



28 February 2014

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 Limited and/or the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

Full year results for the year ended 31 December 2013

Highlights

- Record financial performance
 - Underlying operating profit of €699 million, up 22%
 - Underlying earnings of 95 euro cents per share, up 37%
 - ROCE of 15.3%, up 170 basis points
- 2012 packaging acquisitions integrated and synergies on track
- Strategic capital investments on track, with a number of projects completed
- Strong de-leveraging with net debt down by €251 million to €1,621 million
 - Cash generated from operations exceeded €1 billion for the first time
- Total dividend proposed of 36 euro cents per share, up 29%

Financial Summary

	Year ended	(Restated) ⁴	Change %	Six months	(Restated) ⁴	Change %
	31	Year ended		ended 31	Six months	
€ million, except for percentages and per share measures	December	December		December	December	
	2013	2012		2013	2012	
Group revenue	6,476	5,790	12	3,134	2,971	5
Underlying EBITDA ¹	1,068	927	15	514	490	5
Underlying operating profit ¹	699	574	22	333	302	10
Operating profit	605	547	11	320	275	16
Profit before tax	499	368	36	270	146	85
Per share measures						
Basic underlying earnings per share ² (€ cents)	95.0	69.2	37			
Basic earnings per share (€ cents)	79.8	50.1	59			
Total dividend per share (€ cents)	36.0	28.0	29			
Free cash flow per share ² (€ cents)	64.1	52.7	22			
Cash generated from operations	1,036	849	22			
Net debt	1,621	1,872				
Group return on capital employed (ROCE) ³	15.3%	13.6%				

Notes:

- ¹ The Group presents underlying EBITDA, operating profit 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. A reconciliation of underlying operating profit to profit before tax is provided in note 3 of the condensed financial statements.
- ² 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.
- ³ 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.
- ⁴ The Group has restated comparative information following the adoption of revised IFRS standards. Full details of the restatements are set out in note 2b of the condensed financial statements.

David Hathorn, Mondi Group chief executive, said:

“I am pleased to report a record financial performance, driven by our low cost position, exposure to higher growth markets and ongoing focus on operational excellence. While growth in demand for the Group’s key products has remained generally subdued, supply-side constraint has been supportive of pricing.

It is particularly pleasing to see how well the integration of the businesses acquired in late 2012 has gone, with synergies delivered in line with target. Despite a difficult trading environment, the new business segment of Consumer Packaging has demonstrated its

resilience. With order books strengthening in the new year and the structural growth dynamics still very much in place, we remain confident in the future development of this business.

A further priority in 2013 was the successful development of the various capital expenditure projects initiated over the past two years. It is again pleasing to report that a number of these were delivered during the year, all within budget. The projects that are still in progress remain within budget and on target for their scheduled completion dates over the coming two years.

The trading environment in the Group's main markets remains mixed. The increase in the price of recycled containerboard in the second half of 2013 on solid demand growth is encouraging, and should lend support to our other key containerboard grades. However, price pressure in most virgin paper grades in the second half of 2013 means that we start the new year with lower pricing than the average for 2013. The near-term outlook for pricing is largely dependent on the strength of the European macroeconomic recovery. In this regard it is encouraging to see a recent pick-up in orders in some of our main product segments and we are in discussions with customers on price increases in certain virgin packaging grades.

Recent exchange rate volatility in several of the emerging markets in which we operate does create its challenges. However, the Group's positioning as a net exporter from most of these markets typically allows us to benefit from the devaluation of these currencies relative to the euro.

We are confident that the ongoing capital investment programme will contribute meaningfully to our performance going forward. Our proven ability to generate strong cash flow through the cycle provides valuable optionality. As such, we remain confident in the Group's ability to continue delivering industry-leading performance."

Contact details

Mondi Group

David Hathorn	+27 11 994 5418
Andrew King	+27 11 994 5415
Lora Rossler	+27 83 627 0292

FTI Consulting

Richard Mountain / Sophie McMillan	+44 20 7269 7186 / +44 20 7909 684 466
Bheki Mpofu / Lerato Matsaneng	+27 88 552 2109 / +27 11 214 2407

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	0808 162 4061 (toll-free)
Europe	00800 246 78 700 (toll-free)
Alternate	+27 11 535 3600

An online audio cast facility will be available via: www.mondigroup.com/FYResults13.

The presentation will be available online via the above website address an hour 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 28 February 2014.

Editors' notes

Mondi is an international packaging and paper Group, employing around 24,000 people in production facilities across 30 countries. In 2013, Mondi had revenues of €6.5 billion and a ROCE of 15.3%. The Group's key operations are located in central Europe, Russia, the Americas and South Africa.

The Mondi Group is fully integrated across the packaging and paper value chain - from the management of its own forests 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 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's performance, and the responsible approach it takes to good business practice, has been recognised by its inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index since 2007.

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. These forward-looking statements speak only as of the date on which they are made.

No assurance can be given that such future results will be achieved; various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include in particular but without any limitation: (1) operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Mondi's patents and other intellectual property rights and the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for Mondi's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of Mondi and potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in Mondi's principal geographical markets or fluctuations of exchange rates and interest rates.

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

Overview

Mondi delivered a record financial performance in 2013, benefiting from a strong operating performance and the strategic acquisitions completed in the latter part of 2012.

Underlying operating profit of €699 million was up 22% on that achieved in 2012. Excluding the effects of acquisitions made in the prior year, underlying operating profit was still up 11%, driven by particularly strong performances from Packaging Paper and the South Africa Division.

Return on capital employed (ROCE), a key performance metric for the Group, was 15.3%, a record for the Group despite the dilutive effect of the acquisitions made in 2012. ROCE over the past three years, averaging 14.6%, has been consistently above the Group's through-the-cycle hurdle rate of 13%.

The focus over the last year has been on integrating and optimising the significant acquisitions made towards the end of 2012 and delivering the major capital projects initiated over the past two years. Excellent progress has been made in this regard, with synergy targets delivered, a number of the capital projects having been completed in the latter part of 2013, and the remaining projects on track for completion within budget and on schedule over the next two years.

The Packaging Paper business was the standout performer, benefiting from higher average pricing in all key grades and good volume growth. The downstream Fibre Packaging business was challenged by rising paper prices, but generally made good progress in recovering margins. The Uncoated Fine Paper business continued to deliver strong results despite the structural demand decline seen in mature western European markets, a testament to the business' superior cost and market positioning. The South Africa Division made very good progress during the year and is now delivering well in excess of the Group's 13% through-the-cycle hurdle rate.

The Group benefited from currency weakness in certain of the emerging markets in which it operates, most significantly in the South Africa Division from the rand's devaluation relative to the euro and US dollar.

The strong culture of continuous productivity improvement, relentless focus on cost management and the benefits of restructuring activities completed during the year ensured that fixed cost increases were contained to well below inflationary levels.

The Group remains strongly cash generative with net debt reducing to €1,621 million, compared to €1,872 million at 31 December 2012, notwithstanding the €405 million (2012 : €294 million) invested in capital expenditure projects during the year. Cash generated from operating activities exceeded €1 billion for the first time.

Underlying earnings of 95 euro cents per share grew 37% compared to 2012, with higher finance charges offset by a lower effective tax rate and reduced non-controlling interest charges.

We continue to refine our product and geographic mix in line with our strategic focus. Our emphasis is on growing our packaging interests, which currently account for around 70% of the Group's revenues, while at the same time continuing to invest appropriately to maintain and improve the competitiveness of our uncoated fine paper business. Within the broader packaging sphere, we see greater opportunities to develop those segments offering exposure to consumer related packaging. This includes both our Consumer Packaging business, and the corrugated packaging value chain. We continue to develop our presence in emerging markets, which offer us inherent cost and growth benefits, while recognising in some areas, most notably Consumer Packaging, that there are also opportunities to develop and leverage our competencies in mature markets. Overall, approximately 62% of the Group's net operating assets and 51% of revenue by destination are currently in emerging markets.

The Boards are recommending payment of a final dividend of 26.45 euro cents per share, bringing the total dividend for the year to 36 euro cents per share, an increase of 29% on 2012.

