mondi

Mondi Group
Integrated report
and financial statements 2013

The Mondi Group

Mondi is an international packaging and paper Group, employing 24,400 people in production facilities across 30 countries. In 2013, Mondi had revenues of €6.5 billion and a return on capital employed (ROCE) of 15.3%. The Group's key operations are located in central Europe, Russia, the Americas and South Africa.

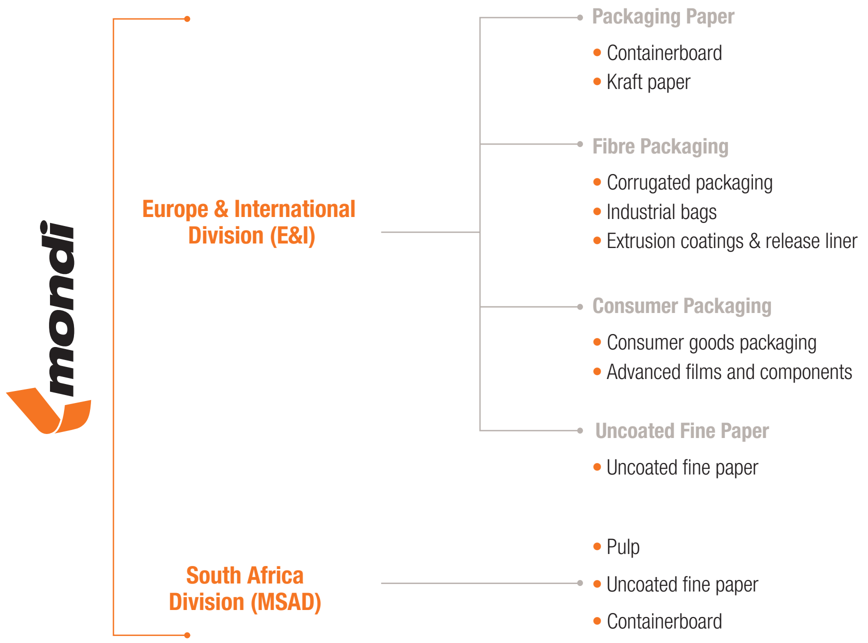
The Mondi Group is fully integrated across the packaging and paper value chain – from the management of its own forests and the production of pulp and paper (packaging paper and uncoated fine paper), to the conversion of packaging paper into corrugated packaging, industrial bags, extrusion coatings and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

Mondi has a dual listed company structure, with a primary listing on the JSE Limited for Mondi Limited under the ticker code MND and a premium listing on the London Stock Exchange for Mondi plc, under the ticker code MNDI. The Group's performance, and the responsible approach it takes to good business practice, has been recognised by its inclusion in the FTSE4Good Global, European and UK Index Series (since 2008) and the JSE's Socially Responsible Investment (SRI) Index since 2007.

QUOTE

We're passionate about performance. Making it work. Efficiently. Effectively. Profitably.

Group structure



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OUR 2013
SUITE OF REPORTS

This year our suite of reports consists of our Integrated report and financial statements, our printed positioning document on sustainability issues, *Sharing our sustainable future,* and our sustainable development report, which is available online.

IR

Integrated report and financial statements 2013

In this report we review our strategy and performance in 2013. This report is also available online at → www.mondigroup.com/ir13.

SSF

Sharing our sustainable future 2013

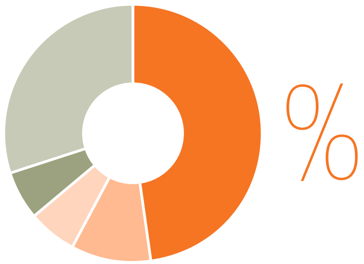
This positioning document provides an insight into what sustainable development means to Mondi and how our goals are established within the framework of our global context. It is available as a downloadable pdf at → www.mondigroup.com/ssf13.

SD

Online sustainable development report 2013

This report expands on the information provided in *Sharing our sustainable future* by giving a comprehensive view of our approach to sustainable development and our performance in 2013 with regards to environmental, social and governance issues. This report is prepared in accordance with the Global Reporting Initiative (GRI) G3 guidelines to a B+ level with selected key performance indicators verified by an independent third party assurance provider – ERM Certification and Verification Services (ERM CVS) – and is available online at → www.mondigroup.com/sd13.

2013 at a glance

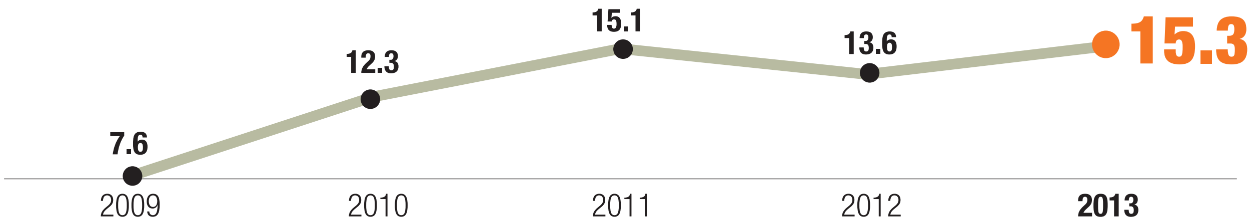


48 Employees
10 Providers of equity capital
6 Providers of loan capital
6 Direct taxes paid
30 Reinvested in the Group

Distribution of €1,998 million value added

Revenue of **€6.5 billion**

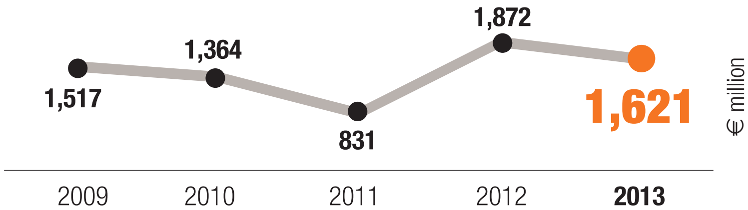
Return on capital employed *(%)*



Earnings per share up 37%

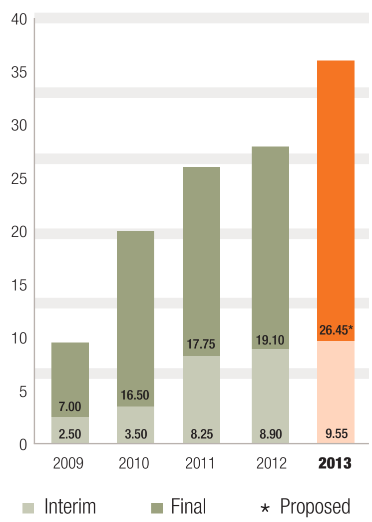
Underlying earnings of 95 euro cents per share

Net debt

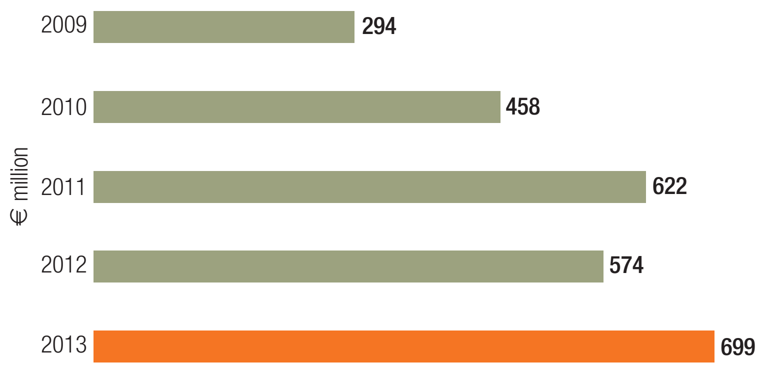


Dividends

(€ cents per share)



Underlying operating profit

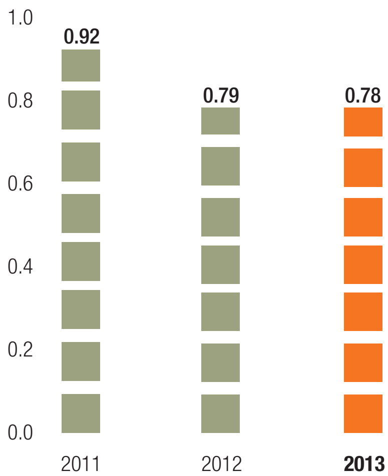


QUOTE

Our low-cost position, exposure to higher growth markets, and ongoing focus on operational excellence has enabled us to deliver a record financial performance, generating ROCE of 15.3%.

Total recordable case rate (TRCR)

per 200,000 hours worked



24,400 employees in 30 countries

Revenue by Business Unit

%

Packaging Paper	28
Fibre Packaging	28
Consumer Packaging	16
Uncoated Fine Paper	19
Mondi South Africa Division	9

€431 million

committed to **green energy** related projects between 2011 and 2016

QUOTE

This integrated report provides the reader with a holistic overview of how Mondi manages the relationship between risk, strategy and operational performance, with the aim of ensuring the long-term value of the business.

Świecie, Poland

Chairmen's letter

David Williams

Fred Phaswana

Joint chairmen

KEY FACTS

ROCE of **15.3%**

Underlying operating profit of
€699 million

Basic underlying earnings of
95 euro cents per share

For a more detailed discussion on our sustainability performance and the work done within Mondi to provide a sustainable future for our Group and our stakeholders, see SSF Sharing our sustainable future and our SD Sustainable development report 2013

Dear shareholder

A year of consolidation and development

2013 has been another successful year for Mondi despite global economic uncertainty and increased competition in some areas of the business. The Group delivered record results and made significant headway on its strategic initiatives. A full year's contribution and synergies from the large acquisitions made in 2012, ongoing cost containment, as well as the benefits from the capital expenditure programme all contributed to what was a great year for consolidating and building on the inherent strengths of the organisation. The Group's strong profitability and continued focus on performance is reflected in a ROCE of 15.3%.

Mondi's focus is increasingly on the development of our packaging businesses, with a bias towards emerging markets. We continue to work with customers to develop smarter, more cost-effective processes and to find inventive, innovative, advanced solutions that deliver exceptional value. Investing in green energy is important to the Group's ongoing success and we have committed to various related projects at several of our large operations. In 2013, we made good progress with integrating and optimising the significant acquisitions made towards the end of 2012.

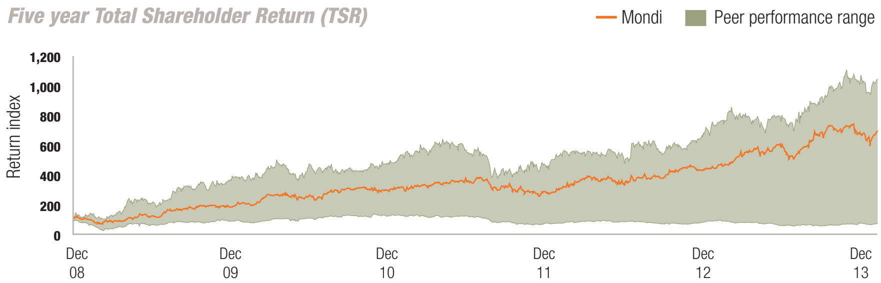
Regular dialogue with shareholders is intended to facilitate a clear understanding of the progress we are making on our strategic imperatives. In 2013 Mondi held a number of investor and analyst events, including results presentations, road shows and one-on-one meetings. The Group also hosted a well-received Capital Markets Day in London in September where the executive directors, together with other key senior management (including business unit heads and innovation managers) shared insights into the Mondi business.

Chairmen's letter continued

Creating sustainable value

The Boards are committed to delivering shareholder value. We are confident in Mondi's strategy and in the executive team's ability to execute it. The Group's financial results and strong share price performance serve to reinforce the validity of our strategic decisions.

It is also encouraging that Mondi's share price has performed favourably over the past five years, both in absolute terms and against our peers.



The record financial performance and strong cash generation enabled the Group to further strengthen its financial position in 2013. In line with the Boards' aim to offer shareholders long-term dividend growth within a targeted dividend cover range of two to three times, on average, over the cycle, we are pleased to recommend an increase in the final dividend. The boards of Mondi Limited and Mondi plc have recommended a final dividend of 26.45 euro cents per share (2012: 19.1 euro cents per share). Together with the interim dividend of 9.55 euro cents per share, this amounts to a total dividend for the year of 36 euro cents per share.

The boards of Mondi Limited and Mondi plc strive to achieve the highest standards of corporate governance and best practice, and are committed to the principles of transparency, integrity and accountability.

The financial statements included in this report are audited by independent auditors Deloitte and selected key performance indicators assured by ERM CVS.

IR *An overview of key performance statistics is presented on pages 2 and 3 and a high-level outline overview of how Mondi continued to deliver on its long-term strategy in 2013 is presented on pages 14 – 17 of this report*

Mondi was again recognised for strong sustainability performance in 2013, from being recognised as an advanced level reporter under the UN Global Compact (UNGC) to receiving the Best Sustainability and Stakeholder Disclosure – FTSE250 award from the Institute of Chartered Secretaries and Administrators (ICSA).

Mondi is committed to creating sustainable value in the following ways:

- investing in the long-term growth and development of our business;
- finding inventive, innovative, advanced solutions that meet our customers' needs;
- following our customers into high-growth emerging markets, where together we can offer cutting-edge products that deliver exceptional value;
- focusing on achieving best practice and complying with regulatory standards;
- creating and sustaining valuable and meaningful employment, recognising diversity and creating a working environment where opportunities unfold for our people;
- working diligently to ensure the safety and well-being of our employees and contractors;
- minimising our contribution to climate change;
- active stewardship of our land and freshwater ecosystems to maintain biodiversity;
- sustainable forest management through credible certification and chain-of-custody along the supply chain;
- enhancing the eco-efficiency of Mondi products through resource efficiency and responsible use of materials throughout their life-cycles; and
- contributing to the development of people and communities at and around our operations.

An outstanding team of people

People make Mondi – their talent, knowledge, integrity, commitment and passion for performance shines through at all levels of the organisation. Considering the challenging economic environments many of our businesses continue to face, Mondi's leaders are truly inspirational in the way they find solutions and deliver value in a responsible way. On behalf of the Boards, we extend heartfelt thanks to the executive committee and all of Mondi's people for being so determined, innovative and willing to go the extra mile.

Fred Phaswana
Joint chairman

David Williams
Joint chairman

MESSAGE FROM DAVID WILLIAMS

Cyril Ramaphosa stepped down as joint chairman at the conclusion of the Group's annual general meetings on 3 May 2013. On behalf of the Boards, I would like to thank Cyril for his significant contribution to the Mondi Group and wish him well with his future plans. Fred Phaswana was appointed as the joint chairman of the Mondi Group and a member of the DLC nominations committee on 1 June 2013. The Mondi Group Boards and I are delighted that Fred has joined us. He brings extensive experience in board and senior business leadership roles and his knowledge of the South African business environment is of particular benefit to Mondi.

Our clear and consistent strategy is delivering industry-leading performance.

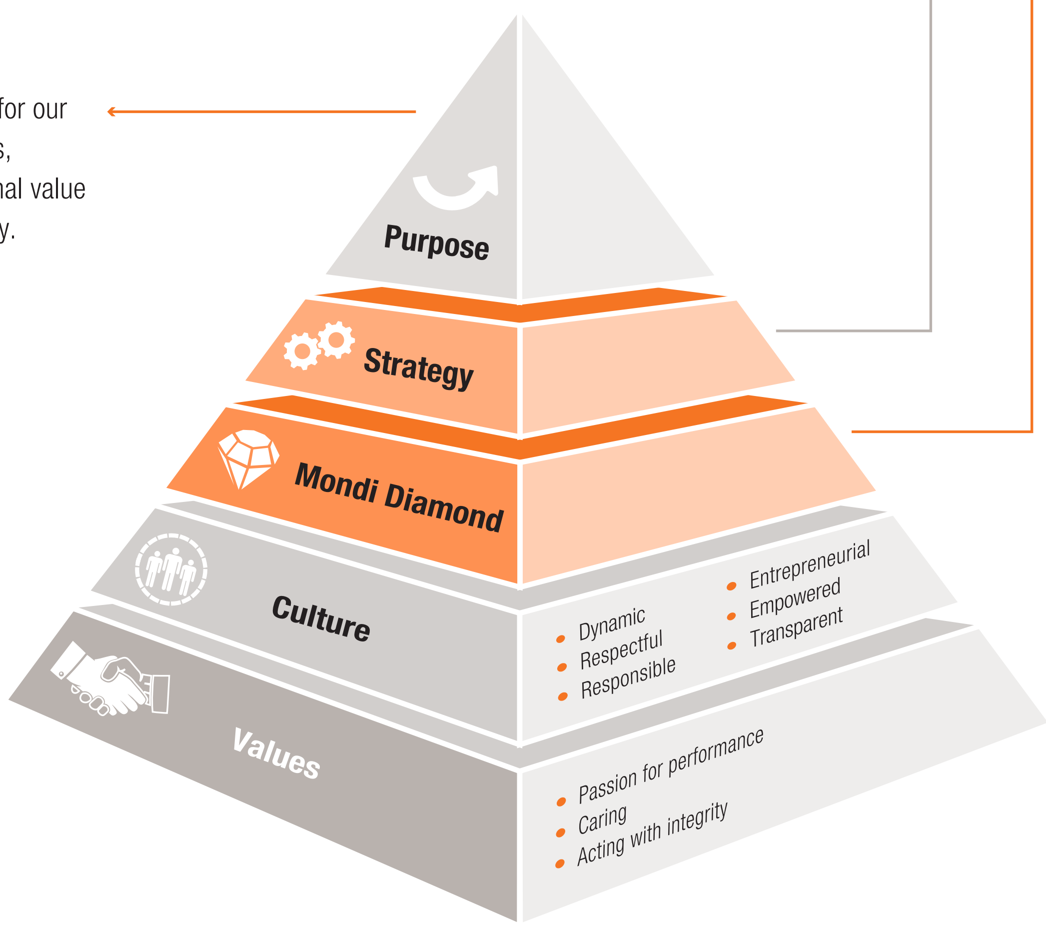
STRATEGIC REPORT

Our business model

We use the Mondi Way to visualise how our purpose, strategy and operational framework fit together, underpinned by our shared culture and values. This framework guides the way in which we work, facilitating an understanding of how each and every Mondi employee contributes to our sustainable value creation.

The Mondi Way

To create solutions for our customers' success, delivering exceptional value in a sustainable way.

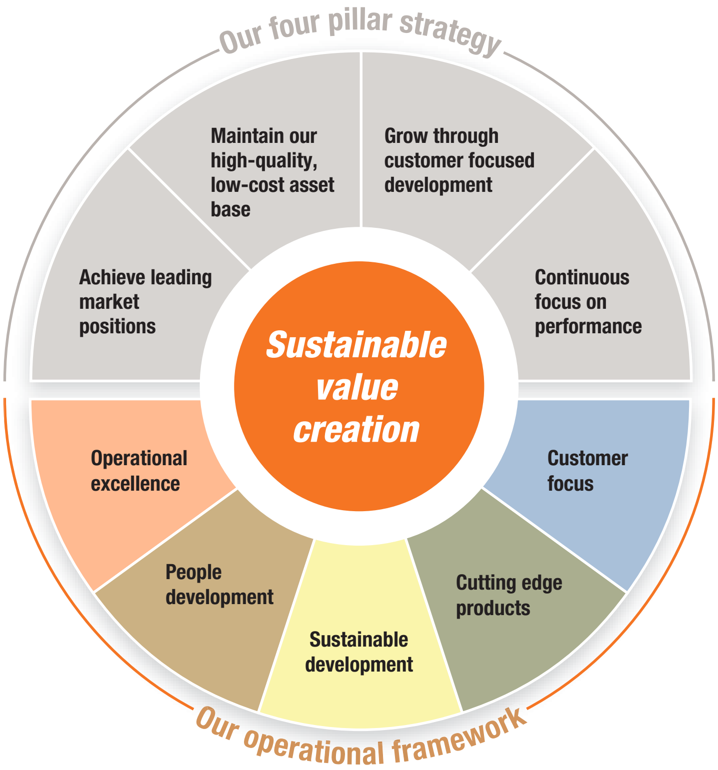


Risk management

Our risk management framework helps us to identify risks and ensure that mitigation plans are in place for risks with a high likelihood of occurrence and/or potential impact. Further details are set out in the following pages and in the DLC audit committee report on pages 66 to 68.

Strategy

We aim to exceed our 13% hurdle rate of return on capital employed through the business cycle, thus creating value for our shareholders. Our clear and consistent strategy demonstrates the required combination of focus and flexibility to deliver results. For more information on our strategic framework, see pages 14 – 17.



The Mondi Diamond

Our operational framework, the Mondi Diamond, focuses on five elements that drive our performance across all areas of our business.

Operational excellence

Our benchmarking, processes and monitoring systems are designed to continuously improve productivity, quality, reliability and cost competitiveness across our business.

Focus areas
- Maximising equipment and process efficiencies
- Delivering on quality and productivity expectations
- Improving cost competitiveness

People development

For us to succeed as a globally competitive organisation, we need skilled, trained and committed people, who are able to undertake jobs safely and productively as they fulfil their potential.

Focus areas
- Inspiring and developing people
- Promoting excellence in leadership
- Shaping our culture as we embrace diversity

Sustainable development

Sound principles governing safety; business conduct; and social, environmental and economic practices are integral to our business. We comply with or exceed local regulatory standards wherever we operate.

Focus areas
- Achieving zero harm and providing a healthy work environment
- Minimising environmental impacts and engaging in sustainable forestry
- Putting social responsibility into practice

Cutting edge products

Our Research and Development centres are focused on developing innovative processes and solutions. Working with customers, strategic partners, suppliers and research institutes, we constantly anticipate new technologies and offer cutting edge products.

Focus areas
- Listening to our customers to deliver exceptional value
- Creating competitive advantages with leading, high-quality products and brands
- Leveraging our expertise as we create tailor-made solutions

Customer focus

We are reliable and we keep the promises we make. We are the trusted partner of a host of leading brands, as well as small and medium sized companies. Our customers value our quality, cost competitiveness and business ethics.

Focus areas
- Understanding market and customer needs
- Striving for flawless service and on-time delivery
- Facilitating sustainable partnerships and measuring success

Risk management

We are exposed to risks and uncertainties that may have an impact on our future performance and financial results, as well as on our ability to meet certain social and environmental objectives.

Further details of our risk management framework and approach is set out in the report of the DLC audit committee on pages 66 to 68. The table below provides selected measures to highlight our performance in these areas. There have been no significant changes to our risk profile during 2013.

