

# Mondi Group

Half-yearly report 2011



# From the CEO

The good result achieved in positive market conditions confirms the validity of our strategy. All operations are running well and our recent major investments have made a meaningful contribution to the Group's profits.

The successful completion of the Mpact demerger endorses the strategies of both Mondi and Mpact, allowing both businesses to pursue their increasingly divergent strategic priorities and focus on their respective growth opportunities.

In the Europe & International Division, following a period of strong demand order books remain good but are somewhat softer, having returned to more normalised levels. As previously indicated, maintenance shuts planned at a number of the large and strongly profitable European mills will impact second half performance. The South Africa Division should benefit from improved output following the extended maintenance shut taken in the first half.

Looking further ahead, while the uncertainties in the broader macroeconomic environment continue to be a concern for demand, supply-side fundamentals in our core grades remain good. Overall, we believe Mondi remains well positioned to continue adding value for shareholders.

**David Hathorn**  
Chief executive officer

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# Financial summary

## Operational and financial highlights

- Underlying operating profit up 74%, driven by a very strong performance from the Europe & International Division
- Demerger of Mpact successfully completed
- Refinancing of Group revolving credit facility completed
- Interim dividend of 8.25 euro cents per share
- Return on capital employed up to 15.2%, in excess of the Group's through-the-cycle target of 13%

## Financial summary<sup>1</sup>

	Six months ended 30 June 2011	Six months ended 30 June 2010 <sup>2</sup>	Half-year change %
<i>€ million, except for percentages and per share measures</i>			
<b>From continuing operations</b>			
Group revenue	2,942	2,752	7
EBITDA	526	371	42
Underlying operating profit	354	204	74
Underlying profit before tax	296	164	80
Profit before tax	300	166	81
<b>Per share measures</b>			
Basic earnings per share from continuing operations (€ cents)	39.0	19.3	102
Basic earnings per share – alternative measure <sup>3</sup> (€ cents)	41.7	20.2	106
Basic earnings per share from total operations (€ cents)	41.6	21.5	93
Interim dividend per share (€ cents)	8.25	3.5	136
Cash generated from operations	403	269	50
Net debt	1,200	1,632	(26)
Group Return on Capital Employed (ROCE)	15.2%	9.9%	

Notes:

<sup>1</sup> Refer to definitions in the glossary of financial terms in the half-yearly financial statements.

<sup>2</sup> Comparative information has been re-presented where appropriate to take cognisance of the discontinued operation.

<sup>3</sup> The directors have elected to present an alternative, non-IFRS measure of earnings per share from continuing operations. As more fully set out in note 11 of the half-yearly financial statements, the effects of the recapitalisation and the demerger of Mpact (formerly Mondi Packaging South Africa) and the Mondi Limited share consolidation have been adjusted to reflect the position as if the transaction had been completed at the beginning of each period presented. This will enable a useful comparison of earnings per share from continuing operations, based on the consolidated number of shares.

# Group performance review

The Group's underlying operating profit from continuing operations of €354 million was up 74% on the comparable prior year period and up 39% on the second half of the previous year.

Sales volumes continued to improve and average selling prices for the period were higher across all key paper grades compared to the second half of the previous year. Rising commodity input costs partially offset the benefit from revenue gains.

The demerger of Mpack was approved by shareholders on 30 June 2011 and was effected on 18 July 2011, with Mpack having commenced trading as an independent listed entity on 11 July 2011. The related consolidation of Mondi Limited shares will be effected on 8 August 2011, with the new Mondi Limited shares commencing trading on 1 August 2011. Mondi Limited's shares in issue will reduce from 147 million shares to 118 million shares, bringing the total number of shares in issue for the Mondi Group down from 514 million to 486 million.

At 30 June 2011, the results of Mpack are presented as a discontinued operation and comparative information has been re-presented accordingly. In order to reflect the continuing business of the Mondi Group, the Group has elected to present an additional alternative measure of earnings per share as if the recapitalisation and demerger of Mpack and Mondi Limited share consolidation had taken place at the beginning of each period presented. This is more fully detailed in note 11 of the financial statements. Set out in the table following the principal risks and uncertainties, are the illustrative effects on the Mondi Group as if the Mpack recapitalisation, subsequent demerger and Mondi Limited share consolidation had taken place at the beginning of each period presented. Basic earnings per share – alternative measure was 41.7 cents, an increase of 106%.

An interim dividend of 8.25 euro cents will be paid.

Net debt at 30 June 2011 decreased from 31 December 2010 by €164 million to €1.20 billion, excluding the net external debt of Mpack (€111 million). Robust EBITDA generation and the benefits of an exchange rate gain were offset primarily by an increase in working capital (in line with growth in revenue), the annual interest payment on the Eurobond, payable in April of each year and a significantly increased final dividend payment.

The average maturity of the Group's committed debt facilities is 4.1 years with unutilised committed borrowing facilities of €781 million.

## Europe & International Division

### Uncoated Fine Paper

	Six months ended 30 June 2011	Six months ended 30 June 2010	Half-year change %
€ million			
Segment revenue	734	762	(4)
– of which inter-segment revenue	13	75	
EBITDA	169	146	16
Underlying operating profit	118	98	20
Capital expenditure	33	82	
Net segment assets	1,360	1,642	
ROCE	16.9%	17.5%	

The underlying operating profit of €118 million was 20% up on the comparable prior year period, giving a very strong ROCE of 16.9%. This continued excellent performance reflects the positive trading environment supported by a strong operational performance and an increasing contribution from the Syktyvkar mill modernisation investment, completed in the second half of 2010.

The reduction in turnover is largely attributable to the sale of the Group's controlling interest in Mondi Hadera at the end of the previous year and the decline in sales of uncoated fine paper from South Africa, following the decision in mid-2010 to mothball a paper machine at Mondi South Africa Division's Merebank mill and withdraw from the European export markets.

Average benchmark European cut-size office paper prices increased by approximately 11% from the comparable prior year period and by approximately 2% compared to the second half of the previous year. The increase in selling prices was offset to some extent by increased wood, pulp, energy and chemical costs.

Maintenance shuts in all three of the mills (Syktyvkar, Ružomberok and Neusiedler) are planned for the second half of the year, which will impact results, both due to the maintenance charges associated with these shuts and the lost contribution from what are strongly profitable operations.



## Corrugated

	Six months ended 30 June 2011	Six months ended 30 June 2010	Half- year change %
€ million			
Segment revenue	704	610	15
– of which inter-segment revenue	34	26	
EBITDA	142	82	73
Underlying operating profit	105	48	119
Capital expenditure	18	42	
Net segment assets	1,058	862	
ROCE	20.1%	9.4%	

The Corrugated business achieved a significant improvement in underlying operating profit to €105 million, delivering a ROCE of 20.1%. The business benefited from significant increases in selling prices, increased volumes from the Świecie mill as the recycled containerboard machine commissioned in late 2009 continues to ramp-up to full production and a significantly increased contribution from the rebuilt containerboard machine at Syktyvkar, completed in the second half of 2010.

Average benchmark selling price increases were recorded for recycled containerboard (28% up on the first half of 2010 and in excess of 10% up on the second half of 2010), kraftliner (31% up on the first half of 2010 and 6% up on the second half of 2010) and white top containerboard (18% up on the first half of 2010 and 7% up on the second half of 2010). Input cost pressures remain with average benchmark recovered paper prices having increased by 23% in the period compared to the second half of the previous year and wood and chemical prices also continuing to increase.

Price increases achieved in the corrugated box plants more than offset the increased paper input costs, leading to some margin expansion.

Planned maintenance shuts at both Świecie and Syktyvkar, the two largest and most profitable operations in this business unit, will impact the second half.

## Bags & Coatings

	Six months ended 30 June 2011	Six months ended 30 June 2010	Half- year change %
€ million			
Segment revenue	1,319	1,060	24
– of which inter-segment revenue	27	20	
EBITDA	179	108	66
Underlying operating profit	128	55	133
Capital expenditure	43	35	
Net segment assets	1,398	1,318	
ROCE	17.4%	9.2%	

The Bags & Coatings business achieved an underlying operating profit of €128 million, an increase of 133% on the comparable prior year period resulting in a ROCE of 17.4%. This reflects both improved sales volumes, attributable in part to the restarted Stambolijski plant, and increased selling prices.

Average benchmark sack kraft paper selling price increases of around 27% were achieved against the comparable prior year period (9% up on the second half of the prior year), more than offsetting the continued increase in input costs, particularly wood and chemicals. Price increases were achieved on strong demand growth, particularly in export markets, coupled with the effects of reduced industry capacity following the closures that took place during the 2008/9 economic downturn.

Volumes were good in the bag converting segment. Significant price increases were achieved from the beginning of the year on annual contractual volumes, although subsequent increases in paper input costs have eroded some of these gains. The business is benefiting from the integration of the Smurfit Kappa bags plants, acquired in mid-2010.

Robust volume increases in Coatings & Consumer Packaging, particularly the release liner segment, coupled with selling price increases largely offset increasing paper and chemical input costs.