Europe & International - Packaging Paper

€ million	Year ended	Year ended	Change %	Six months	Six months	Change %
	31 December	31 December		ended 31 December	ended 31 December	
	2013	2012		2013	2012	
Segment revenue	2,000	1,896	5	957	936	2
Underlying EBITDA	394	321	23	199	171	16
Underlying operating profit	298	227	31	150	123	22
Underlying operating profit margin	14.9%	12.0%		15.7%	13.1%	
Capital expenditure	139	89		84	55	
Net segment assets	1,484	1,466				
ROCE	21.9%	17.9%				

Packaging Paper benefited from positive trading conditions in all key paper grades and a strong operating performance, resulting in an underlying operating profit of €298 million, an increase of 31%, and ROCE of 21.9%.

The average benchmark selling price for recycled containerboard was 4% higher than the comparable prior year period, and by December was 14% up on the same stage in the prior year, with increases being implemented at various stages throughout the year. Price increases were driven by reasonable demand growth supported by limited net capacity additions, with new capacity brought on stream during the year largely offset by closures.

Selling prices for the virgin containerboard grades increased modestly over the first half of the year before coming under some pressure during the second half. At year-end benchmark selling prices were around 2% lower than the average levels during the year. The price weakness in the second half was seen as a reaction to increased substitution towards recycled grades due to the abnormally high price differential that developed between virgin and recycled containerboard grades, competition from imports due to the weaker US dollar and an increase in supply as producers converted production from less profitable grades. The price differential has now reduced to levels towards the lower half of the historic trading range, typically seen as supportive of virgin containerboard pricing. With improving demand seen in early 2014, discussions are underway with customers around price increases in unbleached kraftliner grades.

Kraft paper prices were relatively stable for much of the year while volumes were up on the prior year, supported by stable European markets and strong gains in export markets. As anticipated, there was some price erosion seen towards the end of the fourth quarter and into early 2014 on the back of seasonally weaker demand in Europe and increased competition in key export markets. By the end of the year, average selling prices had declined by around 9% from their highs in mid-2013. It is, however, encouraging to note a recent pick-up in orders. Sack kraft paper price increases are currently under discussion with customers.

The uncertain regulatory environment surrounding renewable energy in Poland led to a significant decline in market prices for green energy in the first quarter of the year. As a consequence, the Group recognised an €11 million write down in the value of its existing green energy credits in the first quarter. The lower market prices prevailed throughout the year and income from the sale of green energy credits in the Packaging Paper business was €17 million lower than in 2012 (excluding the impact of the one-off write-down).

Input costs were well contained. The cost of paper for recycling was relatively stable throughout the year following a sharp drop in prices seen in the second half of 2012, although there was some regional pressure in Poland following the start-up of new competitor capacity. The average benchmark price was approximately 7% lower than in 2012. Wood costs in central Europe were generally well contained.

Following the acquisitions, in Fibre Packaging, of the Duropack corrugated packaging plants in the latter part of 2012, Packaging Paper benefited from the realisation of supply chain synergies.

A strong operating performance and significant productivity improvements, most notably in Syktyvkar, ensured that increases in fixed costs were contained well within inflation.

Europe & International - Fibre Packaging

€ million	Year ended	Year ended	Change %	Six months	Six months	Change %
	31 December 2013	31 December 2012		ended 31 December 2013	ended 31 December 2012	
Segment revenue	1,967	1,860	6	965	914	6
Underlying EBITDA	163	168	(3)	80	88	(9)
Underlying operating profit	93	101	(8)	45	54	(17)
Underlying operating profit margin	4.7%	5.4%		4.7%	5.9%	
Special items	(3)	(16)		(3)	(16)	
Capital expenditure	78	76		43	48	
Net segment assets	903	958				
ROCE	10.8%	12.5%				

Underlying operating profit declined by 8% to €93 million as the business was impacted by rising input costs, adverse currency movements and market and operational challenges in the coatings segment.

Corrugated packaging benefited from higher sales volumes and higher prices, although margins were squeezed by the lag in passing on increasing paper input costs to customers, currency effects and aggressive competitor activity in certain markets. The business benefited from the successful integration of the acquisitions of the Duropack corrugated plants in Germany and the Czech Republic in the latter part of 2012.

Industrial bags continued to deliver solid results. Selling prices and paper input costs were at similar levels to 2012, while the business realised the benefits of its restructuring activities, mainly in western Europe, with fixed costs reducing significantly compared to 2012. Sales volumes increased with good demand in Russia and the CIS as well as in Africa, Middle East and north and central America. Sales

volumes in Europe were marginally down on the previous year. The weaker export currencies relative to the euro had a negative impact on margins.

The coatings business experienced volume declines and margin pressures, mainly due to weak demand in the industrial and automotive markets and increased competitor activity in the main European markets.

Europe & International - Consumer Packaging

€ million	Year ended	Year ended	Six months	Six months
	31 December 2013	31 December 2012	ended 31 December 2013	ended 31 December 2012
Segment revenue	1,153	502	571	352
Underlying EBITDA	129	45	63	30
Underlying operating profit	74	19	35	9
Underlying operating profit margin	6.4%	3.8%	6.1%	2.6%
Special items	(13)	(11)	-	(11)
Capital expenditure	56	28	32	21
Net segment assets	855	872		
ROCE - adjusted	9.1%	10.8%		

ROCE for 2012 has been adjusted to exclude one-off costs related to the acquisition of Nordenia.

The benefits of the acquisition of Nordenia in October 2012 are reflected in the increase in underlying operating profit of €55 million to €74 million. On a pro-forma basis, assuming Nordenia was acquired at the beginning of 2012, and excluding the effects of acquisition accounting, the underlying operating profit of the combined business was in line with the prior year, with synergy gains offset by a weaker trading performance, the impact of some one-off costs, and higher fixed costs. Synergies related to the Nordenia acquisition of €16 million were realised during the year, well on track to achieve the targeted €20 million in 2014. One-off costs of €5 million were incurred in achieving these synergies.

Sales volumes in the commoditised segments of the films business were lower than the previous year. With focus on higher value added products, it is pleasing to see volumes for fully converted packaging products held up well, up 2%, with good performances from the emerging European and north American operations. It is encouraging to note a pick-up in order intake in early 2014 following a weak finish to 2013.

An increase in fixed costs, excluding synergy effects, due in part to costs incurred on new product launches and a new plant start-up further impacted the underlying result.

The closure of the Lindlar operation and redirection of production to existing Consumer Packaging facilities in Germany and Hungary and to the Fibre Packaging business in the Czech Republic was completed.

Europe & International - Uncoated Fine Paper

€ million	Year ended	Year ended	Change %	Six months	Six months	Change %
	31 December	31 December		ended 31 December	ended 31 December	
	2013	2012		2013	2012	
Segment revenue	1,388	1,466	(5)	648	717	(10)
Underlying EBITDA	277	300	(8)	120	146	(18)
Underlying operating profit	172	191	(10)	70	91	(23)
Underlying operating profit margin	12.4%	13.0%		10.8%	12.7%	
Special items	(60)	-		(10)	-	
Capital expenditure	80	58		44	34	
Net segment assets	1,135	1,248				
ROCE	16.2%	16.7%				

Uncoated Fine Paper continued to deliver robust results, with underlying operating profit of €172 million and a ROCE of 16.2%.

Sales volumes in uncoated fine paper were around 1.5% down on the prior year, reflecting mainly the effects of the decision to restructure the Neusiedler mill. In May 2013, Mondi announced plans to restructure the non-integrated Neusiedler operation to improve the competitiveness of the mill. The restructuring was successfully completed and the mill is now focused on production of speciality paper grades enjoying higher margins.

Selling prices were largely unchanged in the first part of the year compared to the levels at the end of 2012, but decreased in the second half in the face of continuing weak demand and the introduction of additional capacity from industry competitors in an already oversupplied market. Average benchmark selling prices for uncoated fine paper were around 2% lower than the prior year, while prices at the year-end were around 1% below the average for the year.

Input costs increased, with higher wood costs in Ruzomberok, higher pulp input costs at the unintegrated Neusiedler mill in Austria and higher gas and transportation costs in Syktyvkar. In Syktyvkar, wood costs reduced as a result of a number of cost reduction initiatives. On average, own wood costs in Syktyvkar have decreased by more than 10% from 2012 average costs.

Profit improvement initiatives and productivity improvements more than offset inflationary fixed cost increases, enabling the business to realise a net reduction in fixed costs compared to 2012.