Our most significant strategic risks include:

Risk	Monitoring
The industry in which we operate is **highly competitive** and selling prices are subject to significant volatility. **New capacity** additions are usually in large increments which, combined with **product substitution** (e.g. electronic alternatives and alternative packaging solutions) and **increasing environmental considerations**, have a significant impact on the supply-demand balance and hence on market prices.	We monitor industry developments in **terms of changes in capacity** as well as **trends and developments** in our own product markets and potential substitutes.
We operate in a number of **geographical locations** in countries with differing political, economic and legal systems. In less developed regions, political upheaval, changes in laws, nationalisation or expropriation of assets could have a material impact on our operations in those locations.	We continue to actively **monitor and adapt to changes** in the environment in which we operate. We engage in regular **formal and informal interaction** with the authorities to ensure we remain abreast of changes and new developments. We perform thorough **country risk assessments** and our return requirements on investments are adjusted to take country risk into consideration.
We operate **large facilities**, often in **remote locations**. The ongoing **safety of our people** and **sustainable operation** of our facilities is critical to the success of our Group.	Our management system provides ongoing monitoring of all operations to ensure they **meet the requisite standards** and **performance requirements**.
Paper for recycling and wood accounts for **approximately one-third of our input costs**. We are **committed to acquiring fibre from sustainable sources** and avoiding the use of any illegal or controversial supply.	We constantly monitor **international market prices** and, where appropriate, have cost pass through mechanisms in place with customers. We have built a **strong forestry management team** in Russia and South Africa to actively monitor environmental influences impacting our owned sources of fibre.
Energy and related input costs comprise approximately one-third of our variable costs. Increasing energy costs, and the consequential impact thereof on both chemical and transport costs, may impact our profit margins.	We monitor our **energy usage levels, emission levels** and usage of **renewable energy**. We **benchmark** our energy costs against external sources.

Mitigation

Our strategic focus on **low-cost production** and **growing markets**, with **consistent investment** in our operating capacity ensures that we remain competitive.

We invest in **research and development** activities to improve existing processes and to identify new markets and new products.

€405 million
capital expenditure in 2013

Our **geographical diversity** and decentralised management structure, utilising local resources in countries in which we operate, **reduces our exposure** to any specific jurisdiction.

The Boards have established limits on exposure to any particular geographic environment and new investments are subject to **rigorous strategic and commercial evaluation**.

Operate in
30 countries

We have **adequate insurance** in place to cover material property damage, business interruption and liability risks.

A **structured maintenance programme** is in place under the auspices of the Group technical director.

Emergency preparedness and response procedures are in place and subject to periodic drills.

0.78 TRCR

Our relatively **high levels of vertical integration** and access to our own 100% FSC™ certified wood in Russia and South Africa serve to mitigate this risk.

All of our mills have **chain-of-custody certificates** in place ensuring that wood procured is from non-controversial sources.

Own wood up to
54%
of total requirements

We continue to invest in our energy infrastructure at our key operating facilities in order to **improve our energy efficiency** and **electricity self-sufficiency** as well as to **reduce our environmental footprint**.

90% electricity self-sufficiency

Our strategy in action

Achieve leading market positions

We develop and maintain leading positions in our core packaging and uncoated fine paper markets. This brings us cost benefits and allows us to better serve our customers. Our focus on higher-growth emerging markets contributes to our sustained profitability.

Our key market positions

#1 → European kraft paper and industrial bags producer

#2 → European virgin containerboard producer

#1 → Containerboard and corrugated packaging producer in emerging Europe

#3 → European release liner producer

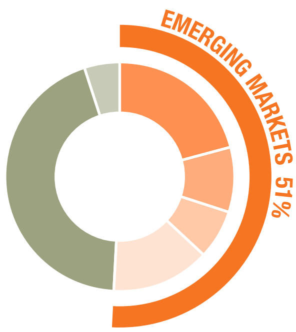
#2 → European extrusion coatings producer

#1 → European uncoated fine paper producer (based on sales)

#1 → South Africa hardwood pulp, white top kraftliner and uncoated fine paper producer

▲ Štěti, Czech Republic

Sales by destination

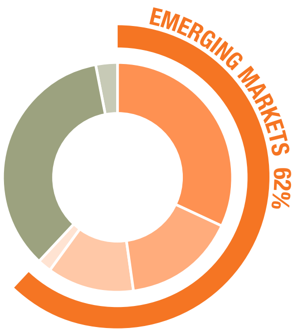


	%
Emerging Europe	21
Russia	9
South Africa	7
Other	14
Western Europe	44
North America	5

Maintain our high-quality, low-cost asset base

We constantly invest in improving our operations, focusing on those assets which enjoy inherent cost advantages. This ensures we maintain a high-quality, low-cost asset base that keeps us competitive, and gives us sustainable cost advantages. Through our high levels of vertical integration we can create synergies along the entire value chain.

Location of our operating assets



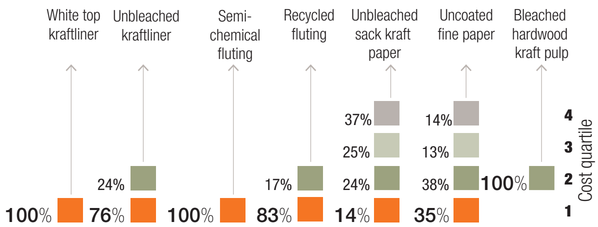
	%
Emerging Europe	32
Russia	16
South Africa	12
Other	2
Western Europe	35
North America	3

▲ Syktyvkar, Russia

2.4 million

hectares of managed forests in Russia and South Africa, all 100% FSC™ certified

% of our capacity per grade in overall cost curve



€514 million

approved strategic capital investment projects on track:

Syktyvkar	*Bark boiler*	H1 2013
Frantschach	*Recovery boiler*	H2 2013
Stambolijski	*Turbine and economiser*	H2 2013
Richards Bay	*Steam turbine*	H2 2013
Štěti	*Bleached kraft paper machine*	H1 2014
Syktyvkar	*Pulp dryer*	H2 2014
Ružomberok	*Recovery boiler*	H2 2014
Świecie	*Recovery boiler, turbine and biomass boiler*	H1 2016

Started up (H1 2013, H2 2013 entries); In progress (2014 and 2016 entries)

Our strategy in action continued

Grow through customer focused development

We help our customers succeed by working closely with them and listening to them. We develop smarter, more cost-effective processes and work to find inventive, innovative, advanced solutions that meet their needs. We follow our customers into high-growth emerging markets, where together we can offer cutting edge products that deliver exceptional value.

Dedicated resources to drive innovation

5 business competence centres

Over **130 employees** focused on research and development

>100

process and product development projects underway

Kraft Paper R&D Innovation Centre

- High performance
- Excellent technical properties and printability
- Highest ecological standards
- Optimised production processes

Bag Application Centre

- Next generation applications
- Applying real industrial processes and operating environments
- World class analytics

Consumer Packaging R&D Centre

- State-of-the-art equipment
- Innovative solutions
- Detailed material analyses and pilot lines
- Fast development cycles

Uncoated Fine Paper Product & Process Development Centre

- Optimised paper solutions
- Outstanding print quality
- Flawless runnability
- Speciality applications

On pages 18 and 19 we highlight some of our more recent innovations.

Continuous focus on performance

We are passionate about performance, making things work efficiently, effectively and profitably. Through our business excellence programmes and rigorous asset management, we are continually improving productivity and finding new ways to reduce costs.

Mondi annual production records

- Uncoated fine paper – Merebank, Ružomberok and Syktyvkar
- Kraft paper – Dynäs

World production records

- Kraft paper, speed – Frantschach
- Industrial bags, volume – Świecie bag plant

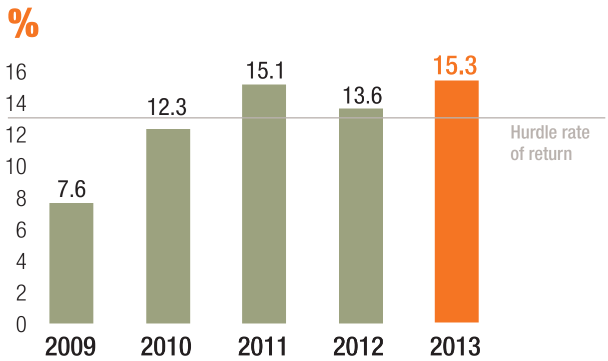
Mondi safety record

- Heerlen – ten years without a lost-time injury

Metso (Valmet) benchmarking production awards

- Ružomberok paper machine designated as lead production line in overall efficiency

Return on capital employed



▲ Świecie, Poland

QUOTE

We are making good progress in integrating our acquisitions.

€23 million

of synergies generated from 2012 acquisitions

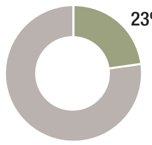
Our products

Mondi is a full-range supplier of pulp, packaging and paper products to multiple industries. Our customer focus, experience and ongoing research deliver proactive, high-quality and cost-competitive solutions to meet our customers' requirements. Our products touch the lives of millions of people, worldwide, everyday.

Packaging paper products

Our packaging paper products comprise a wide range of virgin and recycled containerboard for conversion into corrugated board, boxes, trays and displays as well as kraft paper for conversion into industrial bags, consumer packaging and other paper-based products.

Group revenue contribution



€1,482 million

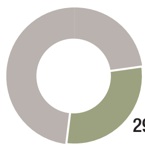
IN FOCUS → *FIBROMER®*

FIBROMER® is a polymer reinforced with cellulose fibre, meaning it is strong, lightweight and stable. FIBROMER® is a sustainable alternative to talcum or glass fibre reinforced plastic for injection moulding applications, and was developed in response to our customers' changing needs.

Fibre packaging products

Our paper-based downstream operations manufacture and sell a range of corrugated packaging products, industrial bags, extrusion coatings and siliconised release liners for a variety of consumers and industrial applications.

Group revenue contribution



€1,891 million

IN FOCUS → *Product security*

Globally, product piracy rates are increasing and it has become a significant issue facing the building products industry – one of our most important customer markets. The need for an innovative anti-piracy solution for these customers was clear, and we developed three products that provide these customers with the security they seek: SmartID Bag; Security Label Bag; and Multi-Feature Bag.

The industries we serve

Food and beverage

Building and construction

Home and personal care

Paper and packaging converting

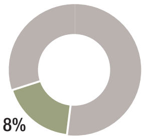
Medical and pharmaceutical

For more details of our products' certifications, as well as additional product information please visit → www.mondigroup.com/products.
Our Sustainable development report 2013 provides greater detail on the ***IN FOCUS*** *products showcased on these pages.*

Consumer packaging products

We are a global leading innovative solutions provider of hygiene components, speciality films and consumer flexible packaging.

Group revenue contribution



€1,148 million

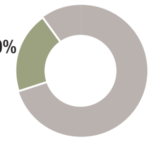
IN FOCUS → *PerfoamPack*

PerfoamPack is a unique co-extruded polyethylene film with a micro-cellular expanded middle layer, which lowers weight without reducing thickness. Its advanced manufacturing technology achieves a superb yield in packaging. It significantly reduces the use of raw materials, by up to 20%, which translates into a lighter film with a direct cost reduction and a much improved carbon footprint.

Uncoated fine paper products

Our uncoated fine paper products consist of a wide range of quality papers for use in offices and professional printing. All uncoated fine paper brands are part of the Green Range, developed in response to customer demand for environmentally responsible products.

Group revenue contribution

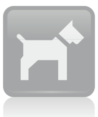


€1,284 million

IN FOCUS → *DNS high-speed inkjet*

This range of papers is tailor made for professional high-speed inkjet printing. Combined with our colour management expertise and ink formulations, we optimise our customers' printing performance.


Automotive


Pet care


Chemicals and dangerous goods


Office and professional printing paper


Graphic and photographic

Mondi's global footprint

FACTS →

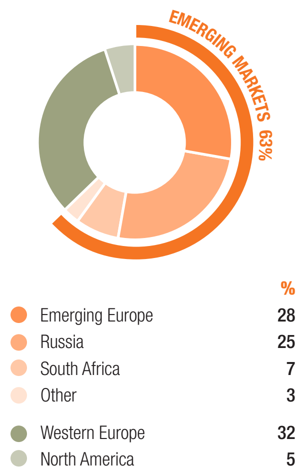
€6.5 billion revenue
24,400 employees
30 countries
98 operations

Gender diversity

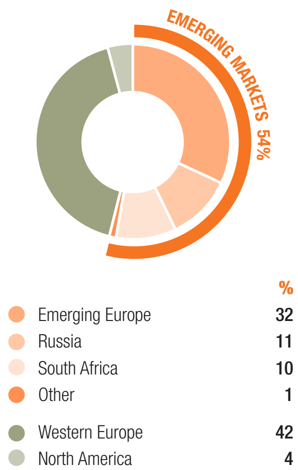
	Male	%	Female	%
Directors	7	*78*	2	*22*
Senior managers	252	*93*	19	*7*
Employees	19,421	*80*	4,979	*20*

Further detail is provided in the DLC nominations committee report on page 72.

Employees per region



Revenue by location of production



Key to operations

Forests

2013 annual allowable cut

- 8.9 million solid cubic metres

Packaging paper

2013 production

- Containerboard: 2.4 million tonnes
- Kraft paper: 1.0 million tonnes

Fibre packaging

2013 production

- Corrugated packaging: 1,344 million m^2
- Industrial bags: 3,997 million units
- Extrusion coatings and release liner: 3,348 million m^2

Consumer packaging

2013 production

- Consumer packaging: 283 thousand tonnes

Uncoated fine paper

2013 production

- Uncoated fine paper: 1.6 million tonnes

Operations

Country	Type of operation
Austria	Packaging paper, Fibre packaging, Consumer packaging, Uncoated fine paper
Belgium	Fibre packaging
Bulgaria	Packaging paper
Czech Republic	Packaging paper, Fibre packaging
Finland	Packaging paper
France	Fibre packaging
Germany	Packaging paper, Fibre packaging, Consumer packaging
Greece	Fibre packaging
Hungary	Fibre packaging, Consumer packaging
Iraq	Fibre packaging
Italy	Fibre packaging, Consumer packaging
Jordan	Fibre packaging
Lebanon	Fibre packaging
Malaysia	Fibre packaging, Consumer packaging
Mexico	Fibre packaging
Morocco	Fibre packaging
Oman	Fibre packaging
People's Republic of China*	Consumer packaging
Poland	Packaging paper, Fibre packaging, Consumer packaging
Russia	Forests, Packaging paper, Consumer packaging, Uncoated fine paper
Serbia	Fibre packaging
Slovakia	Packaging paper, Uncoated fine paper
South Africa	Forests, Packaging paper, Uncoated fine paper
Spain	Fibre packaging, Consumer packaging
Sweden	Packaging paper, Fibre packaging
Thailand	Fibre packaging
The Netherlands	Fibre packaging
Turkey	Packaging paper, Fibre packaging
Ukraine	Fibre packaging
United Kingdom	Consumer packaging
United States of America	Fibre packaging, Consumer packaging

* Under construction

◄ Štěti, Czech Republic

Focusing on our strategic priorities to deliver value

David Hathorn

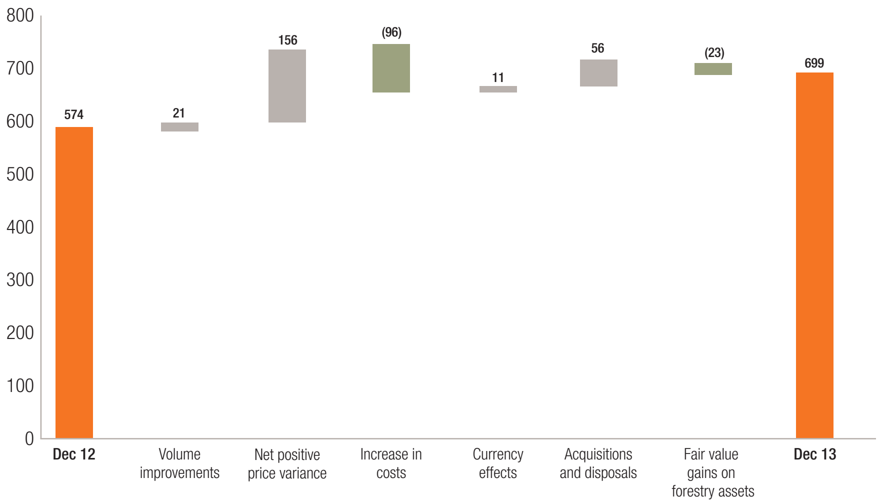
Chief executive officer

A strong performance and record results

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

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

***Underlying operating profit** (€ million)*



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

The focus over the last year has been on integrating and optimising the significant acquisitions made towards the end of 2012 and delivering the major capital projects initiated over the past three years. Excellent progress has been made in this regard, with

Focusing on our strategic priorities to deliver value

continued

synergy targets delivered, a number of the capital projects having been completed in the latter part of 2013, and the remaining projects on track for completion within budget and on schedule over the next two years.

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

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

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

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

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

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

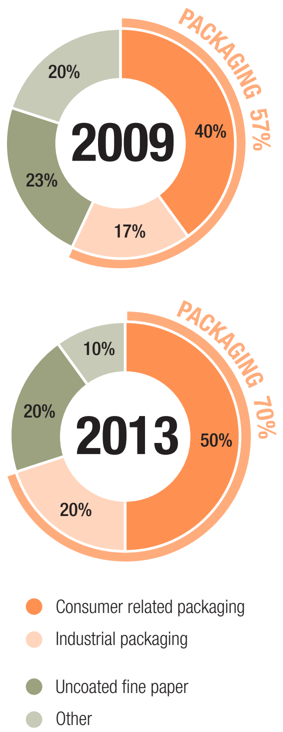
Delivering on our strategy

We are confident that our strategy is sound and that we have the ability to adapt and execute it successfully across the business cycle as we:

- build on our leading market positions in our core packaging and uncoated fine paper markets;
- continue to invest in our high-quality asset base, focusing on those assets which enjoy inherent cost advantages;
- help our customers succeed by seeking to develop smarter, more cost effective processes and work with them to find inventive, innovative, advanced solutions; and
- continue to improve productivity and find new ways to keep our costs down.

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

Product mix development *(revenue)*



we also see opportunities to develop and leverage our competencies in mature markets. Overall, approximately 62% of the Group's net operating assets and 51% of revenue by destination are currently in emerging markets.

Our consistent and focused long-term strategy has positioned the Group as a leading international packaging and paper Group with a strong platform for further growth. We will continue to pursue opportunities to increase our exposure to the higher growth packaging businesses, whilst maintaining discipline around acquisitions and expansionary capital expenditure. In supporting this strategy, we aim to:

- maintain our strong and stable financial position and investment grade credit metrics;
- invest in our high-quality, low-cost asset base and evaluate selective capital investment opportunities;
- support the payment of dividends to shareholders, targeting a cover ratio of two to three times underlying earnings through the cycle; and
- evaluate further growth opportunities, primarily in the faster growing packaging segments, that are value enhancing to our Group.

Risk is an inherent part of any business and identifying and managing the risks specific to our business is critical to our long-term success. We have a pro-active risk management system, designed to be flexible and dynamic in response to changing market and operating conditions. We maintain a deliberate investment strategy to mitigate regional and country specific risks to limits considered acceptable by our Boards. Our most significant risks, and our response to those risks, are set out on pages 12 and 13 and our risk management processes on pages 66 to 68.

Working towards a sustainable future

Wherever economically and environmentally feasible, Mondi promotes resource efficiency by using innovative technologies and making continuous improvements to our manufacturing processes and forestry management activities. To succeed, we rely on our competitive strengths, our people, our well-developed business systems and our relationships with all our stakeholders. We do not want our business to profit at the expense of the environment or society.

We view sustainable development as integral to the success of our business. Our licence to trade, and all that this entails, underpins everything we do. We understand that we operate in a world of constrained resources, facing environmental and social challenges. These challenges affect our business, our stakeholders and the communities in which we operate, and our response influences our future sustainability. It is therefore crucial for us to identify and understand our material sustainability issues within this global context.

We have identified our most material sustainability issues as:

- securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers;
- understanding and minimising our contribution to climate change and taking advantage of the potential opportunities presented by forestry in the mitigation of climate change;
- maintaining our licence to trade by making a real and lasting contribution to the communities in which we operate;
- operating in a world of constrained resources and recognising concerns regarding biodiversity, water and ecosystem services;
- safeguarding the wellbeing of our employees and contractors and securing key talent and skills; and
- increasing the eco-efficiency of our products.

Focusing on our strategic priorities to deliver value

continued

We need to secure the future of our business and the communities in which we operate. In exploring opportunities for new markets and innovative products, we can help our customers address their sustainability challenges by partnering with them across the value chain.

In 2010, we developed a set of 37 commitments to guide our sustainable development efforts over the subsequent five years. On pages 28 to 31, we set out these areas of commitment in the context of our most material issues and how we have progressed in delivering on some of these key commitments.

The one area that is of great concern to me is safety. In 2013, four contractors lost their lives whilst working at our operations and a number were seriously injured. It is unacceptable that people have been so tragically affected by our operations and I am deeply saddened. It is imperative that we address the risks that caused these low-probability, high-impact incidents and continue to find ways to improve our safety performance.

Investing in our world-class assets

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

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

Early in 2013, the construction of a 155,000 tonne bleached kraft paper machine at the Štěti kraft paper mill in the Czech Republic was approved. This will enable the mill to integrate its remaining open market pulp production on site, providing further growth opportunities for this business. The €70 million project is expected to be completed in the first half of 2014.

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

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

In the second half of the year, the Boards approved a €166 million investment at the Mondi Świecie containerboard mill in Poland, bringing forward the planned replacement of the recovery boiler and the mill's coal fired boilers. The investment will result in a reduction of ongoing maintenance costs, an improvement in overall energy efficiency and a reduction in CO_2e emissions. The project is expected to be completed early in 2016.

Mondi and WWF to sustain ecosystems through responsible business practices

Mondi and WWF International have decided to work together in a three-year strategic partnership that focuses on increasing environmental stewardship in the packaging and paper sectors. The partnership agreement links Mondi with one of the world's largest conservation organisations, sending a strong signal that addressing environmental sustainability makes good business sense. The partnership will focus on minimising the impacts of Mondi's operations on forests, climate and water, and encouraging sustainable practices in the industry.

We are very pleased that all these investments are proceeding according to schedule and within budget.

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

Our exceptional people

Mondi is a fast-paced business and our success is reliant on our dynamic people who are able to find solutions even when the pressure is on. It is therefore critical for us to employ talented individuals and foster an inspiring working environment to motivate our teams at all levels of the organisation. We encourage an open and honest culture and expect our values to be reflected in the way we interact with each other and our stakeholders.

Measuring our progress in this regard is very important so towards the end of 2013 we conducted our second Group-wide employee survey. Based on the outcomes of our original survey conducted in 2011, we identified a number of priorities to further strengthen our employee engagement and interaction. Results from our 2013 survey show that overall we are making progress in this regard. We believe that this ongoing interaction and feedback is crucial to our success and our response to the outcomes of this survey will have a significant impact on our long-term sustainable success. In 2013 we also invested 854,000 hours in training and development to enable our employees and contractors to fulfil their potential while working safely.

During the course of the year, the executive committee and I visited a number of our sites and it is extremely motivating to meet the people that drive our business performance. It is also inspiring to see that so many of Mondi's people share our belief in this business and our eagerness to operate in a sustainable way.

