21 February 2011

Mondi Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1967/013038/06)
JSE share code: MND ISIN: ZAE000097051

Mondi plc
(Incorporated in England and Wales)
(Registration 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 JSE Listings Requirements and/or the Disclosure and Transparency and Listing Rules of the United Kingdom Listing Authority.

Full year results for the year ended 31 December 2010

Financial Summary

€ million	**Year ended 31 December 2010**	Year ended 31 December 2009	Change %
Group revenue	**6,228**	5,257	18
EBITDA[1]	**882**	645	37
Underlying operating profit[2]	**509**	294	73
Underlying profit before tax[3]	**394**	182	116
Operating profit	**512**	166	208
Profit before tax[4]	**372**	49	659
Basic earnings/(loss) per share (€ cents)	**44.1**	(6.5)	
Underlying earnings per share (€ cents)[5]	**47.0**	18.7	151
Headline earnings per share (€ cents)[5]	**47.0**	11.4	312
Total dividend per share (€ cents)	**20.0**	9.5	111
Cash generated from operations	**778**	867	(10)
Net debt	**1,364**	1,517	(10)
Group return on capital employed (ROCE)[6]	**12.3**	7.6	62

Notes:
Underlying profit measures are disclosed to provide an additional basis on which to evaluate the Group's performance. A reconciliation of the underlying measures to the statutory results is included in the annual financial statements.
1 EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.
2 Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.
3 Underlying profit before tax is profit before tax and before special items.
4 Profit before tax is reported after special items of €22 million.
5 The Group has presented underlying earnings per share to exclude the impact of special items, and headline earnings per share in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.
6 Group return on capital employed (ROCE) is an annualised measure based on a 12 month trailing underlying operating profit plus share of associates' net earnings divided by average trading capital employed before impairments and adjusted for major capital projects not yet commissioned.

Highlights

- Significant improvement in financial performance
    - underlying operating profit up 73%;
    - underlying earnings per share up 151%; and
    - return on capital employed up by 4.7 percentage points to 12.3%.
- Achieved production records at 6 out of the 8 largest paper mills.
- Modernisation of Russian pulp and paper mill successfully completed and running to plan.
- Continued strong cash management, with net debt down to €1.36 billion.
- Proposed full year dividend of 20.0 euro cents per share, up 111%.

David Hathorn, Mondi Group chief executive, said:

"The 2010 financial year saw a much improved financial performance from the Mondi Group. After the turmoil of 2008 and early 2009 created by the global financial crisis, the recovery noted in late 2009 continued into 2010. Pleasingly, this translated into a much improved return on capital employed (ROCE), increasing to 12.3% for the year. Mondi's strong performance confirms the validity of our strategy and reflects the commitment of all our employees. Given the strong financial performance

and good cash generation, we are pleased to recommend an increase in the full-year dividend to 20.0 euro cents per share.

"Demand growth over the past 18 months has been very encouraging, with volumes in most grades and geographic regions back at satisfactory levels. In 2011, further demand growth is expected, albeit at more modest rates. Recent industry capacity adjustments have also resulted in generally stronger fundamentals. Taken together, this has led to a positive pricing environment. The general economic recovery also brings cost pressures. We are confident that the Group's integrated low cost position, focus on performance, and the contribution from the major investments made through the down cycle position the business well for the future."

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Conference call dial-in and audio cast details

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

The conference call dial-in numbers are:

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

An online audio cast facility will be available via: www.mondigroup.com/FYResults10.
Password: FYResults10.

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

Should you have any issues on the day with accessing the dial-in conference call, please call +27 (0)11 535 3600.

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

An audio recording of the presentation will be available on Mondi's website during the afternoon of 21 February 2011.

Editors' notes

Mondi is an international paper and packaging Group, with production operations across 31 countries and revenues of €6.2 billion in 2010. The Group's key operations are located in central Europe, Russia and South Africa and as at the end of 2010, Mondi employed 29,000 people.

Mondi is fully integrated across the paper and packaging process, from the growing of wood and the manufacture of pulp and paper (including recycled paper), to the conversion of packaging papers into corrugated packaging, industrial bags and coatings.

The Group is principally involved in the manufacture of packaging paper, converted packaging products and uncoated fine paper (UFP).

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 has been recognised for its sustainability through its inclusion in the FTSE4Good UK, Europe and Global indices in 2008, 2009 and 2010 and the JSE's Socially Responsible Investment (SRI) Index in 2007, 2008, 2009 and 2010.

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-

looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. Among the important factors that could cause Mondi's actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those discussed under 'Principal risks and uncertainties'. These forward-looking statements speak only as of the date on which they are made. Mondi expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Mondi's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview of results

The Group's underlying operating profit of €509 million was up 73% compared to 2009, reflecting a strong operational performance and significantly improved trading environment with price and volume improvements across all main products. The Europe & International Division, through its Uncoated Fine Paper, Corrugated and Bags & Coatings businesses contributed €431 million; South Africa Division, €64 million; and Mondi Packaging South Africa, €51 million. The Newsprint operating loss of €4 million was disappointing, whilst corporate costs were at similar levels to previous years.

In line with the Group's strategy, restructuring activities led to a further refinement of the Group's portfolio, with the sale of the UK corrugated businesses, Europapier merchant business and a reduction of the Group's interest in Mondi Hadera to 25% from 50.1%. Furthermore, the Group acquired industrial bag plants in Spain, France and Italy and also completed the second of its two major capital projects, the Syktyvkar modernisation in Russia, thereby expanding in its core business segments.

Input costs, particularly wood, pulp and recycled fibre, increased by approximately 28% during the year, half of which was attributable to market price increases whilst the balance was attributable in equal proportions to increased selling volumes and adverse currency effects.

Interest paid during the year of €117 million was €46 million less than the previous year, primarily due to the reduced net debt position and lower interest rates in Russia and South Africa. Net finance charges however were 3% higher than the prior year, mainly as a result of lower interest capitalised following the completion of the two major capital projects in Poland and Russia.

The tax charge for the year was €87 million, representing an effective tax rate before special items of 24%.

Underlying earnings per share of 47.0 euro cents increased by 151% over the prior year. Basic earnings per share of 44.1 euro cents increased from a loss of 6.5 euro cents in 2009.

As expected, and in line with the increased turnover, working capital increased during the year with a net cash outflow of €121 million. The net working capital to turnover ratio was 10.6%. On a continuing business basis, excluding the results of Europapier and Mondi Hadera, the ratio increased to 11.5% from 10.0% in the previous year, which remains within the Group's target range of between 10% and 12%.

Strong cash generation and the proceeds from the businesses disposed of were applied to reduce net debt to €1,364 million at year end, from €1,517 million at 31 December 2009.

The Group is proposing to pay a final dividend of 16.5 euro cents per share giving a total dividend of 20.0 euro cents for the year, an increase of 111% compared to 2009.

Europe & International - Uncoated Fine Paper business

€ million	**Year ended 31 December 2010**	Year ended 31 December 2009	Change %
Segment revenue	**1,516**	1,351	12
– of which inter-segment revenue	**129**	130	-
EBITDA	**279**	239	17
Underlying operating profit	**179**	146	23
Special items	**5**	(2)	
Capital expenditure	**151**	191	(21)
Net segment assets	**1,512**	1,494	1
ROCE	**16.9%**	14.5%	16.6

Underlying operating profit increased by €33 million to €179 million with the Syktyvkar mill continuing to generate strong results and the contribution from the Ružomberok operation showing a marked improvement, both benefiting from their pulp integration and improved pricing. The non-integrated mills, despite achieving price increases, could not entirely offset the higher pulp prices, leading to margin erosion.

Benchmark UFP prices at 31 December 2010 increased by approximately 11% from 31 December 2009 levels. These price increases, coupled with good volume growth on the back of a recovery in demand, enabled the business to increase revenue by 12% to €1,516 million. Further price increases of approximately 5% have been announced for the first quarter of 2011. The actual price increases achieved will be subject to individual negotiations with customers.

The business experienced significant input cost pressures, particularly as a result of the increased wood and pulp prices. Other cost increases were well contained through ongoing cost saving initiatives. Productivity, measured in terms of output per person, improved by approximately 11% during the year, with annual production records in both Syktyvkar and Ružomberok.

Capital expenditure for the year was €151 million, of which €108 million related to the Syktyvkar modernisation project, completed in the second half of the year. As planned an extended shut was taken during August and early September 2010 for the commissioning of the final phase of the project. The benefits from this project will be in the form of reduced operating costs, improved efficiencies, increased energy production and additional volumes from the rebuilt containerboard and UFP machines. The rebuilt UFP machine was already in production throughout 2010, contributing 40,600 tonnes of production. At the year end, around €35 million was left to spend on this project.

The ROCE of 16.9%, increasing from 14.5% in the previous year, reflected the positive trading environment, low cost base and strong operating performance.

Further benefits from the Syktyvkar modernisation project are expected to be realised during 2011 with the plant expected to achieve full capacity in the latter half of 2011, in accordance with the ramp-up plan.

Europe & International - Corrugated business

€ million	**Year ended 31 December 2010**	Year ended 31 December 2009	Change %
Segment revenue	**1,235**	1,041	19
– of which inter-segment revenue	**59**	36	64
EBITDA	**187**	87	115
Underlying operating profit	**119**	23	417
Special items	**(15)**	(55)	
Capital expenditure	**87**	195	(55)
Net segment assets	**898**	872	3
ROCE	**14.9%**	3.6%	314

The substantial improvement in the underlying profit of the Corrugated business from €23 million in 2009 to €119 million in 2010 reflects improved product prices and volumes, a positive contribution from the new recycled containerboard machine at Świecie, and restructuring and cost reduction initiatives.