Maintenance shuts are planned at various paper mills during the second half of the year, notably at the large operation of Štětí in the Czech Republic.

# Group performance review continued

## South Africa Division

€ million	Six months ended 30 June 2011	Six months ended 30 June 2010	Half-year change %
Segment revenue	269	276	(3)
– of which inter-segment revenue	90	106	
EBITDA	54	44	23
Underlying operating profit	27	18	50
Capital expenditure	13	9	
Net segment assets	877	932	
ROCE	9.7%	3.1%	

Notwithstanding the negative impact of the planned extended maintenance shut at Richards Bay during June 2011, the South Africa Division realised a 50% improvement in underlying operating profit to €27 million versus the comparable prior year period. The ROCE of 9.7% reflects the benefits of higher average selling prices, improved operating efficiencies and the positive impact of the closure of the 120,000 tonne uncoated fine paper machine in the previous year and related restructuring of the fixed cost base.

Against the comparable prior year period, average sales prices have improved across most products with containerboard and pulp being the main contributors during the period. These benefits have been partially offset by increased fibre and energy costs as well as the negative impact of the stronger rand.

The recent industry-wide strike had no impact on the Division as resolution was achieved at a local level.

The Division continues to pursue the settlement of outstanding land claims with further progress expected during the second half of the year.

## Newsprint

€ million	Six months ended 30 June 2011	Six months ended 30 June 2010	
Segment revenue	80	271	
– of which inter-segment revenue	–	–	
EBITDA	2	8	
Underlying operating (loss)/profit	(5)	1	
Capital expenditure	2	2	
Net segment assets	100	108	
ROCE	(9.2%)	2.2%	

Note:

The 2010 comparative figure includes turnover of €198 million, EBITDA of €4 million and underlying operating profit of €3 million attributable to the Europapier business.

The Newsprint business made an underlying operating loss of €5 million. Despite significant sales price increases having been realised at Aylesford Newsprint, these were not sufficient to return the business to profitability on the back of increased input costs. In South Africa, Mondi Shanduka Newsprint has been severely impacted by electricity price increases which cannot be passed on to customers.

## Input costs and currency exposure

Average fibre input costs have increased during the first half of the year.

- Procured wood prices in central Europe continue to increase, albeit at a slower pace than in the comparable prior year period. Average costs have increased by approximately 12% compared to the second half of the previous year.
- Average pulp prices have increased by 2% for softwood whilst prices have reduced by 2% for hardwood during the period when compared to the second half of the prior year. Closing benchmark prices at 30 June 2011 were 8% up for softwood and 3% up for hardwood compared to 31 December 2010 prices.
- The average benchmark price of recovered paper increased by 23%, when compared to the second half of the previous year.

Energy and chemical prices also increased during the period under review.

Mondi benefits from its structural position in South Africa and Russia due to integration into wood supply. Similarly, the Group's integrated pulp and paper mills negate the impact of pulp price escalations. The Group, on an annualised basis, is now marginally long on pulp following the completion of the Syktyvkar modernisation and other restructuring activities. Restructuring initiatives and an ongoing focus on cost reduction and productivity improvement further mitigate the impact of input cost pressures.

More recently there has been evidence of some weakness in certain key input costs, most notably recovered paper.

The Group continues to experience the effects of significant exchange rate volatility. The Group's hedging programme is intended to curb the impact of short-term fluctuations in exchange rates by hedging its on-balance sheet exposure. Over the period under review, strong emerging market currencies, coupled with ongoing relatively high levels of inflation in these jurisdictions, served to increase the underlying cost base of operations in those countries, thus eroding their relative competitiveness. This is particularly the

case in South Africa, and to a lesser extent in the emerging European markets of Poland, Czech Republic, Turkey and Russia. The ongoing weakness of the US\$ relative to the euro continues to pose challenges, weakening the ability to achieve price increases in Europe.

## Financial review

### Special items

There were no significant special items during the period. Special items (aggregate gain of €4 million), as more fully set out in the notes to the half-yearly financial statements, include the impact of ongoing restructuring initiatives as well as the finalisation of certain business combination transactions from previous periods.

### Finance costs

Despite lower average borrowings, net finance costs of €60 million were higher than those of the comparable prior year period mainly due to the reduction in capitalisation of finance charges following the completion of the Syktyvkar modernisation, and an exchange rate loss of €2 million compared to a gain in the comparable prior year period of €11 million. Whilst interest rates have remained largely unchanged during the period, the higher interest rate on the €500 million Eurobond, compared to the interest rate on the facilities it replaced, resulted in the effective interest rate (pre-capitalised interest) for the period of 8.97% being above that of 7.64% in the comparable prior year period. A large proportion of the Group's debt (76%) is at fixed rates of interest for varying terms.

The first annual interest payment on the Eurobond of €29 million, made during April 2011, results in an increase in interest paid in the statement of cash flows.

### Taxation

The reduction in the underlying effective tax rate on continuing operations to 20% is primarily due to increased profitability in regions with lower tax rates and the benefits of tax incentives granted in certain countries in which the Group operates, notably Poland.

### Discontinued operation – Mpact (previously Mondi Packaging South Africa)

	Six months ended 30 June 2011	Six months ended 30 June 2010	Half- year change %
€ million			
Segment revenue	310	298	4
EBITDA	36	33	9
Underlying operating profit	19	18	6
Capital expenditure	17	14	

Mpact's underlying operating profit increased marginally during the period due to improved margins offset to some extent by reduced sales volumes.

### Cash flow

Cash generated from operations amounted to €403 million, an increase of 50% on the comparable prior year period primarily due to the significant increase in EBITDA generation. As expected, cash flow generated from operating activities was negatively impacted by an increase in working capital on increased trading activity and seasonal fluctuations, although working capital levels remain well within the target range of 10-12% of turnover.

### Capital expenditure

Capital expenditure of €126 million, including €16 million on the major project in Russia, was incurred. Outside of this major project, capital expenditure for the period, excluding Mpact, is at 53% of depreciation.

The Group is exploring various opportunities in respect of energy efficiencies in its European mills. The previously announced process for the intended exercise of the option by Mondi Świecie to acquire the power and heat generating plant owned by Saturn Management is unlikely to be concluded before the end of the current year.

### Treasury and borrowings

Net debt at 30 June 2011 was €1.20 billion, a decrease of €164 million from 31 December 2010. Positive exchange rate movements of €46 million and the classification of the Mpact external debt of €111 million as held for sale positively impacted this figure. The settlement of intercompany loans from Mpact, following its recapitalisation and subsequent listing, will be reflected in the second half of the year.

# Group performance review continued

The net debt to trailing 12 month EBITDA ratio was 1.3 times. On 14 April 2011, Mondi signed a new €750 million five year syndicated revolving credit facility to refinance its existing €1.55 billion revolving facility that was due to mature in June 2012. Following this refinancing the average maturity of the Group's committed debt facilities is extended to 4.1 years from 2.6 years as at December 2010, with unutilised committed borrowing facilities of €781 million.

The long-term corporate credit ratings received of Baa3 (stable outlook) from Moody's Investor Service and BB+ (positive outlook) from Standard & Poor's were confirmed during the period.

## Dividend

A dividend of 8.25 euro cents per share has been declared by the directors and will be paid on 13 September 2011 to those shareholders on the register of Mondi plc on 19 August 2011. An equivalent South African rand interim dividend will be paid on 13 September 2011 to shareholders on the register of Mondi Limited on 19 August 2011. Note that the dividend to Mondi Limited shareholders will be based on the new Mondi Limited shares, following the completion of the share consolidation in August 2011.

## Outlook

In the Europe & International Division, following a period of strong demand order books remain good but are somewhat softer, having returned to more normalised levels. As previously indicated, maintenance shuts planned at a number of the large and strongly profitable European mills will impact second half performance. The South Africa Division should benefit from improved output following the extended maintenance shut taken in the first half.

Looking further ahead, while the uncertainties in the broader macroeconomic environment continue to be a concern for demand, supply-side fundamentals in our core grades remain good. Overall, we believe Mondi remains well positioned to continue adding value for shareholders.

## Supplementary information

### Going concern

Positive trading conditions are evident although some risks remain in specific locations and business segments. This is mitigated by Mondi's geographical spread, product diversity and large customer base. Through ongoing initiatives of cost management, prudent capital investment, stringent working capital targets and restructuring and rationalisation of assets where appropriate, Mondi has a leading cost position in its chosen markets.

The Group maintains adequate committed undrawn borrowing facilities (€781 million at 30 June 2011) and the average maturity of its debt is approximately four years, thus providing sufficient short and medium-term liquidity.

The Group's forecasts, taking into account reasonably possible changes in trading performance, show that Mondi will be able to operate well within the levels of its current facilities and related covenants.

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

## Principal risks and uncertainties

It is in the nature of its business that Mondi is exposed to risks and uncertainties that may have an impact on future performance and financial results, as well as on its ability to meet certain social and environmental objectives. The Group believes that it has effective systems and controls in place to manage the key risks identified below. The key risks identified remain consistent with those presented on page 31 of the 2010 annual report.