On behalf of the Group executive committee, I extend my sincere thanks to all our employees and look forward to continuing our journey together in 2014.

Looking ahead

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

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

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

David Hathorn
Chief executive officer

Understanding our material sustainable development issues

We are operating in a world of constrained resources, facing environmental and social challenges which are global in scale and local in nature. These challenges affect our business, our stakeholders and the communities in which we operate, and our response to them contributes to our future sustainability. It is therefore crucial for us to identify and understand our material sustainability issues within this global context. Stakeholder engagement and risk management processes also inform our material issues and the commitments we have set to monitor and improve our performance.

The table below provides an overview of some of our key commitments in relation to our six material issues, and our progress against these in 2013. With the exception of our commitments on carbon and energy, which cover the period 2004 to 2014, all other commitments are set against a base year of 2010, to be met by 2015. For a more detailed overview of our full set of 37 commitments please refer to our sustainable development report 2013 at SD www.mondigroup.com/sd13.

Our material issues	Our key commitments
Securing access to sustainable fibre in the short, medium and long term to meet the needs of the business and our customers	We will maintain our **FSC™ certification** of all owned, leased and managed forests. We will procure over **60% of wood**, virgin fibre and biomass products from **credible certified sources**. The balance will be sourced with products as defined in the FSC™ Controlled Wood Standard. We will maintain our **Chain-of-Custody (CoC) certifications** for our mills and certify Stambolijski (Bulgaria) by 2013.
Understanding and minimising our contribution to climate change and taking advantage of the potential opportunities presented by forestry in the mitigation of climate change	By 2014, we will **reduce our CO_2e emissions** per unit of saleable production from our mills by 15%, against a 2004 base year. By 2014, we will **reduce our carbon-based energy consumption** per unit of saleable production from our mills by 15%, against a 2004 base year. We will progress towards becoming a carbon-neutral Group in the longer term, by **increasing the proportion of renewable resources** for primary energy needs against the 2010 base year.

Progress

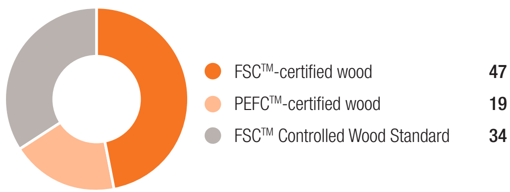
In 2013, we maintained 100% FSC™ certification of our owned and leased forests.

66% of our total procured wood in 2013 was CoC-certified to FSC™ or PEFC™ standards (a 6% improvement compared to our 2010 baseline of 60%) and the balance met the FSC™ Controlled Wood Standard. 81% of our externally procured pulp was sourced from CoC-certified sources, with the balance meeting the FSC™ Controlled Wood Standard.

All our mills (100%) have CoC in place. Our Stambolijski mill received its FSC™ CoC certification in 2013.

100% of managed land FSC™-certified

CoC-certified wood 2013 *(%)*



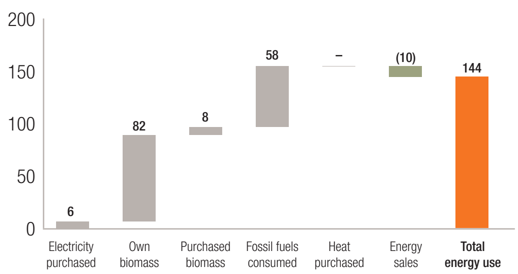
We have exceeded our commitment, and as at the end of 2013 we have achieved a 30% reduction of our specific CO_2e emissions against a 2004 base year.

Our integrated mills have achieved a reduction of 22% by 2013, and non-integrated mills a reduction of 8%, against a 2004 base year. Overall we have reduced our specific energy consumption by 20%.

61% of the total fuel consumption by our pulp and paper mills in 2013 came from renewable energy sources, mainly biomass.

20% reduction of specific energy consumption

Energy use material operations 2013 *(GJ)*



Understanding our material sustainable development issues continued

Our material issues	Our key commitments
Maintaining our licence to trade by making a real and lasting contribution to the communities in which we operate	All mills and forestry operations to have a rolling **community engagement plan (CEP)** and Russian and South African forestry and mill operations to have a **Socioeconomic Assessment Toolbox (SEAT)** process updated on a three- to five-year cycle. We will continue to engage with the **United Nations Global Compact (UNGC)** and promote and support the implementation of its ten principles. We will continue to engage with the **World Business Council for Sustainable Development (WBCSD)** as a platform to address the most contentious global sustainability matters affecting our business.
Operating in a world of constrained resources and recognising concerns regarding biodiversity, water and ecosystem services, and ensuring appropriate responses to these	We will carry out a **water impact assessment (WIA)** of our forestry operations and mills. We will report on **land** set aside for conservation purposes.
Safeguarding the wellbeing of our employees and contractors, and securing key talent and skills	We will **avoid work-related** employee and contractor **fatalities**. We will achieve a **total recordable case rate (TRCR)** of 0.75 or below by 2015, including employees and contractors, against a 2010 base year.
Increasing the eco-efficiency of our products	We will reduce **total reduced sulphur (TRS) emissions** from our mill operations by 20% in 2015, against a 2010 base year. We will reduce our **effluent load** into the environment, either directly or indirectly discharged, by 10% in 2015 against a 2010 base year. We will progress towards becoming a zero waste Group by reducing the **total waste to landfill** by 20% by 2015, against a 2010 base year.

Progress

All mills and forestry operations have a CEP in place. In 2012 we completed SEAT reviews at our Richards Bay mill in South Africa and Syktyvkar mill in Russia, and in 2013 we conducted the first SEAT at our Stambolijski mill in Bulgaria.

We continue to engage with the UNGC and reported our annual Communication on Progress (CoP) in August 2013. We continue to report at an Advanced Level.

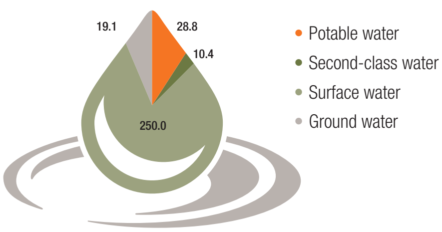
We support WBCSD's Action2020. We are an active member of the Forest Solutions Group and chair the Carbon Action Team.

Advanced Level
UNGC reporter

We have completed WIAs at our mills and forestry operations.

In 2013, 26% of our managed (owned and leased) forestry land was set aside for conservation purposes.

Total water input sources 2013 *(million m^3)*



There were two incidents resulting in four fatal injuries in 2013. Decision taken to further increase focus on low-probability, high-impact events.

We achieved a TRCR of 0.78 in 2013. We will review the current 2015 milestone taking the new acquisitions into account after monitoring the combined performance in 2014.

TRCR of **0.78**
in 2013

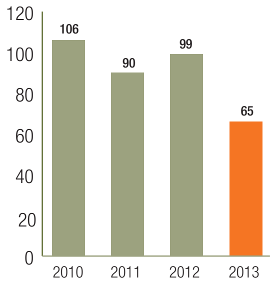
A 39% reduction was achieved by the end of 2013*.

A 9% reduction of Chemical Oxygen Demand (COD) emissions was achieved by the end of 2013*.

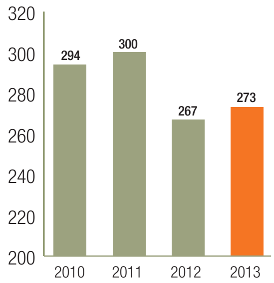
A 7% reduction was achieved by the end of 2013*.

* against a 2010 base year

TRS emissions *(tonnes)*



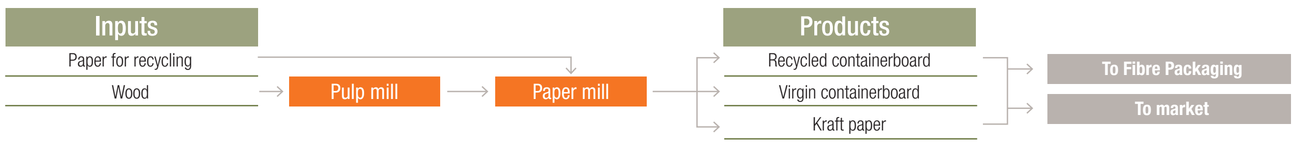
Total waste to landfill *(000 tonnes)*



◀ Korneuburg, Austria

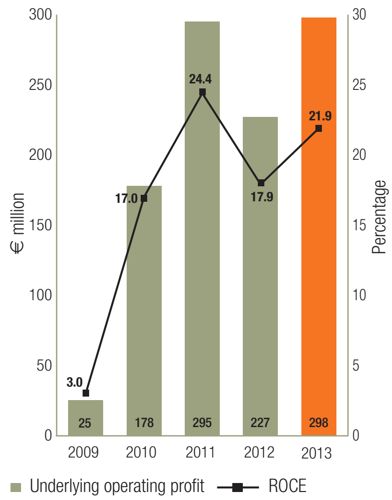
Reviewing our business performance

Europe & International - Packaging Paper



Key performance indicators		Year ended 31 December 2013	Year ended 31 December 2012
Financial performance			
Segment revenue	€ million	**2,000**	1,896
EBITDA	€ million	**394**	321
Underlying operating profit	€ million	**298**	227
Underlying operating profit margin	*%*	***14.9%***	*12.0%*
Capital expenditure	€ million	**139**	89
Net segment assets	€ million	**1,484**	1,466
ROCE	*%*	***21.9%***	*17.9%*
Production information			
Containerboard	’000 tonnes	**2,139**	2,079
Kraft paper	’000 tonnes	**1,011**	981
Softwood pulp			
Internal consumption	’000 tonnes	**1,860**	1,826
External	’000 tonnes	**148**	153
Energy consumption	million GJ	**55.38**	53.11
Water input	million m^3	**137.47**	126.04
Sustainability information			
Number of employees	hundreds	**48**	49
TRCR	Per 200,000 hours worked	**0.90**	0.94
Total scope 1 and 2 GHG emissions	million tonnes CO_2e	**1.44**	1.38
Certified wood input	*%*	***50%***	*51%*

Packaging Paper: five year performance



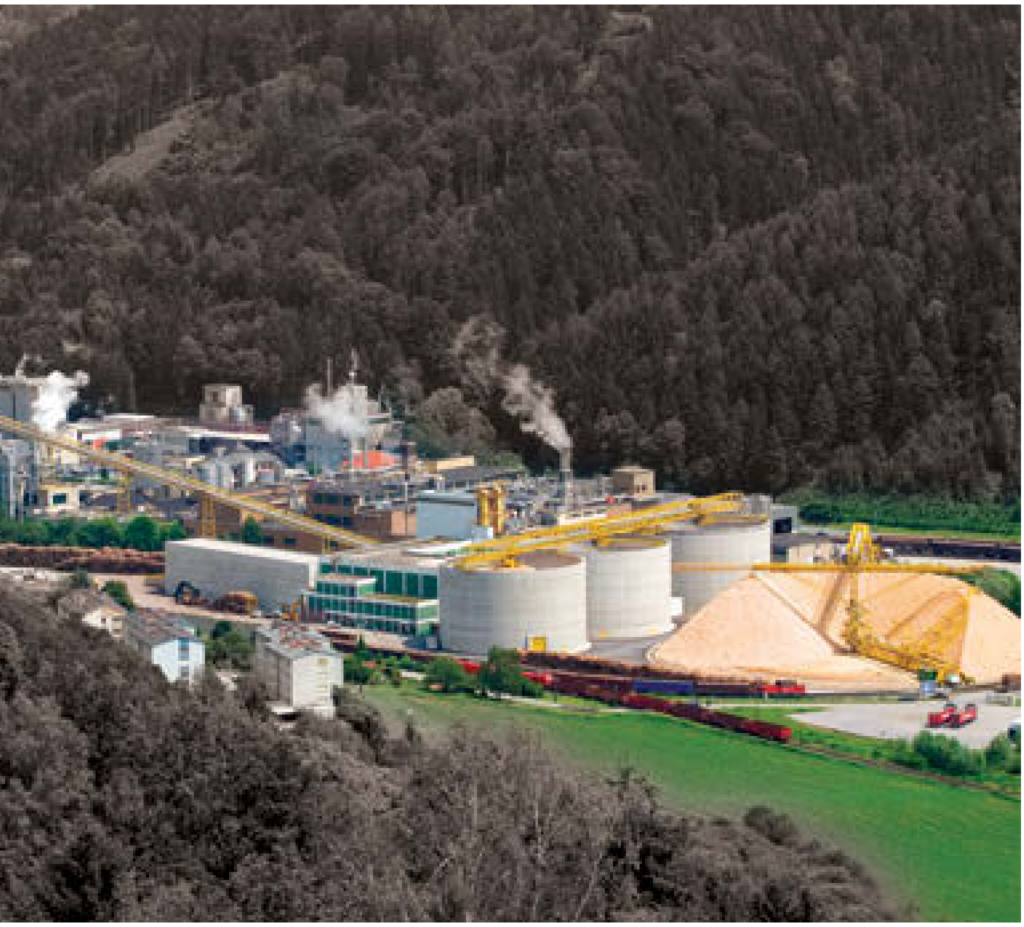
Financial performance

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

Reviewing our business performance continued

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

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



◄ Frantschach, Austria

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

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

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

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

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

Sustainable development

At our Świecie mill, we have steadily increased our use of biomass for energy, raising the proportion of green energy to total electricity generated from 71% in 2009 to 83% in 2013. Our €166 million capital investment project has as two of its objectives to eliminate the use of fossil fuels and for the mill to achieve near 100% energy self-sufficiency. The new recovery boiler at Frantschach and the new turbine at Stambolijski have improved biomass generated energy efficiency and self-sufficiency and, in so doing, will reduce the carbon footprint of these operations. Our Frantschach mill has also invested in projects to mitigate the effects of its operations on biodiversity in a nearby river and reducing its total waste to landfill through the re-use of certain waste products.

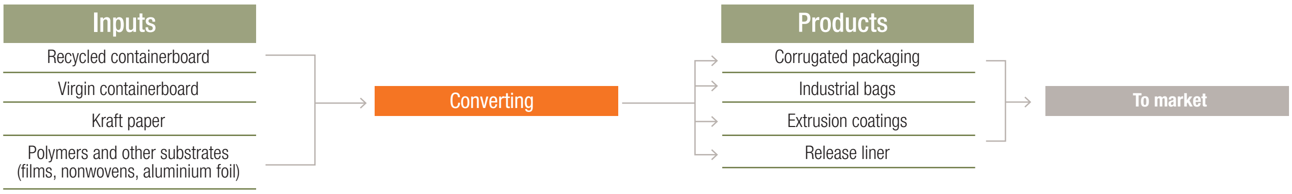
The effluent treatment plants at both our Świecie and Syktyvkar mills are being modernised in order to decrease our effluent load. We have also increased the recycling of rejects from our paper for recycling process and thereby reduced the landfill of these rejects.

In July 2013, our Stambolijski mill was certified according to FSC™ Chain-of-Custody standards.

We take an active role in the communities in which we operate, supporting initiatives aimed at the elderly, at disabled people and at children from families experiencing financial difficulties.

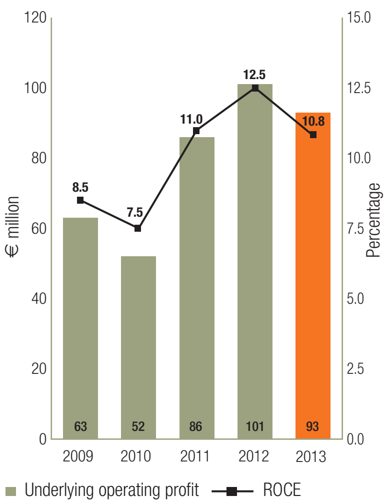
Reviewing our business performance continued

Europe & International - Fibre Packaging



Key performance indicators		Year ended 31 December 2013	Year ended 31 December 2012
Financial performance			
Segment revenue	€ million	**1,967**	1,860
EBITDA	€ million	**163**	168
Underlying operating profit	€ million	**93**	101
Underlying operating profit margin	*%*	***4.7%***	*5.4%*
Special items	€ million	**(3)**	(16)
Capital expenditure	€ million	**78**	76
Net segment assets	€ million	**903**	958
ROCE	*%*	***10.8%***	*12.5%*
Production information			
Corrugated board and boxes	million m^2	**1,344**	1,213
Industrial bags	million units	**3,997**	3,829
Coatings and release liner	million m^2	**3,348**	3,352
Sustainability information			
Number of employees	hundreds	**74**	77
TRCR	Per 200,000 hours worked	**1.52**	1.49
Operations with CoC certification in place	*%*	***60%***	*21%*

Fibre Packaging: five year performance



Financial performance

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

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

Industrial bags continued to deliver solid results. Selling prices and paper input costs were at similar levels to 2012, while the business realised the benefits of its restructuring activities, mainly in western Europe, with fixed costs reducing significantly compared to 2012. Sales volumes increased with good demand in Russia and the CIS as well as in Africa, Middle East and north and central America. Sales volumes in Europe were marginally down on the previous year. The weaker export currencies relative to the euro had a negative impact on margins.

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

Sustainable development

At our operations in Turkey, we have invested in an anaerobic waste water treatment plant, enabling the mill to reduce discharges to the aquatic environment and recover some energy in the treatment process. During 2013, a community engagement plan was finalised, forming the basis for our ongoing engagement and support of our local communities.

Industrial bags has embarked on a project to certify two-thirds of its bag plants according to FSC™ and PEFC™ standards in response to growing market demand for paper bags to be certified to recognised standards. To date, 26 plants, spanning from Belgium to the Ukraine and south to Jordan, have been CoC certified.

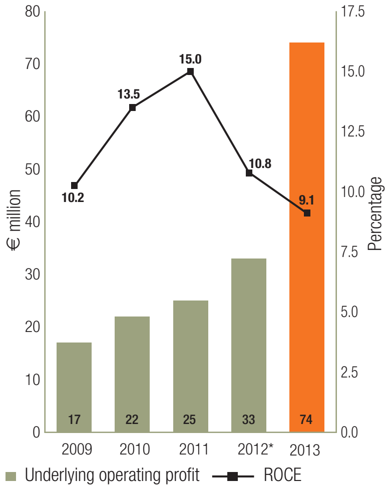
Zeltweg, Austria ▶

Reviewing our business performance continued

Europe & International - Consumer Packaging

Key performance indicators[1]		Year ended 31 December 2013	Year ended 31 December 2012
Financial performance			
Segment revenue	€ million	**1,153**	502
EBITDA	€ million	**129**	45
Underlying operating profit	€ million	**74**	19
Underlying operating profit margin	*%*	***6.4%***	*3.8%*
Special items	€ million	**(13)**	(11)
Capital expenditure	€ million	**56**	28
Net segment assets	€ million	**855**	872
*ROCE - adjusted**	*%*	***9.1%***	*10.8%*
Production information			
Consumer packaging	'000 tonnes	**283**	121
Sustainability information			
Number of employees	hundreds	**38**	39
TRCR	Per 200,000 hours worked	**1.71**	1.60
Food contact packaging operations certified to recognised food hygiene standard		**15 of 16**	7 of 7

Consumer Packaging: five year performance



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

[1] Financial and production information for the year ended 31 December 2012 includes the results of Nordenia from the date of acquisition (October 2012). Sustainability information for 2012 excludes Nordenia.

Financial performance

The benefits of the acquisition of Nordenia in October 2012 are reflected in the increase in underlying operating profit by €55 million to €74 million. On a pro-forma basis, assuming Nordenia was acquired at the beginning of 2012, and excluding the effects of acquisition accounting, the underlying operating profit of the combined business was in line with the prior year, with synergy gains offset by a weaker trading performance, the impact of some one-off costs, and higher fixed costs.

Synergies related to the Nordenia acquisition of €16 million were realised during the year, well on track to achieve the targeted €20 million in 2014. One-off costs of €5 million were incurred in achieving these synergies.

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

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

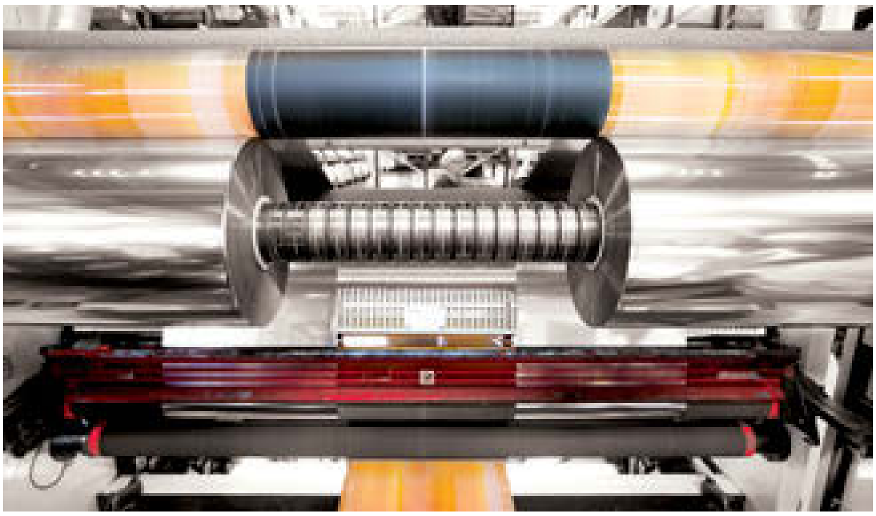
The closure of the Lindlar operation and redirection of production to existing Consumer Packaging facilities in Germany and Hungary and to the Fibre Packaging business in the Czech Republic was completed.

Sustainable development

We have made good progress in integrating the Nordenia business and aligning these operations with our standards and requirements.

Our first priority was to introduce Mondi's approach to safety across all newly acquired sites. We kicked off this process in October 2012 by integrating our respective SHE organisations; aligning incident communication and reporting procedures; and instituting our Zero Harm strategy. We also conducted gap assessments and arranged related training on our key safety methodologies. Relevant safety initiatives were then launched and will be completed by mid-2014. Although some additional support is still scheduled for 2014, the majority of the safety-related integration activities have been completed.

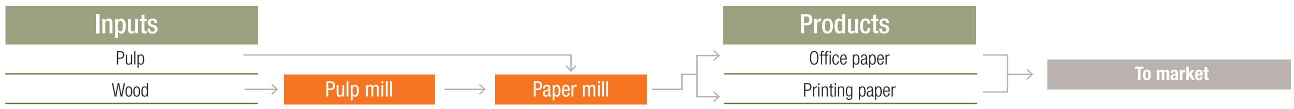
In addition to safety, we also focused on integrating the management and reporting of environmental performance. As of January 2013, all ex-Nordenia operations have been included in overall Group reporting and where relevant, consolidated into the Group's full year 2013 performance against commitments disclosure. Local management teams have received training in our Sustainable Development Management System with key personnel participating in the relevant internal network groups.