During the year, the business concluded its restructuring programme with the sale of the Frohnleiten mill in Austria and UK corrugated plants. Going forward, the business will focus on its core central and eastern European markets, supported by production facilities in Poland, Turkey, Germany and Austria.

The 470,000 tonne recycled containerboard machine at Świecie performed well ahead of plan, with total production volumes of 410,580 tonnes (2009: 108,897 tonnes). These increased volumes largely offset the reduction in volumes from the sale of Frohnleiten. Production from the new containerboard machine is expected to further increase during 2011 as it continues its ramp-up to full design capacity.

Benchmark kraftliner prices increased by 45%, recycled containerboard prices by 30% and white top containerboard prices by 20% at year end, from 31 December 2009 levels. Further recycled containerboard price increases of €40/tonne and white top containerboard price increases of €50/tonne have been announced to take effect during the first quarter of 2011. Box price increases largely offset the increased paper prices, albeit with some time lag. Further box price increases will be sought in 2011. Pleasing improvements in volume growth were achieved in both containerboard and corrugated packaging.

Costs of recovered fibre and wood increased significantly during the year, with average benchmark recovered fibre prices more than doubling. The Polish operations were particularly impacted by a shortage of supply, reflected in a price premium for recovered fibre in this region. Recovered fibre pricing is expected to remain under pressure into 2011. Wood costs increased by approximately 30% during the year, although the rate of

increase slowed during the second half of 2010. Cost improvement initiatives continued and largely offset other cost increases.

Productivity, measured by output per person, improved by almost 20% during the year, with the primary contributor being the increased production volumes from Świecie. Capital expenditure of €87 million was incurred during the year, of which €20 million related to the completion of the Świecie project and €27 million to the containerboard plant at Syktyvkar.

The ROCE of 14.9%, compared to the prior year figure of 3.6%, reflects the improved trading environment and the positive impact of the Group's capital investment and restructuring activities.

Europe & International - Bags & Coatings business

€ million	**Year ended 31 December 2010**	Year ended 31 December 2009	Change %
Segment revenue	**2,226**	1,787	25
– of which inter-segment revenue	**39**	24	63
EBITDA	**238**	189	26
Underlying operating profit	**133**	82	62
Special items	**28**	(48)	
Capital expenditure	**92**	81	14
Net segment assets	**1,333**	1,222	9
ROCE	**11.8%**	7.5%	57

Robust volume growth was the main contributor to the business achieving a 62% improvement in underlying operating profit to €133 million. Whilst significant price increases of around 30% were realised in kraft paper over the course of the year, more than offsetting the increases in raw material costs, they were more muted in the downstream industrial bags business where a large portion of the sales volume is sold under fixed price contracts. Further industrial bag price increases are expected to be implemented in 2011.

Demand in the core European market has recovered from the lows of 2008 and 2009 and significant demand growth was experienced in export markets. As a consequence, the Group restarted its 80,000 tonne kraft paper mill in Stambolijski in June 2010.

In May 2010, the business acquired Smurfit Kappa's bag converting plants in Spain, France and Italy followed by a plant in Poland early in 2011. A process to integrate and rationalise the expanded plant network was initiated during the year resulting in the decision to close four of the eight plants acquired, subject to employee negotiations. Restructuring costs of €28 million associated with this acquisition and subsequent rationalisation programme are reflected in special items, offsetting a €34 million gain on acquisition, also reflected in special items.

Productivity in kraft paper increased by 12% during the year with production records set at all kraft paper facilities. A 12% improvement in productivity in the industrial bags business was also realised.

The coatings and consumer packaging business recorded an improvement in its performance, mainly due to robust volume growth and efficiency enhancements. Price increases were realised but offset by increases in input costs, particularly plastics and other chemicals.

The ROCE of the Bags & Coatings business of 11.8%, compared to 7.5% in 2009, reflects the robust demand growth and an improvement in operating efficiencies.

South Africa Division

€ million	**Year ended 31 December 2010**	Year ended 31 December 2009	Change %
Segment revenue	**580**	478	21
– of which inter-segment revenue	**211**	210	-
EBITDA	**117**	76	54
Underlying operating profit	**64**	32	100
Special items	**(10)**	(22)	
Capital expenditure	**28**	26	8
Net segment assets	**953**	840	13
ROCE	**8.4%**	4.6%	83

Underlying operating profit doubled in the year to €64 million on the back of a strong recovery in selling prices, restructuring initiatives and a gain on revaluation of forestry assets, offset by currency headwinds and

domestic cost inflation. Consequently, the ROCE of 8.4%, whilst an improvement on the 4.6% realised in 2009, is still short of targeted levels.

During the year, the decision was taken to exit the European UFP market due to poor profitability and to focus on the domestic and African markets. As a consequence, the 120,000 tonne UFP machine in Merebank was mothballed in September 2010, and a restructuring programme initiated to realign the cost base of the business, with the benefits likely to be seen in 2011.

Significant price increases for pulp and UFP were diluted by the impact of the strong South African rand. Inflationary cost pressures were mitigated by cost curtailments and restructuring activities.

Mondi Packaging South Africa

€ million	**Year ended 31 December 2010**	Year ended 31 December 2009	Change %
Segment revenue	**647**	498	30
– of which inter-segment revenue	**29**	25	16
EBITDA	**84**	62	35
Underlying operating profit	**51**	36	42
Special items	**(1)**	7	
Capital expenditure	**28**	17	65
Net segment assets	**393**	335	17
ROCE	**14.5%**	11.5%	26

Underlying operating profit of €51 million was 42% up on the prior year, achieved through improved sales volumes, selling price increases in the plastics business and a continuing focus on cost containment. This yielded a ROCE of 14.5% up from 11.5%.

Demand improved during the year, largely returning to the levels experienced before the recession. Agricultural products continued to grow with a number of exporters focusing on fully packaged products. Industrial sector demand remains subdued.

While paper and related packaging prices remained largely unchanged during the year, above inflationary labour and electricity price increases drove costs up. Only through rigorous cost management was the business able to curtail the impact of these increased costs and deliver improved profitability. Electricity price increases in South Africa remain a concern for the foreseeable future.

The business continues to focus on cash flow generation, reducing working capital levels and maintaining a focus on increasing profitability.

Newsprint

€ million	**Year ended 31 December 2010**	Year ended 31 December 2009	Change %
Segment revenue	**492**	528	(7)
– of which inter-segment revenue	**1**	1	-
EBITDA	**10**	28	(64)
Underlying operating (loss)/profit	**(4)**	12	
Special items	**(29)**	(12)	
Capital expenditure	**7**	7	-
Net segment assets	**106**	194	(45)
ROCE	**(2.8)%**	6.0%	

Europapier business included in 2009 information and in 2010 information until the date of disposal of 4 November 2010.

The Europapier paper merchant business was sold with effect from the beginning of November 2010. This business generated an operating profit of €6 million during the 10 months ended October 2010 largely through improved volumes and good cost containment.

The returns of the remaining Newsprint businesses were extremely disappointing with the segment reflecting an underlying operating loss.

The Aylesford Newsprint joint venture was severely impacted by declining selling prices on its annual contract volumes whilst recycled paper input costs increased substantially. The business also incurred additional waste disposal costs. Significant price increases are required to restore the business to profitability. Price increases in excess of 20% have been negotiated on the annual contract volumes to take effect in the first quarter of 2011.

The Mondi Shanduka Newsprint joint venture in South Africa suffered from slightly reduced demand and selling prices remained under pressure. The strength of the South African rand reduced returns from export sales and put pressure on domestic pricing. Increasing electricity prices, up 97% over the previous three years, with a further 65% expected over the next two years, are severely hampering the profitability of this business and an asset impairment was recognised in the year.

Financial review

Special items (refer note 4 of financial statements)

Special items for the year include the following:

- mothballing of a paper machine and related restructuring provisions in Merebank, South Africa;
- reversal of previously recognised closure provisions no longer required following the sale of the Szolnok site in Hungary;
- reversal of impairment and related closure provisions of the Stambolijski mill following its restart in June 2010;
- partial impairment of underperforming kraft paper assets in Lohja and Ružomberok;
- impairment of Newsprint assets in South Africa;
- costs of restructuring and write-off of obsolete assets in Syktyvkar following completion of the modernisation project;
- gain on acquisition of the industrial bags plants in western Europe, largely offset by restructuring costs following the announcements to close certain of these plants;
- loss on sale of the corrugated packaging plants in the UK;
- profit on the sale of forestry assets in South Africa; and
- write-down of assets and loss on disposal of Europapier.

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

Input costs

Input costs increased significantly during the year, although the rate of increase slowed in the second half of 2010. Wood, recovered fibre and pulp comprise approximately one third of the input costs of the Group. Wood prices increased by approximately 30% over the year. Average benchmark prices for recovered fibre increased by 111% when compared to the average price of 2009. The increases of 50% and 41% for hardwood pulp and softwood pulp, respectively, did not have a significant impact on the Group as it is largely balanced in respect of pulp production and consumption.

These increases in input costs have, to a large extent, been passed on to customers through selling price increases during the course of the year.