- *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.



Approximately 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.

# Group performance review continued

## Financial effects of Mpack demerger

The Mpack demerger was completed on 18 July 2011, with Mpack having commenced trading as an independent listed entity on 11 July 2011, and the related Mondi Limited share consolidation will be concluded on 8 August 2011, with the consolidated shares commencing trading on 1 August 2011. The following table presents the illustrative effect on the Mondi Group as if the recapitalisation and demerger of Mpack and related Mondi Limited share consolidation had taken place at the beginning of each period presented.

Details of the adjustments are set out in note 11 of the half-yearly financial statements.

	As reported			Adjusted earnings		
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
€ million						
<b>Continuing operations</b>						
<b>Underlying operating profit</b>	<b>354</b>	204	458	<b>354</b>	204	458
Net income from associates	2	2	2	2	2	2
Finance costs	(60)	(42)	(106)	(57)	(39)	(99)
Tax charge	(59)	(46)	(88)	(56)	(43)	(82)
Non-controlling interests	(42)	(27)	(60)	(42)	(27)	(60)
<b>Underlying earnings attributable to equity holders of the parent companies</b>	<b>195</b>	91	206	<b>201</b>	97	219
Discontinued operations <sup>1</sup>	13	11	32	–	–	–
<b>Profit before special items attributable to equity holders of the parent companies</b>	<b>208</b>	102	238	<b>201</b>	97	219
Special items <sup>1</sup>	4	7	(14)	4	7	(14)
<b>Profit for the year attributable to equity holders of the parent companies</b>	<b>212</b>	109	224	<b>205</b>	104	205
Weighted average shares in issue	<b>510</b>	508	508	<b>482</b>	480	480
Underlying earnings per share (€ cents)	<b>38.2</b>	17.9	40.6	<b>41.7</b>	20.2	45.6
Basic earnings per share (€ cents)	<b>41.6</b>	21.5	44.1			

Note:

<sup>1</sup> Reported net of tax and non-controlling interests.

# Directors' responsibility statement

The directors confirm that to the best of their knowledge:

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

the Group's related party relationships from those reported in the Group's annual financial statements for the year ended 31 December 2010.

**David Hathorn**  
Director

**Andrew King**  
Director

27 July 2011

# Independent review report to the members of Mondi Limited

## Introduction

We have reviewed the Group's condensed combined and consolidated financial statements for the six months ended 30 June 2011 which comprise the condensed combined and consolidated income statement, the condensed combined and consolidated statement of comprehensive income, the condensed combined and consolidated statement of financial position, the condensed combined and consolidated statement of cash flows and the condensed combined and consolidated statement of changes in equity, the summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed combined and consolidated financial statements in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the Companies Act of South Africa. Our responsibility is to express a conclusion on these Group condensed combined and consolidated financial statements based on our review.

## Scope of review

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

review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

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

**Deloitte & Touche**  
**Per Bronwyn Kilpatrick**  
Partner  
Sandton

27 July 2011

**Deloitte & Touche**  
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Woodlands Drive, Woodmead, Sandton  
Republic of South Africa

National Executive **GG Gelink** Chief Executive **AE Swiegers** Chief Operating Officer **GM Pinnock** Audit **DL Kennedy** Risk Advisory  
**NB Kader** Tax & Legal Services **L Geeringh** Consulting **L Bam** Corporate Finance **JK Mazzocco** Human Resources  
**CR Beukman** Finance **TJ Brown** Clients & Markets **NT Mtoba** Chairman of the Board **MJ Comber** Deputy Chairman of the Board

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

# Independent review report to the members of Mondi plc

We have been engaged by the Company to review the condensed combined and consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed combined and consolidated income statement, the condensed combined and consolidated statement of comprehensive income, the condensed combined and consolidated statement of financial position, the condensed combined and consolidated statement of cash flows, the condensed combined and consolidated statement of changes in equity and related notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

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

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

## Our responsibility

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## Deloitte LLP

Chartered Accountants and Statutory Auditor  
London, United Kingdom

27 July 2011

### Note:

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



# Condensed combined and consolidated income statement

for the six months ended 30 June 2011

	Notes	<b>(Reviewed)</b> Six months ended 30 June 2011			<b>(Restated)</b> <b>(Reviewed)</b> Six months ended 30 June 2010			<b>(Restated)</b> <b>(Audited)</b> Year ended 31 December 2010		
		Before special items	Special items (note 6)	After special items	Before special items	Special items (note 6)	After special items	Before special items	Special items (note 6)	After special items
<i>€ million</i>										
<b>Continuing operations</b>										
<b>Group revenue</b>	4	<b>2,942</b>	<b>–</b>	<b>2,942</b>	2,752	–	2,752	5,610	–	5,610
Materials, energy and consumables used		(1,528)	–	(1,528)	(1,480)	–	(1,480)	(3,006)	–	(3,006)
Variable selling expenses		(257)	–	(257)	(252)	–	(252)	(494)	–	(494)
<b>Gross margin</b>		<b>1,157</b>	<b>–</b>	<b>1,157</b>	1,020	–	1,020	2,110	–	2,110
Maintenance and other indirect expenses		(133)	–	(133)	(120)	–	(120)	(272)	–	(272)
Personnel costs		(417)	–	(417)	(409)	(2)	(411)	(829)	(23)	(852)
Other net operating expenses		(81)	1	(80)	(120)	56	(64)	(211)	50	(161)
Depreciation, amortisation and impairments		(172)	–	(172)	(167)	(17)	(184)	(340)	(23)	(363)
<b>Operating profit</b>	4/5	<b>354</b>	<b>1</b>	<b>355</b>	204	37	241	458	4	462
Non-operating special items	6	–	3	3	–	(35)	(35)	–	(25)	(25)
Net income from associates		2	–	2	2	–	2	2	–	2
<b>Total profit/(loss) from operations and associates</b>		<b>356</b>	<b>4</b>	<b>360</b>	206	2	208	460	(21)	439
<b>Net finance costs</b>		<b>(60)</b>	<b>–</b>	<b>(60)</b>	(42)	–	(42)	(106)	–	(106)
Investment income		15	–	15	14	–	14	31	–	31
Foreign currency (losses)/gains		(2)	–	(2)	11	–	11	7	–	7
Finance costs	7	(73)	–	(73)	(67)	–	(67)	(144)	–	(144)
<b>Profit/(loss) before tax</b>		<b>296</b>	<b>4</b>	<b>300</b>	164	2	166	354	(21)	333
Tax (charge)/credit	8	(59)	–	(59)	(46)	4	(42)	(88)	6	(82)
<b>Profit/(loss) from continuing operations</b>		<b>237</b>	<b>4</b>	<b>241</b>	118	6	124	266	(15)	251
<b>Discontinued operation</b>										
Profit from discontinued operation	9			13			11			34
<b>Profit for the financial period/year</b>				<b>254</b>			135			285
Attributable to:										
Non-controlling interests				42			26			61
Equity holders of the parent companies				212			109			224

# Condensed combined and consolidated income statement

## continued

for the six months ended 30 June 2011

	Notes	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Earnings per share (EPS) for profit attributable to equity holders of the parent companies</b>				
<b>From continuing operations</b>				
Basic EPS	(€ cents) 10	39.0	19.3	37.8
Diluted EPS	(€ cents) 10	38.5	19.0	37.4
<hr/>				
Basic underlying EPS	(€ cents) 10	38.2	17.9	40.6
Diluted underlying EPS	(€ cents) 10	37.7	17.7	40.1
<hr/>				
<b>From continuing and discontinued operations</b>				
Basic EPS	(€ cents) 10	41.6	21.5	44.1
Diluted EPS	(€ cents) 10	41.0	21.2	43.6
<hr/>				
Basic headline EPS	(€ cents) 10	39.4	24.8	47.0
Diluted headline EPS	(€ cents) 10	38.9	24.5	46.5

# Condensed combined and consolidated statement of comprehensive income

for the six months ended 30 June 2011

€ million	(Reviewed) Six months ended 30 June 2011	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
<b>Profit for the financial period/year</b>	<b>254</b>	135	285
<b>Other comprehensive income:</b>			
Effect of cash flow hedges	5	6	11
Actuarial losses and surplus restriction on post-retirement benefit schemes	(2)	(9)	(18)
Exchange differences on translation of foreign operations	(84)	171	193
Share of other comprehensive income of associates	(1)	–	1
Tax relating to components of other comprehensive income	(1)	2	4
<b>Other comprehensive income for the financial period/year, net of tax</b>	<b>(83)</b>	170	191
<b>Total comprehensive income for the financial period/year</b>	<b>171</b>	305	476
<hr/>			
Attributable to:			
Non-controlling interests	33	36	75
Equity holders of the parent companies	138	269	401