Poznan, Poland ▶

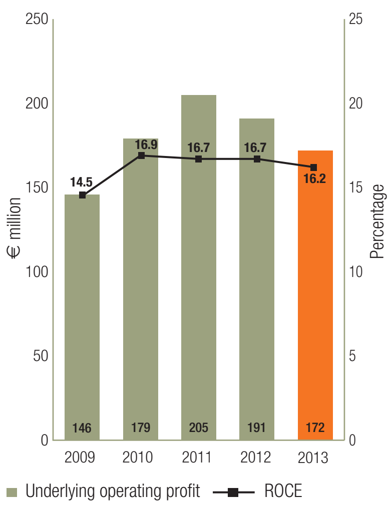
Reviewing our business performance continued

Europe & International - Uncoated Fine Paper



Key performance indicators		Year ended 31 December 2013	Year ended 31 December 2012
Financial performance			
Segment revenue	€ million	**1,388**	1,466
EBITDA	€ million	**277**	300
Underlying operating profit	€ million	**172**	191
Underlying operating profit margin	*%*	***12.4%***	*13.0%*
Special items	€ million	**(60)**	–
Capital expenditure	€ million	**80**	58
Net segment assets	€ million	**1,135**	1,248
ROCE	*%*	***16.2%***	*16.7%*
Production information			
Uncoated fine paper	'000 tonnes	**1,381**	1,418
Newsprint	'000 tonnes	**207**	201
Hardwood pulp			
Internal consumption	'000 tonnes	**1,014**	973
External	'000 tonnes	**74**	86
Energy consumption	million GJ	**59.79**	62.92
Water input	million m^3	**135.06**	144.24
Number of employees	hundreds	**67**	74
TRCR	Per 200,000 hours worked	**0.43**	0.25
Total scope 1 and 2 GHG emissions	mllion tonnes CO_2e	**2.25**	2.47
Certified wood input	*%*	***75%***	*74%*

Uncoated Fine Paper: five year performance



Financial performance

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

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

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

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

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

Sustainable development

Uncoated Fine Paper is actively involved in a number of initiatives to increase awareness about sustainable products and the associated environmental benefits. Training is offered to customers and employers to promote a better understanding of key environmental issues related to FSC™, PEFC™, recycling and carbon neutral papers.

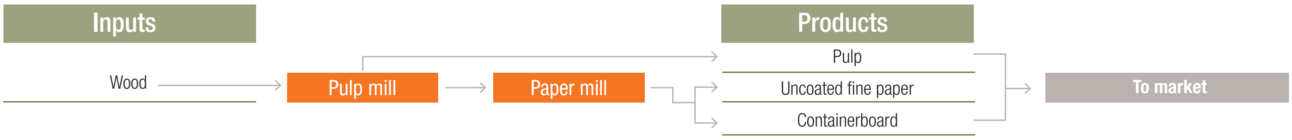
Since 2012, all Mondi branded uncoated fine paper products are part of our Green Range (FSC™ or PEFC™ certified, Totally Chlorine Free or 100% recycled). In promoting transparency, our paper profiles, carbon footprints and fibre sources (including species and region of origin) are provided to customers.

The bark boiler in Syktyvkar now enables the recycling of all bark and wood waste generated in the production process, decreasing the mill's environmental footprint whilst generating green energy. The recovery boiler investment at Ružomberok will enable the operation to be 100% energy self-sufficient.

Ružomberok mill, Slovakia ▶

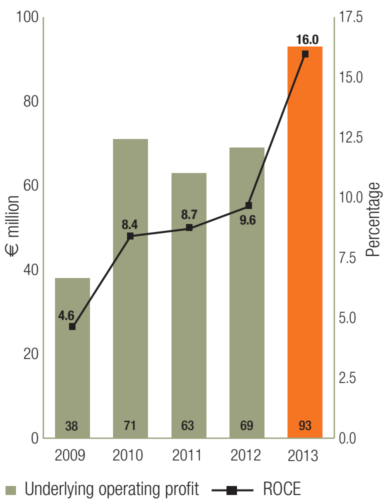
Reviewing our business performance continued

South Africa Division



Key performance indicators		Year ended 31 December 2013	Year ended 31 December 2012
Financial performance			
Segment revenue	€ million	**624**	702
EBITDA	€ million	**135**	125
Underlying operating profit	€ million	**93**	69
Underlying operating profit margin	*%*	***14.9%***	*9.8%*
Special items	€ million	**(11)**	6
Capital expenditure	€ million	**52**	43
Net segment assets	€ million	**622**	821
ROCE	*%*	***16.0%***	*9.6%*
Production information			
Containerboard	'000 tonnes	**255**	263
Uncoated fine paper	'000 tonnes	**259**	258
Hardwood pulp			
Internal consumption	'000 tonnes	**332**	338
External	'000 tonnes	**314**	321
Newsprint		**145**	198
Softwood pulp – internal consumption	'000 tonnes	**166**	216
Energy consumption	million GJ	**27.97**	29.72
Water input	million m^3	**31.23**	32.36
Number of employees	hundreds	**17**	18
TRCR	Per 200,000 hours worked	**0.45**	0.68
Total scope 1 and 2 GHG emissions	million tonnes CO_2e	**1.27**	1.43
Certified wood input	*%*	***84%***	*77%*

MSAD: five year performance



Financial performance

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

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

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

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

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

Sustainable development

Over the last seven years, the South Africa Division has pursued a strategy of modernisation in its forestry operations, moving from a labour intensive model to one that includes higher skilled and better rewarded workers, and is more sustainable. This includes the introduction of international best practice forestry techniques and new equipment, and has had positive impacts on safety, ergonomics and skills development.

We actively support enterprise development and broad-based black economic empowerment (BBBEE) in the communities in which we operate and with suppliers in our value chain. We have maintained a BBBEE rating of level three over the past four years, which remains ahead of the average BBBEE performance in the resources and manufacturing sectors.

In terms of our land claims process, all settled claimants (some now in their sixth year of operation) continue to progress and develop, playing an active role in providing us with some of our fibre requirements. We maintain FSC™ accreditation for both our mills and our forests, ensuring that we have credible external certification of our sustainable forestry practices and wood supply.

In our Richards Bay mill, we have completed the third phase of our odour abatement project, contributing favourably to a reduction in ambient sulphur levels in surrounding areas.

Richards Bay, South Africa ▶

◀ Gronau, Germany

Maintaining a firm financial footing

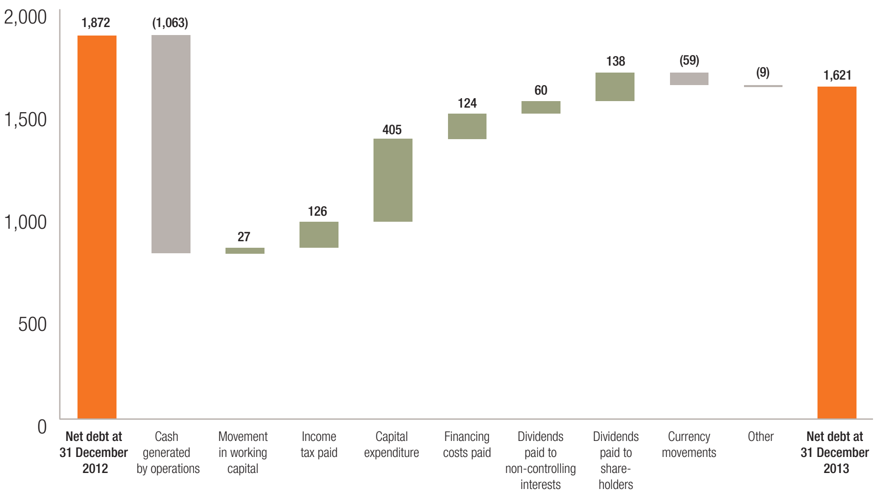
Andrew King

Chief financial officer

Cash flow

Mondi is strongly cash generative with EBITDA of €1,068 million, reflecting an increase of 15% compared to the prior year. We generated €1,036 million of cash from operations (2012: €849 million) after taking into account a net increase in working capital of €27 million. Working capital as a percentage of revenue was 11%, in line with our target of 10-12% of turnover, and represents a reduction on the prior year comparable figure of 11.9% (adjusted for acquisitions).

***Movement in net debt** (€ million)*



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

Maintaining a firm financial footing continued

		2013	2012
Capital employed	€ million	**4,467**	4,745
ROCE	%	***15.3%***	*13.6%*
Shareholders' funds	€ million	**2,591**	2,572
Return on shareholders' funds	%	***17.8%***	*13.0%*
Net debt	€ million	**1,621**	1,872
Gearing (Net debt/Capital employed)	%	***36.3%***	*39.5%*
Net debt/EBITDA	times	**1.5**	2.0
Working capital	€ million	**711**	764
Working capital as percentage of revenue	%	***11.0%***	*11.9%*

Net debt at 31 December 2013 of €1,621 million decreased by €251 million from 31 December 2012 as a consequence of our strong cash flow generation and currency effects. The weakening of a number of the emerging market currencies in which our debt is denominated resulted in a net currency gain of €59 million being recorded.

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

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

We actively manage our liquidity risk by ensuring we maintain diversified sources of funding and debt maturities. The weighted average maturity of our Eurobonds and committed debt facilities was 3.7 years at 31 December 2013. At the end of the year €792 million of our €2.5 billion of committed debt facilities remained undrawn.

Net finance costs

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

Tax

Our strategy is to achieve a sustainable and competitive tax rate reflecting the current tax composition of the Group, whilst acting in a transparent and professional manner.

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

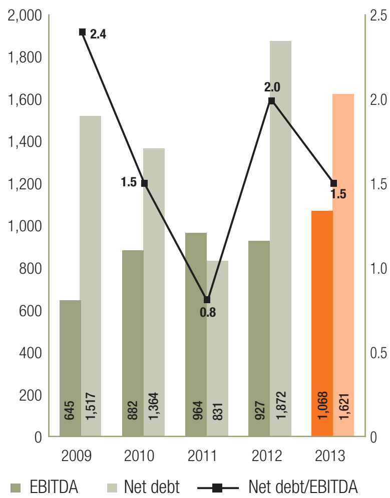
Non-controlling interests

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

Currency split of net debt of €1,621 million *(%)*

Euro	52
Russian rouble	14
Polish zloty	9
South African rand	5
Other	20

EBITDA and net debt *(€ million)*



Special items

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

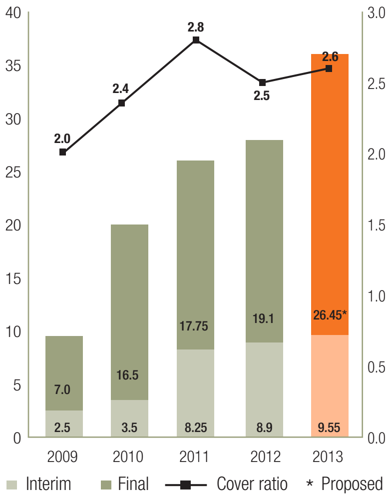
The net special item charge of €87 million before tax, the cash component of which amounted to €20 million, included the following:

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

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

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

Dividends paid and proposed
(€ cents per share)



Shareholder returns

Our ROCE, based on underlying earnings and average capital employed, of 15.3% exceeds our through-the cycle hurdle rate of 13%, despite the dilutive effect of the acquisitions made in 2012.

The Boards' aim is to offer shareholders long-term dividend growth within a targeted dividend cover range of two to three times over the business cycle. Given our strong financial position and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, the directors have recommended a final dividend of 26.45 euro cents per share, bringing the total dividend to 36 euro cents per share, an increase of 29%.

Andrew King
Chief financial officer

THIS STRATEGIC REPORT

was approved by the Boards on 27 February 2014 and is signed on their behalf by:

David Hathorn	Andrew King
Chief executive officer	Chief financial officer

Good governance is not an additional matter considered by the Boards but is embedded in everything we do.

DIRECTORS' REPORT

Board of directors

1 Fred Phaswana, 69 – Joint chairman

Appointed: June 2013

Committees: nominations

Qualifications: MA (Unisa), BCom (Hons) (RAU), BA (Philosophy, Politics and Economics) (Unisa)

Experience: previously regional president of BP Africa, a non-executive director of Anglo American plc and chairman of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the Advisory Board of the Cape Town Graduate School of Business. He is former honorary president of the Cape Town Press Club.

External appointments: chairman of Standard Bank Group and The Standard Bank of South Africa. He is also chairman of the South African Institute of International Affairs and a non-executive director of Naspers.

2 David Williams, 68 – Joint chairman

Appointed: May 2007 and as joint chairman in August 2009

Committees: nominations (chairman), remuneration

Qualifications: graduated in economics from Manchester University, chartered accountant (UK)

Experience: retired as finance director of Bunzl plc in January 2006, having served on the board for 14 years, and previously a member of the Tootal management board and finance director of Tootal plc.

External appointments: senior independent director of Meggitt plc and non-executive director of Dubai-based DP World Limited. He also chairs the audit committees of both companies. Formerly a non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc, Medeva plc, George Wimpey plc, Taylor Wimpey plc and Tullow Oil plc.

3 David Hathorn, 51 – Chief executive officer

Appointed: May 2007

Committees: executive (chairman), sustainable development, social and ethics

Qualifications: graduated in commerce from the University of Natal, chartered accountant (South Africa)

Experience: completed articles with Deloitte & Touche in Johannesburg in 1987. Joined Anglo American plc in 1989 as a divisional finance manager, moved to Mondi in 1991 and went on to serve as finance director and then general manager of Mondi Europe until 2000, when he was appointed chief executive officer of the Mondi Group.

At Anglo American plc, David was a member of the executive committee from 2003 and an executive director from 2005 and served on the boards of a number of companies, including De Beers, Anglo Platinum and Anglo Coal.

External appointments: none

4 **Andrew King, 44** – Chief financial officer

Appointed: October 2008

Committees: executive

Qualifications: graduated in commerce from the University of Cape Town, chartered accountant (South Africa)

Experience: completed articles with Deloitte & Touche in Johannesburg in 1994. In 1995 joined Minorco, the international arm of Anglo American, as a financial analyst, before assuming responsibility for the group's investment management activities, and transferring to their corporate finance department in 1998. He worked on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999.

Appointed Mondi's vice president of business development in 2002 and corporate development director in 2004. He served as chief financial officer of Mondi from June 2005 to May 2006, before being appointed as Group strategy and business development director.

External appointments: none

5 **Peter Oswald, 51** – Chief executive officer: Europe & International Division

Appointed: January 2008

Committees: executive

Qualifications: graduated in law from the University of Vienna and in business administration from WU-Vienna Business School

Experience: began his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the head of internal audit, later becoming corporate controller.

After serving as chief executive of the bag and flexibles business from 1995 to 2001, overseeing its recovery and expansion, was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach into the new Mondi packaging division.

External appointments: non-executive director of Telekom Austria AG.

6 **Anne Quinn CBE, 62** – Senior independent director

Appointed: May 2007 and as senior independent director in August 2009

Committees: audit, nominations, remuneration (chairman), sustainable development

Qualifications: bachelor of commerce from Auckland University and master's degree in management science from the Massachusetts Institute of Technology (MIT). Awarded a CBE for services to the natural gas industry.

Experience: early career with NZ Forest Products Limited and the US management consulting company Resource Planning Associates. Joined Standard Oil of Ohio, which was subsequently acquired by BP plc. Went on to work for BP in the US, Belgium, Colombia and the UK and held a number of executive positions, including group vice president. Previously a managing director of Riverstone Holdings (Europe), a private equity investment firm specialising in the renewable and conventional energy and power industries.

External appointments: non-executive director of Smiths Group plc and former non-executive director of The BOC Group plc from 2004 to 2006.

Board of directors continued

7 Stephen Harris, 55 – Non-executive director

Appointed: March 2011

Committees: audit, nominations, remuneration, sustainable development (chairman), social and ethics

Qualifications: chartered engineer, graduated in engineering from Cambridge University, master's degree in business administration from the University of Chicago, Booth School of Business

Experience: spent his early career in engineering with Courtaulds plc and then moved to the USA to join APV Inc from 1984 until 1995, where he held several senior management positions. He was appointed to the board of Powell Duffryn as an executive director in 1995 and then went on to join Spectris plc as an executive director from 2003 until 2008. He was also a non-executive director of Brixton plc between 2006 and 2009.

External appointments: chief executive officer of Bodycote plc.

8 Imogen Mkhize, 50 – Non-executive director

Appointed: May 2007

Committees: nominations, remuneration, social and ethics (chairman)

Qualifications: graduated in information systems from Rhodes University in 1984, an MBA from Harvard Business School in 1995. Completed a Diploma in Company Direction with the Institute of Directors/GIMT in 2000

Experience: has been involved in corporate governance for over two decades. She spent her early career with Anglo American, Andersen Consulting and the financial services group Nedcor, before becoming managing director of telecommunications group Lucent Technologies South Africa. Between 2003 and July 2006, she held the position of chief executive officer of the 18th World Petroleum Congress, an international oil and gas event. In 2001 Imogen was recognised by the World Economic Forum as a Global Leader for Tomorrow.

External appointments: a director of Sasol Limited and of the Ethics Institute of South Africa. A member of Accenture South Africa Advisory Board. A member of Rhodes University Board of Governors and chairman of Rhodes Business School.

Formerly chairman of Richards Bay Coal Terminal, a former director of Murray & Roberts Holdings Limited and of Mobile Telephone Networks Proprietary Limited and emeritus member of the Harvard Business School Global Alumni Board.

9 John Nicholas, 57 – Non-executive director

Appointed: October 2009

Committees: audit (chairman), nominations

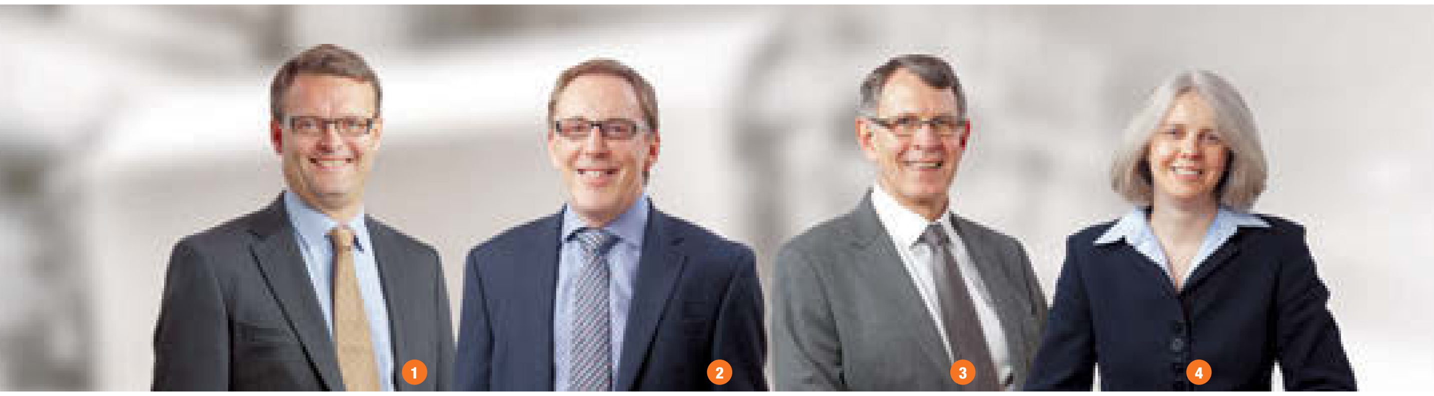
Qualifications: master's degree in business administration from Kingston University, chartered accountant (UK)

Experience: early career was spent in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing. He became group finance director of Kidde plc on its demerger from Williams Holdings and was group finance director at Tate & Lyle plc from 2006 to 2008.

He is currently a member of the UK Financial Reporting Review Panel, which seeks to ensure that the provision of financial information by public and large private companies complies with relevant reporting requirements.

External appointments: non-executive director of Hunting PLC and Rotork p.l.c., chairing the audit committees of both, and senior independent director of Diploma PLC where he chairs the remuneration committee. He was a non-executive of Ceres Power Holdings plc until December 2012, also chairing the audit committee.

DLC executive committee and company secretaries



1 John Lindahl, 54 – **Group technical director**

Appointed: August 2011

Committees: executive

Qualifications: graduated in pulp and paper engineering from the Technical University of Helsinki in 1985 and an MBA from Jyvaskyla University in 1996

Experience: between 1985 and 2000 had an extensive career in the forest industry working in different operational managerial positions in Finland, United States and France in companies including M-real, Myllykoski and UPM. At UPM he then moved on to tasks within corporate technology and investment co-ordination.

From the industry he moved on to consulting and engineering company Pöyry where he held different executive positions in the forest industry business group being involved in advisory services, pre-engineering studies and major implementation projects for the global Pulp and Paper Industry until 2011.

External appointments: none

2 Ron Traill, 59 – **Chief executive officer: South Africa Division**

Appointed: January 2008

Committees: executive

Qualifications: graduated in mechanical engineering and management from Dundee Colleges in Scotland in 1980

Experience: began his career as an industrial engineer with DRG Packaging Group, working in its Scottish paper mill. Went on to hold a succession of posts within the company, leading ultimately to his appointment as general manager. Following DRG's acquisition by Sappi in 1990, he worked for 10 years in a number of general management roles.

Has also held senior operational positions with Fletcher Challenge and with Tullis Russell, the UK's largest independent paper mill.

Joined Mondi in 2003 as managing director of the Štěti pulp and paper mill in the Czech Republic, also assuming responsibility for the Mondi packaging paper business in Ružomberok, Slovakia. He then relocated to South Africa, being appointed chief executive officer of the South Africa Division on 1 January 2008.

External appointments: none

3 Philip Laubscher, 58 – **Company secretary Mondi Limited**

Philip Laubscher, who holds BProc and LLB degrees and is an attorney of the High Court of South Africa, was in-house counsel with national power utility Eskom for 15 years before joining Mondi in 1999 as head of legal services. He was appointed company secretary of Mondi Limited in January 2001.

4 Carol Hunt, 52 – **Company secretary Mondi plc**

Carol Hunt, a fellow of the Institute of Chartered Secretaries & Administrators, spent 15 years with The BOC Group plc, holding various roles in the company secretariat, the last six years as deputy company secretary. She joined Mondi in November 2006 and was formally appointed company secretary of Mondi plc in May 2007.

Philip and Carol work together on the co-ordination of Mondi's DLC structure.

Corporate governance report

Introduction from joint chairmen

Dear shareholder

Governance remains high on the public agenda with further governance code changes effective for this reporting year and more emphasis on applying the spirit of the governance principles. At Mondi we take our duties in this regard very seriously. Good governance is not an additional matter considered by the Boards but is embedded in everything we do.