Energy and chemical costs have increased across the business, with particular pressure on electricity prices in South Africa, which have almost doubled over last three years. These increases were partially offset in Europe by higher green energy sales and disposal of emission credits in the Corrugated and Bags & Coatings businesses.

Currencies

Most of the emerging market currencies to which the Group is exposed as an exporter have strengthened against the euro during the year. Whilst these exchange rates are relatively volatile, on average, the South African rand has strengthened by 17%, the Russian rouble by 9%, the Turkish lira by 8%, the Polish zloty by 8% and the Czech koruna by around 4%. Together with the generally higher inflation expectations in these countries, this places increasing pressure on the Group’s cost base. Conversely, the general strengthening of the US dollar against the euro benefited European exports and supported pricing in Europe.

Tax

The effective tax rate before special items was 24%, compared to 32% in 2009. The main reasons for the reduction in the tax rate are improved profitability enabling the use of previously unrecognised tax losses; increased profitability in regions with lower statutory tax rates; and the benefits of tax incentives granted in certain countries in which the Group operates, notably those related to the major Polish and Russian projects.

Non-controlling interests

The income attributable to non-controlling interests increased significantly during the year from €30 million in 2009 to €61 million in the current year. This is primarily attributable to the significantly improved profitability of Mondi Świecie SA and Mondi SCP a.s. (Ružomberok).

Cash flow and capital expenditure

EBITDA of €882 million was €237 million higher than in 2009 reflecting the positive trading environment. The Group generated €778 million of cash from operations (2009: €867 million), notwithstanding the €121 million increase in working capital on the back of increased revenues (€248 million reduction in 2009).

Capital expenditure of €394 million was €124 million lower than the prior year. This reflects the reduction in spend on the two major capital investments in Poland, completed towards the end of 2009, and Russia, completed in the latter half of 2010, and the Group's tight focus on new capital approvals which were severely restricted through the height of the global financial crisis in 2008 and 2009. Excluding major expansionary capital investments, the Group aims to maintain its capital expenditure at between 60% and 80% of its depreciation charge. In 2010, this ratio was 64%.

The surplus cash as well as the net cash received from the business restructuring activities was applied to reduce net debt.

Treasury and borrowings

Net debt at year end was €1,364 million, €153 million lower than the prior year. This reduction was achieved through strong operational cash flows offsetting the investment in working capital in line with increased revenues, capital expenditure to complete the projects in Poland and Russia and a €78 million negative currency impact. Gearing as at 31 December 2010 was 29.7% (2009: 35.1%), and the net debt to trailing 12 months EBITDA ratio was 1.5 (2009: 2.4).

The Group successfully obtained public credit ratings from Moody's (Baa3) and Standard & Poor's (BB+) in March 2010. The Moody's rating is investment grade. The ratings have remained on stable outlook since they were issued. Following the publication of the ratings, Mondi Finance plc established its Euro Medium Term Note (EMTN) programme under which it successfully issued its inaugural €500 million, 7 year, 5.75% public Eurobond at the end of March 2010. Under the EMTN programme Mondi is able to issue further Eurobonds subject to market conditions, thus diversifying and strengthening the Group's funding structure. The proceeds of the issuance were used to repay debt drawn under existing bank facilities.

Financing costs before interest capitalised reduced from €185 million to €168 million mainly as a result of lower interest rates in Russia and South Africa during 2010, offset in part by the interest on the Eurobond being higher than that on the borrowings it was used to refinance.

Group liquidity is provided through the €500 million Eurobond and a range of committed bank facilities amounting to €2.4 billion. With €1.5 billion of these facilities undrawn at the year end, the Group has significant liquidity to meet its short-term funding requirements.

The Group is actively reviewing refinancing options for the €1.55 billion syndicated revolving credit facility, which matures in June 2012. As at 31 December 2010, €122 million of this facility was drawn. Other key Group facilities include a €160 million export credit agency loan in Russia with an amortising repayment until 2020, a PLN474 million (€119 million) European Investment Bank facility in Poland with an amortising repayment until 2017 as well as various committed facilities in South Africa amounting to ZAR2.7 billion (€305 million).

The average maturity of the Eurobond and committed debt facilities is 2.6 years (compared to 2.2 years at 31 December 2009). Drawn committed facilities maturing over the next 12 months amount to €397 million. To the extent they are not renewed, they can be financed out of existing undrawn committed facilities.

Sustained delivery on Group strategy

Mondi's strategy continues to deliver robust results and we will take opportunities to strengthen our position where appropriate as we:

- build on leading positions in packaging and UFP, particularly in high-growth emerging markets;
- maintain our position as a low-cost, high-quality producer by selectively investing in production capacity in lower-cost regions and exploiting benefits of upstream integration (including forestry); and
- focus on continuous productivity improvement and cost reduction, delivered through business excellence programmes and rigorous asset management.

Leading market positions

Our focus continues to be on achieving the right product mix and geographic focus and thereby increasing the quality of our earnings. In order to increase our exposure to the faster growing emerging markets and reduce the risks associated with some declining western European markets, we have completed a number of restructuring programmes. As a result Mondi is well positioned with good exposure to high-growth emerging

markets such as eastern Europe, Russia and South Africa, with 73% of the Group's net operating assets and 55% of revenue by destination based in these geographical areas.

High-quality, low-cost asset base

Over the past year, Mondi has continued to develop its high-quality, low-cost asset base and the €545 million modernisation project at the Syktyvkar mill in Russia not only boosts our leading market position in this key region but the mill is now a well-invested highly cost-effective asset. The project incorporated the construction of a new wood yard, the rebuild of the softwood and hardwood production lines and the white liquor plant, a new lime kiln and recovery boiler, a new turbo-generator and evaporation plant and the rebuild of the UFP and containerboard machines. This investment enables Mondi to increase product quality and output for containerboard and UFP. Most importantly the mill is now fully self-sufficient in pulp, which is where the major cost advantage lies.

The European Corrugated business benefited from the new recycled containerboard machine at Swiecie, which has continued to operate well; restructuring and cost reduction initiatives; and improved product prices and volumes. The new machine produced 410,580 tonnes of paper in 2010 and should make good progress in 2011 towards its capacity output of 470,000 tonnes.

Focus on performance

Cost optimisation is entrenched in Mondi's culture and management's relentless approach to cost savings did not lose momentum in 2010. The Group's focus on cash flow optimisation resulted in working capital remaining tightly under control and within the desired range of 10% to 12% of turnover.

The ROCE of 12.3%, whilst representing a pleasing improvement, is just short of the 13% targeted across the cycle.

Overall, 2010 has been an extremely successful year from an operational perspective, with significant improvements in production efficiencies across the business and full year production records being set in a number of key operations including Świecie, Syktyvkar, Štětí, Ružomberok, Frantschach and Richards Bay.

Principal risks and uncertainties

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

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

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

- *Mondi operates in a highly competitive environment*
  The markets for paper and packaging products are highly competitive. Prices of Mondi's key products have experienced substantial fluctuations in the past. Furthermore, product substitution and declining demand in certain markets, coupled with new capacity being introduced may have an impact on market prices. A downturn in trading conditions in the future may have an impact on the carrying value of goodwill and tangible assets and may result in further restructuring activities. Mondi is flexible and responsive to changing market and operating conditions and the Group's geographical and product diversification provide some measure of protection.

- *Input costs are subject to significant fluctuations*
  Materials, energy and consumables used by Mondi include significant amounts of wood, pulp, recovered fibre, packaging papers and chemicals. Increases in the costs of any of these raw materials, or any difficulties in procuring wood or recovered fibre in certain countries, could have an adverse effect on Mondi's business, operational performance or financial position. The Group's focus on operational performance, relatively high levels of integration and access to its own virgin fibre in Russia and South Africa, serve to mitigate these risks.

  Fifty percent of the South African forestry acreage is subject to land claims. The continued acceptance of the Mondi settlement model as the industry standard by the South African government provides some predictability for future land claim settlements.

- *Foreign currency exposure and exchange rate volatility*
  The location of some of the Group's significant operations in emerging markets results in foreign currency exposure. Adverse currency movements and high degrees of volatility may impact on the financial performance and position of the Group. The most significant emerging market currency exposures are to the South African rand, Russian rouble, Czech koruna, Polish zloty and Turkish lira. The Group's policy is to hedge balance sheet exposures against short-term currency volatility.

- *Cost and availability of supply of electricity in South Africa may adversely impact operations*
  South Africa continues to experience increases in the cost of electricity well above inflation. In 2010, the price of electricity increased by in excess of 25% and similar increases are forecast for the next three years. Electricity demand is expected to continue to outstrip supply until new generation capacity is brought on stream, which is unlikely to be before 2013. Mondi continues to monitor electricity consumption and has invested in projects to increase its own generation capacity and reduce its dependence on the national energy provider.

- *Significant capital investments including acquisitions carry project risk*
  The business is capital intensive and therefore requires ongoing capital investment to expand or upgrade existing facilities and to develop new facilities. Projects that require significant capital expenditure carry risks including: failure to complete a project within the required timetable and/or within budget; failure of a project to perform according to prescribed operating specifications; and significant, unforeseen changes in raw material costs or inability to sell the envisaged volumes or achieve envisaged price levels. The successful completion of the Group's two most significant capital investment programmes in Poland and Russia has reduced the potential impact of this risk. Larger capital projects are subject to specific approval by the Boards and regular monitoring and reporting. Skilled and experienced teams are assigned to large capital projects under the oversight of the Group technical director.