# Condensed combined and consolidated statement of financial position

as at 30 June 2011

€ million	Notes	(Reviewed)	(Reviewed)	(Audited)
		As at 30 June 2011	As at 30 June 2010	As at 31 December 2010
Intangible assets		241	314	312
Property, plant and equipment		3,625	3,990	3,976
Forestry assets		299	290	320
Investments in associates		12	6	16
Financial asset investments		31	33	34
Deferred tax assets		11	31	21
Retirement benefits surplus	13	12	13	11
Derivative financial instruments		-	-	3
<b>Total non-current assets</b>		<b>4,231</b>	<b>4,677</b>	<b>4,693</b>
Inventories		726	688	702
Trade and other receivables		959	1,083	992
Current tax assets		8	19	11
Cash and cash equivalents	17b-c	33	77	83
Derivative financial instruments		4	13	11
<b>Total current assets</b>		<b>1,730</b>	<b>1,880</b>	<b>1,799</b>
Assets held for sale				
Continuing operations	16	1	172	1
Discontinued operation	9	495	-	-
<b>Total assets</b>		<b>6,457</b>	<b>6,729</b>	<b>6,493</b>
Short-term borrowings	17c	(485)	(217)	(410)
Trade and other payables		(989)	(1,123)	(1,034)
Current tax liabilities		(84)	(75)	(78)
Provisions		(45)	(50)	(64)
Derivative financial instruments		(4)	(4)	(9)
<b>Total current liabilities</b>		<b>(1,607)</b>	<b>(1,469)</b>	<b>(1,595)</b>
Medium and long-term borrowings	17c	(748)	(1,492)	(1,037)
Retirement benefits obligation	13	(196)	(202)	(211)
Deferred tax liabilities		(326)	(334)	(349)
Provisions		(36)	(35)	(39)
Other non-current liabilities		(20)	(21)	(23)
Derivative financial instruments		(10)	(23)	(15)
<b>Total non-current liabilities</b>		<b>(1,336)</b>	<b>(2,107)</b>	<b>(1,674)</b>
Liabilities directly associated with assets classified as held for sale				
Continuing operations	16	-	(60)	-
Discontinued operation	9	(248)	-	-
<b>Total liabilities</b>		<b>(3,191)</b>	<b>(3,636)</b>	<b>(3,269)</b>
<b>Net assets</b>		<b>3,266</b>	<b>3,093</b>	<b>3,224</b>
<b>Equity</b>				
Ordinary share capital and share premium		646	646	646
Retained earnings and other reserves		2,168	2,006	2,117
<b>Total attributable to equity holders of the parent companies</b>		<b>2,814</b>	<b>2,652</b>	<b>2,763</b>
Non-controlling interests in equity		452	441	461
<b>Total equity</b>		<b>3,266</b>	<b>3,093</b>	<b>3,224</b>

The Group's condensed combined and consolidated financial statements, and related notes 1 to 21, were approved by the Boards and authorised for issue on 27 July 2011 and were signed on their behalf by:

**David Hathorn**

Director

Mondi Limited company registration number:

Mondi plc company registration number:

**Andrew King**

Director

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# Condensed combined and consolidated statement of cash flows

for the six months ended 30 June 2011

€ million	Notes	(Reviewed) Six months ended 30 June 2011	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
Cash generated from operations	17a	403	269	778
Dividends from associates		–	2	2
Dividends from other investments		–	–	1
Income tax paid		(45)	(36)	(47)
<b>Net cash generated from operating activities</b>		<b>358</b>	235	734
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries, net of cash and cash equivalents	15	(12)	11	–
Acquisition of associates, net of cash and cash equivalents		–	–	(2)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents		14	64	100
Investment in property, plant and equipment		(126)	(184)	(394)
Investment in intangible assets		(1)	(1)	(4)
Proceeds from the disposal of property, plant and equipment and intangible assets		7	6	14
Investment in forestry assets		(23)	(21)	(46)
Investment in financial asset investments		(7)	(1)	(11)
Proceeds from the sale of financial asset investments		7	2	3
Loan (advances to)/repayments from related parties		(1)	(4)	1
Loan repayments from external parties		1	–	2
Interest received		5	4	10
Other investing activities		–	–	(2)
<b>Net cash used in investing activities</b>		<b>(136)</b>	(124)	(329)
<b>Cash flows from financing activities</b>				
Repayment of short-term borrowings	17c	(13)	(95)	(51)
Proceeds from medium and long-term borrowings	17c	13	527	717
Repayment of medium and long-term borrowings	17c	(112)	(452)	(831)
Interest paid		(75)	(60)	(117)
Dividends paid to non-controlling interests	12	(40)	(17)	(18)
Dividends paid to equity holders of the parent companies	12	(86)	(36)	(54)
Purchases of treasury shares		(7)	(1)	(2)
Non-controlling interests bought out		(1)	(4)	(5)
Net realised loss on cash and asset management swaps		–	(61)	(48)
Other financing activities		2	–	–
<b>Net cash used in financing activities</b>		<b>(319)</b>	(199)	(409)
<b>Net decrease in cash and cash equivalents</b>		<b>(97)</b>	(88)	(4)
Cash and cash equivalents at beginning of financial period/year <sup>1</sup>	17c	24	37	37
Cash movement in the financial period/year	17c	(97)	(88)	(4)
Reclassification of discontinued operation	17c	(23)	–	–
Reclassification	17c	–	(1)	–
Effects of changes in foreign exchange rates	17c	3	(6)	(9)
<b>Cash and cash equivalents at end of financial period/year<sup>1</sup></b>		<b>(93)</b>	(58)	24

Note:

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

# Condensed combined and consolidated statement of changes in equity

for the six months ended 30 June 2011

€ million	Combined share capital and share premium <sup>1</sup>	Retained earnings	Other reserves <sup>2</sup>	Total attributable to equity holders of the parent companies	Non-controlling interests	Total equity
At 1 January 2010	646	1,743	10	2,399	425	2,824
Dividends paid	–	(36)	–	(36)	(17)	(53)
Total comprehensive income for the financial period	–	109	160	269	36	305
Issue of shares under employee share schemes	–	5	(5)	–	–	–
Purchases of treasury shares	–	(1)	–	(1)	–	(1)
Disposal of businesses	–	–	19	19	–	19
Non-controlling interests bought out	–	(1)	–	(1)	(3)	(4)
Other	–	–	3	3	–	3
At 30 June 2010	646	1,819	187	2,652	441	3,093
Dividends paid	–	(18)	–	(18)	(1)	(19)
Total comprehensive income for the financial period	–	115	17	132	39	171
Purchases of treasury shares	–	(1)	–	(1)	–	(1)
Disposal of businesses	–	–	(7)	(7)	(18)	(25)
Reclassification	–	1	(1)	–	–	–
Other	–	–	5	5	–	5
At 31 December 2010	646	1,916	201	2,763	461	3,224
Dividends paid	–	(86)	–	(86)	(40)	(126)
Total comprehensive income for the financial period	–	212	(74)	138	33	171
Issue of shares under employee share schemes	–	7	(7)	–	–	–
Purchases of treasury shares	–	(7)	–	(7)	–	(7)
Non-controlling interests bought out	–	1	–	1	(2)	(1)
Other	–	–	5	5	–	5
<b>At 30 June 2011</b>	<b>646</b>	<b>2,043</b>	<b>125</b>	<b>2,814</b>	<b>452</b>	<b>3,266</b>

Notes:

<sup>1</sup> After 30 June 2011, Mondi Limited's par value shares will be converted by special resolution to shares with no par value. As a result Mondi Limited's share capital and share premium will be combined into a stated capital account. The share consolidation described in notes 10 and 11 will have no impact on the share capital and stated capital of Mondi plc and Mondi Limited respectively.

<sup>2</sup> Other reserves consist of the share-based payment, cumulative translation adjustment, cash flow hedge, post-retirement benefit, merger and other sundry reserves.



# Notes to the condensed combined and consolidated financial statements

for the six months ended 30 June 2011

## 1 Basis of preparation

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

The condensed combined and consolidated half-yearly financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010, prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Group has also complied with South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice.

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and therefore the Group also complies with Article 4 of the EU IAS Regulation. The condensed combined and consolidated financial statements have been prepared on a going concern basis as discussed in the business review, under the heading 'Going concern'.

Comparative information has been re-presented where appropriate to reflect the discontinued operation of Mpact (previously Mondi Packaging South Africa) as described in note 9.

The information for the year ended 31 December 2010 does not constitute statutory accounts as defined by section 434 of the UK Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the UK Companies Act 2006.