The dual listed company (DLC) structure, with Mondi Limited registered in South Africa and listed on the JSE Limited (JSE) and Mondi plc registered in England and listed on the London Stock Exchange (LSE), means we are cognisant of the governance, accounting, legislative and regulatory requirements of both South Africa and the UK. This presents a challenge for the Boards that we meet through having a clear annual board programme and open dialogue with executive management. We take note of the guidance issued by regulatory and governance bodies and ensure that we tailor implementation to our Group and what we believe is right for us, taking into account not just our operational requirements but also the environment in which we operate and the impact on all our stakeholders.

A strong social and ethical value system is a key cornerstone of the Group's culture. Our operations touch many lives in many ways and your directors understand that instilling the correct values and ethics throughout Mondi starts at the top with the Boards. Visiting sites and meeting as many employees as possible gives us the opportunity to see and hear for ourselves how our culture helps us meet the challenges we face as a business. We had the opportunity to visit two sites this year – Mondi Gronau in Germany in June and Mondi Inncoat also in Germany in August and, in addition, we visited the corporate centres in South Africa and the UK.

With the volume of regulation and governance it is easy to spend a disproportionate amount of time reviewing and overseeing these matters. While we recognise their importance it is critical that we ensure appropriate controls are in place, that we are on the right strategic path and that we keep shareholder value to the fore. In the latter part of 2012 the Boards approved the acquisition of Nordenia as a major step in the development of the growing consumer packaging segment. During 2013 the Boards have monitored the integration of the former Nordenia into Mondi's Consumer Packaging business, including our visit to the key site in Gronau. A full day spent focusing on the Group's strategy in November retested the areas of focus and growth.

We are fortunate that we have directors with varied international experience who contribute their own perspectives and are happy to openly debate important issues with management. They have attended all meetings and are always well prepared. Meeting papers are distributed in a timely manner so, with the background reading done, the meetings are free to debate what is important.

We conduct an annual evaluation of the Boards, committees and directors. The review in 2013 was an independent external evaluation conducted by Independent Audit Limited. The outcome of the review is given in more detail below, although we are pleased to report that no material weaknesses were identified. There were some areas highlighted for consideration and these will be incorporated into our agendas as we move forward.

We continue to believe that providing the shareholders with the opportunity each year to consider the re-election of each director is important, so each director will seek re-election at the 2014 annual general meetings.

We hope that the following report provides you with more meaningful insight into how we operate and the matters on which we have focused during the year.

Fred Phaswana
Joint chairman

David Williams
Joint chairman

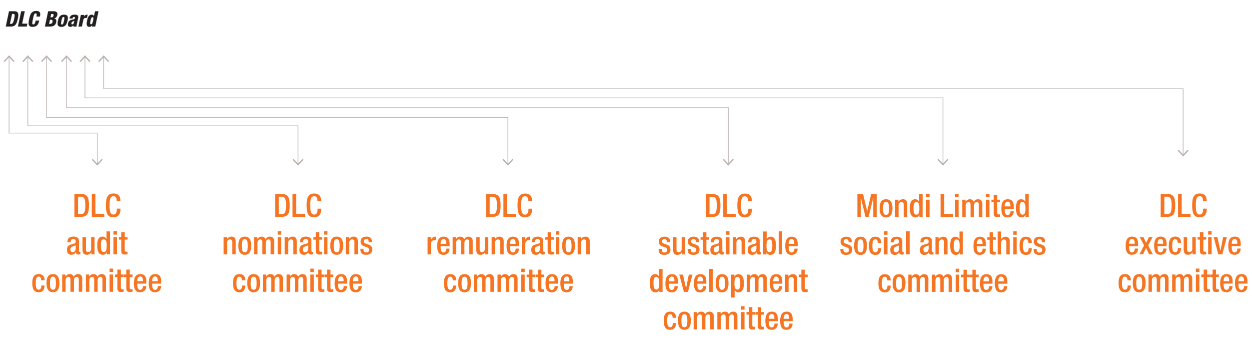
Compliance statement

Mondi has complied throughout the year with the principles contained in the South African King III Code of Corporate Governance Principles (available at www.iodsa.co.za) and the UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk) save as set out below:

- the Boards determined that the DLC sustainable development committee provided the appropriate oversight for the sustainability reporting in the Integrated report and financial statements 2013 rather than the DLC audit committee, as recommended under King III. Due to the nature of Mondi's business the DLC sustainable development committee regularly reviews all key sustainability issues for the Group, meeting six times a year and reports directly to the Boards. Therefore it is considered to be better placed to review the integrity of the sustainability reporting. The DLC sustainable development committee provides the assurance on sustainability issues in the Integrated report and financial statements 2013; and
- although Cyril Ramaphosa stepped down as joint chairman on 3 May 2013, he had not been considered independent when originally appointed to the Boards due to his connection with Mondi through the Shanduka Group which has a shareholding in Mondi Shanduka Newsprint Proprietary Limited.

A more detailed analysis of Mondi's compliance with King III is available on the Mondi Group website at www.mondigroup.com.

Board structure



Mondi comprises Mondi Limited, registered and listed in South Africa, and Mondi plc, registered and listed in the UK. Each entity has its own board of directors comprising the same individuals. This enables the effective management of the dual listed structure as a single unified economic enterprise with due consideration being given to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc.

Leadership of the Boards comes from the joint chairmen who have agreed a rolling agenda to ensure that all key matters reserved for the consideration of the directors is covered in the annual cycle of meetings. Ahead of each meeting they review the proposed agendas, which will include additional items as required by the business operations or wider economic environment. One example during 2013 was the request from the chairmen to include a detailed presentation on Mondi's tax management practices following the widespread criticism of large organisations regarding their tax arrangements. This enabled the directors to challenge Mondi's approach and practices and to satisfy themselves that they were appropriate.

In line with governance practice the Boards delegate certain responsibilities to committees. The role of each committee is described later in this report. There is however co-ordination between the committee chairs and the joint chairmen and reports from each committee meeting are made at the following board meeting. This ensures that directors are kept informed and the chairmen can ensure that all aspects of the board's mandate have been addressed.

Corporate governance report continued

The matters reserved for the Boards together with the terms of reference of each of the governance committees are available on Mondi's website and are reviewed at least on an annual basis but also when there have been changes in circumstances, governance or regulation. During 2013 certain of the committee terms of reference were updated in response to the UK governance code changes introduced at the end of 2012, in particular relating to audit committees.

Key board responsibilities:

- review and approval of the Mondi Group strategy
- setting the Group's values, governance and ethical standards
- oversight of the Group's operations including the integrity of financial performance, controls and compliance
- material acquisitions and disposals and major capital expenditure
- risk and reward structures
- shareholder communications
- Group policies

Key 2013 considerations:

- received reports on fatalities and considered management's response and actions
- reviewed and approved the Group's strategy
- appointment of a new joint chairman
- oversight of the integration of Nordenia into the Mondi Consumer Packaging business unit
- reviewed Mondi's approach to tax management
- considered the impacts of the modernisation and mechanisation of the forestry operations in South Africa
- reviewed and approved a Group diversity policy
- launched an Odd-lot Offer
- approved a variety of stay in business capex and new expansionary and energy related projects

Board meetings are chaired by one of the joint chairmen. Whether this is Fred Phaswana or David Williams is usually dependent upon the location of the meeting with Fred chairing those in South Africa and David those held in Europe. They oversee the issue of appropriate, accurate and well presented materials and ensure there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings in order that effective decisions are reached.

In an effort to nurture productive relationships between the directors and management, opportunities to receive presentations directly from those responsible for the work are encouraged. The Boards meet with as many employees as possible, utilising site visits, off-site meetings and board dinners as well as meeting presentations. This also helps to give them exposure to potential future successors for executive management roles.

The Boards support the appropriate governance structures and processes through a regular programme of review and challenge of key areas such as divisional performance and trends, treasury and IT. There is also an annual review of Group policies and corporate governance compliance, testing what remains appropriate and effective and where changes may be warranted.

Composition of the Boards

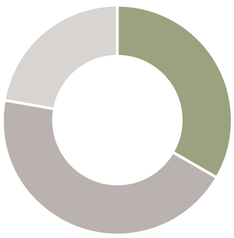
The directors holding office during the year ended 31 December 2013 are listed below, together with their attendance at board meetings. As at 31 December 2013 there were nine directors: the joint chairmen, four non-executive directors each considered by the Boards to be independent and three executive directors. There continues to be a strong mix of skills and industry experience, particularly in Europe and South Africa, locations important to Mondi's operations. Those in office as at the date of this report, together with their biographical details, can be found on pages 50 to 52.

Directors	Position	Independent	Board member since	Mondi Limited board (one meeting)	Mondi plc board (one meeting)	DLC board (six meetings)
Fred Phaswana [1]	Joint chairman	Yes	June 2013	–	–	4
Cyril Ramaphosa [2]	Joint chairman	No	May 2007	1	1	2
David Williams	Joint chairman	Yes	May 2007	1	1	6
Stephen Harris	Non-executive director	Yes	March 2011	1	1	6
David Hathorn	Chief executive officer	No	May 2007 [3]	1	1	6
Andrew King	Chief financial officer	No	October 2008	1	1	6
Imogen Mkhize	Non-executive director	Yes	May 2007	1	1	6
John Nicholas	Non-executive director	Yes	October 2009	1	1	6
Peter Oswald	Chief executive officer, Europe & International Division	No	January 2008	1	1	6
Anne Quinn	Senior independent non-executive director	Yes	May 2007	1	1	6

1 Fred Phaswana was appointed a director of both Mondi Limited and Mondi plc on 1 June 2013 and attended all meetings held since that date.
2 Cyril Ramaphosa stepped down from the Boards at the conclusion of the annual general meetings of Mondi Limited and Mondi plc held on 3 May 2013 and attended all meetings up to that date.
3 David Hathorn was appointed a director of Mondi Limited in May 1997.

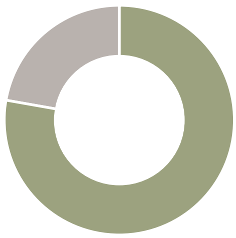
Corporate governance report continued

Composition of the Boards



Executives	3
Non-executives	4
Joint chairmen	2

***Diversity on the Boards** (%)*

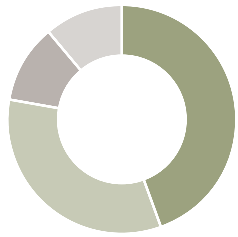


Male	78
Female	22

Non-executive director tenure

0-3 years	1
3-6 years	1
6-9 years	2
9+ years	0

Nationalities represented on the Boards



South African	4
British	3
Austrian	1
New Zealander	1

A policy is in place pursuant to which each director may obtain independent professional advice at Mondi's expense in the furtherance of their duties as a director of either Mondi Limited or Mondi plc. No requests were received during the year.

Throughout the year to 31 December 2013, in line with market practice, Mondi maintained directors' and officers' liability insurance.

Board responsibilities

Principal responsibilities of the joint chairmen:

- lead and manage the dynamics of the Boards, ensuring their effectiveness, consideration of succession and setting the agenda
- ensure high standards of corporate governance and ethical behaviour
- ensure that the Boards set a clear and appropriate strategy for the Group
- ensure effective communication with shareholders and other stakeholders

Principal responsibilities of the chief executive officer:

- leads the business, in particular the execution of strategy
- chairs the DLC executive committee and leads and motivates the management team
- ensures the Group has effective processes, controls and risk management systems
- ensures the Boards receive accurate, timely and clear information about the Group's performance

Mondi has joint chairmen, Fred Phaswana and David Williams, with the chief executive officer role held separately by David Hathorn. Fred joined the Boards on 1 June 2013, replacing Cyril Ramaphosa who retired from the Boards on 3 May 2013. Having joint chairmen, one based in South Africa and the other in the UK, ensures that the Group and its shareholders benefit from an extensive knowledge and experience of the jurisdictions relating specifically to its dual listed structure. The joint chairmen maintain a regular dialogue with each other and manage the Boards through mutual agreement.

The division of responsibilities between the joint chairmen and the chief executive officer has been clearly defined and approved by the Boards. They do however work closely on matters such as the relationships with major shareholders, governments, analysts, media and other external relationships.

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. The main positions held by Fred Phaswana and David Williams outside the Mondi Group are detailed in their biographies set out on page 50. There have been no changes to the commitments of David Williams during the year or for Fred Phaswana since joining the Boards.

Both Fred Phaswana and David Williams were independent upon appointment. Details relating to Fred's appointment can be found in the DLC nominations committee section later in this report.

The Boards continue to consider that the chairmen's external directorships do not interfere with the time they devote to Mondi, with both having attended all meetings and made themselves available to management and other directors when required.

Anne Quinn is the senior independent director, having been appointed to this role in August 2009.

Principal responsibilities of the senior independent director:

- provides support to, and acts as a sounding board for, the joint chairmen
- available as a point of contact for shareholders
- available as an intermediary for the other directors, as necessary
- chairs a meeting of the non-executive directors at which the performance of the joint chairmen is considered

Philip Laubscher is the company secretary of Mondi Limited and Carol Hunt the company secretary of Mondi plc. They work together on the co-ordination of Mondi's DLC structure.

Company secretaries:

- they are appointed and removed by the Boards and are accountable to the Boards as a whole
- they are both professionally qualified and have gained experience over a number of years (their biographies are on page 53)
- they report at each board meeting on relevant corporate governance and regulatory matters and changes, including the provision of advice on the performance of directors' duties and the continuing obligations of the JSE and LSE
- they ensure the timely distribution of meeting packs ahead of each meeting

Pursuant to the Listings Requirements of the JSE, the Boards confirm that they have reviewed and are satisfied that each of the company secretaries are competent and have the relevant qualifications and experience.

In assessing their competence the Boards have considered the expected role and duties pursuant to the requirements in both South Africa and the UK of the Companies Acts, governance codes and continuing obligations of the stock exchanges on which Mondi is listed and considered their respective compliance with each of these. The Boards have reviewed their performance not only during the last year but since joining Mondi. The Boards concluded that the company secretaries have each complied with all the requirements of the Companies Acts, governance codes and continuing obligations of the relevant stock exchanges.

While all directors have access to the advice and services of the company secretaries, the company secretaries maintain an arms-length relationship with the Boards. They do not take part in board deliberations and only advise on matters of governance, form or procedure. Throughout the year they have ensured compliance with board procedures, providing independent advice to the Boards on governance and compliance matters as necessary.

Non-executive director meetings

Non-executive director meetings, chaired by one of the joint chairmen (except when their performance is being considered), are held twice a year. These meetings focus particularly on the performance of the executives but the agendas are driven by the non-executive directors and cover a variety of topics. One of these meetings is attended by the chief executive officer in order to provide input to the discussions on executive performance and succession.

Training and development

When new directors join the Boards they undertake an induction. The starting point is for one of the company secretaries to meet with the director to explain the dual listed company structure and its implications for the operation of the Boards. The committee and governance framework will also be considered with a copy of the directors' handbook, containing all the key documents of reference for directors, provided. The handbook is kept up to date and is available to all directors via an iPad application.

Corporate governance report continued

While there is an outline induction programme in place this is discussed with each new director to ensure that it can be tailored to meet any specific requirements they may have. The programme generally includes meetings with each member of the executive committee and key advisers in addition to site visits. Fred Phaswana, who joined the Boards in June 2013, has been undertaking an induction and additionally is meeting with the heads of key corporate functions such as Group treasury and Group tax.

All directors are encouraged to attend workshops and seminars relevant to their respective roles and details of such programmes are provided regularly by the company secretaries.

Part of the Boards' annual rolling agenda is also focused on updating skills and knowledge. During the year Mondi's UK legal advisers facilitated a session on the duties and responsibilities of directors in UK listed companies and an economist from one of Mondi's relationship banks gave a presentation on the global economic outlook. In order to assist directors in obtaining a greater understanding of the newly expanded Consumer Packaging segment, the business unit management gave a detailed presentation including an overview of products, the market and innovation in addition to a review of operations generally. This was further supplemented in June with a site visit to the former Nordenia plant at Gronau, Germany, producing advanced films and components, so that the directors could see the operations first hand and meet more of the local management team. In addition, in August the directors visited the release liner plant, Inncoat in Raubling, Germany.

The company secretaries provide a report to the Boards at each meeting that covers developments in governance and regulation, explaining what impact there may be for Mondi and updating the directors on implementation plans. These reports also cover the wider consultations that are undertaken by various regulatory bodies by way of general information. Other corporate function specialists report on their respective functions to the Boards to enable the directors to gain a greater insight into the way Mondi is managed and to provide opportunities to question processes, resources and key risks.

There is a policy in place setting out the parameters regarding the appointment of any executive director as a non-executive of another company. Although valuable experience can be gained from such roles it is important for the Boards to ensure the appropriateness and number of such commitments. A director will retain any fee paid to them in respect of directorships external to Mondi. Peter Oswald is currently the only executive director holding an external position, being a non-executive director of Telekom Austria AG. His current fee is set at €15,000 per annum plus a meeting attendance allowance which for 2013 amounted to €1,800 in total for the year.

Board visit to Inncoat, Raubling, Germany

Performance evaluation

As reported last year, there were two key themes from the 2012 review, namely:
- the monitoring of the integration of recent acquisitions into the Mondi Group; and
- continuing to review the composition of the Boards to ensure appropriate succession and skills to complement Mondi's strategic direction.

As explained above, during 2013 the directors have monitored the integration into the Group of the acquisitions completed at the end of 2012 in accordance with the action plan from the 2012 review.

There has been consideration of the composition of the Boards and the appropriateness of the current skills base in light of Mondi's strategic direction. There was a change of one of the joint chairmen during the year. In 2013 both Anne Quinn and Imogen Mkhize completed their six year terms with Mondi. The joint chairmen undertook a more detailed review of their performance including consideration of the governance code requirements, evaluation feedback, shareholder opinion and reviewed this against the time they devote to their duties at Mondi and their other directorships and business commitments. The views of their fellow directors and their contribution to the board debate through their preparedness to openly challenge and question was considered. The composition of the Boards and current skills mix were also taken into account before it was confirmed that both Anne and Imogen remained independent and able to contribute effectively to Mondi in the best interests of shareholders.

The review of the Boards and committees in 2013 was an independent external evaluation conducted by Independent Audit Limited, which has no other connection with Mondi. Independent Audit Limited provided feedback to the joint chairmen for their review of individual director performance.

Following a review of the programmes, agendas and papers for each board and committee meeting over a 12 month period, one-on-one interviews were conducted with each director, executive committee member and company secretary. The report highlighted the positive and open dynamics of the Boards, noting the high degree of trust between the executive and non-executive directors. There is open discussion between the executive and non-executive directors during the evolution of business strategies and the consideration of options with all participants being prepared to challenge the status quo and ask awkward questions as appropriate.

The report from the review was initially discussed with the chairmen and then presented to the DLC nominations committee and ultimately to the Boards for consideration and the development of an action plan to address the key findings. In addition, the chairmen have considered any individual directors' development requirements.

The key actions to be taken by the Boards following the external evaluation are:

1. as the Group's products and geographic spread continue to grow, to consider the future need for non-executive directors with direct exposure to these areas;
2. to encourage non-executive directors to engage in regular knowledge development of the business of the Group; and
3. to continue to evolve the risk report format.

In addition, the non-executive directors, led by Anne Quinn as the senior independent director, and with input from Independent Audit Limited and the executive directors, undertook a review of the performance of each of the joint chairmen. They focused in particular on the change from Cyril Ramaphosa to Fred Phaswana, noting that Fred has settled into the role well and has provided a new perspective at board debates.

The Boards continue to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

Procedure for conflicts of interest

Company law, the memorandum of incorporation of Mondi Limited and the articles of association of Mondi plc allow directors to manage potential conflicts. A formal procedure for the reporting and review of any potential conflicts of interest involving the Boards with support from the company secretaries is in place, with authorisations reviewed on an annual basis.

DLC committees

The DLC committees, to which the Boards delegate specific areas of responsibility as described below, have authority to make decisions according to their terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. Each committee reviews its terms of reference on an annual basis and these are available on the Mondi Group website at: www.mondigroup.com or on request. The committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

Only committee members are entitled to attend committee meetings, although the chairmen of each committee can invite, as they consider appropriate, management and advisers to meetings to provide information, answer questions and generally to assist the committees in carrying out their duties. An indication of the regular attendees is given for each committee.

DLC audit committee

John Nicholas
Chairman of the DLC audit committee

QUOTE

Our work during 2013 was focused on the integrity of the Group's financial reporting, the independence and effectiveness of the external and internal audit activities, the Group's risk management processes and assessing the Group's internal controls. During 2014, we will oversee the rotation of our audit partner in South Africa and consider the changes planned by the regulatory bodies.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (four meetings in the year):
Stephen Harris	March 2011	4
John Nicholas, chairman	October 2009	4
Anne Quinn	May 2007	4

Other regular attendees

- chief executive officer
- chief financial officer
- Group financial controller
- heads of internal audit
- South African and UK representatives from Deloitte

Meeting schedule and attendance

- met four times during the year
- meetings are planned around the Group's financial reporting cycle
- 100% attendance at each of the four meetings by each member

Key responsibilities

- monitor the integrity of the Group's financial statements and financial announcements and the disclosures made
- review the consistency of the application of significant accounting policies and the impact of any changes
- oversee the relationship with the external auditors and the effectiveness of the audit process as a whole
- review the adequacy and effectiveness of the Group's system of internal control
- oversee the Group's risk management processes
- monitor and review the effectiveness of the Group's internal audit function
- review the Group's performance against aspects of the code of business ethics reserved for review by the committee
- review the adequacy and security of the Group's arrangements for employees and third parties to raise concerns

Composition

The committee is constituted as a statutory committee in respect of the duties set out in the South African Companies Act 2008 and a DLC committee of the Boards in respect of other duties assigned to it by the Boards.

All members of the committee are independent non-executive directors. The Boards consider each member has appropriate knowledge and understanding of financial matters, sufficient to enable them to consider effectively the financial and accounting issues that are presented to the committee. The Boards consider John Nicholas, the chairman of the committee, to have specific recent and relevant financial experience. The biographies detailing the experience of each member of the committee can be found on pages 51 and 52.

In accordance with the Listings Requirements of the JSE, the committee has considered and satisfied itself that Andrew King, Mondi's chief financial officer, has appropriate expertise and experience. Andrew is a chartered accountant and throughout his career has held various finance and business development roles. The committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and expertise of the senior management responsible for the finance function.