- *Investments in certain countries may be adversely affected by political, economic and legal developments in those countries*
  The Group operates in a number of countries where the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Significant changes in the political, economic or legal landscape in such countries may have a material effect on the Group's operations in those countries. The Group has invested in a number of countries thereby diversifying its exposure to any single jurisdiction. The Group's diversified management structure ensures that business managers are able to closely monitor and adapt to changes in the environment in which they operate.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the annual financial statements. In addition, the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

Mondi's geographical spread, product diversity and large customer base mitigate potential risks of customer or supplier liquidity issues. Proactive initiatives by management in rationalising the business through cost-cutting, asset closure and divestitures 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 including the Eurobond, the syndicated five year revolving credit facility expiring in June 2012 and various facilities in the larger operations in Russia, Poland and South Africa. 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 €1.5 billion of undrawn committed debt facilities as at 31 December 2010 which should provide sufficient liquidity for Mondi in the medium term. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate well within the level of its current facilities and related covenants.

After making enquiries, the directors have a reasonable expectation that the Mondi Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 strong financial performance, good cash generation and the Boards' stated desire to increase distributions to shareholders, the Boards are pleased to recommend a significant increase in the final dividend.

The boards of Mondi Limited and Mondi plc have recommended a final dividend of 16.5 euro cents per share (2009: 7.0 euro cents per share), payable on 12 May 2011 to shareholders on the register at 15 April 2011. Together with the interim dividend of 3.5 euro cents per share, paid on 14 September 2010, this amounts to a total dividend for the year of 20.0 euro cents per share. In 2009, the total dividend for the year was 9.5 euro cents per share.

Outlook

Demand growth over the past 18 months has been very encouraging, with volumes in most grades and geographic regions back at satisfactory levels. In 2011, further demand growth is expected, albeit at more modest rates. Recent industry capacity adjustments have also resulted in generally stronger fundamentals. Taken together, this has led to a positive pricing environment. The general economic recovery also brings cost pressures. We are confident that the Group's integrated low-cost position, focus on performance, and the contribution from the major investments made through the down cycle, position the business well for the future.

Directors’ responsibility statement

The responsibility statement below has been prepared in connection with the Group’s annual report for the year ended 31 December 2010. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Boards on 18 February 2011 and is signed on their behalf by:

David Hathorn
Director

18 February 2011

Andrew King
Director

18 February 2011

Combined and consolidated income statement

for the year ended 31 December 2010

€ million	Notes	2010 Before special items	2010 Special items (note 4)	2010 After special items	2009 Before special items	2009 Special items (note 4)	2009 After special items
Group revenue	3	**6,228**	-	6,228	5,257	-	5,257
Materials, energy and consumables used		(3,322)	-	(3,322)	(2,768)	-	(2,768)
Variable selling expenses		(548)	-	(548)	(472)	-	(472)
Gross margin		**2,358**	-	**2,358**	2,017	-	2,017
Maintenance and other indirect expenses		(298)	-	(298)	(241)	-	(241)
Personnel costs		(931)	(23)	(954)	(838)	(24)	(862)
Other net operating expenses		(247)	50	(197)	(293)	(14)	(307)
Depreciation, amortisation and impairments		(373)	(24)	(397)	(351)	(90)	(441)
Operating profit/(loss)	3	**509**	3	**512**	294	(128)	166
Non-operating special items	4	-	(25)	(25)	-	(5)	(5)
Net income from associates		2	-	2	2	-	2
Total profit/(loss) from operations and associates		**511**	(22)	**489**	296	(133)	163
Net finance costs		**(117)**	-	**(117)**	(114)	-	(114)
Investment income		35	-	35	27	-	27
Foreign currency gains/(losses)		8	-	8	(1)	-	(1)
Financing costs		(160)	-	(160)	(140)	-	(140)
Profit/(loss) before tax		**394**	(22)	**372**	182	(133)	49
Tax (charge)/credit	5	(93)	6	(87)	(58)	6	(52)
Profit/(loss) from continuing operations		**301**	(16)	**285**	124	(127)	(3)
Attributable to:							
Non-controlling interests		**62**	(1)	**61**	29	1	30
Equity holders of the parent companies		**239**	(15)	**224**	95	(128)	(33)

Earnings per share (EPS) for profit/(loss) attributable to equity holders of the parent companies

		Notes	2010	2009
Basic EPS	(€ cents)	6	**44.1**	(6.5)
Diluted EPS	(€ cents)	6	**43.6**	(6.5)
Basic underlying EPS	(€ cents)	6	**47.0**	18.7
Diluted underlying EPS	(€ cents)	6	**46.5**	18.2
Basic headline EPS	(€ cents)	6	**47.0**	11.4
Diluted headline EPS	(€ cents)	6	**46.5**	11.1

Combined and consolidated statement of comprehensive income

for the year ended 31 December 2010

€ million	**2010**	2009
Profit/(loss) for the financial year	**285**	(3)
Other comprehensive income:		
Effect of cash flow hedges	11	26
Actuarial (losses)/gains and surplus restriction on post-retirement benefit schemes	(18)	7
Effect of available-for-sale investments	-	1
Exchange differences on translation of foreign operations	193	118
Share of other comprehensive income of associates	1	1
Tax relating to components of other comprehensive income	4	(7)
Other comprehensive income for the financial year, net of tax	**191**	146
Total comprehensive income for the financial year	**476**	143
Attributable to:		
Non-controlling interests	**75**	39
Equity holders of the parent companies	**401**	104

Combined and consolidated statement of financial position

as at 31 December 2010

€ million	**2010**	2009
Intangible assets	312	308
Property, plant and equipment	3,976	3,847
Forestry assets	320	251
Investments in associates	16	6
Financial asset investments	34	27
Deferred tax assets	21	29
Retirement benefits surplus	11	8
Derivative financial instruments	3	-
Total non-current assets	**4,693**	4,476
Inventories	702	617
Trade and other receivables	992	933
Current tax assets	11	16
Cash and cash equivalents	83	123
Derivative financial instruments	11	7
Total current assets	**1,799**	1,696
Assets held for sale	1	36
Total assets	**6,493**	6,208
Short-term borrowings	(410)	(219)
Trade and other payables	(1,034)	(1,023)
Current tax liabilities	(78)	(55)
Provisions	(64)	(40)
Derivative financial instruments	(9)	(32)
Total current liabilities	**(1,595)**	(1,369)
Medium and long-term borrowings	(1,037)	(1,421)
Retirement benefits obligation	(211)	(184)
Deferred tax liabilities	(349)	(316)
Provisions	(39)	(45)
Other non-current liabilities	(23)	(21)
Derivative financial instruments	(15)	(19)
Total non-current liabilities	**(1,674)**	(2,006)
Liabilities directly associated with assets classified as held for sale	-	(9)
Total liabilities	**(3,269)**	(3,384)
Net assets	**3,224**	2,824
Equity		
Ordinary share capital	114	114
Share premium	532	532
Retained earnings and other reserves	2,117	1,753
Total attributable to equity holders of the parent companies	**2,763**	2,399
Non-controlling interests in equity	461	425
Total equity	**3,224**	2,824

The Group's combined and consolidated financial statements, and related notes, were approved by the Boards and authorised for issue on 18 February 2011 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06

Mondi plc company registration number: 6209386

Combined and consolidated statement of cash flows

for the year ended 31 December 2010

€ million	Notes	**2010**	2009
Cash generated from operations	11a	778	867
Dividends from associates		2	2
Dividends from other investments		1	-
Income tax paid		(47)	(32)
Net cash generated from operating activities		**734**	837
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash and cash equivalents	9	-	(2)
Acquisition of associates, net of cash and cash equivalents		(2)	-
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	10	100	54
Proceeds from disposal of associates	10	-	3
Investment in property, plant and equipment	3	(394)	(517)
Investment in intangible assets		(4)	(5)
Proceeds from the disposal of property, plant and equipment and intangible assets		14	11
Investment in forestry assets		(46)	(40)
Investment in financial asset investments		(11)	(7)
Proceeds from the sale of financial asset investments		3	-
Loan repayments from related parties		1	1
Loan repayments from external parties		2	1
Interest received		10	8
Other investing activities		(2)	1
Net cash used in investing activities		**(329)**	(492)
Cash flows from financing activities			
Repayment of short-term borrowings	11c	(51)	(288)
Proceeds from medium and long-term borrowings	11c	717	138
Repayment of medium and long-term borrowings	11c	(831)	(100)
Interest paid		(117)	(163)
Dividends paid to non-controlling interests		(18)	(9)
Dividends paid to equity holders of the parent companies		(54)	(39)
Purchases of treasury shares		(2)	(1)
Contribution by non-controlling interests		-	27
Non-controlling interests bought out		(5)	-
Net realised (loss)/gain on cash and asset management swaps		(48)	67
Other financing activities		-	4
Net cash used in financing activities		**(409)**	(364)
Net decrease in cash and cash equivalents		**(4)**	(19)
Cash and cash equivalents at beginning of year[1]		37	75
Cash movement in the year	11c	(4)	(19)
Reclassification	11c	-	(19)
Effects of changes in foreign exchange rates	11c	(9)	-
Cash and cash equivalents at end of year[1]		**24**	37

Note:
[1] 'Cash and cash equivalents' includes overdrafts and cash flows from disposal groups and is reconciled to the combined and consolidated statement of financial position in note 11b.

