insignificant.

The fair value accounting reflected in these results is provisional in nature. The nature of this business is such that adjustments to the carrying values of acquired assets and/or liabilities, and to the goodwill arising on acquisition, are possible as the detail of the acquired business is evaluated post acquisition. If necessary, these adjustments will be made within 12 months of the acquisition date.

Prior to being acquired by Mondi, Nordenia generated revenue of approximately €74 million per month and underlying operating profit of €6 million per month. Nordenia's revenue for the year ended 31 December 2012 was €873 million with a profit after tax of €1 million. Nordenia's revenue of €208 million and underlying operating profit of €1 million since date of acquisition have been included

12 Business combinations (continued)

in the combined and consolidated income statement. Transaction costs of €11 million related to the acquisition are recognised as a special item in the combined and consolidated income statement.

Details of the net assets acquired, as adjusted from book to fair value, and the attributable goodwill are as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired:			
Intangible assets	2	100	102
Property, plant and equipment	224	(3)	221
Financial asset investments	17	-	17
Deferred tax assets	4	-	4
Inventories	113	7	120
Trade and other receivables	127	-	127
Cash and cash equivalents	33	-	33
Other current assets	1	-	1
Short-term borrowings	(56)	-	(56)
Trade and other payables	(134)	-	(134)
Current tax liabilities	(6)	-	(6)
Provisions	(27)	-	(27)
Medium and long-term borrowings	(300)	(45)	(345)
Retirement benefits obligation	(20)	-	(20)
Deferred tax liabilities	(14)	(17)	(31)
Other non-current liabilities	(15)	-	(15)
Net assets acquired	**(51)**	**42**	**(9)**
Goodwill arising on acquisition			268
Total cost of acquisition			**259**
Transaction costs expensed			11
Cash acquired net of overdrafts			(33)
Net cash paid per combined and consolidated statement of cash flows			**237**

In respect of trade and other receivables, the gross contractual amounts receivable and the best estimate at the acquisition date of the contractual cash flows not expected to be collected approximate the book value and the revaluation amount respectively as presented.

12 Business combinations (continued)

Other acquisitions

On 2 May 2012, following completion of a number of suspensive conditions, including a ruling from the Arbitration Court of the National Chamber of Commerce in Poland, Mondi Świecie S.A. acquired the entire share capital of Saturn Management Sp. Z o.o. from Polish Energy Partners S.A. for a net cash consideration of €31 million and the assumption of debt of €57 million. The premium of €4 million paid over the acquisition date fair values of the net assets acquired is attributable to expected cost saving synergies. Transaction costs of approximately €1 million were expensed. Saturn Energy is the owner of the power and heat generating plant that provides Mondi Świecie S.A. with most of its electricity requirements and all of its heat and steam needs.

In line with Mondi's existing strategy to strengthen its leading market position in corrugated packaging in central and eastern Europe, Mondi acquired two corrugated box plants in Germany and the Czech Republic, consuming 130,000 tonnes of containerboard per annum, and a 105,000 tonne recycled containerboard mill in the Czech Republic from Duropack GmbH (Duropack) for a cash consideration of €133 million on 5 November 2012. On 19 November 2012 the Group announced its intention to close the recycled containerboard mill. Closure costs of €3 million were recognised in the combined and consolidated income statement.

The premium of the purchase price over the acquisition date fair values of the net assets acquired from Duropack amounted to €84 million and is mainly attributable to synergies expected to be realised from combining the converting activities of the two box plants with the Group's existing operations.

It is not expected that any portion of the goodwill arising from the acquisition of these businesses will be deductible for tax purposes.

The fair value accounting reflected in these results is provisional in nature. The nature of these businesses is such that adjustments to the carrying values of acquired assets and/or liabilities, and to the goodwill arising on acquisition, are possible as the detail of each acquired business is evaluated post acquisition. If necessary, these adjustments will be made within 12 months of the acquisition dates.

Prior to the acquisitions, the businesses generated revenue of approximately €12 million per month and underlying operating profits of €1 million per month. The businesses' aggregate revenues for the year ended 31 December 2012 were €148 million with profits after tax of €7 million. Since the acquisition dates, turnover of €27 million and underlying operating losses of €1 million were contributed by the businesses and included in the combined and consolidated income statement.