South Africa Division

€ million	(Restated)			(Restated)		
	Year ended 31 December 2013	Year ended 31 December 2012	Change %	Six months ended 31 December 2013	Six months ended 31 December 2012	Change %
Segment revenue	624	702	(11)	299	354	(16)
Underlying EBITDA	135	125	8	68	69	(1)
Underlying operating profit	93	69	35	49	40	23
Underlying operating profit margin	14.9%	9.8%		16.4%	11.3%	
Special items	(11)	6		7	-	
Capital expenditure	52	43		38	26	
Net segment assets	622	821				
ROCE	16.0%	9.6%				

The South Africa Division delivered a very strong performance. Underlying operating profit was €93 million, an increase of 35%, and ROCE was 16.0%, despite net fair value gains from the revaluation of the Division's forestry assets being around €23 million lower than those realised in the prior year.

The business benefited from higher domestic selling prices, good domestic containerboard volume growth, and improved export margins due to the weaker South African rand coupled with higher average export pulp prices.

In May 2013, the closure of one of the two newsprint machines located in Merebank was announced as a result of the continued decline in demand for newsprint in South Africa. The machine stopped production with effect from 1 July 2013.

The South African rand came under significant pressure during the year, closing the year more than 30% weaker against the euro than in December 2012. The Division generates approximately 40% of its revenue from exports, with a predominantly rand cost base and thus benefited from the weakening currency.

The Division has continued to invest in the modernisation of its forestry operations, with a focus on silviculture and harvesting in the current year. The benefits of these investments, further productivity improvements and strong cost management ensured that fixed costs were contained to well within inflationary levels.

Tax

The Group's underlying effective tax rate of 17% is below that of the prior year, and reflects a favourable underlying profit mix, the continued benefits arising from the utilisation of certain tax incentives available to the Group, most notably in Poland, and further tax incentives received during the year related to the recovery boiler investment project in Slovakia.

Non-controlling interests

The non-controlling interest charge of €28 million is €7 million lower than the previous year, primarily due to the impact of the acquisition of the remaining minority interest in Mondi Świecie during the first half of 2012.

Special items

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

The net special item charge of €87 million before tax, the cash component of which amounted to €20 million, included the following:

- Closure of Consumer Packaging's Lindlar operation in Germany (€13 million);
- Closure of the Newsprint machine in Merebank, South Africa and related restructuring activities (€18 million);
- Impairment of Uncoated Fine Paper's Neusiedler mill in Austria and related restructuring costs (€51 million);
- Write-down of unutilised assets in Uncoated Fine Paper's Syktyvkar mill in Russia (€9 million);
- Gain from the sale of land in South Africa Division (€7 million); and
- Further restructuring and impairment costs in the Industrial Bags segment of Fibre Packaging in France and Mexico (€3 million).

Further detail is provided in note 5 of the condensed financial statements.

After taking special items into consideration, earnings of €386 million (79.8 euro cents per share) were 59% higher than the previous year (€242 million, 50.1 euro cents per share).

Cash flow

The Group is strongly cash generative with EBITDA of €1,068 million, reflecting an increase of 15% compared to the prior year. The Group generated €1,036 million of cash from operations (2012:

€849 million) after taking into account a net increase in working capital of €27 million. Working capital as a percentage of revenue was 11%, in line with the target of 10-12% of turnover, and represents a reduction on the prior year comparable figure of 11.9% (adjusted for acquisitions).

The strong cash flow generation was applied to fund the Group's capital expenditure of €405 million, the payment of finance charges of €124 million, and the payment of dividends to holders of non-controlling interests of €60 million and to shareholders of €138 million. The net cash flow generated by the Group of €174 million was applied to reduce the Group's net debt.

Capital investments

Capital expenditure of €405 million was €111 million higher than the prior year as expenditure on a number of the Group's previously announced energy and debottlenecking investments ramped up. The capital expenditure to depreciation ratio was 113%.

The major strategic investments initiated over the past two years and completed during 2013 include the rebuild of the bark boiler at the Syktyvkar uncoated fine paper and containerboard mill in Russia, a new recovery boiler at the Group's Frantschach kraft paper mill in Austria, a recovery boiler economiser and turbine at the Stambolijski kraft paper mill in Bulgaria and a new steam turbine at the Richards Bay pulp and containerboard mill in South Africa. With the exception of the bark boiler, completed in the first half of 2013, these projects were completed in the second half of the year, with the benefits of reduced energy costs, improved efficiencies and improved electricity self-sufficiency expected to be realised from 2014 onwards. In total, approximately €140 million has been invested in these, and other smaller energy related projects.

Early in 2013, the construction of a 150,000 tonne bleached kraft paper machine at the Štětí kraft paper mill in the Czech Republic was approved. This will enable the mill to integrate its remaining open market pulp production on site, providing further growth opportunities for this business. The €70 million project is expected to be completed in the first half of 2014.

Good progress is being made on the €30 million investment in a 100,000 tonne pulp dryer in the Syktyvkar mill and the project is on schedule for completion in the second half of 2014.

In the first half of the year, a €128 million project to replace the recovery boiler at the Ruzomberok uncoated fine paper mill in Slovakia commenced. Completion is scheduled towards the end of 2014. The project will reduce the mill's environmental footprint and improve its overall cost position. Some of the benefits from this project also result from avoiding otherwise essential stay-in-business capital expenditure.

In the second half of the year, the Boards approved a €166 million investment at the Mondi Świecie containerboard mill in Poland, bringing forward the planned replacement of the recovery boiler and the mill's coal fired boilers. The investment will result in a reduction of ongoing maintenance costs, an improvement in overall energy efficiency and a reduction in CO₂e emissions. The project is expected to be completed towards the end of 2015.

These investments are all proceeding according to schedule.

As a consequence of the major capital projects approved during 2013, coupled with some delay in the expected spend on previously approved projects, capital expenditure is expected to increase to around €500 million per annum, on average, over the next two years.

Treasury and borrowings

Net debt at 31 December of €1,621 million decreased by €251 million from 31 December 2012 as a consequence of the Group's strong cash flow generation and currency effects. The weakening of a number of the emerging market currencies in which the Group's debt is denominated resulted in a net currency gain of €59 million being recorded.

Gearing reduced to 36.3% at the end of 2013, down from 39.5% at the end of 2012. The net debt to 12 month trailing EBITDA ratio was 1.5 times, well within the Group's key financial covenant requirement of 3.5 times.

Finance charges of €115 million were €5 million higher than the previous year, with higher average net debt as a consequence of the acquisitions made at the end of 2012 offset by a lower effective interest rate.

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

The Group actively manages its liquidity risk by ensuring it maintains diversified sources of funding and debt maturities. The weighted average maturity of the Eurobonds and committed debt facilities was 3.7 years at 31 December 2013. At the end of the year €792 million of the Group's €2.5 billion committed debt facilities remained undrawn.

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 and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, the Boards have recommended an increase in the final dividend.

The Boards of Mondi Limited and Mondi plc have recommended a final dividend of 26.45 euro cents per share (2012: 19.1 euro cents per share), payable on 22 May 2014 to shareholders on the register on 25 April 2014. Together with the interim dividend of 9.55 euro cents per share, paid on 17 September 2013, this amounts to a total dividend for the year of 36.0 euro cents per share. In 2012, the total dividend for the year was 28.0 euro cents per share. 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 14 May 2014.

Outlook

The trading environment in the Group's main markets remains mixed. The increase in the price of recycled containerboard in the second half of 2013 on solid demand growth is encouraging, and should lend support to the other key containerboard grades. However, price pressure in most virgin paper grades in the second half of 2013 means that the new year started with lower pricing than the average for 2013. The near-term outlook for pricing is largely dependent on the strength of the European macroeconomic recovery. In this regard it is encouraging to see a recent pick-up in orders in some of the Group's main product segments and discussions are underway with customers on price increases in certain virgin packaging grades.

Recent exchange rate volatility in several of the emerging markets in which the Group operates does create some challenges. However, the Group's positioning as a net exporter from most of these markets typically allows it to benefit from the devaluation of these currencies relative to the euro.

The Group is confident that its ongoing capital investment programme will contribute meaningfully to Mondi's performance going forward. Mondi's proven ability to generate strong cash flows through the cycle provides valuable optionality. As such, the Group remains confident in its ability to continue delivering industry-leading performance.

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.