Meetings of the audit committee during 2013

The committee operates under formal terms of reference and these are reviewed annually. The committee considers that it has appropriately discharged its responsibilities as set out in its terms of reference during the year and has operated in compliance with relevant legal, regulatory and other responsibilities. There were no specific one-off matters requiring review or decision during 2013, so the committee agenda covered the regular matters reserved for its consideration. Matters covered by the committee during the meetings held in the year included:

February 2013	May 2013
• reviewed the full year results and the announcement of those results, with input provided by reports from the Group financial controller and Deloitte • reviewed the Group integrated report and financial statements 2012 • reviewed Deloitte's audit effectiveness, independence and objectivity leading to the consideration of their reappointment • reviewed the Group risk management policy, plan and risk tolerance levels and most significant risks • met with the heads of internal audit and Deloitte, separately and without management present	• reviewed the interim management statement • reviewed the effectiveness of internal controls and risk management systems and procedures • received a presentation from Deloitte of the audit management letter • reviewed the competition compliance programme with the aid of a presentation from the chief financial officer who chairs the divisional competition compliance committees • reviewed the elements of the code of business ethics reserved for the committee together with the business integrity policy
August 2013	**November 2013**
• reviewed the half yearly results and the announcement of those results, with input provided by reports from the Group financial controller and Deloitte • considered the restatement of comparative information as a result of the adoption of new accounting pronouncements • discussed the UK Government's Cyber Security Health Check and input from Mondi	• reviewed the interim management statement • considered the implications of new accounting pronouncements assisted by a report from the Group financial controller • reviewed and approved the external audit plan, fees and engagement letters with input provided by the chief financial officer, Group financial controller and Deloitte • reviewed IT risk management assisted by a presentation from the information management director • reviewed and updated the committee terms of reference to include recent governance developments • agreed the committee's work programme for 2014

Corporate governance report continued

In addition, there are several matters that are considered at every meeting of the committee including the report from the internal audit function, an in depth review of three of the most significant Group risks and the review of non-audit fee services provided by Deloitte.

A key role of the committee is to ensure that the interests of shareholders are protected, in particular with regard to the financial reporting of the Group and the controls in place to protect against misstatement. Although oversight and review of material matters are considered throughout the year, at the February meeting the integrity of the Group's integrated report and financial statements is assessed and the clarity of disclosures reviewed. The committee has assisted the Boards in their assessment of the report to ensure that the disclosures are complete and in context and that the strategic and directors' reports fairly reflect the financial performance as set out in the financial statements. The committee received a detailed report on the financial statements from the Group financial controller outlining the significant matters, in particular those areas where management judgement had been made. They also received a report on the audit from Deloitte. These reports were presented in the meeting and provided the opportunity for challenge by the committee. The committee also met with Deloitte without management present in order to discuss the audit in general.

Significant issues related to the financial statements

The audit committee has considered each of the following items based on discussions with and submissions by management and satisfied themselves as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditors during the planning stage and on completion of the audit and are set out in their audit report.

The key considerations in relation to the 2013 financial statements were:

- **Capitalisation of tangible assets**
  The Group operates a number of large, capital intensive facilities and incurs significant amounts of capital expenditure. In 2013, the Group incurred €405 million of capital expenditure. In approving significant capital projects, the Boards approve the underlying assumptions including the estimated useful lives of these investments. The committee has reviewed the submissions by management in respect of the significant capital expenditure during the year, summarising the depreciation rates applied, estimated residual values and the carrying values of the Group's tangible assets. In particular in the current year, the committee has considered the investments in the significant energy related projects brought into operation during 2013. The committee has interrogated management and satisfied itself of the appropriateness of the assumptions made, the consistency of those assumptions compared to the initial approvals and the basis on which any changes were made.

  The committee has also considered the internal audit reports completed in respect of the Group's procurement and capital expenditure processes, in which there were no significant weaknesses identified.

- **Impairment of assets**
  The Group's operations are exposed to a number of risks, as described on pages 12, 13 and 68 which may impact their underlying financial performance. In addition, goodwill of €550 million is included as an asset in the statement of financial position. As set out in the accounting policies on pages 120 to 129, the Group reviews its assets at least annually and whenever there is any indication that certain of its assets may be impaired.

  The critical underlying assumptions and outcomes are reviewed by the committee. The committee has considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recognised value of the underlying assets. The most significant assumptions are set out in note 11 of the financial statements.

  The committee has satisfied itself that the only significant impairments in the current year are those of the assets of the uncoated fine paper Neusiedler mill in Austria in light of the restructuring announced during 2013 and in Merebank, South Africa following the closure of the newsprint machine.

- **Critical assumptions in respect of afforestation and retirement benefits**
  Significant judgement is required in determining the assumptions to be applied for the valuation of the Group's afforestation asset and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries. These assumptions, and the basis on which they are determined, were evaluated by the committee, comparing them both to the assumptions used in the previous year and prevailing market conditions. The most significant assumptions and sensitivities are disclosed in note 13 for afforestation and 23 for retirement benefits in the financial statements. The committee satisfied itself that the assumptions used were reasonable.

- **Tax provisions**
  The Group has operations in a number of geographical locations, is subject to a number of tax jurisdictions and is exposed to a number of cross border and complex tax arrangements. The committee receives regular reports from management about ongoing tax audits and new legislative developments that may impact the Group's tax positions.

  The committee has evaluated the Group's most significant tax exposures, the corporate judgements and related tax provisions recognised by management and satisfied itself that these are appropriate.

- **New accounting pronouncements including restatements**
  The impact of new accounting pronouncements have been considered in detail by the committee. In particular, in the current year, the committee has reviewed the adoption of IFRS9, 10, 11 and 12 and IAS19 (revised) and the consequent restatement of comparative information. The committee reviewed the submissions by management on the conclusions reached for the treatment of entities previously classified as joint ventures and subject to proportionate consolidation and discussed the reasons why Mondi Shanduka Newsprint should be consolidated and comparative information restated.

External audit

Deloitte & Touche in South Africa and Deloitte LLP in the UK (together 'Deloitte') were appointed at the time of Mondi's demerger from Anglo American plc in July 2007. The South African audit partner's tenure is scheduled to conclude after the audit of the 2014 results. The audit of the 2012 results was the first year of tenure for the current UK audit partner. The committee anticipates putting the audit out to tender ahead of the rotation of the UK audit partner in 2016.

When considering the tender process a key factor in the committee's choice will be the ability of the audit firm to effectively manage the complexities of Mondi's dual listed company structure and geographic footprint.

A formal framework for the assessment of the effectiveness of the external audit process and quality of the audit has been adopted by the committee, covering all aspects of the audit service provided by Deloitte. The main focus is on: the audit team, in particular the lead audit partners; the approach to planning and execution of the audit, including the role of management in the process; and how effective the communications between the audit team and the committee are, including how value is added as well as the formal reporting of issues. The committee has also incorporated a review of auditor independence and objectivity.

The assessment is managed annually through the use of questionnaires to the committee members, key management and finance function personnel directly involved with the audit process at both Group and divisional level. The feedback from this process is collated and reviewed by the committee with a report and agreed action plan provided to both management and the Deloitte audit team. In addition, the committee will consider the findings of the review of the Mondi audit by the regulators that will be issued at least once in every five-year period.

Corporate governance report continued

For the review of the 2013 audit the committee considered the audit team, having been consistent with the prior year audit and thereby providing continuity of knowledge; and the approach to the audit plan, including engagement with management and the committee to agree the materiality levels and which sites would be individually reviewed. Consideration was given to the work undertaken against the agreed plan, including feedback from Deloitte's visits to specific Mondi locations, their involvement in the audit of the significant consolidation of the Europe & International Division, as well as questioning any deviations from the plan and the reasons for this. Of particular importance is the timely consideration of, and engagement with management and the committee on, areas requiring specific judgement as set out above. The committee chairman has also met with the Deloitte audit partners to discuss the results of the audit without management present. Representatives from Deloitte report to the committee on their independence and objectivity and the mechanisms employed to ensure this is maintained. They present their firm's own quality control procedures and report on the output from the audit quality review of Deloitte by the Financial Reporting Council. There are also Group policies in place regarding the employment of ex-audit staff and the provision of non-audit services.

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained. The committee confirmed that Deloitte & Touche is included in the JSE list of accredited auditors. Following these considerations the committee made a recommendation to, which was accepted by, the Boards that resolutions to reappoint Deloitte be proposed at the annual general meetings of Mondi Limited and Mondi plc, to be held in May 2014.

Non-audit services

A policy is in place that governs the provision of non-audit services provided by Deloitte to Mondi, including the requirement for the pre-approval of such services. These services are generally confined to matters where specific knowledge and understanding of Mondi is required. The committee approved delegation limits within the policy so that the chief financial officer and the audit committee chairman are able to approve requests for the provision of non-audit services. These are also within a ceiling limit for the year, with requests falling outside these limits being referred to the full committee for consideration. The policy also clearly sets out those services that the auditor is prohibited from providing such as financial information systems design and internal audit outsourcing. At each committee meeting all approved non-audit services since the last report are presented for review. This enables regular oversight of one aspect of the auditor independence and objectivity.

The breakdown of the fees paid to Deloitte, including the split between audit and non-audit fees, is included in note 3 to the financial statements on page 138. The non-audit fees for 2013 represent 7% of the audit fee paid.

Risk management and internal control

The Group is exposed to risks and uncertainties which may have an impact on future performance and financial results, as well as on its ability to meet certain social and environmental objectives.

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

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

The audit committee is responsible for overseeing the Group-wide risk management system and those risks which fall outside the remit of the sustainable development committee, which oversees all sustainability risks and the management thereof. Over the course of the year, the committee has reviewed in detail each of the principal risks set out in the Strategic report on pages 12 and 13 as well as further operational, compliance and financial risks considered to be significant. These additional risks are listed below. The committee has considered management's presentations regarding the nature of the risks, their likelihood and potential impact on the Group's financial position and performance and evaluated the monitoring and mitigation, where appropriate, of those risks. In evaluating the Group's risk management and internal control, the committee has considered both the internal and external audit reports and received confirmation from the finance heads of the business units that financial control frameworks have operated satisfactorily.

The Group's internal audit function is responsible for providing independent assurance to the executive committee, the audit committee and the Boards on the effectiveness of the Group's risk management process and for evaluating the internal control environment to ensure controls are adequately designed and are operating efficiently and effectively. Actions are taken to correct internal control deficiencies as they are identified.

Risk management

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

Clear accountability for risk management in the day-to-day activities of the Group is a key performance criterion for the Group's line managers, who are provided with appropriate support through Group policies and procedures as well as training and awareness programmes. Risk management is embedded in all decision making processes, with holistic risk assessments conducted as part of all investment decisions. The requisite risk and control capability is assured through board and executive committee challenge and appropriate management selection and skills development.

Internal control

The Group's system of internal control, embedded in all key operations, is designed to provide reasonable rather than absolute assurance that the Group's business objectives will be achieved, within risk tolerance levels defined by the Boards. Regular management reporting provides a balanced assessment of key risks and controls and is an important component of the Boards' assurance.

Key elements of the Group's system of internal control are:
- a focused business strategy, restricting potential risk exposure;
- a clearly-defined organisation structure with established and reasonable division of responsibilities;
- Group financial, business conduct, operating and administrative policies and procedures which incorporate statements of required behaviour;
- annual risk-profiling by local businesses and the Group to identify, monitor and manage significant risks, with the results discussed at business reviews and internal control, audit and risk meetings;
- a continuous review of operating performance;
- a comprehensive reporting system, including monthly results, annual budgets and periodic forecasts, monitored by the executive committee and Boards;
- approval by the Boards of all major investments, with proposals being subject to rigorous strategic and commercial examination;
- a centrally co-ordinated internal audit programme, using internal and external resources to support the Boards in ensuring a sound control environment;
- completion by business unit management of a six-monthly internal control assessment, confirming compliance with Group policies and procedures, detailing controls in operation and listing any weaknesses; and
- assurance activities covering the key business risks summarised and reported annually to the Boards, the audit committee and the sustainable development committee.

Corporate governance report continued

Principal risks and uncertainties

The audit committee has satisfied itself that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established by the Boards. In addition to the risks discussed in the Strategic report on pages 12 and 13, the committee has also considered the following significant risks during the course of the year.

Attraction and retention of key skills and talent	
The complexity of operations and geographic diversity of the Group is such that high-quality, experienced employees are required in all locations.	The Group monitors its staff turnover levels, diversity and training activities and conducts regular employee surveys. Appropriate reward and retention strategies are in place to attract and retain talent at all levels of the organisation. These include a share based incentive scheme as described in note 25 of the financial statements.
Employee and contractor safety*	
The Group's employees work in potentially dangerous environments where hazards are ever-present and must be managed.	The Group engages in extensive safety communication sessions, involving employees and contractors, at all operations. The Nine Safety Rules to Live By, applied across the Group, are integral to the safety strategy. Operations conduct statutory safety committee meetings where management and employees are represented. A risk-based approach underpins all safety and health programmes. All business units and operations are required to have safety improvement plans in place. The goal of zero harm was not met during 2013. It is regrettable that there were four fatalities during the year – two in Russia and two in South Africa. The TRCR (per 200,000 hours worked) was 0.78* (2012: 0.79).
Governance risks	
The Group operates in a number of legal jurisdictions and non-compliance with legal and governance requirements in these jurisdictions could expose the Group to significant risk if not adequately managed.	The Group operates a comprehensive training and compliance programme, supported by regular self-certification and reporting as well as its confidential reporting hotline for all stakeholders, Speakout.
Financial risks	
Mondi's trading and financing activities expose the Group to financial risks that, if left unmanaged, could adversely impact current or future earnings. These risks relate to the currencies in which the Group conducts its activities, interest rate and liquidity risks as well as exposure to customer credit risk.	Mondi's approach to financial risk management is described in notes 34 and 35 of the financial statements.

* reviewed by the sustainable development committee

Internal audit

The audit committee has responsibility for monitoring and reviewing the effectiveness of the Group's internal audit function and appoints and discharges the heads of internal audit (the equivalent of the chief audit executive as envisaged by King III). The heads of internal audit have direct access and responsibility to the committee and work closely with the committee in liaison with Deloitte. Each year the committee considers and approves the internal audit plan, receiving progress reports at each meeting on how the team are meeting the plan and discussing any changes or shortfall in targets. The committee agrees deviations from plan as the need arises during the year, usually as a result of major acquisitions or a change in Group risk profile highlighted through audit reports and through matters raised via the confidential reporting hotline, Speakout.

The internal audit team plan and undertake audits of the businesses in a systematic way, in accordance with the plan agreed with the committee, to ensure that the overall control environment within the business is appropriate, effective and complies with Mondi controls and procedures. The audit results are reported to the operational management and the implementation of the agreed recommendations are followed up on a regular basis by the internal audit team. The internal audit reports presented to the committee include details of audits carried out, the results and management's response to matters raised during the audits, and fraud and Speakout cases identified, as well as the adequacy and structure of the team. The committee regularly challenges the nature and speed of management's response to issues raised in audits and to Speakout messages in order to satisfy themselves that this has been appropriate to the circumstances. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work.

The structure and resources of the internal audit function are also regularly reviewed. The last external review of the internal audit function was carried out in 2010 by PricewaterhouseCoopers. That review concluded positively on the effectiveness of the internal audit function while making some recommendations to further improve on this. Since that review the committee has monitored progress with the implementation of the recommendations and annually reviews the effectiveness of the function. The committee has concluded that the heads of internal audit provide appropriate leadership of the internal audit function which remains effective in carrying out its remit. The committee has determined that external reviews will be carried out every five years with the next scheduled for 2015.

Speakout

The Group has a confidential reporting hotline called 'Speakout' operated by an independent third party. Speakout, monitored by the audit committee, enables employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns about conduct that is considered to be contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practice in the Group's operations. During 2013, 79 Speakout messages were received covering a number of areas.

DLC nominations committee

David Williams
Chairman of the DLC nominations committee

QUOTE

The key challenge for the committee during 2013 was the search for a replacement joint chairman with the departure of Cyril Ramaphosa in May. Mondi's dual listing creates its own challenges, the joint chairmanship being one of them. Ensuring that the individual not only had appropriate skills but also the right character to enable the Boards to continue to function openly, transparently and effectively was critical. We were fortunate to have candidates from a variety of backgrounds put forward. In Fred Phaswana we have found someone who has fitted seamlessly into the Mondi role while bringing a fresh perspective and challenge to the Boards and their deliberations.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (four meetings in the year):
Stephen Harris	March 2011	4
Imogen Mkhize	January 2008	4
John Nicholas	October 2009	4
Anne Quinn	May 2007	4
Fred Phaswana [1]	June 2013	1
Cyril Ramaphosa [2]	May 2007 to May 2013	2
David Williams, chairman	May 2007	4

1 Fred Phaswana was appointed a member of the committee on 1 June 2013 and has attended all meetings since that date.
2 Cyril Ramaphosa retired from the committee on 3 May 2013. He was not able to attend all meetings in the year up to that date, in part due to the committee's consideration of his replacement.

Other regular attendees

- chief executive officer

Meeting schedule and attendance

- met four times during the year
- 100% attendance at each of the four meetings except that Cyril Ramaphosa was unable to attend one meeting

Key responsibilities

- review the structure, size and composition of the Boards and committees
- consider succession planning and management development
- conducting a selection process, identifying and nominating candidates for the Boards and executive management
- ensuring new appointees are provided with a full and appropriate induction

Although David Williams chairs this committee he is not permitted to chair meetings during sessions regarding his performance. Neither will he be able to chair meetings at which the appointment of his successor is discussed.

During the year the committee considered a number of regular matters in accordance with its terms of reference. These included a review of the time commitment of non-executive directors and the composition and length of terms of service of members of each committee. The main consideration in 2013, however, was the recruitment of a replacement for the joint chairmanship role with Cyril Ramaphosa having announced in January that he would step down at the conclusion of the annual general meetings in May. The process for the appointment is given in more detail below. In addition, both Anne Quinn and Imogen Mkhize completed their six year terms and the reviews undertaken by the committee are explained above. Overall it was concluded that while the present composition of the Boards remained appropriate, future changes to the directors would need to include consideration of broader skills particularly able to support the strategic focus on developing the consumer exposed packaging segments.

The succession plans for the executives and senior management are considered annually. The presentation is broken down by corporate function, divisional and business units, detailing the current role holder as well as the likely successor candidates ready now and in three and five years' time. The review also includes a presentation on the talent review process within the Group with a particular emphasis this year on what is being done to redress the gender balance, enhancing the number of female candidates put forward and actions being taken to provide a more flexible working environment. These actions are explained in more detail below.

Succession for the directors themselves was also discussed and consideration given to the skills required going forward in order to support the Group in its strategy. It was concluded that, at this time, the directors provide an appropriate mix, with international manufacturing and engineering experience. It was, however, acknowledged that if Mondi's consumer exposed packaging businesses continue to expand, more experience in downstream manufacturing may be required.

The committee is responsible for overseeing the annual board evaluation as explained earlier in this report. In 2013 this was an independent external review.

The committee continued to be of the view that, in line with best practice, all directors should stand for re-election at the annual general meetings of Mondi Limited and Mondi plc.

Appointments to the Boards

During 2013 the only change to the composition of the Boards was the appointment of a new joint chairman following the decision by Cyril Ramaphosa to step down at the conclusion of the annual general meetings in May.

The appointment of the new joint chairman was carried out in accordance with the committee's established procedure. The senior independent director led the search with assistance from a leading executive search firm, Egon Zehnder. The committee considered the required characteristics for the role including the type of board, sector and business experience needed. Additionally there were the challenges of the dual listing, namely the South African Ministry of Finance national identity requirements, and that the individual would be required to work alongside Mondi's other co-chairman. A short list of nine candidates, two of whom were female, were reviewed by the committee, with each being a South African national who has held senior positions in major companies. Ultimately, having also reviewed each candidate's independence and any potential conflicts of interest and conducted one-on-one interviews with a number of the directors both executive and non-executive, there was consensus that Fred Phaswana be appointed.

The committee recommended Fred's appointment to the Boards as he brings to Mondi extensive industry experience gained in board and senior business leadership roles over many years. He worked for BP in a number of capacities in both Africa and Europe, served as an independent director of Anglo American plc and is currently chairman of Standard Bank Group and The Standard Bank of South Africa. He is also involved in public life in South Africa, chairing the South African Institute of International Affairs.

It is confirmed that Egon Zehnder do not have any other business relationship with Mondi.

Corporate governance report continued

At least annually the committee reviews the composition of the Boards and each of its committees to ensure that they remain appropriate. The Mondi Boards are relatively small and it is recognised that this can mean there is little flexibility to change the committee compositions, however, natural changes to the composition of the Boards that has occurred has resulted in the refreshing of the committees.

Terms of appointment

On appointment each non-executive director receives letters of appointment from each of Mondi Limited and Mondi plc setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any DLC committees of which they are a member. Non-executive directors are initially appointed for a three year term, although Mondi now follows governance best practice with all directors standing for re-election by shareholders at each annual general meeting.

Diversity

As a global organisation operating in 30 countries, diversity is encouraged and Mondi is committed to the fair and equitable treatment of all. Mondi employs, empowers and develops competent people with the necessary potential required to expand their careers and become valuable participants in sustaining its competitive business advantage. As the management of people is seen as a function and responsibility of line management, so is the creation of a culture that embraces diversity.

In South Africa we are committed to making a positive contribution to the process of transformation. We have taken active steps to meet the requirements of broad-based black economic empowerment (BBBEE), including establishing transformation forums in our South African operations to allow our employees to discuss equity and training-related issues and ideas.

In line with our philosophy of encouraging diversity and excluding discrimination, we provide equal opportunity for men and women in the Group. The Group's diversity statistics can be found in the Strategic report on page 20. There are currently two female directors representing 22% of the Boards. While our aim will be to maintain this level of female representation on the Boards going forward, it remains important that the composition of the Boards includes the right mix of skills, knowledge and experience and it may not always be appropriate to consider diversity on the Boards only in terms of gender.

The Boards have continued to monitor the Mondi talent pool and have considered gender diversity performance indicators. Specific recruitment commitments with a percentage of female candidates at long and short list stage for each management function, in accordance with industry standards, have been agreed. During 2013 we implemented a 'Flexible Working @ Mondi – Toolkit', which offers several proposals and examples for part-time working such as home working, flexible hours, job sharing or a combination of these options. This more flexible approach to working provides employees who experience challenging work-life demands a way to balance these demands to the advantage of all parties.

Diversity has become an integral part of the Group's leadership programmes, with training modules at the Mondi Academy such as 'Intercultural Diversity & International Business Competence' contributing to a wider understanding of diversity within Mondi. There are also development programmes targeted at female employees and an increasing involvement with universities to encourage female graduates to consider careers within the Group. During 2013 there has been a particular focus on high performing, internationally mobile female employees, offering targeted support through the Mondi Mentoring programme.

The Boards have adopted a formal diversity policy for the Group which sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews. While it is recognised that there is more work to do Mondi believes that continually sharing best practice, networking and sharing experiences both internally and externally we are making progress.