12 Business combinations (continued)

Details of the aggregate net assets acquired, as adjusted from book to fair value, and the attributable goodwill are presented as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired:			
Intangible assets	-	3	3
Property, plant and equipment	100	25	125
Inventories	10	(2)	8
Trade and other receivables	16	-	16
Cash and cash equivalents	20	-	20
Short-term borrowings	(11)	-	(11)
Trade and other payables	(22)	-	(22)
Current tax liabilities	(1)	-	(1)
Provisions	(1)	(1)	(2)
Medium and long-term borrowings	(48)	-	(48)
Retirement benefits obligation	(1)	-	(1)
Deferred tax liabilities	(1)	(9)	(10)
Other non-current liabilities	(1)	-	(1)
Net assets acquired[1]	**60**	**16**	**76**
Goodwill arising on acquisitions[2]			88
Total cost of acquisitions			**164**
Cash acquired net of overdrafts			(20)
Net cash paid per combined and consolidated statement of cash flows[3]			**144**

Notes:
1 €27 million of net assets acquired is attributable to Saturn and €49 million to Duropack.
2 €4 million of the goodwill arising on acquisitions is attributable to Saturn and €84 million to Duropack.
3 €29 million of the net cash paid is attributable to Saturn and €115 million to Duropack.

In respect of trade and other receivables, the gross contractual amounts receivable and the best estimates at the acquisition dates of the contractual cash flows not expected to be collected approximate the book values and the revaluation amounts respectively as presented.

There were no other acquisitions made during the year ended 31 December 2012.

To 31 December 2011

There were no major acquisitions made during the year ended 31 December 2011.

Details of the aggregate net assets acquired are disclosed in note 29 of the Group's annual financial statements for the year ended 31 December 2012.

13 Non-controlling interests bought out

On 18 April 2012, Mondi concluded an all cash public tender offer for the ordinary shares in Mondi Świecie S.A. that it did not already own, increasing its shareholding to 93.2% from 66%. On 18 May 2012, Mondi acquired the remaining shares it did not already own. The total consideration paid by Mondi was €296 million including transaction costs of approximately €1 million which were expensed.

€2 million was paid for the acquisition of an additional 3.1% of the ordinary shares of Mondi Tire Kutsan Kağit Ve Ambalaj Sanayi Anonim Şirketi.

These acquisitions are reflected in the combined and consolidated statement of changes in equity as transactions between shareholders with the premium over the carrying value of the non-controlling interests being reflected as a reduction in retained earnings.

14 Disposal of joint ventures and subsidiaries

To 31 December 2012

Disposal of Aylesford Newsprint

On 2 October 2012, Mondi and Svenska Cellulosa Aktiebolaget (SCA) sold their 100% interest in the jointly owned Aylesford Newsprint to The Martland Holdings for a nominal consideration. Aylesford Newsprint specialises in newsprint production from recycled fibre. The loss on disposal of €70 million was recognised in special items in the combined and consolidated income statement. Transaction costs were insignificant and were expensed.

Other disposals

There were no other significant disposals during the year ended 31 December 2012.

Details of the aggregate net assets disposed are presented as follows:

€ million	**2012**
Net assets disposed:	
Property, plant and equipment	30
Inventories	7
Trade and other receivables	11
Cash and cash equivalents	17
Trade and other payables	(11)
Provisions	(4)
Retirement benefits obligation	(1)
Other non-current liabilities	(1)
Total net assets disposed	**48**
Guarantee liability retained	7
Cumulative translation adjustment reserve realised	15
Loss on disposal of businesses (see note 4)	(70)
Disposal proceeds	**-**
Cash disposed	(17)
Deferred consideration received in respect of the sale of Mondi Frohnleiten in 2010	1
Net cash outflow from disposal of businesses during the year	**(16)**

14 Disposal of joint ventures and subsidiaries (continued)

To 31 December 2011

The discontinued operation and associated demerger of Mpact is disclosed in note 6.

There were no other major disposals during the year ended 31 December 2011. Details of the aggregate net assets disposed are disclosed in note 31 of the Group's annual financial statements for the year ended 31 December 2012.

15 Consolidated cash flow analysis

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

€ million	**2012**	2011
Profit from continuing operations before tax	**371**	457
Depreciation and amortisation	355	342
Share-based payments	10	10
Non-cash effect of special items	91	36
Net finance costs	107	111
Net income from associates	(1)	(1)
Decrease in provisions and post-employment benefits	(23)	(25)
Increase in inventories	(14)	(55)
Increase in operating receivables	(31)	(32)
(Decrease)/increase in operating payables	(35)	19
Fair value gains on forestry assets	(40)	(49)
Felling costs	64	65
Profit on disposal of tangible and intangible assets	(4)	-
Other adjustments	(5)	5
Cash generated from continuing operations	**845**	883
Cash generated from discontinued operation	-	34
Cash generated from operations	**845**	917

(b) Cash and cash equivalents

€ million	**2012**	2011
Cash and cash equivalents per combined and consolidated statement of financial position	56	191
Bank overdrafts included in short-term borrowings (see note 15c)	(93)	(74)
Net cash and cash equivalents per combined and consolidated statement of cash flows	**(37)**	117

The fair value of cash and cash equivalents approximate the carrying values presented.