Combined and consolidated statement of changes in equity

for the year ended 31 December 2010

€ million	Combined share capital and share premium	Retained earnings	Other reserves[1]	**Total attributable to equity holders of the parent companies**	Non-controlling interests	**Total equity**
At 1 January 2009	646	1,809	(132)	**2,323**	373	**2,696**
Dividends paid	-	(39)	-	**(39)**	(9)	**(48)**
Total comprehensive income for the year	-	(33)	137	**104**	39	**143**
Issue of shares under employee share schemes	-	19	(19)	**-**	-	**-**
Purchases of treasury shares	-	(1)	-	**(1)**	-	**(1)**
Non-controlling interests buy in	-	-	-	**-**	27	**27**
Non-controlling interests bought out	-	-	-	**-**	(3)	**(3)**
Reclassification	-	(12)	15	**3**	(3)	**-**
Other	-	-	9	**9**	1	**10**
At 31 December 2009	646	1,743	10	**2,399**	425	**2,824**
Dividends paid	-	(54)	-	**(54)**	(18)	**(72)**
Total comprehensive income for the year	-	224	177	**401**	75	**476**
Issue of shares under employee share schemes	-	5	(5)	**-**	-	**-**
Purchases of treasury shares	-	(2)	-	**(2)**	-	**(2)**
Disposal of businesses	-	-	12	**12**	(18)	**(6)**
Non-controlling interests bought out	-	(1)	-	**(1)**	(3)	**(4)**
Reclassification	-	1	(1)	**-**	-	**-**
Other	-	-	8	**8**	-	**8**
At 31 December 2010	**646**	**1,916**	**201**	**2,763**	**461**	**3,224**

Note:
[1] Other reserves are analysed further below.

	Other reserves[1]					
€ million	Share-based payment reserve	Cumulative translation adjustment reserve	Cash flow hedge reserve	Post-retirement benefit reserve	Other reserves[2]	Total
At 1 January 2009	24	(336)	(35)	(36)	251	(132)
Total comprehensive income for the year	-	114	16	6	1	137
Mondi share schemes' charge	8	-	-	-	-	8
Issue of shares under employee share schemes	(19)	-	-	-	-	(19)
Non-controlling put option issued	-	-	-	-	1	1
Reclassification	-	-	-	2	13	15
At 31 December 2009	13	(222)	(19)	(28)	266	10
Total comprehensive income for the year	-	180	9	(12)	-	177
Mondi share schemes' charge	8	-	-	-	-	8
Issue of shares under employee share schemes	(5)	-	-	-	-	(5)
Disposal of businesses	-	12	-	-	-	12
Reclassification	1	(1)	-	-	(1)	(1)
At 31 December 2010	**17**	**(31)**	**(10)**	**(40)**	**265**	**201**

Notes:
[1] All movements in other reserves are disclosed net of non-controlling interests. The movements in non-controlling interests as a direct result of the movements in other reserves for the year ended 31 December 2010 are as follows – increase in non-controlling interests related to total comprehensive income for the year of €14 million (2009: €9 million).
[2] Other reserves consist of the merger reserve of €259 million (2009: €259 million) and other sundry reserves of €6 million (2009: €7 million).

Notes to the combined and consolidated financial statements

for the year ended 31 December 2010

1 Basis of preparation

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

The condensed financial information included in this preliminary announcement has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The Group has also complied with South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice. There are no differences for the Group in applying IFRS as issued by the IASB and as endorsed by the European Union (EU) and therefore the Group also complies with IFRS as endorsed by the EU. The financial statements have been prepared on a going concern basis. This is discussed in the business review under the heading 'Going concern'.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006. Copies of their unqualified auditors' reports are available for inspection at the Mondi Limited and Mondi plc registered offices.

2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the combined and consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

In the current year, the Group has adopted IFRS 3, 'Business Combinations' (revised 2008), and IAS 27, 'Consolidated and Separate Financial Statements' (revised 2008). Both Standards became effective for annual reporting periods beginning on or after 1 July 2009.

The most significant changes, all of which are applied prospectively, to the Group's previous accounting policies for business combinations are as follows:

- acquisition related costs which previously would have been included in the cost of a business combination are included in administrative expenses in the combined and consolidated income statement as they are incurred;
- any pre-existing equity interest in the acquiree is remeasured to fair value at the date of obtaining control (the acquisition date), with any resulting gain or loss recognised in profit or loss;
- any changes in the Group's ownership interest subsequent to the acquisition date are recognised directly in equity, with no adjustment to goodwill; and
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the acquisition date are recognised in profit or loss. Previously, such changes resulted in an adjustment to goodwill.

Any adjustments to contingent consideration for acquisitions made prior to 1 January 2010 which result in an adjustment to goodwill continue to be accounted for under IFRS 3 (2004) and IAS 27 (2005), for which the accounting policies can be found in the Group's annual financial statements for the year ended 31 December 2009. The application of both revised Standards did not have a material impact on the Group's results.

3 Operating segments

Identification of the Group's externally reportable operating segments

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

Product revenues

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

Operating segments	Internal revenues[1]	External revenues
Europe & International		
Uncoated Fine Paper	- Uncoated fine paper - Pulp - Newsprint	- Uncoated fine paper - Pulp - Newsprint
Corrugated	- Corrugated products	- Corrugated products
Bags & Coatings	- Kraft paper & industrial bags	- Kraft paper & industrial bags - Coatings & consumer packaging
South Africa Division	- Uncoated fine paper - Pulp - Corrugated products	- Uncoated fine paper - Pulp - Corrugated products - Woodchips
Mondi Packaging South Africa	- Corrugated products - Recycled fibre	- Corrugated products - Plastic packaging products
Newsprint businesses	- Newsprint	- Newsprint

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

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

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

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

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

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

The Group disposed of its Merchant business, Europapier, during the year ended 31 December 2010. The results of the Merchant business are included in the Newsprint businesses segment up to its date of disposal of 4 November 2010. There has been no change in the basis of measurement of segment profit or loss in the financial year.

3 Operating segments (continued)

Operating segment revenue

€ million	2010 Segment revenue	2010 Internal revenue[1]	2010 External revenue[2]	2009 Segment revenue	2009 Internal revenue[1]	2009 External revenue[2]
Europe & International						
Uncoated Fine Paper	1,516	(129)	1,387	1,351	(130)	1,221
Corrugated	1,235	(59)	1,176	1,041	(36)	1,005
Bags & Coatings	2,226	(39)	2,187	1,787	(24)	1,763
Intra-segment elimination	(125)	125	-	(80)	80	-
Total Europe & International	4,852	(102)	4,750	4,099	(110)	3,989
South Africa Division	580	(211)	369	478	(210)	268
Mondi Packaging South Africa	647	(29)	618	498	(25)	473
Newsprint businesses[3]	492	(1)	491	528	(1)	527
Segments total	**6,571**	**(343)**	**6,228**	5,603	(346)	5,257
Inter-segment elimination	(343)	343	-	(346)	346	-
Group total	**6,228**	**-**	**6,228**	5,257	-	5,257

Notes:
1 Inter-segment transactions are conducted on an arm's length basis.
2 The description of each business segment reflects the nature of the main products they sell. In certain instances the business segments sell minor volumes of other products and due to this reason the external segment revenues will not necessarily reconcile to the external revenues by each type of product presented below.
3 Revenue of the Merchant business is included in the results of the Newsprint businesses segment up to its date of disposal. Excluding the revenue of the Merchant business, the segment external revenue for the year ended 31 December 2010 would have been €151 million.

External revenue by product type

€ million	2010	2009
Products		
Corrugated products	1,626	1,357
Uncoated fine paper	1,351	1,195
Kraft paper & industrial bags	1,090	886
Coatings & consumer packaging	889	731
Merchant	429	468
Pulp	247	129
Newsprint	221	208
Woodchips	76	61
Other[1]	299	222
Group total	**6,228**	5,257

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

3 Operating segments (continued)

External revenue by location of customer

€ million	**2010**	2009
Revenue		
Africa		
South Africa[1]	818	644
Rest of Africa	272	196
Africa total	1,090	840
Western Europe		
Germany	768	641
United Kingdom[1]	323	367
Rest of western Europe	1,474	1,292
Western Europe total	2,565	2,300
Emerging Europe	1,184	1,077
Russia	491	387
North America	234	157
South America	33	17
Asia and Australia	631	479
Group total	**6,228**	5,257

Note:
[1] These revenues, which total €1,141 million (2009: €1,011 million), are attributable to the countries in which the Group's parent entities are domiciled.

External revenue by location of production

€ million	**2010**	2009
Revenue		
Africa		
South Africa[1]	1,195	948
Rest of Africa	21	13
Africa total	1,216	961
Western Europe		
Austria	1,161	1,010
United Kingdom[1]	155	244
Rest of western Europe	997	855
Western Europe total	2,313	2,109
Emerging Europe		
Poland	711	486
Rest of emerging Europe	1,076	927
Emerging Europe total	1,787	1,413
Russia	617	519
North America	131	104
Asia and Australia	164	151
Group total	**6,228**	5,257

Note:
[1] These revenues, which total €1,350 million (2009: €1,192 million), are attributable to the countries in which the Group's parent entities are domiciled.