DLC remuneration committee

Anne Quinn
Chairman of the DLC remuneration committee

QUOTE

The committee believes that the remuneration policy will continue to motivate our senior team to achieve the Group's objectives and deliver sustained returns for our shareholders. We also believe that the remuneration of executives during 2013 reflects our successes to date in the delivery of our strategy.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (four meetings in the year):
Stephen Harris	March 2011	4
Imogen Mkhize	May 2007	4
Anne Quinn, chairman	May 2007	4
David Williams	May 2007	4

Other regular attendees

- chief executive officer
- joint chairman (Fred Phaswana)
- Group head of reward
- external remuneration consultant

Meeting schedule and attendance

- met four times during the year
- 100% attendance at each of the four meetings

Key responsibilities

- making recommendations on the Group's policy on senior management remuneration
- determination of the remuneration packages for each executive director and members of senior management, including pension rights and any compensation payments
- determination of the remuneration of the joint chairmen
- implementation of employee share schemes

The committee's full report on directors' remuneration, including details of the Group's remuneration policies and practices, is set out on pages 80 to 100.

Corporate governance report continued

DLC sustainable development committee

Stephen Harris
Chairman of the DLC sustainable development committee

QUOTE

2013 has been a difficult year for Mondi with four fatalities. These are reported on elsewhere in this integrated report. The committee was encouraged by the pro-active approach and leadership of the executive management in reviewing the Group's approach to safety and addressing the concerns expressed by the committee.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (six meetings in the year):
Stephen Harris, chairman	March 2011	6
David Hathorn	May 2007	6
Anne Quinn	August 2009	6

Other regular attendees

- Group head of sustainable development
- Group head of safety and health

Meeting schedule and attendance

- met six times during the year
- 100% attendance at each of the six meetings

Key responsibilities

- oversees the Group's strategy, targets and performance on safety, health, the environment, social responsibility, other sustainable development matters and business ethics

The committee oversees and monitors the progress of our sustainable development targets, strategy and performance. This drives much of the committees' annual agenda. The committee is also responsible for ensuring the Group's sustainable development strategy, policies and commitments are aligned with global best practice. Furthermore, the committee oversees performance in respect of safety, health, environment, forestry, product stewardship and community matters across the Group. It monitors performance against environmental targets, receives safety performance reports including details of major incidents within the Group and monitors management's response to such incidents.

Following the fatalities experienced during the year the committee, with full support and input from the executives, undertook a review of the Group's focus on the prevention of incidents. The executive committee presented their proposals for a refocus on low probability, high impact incidents, providing a detailed action plan that would be rolled out throughout the Group. This plan has received the full support of the committee.

A summary report from the directors on the Group's sustainability practices is set out on pages 28 to 31 and further details, including a full review of Mondi's sustainability activities and progress in 2013, can be found on the Mondi Group website.

Mondi Limited social and ethics committee

Imogen Mkhize
Chairman of the Mondi Limited social and ethics committee

QUOTE

During the year the committee, now in its second year, finalised its annual work plan and focused on reviewing Mondi Limited's compliance with various obligations under the South African Companies Act and regulation.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (two meetings in the year):
Stephen Harris	February 2012	2
David Hathorn	February 2012	2
Imogen Mkhize, chairman	February 2012	2

Other regular attendees

- executive management who present on relevant topics

Meeting schedule and attendance

- met twice during the year
- 100% attendance at each of the two meetings

Key responsibilities

- monitors activities relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment
- oversees those areas that overlap with the responsibilities of the DLC audit committee and DLC sustainable development committee, having access to the deliberations of these other committees

In considering Mondi Limited's community engagement activities the committee noted commendable projects, such as the Mkhondo development programme where Mondi Limited entered into a public-private partnership with provincial and municipal authorities to provide residents of the area a choice to pursue rural livelihoods in planned and serviced agri-villages or in newly serviced urban residential developments. Another Mondi Limited initiative is Mondi Zimele which provides equity, loans and business development support to empower emerging businesses in Mondi Limited's value chain and surrounding communities.

The committee was satisfied that Mondi Limited has sufficient policies, procedures and practices in place to adequately address the matters identified in its terms of reference. The committee did not identify any incidents of non-compliance with any laws and regulations, standards or codes relevant to its area of responsibility, and was satisfied with Mondi Limited's activities as examined against the 10 principles set out in the United Nations Global Compact Principles, the OECD recommendations regarding corruption, the Employment Equity Act, the principles of good corporate citizenship, environment, health and safety standards, consumer protection regulation, and the ILO Protocol on decent working conditions. The committee noted in particular the requirements of the revised BBBEE Codes and will actively monitor the effect thereof on Mondi Limited, specifically having regard to the Forest Sector Code.

DLC executive committee

David Hathorn
Chairman of the DLC executive committee

QUOTE

Continuing to drive our operational excellence programmes and ensuring that the organisation is appropriately structured to deal with the ongoing challenges created by the macroeconomic climate were focus areas for 2013. Overseeing the integration of Nordenia into the Consumer Packaging business unit and reviewing and approving a number of new expansionary and energy projects have also been priorities for the committee.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (11 meetings in the year):
David Hathorn, chairman	May 2007	11
Andrew King	May 2007	11
John Lindahl	August 2011	11
Peter Oswald	May 2007	11
Ron Traill	June 2008	11

Other regular attendees

- business unit managers
- representatives from corporate functions each of whom present on relevant topics

Meeting schedule and attendance

- met 11 times during the year
- 100% attendance at each of the 11 meetings

Key responsibilities

- day-to-day management of the Group within the limits set by the Boards
- monitoring financial, operational and safety performance
- policy implementation
- strategy implementation

Communication with stakeholders

The chief executive officer and chief financial officer have a regular programme of dialogue with the institutional shareholders, analysts and fund managers, that is based around the financial reporting calendar. Investors are regularly offered the opportunity to meet with the joint chairmen and other directors.

In September 2013 Mondi hosted a Capital Markets Day for investors and analysts in London, where the executive directors, together with other key senior management, including business unit heads and innovation managers, shared insights into the Mondi business. Some non-executive directors also attended the day.

Analysts and brokers briefings relating to Mondi and the packaging and paper industry are circulated to the directors, further enhancing their understanding of investor views.

Following the full and half-yearly results road shows, feedback from the dialogue with shareholders is provided by the brokers direct to the Boards. In addition, analysis of Mondi's performance against its peers is reviewed by the directors on a regular basis. All contact with investors is strictly controlled through the application of Group guidelines to ensure that no price sensitive information is made available on a selective basis and that all shareholders are treated equally. Financial reports, trading updates and news about the business operations are available to all shareholders on the Mondi Group website.

The Group head of sustainable development also maintains a dialogue on socially responsible investment through focused briefings with interested investors and stakeholders.

Throughout the year responses are given to correspondence received from shareholders and other interested parties on a variety of subjects.

Shareholders may choose to receive financial reports and other communications from the Group via electronic means. Facilities are also available for the electronic submission of proxy votes for general meetings. Furthermore, shareholders can use the opportunity of the annual general meetings to question the directors about Mondi's activities and prospects.

During 2013, Mondi did not receive any requests for access to records under the South African Promotion of Access to Information Act 2000.

Corporate governance report continued

Dealing in securities

The Boards have adopted a share dealing code for dealing in securities of Mondi Limited and Mondi plc which is based on regulatory and governance best practice in South Africa and the UK. The code sets out the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Group pending its public release and availability to shareholders and other interested parties. The code is reviewed regularly and updated as required to ensure continued compliance with regulation and best practice. Regular reminders of the procedures to be followed are issued and periodic training is provided to relevant employees.

All dealings by directors and persons discharging managerial responsibilities and their connected persons are announced to the JSE and the LSE when they occur. Details of the directors' interests in the shares of both Mondi Limited and Mondi plc can be found in the Remuneration report on pages 94 to 98.

Business ethics

The Boards have adopted a code of business ethics, which applies throughout the Group and sets out five fundamental principles that govern the way in which Mondi and its employees conduct business. Three of the principles are monitored and reviewed by the sustainable development committee (human rights, stakeholders and sustainability) and two by the audit committee (legal compliance and honesty and integrity).

The code incorporates the requirement for the Group to comply with all applicable laws and regulations. Although the Group does not have a single compliance function the legal teams of each division, together with the company secretaries of both Mondi Limited and Mondi plc, have oversight of compliance, including consideration of the application of non-binding rules, codes and standards. Regular reports are presented to the Boards, or relevant committees, on compliance matters.

The detailed application of the principles of the code is documented in Mondi's policies and procedures, in particular the business integrity policy and the sustainable development policy. These policies have been rolled out across the Group and regular training is provided to all relevant employees. The directors believe that the Group has robust compliance systems and procedures in place in relation to the code. The directors are not aware of any material non-compliance with the code. The code is available on the Mondi Group website.

Mondi has not been engaged in any legal actions for anti-competitive behaviour, anti-trust or monopoly practices during the year. Mondi has also not received any material fines or non-monetary sanctions for non-compliance with laws and regulations.

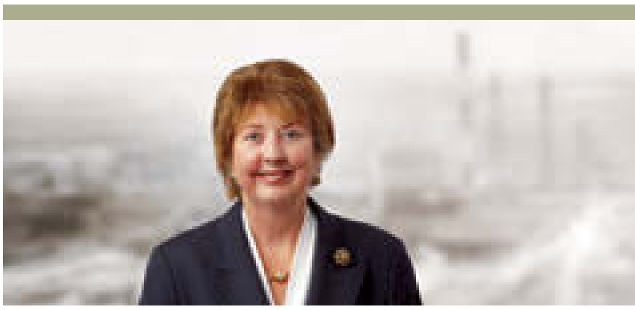
Annual general meetings

The annual general meetings of Mondi Limited and Mondi plc will be held on 14 May 2014 in Johannesburg and London respectively. It is expected that all directors and, in particular, the chairmen of the committees will be present.

Separate resolutions will be proposed for each item of business to be considered at the annual general meetings with the voting at the meetings conducted by polls. The voting results will be announced on the JSE and LSE and made available on the Mondi Group website as soon as practicable following the close of both meetings.

The notices of the annual general meetings, which include explanations of each resolution, are contained in separate circulars which are sent to all shareholders in advance of the meetings, in accordance with the corporate governance codes of South Africa and the UK.

Remuneration report



Introduction from the DLC remuneration committee chairman

I am pleased to present the Committee's report on directors' remuneration.

In accordance with the new UK regulations governing the disclosure and approval of directors' remuneration, our remuneration report has been split into two parts. The directors' remuneration policy is being put to a binding shareholder resolution at the forthcoming AGMs and the annual report on remuneration will be put to an advisory shareholder resolution.

Our remuneration policy for executive directors continues to be based on the principle of pay for performance and alignment with shareholders. Annual bonuses are dependent on a scorecard of financial and non-financial elements with robust metrics, and 50% of any bonus is deferred into Mondi shares for three years. The long-term incentive plan rewards sustained financial performance, measured through our percentage Return on Capital Employed (ROCE), and our relative Total Shareholder Return (TSR) compared to other international companies in our sector. Executive directors are also required to build a personal shareholding in Mondi.

Two changes were made in 2013:
- For LTIP awards in 2013, the ROCE performance requirement was increased to 16% (from 14% previously) at the top end of the performance scale.
- Following shareholder approval at the 2013 AGMs, dividend equivalent accrual, up to the point of LTIP vesting, will apply to LTIP awards from 2013 onwards, to the extent that awards meet performance conditions. This provides further alignment with the interests of shareholders.

As described in the strategic report Mondi achieved record financial performance in 2013. ROCE performance of 15.3% and EBITDA of €1,068 million, which was 15% higher than in the previous year, are reflected in the remuneration received by directors during the year under review:
- Annual bonuses of approximately 73% of the maximum have been awarded in respect of performance in 2013. This recognises the Group's good financial performance as well as strong performance against personal operational and strategic objectives that were set at the start of the year. As a result of the tragic and unacceptable fatalities of contractors engaged in Mondi operations no payment was made under the safety element of the bonus.
- The performance period for the 2011 LTIP ended on 31 December 2013. Half of the award was based on ROCE performance and the other half on relative TSR performance. ROCE for the three year performance period was 14.6%, above the applicable performance range of 10% to 14%. The Group's TSR over the performance period was in excess of 100% (120% for Mondi plc shares and 126% for Mondi Limited shares) which placed it in the top 25% of the comparator group. As a result of this performance both the ROCE and TSR elements, and therefore the overall 2011 LTIP award, vested in their entirety.

Base salary increases of 2.6% were implemented with effect from 1 January 2014, once again below the average percentage increase for the wider Mondi population.

The Committee believes that the remuneration policy will continue to motivate our senior team to achieve the Group's objectives and deliver sustained returns for our shareholders. We also believe that the remuneration of executives during 2013 reflects our successes to date in the delivery of our strategy.

I trust that you will feel able to support the remuneration resolutions at this year's annual general meetings.

Anne C Quinn
Chairman of the DLC remuneration committee

The report

The report has been prepared by the DLC remuneration committee (the 'Committee') and approved by the boards of Mondi Limited and Mondi plc (together 'the Boards'). Deloitte & Touche and Deloitte LLP have independently audited the items stipulated in the regulations:

- Executive directors' and non-executive directors' remuneration and associated footnotes on pages 90 and 91.
- The table of share awards granted to executive directors and associated footnotes on pages 96 and 97.
- The statement of directors' shareholdings and share interests on pages 94 and 95.

Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the governance codes in South Africa and the UK and the views of our major shareholders and describes the policy to be applied from 2014 onwards. The policy report will be put to a binding shareholder vote at the 2014 annual general meetings and if approved the policy will take formal effect from that date.

The Group's remuneration policy has been set with the objective of attracting, motivating and retaining high calibre directors, in a manner that is consistent with best practice and aligned with the interests of the Group's shareholders.

Remuneration policy for executive directors is framed around the following key principles:

- remuneration packages should be set at levels that are competitive in the relevant market;
- the structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of the Group's business strategy and the management of risk;
- a significant proportion of the remuneration of executive directors should be performance-based;
- the performance-based element of remuneration should be appropriately balanced between the achievement of short-term objectives and longer-term objectives; and
- the remuneration of executive directors should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

Executive directors' remuneration policy table

The following table summarises key elements of the remuneration of executive directors in accordance with reporting regulations:

	Base salary	Benefits	Pension	Bonus Share Plan (BSP)
Purpose and link to strategy	To recruit and reward executives of a suitable calibre for the role and duties required.	To provide market competitive benefits.	To provide market competitive pension contributions.	To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component.
Operation	Reviewed annually by the Committee, taking account of Group performance, individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is also made to market median levels in companies of similar size and complexity. The Committee considers the impact of any base salary increase on the total remuneration package. Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	The Group typically provides: • Car allowance or company car. • Medical insurance. • Death and disability insurance. • Limited personal taxation and financial advice. • Other ancillary benefits, including relocation and assistance with expat expenses (as required). The policy authorises the Committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.	Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	Awards are based on annual performance against a balanced scorecard of metrics as determined by the Committee from time to time such as EBITDA and percentage Return on Capital Employed (ROCE) and safety. These have the highest weighting (currently 70% of the total). Individual performance is also assessed against suitable objectives, and currently has a 30% weighting. The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome. Half of the award is delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. On vesting of deferred shares participants receive a bonus of equivalent value to the dividends that would have been payable on those shares between the date when the awards were granted and when they vest. Claw-back provisions apply to awards made since January 2011.
Maximum opportunity	There is no prescribed maximum salary or annual increase. However, increases will normally be no more than the general level of increase in the UK market or the market against which the executive's salary is determined. On occasions a larger increase may be needed to recognise, for example, development in role or change in responsibility. Details of the outcome of the most recent salary review are provided in the annual report on remuneration.	Maximum values are determined by reference to market practice, avoiding paying more than is necessary.	Company contribution of 30% of base salary for the chief executive and 25% of base salary for other executive directors.	The policy permits a maximum annual bonus of up to 150% of base salary. The Committee's practice has been to apply a limit of 150% for the chief executive, and 120% (ie. below the policy maximum) for other executive directors.

Long-term Incentive Plan (LTIP)	Share Ownership Policy
To provide incentive and reward for the delivery of the Group's strategic objectives, and provide further alignment with shareholders through the use of shares.	To align the interests of executive directors with those of shareholders.
Individuals are considered each year for an award of shares that normally vest after three years to the extent that performance conditions are met and in accordance with the terms of the plan approved by shareholders. Under the plan rules, the Committee has the ability to cash-settle awards, if necessary, in exceptional circumstances. There is no current intention for awards to the executive directors to be delivered in this way. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years, which are set by the Committee before each grant. For awards to be granted in 2014, metrics comprise Total Shareholder Return against a suitable peer group, and percentage ROCE, each with a 50% weighting. The vesting outcome can also be reduced, if necessary, to reflect the underlying or general performance of the Group. Performance is measured over three calendar years, starting with the year of grant. For awards granted from 2013 onwards, an amount equivalent to dividends that would have been payable on the unvested share awards are rolled-up and paid out (in cash and/or additional shares) at the end of the vesting period based on the proportion of the award that actually vests. Claw-back provisions apply to awards made since January 2011.	The chief executive officer is required to build a shareholding, in 'unfettered' shares, equivalent to at least 150% of base salary, and other executive directors equivalent to 100% of base salary, over a period of not more than 5 years from the date of appointment to the Boards. Executive directors are required to retain at least 50% of any vested shares, other than as necessary to meet tax obligations, under Mondi's various share plans until the requirement is met.
The maximum grant limit in the plan rules and under this policy is 200% of base salary (face value of shares at grant), to any individual in a single year. Individual awards, up to this limit, are determined each year by the Committee. The Committee's practice has been to make grants below this policy maximum as detailed in the annual report on remuneration. 25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level.	Not applicable.

Remuneration report continued

Choice of performance measures and approach to target setting

Bonus Share Plan (BSP)

The table below shows the metrics for 2014, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	A key indicator of the underlying profit performance of the Group, reflecting both revenues and costs.	Targets and ranges are set each year by the Committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE (%) (Return on Capital Employed)	A key indicator of the effective use of capital.	Targets and ranges are set each year by the Committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety	One of the key indicators of whether the business is meeting its sustainability goal of 'zero harm'.	The Committee considers input from the Board's sustainable development committee, and sets appropriate standards and goals.
Personal performance	An indicator of the contribution each executive director is making to the overall success of the management team.	Targets are set each year by the Committee, based on the specific priorities, and areas of responsibility of the role.

The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Long-term incentive plan (LTIP)

The table below shows the metrics for 2014 grants, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
Total Shareholder Return (TSR), relative to a peer group of competitors	TSR measures the total returns to Mondi's shareholders, so provides close alignment with shareholder interests.	The Committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests below median. 25% vests for median performance; 100% vests for upper quartile performance, with a straight-line scale between these two points.
ROCE (%) (Return on Capital Employed)	A key indicator of the effective use of capital.	The Committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE. Nothing vests below threshold. 25% vests for threshold performance; 100% vests for stretch performance, with a straight-line scale between these two points.

The policy gives the Committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Differences in remuneration policy for executive directors compared to other employees

There are differences in the structure of the remuneration policy for the executive directors and employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on performance-related pay in senior roles. Lower maximum incentive pay opportunities apply below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the LTIP and the BSP as these plans are targeted on those individuals who have the greatest responsibility for Group performance.

Executive directors' existing service contracts, and policy on loss of office

David Hathorn and Andrew King are employed under service contracts with both Mondi Limited and Mondi plc. Peter Oswald is employed in Austria under a service contract with Mondi Services AG.

The service contracts for David Hathorn and Andrew King provide for one year's notice by either party. They include pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period and an amount in compensation for annual bonus only for that part of the financial year the individual has worked.

Peter Oswald was recruited, and is based, in Austria. His service contract is required under Austrian law to be for a fixed period, which renewable fixed period expires on 30 April 2016. However, the contract has also been structured as far as possible to conform to the accepted practice for directors in the UK, and can be terminated on one year's notice by either party. Prior to 2008, he did not have a notice period, and was entitled to receive compensation on termination equivalent to remuneration for the unexpired term of the five-year fixed term contract. The Committee re-negotiated this contract in 2008 to substantially reduce the Group's potential liabilities, and introduced a standard 12-month notice period, together with an accompanying lump sum payment on termination, which was necessary to facilitate the transition from the previous contract. In the event of termination by Mondi, other than for 'cause', the current contract provides for payment of base salary, benefits and pension contribution in respect of the 12-month notice period and eligibility for annual bonus in respect of the period he has worked. He would also be eligible for a lump sum amount calculated as €908,800 plus interest on this amount accrued at the Euribor interest rate for the period since 1 January 2008.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, vesting of BSP awards that are not subject to performance conditions is accelerated to as soon as practical after employment termination. LTIP awards remain subject to performance conditions (measured over the original time period) and are reduced pro-rata to reflect the proportion of the performance period actually served. The Committee has the discretion to disapply the application of performance conditions and/or time pro-rating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

Remuneration report continued

Details of the service contracts of the executive directors who served during the period under review are as follows. These contracts were all signed prior to 27 June 2012.

Executive director	Effective date of contract	Unexpired term/notice period
David Hathorn	3 July 2007	Terminable on 12 months' notice
Andrew King	23 October 2008	Terminable on 12 months' notice
Peter Oswald	1 January 2008	A fixed term expiring on 30 April 2016 but terminable at any time on 12 months' notice

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Service contracts for new appointments

Normally, for any new executive director appointments, the Group's policy is that the service contracts should provide for one year's notice by either party. The contract would provide that, in the event of termination by the company, other than for 'cause', the executive would be eligible for:

- payment of the base salary, pension contribution and benefits in respect of the unexpired portion of the 12-month notice period;
- annual bonus only in respect of the period they have served, payable following the relevant performance year-end and subject to the normal performance conditions for annual bonus;
- share-based awards they hold, subject to the plan rules, which include arrangements for pro-ration of LTIP awards and continued application of performance conditions.

The Group would seek to apply the principle of mitigation to the termination payment by, for example, making payments in instalments that can be reduced or ended if the former executive wishes to commence alternative employment during the payment period.

In exceptional circumstances, such as to secure for the Group the appointment of a highly talented and experienced executive in a market such as Germany or Austria where it is common for the most senior executives to have three-year or five-year fixed term contracts, the Committee may need to offer a longer initial notice period that reduces progressively to one year over a set time period. In such exceptional circumstances, the Committee would seek to ensure that any special contract provisions are not more generous than is absolutely necessary to secure the appointment of such a highly talented individual. The Committee would also take account of the remuneration and contract features that the executive may be foregoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limits on variable pay referred to in the policy table above.

For an internal appointment, any legacy pay elements awarded in respect of the prior role would be allowed to pay out according to their terms.

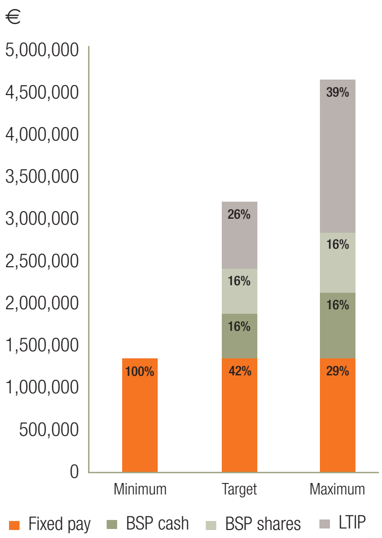
For internal and external appointments, the Group may meet certain relocation expenses, as appropriate.