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

Continuous monitoring of risk and control processes across all key risk areas provides the basis for regular reports to management, the executive committee and the Boards. On an annual basis, the executive committee, the audit committee and the Boards conduct a formal systematic review of the Group's most significant risks and uncertainties and the monitoring of and response to those risks. These risks are assessed against pre-determined risk tolerance limits, established by the Boards, taking both the likelihood and severity of the risk factors into consideration.

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

Competitive environment in which Mondi operates

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

The Group monitors industry developments in terms of changes in capacity as well as trends and developments in its product markets and potential substitutes. Mondi's strategic focus on low-cost production in growing markets with consistent investment in its operating capacity ensures that the Group remains competitive. Mondi invests in research and development activities to improve existing processes and to identify new markets and new products.

The locations in which the Group operates

The Group operates in a number of geographical locations in countries with differing levels of political, economic and legal systems.

The Group continues to actively monitor and adapt to changes in the environments in which it operates. Management engages in regular formal and informal interaction with the authorities to ensure they remain abreast of new developments. Thorough country risk assessments are conducted and return requirements adjusted to take country risk into consideration.

The Group's geographical diversity and decentralised management structure, utilising local resources in countries in which it operates, reduces exposure to any specific jurisdiction. The Boards have established limits on exposure to any particular geographic environment and new investments are subject to rigorous strategic and commercial evaluation.

Capital intensive operations

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

The management systems in place ensure 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.

Cost and availability of a sustainable supply of fibre

Paper for recycling and wood account for approximately one-third of 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.

International market prices are constantly monitored and, where possible, cost pass through mechanisms are in place with customers.

The Group maintains strong forestry management teams in Russia and South Africa to actively monitor environmental influences impacting its owned sources of fibre. Mondi's relatively high levels of integration and access to own FSC™ certified wood in Russia and South Africa serve to mitigate this risk. All the Group's mills have chain-of-custody certificates in place ensuring that wood procured is from non-controversial sources.

Cost of energy and related input costs

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

Energy usage levels, emission levels and usage of renewable energy are monitored and energy costs are benchmarked against external sources. The Group continues to invest in energy infrastructure at its key operating facilities in order to improve energy efficiency and electricity self-sufficiency as well as to reduce its environmental footprint.

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.

The Group monitors its staff turnover levels, diversity and training activities and conducts regular employee surveys. 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

The Group's employees work in potentially dangerous environments where hazards are ever-present and must be managed.

The Group engages in extensive safety communication sessions, involving employees and contractors, at all 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 all safety and health programmes. All business units and operations are required to have safety improvement plans in place.

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 operates a comprehensive training and compliance programme, supported by regular self-certification and reporting as well as its confidential reporting hotline for all stakeholders, Speakout.

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.

Going concern

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

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

The Group meets its funding requirements from a variety of sources as more fully described in note 11 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 €792 million of undrawn committed debt facilities as at 31 December 2013 which should provide sufficient liquidity in the medium term. The Group's debt facilities have maturity dates of between 1 and 12 years, with a weighted average maturity of 3.7 years.

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

The directors have reviewed the overall Group strategy, the budget for 2014 and subsequent years, considered the assumptions contained in the budget and reviewed the critical risks which may impact the Group's performance. After making such enquiries, the directors are satisfied that the Group

remains solvent and has adequate liquidity in order to meet its obligations and continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing this report.

Directors' responsibility statement

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

The directors confirm that to the best of their knowledge:

- the condensed set of combined and consolidated financial statements has been prepared in accordance with International Financial Reporting Standards and in particular with International Accounting Standard 34, 'Interim Financial Reporting';
- the full year results report includes a fair review of the important events during the year ended 31 December 2013 and a description of the principal risks and uncertainties; and
- there have been no significant changes in the Group's related party relationships from that reported in the half yearly results for the six months ended 30 June 2013.

The Group's condensed combined and consolidated financial statements, and related notes, were approved by the Boards and authorised for issue on 27 February 2014 and were signed on its behalf by:

David Hathorn
Director
27 February 2014

Andrew King
Director
27 February 2014

Audited financial information

The condensed combined and consolidated financial statements for the year ended 31 December 2013 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 2013

€ million	Notes	2013			(Restated) 2012		
		Before special items	Special items (note 5)	After special items	Before special items	Special items (note 5)	After special items
Group revenue	3	6,476	-	6,476	5,790	-	5,790
Materials, energy and consumables used		(3,391)	-	(3,391)	(3,024)	-	(3,024)
Variable selling expenses		(523)	-	(523)	(527)	-	(527)
Gross margin		2,562	-	2,562	2,239	-	2,239
Maintenance and other indirect expenses		(278)	-	(278)	(279)	-	(279)
Personnel costs		(940)	(17)	(957)	(834)	(16)	(850)
Other net operating expenses		(276)	(10)	(286)	(199)	(10)	(209)
Depreciation, amortisation and impairments		(369)	(67)	(436)	(353)	(1)	(354)
Operating profit/(loss)	3	699	(94)	605	574	(27)	547
Non-operating special items	5	-	7	7	-	(64)	(64)
Net profit/(loss) from associates		2	-	2	(5)	-	(5)
Total profit/(loss) from operations and associates		701	(87)	614	569	(91)	478
Net finance costs	6	(115)	-	(115)	(110)	-	(110)
Investment income		3	-	3	4	-	4
Foreign currency losses		(1)	-	(1)	(2)	-	(2)
Finance costs		(117)	-	(117)	(112)	-	(112)
Profit/(loss) before tax		586	(87)	499	459	(91)	368
Tax (charge)/credit	7	(98)	13	(85)	(90)	(1)	(91)
Profit/(loss) for the year		488	(74)	414	369	(92)	277
Attributable to:							
Non-controlling interests				28			35
Shareholders				386			242
Earnings per share (EPS) for profit attributable to shareholders							
Basic EPS (€ cents)	8			79.8			50.1
Diluted EPS (€ cents)	8			79.6			49.9
Basic underlying EPS (€ cents)	8			95.0			69.2
Diluted underlying EPS (€ cents)	8			94.8			68.9
Basic headline EPS (€ cents)	8			91.3			62.9
Diluted headline EPS (€ cents)	8			91.1			62.7

Condensed combined and consolidated statement of comprehensive income

for the year ended 31 December 2013

€ million	2013			(Restated) 2012		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
Profit for the year			414			277
Other comprehensive (expense)/income						
Items that may subsequently be reclassified to the combined and consolidated income statement:						
Effect of cash flow hedges:	(2)	-	(2)	2	-	2
Gains on available-for-sale investments	2	-	2	1	-	1
Exchange differences on translation of foreign operations	(233)	-	(233)	49	-	49
Share of other comprehensive income of associates ¹	(1)	-	(1)	-	-	-
Items that will not subsequently be reclassified to the combined and consolidated income statement:						
Remeasurements on retirement benefits plans	19	(6)	13	(33)	8	(25)
Other comprehensive (expense)/income for the year	(215)	(6)	(221)	19	8	27
Other comprehensive (expense)/income attributable to:						
Non-controlling interests	(11)	-	(11)	7	-	7
Shareholders	(204)	(6)	(210)	12	8	20
Total comprehensive income for the year			193			304
Total comprehensive income attributable to:						
Non-controlling interests			17			42
Shareholders			176			262

Note:

¹ Associates' share of exchange differences on translation of foreign operations.