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

3 Operating segments (continued)

Operating profit/(loss) before special items

€ million	**2010**	2009
Europe & International		
Uncoated Fine Paper	179	146
Corrugated	119	23
Bags & Coatings	133	82
Total Europe & International	431	251
South Africa Division	64	32
Mondi Packaging South Africa	51	36
Newsprint businesses[1]	(4)	12
Corporate & other businesses	(33)	(37)
Segments total	**509**	294
Special items (see note 4)	(22)	(133)
Net income from associates	2	2
Net finance costs	(117)	(114)
Group profit before tax	**372**	49

Note:
[1] Segment operating profit before special items of the Merchant business is included in the results of the Newsprint businesses segment up to its date of disposal. Excluding the operating profit before special items of the Merchant business, the segment operating loss for the year ended 31 December 2010 would have been €10 million.

Significant components of operating profit/(loss) before special items

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

	EBITDA		Depreciation and amortisation	
€ million	**2010**	2009	**2010**	2009
Europe & International				
Uncoated Fine Paper	279	239	100	93
Corrugated	187	87	68	64
Bags & Coatings	238	189	105	107
Total Europe & International	704	515	273	264
South Africa Division	117	76	53	44
Mondi Packaging South Africa	84	62	33	26
Newsprint businesses[1]	10	28	14	16
Corporate & other businesses	(33)	(36)	-	1
Group and segments total	**882**	645	**373**	351

3 Operating segments (continued)

€ million	Operating lease charges		Green energy sales and disposal of emissions credits	
	2010	2009	**2010**	2009
Europe & International				
Uncoated Fine Paper	8	7	6	4
Corrugated	27	25	38	21
Bags & Coatings	9	10	36	22
Total Europe & International	44	42	80	47
South Africa Division	5	5	-	-
Mondi Packaging South Africa	9	7	-	-
Newsprint businesses[1]	6	7	-	-
Corporate & other businesses	2	1	-	-
Group and segments total	**66**	62	**80**	47

Notes:
[1] Significant components of operating profit/(loss) before special items of the Merchant business are included in the results of the Newsprint businesses segment up to its date of disposal. Excluding the significant components of operating profit/(loss) before special items of the Merchant business, the segment result for the year ended 31 December 2010 would have been €3 million for EBITDA; €13 million for depreciation and amortisation; and €1 million for rentals under operating leases.

Reconciliation of total profit/(loss) from operations and associates to EBITDA

€ million	**2010**	2009
Total profit from operations and associates	**489**	163
Special items (excluding associates) (see note 4)	22	133
Depreciation and amortisation	373	351
Share of associates' net income	(2)	(2)
EBITDA	**882**	645

3 Operating segments (continued)

Operating segment assets

€ million	**2010** Segment assets[1]	**2010** Net segment assets	2009 Segment assets[1]	2009 Net segment assets
Europe & International				
Uncoated Fine Paper	1,672	1,512	1,671	1,494
Corrugated	1,112	898	1,071	872
Bags & Coatings	1,731	1,333	1,531	1,222
Intra-segment elimination	(55)	-	(33)	-
Total Europe & International	4,460	3,743	4,240	3,588
South Africa Division	1,091	953	948	840
Mondi Packaging South Africa	507	393	432	335
Newsprint businesses[2]	141	106	263	194
Corporate & other businesses	10	7	3	4
Inter-segment elimination	(63)	-	(74)	-
Segments total	**6,146**	**5,202**	5,812	4,961
Unallocated:				
Investments in associates	16	16	6	6
Deferred tax assets/(liabilities)	21	(328)	29	(287)
Other non-operating assets/(liabilities)[3]	193	(336)	211	(366)
Group trading capital employed	**6,376**	**4,554**	6,058	4,314
Financial asset investments	34	34	27	27
Net debt	83	(1,364)	123	(1,517)
Group assets	**6,493**	**3,224**	6,208	2,824

Notes:

[1] Segment assets are operating assets and as at 31 December 2010 consist of property, plant and equipment of €3,976 million (2009: €3,847 million), intangible assets of €312 million (2009: €308 million), forestry assets of €320 million (2009: €251 million), retirement benefits surplus of €11 million (2009: €8 million), inventories of €702 million (2009: €617 million) and operating receivables of €825 million (2009: €781 million).

[2] Following the sale of the Merchant business, the Newsprint businesses segment results do not include any amounts relating to the disposed business as at 31 December 2010.

[3] Other non-operating assets consist of derivative assets of €14 million (2009: €7 million), current income tax receivables of €11 million (2009: €16 million), other non-operating receivables of €167 million (2009: €152 million) and assets held for sale of €1 million (2009: €36 million). Other non-operating liabilities consist of derivative liabilities of €24 million (2009: €51 million), non-operating provisions of €92 million (2009: €66 million), current income tax liabilities of €78 million (2009: €55 million), other non-operating payables and deferred income of €335 million (2009: €396 million) and liabilities directly associated with assets classified as held for sale of €nil (2009: €9 million).

3 Operating segments (continued)

Non-current non-financial assets

€ million	2010 Non-current non-financial assets[1]	2010 Segment assets	2010 Net segment assets	2009 Non-current non-financial assets[1]	2009 Segment assets	2009 Net segment assets
Africa						
South Africa[2]	1,253	1,584	1,344	1,074	1,346	1,163
Rest of Africa	13	25	21	10	19	16
Africa total	1,266	1,609	1,365	1,084	1,365	1,179
Western Europe						
Austria	392	752	667	398	735	529
United Kingdom[2]	80	135	113	162	231	173
Rest of western Europe	434	714	543	401	605	492
Western Europe total	906	1,601	1,323	961	1,571	1,194
Emerging Europe						
Poland	580	702	583	600	704	631
Slovakia	492	547	466	544	588	543
Rest of emerging Europe	392	536	394	380	524	425
Emerging Europe total	1,464	1,785	1,443	1,524	1,816	1,599
Russia	896	1,020	961	742	865	836
North America	56	92	74	46	74	65
Asia and Australia	20	39	36	49	121	88
Group total	**4,608**	**6,146**	**5,202**	4,406	5,812	4,961

Notes:

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

[2] These non-current non-financial assets, segment assets and net segment assets, which total €1,333 million, €1,719 million and €1,457 million respectively (2009: €1,236 million, €1,577 million and €1,336 million respectively), are attributable to the countries in which the Group's parent entities are domiciled.

Additions to non-current non-financial assets

€ million	Additions to non-current non-financial assets[1] 2010	Additions to non-current non-financial assets[1] 2009	Capital expenditure cash payments[2] 2010	Capital expenditure cash payments[2] 2009
Europe & International				
Uncoated Fine Paper	138	257	151	191
Corrugated	79	178	87	195
Bags & Coatings	102	83	92	81
Total Europe & International	319	518	330	467
South Africa Division	71	63	28	26
Mondi Packaging South Africa	28	17	28	17
Newsprint businesses[3]	10	10	7	7
Corporate & other businesses	-	6	1	-
Group and segments total	**428**	614	**394**	517

Notes:

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

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

[3] Additions to non-current non-financial assets and capital expenditure cash payments of the Merchant business are included in the results of the Newsprint businesses segment up to its date of disposal. Excluding the additions to non-current non-financial assets and capital expenditure cash payments of the Merchant business, the segment result for the year ended 31 December 2010 would have been €8 million for additions to non-current non-financial assets; and €9 million for capital expenditure cash payments.

3 Operating segments (continued)

Employee numbers

(hundreds)	**2010**	2009
By business segment		
Europe & International		
Uncoated Fine Paper	89	98
Corrugated	56	64
Bags & Coatings	83	73
Total Europe & International	228	235
South Africa Division	19	17
Mondi Packaging South Africa	38	37
Newsprint businesses[1]	2	11
Corporate & other businesses	1	1
Group and segments total	**288**	301

Note:
[1] Following the sale of the Merchant business, the Newsprint businesses segment closing number of employees do not include any numbers relating to the disposed business as at 31 December 2010.

4 Special items

€ million	**2010**	2009
Operating special items		
Goodwill impairments	-	(12)
Asset impairments	(33)	(78)
Reversal of asset impairments	9	-
Restructuring and closure costs		
Restructuring and closure costs excluding related personnel costs	(14)	(27)
Personnel costs relating to restructuring	(24)	(21)
Reversal of restructuring and closure costs excluding related personnel costs	30	5
Reversal of personnel costs relating to restructuring	1	-
Demerger arrangements	-	(3)
Proceeds on insurance	-	8
Gain on acquisition of business (see note 9)	34	-
Total operating special items	3	(128)
Non-operating special items		
(Loss)/profit on disposals (see note 10)	(11)	3
Impairments of assets held for sale	(14)	(8)
Total non-operating special items	(25)	(5)
Total special items before tax and non-controlling interests	(22)	(133)
Tax (see note 5)	6	6
Non-controlling interests	1	(1)
Total special items attributable to equity holders of the parent companies	(15)	(128)

4 Special items (continued)

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

€ million	**2010**	2009
Europe & International		
Uncoated Fine Paper	5	(2)
Corrugated	(15)	(55)
Bags & Coatings	28	(48)
Total Europe & International	**18**	(105)
South Africa Division	(10)	(22)
Mondi Packaging South Africa	(1)	7
Newsprint businesses[1]	(29)	(12)
Corporate & other businesses	-	(1)
Segments total	**(22)**	(133)

Note:
[1] Special items of the Merchant business are included in the results of the Newsprint businesses segment up to its date of disposal. Excluding the special items of the Merchant business, the segment result for the year ended 31 December 2010 would have been €1 million.