15 Consolidated cash flow analysis (continued)

(c) Movement in net debt

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

€ million	Cash and cash equivalents[1]	Debt due within one year[2]	Debt due after one year	Current financial asset investments	**Total net debt**
At 1 January 2011	24	(351)	(1,037)	-	**(1,364)**
Cash flow	84	135	4	1	**224**
Business combinations	-	(4)	(1)	-	**(5)**
Disposal of discontinued operation (see note 6)	-	15	195	-	**210**
Disposal of businesses	-	30	12	-	**42**
Movement in unamortised loan costs	-	-	(6)	-	**(6)**
Reclassification	-	(64)	64	-	**-**
Currency movements	9	27	32	-	**68**
At 31 December 2011	117	(212)	(737)	1	**(831)**
Cash flow	(158)	132	(549)	-	**(575)**
Business combinations (see note 12)	-	(67)	(393)	-	**(460)**
Movement in unamortised loan costs	-	-	3	-	**3**
Reclassification	-	(46)	46	-	**-**
Currency movements	4	5	(10)	-	**(1)**
At 31 December 2012	**(37)**	**(188)**	**(1,640)**	**1**	**(1,864)**

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 in cash and cash equivalents. As at 31 December 2012, short-term borrowings in the combined and consolidated statement of financial position of €281 million (2011: €286 million) include €93 million of overdrafts (2011: €74 million).

16 Capital commitments

€ million	**2012**	2011
Contracted for but not provided	**129**	140
Approved, not yet contracted for	**589**	372

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

€ million	**2012**	2011
Intangible assets	9	13
Property, plant and equipment	709	499
Total capital commitments	**718**	512

16 Capital commitments (continued)

The expected maturity of these capital commitments is:

€ million	**2012**	2011
Within one year	445	339
One to two years	263	141
Two to five years	10	32
Total capital commitments	**718**	512

Capital commitments are based on capital projects approved to date and the budget approved by the Boards.
Major capital projects still require further approval before they commence. These capital commitments are expected to be financed by existing cash resources and borrowing facilities.

17 Contingent liabilities and contingent assets

Contingent liabilities comprise aggregate amounts as at 31 December 2012 of €15 million (2011: €17 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's combined and consolidated statement of financial position for both years presented.

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

There were no contingent assets at 31 December 2012 or 31 December 2011.

18 Related party transactions

The Group has related party relationships with its joint ventures and associates. Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation.

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.

There have been no significant changes to the related parties as disclosed in note 39 of the Group's annual financial statements for the year ended 31 December 2012.

19 Events occurring after 31 December 2012

With the exception of the proposed final dividend for 2012, included in note 9, there have been no material reportable events since 31 December 2012.

Unaudited financial information

Production statistics

		2012	(Restated) 2011
Europe & International			
Containerboard	Tonnes	2,079,005	2,009,984
Kraft paper	Tonnes	980,637	955,741
Softwood pulp	Tonnes	1,978,583	1,954,284
Internal consumption	Tonnes	1,825,916	1,799,577
External	Tonnes	152,667	154,707
Corrugated board and boxes	Mm²	1,213	1,213
Industrial bags	M units	3,829	3,958
Coating and release liners	Mm²	3,352	3,357
Consumer packaging[1]	Tonnes	121,127	69,005
Uncoated fine paper	Tonnes	1,417,709	1,400,991
Newsprint	Tonnes	201,278	199,337
Hardwood pulp	Tonnes	1,059,140	1,033,226
Internal consumption	Tonnes	972,883	975,121
External	Tonnes	86,257	58,105
South Africa Division			
Containerboard	Tonnes	263,468	257,680
Uncoated fine paper	Tonnes	257,747	233,837
Hardwood pulp	Tonnes	658,368	637,205
Internal consumption	Tonnes	320,772	316,388
External	Tonnes	337,596	320,817
Softwood pulp[2]	Tonnes	169,724	182,651
Internal consumption	Tonnes	169,724	182,651
Newsprint	Tonnes	114,854	124,914

Notes:
1 Includes Nordenia from October 2012.
2 Restated to include proportionate share of Mondi Shanduka Newsprint production.

Exchange rates

	2012	2011
Closing rates against the euro		
South African rand	11.17	10.48
Czech koruna	25.15	25.79
Polish zloty	4.07	4.46
Pounds sterling	0.82	0.84
Russian rouble	40.33	41.77
Turkish lira	2.36	2.44
US dollar	1.32	1.29
Average rates for the period against the euro		
South African rand	10.55	10.10
Czech koruna	25.14	24.59
Polish zloty	4.18	4.12
Pounds sterling	0.81	0.87
Russian rouble	39.91	40.88
Turkish lira	2.31	2.34
US dollar	1.29	1.39

Sponsor in South Africa: UBS South Africa (Proprietary) Limited