## 2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

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

## 3 Seasonality

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

# Notes to the condensed combined and consolidated financial statements

continued

for the six months ended 30 June 2011

## 4 Operating segments

### Operating segment revenues

€ million	(Reviewed) Six months ended 30 June 2011			(Restated) (Reviewed) Six months ended 30 June 2010			(Restated) (Audited) Year ended 31 December 2010		
	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>	Segment revenue	Internal revenue <sup>1</sup>	External revenue <sup>2</sup>
Europe & International									
Uncoated Fine Paper	734	(13)	721	762	(75)	687	1,516	(129)	1,387
Corrugated	704	(34)	670	610	(26)	584	1,235	(59)	1,176
Bags & Coatings	1,319	(27)	1,292	1,060	(20)	1,040	2,226	(39)	2,187
Intra-segment elimination	(73)	73	–	(60)	60	–	(125)	125	–
<b>Total Europe &amp; International</b>	<b>2,684</b>	<b>(1)</b>	<b>2,683</b>	<b>2,372</b>	<b>(61)</b>	<b>2,311</b>	<b>4,852</b>	<b>(102)</b>	<b>4,750</b>
South Africa Division	269	(90)	179	276	(106)	170	580	(211)	369
Newsprint businesses	80	–	80	271	–	271	492	(1)	491
<b>Segments total</b>	<b>3,033</b>	<b>(91)</b>	<b>2,942</b>	<b>2,919</b>	<b>(167)</b>	<b>2,752</b>	<b>5,924</b>	<b>(314)</b>	<b>5,610</b>
Inter-segment elimination	(91)	91	–	(167)	167	–	(314)	314	–
<b>Group total</b>	<b>2,942</b>	<b>–</b>	<b>2,942</b>	<b>2,752</b>	<b>–</b>	<b>2,752</b>	<b>5,610</b>	<b>–</b>	<b>5,610</b>

Notes:

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

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

### External revenue by product type

€ million	(Reviewed) Six months ended 30 June 2011		(Restated) (Reviewed) Six months ended 30 June 2010		(Restated) (Audited) Year ended 31 December 2010	
	<b>Products</b>					
Corrugated products		686		596		1,212
Uncoated fine paper		684		674		1,351
Kraft paper & industrial bags		716		531		1,170
Coatings & consumer packaging		479		403		809
Pulp		125		104		247
Newsprint		123		104		221
Woodchips		25		39		76
Merchant		14		215		373
Other <sup>1</sup>		90		86		151
<b>Group total</b>		<b>2,942</b>		<b>2,752</b>		<b>5,610</b>

Note:

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

## 4 Operating segments (continued)

### External revenue by location of customer

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Revenue</b>			
Africa			
South Africa <sup>1</sup>	129	120	249
Rest of Africa	137	107	226
Africa total	266	227	475
Western Europe			
Germany	420	375	768
United Kingdom <sup>1</sup>	145	169	323
Rest of western Europe	821	727	1,474
Western Europe total	1,386	1,271	2,565
Emerging Europe	584	584	1,184
Russia	281	249	491
North America	130	111	234
South America	15	14	30
Asia and Australia	280	296	631
<b>Group total</b>	<b>2,942</b>	<b>2,752</b>	<b>5,610</b>

Note:

<sup>1</sup> These revenues, which total €274 million (six months ended 30 June 2010: €289 million; year ended 31 December 2010: €572 million), are attributable to the countries in which the Group's parent entities are domiciled.

### External revenue by location of production

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Revenue</b>			
Africa			
South Africa <sup>1</sup>	281	286	593
Rest of Africa	4	3	5
Africa total	285	289	598
Western Europe			
Austria	593	597	1,161
United Kingdom <sup>1</sup>	67	88	155
Rest of western Europe	572	463	997
Western Europe total	1,232	1,148	2,313
Emerging Europe			
Poland	406	335	711
Rest of emerging Europe	568	512	1,076
Emerging Europe total	974	847	1,787
Russia	355	322	617
North America	81	62	131
Asia and Australia	15	84	164
<b>Group total</b>	<b>2,942</b>	<b>2,752</b>	<b>5,610</b>

Note:

<sup>1</sup> These revenues, which total €348 million (six months ended 30 June 2010: €374 million; year ended 31 December 2010: €748 million), are attributable to the countries in which the Group's parent entities are domiciled.

# Notes to the condensed combined and consolidated financial statements

continued

for the six months ended 30 June 2011

## 4 Operating segments (continued)

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

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

€ million	(Reviewed)	(Restated)	(Restated)
	Six months ended 30 June 2011	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
Europe & International			
Uncoated Fine Paper	118	98	179
Corrugated	105	48	119
Bags & Coatings	128	55	133
Total Europe & International	351	201	431
South Africa Division	27	18	64
Newsprint businesses	(5)	1	(4)
Corporate & other businesses	(19)	(16)	(33)
<b>Segments total</b>	<b>354</b>	<b>204</b>	<b>458</b>
Special items from continuing operations (see note 6)	4	2	(21)
Net income from associates	2	2	2
Net finance costs	(60)	(42)	(106)
<b>Group profit before tax from continuing operations</b>	<b>300</b>	<b>166</b>	<b>333</b>

### Operating segment assets

€ million	(Reviewed)		(Restated)	(Restated)
	As at 30 June 2011		(Reviewed) As at 30 June 2010	(Audited) As at 31 December 2010
	Segment assets <sup>1</sup>	Net segment assets	Segment assets <sup>1</sup>	Net segment assets
Europe & International				
Uncoated Fine Paper	1,553	1,360	1,862	1,642
Corrugated	1,286	1,058	1,074	862
Bags & Coatings	1,839	1,398	1,720	1,318
Intra-segment elimination	(56)	–	(67)	–
Total Europe & International	4,622	3,816	4,589	3,822
South Africa Division	1,015	877	1,052	932
Newsprint businesses	130	100	148	108
Corporate & other businesses	10	10	18	18
Inter-segment elimination	(52)	–	(71)	–
<b>Segments total</b>	<b>5,725</b>	<b>4,803</b>	<b>5,736</b>	<b>4,880</b>
<b>Unallocated:</b>				
Discontinued operation	495	247	475	368
Investments in associates	12	12	6	6
Deferred tax assets/(liabilities)	11	(315)	31	(303)
Other non-operating assets/(liabilities) <sup>2</sup>	150	(312)	371	(259)
<b>Group trading capital employed</b>	<b>6,393</b>	<b>4,435</b>	<b>6,619</b>	<b>4,692</b>
Financial asset investments	31	31	33	33
Net debt	33	(1,200)	77	(1,632)
<b>Group assets</b>	<b>6,457</b>	<b>3,266</b>	<b>6,729</b>	<b>3,093</b>

Notes:

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

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

## 4 Operating segments (continued)

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

€ million	Additions to non-current non-financial assets <sup>1</sup>			Capital expenditure cash payments <sup>2</sup>		
	(Reviewed)	(Restated)	(Restated)	(Reviewed)	(Restated)	(Restated)
	Six months	(Reviewed)	(Audited)	Six months	(Reviewed)	(Audited)
	ended	Six months	Year	ended	Six months	Year
30 June	ended	ended	ended	ended	ended	
2011	30 June	31 December	2010	30 June	31 December	2010
Europe & International						
Uncoated Fine Paper	21	74	138	33	82	151
Corrugated	19	38	79	18	42	87
Bags & Coatings	53	45	102	43	35	92
<b>Total Europe &amp; International</b>	<b>93</b>	<b>157</b>	<b>319</b>	<b>94</b>	<b>159</b>	<b>330</b>
South Africa Division	34	28	71	13	9	28
Newsprint businesses	4	4	10	2	2	7
Corporate & other businesses	–	–	–	–	–	1
<b>Segments total</b>	<b>131</b>	<b>189</b>	<b>400</b>	<b>109</b>	<b>170</b>	<b>366</b>
<b>Unallocated:</b>						
Discontinued operation	18	14	28	17	14	28
<b>Group total</b>	<b>149</b>	<b>203</b>	<b>428</b>	<b>126</b>	<b>184</b>	<b>394</b>

Notes:

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

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

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

€ million	(Reviewed)	(Restated)	(Restated)
	Six months ended	(Reviewed)	(Audited)
	30 June 2011	Six months ended	Year ended
	30 June 2010	31 December 2010	
<b>Combined and consolidated income statement</b>			
<b>From continuing operations</b>			
Write-downs of inventories to net realisable value	(9)	(11)	(20)
Aggregate reversal of previous write-downs of inventories	4	2	4



# Notes to the condensed combined and consolidated financial statements

continued

for the six months ended 30 June 2011

## 6 Special items

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Operating special items from continuing operations</b>			
Asset impairments	–	(25)	(32)
Reversal of asset impairments	–	8	9
Restructuring and closure costs			
Restructuring and closure costs excluding related personnel costs	(1)	(1)	(14)
Personnel costs relating to restructuring	–	(2)	(24)
Reversal of restructuring and closure costs excluding related personnel costs	2	26	30
Reversal of personnel costs relating to restructuring	–	–	1
Gain on acquisition of business	–	31	34
<b>Total operating special items from continuing operations</b>	<b>1</b>	<b>37</b>	<b>4</b>
<b>Non-operating special items from continuing operations</b>			
Profit/(loss) on disposals	3	(22)	(11)
Impairment of assets held for sale	–	(13)	(14)
<b>Total non-operating special items from continuing operations</b>	<b>3</b>	<b>(35)</b>	<b>(25)</b>
<b>Total special items before tax and non-controlling interests</b>	<b>4</b>	<b>2</b>	<b>(21)</b>
Tax	–	4	6
Non-controlling interests	–	1	1
<b>Total special items attributable to equity holders of the parent companies</b>	<b>4</b>	<b>7</b>	<b>(14)</b>

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

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Europe &amp; International</b>			
Uncoated Fine Paper	2	10	5
Corrugated	3	(16)	(15)
Bags & Coatings	(1)	48	28
<b>Total Europe &amp; International</b>	<b>4</b>	<b>42</b>	<b>18</b>
<b>South Africa Division</b>			
Newsprint businesses	–	(14)	(10)
	–	(26)	(29)
<b>Group and segments total from continuing operations</b>	<b>4</b>	<b>2</b>	<b>(21)</b>

## 6 Special items (continued)

### Operating special items

A purchase price adjustment on the sale of the Szolnok site resulted in the reversal of previously recognised restructuring provisions of €2 million in the Europe & International Uncoated Fine Paper business.