Condensed combined and consolidated statement of financial position

as at 31 December 2013

<i>€ million</i>	Notes	2013	(Restated) 2012	(Restated) At 1 January 2012
Intangible assets		675	695	238
Property, plant and equipment		3,428	3,709	3,355
Forestry assets	10	233	311	309
Investments in associates		6	6	19
Financial asset investments		27	26	22
Deferred tax assets		4	10	5
Net retirement benefits asset		-	-	8
Derivative financial instruments		1	-	3
Total non-current assets		4,374	4,757	3,959
Inventories		746	783	633
Trade and other receivables		954	1,010	814
Current tax assets		26	10	6
Financial asset investments		1	1	1
Cash and cash equivalents	13b	130	56	193
Derivative financial instruments		5	4	10
Assets held for sale		4	2	-
Total current assets		1,866	1,866	1,657
Total assets		6,240	6,623	5,616
Short-term borrowings	11	(181)	(281)	(268)
Trade and other payables		(989)	(1,029)	(877)
Current tax liabilities		(76)	(66)	(78)
Provisions		(46)	(67)	(44)
Derivative financial instruments		(4)	(4)	(8)
Total current liabilities		(1,296)	(1,447)	(1,275)
Medium and long-term borrowings	11	(1,571)	(1,648)	(746)
Net retirement benefits liability	12	(211)	(253)	(202)
Deferred tax liabilities		(264)	(344)	(313)
Provisions		(32)	(33)	(30)
Derivative financial instruments		(1)	(1)	-
Other non-current liabilities		(19)	(24)	(18)
Total non-current liabilities		(2,098)	(2,303)	(1,309)
Total liabilities		(3,394)	(3,750)	(2,584)
Net assets		2,846	2,873	3,032
Equity				
Share capital and stated capital		542	542	542
Retained earnings and other reserves		2,049	2,030	2,044

Total attributable to shareholders	<u>2,591</u>	<u>2,572</u>	<u>2,586</u>
Non-controlling interests in equity	255	301	446
Total equity	<u><u>2,846</u></u>	<u><u>2,873</u></u>	<u><u>3,032</u></u>

The Group's condensed combined and consolidated financial statements, and related notes, were approved by the Boards and authorised for issue on 27 February 2014 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number:
Mondi plc company registered number:

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Condensed combined and consolidated statement of cash flows

for the year ended 31 December 2013

<i>€ million</i>	Notes	2013	(Restated) 2012
Cash generated from operations	13a	1,036	849
Dividends from associates		1	1
Dividends from other investments		-	1
Income tax paid		(126)	(109)
Net cash generated from operating activities		911	742
Cash flows from investing activities			
Investment in property, plant and equipment		(405)	(294)
Investment in intangible assets		(12)	(9)
Investment in forestry assets	10	(41)	(51)
Investment in financial asset investments		(4)	(7)
Proceeds from the disposal of tangible and intangible assets		36	15
Proceeds from the disposal of financial asset investments		1	4
Acquisition of subsidiaries, net of cash and cash equivalents		-	(381)
Investment in associates		-	(43)
Proceeds from disposal of associates		4	-
Proceeds from the disposal of businesses, net of cash and cash equivalents		2	1
Loan repayments from related parties		1	-
Loan repayments from external parties		2	16
Interest received		3	3
Net cash used in investing activities		(413)	(746)
Cash flows from financing activities			
Repayment of short-term borrowings	13c	(77)	(114)
Proceeds from medium and long-term borrowings	13c	107	613
Repayment of medium and long-term borrowings	13c	(117)	(65)
Interest paid		(124)	(92)
Dividends paid to shareholders		(138)	(128)
Purchases of treasury shares		(30)	(34)
Dividends paid to non-controlling interests		(60)	(29)
Non-controlling interests bought out		(4)	(298)
Net realised gain/(loss) on held-for-trading derivatives		30	(9)
Government grants received		2	-
Net cash used in financing activities		(411)	(156)
Net increase/(decrease) in cash and cash equivalents		87	(160)
Cash and cash equivalents at beginning of year		(37)	119
Cash movement in the year	13c	87	(160)
Effects of changes in foreign exchange rates	13c	14	4
Cash and cash equivalents at end of year	13b	64	(37)

Condensed combined and consolidated statement of changes in equity

for the year ended 31 December 2013

<i>€ million</i>	Combined share capital and stated capital	Retained earnings	Other reserves	Total attributable to shareholders	Non-controlling interests	Total equity
At 31 December 2011, as previously reported	542	2,041	3	2,586	449	3,035
Effect of restatement	-	-	-	-	(3)	(3)
At 1 January 2012 (restated)	542	2,041	3	2,586	446	3,032
Total comprehensive income for the year	-	242	20	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)
Non-controlling interests bought out	-	(141)	-	(141)	(157)	(298)
Disposal of businesses	-	-	15	15	-	15
Reclassification	-	(12)	12	-	-	-
Other	-	2	10	12	(1)	11
At 31 December 2012 (restated)	542	1,979	51	2,572	301	2,873
Total comprehensive income/(expense) for the year	-	386	(210)	176	17	193
Dividends paid	-	(138)	-	(138)	(60)	(198)
Issue of shares under employee share schemes	-	12	(11)	1	-	1
Purchases of treasury shares	-	(30)	-	(30)	-	(30)
Non-controlling interests bought out	-	(1)	-	(1)	(3)	(4)
Reclassification	-	1	(1)	-	-	-
Other	-	-	11	11	-	11
At 31 December 2013	542	2,209	(160)	2,591	255	2,846

Other reserves¹ (restated)

<i>€ million</i>	Share-based payment reserve	Cumulative translation adjustment reserve	Cash flow hedge reserve	Post-retirement benefits reserve	Statutory reserves ²	Total
At 1 January 2012	17	(208)	(2)	(56)	252	3
Total comprehensive income/(expense) for the year	-	42	2	(25)	1	20
Mondi share schemes' charge	10	-	-	-	-	10
Issue of shares under employee share schemes	(9)	-	-	-	-	(9)
Disposal of businesses	-	15	-	-	-	15
Reclassification	-	-	-	12	-	12
At 31 December 2012	18	(151)	-	(69)	253	51
Total comprehensive income/(expense) for the year	-	(223)	(2)	13	2	(210)
Mondi share schemes' charge	11	-	-	-	-	11
Issue of shares under employee share schemes	(11)	-	-	-	-	(11)

Reclassification	-	-	-	(1)	-	(1)
At 31 December 2013	18	(374)	(2)	(57)	255	(160)

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 2013 was a decrease in non-controlling interests related to total comprehensive income for the year of €11 million (2012: increase of €7 million).
- ² Statutory reserves consist of the merger reserve of €259 million (2012: €259 million) and other sundry reserves in deficit of €4 million (2012: deficit of €6 million).

Notes to the condensed combined and consolidated financial statements

for the year ended 31 December 2013

1 Basis of preparation

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

The Group's condensed combined and consolidated financial statements included in this preliminary announcement have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and contain the information required by IAS 34, 'Interim Financial Reporting'. 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 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. The condensed combined and consolidated financial statements have been prepared on a going concern basis as set out above.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2013, 2012 or 2011 but is derived from those accounts. Statutory accounts for 2011 and 2012 have been delivered to the registrar of companies, and those for 2013 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 on the Integrated report and financial statements 2013 as well as the condensed combined and consolidated financial statements are available for inspection at the Mondi Limited and Mondi plc registered offices.

These condensed combined and consolidated financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments and forestry assets.

2a Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except as set out below.

Standards and Interpretations early adopted by the Group

There were no Standards or Interpretations early adopted by the Group in the current year. An amendment to IAS 36 - Impairment of Assets which clarifies certain disclosure requirements, was adopted with effect from 1 January 2013.

Standards, amendments to published Standards and Interpretation effective during 2013

The Group has adopted the following Standards and amendments to published Standards during the current year, and their impact on the Group's results are detailed in note 2b:

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IAS 19 (revised) - Employee Benefits

2a Accounting policies (continued)

The following Standards, amendments to published Standards and Interpretation which the Group has adopted during the current year, had no significant impact on the Group's results except for the addition of certain disclosures:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards
- IFRS 7 - Financial Instruments: Disclosure
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 1 - *Presentation of Financial Statements*
- IAS 16 - *Property, Plant and Equipment*
- IAS 27 - *Separate Financial Statements*
- IAS 28 - *Investments in Associates and Joint Ventures*
- IAS 32 - Financial Instruments: Presentation
- IAS 34 - Interim Financial Reporting
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

2b Restatement of comparative information

IFRS 10 and IFRS 11 broadened the concept of control and eliminated the option of proportionate consolidation for joint ventures, except in certain circumstances. The impact of these Standards has been that Mondi Shanduka Newsprint Proprietary Limited has been consolidated whilst Aylesford Newsprint Limited has been accounted for using the equity method up to the date of sale in 2012. Comparative information has been restated.

IAS 19 (revised) impacted the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures. As the Group has always recognised actuarial gains and losses immediately, the Group's total obligation was unchanged. This Standard has been adopted with effect from 1 January 2012 as it was impractical to complete revised actuarial valuations prior to that date. Following the replacement of expected returns on plan assets with a net finance cost in the combined and consolidated income statement, the profit for the period was reduced and accordingly other comprehensive income increased in 2012. Comparative information for the year ended 31 December 2012 has been restated.