Year ended 31 December 2010

Operating special items
A 120,000 tonne uncoated fine paper machine and related converting capacity in the Merebank plant was mothballed in September 2010 and the business restructured. This led to the recognition of an asset impairment of €20 million and related restructuring costs of €6 million.

The completion of the sale of the Szolnok site resulted in the reversal of previously recognised restructuring and closure provisions and the realisation of the cumulative translation adjustment reserve, amounting to €10 million.

The restarting of the Stambolijski kraft paper line resulted in a reversal of impairment (€8 million) and related provisions (€17 million) recognised for the closure that are no longer required.

Underperforming non-integrated kraft paper assets in Lohja and Ružomberok were partially impaired by €8 million.

The start-up of the recently completed capital project in Syktyvkar resulted in the impairment of obsolete assets of €3 million and further restructuring costs of €3 million.

The acquisition of eight industrial bag plants in western Europe from Smurfit Kappa UK Limited resulted in a gain of €34 million being recognised. Restructuring activities were necessary to streamline the acquisition and to promote efficiency and profitability which resulted in €28 million of restructuring and closure costs being recognised.

Other smaller operating special items include a reversal of asset impairment of €1 million, reversal of certain restructuring and closure costs of €4 million, restructuring costs of €1 million in Europe & International and asset impairments of €1 million each in Mondi Shanduka Newsprint and Mondi Packaging South Africa.

Non-operating special items
The sale of the corrugated plants in the UK to Smurfit Kappa resulted in a loss on disposal (including realisation of the cumulative translation adjustment reserve) of €16 million and an impairment of assets of €1 million.

Purchase price adjustments relating to the sale of Cartonstrong and Niedergösgen resulted in a gain of €3 million being recognised.

The Group disposed of a portion of its shareholding in Mondi Hadera Paper Limited, retaining a non-controlling share of 25% and recognising a gain on disposal of €1 million.

The sale of 38,425 hectares of forestry assets in South Africa realised a gain of €16 million.

4 Special items (continued)

On classification as held for sale in May 2010, the non-current assets of Europapier were impaired in full resulting in a €13 million charge. The transaction was concluded on 4 November 2010 and a loss on disposal of €15 million was realised. A total charge of €28 million was therefore recognised in respect of the disposal of Europapier.

Year ended 31 December 2009

Operating special items
Difficult trading conditions during the year resulted in management taking decisive action to further restructure the cost base incurring restructuring and closure costs amounting to €43 million, the most significant of which was the closure of the Stambolijski mill.

Goodwill of €12 million, relating to the paper merchant Europapier, was impaired. Further asset impairments of €78 million were recognised, the most significant of which was a UK corrugated plant and an uncoated fine paper machine in South Africa.

Other operating special items included insurance proceeds for a fire damaged asset and the cost of equity settled demerger arrangements for senior management.

Non-operating special items
Various corrugated converting operations in France and a recycled containerboard plant in Italy were sold generating a net loss of €5 million.

5 Tax charge

Analysis of charge for the year from continuing operations

€ million	**2010**	2009
UK corporation tax at 28% (2009: 28%)	(2)	1
SA corporation tax at 28% (2009: 28%)	5	5
Overseas tax	74	46
Current tax (excluding tax on special items)	**77**	52
Deferred tax in respect of the current period (excluding tax on special items)	20	15
Deferred tax in respect of prior period over provision	(4)	(9)
Total tax charge before special items	**93**	58
Current tax on special items	-	1
Deferred tax on special items	(6)	(7)
Total tax credit on special items (see note 4)	**(6)**	(6)
Total tax charge	**87**	52

The Group's effective rate of tax before special items for the year ended 31 December 2010, calculated on profit before tax before special items and including net income from associates, is 24% (2009: 32%).

6 Earnings per share

€ cents per share	**2010**	2009
Profit/(loss) for the financial year attributable to equity holders of the parent companies		
Basic EPS	**44.1**	(6.5)
Diluted EPS	**43.6**	(6.5)[3]
Underlying earnings for the financial year[1]		
Basic EPS	**47.0**	18.7
Diluted EPS	**46.5**	18.2
Headline earnings for the financial year[2]		
Basic EPS	**47.0**	11.4
Diluted EPS	**46.5**	11.1

Notes:
1 Underlying EPS excludes the impact of special items.
2 The presentation of Headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.
3 Diluted EPS is consistent with Basic EPS as the impact of potential ordinary shares is anti-dilutive.

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

	Earnings	
€ million	**2010**	2009
Profit/(loss) for the financial year attributable to equity holders of the parent companies	**224**	(33)
Special items (see note 4)	22	133
Related tax (see note 4)	(6)	(6)
Related non-controlling interests (see note 4)	(1)	1
Underlying earnings for the financial year	**239**	95
Profit on disposal of tangible and intangible assets	(1)	(4)
Special items: demerger arrangements (see note 4)	-	(3)
Special items: restructuring and closure costs (see note 4)	(7)	(43)
Impairments not included in special items	6	10
Related tax	2	3
Headline earnings for the financial year	**239**	58

	Number of shares	
million	**2010**	2009
Basic number of ordinary shares outstanding[1]	**508**	508
Effect of dilutive potential ordinary shares[2]	6	13
Diluted number of ordinary shares outstanding	**514**	521

Notes:
1 The basic number of ordinary shares outstanding represents the weighted average number in issue for Mondi Limited and Mondi plc for the year, as adjusted for the weighted average number of treasury shares held during the year.
2 Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, net of treasury shares, on the assumption of conversion of all potentially dilutive ordinary shares.

7 Dividends

Dividend payments

An interim dividend for the year ended 31 December 2010 of 33.35878 rand cents / 3.5 euro cents per share was paid on 14 September 2010 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 27 August 2010.

A proposed final dividend for the year ended 31 December 2010 of 16.5 euro cents per share will be paid on 12 May 2011 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 15 April 2011. 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 5 May 2011.

Dividends timetable

The proposed final dividend for the year ended 31 December 2010 of 16.5 euro cents per share will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	8 April 2011	8 April 2011
London Stock Exchange	Not applicable	12 April 2011
Shares commence trading ex-dividend		
JSE Limited	11 April 2011	11 April 2011
London Stock Exchange	Not applicable	13 April 2011
Record date		
JSE Limited	15 April 2011	15 April 2011
London Stock Exchange	Not applicable	15 April 2011
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	21 April 2011	21 April 2011
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	26 April 2011	15 April 2011*
Payment Date		
South African Register	12 May 2011	12 May 2011
UK Register	Not applicable	12 May 2011
DRIP purchase settlement dates	19 May 2011	17 May 2011**
Currency conversion dates		
ZAR/euro	21 February 2011	21 February 2011
Euro/sterling	Not applicable	26 April 2011

* 26 April 2011 for Mondi plc South African branch register shareholders
** 19 May 2011 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 11 April 2011 and 17 April 2011, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 6 April 2011 and 17 April 2011, both dates inclusive.

8 Asset values per share

Net asset value per share is defined as net assets divided by the combined number of ordinary shares in issue as at the reporting dates presented, less treasury shares held. Tangible net asset value per share is defined as the net assets less intangible assets divided by the combined number of ordinary shares in issue as at the reporting dates presented, less treasury shares held.

Euro	**2010**	2009
Net asset value per share	**6.33**	5.55
Tangible net asset value per share	**5.71**	4.94

9 Business combinations

To 31 December 2010

In line with Mondi's strategy to strengthen its leading market position in industrial and consumer bags in Europe an agreement was concluded in April 2010 with Smurfit Kappa UK Limited for the acquisition of its western European industrial and consumer bag operations in Spain, France and Italy.

The businesses acquired incurred operating losses prior to their acquisition by Mondi and are subject to restructuring activities. As a result of this and the cash in the business on date of acquisition, a gain on acquisition is recognised in special items in the combined and consolidated income statement. The fair value accounting reflected in these results is provisional in nature. If necessary, adjustments will be made to these carrying values, and to the gain on acquisition, within 12 months of the acquisition date. To date, restructuring costs of €28 million have been incurred (see note 4).

Prior to any planned restructuring activities, the acquired industrial bag plants generated turnover of approximately €7 million per month and underlying operating losses of €0.8 million per month. Had the acquisition occurred on 1 January 2010, the increase in revenue would have been €95 million with a loss after tax of €40 million. Transaction costs of €1 million related to the acquisition are recognised in the combined and consolidated income statement.

There were no other acquisitions made for the year ended 31 December 2010. The deferred acquisition consideration relating to the acquisition in 2007 of Tire Kutsan of €14 million was paid during the current year.

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

€ million	Book value	Revaluation	Fair value
Net assets acquired:			
Property, plant and equipment	27	(13)	14
Inventories	15	-	15
Trade and other receivables	21	(2)	19
Cash and cash equivalents	18	-	18
Trade and other payables	(22)	(1)	(23)
Short-term borrowings	(1)	-	(1)
Retirement benefits obligation	(2)	-	(2)
Provisions	(3)	1	(2)
Net assets acquired	**53**	**(15)**	**38**
Gain arising on acquisition			(34)
Total cost of acquisition			**4**
Cash acquired net of overdrafts			(18)
Payment of deferred acquisition consideration			14
Net cash paid			-

9 Business combinations (continued)

To 31 December 2009

There were no major acquisitions made for the year ended 31 December 2009.