Restructuring activities relating to the Polish industrial bag plant acquired from Smurfit Kappa UK Limited resulted in a €1 million charge in the Europe & International Bags & Coatings business.

### Non-operating special items

Finalisation of the sale of Frohnleiten and the UK corrugated plants resulted in a gain of €3 million being recognised in the Europe & International Corrugated business.

## 7 Finance costs

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>From continuing operations</b>			
Total interest expense	(74)	(74)	(152)
Less: interest capitalised	1	7	8
<b>Total finance costs from continuing operations</b>	<b>(73)</b>	<b>(67)</b>	<b>(144)</b>

## 8 Tax charge

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>From continuing operations</b>			
UK corporation tax at 26.5% (2010: 28%)	–	(1)	(2)
SA corporation tax at 28% (2010: 28%)	4	2	3
Overseas tax	51	52	74
<b>Current tax (including tax on special items from continuing operations)</b>	<b>55</b>	<b>53</b>	<b>75</b>
Deferred tax	4	(11)	7
<b>Total tax charge from continuing operations</b>	<b>59</b>	<b>42</b>	<b>82</b>

The Group's estimated effective annual rate of tax from continuing operations before special items for the six months ended 30 June 2011, calculated on profit before tax from continuing operations before special items and including net income from associates, is 20% (six months ended 30 June 2010: 28%; year ended 31 December 2010: 25%). The reduction in the effective tax rate from 28% to 20% is primarily due to increased profitability in regions with lower tax rates, and benefits from tax incentives granted in certain countries in which the Group operates, notably Poland.

# Notes to the condensed combined and consolidated financial statements

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for the six months ended 30 June 2011

### 9 Discontinued operation

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

Prior to the demerger (i) Mondi Limited and Shanduka Packaging Proprietary Limited (Shanduka Packaging) subscribed for new Mpact shares; (ii) certain shareholder loans made to Mpact were repaid using the cash proceeds received from the new share subscription and newly arranged borrowing facilities of Mpact; and (iii) the Mpact shares held by Mondi Limited's employee share ownership trust were acquired by the Mondi Group. The Mondi Group's shareholding in Mpact increased to 89.55% of the total number of Mpact shares in issue following these steps and Shanduka Packaging's shareholding reduced to 10.45%.

The resulting interest in Mpact held by the Mondi Group was distributed to Mondi Limited shareholders by way of the dividend in specie.

The dividend in specie declared to Mondi Limited shareholders will be measured at the fair value of the Mpact shares distributed, which was €201 million. The carrying value of the investment, immediately prior to distribution as a dividend in specie was approximately €170 million. The resulting gain on disposal of the business was approximately €31 million before related transaction costs. The demerger and disposal of Mpact was completed after 30 June 2011. The gain on disposal will be separately recognised as part of the discontinued operation in the second half of the year. The assets and associated liabilities of Mpact were classified as held for sale at 30 June 2011.

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

The Mondi Limited share consolidation was intended to have, as far as practicable, an equivalent but not necessarily identical economic effect on Mondi plc shareholders as the economic effect that the demerger will have on Mondi Limited shareholders.

The total number of new Mondi Limited ordinary shares held by Mondi Limited shareholders after the Mondi Limited share consolidation was determined by reference to the volume weighted average price (VWAP) of Mpact shares traded on the JSE, the VWAP of existing Mondi Limited ordinary shares traded on the JSE and the VWAP of Mondi plc ordinary shares traded on the London Stock Exchange plc (LSE) and JSE, in each case during the applicable VWAP determination period, being the nine business days from 11 July 2011 to 21 July 2011. The formula for determining the number of new Mondi Limited ordinary shares was designed to ensure that the benefit per Mondi plc ordinary share received by each Mondi plc shareholder as a result of the Mondi Limited share consolidation matched as closely as possible the value per Mondi Limited ordinary share received (in the form of Mpact shares) by each Mondi Limited shareholder pursuant to the demerger.

Following the conclusion of the VWAP determination period, the number of Mondi Limited shares in issue will reduce from 147 million to 118 million and the total number of Mondi shares in issue will reduce from 514 million to 486 million.

## 9 Discontinued operation (continued)

Mpact paid interest of €13 million (six months ended 30 June 2010: €13 million; year ended 31 December 2010: €28 million) to Mondi Limited in respect of intercompany financing provided. This interest is eliminated on consolidation and is thus not taken into consideration in the tables below.

The results of the discontinued operation, which have been included in the condensed combined and consolidated income statement for the six months ended 30 June 2011, were as follows:

<i>€ million</i>	<b>(Reviewed)</b> <b>Six months ended</b> <b>30 June 2011</b>	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
Revenue	296	281	618
Expenses	(283)	(270)	(579)
<b>Profit before tax</b>	<b>13</b>	11	39
Related tax charge	–	–	(5)
<b>Profit after tax from discontinued operation</b>	<b>13</b>	11	34
Attributable to:			
Non-controlling interests	–	–	2
Equity holders of the parent companies	<b>13</b>	11	32

Mpact contributed the following cash flows to the Group:

<i>€ million</i>	<b>(Reviewed)</b> <b>Six months ended</b> <b>30 June 2011</b>	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
Net cash generated from operating activities	31	27	69
Net cash used in investing activities	(17)	(13)	(29)
Net cash generated from/(used in) financing activities	13	(7)	(36)

Earnings per share from the discontinued operation are presented as follows (see note 10):

<i>€ cents per share</i>	<b>(Reviewed)</b> <b>Six months ended</b> <b>30 June 2011</b>	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
<b>Profit from discontinued operation for the financial period/year attributable to equity holders of the parent companies</b>			
Basic EPS	<b>2.6</b>	2.2	6.3
Diluted EPS	<b>2.5</b>	2.2	6.2

# Notes to the condensed combined and consolidated financial statements

## continued

for the six months ended 30 June 2011

### 9 Discontinued operation (continued)

Details of the disposal group and assets held for sale of the discontinued operation are presented as follows:

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011
Intangible assets	68
Property, plant and equipment	195
Investments in associates	5
Financial asset investments	1
Deferred tax assets	3
Retirement benefits surplus	1
<b>Total non-current assets</b>	<b>273</b>
Inventories	74
Trade and other receivables	125
Cash and cash equivalents	23
<b>Total current assets</b>	<b>222</b>
<b>Total assets classified as held for sale</b>	<b>495</b>
Short-term borrowings	(15)
Trade and other payables	(99)
Current tax liabilities	(1)
<b>Total current liabilities</b>	<b>(115)</b>
Medium and long-term borrowings	(119)
Retirement benefits obligation	(7)
Deferred tax liabilities	(1)
Derivative financial instruments	(2)
Other non-current liabilities	(4)
<b>Total non-current liabilities</b>	<b>(133)</b>
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>(248)</b>
<b>Net assets</b>	<b>247</b>

### 10 Earnings per share

#### (a) From continuing operations

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

As more fully described in note 9, the share consolidation is the matching action to compensate Mondi plc shareholders for the dividend in specie declared to Mondi Limited shareholders. IFRS requires that the number of shares subject to the consolidation be adjusted from the effective date of the consolidation, and thus the number of shares in issue is unchanged at 30 June 2011. Hence, for the period under review no account is taken of the share consolidation.