The following tables summarise the impacts resulting from the changes in accounting policies above on the Group's financial position, comprehensive income and cash flows.

Combined and consolidated income statement

€ million	Year ended 31 December 2012		
	As previously reported	Effect of restatement	As restated
Group revenue	5,807	(17)	5,790
Gross margin	2,235	4	2,239
Operating profit	541	6	547
Non-operating special items	(64)	-	(64)
Net profit/(loss) from associates	1	(6)	(5)
Total profit from operations and associates	478	-	478
Net finance costs	(107)	(3)	(110)
Investment income	10	(6)	4
Foreign currency losses	(2)	-	(2)
Finance costs	(115)	3	(112)

Profit before tax	371	(3)	368
Tax charge	(92)	1	(91)
Profit for the year	<u>279</u>	<u>(2)</u>	<u>277</u>
Attributable to:			
Non-controlling interests	35	-	35
Shareholders	<u>244</u>	<u>(2)</u>	<u>242</u>

The restatement had no impact on special items.

2b Restatement of comparative information (continued)

Earnings per share (EPS) for profit attributable to shareholders		As previously reported	Effect of restatement	As restated
Basic EPS	(€ cents)	50.5	(0.4)	50.1
Diluted EPS	(€ cents)	50.3	(0.4)	49.9
Basic underlying EPS	(€ cents)	69.6	(0.4)	69.2
Diluted underlying EPS	(€ cents)	69.3	(0.4)	68.9
Basic headline EPS	(€ cents)	63.4	(0.5)	62.9
Diluted headline EPS	(€ cents)	63.1	(0.4)	62.7

Combined and consolidated statement of comprehensive income

€ million	Year ended 31 December 2012		
	As previously reported	Effect of restatement	As restated
Profit for the year	279	(2)	277
Other comprehensive income/(expense):			
Items that may subsequently be reclassified to the combined and consolidated income statement	52	-	52
Items that will not subsequently be reclassified to the combined and consolidated income statement	(27)	2	(25)
Other comprehensive income for the year, net of tax	25	2	27
Total comprehensive income for the year	304	-	304
Attributable to:			
Non-controlling interests	42	-	42
Shareholders	262	-	262

Combined and consolidated statement of financial position

€ million	As at 31 December 2012			As at 1 January 2012		
	As previously reported	Effect of restatement	As restated	As previously reported	Effect of restatement	As restated
Non-current assets	4,755	2	4,757	3,971	(12)	3,959
Current assets	1,859	7	1,866	1,674	(17)	1,657
Total assets	6,614	9	6,623	5,645	(29)	5,616
Current liabilities	(1,443)	(4)	(1,447)	(1,306)	31	(1,275)
Non-current liabilities	(2,295)	(8)	(2,303)	(1,304)	(5)	(1,309)
Total liabilities	(3,738)	(12)	(3,750)	(2,610)	26	(2,584)
Net assets	2,876	(3)	2,873	3,035	(3)	3,032
Equity						
Share capital and stated capital	542	-	542	542	-	542

Retained earnings and other reserves	2,030	-	2,030	2,044	-	2,044
Total attributable to shareholders	<u>2,572</u>	<u>-</u>	<u>2,572</u>	<u>2,586</u>	<u>-</u>	<u>2,586</u>
Non-controlling interests in equity	304	(3)	301	449	(3)	446
Total equity	<u>2,876</u>	<u>(3)</u>	<u>2,873</u>	<u>3,035</u>	<u>(3)</u>	<u>3,032</u>
Net debt	<u>(1,864)</u>	<u>(8)</u>	<u>(1,872)</u>	<u>(831)</u>	<u>11</u>	<u>(820)</u>

2b Restatement of comparative information (continued)

Combined and consolidated statement of cash flows

€ million	Year ended 31 December 2012		
	As previously reported	Effect of restatement	As restated
Net cash generated from operating activities	740	2	742
Net cash used in investing activities	(725)	(21)	(746)
Net cash used in financing activities	(173)	17	(156)
Net decrease in cash and cash equivalents	(158)	(2)	(160)
Cash and cash equivalents at beginning of year	117	2	119
Cash movement in the year	(158)	(2)	(160)
Effects of changes in foreign exchange rates	4	-	4
Cash and cash equivalents at end of year	(37)	-	(37)

3 Operating segments

Mondi Shanduka Newsprint was incorporated into the South Africa Division during 2012 due to similarities in geographical location, production processes and the integrated nature of the production facilities and is now consolidated as a subsidiary. The effects of this change on the comparative periods are set out in note 2b. The Group's segmental information for the comparative periods has been restated to reflect this change in accounting policy.

Year ended 31 December 2013

€ million, unless otherwise stated	Europe & International				South Africa Division	Corporate & other	Intersegment elimination	Segments total
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper				
Segment revenue	2,000	1,967	1,153	1,388	624	-	(656)	6,476
Internal revenue	(503)	(33)	(5)	(14)	(101)	-	656	-
External revenue	<u>1,497</u>	<u>1,934</u>	<u>1,148</u>	<u>1,374</u>	<u>523</u>	<u>-</u>	<u>-</u>	6,476
EBITDA	394	163	129	277	135	(30)	-	1,068
Depreciation, amortisation and impairments	(96)	(70)	(55)	(105)	(42)	(1)	-	(369)
Operating profit/(loss) from operations before special items	298	93	74	172	93	(31)	-	699
Special items	-	(3)	(13)	(60)	(11)	-	-	(87)
Operating segment assets	<u>1,837</u>	<u>1,156</u>	<u>993</u>	<u>1,311</u>	<u>731</u>	<u>2</u>	<u>(140)</u>	5,890
Operating net segment assets	<u>1,484</u>	<u>903</u>	<u>855</u>	<u>1,135</u>	<u>622</u>	<u>1</u>	<u>-</u>	5,000
Additions to non-current non-financial assets	155	72	60	94	93	-	-	474
Capital expenditure cash payments	139	78	56	80	52	-	-	405
Operating margin (%)	<u>14.9</u>	<u>4.7</u>	<u>6.4</u>	<u>12.4</u>	<u>14.9</u>	<u>-</u>	<u>-</u>	10.8
Return on capital employed (%)	<u>21.9</u>	<u>10.8</u>	<u>9.1</u>	<u>16.2</u>	<u>16.0</u>	<u>-</u>	<u>-</u>	15.3

Note:

¹ Excluding impairments included in special items (see note 5).

3 Operating segments (continued)

Year ended 31 December 2012 (restated)

€ million, unless otherwise stated	Europe & International				South Africa Division	Corporate & other	Intersegment elimination	Segments total
	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper				
Segment revenue	1,896	1,860	502	1,466	702	-	(636)	5,790
Internal revenue	(469)	(42)	(4)	(13)	(108)	-	636	-
External revenue	1,427	1,818	498	1,453	594	-	-	5,790
EBITDA	321	168	45	300	125	(32)	-	927
Depreciation, amortisation and impairments ¹	(94)	(67)	(26)	(109)	(56)	(1)	-	(353)
Operating profit/(loss) from operations before special items	227	101	19	191	69	(33)	-	574
Special items	-	(16)	(11)	-	6	(70)	-	(91)
Operating segment assets	1,829	1,229	1,019	1,450	975	5	(150)	6,357
Operating net segment assets	1,466	958	872	1,248	821	1	-	5,366
Additions to non-current non- financial assets	249	144	621	60	94	-	-	1,168
Capital expenditure cash payments	89	76	28	58	43	-	-	294
Operating margin (%)	12.0	5.4	3.8	13.0	9.8	-	-	9.9
Return on capital employed (%)	17.9	12.5	6.2	16.7	9.6	-	-	13.6

Note:

¹ Excluding impairments included in special items (see note 5).

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 product type presented below.