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

€ million	**Book value**	**Revaluation**	**Fair value**
Net assets acquired:[1]			
Long-term borrowings	-	2	2
Equity non-controlling interest	3	-	3
Other	(1)	-	(1)
Net assets acquired	**2**	**2**	**4**
Goodwill arising on acquisition			-
Total cost of acquisition			**4**
Debt consideration			(2)
Net cash paid			**2**

Note:
[1] The business combinations were not individually material and therefore have not been shown separately.

During the year to 31 December 2010 adjustments totalling €nil have been made to the provisional values estimated of net assets acquired in the year to 31 December 2009.

10 Disposal of subsidiaries and associates

On 5 May 2010, Mondi signed an agreement with the Heinzel Group for the sale of 100% of its shares in Europapier, a paper merchant business selling graphic, packaging and office papers, as well as other office supplies to customers across central Europe and Russia. The tangible fixed assets were subsequently fully impaired (€13 million) on classification as held for sale. The impairment, together with the loss on disposal of the business of €15 million, are recognised in special items in the combined and consolidated income statement. The transaction was concluded on 4 November 2010.

On 8 September 2010, Mondi signed a sale agreement with Hadera Paper Limited to reduce its interest in Mondi Hadera Paper Limited, a non-integrated paper mill in Israel with capacity to produce 145,000 tonnes per annum of office and printing papers, which are predominately sold in the Israeli market, from a 50.1% controlling interest to a 25% non-controlling interest. The remaining 25% non-controlling interest is accounted for as an associate. The gain on disposal of the business of €1 million is recognised in special items in the combined and consolidated income statement. The transaction was concluded on 31 December 2010.

10 Disposal of subsidiaries and associates (continued)

€ million	**2010**	2009
Net assets disposed:		
Goodwill	1	-
Property, plant and equipment	81	38
Deferred tax assets	4	-
Financial asset investments	1	-
Inventories	80	5
Trade and other receivables	170	34
Cash and cash equivalents	14	-
Assets held for sale[1]	37	19
Short-term borrowings	(45)	(8)
Trade and other payables	(130)	(28)
Current tax liabilities	(2)	-
Provisions	(3)	-
Retirement benefits obligation	(6)	(3)
Deferred tax liabilities	(7)	-
Long-term borrowings	(52)	-
Liabilities directly associated with assets classified as held for sale[1]	(10)	(6)
Total net assets disposed	**133**	51
(Loss)/profit on disposal of subsidiaries (see note 4)	(11)	3
Profit on disposal of associates	-	3
Cumulative translation adjustment reserve realised	12	-
Non-controlling interests disposed	(18)	-
Less: fair value of 25% non-controlling interest retained in Mondi Hadera Paper Limited	(6)	-
Disposal proceeds	**110**	57
Net overdrafts disposed[2]	8	-
Deferred consideration	(18)	-
Net cash inflow from disposals	**100**	57
Net cash inflow from disposal of subsidiaries during the year	**100**	54
Net cash inflow from disposal of associates during the year	**-**	3

Note:

[1] Disposal of assets and liabilities previously classified as held for sale. The carrying value includes all movements since the date of reclassification up to the date of disposal.

[2] Bank overdrafts are included in short-term borrowings disposed and netted against cash and cash equivalents disposed to arrive at the net amount of cash disposed as disclosed.

11 Consolidated cash flow analysis

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

€ million	**2010**	2009
Profit before tax	**372**	49
Depreciation and amortisation	373	351
Share-based payments	8	5
Non-cash effect of special items	11	98
Net finance costs	117	114
Net income from associates	(2)	(2)
Decrease in provisions and post-employment benefits	(2)	(16)
(Increase)/decrease in inventories	(104)	80
(Increase)/decrease in operating receivables	(130)	170
Increase/(decrease) in operating payables	113	(2)
Fair value gains on forestry assets	(36)	(28)
Felling costs	65	50
Profit on disposal of tangible and intangible assets	(1)	(4)
Other adjustments	(6)	2
Cash generated from operations	**778**	867

11 Consolidated cash flow analysis (continued)

(b) Cash and cash equivalents

€ million	**2010**	2009
Cash and cash equivalents per combined and consolidated statement of financial position	83	123
Bank overdrafts included in short-term borrowings	(59)	(86)
Net cash and cash equivalents per combined and consolidated statement of cash flows	**24**	37

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

(c) Movement in net debt

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

€ million	Cash and cash equivalents[1]	Debt due within one year[2]	Debt due after one year	Total net debt
At 1 January 2009	75	(298)	(1,467)	(1,690)
Cash flow	(19)	288	(38)	231
Business combinations (see note 9)	-	-	2	2
Disposal of businesses (see note 10)	-	8	-	8
Reclassification	(19)	(119)	153	15
Currency movements	-	(12)	(71)	(83)
At 31 December 2009	37	(133)	(1,421)	(1,517)
Cash flow	(4)	51	114	161
Business combinations (see note 9)	-	(1)	-	(1)
Disposal of businesses (see note 10)	-	23	52	75
Movement in unamortised loan costs	-	-	(4)	(4)
Reclassification	-	(273)	273	-
Currency movements	(9)	(18)	(51)	(78)
At 31 December 2010	**24**	**(351)**	**(1,037)**	**(1,364)**

Notes:

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

[2] Excludes overdrafts, which are included as cash and cash equivalents. As at 31 December 2010, short-term borrowings on the combined and consolidated statement of financial position of €410 million (2009: €219 million) include €59 million of overdrafts (2009: €86 million).

The Group launched its inaugural publicly traded bond on 26 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 whilst Mondi fails to maintain at least one investment grade credit rating from either Moody's or Standard & Poor's. Mondi's credit ratings, which have remained unchanged since first published in March 2010, were BB+ (Standards & Poor's) and Baa3 (Moody's). The Moody's credit rating is investment grade.

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

€ million	**2010**	2009
Expiry date		
In one year or less	44	141
In more than one year	1,437	849
Total credit available	**1,481**	990

12 Capital commitments

€ million	**2010**	2009
Contracted for but not provided	**98**	214
Approved, not yet contracted for	**316**	291

These capital commitments will be financed by existing cash resources and borrowing facilities.

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.

13 Contingent liabilities and contingent assets

Contingent liabilities comprise aggregate amounts as at 31 December 2010 of €20 million (2009: €21 million) in respect of loans and guarantees given to banks and other third parties. Acquired contingent liabilities of €nil (2009: €nil) have been recorded on the Group's combined and consolidated statement of financial position. (see note 9).

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

Contingent assets comprise aggregate amounts as at 31 December 2010 of €1 million (2009: €nil) and mainly relate to tax refunds to be received.

14 Related party transactions

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

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with joint ventures and associates and other related parties. These transactions are entered into on an arm's length basis at market rates.

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 2009.

15 Events occurring after 31 December 2010

With the exception of the proposed final dividend for 2010, included in note 7, there have been no material reportable events since 31 December 2010.

Production statistics

		Year ended 31 December 2010	Year ended 31 December 2009
Europe & International			
Uncoated fine paper	Tonnes	**1,524,225**	1,470,381
Containerboard	Tonnes	**1,939,935**	1,768,696
Kraft paper	Tonnes	**984,607**	841,378
Hardwood pulp	Tonnes	**935,628**	873,844
Internal consumption	Tonnes	**825,664**	792,768
External	Tonnes	**109,964**	81,076
Softwood pulp	Tonnes	**1,899,518**	1,773,265
Internal consumption	Tonnes	**1,688,472**	1,568,189
External	Tonnes	**211,046**	205,076
Corrugated board and boxes	Mm²	**1,308**	1,697
Industrial bags	M units	**3,850**	3,303
Coating and release liners	Mm²	**3,187**	2,672
Newsprint	Tonnes	**197,601**	194,564
South Africa Division			
Uncoated fine paper	Tonnes	**276,957**	353,707
Containerboard	Tonnes	**259,785**	238,915
Hardwood pulp	Tonnes	**589,186**	578,032
Internal consumption	Tonnes	**366,170**	407,641
External	Tonnes	**223,016**	170,391
Softwood pulp	Tonnes	**112,956**	109,142
Woodchips	Bone dry tonnes	**280,154**	273,526
Mondi Packaging South Africa			
Packaging papers	Tonnes	**399,344**	367,741
Corrugated board and boxes	Mm²	**387**	369
Newsprint Joint Ventures (attributable share)			
Aylesford	Tonnes	**187,971**	191,035
Mondi Shanduka Newsprint (MSN)	Tonnes	**126,530**	121,701

Exchange rates

	Year ended 31 December 2010	Year ended 31 December 2009
Closing rates against the euro		
South African rand	**8.86**	10.67
Pounds sterling	**0.86**	0.89
Polish zloty	**3.97**	4.10
Russian rouble	**40.82**	43.15
US dollar	**1.34**	1.44
Czech koruna	**25.06**	26.47
Turkish lira	**2.07**	2.16
Average rates for the period against the euro		
South African rand	**9.70**	11.68
Pounds sterling	**0.86**	0.89
Polish zloty	**3.99**	4.33
Russian rouble	**40.27**	44.12
US dollar	**1.33**	1.39
Czech koruna	**25.29**	26.44
Turkish lira	**2.00**	2.16