## 10 Earnings per share (continued)

<i>€ cents per share</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Profit from continuing operations for the financial period/year attributable to equity holders of the parent companies</b>			
Basic EPS	39.0	19.3	37.8
Diluted EPS	38.5	19.0	37.4
<b>Underlying earnings for the financial period/year<sup>1</sup></b>			
Basic EPS	38.2	17.9	40.6
Diluted EPS	37.7	17.7	40.1

Note:

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

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

<i>€ million</i>	Earnings		
	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Profit for the financial period/year attributable to equity holders of the parent companies</b>	212	109	224
Profit from discontinued operation (see note 9)	(13)	(11)	(39)
Related tax (see note 9)	–	–	5
Related non-controlling interests (see note 9)	–	–	2
<b>Profit from continuing operations for the financial period/year attributable to equity holders of the parent companies</b>	199	98	192
Special items from continuing operations (see note 6)	(4)	(2)	21
Related tax (see note 6)	–	(4)	(6)
Related non-controlling interests (see note 6)	–	(1)	(1)
<b>Underlying earnings for the financial period/year<sup>1</sup></b>	195	91	206

Note:

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

<i>million</i>	Number of shares		
	(Reviewed) As at 30 June 2011	(Reviewed) As at 30 June 2010	(Audited) As at 31 December 2010
<b>Basic number of ordinary shares outstanding prior to Mondi Limited share consolidation<sup>1</sup></b>	510	508	508
Effect of dilutive potential ordinary shares <sup>2</sup>	7	7	6
<b>Diluted number of ordinary shares outstanding prior to Mondi Limited share consolidation</b>	517	515	514

Notes:

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

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

# Notes to the condensed combined and consolidated financial statements

## continued

for the six months ended 30 June 2011

### 10 Earnings per share (continued)

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

<i>€ cents per share</i>	(Reviewed) Six months ended 30 June 2011	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
<b>Profit for the financial period/year attributable to equity holders of the parent companies</b>			
Basic EPS	41.6	21.5	44.1
Diluted EPS	41.0	21.2	43.6
<b>Headline earnings for the financial period/year<sup>1</sup></b>			
Basic EPS	39.4	24.8	47.0
Diluted EPS	38.9	24.5	46.5

Note:

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

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

<i>€ million</i>	Earnings		
	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Profit for the financial period/year attributable to equity holders of the parent companies</b>	<b>212</b>	109	224
Special items	(4)	(2)	21
Special items: restructuring and closure costs	1	23	(7)
Remeasurements related to the discontinued operation <sup>1</sup>	–	1	1
Profit on disposal of tangible and intangible assets	(6)	(1)	(1)
Impairments not included in special items	–	–	6
Related tax	(2)	(3)	(4)
Related non-controlling interests	–	(1)	(1)
<b>Headline earnings for the financial period/year</b>	<b>201</b>	126	239

Note:

<sup>1</sup> Remeasurements as defined in Circular 3/2009, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

### 11 Alternative measure of earnings per share

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

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

## 11 Alternative measure of earnings per share (continued)

€ million	Earnings		
	(Reviewed)	(Restated)	(Restated)
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
<b>Underlying earnings for the financial period/year<sup>1</sup></b>	<b>195</b>	91	206
Tax saving by Mondi Limited on intercompany interest received from Mpack <sup>2</sup>	4	4	8
Saving of interest paid on net debt at 8.6% per annum	3	3	7
Tax at 28% on saving of interest paid	(1)	(1)	(2)
<b>Adjusted earnings for the financial period/year</b>	<b>201</b>	97	219

Notes:

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

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

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

million	Number of shares		
	(Reviewed)	(Restated)	(Restated)
	As at 30 June 2011	As at 30 June 2010	As at 31 December 2010
<b>Basic number of ordinary shares outstanding prior to Mondi Limited share consolidation</b>	<b>510</b>	508	508
Effect of Mondi Limited share consolidation <sup>1</sup>	(28)	(28)	(28)
<b>Basic number of ordinary shares outstanding after Mondi Limited share consolidation<sup>2</sup></b>	<b>482</b>	480	480
Effect of dilutive potential ordinary shares <sup>3</sup>	6	6	5
<b>Diluted number of ordinary shares outstanding after Mondi Limited share consolidation</b>	<b>488</b>	486	485

Notes:

<sup>1</sup> The actual number of shares subject to consolidation was 29 million. These figures represent the proportionate adjustment calculated in relation to the weighted average number of shares in issue.

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

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

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

€ cents per share	Earnings		
	(Reviewed)	(Restated)	(Restated)
	Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
<b>Earnings per share – alternative measure for the financial period/year</b>			
Basic EPS – alternative measure	<b>41.7</b>	20.2	45.6
Diluted EPS – alternative measure	<b>41.2</b>	20.0	45.2

# Notes to the condensed combined and consolidated financial statements

## continued

for the six months ended 30 June 2011

### 12 Dividends

The dividend in specie declared to Mondi Limited shareholders after 30 June 2011, as discussed in note 9, will be measured at the fair value of the Mpack shares distributed, which was €201 million. The interim dividend proposed for the six months ended 30 June 2011 is calculated based on the combined total of the new Mondi Limited ordinary shares in issue after the Mondi Limited share consolidation, and the Mondi plc ordinary shares in issue as at 30 June 2011.

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

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
Interim dividend paid	–	–	18
Final dividend paid (in respect of prior year)	86	36	36
<b>Interim dividend proposed for the six months ended 30 June<sup>1</sup></b>	<b>40</b>	18	–
Final dividend proposed for the year ended 31 December <sup>1</sup>	–	–	84
Paid to non-controlling interests	40	17	18

Note:

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

<i>€ cents per share</i>	(Reviewed) Six months ended 30 June 2011	(Reviewed) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
Interim dividend paid	–	–	3.5
Final dividend paid (in respect of prior year)	16.5	7.0	7.0
<b>Interim dividend proposed for the six months ended 30 June</b>	<b>8.25</b>	3.5	–
Final dividend proposed for the year ended 31 December	–	–	16.5

### 13 Retirement benefits

There were no significant curtailments, settlements or other significant one-time events relating to the Group's defined benefit schemes, post-retirement medical plans or statutory retirement obligations during the six months ended 30 June 2011.

All assumptions of the Group's material defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually and the remaining Group defined benefit schemes and unfunded statutory retirement obligations were re-assessed in aggregate for the six months ended 30 June 2011. The net retirement benefit obligation decreased by €16 million mainly due to an exchange rate impact of €9 million and a transfer of the discontinued operation to be classified as held for sale of €6 million. The assets backing the defined benefit scheme liabilities reflect their market values as at 30 June 2011. Any movements in the assumptions have been recognised as an actuarial movement in the condensed combined and consolidated statement of comprehensive income.

## 14 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.

	(Reviewed) As at 30 June 2011	(Reviewed) As at 30 June 2010	(Audited) As at 31 December 2010
Net asset value per share (€)	6.40	6.07	6.33
Tangible net asset value per share (€)	5.93	5.45	5.71

## 15 Business combinations

There were no major acquisitions made for the six months ended 30 June 2011.

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

<i>€ million</i>	Book value	Revaluation	Fair value
<b>Net assets acquired:</b>			
Intangible assets	1	4	5
Property, plant and equipment	12	(8)	4
Inventories	5	–	5
Trade and other receivables	9	–	9
Trade and other payables	(6)	–	(6)
Short-term borrowings	(4)	–	(4)
Medium and long-term borrowings	(1)	–	(1)
<b>Net assets acquired</b>	<b>16</b>	<b>(4)</b>	<b>12</b>
Goodwill arising on acquisition			1
<b>Total cost of acquisition</b>			<b>13</b>
Debt consideration			(1)
<b>Net cash paid</b>			<b>12</b>

## 16 Disposal groups and assets held for sale

Other than the discontinued operation and associated disposal group held for sale disclosed in note 9, there were no major disposal groups or assets held for sale as at 30 June 2011.

# Notes to the condensed combined and consolidated financial statements

continued

for the six months ended 30 June 2011

## 17 Consolidated cash flow analysis

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

<i>€ million</i>	(Reviewed) Six months ended 30 June 2011	(Restated) (Reviewed) Six months ended 30 June 2010	(Restated) (Audited) Year ended 31 December 2010
<b>Profit before tax from continuing operations</b>	<b>300</b>	166	333
Depreciation and amortisation	172	167	340
Share-based payments	5	3	7
Non-cash effect of special items	(13)	(8)	11
Net finance costs	60	41	105
Net income from associates	(2)	(2)	(2)
Decrease in provisions and post-employment benefits	(15)	(5)	(3)
Increase in inventories	(104)	(66)	(102)
Increase in operating receivables	(134)	(187)	(127)
Increase in operating payables	95	116	119
Fair value gains on forestry assets	(23)	(16)	(36)
Felling costs	34	32	65
Profit on disposal of tangible and intangible assets	(6)	(1)	(1)
Other adjustments	2	(2)	(4)
<b>Cash generated from continuing operations</b>	<b>371</b>	238	705
Cash generated from discontinued operation	32	31	73
<b>Cash generated from operations</b>	<b>403</b>	269	778

### (b) Cash and cash equivalents

<i>€ million</i>	(Reviewed) As at 30 June 2011	(Reviewed) As at 30 June 2010	(Audited) As at 31 December 2010
Cash and cash equivalents per condensed combined and consolidated statement of financial position	33	77	83
Bank overdrafts included in short-term borrowings	(126)	(135)	(59)
<b>Net cash and cash equivalents per condensed combined and consolidated statement of cash flows</b>	<b>(93)</b>	(58)	24



## 17 Consolidated cash flow analysis (continued)

### (c) Movement in net debt

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

€ million	Cash and cash equivalents <sup>1</sup>	Debt due within one year <sup>2</sup>	Debt due after one year	Total net debt
At 1 January 2010	37	(133)	(1,421)	(1,517)
Cash flow	(88)	95	(75)	(68)
Business combinations	–	(1)	–	(1)
Disposal of businesses	–	5	–	5
Movement in unamortised loan costs	–	–	(2)	(2)
Reclassification	(1)	(33)	40	6
Currency movements	(6)	(15)	(34)	(55)
At 30 June 2010	(58)	(82)	(1,492)	(1,632)
Cash flow	84	(44)	189	229
Disposal of businesses	–	18	52	70
Movement in unamortised loan costs	–	–	(2)	(2)
Reclassification	1	(240)	233	(6)
Currency movements	(3)	(3)	(17)	(23)
At 31 December 2010	24	(351)	(1,037)	(1,364)
Cash flow	(97)	–	112	15
Business combinations	–	(4)	(1)	(5)
Movement in unamortised loan costs	–	–	(3)	(3)
Reclassification of discontinued operation	(23)	15	119	111
Reclassification	–	(39)	39	–
Currency movements	3	20	23	46
<b>At 30 June 2011</b>	<b>(93)</b>	<b>(359)</b>	<b>(748)</b>	<b>(1,200)</b>

Notes:

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

<sup>2</sup> Excludes overdrafts, which are included as cash and cash equivalents. As at 30 June 2011, short-term borrowings on the condensed combined and consolidated statement of financial position of €458 million (as at 30 June 2010: €217 million; as at 31 December 2010: €410 million) include €126 million of overdrafts (as at 30 June 2010: €135 million; as at 31 December 2010: €59 million).