External revenue by product type

€ million	2013	(Restated) 2012
Products		
Fibre packaging products	1,891	1,785
Packaging paper products	1,482	1,393
Uncoated fine paper	1,284	1,355
Consumer packaging products	1,148	498
Pulp	269	276
Newsprint	177	215
Other	225	268
Group total	6,476	5,790

3 Operating segments (continued)

€ million	External revenue by location of customer		External revenue by location of production	
	2013	(Restated) 2012	2013	(Restated) 2012
Revenue				
Africa				
South Africa	432	448	623	702
Rest of Africa	231	242	11	8
Africa total	663	690	634	710
Western Europe				
Austria	161	145	958	1,025
Germany	1,003	783	993	486
United Kingdom	262	230	48	53
Rest of western Europe	1,390	1,287	720	693
Western Europe total	2,816	2,445	2,719	2,257
Emerging Europe				
Poland	450	364	877	766
Rest of emerging Europe	893	816	1,168	1,086
Emerging Europe total	1,343	1,180	2,045	1,852
Russia	608	592	741	729
North America	349	270	274	196
South America	57	41	-	-
Asia and Australia	640	572	63	46
Group total	6,476	5,790	6,476	5,790

Reconciliation of operating profit before special items

€ million	2013	(Restated) 2012
Operating profit before special items	699	574
Special items (see note 5)	(87)	(91)
Net profit/(loss) from associates	2	(5)
Net finance costs	(115)	(110)
Group profit before tax	499	368

Reconciliation of operating segment assets

€ million	2013		(Restated) 2012	
	Segment assets	Net segment assets	Segment assets	Net segment assets

Segments total	5,890	5,000	6,357	5,366
Unallocated:				
Investments in associates	6	6	6	6
Deferred tax assets/(liabilities)	4	(260)	10	(334)
Other non-operating assets/(liabilities)	182	(306)	167	(319)
	<hr/>	<hr/>	<hr/>	<hr/>
Group capital employed	6,082	4,440	6,540	4,719
Financial asset investments (non-current)	27	27	26	26
Cash and current financial asset investments/(net debt)	131	(1,621)	57	(1,872)
	<hr/>	<hr/>	<hr/>	<hr/>
Group	6,240	2,846	6,623	2,873
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4 Write-down of inventories to net realisable value

<i>€ million</i>	2013	(Restated) 2012
Write-down of inventories to net realisable value	(21)	(19)
Aggregate reversal of previous write-down of inventories	12	13
	<u> </u>	<u> </u>

5 Special items

<i>€ million</i>	2013	2012
Operating special items		
Asset impairments	(67)	(1)
Restructuring and closure costs:		
Restructuring and closure costs excluding related personnel costs	(10)	(4)
Personnel costs relating to restructuring	(17)	(16)
Transaction costs incurred on the acquisition of Nordenia	-	(11)
Gain on insurance settlement	-	5
Total operating special items	<u>(94)</u>	<u>(27)</u>
Non-operating special items		
Loss on disposals	-	(70)
Gain on sale of land	7	6
Total non-operating special items	<u>7</u>	<u>(64)</u>
Total special items before tax and non-controlling interests	(87)	(91)
Tax (see note 7)	13	(1)
Total special items attributable to shareholders	<u>(74)</u>	<u>(92)</u>

Operating special items

During the first quarter of the year a decision was taken to close the Lindlar operation in Germany and redirect production to existing plants in Germany, Hungary and the Czech Republic. An impairment charge of €2 million and restructuring and closure costs amounting to €11 million were recognised.

In May 2013, Mondi announced the closure of one of the two newsprint machines located in Merebank, South Africa. Further restructuring activities in the Merebank mill as a result of the closure of the newsprint machine were also implemented. An impairment charge of €13 million and associated closure and restructuring costs of €5 million were recognised.

In May 2013, Mondi announced plans to restructure the Neusiedler operation in Austria to improve the cost base of this mill. An impairment charge of €42 million and restructuring costs of €9 million were recognised.

During the third quarter of the year, unutilised assets amounting to €9 million in the Syktyvkar mill, Russia were written off.

Additional impairment charges of €1 million, and restructuring costs of €2 million were recognised in the Industrial Bags segment of the Fibre Packaging business in France and Mexico.

Non-operating special items

In December 2013, land in the South Africa Division with a carrying value of €1 million was sold for €8 million, realising a gain of €7 million.

6 Net finance costs

<i>€ million</i>	2013	(Restated) 2012
Total investment income	3	4
Foreign currency losses	(1)	(2)
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(108)	(98)
Net interest expense on net retirement benefits liability	(11)	(15)
Total interest expense	(119)	(113)
Less: interest capitalised	2	1
Total finance costs	(117)	(112)
Net finance costs	(115)	(110)

7 Tax charge

<i>€ million</i>	2013	(Restated) 2012
UK corporation tax at 23.25% (2012: 24.5%)	1	-
SA corporation tax at 28% (2012: 28%)	21	19
Overseas tax	105	66
Current tax	127	85
Deferred tax in respect of the current period	(1)	13
Deferred tax in respect of prior period over provision	(28)	(8)
Total tax charge before special items	98	90
Current tax on special items	(5)	2
Deferred tax on special items	(8)	(1)
Total tax (credit)/charge on special items (see note 5)	(13)	1
Total tax charge	85	91

The Group's effective rate of tax before special items for the year ended 31 December 2013, calculated on profit before tax before special items and including net profit from associates, is 17% (2012: 20%).

8 Earnings per share

<i>€ cents per share</i>	2013	(Restated) 2012
Profit for the year attributable to shareholders		
Basic EPS	79.8	50.1
Diluted EPS	79.6	49.9
Underlying earnings for the year		

Basic EPS	95.0	69.2
Diluted EPS	94.8	68.9
Headline earnings for the year		
Basic EPS	91.3	62.9
Diluted EPS	91.1	62.7

9 Dividends (continued)

The proposed final dividend for the year ended 31 December 2013 of 26.45 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	16 April 2014	16 April 2014
London Stock Exchange	Not applicable	22 April 2014
Shares commence trading ex-dividend		
JSE Limited	17 April 2014	17 April 2014
London Stock Exchange	Not applicable	23 April 2014
Record date		
JSE Limited	25 April 2014	25 April 2014
London Stock Exchange	Not applicable	25 April 2014
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants		
	2 May 2014	2 May 2014
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc		
	5 May 2014	27 April 2014*
Payment Date		
South African Register	22 May 2014	22 May 2014
UK Register	Not applicable	22 May 2014
DRIP purchase settlement dates		
	30 May 2014	27 May 2014**
Currency conversion date		
ZAR/euro	28 February 2014	28 February 2014

Euro/sterling

Not applicable

6 May 2014

*5 May 2014 for Mondi plc South African branch register shareholders

**30 May 2014 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 17 April 2014 and 28 April 2014, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 16 April 2014 and 28 April 2014, 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 28 February 2014.

10 Forestry assets

<i>€ million</i>	2013	(Restated) 2012
At 31 December 2011, as previously reported		297
Effect of restatement		12
At 1 January (restated)	311	309
Capitalised expenditure	39	42
Acquisition of assets	2	9
Fair value gains	17	40
Disposal of assets	(9)	(3)
Felling costs	(55)	(66)
Currency movements	(72)	(20)
At 31 December	233	311

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy and this category is consistent with prior years. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Group's owned forestry assets, discounted using a discount rate relevant in the local country, based on a pre tax real yield on long-term bonds over the last five years. All fair value gains originate from South Africa.

11 Borrowings

€ million	2013			(Restated) 2012		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	4	2	6	5	3	8
Obligations under finance leases	1	6	7	2	9	11
Total secured	5	8	13	7	12	19
Unsecured						
Bank loans and overdrafts	156	216	372	253	251	504
Bonds	-	1,289	1,289	-	1,310	1,310
Bonds	-	1,340	1,340	-	1,357	1,357
Call option derivative	-	(51)	(51)	-	(47)	(47)
Other loans	20	58	78	21	75	96
Total unsecured	176	1,563	1,739	274	1,636	1,910
Total borrowings	181	1,571	1,752	281	1,648	1,929

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/LIBOR.

€500 million 2017 Eurobond

Mondi Finance plc launched a 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 Moody's Investors Service (Baa3, outlook stable) and Standard & Poor's (BBB-, outlook stable).

€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 in 2012 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 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	<u>100.000</u>

The option is valued at €51 million at 31 December 2013 (2012: €47 million).

11 Borrowings (continued)

€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 EURIBOR.

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 facility was fully drawn on 28 June 2013 and is used to part finance expansionary capital expenditure in Russia. The facility amortises over 12 years with a two year grace period and 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 a revolving committed bank facility amounting to ZAR500 million in South Africa. This facility is repayable on its maturity date of 11 June 2014 and bears interest at one month JIBAR plus a margin. On 31 October 2013 the Group repaid and cancelled a ZAR700 million revolving loan that was outstanding at 31 December 2012.

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

2013/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	208	1,299	-	1,507	1,591
South African rand	79	-	6	85	85
Polish zloty	64	-	-	64	64
Russian rouble	30	-	-	30	30
Turkish lira	33	-	-	33	33
Other currencies	25	2	6	33	33
Carrying value	439	1,301	12	1,752	
Fair value	439	1,385	12		1,836

2012/€ million (restated)	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	-	8	188	188
Pounds sterling	116	-	-	116	116
Polish zloty	84	-	-	84	84
Russian rouble	41	-	-	41	41
Turkish lira	29	-	-	29	29
Other currencies	22	1	-	23	23

Carrying value	<u>598</u>	<u>1,323</u>	<u>8</u>	<u>1,929</u>	
Fair value	<u>598</u>	<u>1,434</u>	<u>8</u>		<u>2,040</u>

11 Borrowings (continued)

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

<i>€ million</i>	2013	2012
Long-dated contracts with tenures of more than 12 months		
Russian rouble	27	59
Short-dated contracts with tenures of less than 12 months		
Russian rouble	179	127
Czech koruna	81	51
US dollar	80	62
Pounds sterling	62	(59)
Swedish krona	34	13
Polish zloty	94	128
Other	57	29
Total swapped	614	410

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. 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.

12 Retirement benefits

All assumptions related to the Group's defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually for the year ended 31 December 2013.

The net retirement benefit liability decreased by €42 million mainly due to changes in assumptions and an exchange rate impact of €22 million. The assets backing the defined benefit scheme liabilities reflect their market values as at 31 December 2013. Any movements in the assumptions have been recognised as a remeasurement in the condensed combined and consolidated statement of comprehensive income.

13 Consolidated cash flow analysis

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

<i>€ million</i>	2013	(Restated) 2012
Profit before tax	499	368
Depreciation and amortisation	365	349
Impairment of tangible and intangible assets (not included in special items)	4	4
Share-based payments	11	10
Non-cash effect of special items	60	91
Net finance costs	115	110
Net (profit)/loss from associates	(2)	5
Decrease in provisions and net retirement benefits	(25)	(22)
Increase in inventories	(7)	(16)
Increase in operating receivables	(14)	(38)
Decrease in operating payables	(6)	(29)

Fair value gains on forestry assets	(17)	(40)
Felling costs	55	66
Profit on disposal of tangible and intangible assets	(2)	(4)
Other adjustments	-	(5)
Cash generated from operations	1,036	849

13 Consolidated cash flow analysis (continued)

(b) Cash and cash equivalents

<i>€ million</i>	2013	(Restated) 2012
Cash and cash equivalents per combined and consolidated statement of financial position	130	56
Bank overdrafts included in short-term borrowings	(66)	(93)
Net cash and cash equivalents per combined and consolidated statement of cash flows	64	(37)

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

(c) Movement in net debt (restated)

The Group's net debt position is as follows:

<i>€ million</i>	Cash and cash equivalents ¹	Debt due within one year	Debt due after one year	Current financial asset investments	Total net debt
At 31 December 2011, as previously reported	117	(212)	(737)	1	(831)
Effect of restatement	2	18	(9)	-	11
At 1 January 2012 (restated)	119	(194)	(746)	1	(820)
Cash flow	(160)	114	(548)	-	(594)
Business combinations	-	(67)	(393)	-	(460)
Movement in unamortised loan costs	-	-	3	-	3
Reclassification	-	(46)	46	-	-
Currency movements	4	5	(10)	-	(1)
At 31 December 2012 (restated)	(37)	(188)	(1,648)	1	(1,872)
Cash flow	87	77	10	-	174
Movement in unamortised loan costs	-	-	18	-	18
Reclassification	-	(34)	34	-	-
Currency movements	14	30	15	-	59
At 31 December 2013	64	(115)	(1,571)	1	(1,621)

Note:

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.

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

<i>€ million</i>	2013	2012
Expiry date		
In one year or less	42	27
In more than one year	750	735
Total credit available	792	762

14 Capital commitments

<i>€ million</i>	2013	(Restated) 2012
Contracted for but not provided	366	129
Approved, not yet contracted for	625	589

14 Capital commitments (continued)

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

<i>€ million</i>	2013	(Restated) 2012
Intangible assets	4	9
Property, plant and equipment	987	709
Total capital commitments	991	718

The expected maturity of these capital commitments is:

<i>€ million</i>	2013	(Restated) 2012
Within one year	544	445
One to two years	392	263
Two to five years	55	10
Total capital commitments	991	718

Capital commitments are based on capital projects approved to date and the budget approved by the Boards.

Major capital projects still require further approval before they commence. These capital commitments are expected to be financed from existing cash resources and borrowing facilities.

15 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2013 of €25 million (2012: €15 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.

16 Financial instruments' fair value disclosures

Financial instruments that are measured in the combined and consolidated statement of financial position at fair value or where the fair value of financial instruments have been disclosed in notes to the combined and consolidated financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Group specific estimates.

The significant inputs required to fair value all of the Group's financial instruments are either quoted prices or are observable. The Group only holds level 1 and 2 financial instruments and therefore does

not hold any financial instruments categorised as level 3 financial instruments. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- the Group's commodity price derivatives are fair valued by independent third parties, who in turn calculate the fair values as the present value of expected future cash flows based on observable market data; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

The only assets or liabilities measured at fair value on level 3 of the fair value measurement hierarchy represent forestry assets. Refer to note 10 for more details on fair value measurement.

16 Financial instruments' fair value disclosures (continued)

Except as detailed in the following table, the directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the combined and consolidated financial statements are approximately equal to their fair values.

€ million	Carrying amount		Fair value	
	2013	(Restated) 2012	2013	(Restated) 2012
Financial liabilities				
Borrowings	1,752	1,929	1,836	2,040

17 Related party transactions

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

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

With effect from 3 May 2013, Cyril Ramaphosa ceased to be a director of Mondi Limited and Mondi plc. As a result, all transactions with the Shanduka Group Proprietary Limited, in which Mr Ramaphosa held a 29.6% interest, and its subsidiaries are no longer classified as related party transactions from that date.

Other than the paragraph above, 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.

18 Events occurring after 31 December 2013

With the exception of the proposed final dividend for 2013, included in note 9, there have been no material reportable events since 31 December 2013.

Production statistics

		2013	(Restated) 2012
Europe & International			
Containerboard	Tonnes	2,138,714	2,079,005
Kraft paper	Tonnes	1,010,885	980,637
Softwood pulp	Tonnes	2,007,959	1,978,583
Internal consumption	Tonnes	1,859,597	1,825,916
External	Tonnes	148,362	152,667
Corrugated board and boxes	Mm ²	1,344	1,213
Industrial bags	M units	3,997	3,829
Coating and release liners	Mm ²	3,348	3,352
Consumer packaging ¹	Tonnes	283,161	121,127
Uncoated fine paper	Tonnes	1,381,141	1,417,709
Newsprint	Tonnes	207,228	201,278
Hardwood pulp	Tonnes	1,087,615	1,059,140
Internal consumption	Tonnes	1,013,790	972,883
External	Tonnes	73,825	86,257
South Africa Division			
Containerboard	Tonnes	254,714	263,468
Uncoated fine paper	Tonnes	258,751	257,747
Hardwood pulp	Tonnes	645,611	658,368
Internal consumption	Tonnes	331,928	337,596
External	Tonnes	313,683	320,772
Softwood pulp ² – internal consumption	Tonnes	166,101	215,828
Newsprint ²	Tonnes	145,498	198,024

Notes:

¹ Includes Nordenia from October 2012.

² Restated to include 100% of the Mondi Shanduka Newsprint production.

Exchange rates

	2013	2012
Closing rates against the euro		
South African rand	14.57	11.17
Czech koruna	27.43	25.15
Polish zloty	4.15	4.07
Pounds sterling	0.83	0.82
Russian rouble	45.32	40.33
Turkish lira	2.96	2.36
US dollar	1.38	1.32
Average rates for the period against the euro		
South African rand	12.83	10.55
Czech koruna	25.99	25.14
Polish zloty	4.20	4.18
Pounds sterling	0.85	0.81
Russian rouble	42.32	39.91
Turkish lira	2.53	2.31
US dollar	1.33	1.29



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