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

€ million	(Reviewed) As at 30 June 2011	(Reviewed) As at 30 June 2010	(Audited) As at 31 December 2010
<b>Expiry date</b>			
In one year or less	39	211	44
In more than one year	742	1,147	1,437
<b>Total credit available</b>	<b>781</b>	<b>1,358</b>	<b>1,481</b>

# Notes to the condensed combined and consolidated financial statements

continued

for the six months ended 30 June 2011

## 18 Capital commitments

€ million	(Reviewed)	(Reviewed)	(Audited)
	As at 30 June 2011	As at 30 June 2010	As at 31 December 2010
Contracted for but not provided	122	184	98
Approved, not yet contracted for	182	200	316

The maturity of these capital commitments is:

€ million	(Reviewed)	(Reviewed)	(Audited)
	As at 30 June 2011	As at 30 June 2010	As at 31 December 2010
Within one year	237	242	296
One to two years	58	47	77
Two to five years	9	91	39
After five years	–	4	2
<b>Total capital commitments</b>	<b>304</b>	<b>384</b>	<b>414</b>

## 19 Contingent liabilities and contingent assets

Contingent liabilities comprise aggregate amounts as at 30 June 2011 of €19 million (as at 30 June 2010: €20 million; as at 31 December 2010: €20 million) in respect of loans and guarantees given to banks and other third parties. Acquired contingent liabilities of €nil (six months ended 30 June 2010: €nil; year ended 31 December 2010: €nil) have been recorded on the Group's condensed combined and consolidated statement of financial position.

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 30 June 2011 of €nil (as at 30 June 2010: €5 million; as at 31 December 2010: €1 million).

## 20 Related party transactions

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

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

There have been no significant changes to the related parties as disclosed in note 38 of the Group's annual financial statements for the year ended 31 December 2010.

Dividends received from associates for the six months ended 30 June 2011 amount to €nil (six months ended 30 June 2010: €2 million; year ended 31 December 2010: €2 million).

## 21 Events occurring after 30 June 2011

The following events have occurred subsequent to 30 June 2011:

- Mpack (previously called Mondi Packaging South Africa) demerger (see note 9);
- Mondi Limited share consolidation (see notes 9 to 11); and
- Proposed interim dividend (see note 12).

# Production statistics

## Production statistics

		Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
<b>Europe &amp; International</b>				
Uncoated fine paper	Tonnes	712,886	790,748	1,524,225
Containerboard	Tonnes	991,970	1,008,305	1,939,935
Kraft paper	Tonnes	535,238	466,156	984,607
Hardwood pulp	Tonnes	527,889	474,700	935,628
Internal consumption	Tonnes	496,518	451,524	825,664
External	Tonnes	31,371	23,176	109,964
Softwood pulp	Tonnes	1,011,757	935,783	1,899,518
Internal consumption	Tonnes	934,588	856,279	1,688,472
External	Tonnes	77,169	79,504	211,046
Corrugated board and boxes	Mm <sup>2</sup>	609	713	1,308
Industrial bags	M units	2,050	1,858	3,850
Coating and release liners	Mm <sup>2</sup>	1,797	1,601	3,187
Newsprint	Tonnes	97,931	98,051	197,601
<b>South Africa Division</b>				
Uncoated fine paper	Tonnes	114,686	152,663	276,957
Containerboard	Tonnes	126,516	128,830	259,785
Hardwood pulp	Tonnes	282,284	287,417	589,186
Internal consumption	Tonnes	153,402	162,785	366,170
External	Tonnes	128,882	124,632	223,016
Softwood pulp	Tonnes	58,646	56,885	112,956
Woodchips	Bone dry tonnes	101,454	129,516	280,154
<b>Newsprint Joint Ventures (attributable share)</b>				
Aylesford	Tonnes	95,955	92,575	187,971
Mondi Shanduka Newsprint (MSN)	Tonnes	61,548	64,976	126,530

## Exchange rates

		Six months ended 30 June 2011	Six months ended 30 June 2010	Year ended 31 December 2010
<b>Closing rates against the euro</b>				
South African rand		<b>9.86</b>	9.38	8.86
Pounds sterling		<b>0.90</b>	0.82	0.86
Polish zloty		<b>3.99</b>	4.15	3.97
Russian rouble		<b>40.40</b>	38.28	40.82
US dollar		<b>1.45</b>	1.23	1.34
Czech koruna		<b>24.34</b>	25.69	25.06
Turkish lira		<b>2.35</b>	1.94	2.07
<b>Average rates for the period against the euro</b>				
South African rand		<b>9.69</b>	9.99	9.70
Pounds sterling		<b>0.87</b>	0.87	0.86
Polish zloty		<b>3.95</b>	4.00	3.99
Russian rouble		<b>40.14</b>	39.88	40.27
US dollar		<b>1.40</b>	1.33	1.33
Czech koruna		<b>24.35</b>	25.72	25.29
Turkish lira		<b>2.21</b>	2.02	2.00

# Shareholder information

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

## Registrars

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

	<b>Mondi Limited shares and Mondi plc shares on the South African branch register</b>	<b>Mondi plc shares</b>
Registrar	Link Market Services South Africa (Proprietary) Limited	Capita Registrars
Postal address	PO Box 4844 Johannesburg South Africa	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK
Helpline number	011 713 0800 (if calling from South Africa)  +27 11 713 0800 (if calling from outside South Africa)	0871 664 0300 (if calling from the UK; calls cost 10p per minute plus network extras; lines are open Mon-Fri 8.30am to 5.30pm)  +44 208 639 3399 (if calling from outside the UK)

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

## Financial calendar

13 September 2011	Payment date for 2011 interim dividend (see below)
31 October 2011	Interim management statement
22 February 2012	2011 preliminary results announcement
3 May 2012	2012 annual general meetings

## Dividends

### Dividend payments

A final dividend for the year ended 31 December 2010 of 161.32545 rand cents or 16.5 euro cents per share was paid on 12 May 2011 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 15 April 2011.

## Dividends (continued)

### Dividend timetable

The interim dividend for the year ending 31 December 2011 of 8.25 euro cents per share will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
<b>Last date to trade shares cum-dividend</b> JSE Limited London Stock Exchange	12 August 2011 Not applicable	12 August 2011 16 August 2011
<b>Shares commence trading ex-dividend</b> JSE Limited London Stock Exchange	15 August 2011 Not applicable	15 August 2011 17 August 2011
<b>Record date</b> JSE Limited London Stock Exchange	19 August 2011 Not applicable	19 August 2011 19 August 2011
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	25 August 2011	25 August 2011
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	26 August 2011	19 August 2011*
<b>Payment date</b> South African Register UK Register	13 September 2011 Not applicable	13 September 2011 13 September 2011
DRIP purchase settlement dates	20 September 2011	16 September 2011**
<b>Currency conversion dates</b> ZAR/euro Euro/sterling	28 July 2011 Not applicable	28 July 2011 26 August 2011

\* 26 August 2011 for Mondi plc South African branch register shareholders

\*\* 20 September 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 15 August 2011 and 21 August 2011, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 10 August 2011 and 21 August 2011, both dates inclusive.

Please note that following the demerger of Mpack Limited and the Mondi Limited consolidation, with effect from Monday, 1 August 2011, Mondi Limited ordinary shares will trade on the JSE under the new ISIN ZAE000156550 and the same JSE code MND.

### Dividend currency

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

Mondi Limited	South African rand
Mondi plc	euro
Mondi plc (UK residents)	Pounds sterling
Mondi plc (South African residents)	South African rand

# Shareholder information continued

## Dividends (continued)

### Dividend mandate

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

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

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

### Dividend reinvestment plans

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

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

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

## Account amalgamations

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

## Fraudulent transactions

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

## Alternative formats

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

# Glossary of financial terms

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

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



## Forward-looking statements

This document includes 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, on page 6. These forward-looking statements speak only as of the date on which they are made. Mondi expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Mondi's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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