For external appointments, the Committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Mondi and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration.

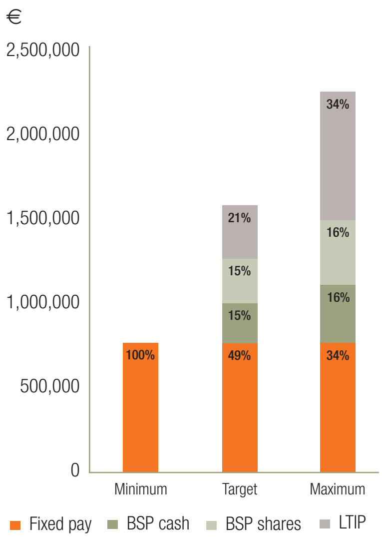
Remuneration scenarios at different performance levels[1]

The charts below illustrate the total potential remuneration for each executive director at three performance levels.

CEO



CFO



CEO Europe & International Division

[1] Assumptions:
Below Target = fixed pay only (salary + benefits + pension)
On-target = 70% vesting of the annual bonus and 44% for LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2014.

Remuneration report continued

Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive chairmen fees	To attract and retain high-calibre chairmen, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The joint chairmen each receive an all-inclusive fee.	The joint chairmen's fees are reviewed periodically by the Committee. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high-calibre non-executives with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairmen of the main board committees and the senior independent director are paid additional fees to reflect their extra responsibilities.	Non-executive directors' fees are reviewed periodically by the joint chairmen and executive directors. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.

All non-executive directors have letters of appointment with Mondi Limited and Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the annual general meetings. Appointments may be terminated by Mondi with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

Statement of consideration of employment conditions elsewhere in the Group

The Group's remuneration policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other colleagues in the Group.

The Committee annually receives a report from management on pay practices across the Group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the Committee additionally receives a report on the approach management propose to adopt for general staff increases. Both these reports are taken into account in the Committee's decisions about the remuneration of executive directors and other senior executives.

The Group does not engage in formal consultation with employees on directors' remuneration policy. However, employees of the Group are encouraged to provide feedback on the Group's general employment policies, and, in some countries where the Group operates, more formal consultation arrangements with employee representatives are in place, relating to employment terms and conditions, in accordance with local custom and practice. The Group also conducts periodic employee engagement surveys which gauge employees' satisfaction with their working conditions. The Mondi Boards are given feedback on these survey results.

Shareholder context

The Committee considers the views of shareholders in its deliberations about the remuneration of executive directors and other senior executives, and consults directly with major shareholders when any material changes to policy are being considered.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

Annual report on remuneration

2013 remuneration of directors

This table reports executive and non-executive directors' remuneration in accordance with UK reporting regulations applicable to financial reporting periods ending on or after 1 October 2013.

		Base salary/ NED fees [1]	Benefits	Pension contribution	Annual bonus including grant value of BSP award
David Hathorn	2013	€994,017	€46,796	€298,205	€1,089,662
	2012	€1,013,129	€49,826	€303,939	€1,224,780
Andrew King	2013	€587,480	€37,952	€146,870	€515,207
	2012	€570,656	€40,212	€142,664	€545,038
Peter Oswald	2013	€872,000	€36,956	€218,003	€773,290
	2012	€847,000	€40,219	€211,753	€807,632
Fred Phaswana [2]	2013	€184,896	–	–	–
	2012	–	–	–	–
David Williams	2013	€310,425	–	–	–
	2012	€316,497	–	–	–
Cyril Ramaphosa [3]	2013	€101,855	–	–	–
	2012	€316,497	–	–	–
Stephen Harris	2013	€98,093	–	–	–
	2012	€95,618	–	–	–
Imogen Mkhize	2013	€101,375	–	–	–
	2012	€84,601	–	–	–
John Nicholas	2013	€100,577	–	–	–
	2012	€98,150	–	–	–
Anne Quinn	2013	€106,785	–	–	–
	2012	€104,698	–	–	–

1 David Hathorn's and Andrew King's salaries are denominated in pounds sterling and their 2013 salaries were £846,000 and £500,000 respectively. The non-executive directors' fees are also denominated in pounds sterling. Euro amounts are reported based on exchange rates on the dates actual payments were made. Non-executive director fees were increased by 2.9% with effect from 3 May 2013 following the passing of a resolution at the annual general meetings of Mondi Limited and Mondi plc. See the table on page 94 for current fee levels.

2 For 2013, the fee paid to Fred Phaswana covers the period from his appointment on 1 June 2013.

3 Cyril Ramaphosa stepped down from the Boards on 3 May 2013.

4 For 2013, the three year performance cycle of the 2011 LTIP award ended on 31 December 2013. The award value shown has been based on the average share price over the last three months of the performance cycle.

5 For 2013, the value is shown of the 2011 LTIP award made at the start of the three year performance cycle, and for 2012, the value of the 2010 LTIP award made at the start of the three year performance cycle.

6 For 2013, the enhanced value is shown of the 2011 LTIP based on the share price gain between grant and the average share price over the last three months of the performance cycle. The value of Mondi plc's shares increased from £5.43 to £10.16, and the value of Mondi Limited shares from R62.06 to R167.85 during this time. For 2012, the enhanced value is shown of the 2010 LTIP that vested based on share price appreciation during the holding period. The value of Mondi plc's shares increased from £3.74 to £8.84, and the value of Mondi Limited shares from R45.96 to R121.68.

7 Includes cash amounts of equivalent value to dividends on vested BSP shares during the year. See table of share awards granted to executive directors on pages 96 and 97.

Value of LTIP vesting in the performance year [4]	Value of LTIP vesting at date of grant [5]	Share price gain on vesting LTIP award between grant and vest dates [6]	Other [7]	Total
€3,160,051	€1,656,206	€1,503,845	€74,504	€5,663,235
€3,648,107	€1,540,027	€2,108,080	€66,013	€6,305,794
€1,202,090	€630,310	€571,780	€30,577	€2,520,176
€1,387,972	€585,924	€802,048	€27,257	€2,713,799
€1,860,218	€989,190	€871,028	€57,371	€3,817,838
€2,283,692	€960,003	€1,323,689	€49,557	€4,239,853
–	–	–	–	€184,896
–	–	–	–	–
–	–	–	–	€310,425
–	–	–	–	€316,497
–	–	–	–	€101,855
–	–	–	–	€316,497
–	–	–	–	€98,093
–	–	–	–	€95,618
–	–	–	–	€101,375
–	–	–	–	€84,601
–	–	–	–	€100,577
–	–	–	–	€98,150
–	–	–	–	€106,785
–	–	–	–	€104,698

Remuneration report continued

Performance measures used for variable pay, and performance against these measures

For the annual bonus in respect of 2013 performance the performance measures and achievement levels were:

	BSP performance measures				
	EBITDA	ROCE	Safety	Personal	Total
Weight	30	30	10	30	100
Outcomes:					
David Hathorn	22.3	25.6	0	25	72.9
Andrew King	22.3	25.6	0	25	72.9
Peter Oswald	22.3	25.6	0	26	73.9

Financial performance for 2013 was strong. Both EBITDA and ROCE were between target and stretch performance and also exceeded prior year performance. Executives' personal performance was assessed against objectives agreed by the Committee at the start of the year including: development of strategy; operational performance; financial efficiency; stakeholder relationships; credit ratings and financing; streamlining of organisational structures; integration of acquisitions and achievement of synergies. Safety was measured on total recordable incidents and fatalities. While total recordable incident targets were achieved there were regrettably and unacceptably four fatalities of contractors engaged in maintenance work for Mondi. No safety element was therefore paid and an even greater focus is being placed on key aspects of safety in 2014.

Detail of annual bonus awarded in the year

Name	Awarded in cash	Awarded in shares	Total
David Hathorn	€544,831	€544,831	€1,089,662
Andrew King	€257,604	€257,603	€515,207
Peter Oswald	€386,645	€386,645	€773,290

Long-Term Incentive Plan (LTIP)

Vesting of the 2011 award

The LTIP awards that were made in 2011, with a three-year performance period that ended on 31 December 2013, were reviewed by the Committee in February 2014 against the (equally weighted) relative Total Shareholder Return (TSR) and Return on Capital Employed (ROCE) performance conditions. Maximum performance was achieved against the TSR targets and ROCE targets. 100% of the shares under award therefore vested in March 2014.

Awards granted in 2013

The maximum award that can be made to any LTIP participant in any year is equal to two times salary. For 2013, the award made to David Hathorn was 185% of salary and the awards made to Andrew King and Peter Oswald were 130% of salary.

For the LTIP awards made in 2013, the performance conditions are based on two performance measures of equal weight – relative TSR and ROCE, measured over a three-year performance period ending on 31 December 2015. The Committee believes that this combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. For the 2010, 2011, 2012 and 2013 LTIP awards, the following group of companies was selected:

Amcor (2013) [1]	Metsä Board
Bemis (2013) [1]	Norske Skog (2010, 2011, 2012) [2]
Billerud	Portucel
DS Smith	Sappi
Domtar	SCA (2010, 2011) [3]
Holmen	Smurfit Kappa
International Paper	Stora Enso
Mayr-Melnhof	UPM
MeadWestvaco	

1 As previously reported, Amcor and Bemis were added to the peer group for 2013 and subsequent awards.
2 As previously reported, Norske Skog was excluded from the peer group for 2013 and subsequent awards.
3 SCA was removed from the peer group for 2012 and subsequent awards following the acquisition of SCA Packaging by DS Smith.

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

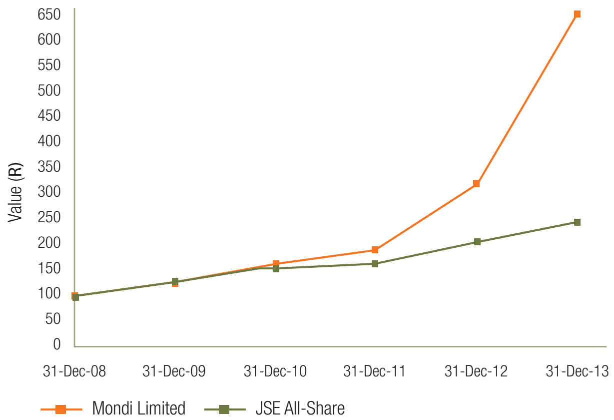
For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 16% (i.e. 50% of the total award).

Mondi's TSR performance over the last five years

The following graphs set out the comparative TSR of Mondi Limited relative to the JSE All-Share Index, and Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2008 and 31 December 2013. Those indices were chosen because they are broad equity market indices of which Mondi Limited and Mondi plc, respectively, are members.

JSE All-Share Index

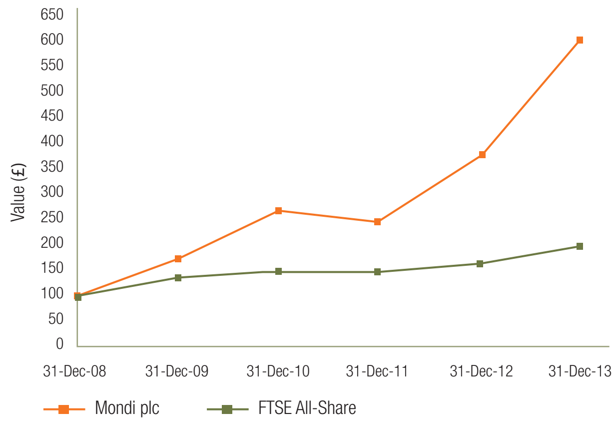
Total shareholder return *Source: Thomson Reuters (Datastream)*



This graph shows the value, by 31 December 2013, of R100 invested in Mondi Limited on 31 December 2008 compared with the value of R100 invested in the JSE All-Share Index. The other points plotted are the values at intervening financial year-ends.

FTSE All-Share Index

Total shareholder return *Source: Thomson Reuters (Datastream)*



This graph shows the value, by 31 December 2013, of £100 invested in Mondi plc on 31 December 2008 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year-ends.

CEO remuneration from 2009

Year	Total remuneration	% of maximum bonus earned	% of LTI vested
2013	€5,663,235	73	100
2012	€6,305,794	80	100
2011	€12,824,112[1]	78	92
2010	€3,160,318	89	33
2009	€2,627,196	83	12

[1] David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile – Mondi was the top-performing company in the comparator group – the Committee approved the maximum vesting in accordance with the Plan rules.

Remuneration report continued

Comparison of 2013 and 2012 remuneration of CEO versus other employees

	Percentage change in remuneration elements from 2012 to 2013		
	Salary	Benefits	Bonus
CEO[1]	2.9%	1.7%	-6.8%
Mondi Group[2]	7.0%	N/A[3]	-14.8%

[1] CEO remuneration is reported in euros, but denominated in pounds sterling. See the table on pages 90 and 91. Change percentages shown are for pounds sterling values.

[2] Includes salaries and bonuses for all employees of Mondi Group excluding the CEO with year on year movements reported in per capita terms. Based on aggregate values across 30 countries. Reported at constant (2013) exchange rates. Percentage movements reported are influenced by changes in the workforce composition over time (such as the acquisition of Nordenia in October 2012) and different inflation rates across countries.

[3] In most of the Group the majority of benefits are provided through social security. Additional benefits represent only circa 2.6% of the salary bill. This does therefore not provide an appropriate or stable comparator with the CEO's benefits.

Relative importance of spend on pay

€ million	2013	2012	% change
Dividends	145	128	13
Overall remuneration expenditure[1]	940	834	13

[1] Remuneration expenditure for all Mondi Group employees.

Non-executive directors' remuneration

Current fee levels are as follows:

Role	Annual Fee[2]
Joint chairman fee[1]	£265,000
Non-executive base fee	£42,400
	Additional fees:
Senior independent director and DLC remuneration committee chairman fee	£15,900
DLC audit committee chairman fee	£10,600
DLC sustainable development committee chairman fee	£8,480
Mondi Limited social and ethics committee chairman fee	£8,480
Attendance fee per meeting (outside country of residence)	£5,300
Attendance fee per day (inside country of residence)	£1,590

[1] No supplement is payable for additional commitments in relation to this role.

[2] Fees are determined in pounds sterling. In the remuneration table on pages 90 and 91, euro amounts are reported based on exchange rates on the dates actual payments were made.

The joint chairmen and the other non-executive directors are appointed by Mondi Limited and Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice.

Statement of directors' shareholdings and share interests

The chief executive officer is required to build a shareholding equivalent to 150% of base salary, and other executive directors a shareholding equivalent to at least 100% of base salary. As at 31 December 2013, all executive directors had met the shareholding requirements.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2013 or, if later, on appointment, and as at 31 December 2013, or as at their date of resignation if earlier, were as follows:

Executive directors

		Shareholding at 1 Jan 2013	Shareholding at 31 Dec 2013	Total shareholding as multiple of salary (%)	Deferred BSP shares outstanding at 31 Dec 2013[1]	Deferred LTIP shares outstanding at 31 Dec 2013[2]
David Hathorn	Mondi plc	218,922	193,922	224	163,646	481,642
	Mondi Limited	25,000	0		71,560	210,337
Andrew King	Mondi plc	208,330	108,330	212	73,344	189,677
	Mondi Limited	208	208	0.41	32,063	81,420
Peter Oswald	Mondi plc	252,756	130,000	171	163,607	416,814

1 BSP shares subject to service condition.
2 LTIP shares subject to service and performance conditions.

Non-executive directors

Mondi Limited

	Shareholding at 1 Jan 2013	Shareholding at 31 Dec 2013
Imogen Mkhize	3,222	3,222

Mondi plc

	Shareholding at 1 Jan 2013	Shareholding at 31 Dec 2013
Fred Phaswana[1]	0	5,000
David Williams	5,000	5,000
Stephen Harris	1,000	1,000
Imogen Mkhize	2,000	2,000
John Nicholas	6,000	6,000
Anne Quinn	11,882	11,882
Cyril Ramaphosa	7,050	7,050[2]

1 Joined the Boards on 1 June 2013.
2 Shareholding shown is for 3 May 2013, when he stepped down from the Boards.

There has been no change in the interests of the directors and their connected persons between 31 December 2013 and the date of this report.

Remuneration committee governance

The DLC remuneration committee

The DLC remuneration committee (the 'Committee') is a formal committee of the Boards. Its remit is set out in terms of reference adopted by the Boards. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The primary purposes of the Committee, as set out in its terms of reference, are:

- to make recommendations to the Boards on the Group's framework of executive remuneration;
- to determine individual remuneration packages within that framework for the executive directors and certain senior executives;
- to determine the remuneration of the joint chairmen; and
- to oversee the operation of the Group's share schemes.

Remuneration report continued

The members of the Committee are Anne Quinn (chairman of the Committee), Stephen Harris, Imogen Mkhize and David Williams, all of whom are independent non-executive directors. David Williams is joint chairman of Mondi Limited and Mondi plc and Anne Quinn is senior independent director. Philip Laubscher and Carol Hunt act as secretary to the Committee.

The Group head of reward, Paul Wessels, provides advice on remuneration policies and practices and is usually invited to attend meetings of the Committee, along with David Hathorn, the chief executive officer and Fred Phaswana, joint chairman.

The Committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The Committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms.

No director or other attendee takes part in any discussion regarding his or her personal remuneration.

In the year to 31 December 2013, New Bridge Street ('NBS') provided remuneration advice and benchmarking data to the Committee. NBS do not undertake any other work for the Group. Total fees paid to NBS in respect of the year under review were £48,411.

Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi Limited or Mondi plc ('the Companies'), or while a director of the Companies, as a director of any of the Companies' subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Companies) a director by virtue of the Companies' nomination, or otherwise in connection with the management of the Companies or any undertaking during the year to 31 December 2013.

Share awards granted to executive directors

The following tables set out the share awards granted to the executive directors.

Mondi Limited

	Type of award [1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2013	Release date
David Hathorn	BSP	37,347	–	–	37,347	4596	Mar 10	–	Mar 13
	BSP	29,838	–	–	–	6206	Mar 11	29,838	Mar 14
	BSP	24,216	–	–	–	6979	Mar 12	24,216	Mar 15
	BSP	–	17,506	–	–	11464	Mar 13	17,506	Mar 16
	LTIP	105,628	–	–	105,628	4596	Mar 10	–	Mar 13
	LTIP	80,749	–	–	–	6206	Mar 11	80,749	Mar 14
	LTIP	74,355	–	–	–	6979	Mar 12	74,355	Mar 15
	LTIP	–	55,233	–	–	11464	Mar 13	55,233	Mar 16
Andrew King	BSP	15,328	–	–	15,328	4596	Mar 10	–	Mar 13
	BSP	13,096	–	–	–	6206	Mar 11	13,096	Mar 14
	BSP	11,177	–	–	–	6979	Mar 12	11,177	Mar 15
	BSP	–	7,790	–	–	11464	Mar 13	7,790	Mar 16
	LTIP	40,188	–	–	40,188	4596	Mar 10	–	Mar 13
	LTIP	29,762	–	–	–	6206	Mar 11	29,762	Mar 14
	LTIP	28,719	–	–	–	6979	Mar 12	28,719	Mar 15
	LTIP	–	22,939	–	–	11464	Mar 13	22,939	Mar 16

[1] For note 1 please refer to the table on page 97.

Mondi plc

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2013	Release date
David Hathorn	BSP	89,752	–	–	89,752	374	Mar 10	–	Mar 13
	BSP	66,689	–	–	–	543	Mar 11	66,689	Mar 14
	BSP	56,154	–	–	–	584	Mar 12	56,154	Mar 15
	BSP	–	40,803	–	–	851	Mar 13	40,803	Mar 16
	LTIP	253,844	–	–	253,844	374	Mar 10	–	Mar 13
	LTIP	180,479	–	–	–	543	Mar 11	180,479	Mar 14
	LTIP	172,423	–	–	–	584	Mar 12	172,423	Mar 15
	LTIP	–	128,740	–	–	851	Mar 13	128,740	Mar 16
Andrew King	BSP	36,835	–	–	36,835	374	Mar 10	–	Mar 13
	BSP	29,269	–	–	–	543	Mar 11	29,269	Mar 14
	BSP	25,917	–	–	–	584	Mar 12	25,917	Mar 15
	BSP	–	18,158	–	–	851	Mar 13	18,158	Mar 16
	LTIP	96,578	–	–	96,578	374	Mar 10	–	Mar 13
	LTIP	69,614	–	–	–	543	Mar 11	69,614	Mar 14
	LTIP	66,596	–	–	–	584	Mar 12	66,596	Mar 15
	LTIP	–	53,467	–	–	851	Mar 13	53,467	Mar 16
Peter Oswald	BSP	92,683	–	–	92,683	374	Mar 10	–	Mar 13
	BSP	66,504	–	–	–	543	Mar 11	66,504	Mar 14
	BSP	56,039	–	–	–	584	Mar 12	56,039	Mar 15
	BSP	–	41,064	–	–	851	Mar 13	41,064	Mar 16
	LTIP	226,055	–	–	226,055	374	Mar 10	–	Mar 13
	LTIP	153,991	–	–	–	543	Mar 11	153,991	Mar 14
	LTIP	147,547	–	–	–	584	Mar 12	147,547	Mar 15
	LTIP	–	115,276	–	–	851	Mar 13	115,276	Mar 16

[1] The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on pages 90 and 91.
[2] In addition to the number of shares that vested as shown in the table above in respect of the BSP, the executive directors also received the following cash amounts of equivalent value to dividends on vested shares over the vesting period, in accordance with the plan rules:

Name	Amount
David Hathorn	€74,504 (£63,446)
Andrew King	€30,577 (£26,039)
Peter Oswald	€57,371

All-employee share plans

The Group currently operates two HM Revenue & Customs approved all-employee share plans in the UK:

Share Incentive Plan (SIP)

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £125 are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc each month. Participants receive one matching Mondi plc ordinary share free of charge for each share purchased. The shares are placed in trust and the matching shares are forfeited if participants resign from the Group's employment within three years. If the shares are left in trust for at least five years, they can be removed free of UK income tax and National Insurance contributions.

Remuneration report continued

Sharesave

Employees resident in the UK are also eligible to participate in a Sharesave scheme when offered. Participants enter into a savings contract under which they choose to save a fixed amount of between £5 and £250 per month by deduction from their salary. They are granted an option to acquire Mondi plc shares to the value of their savings at a specified price. In normal circumstances the option can only be exercised during the six months following the end of the savings contract. The last Sharesave invitation was made in 2009.

SIP

Details of shares purchased and awarded to executive directors in accordance with the terms of the SIP.

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2013
David Hathorn	3,764	169	169	–	4,102
Andrew King	4,208	169	169	–	4,546

[1] Since 1 January 2014 up to the date of this report, David Hathorn has acquired 25 partnership shares and was awarded 25 matching shares. Andrew King acquired 25 partnership shares and was awarded 25 matching shares.

Sharesave

Executive directors held the following options over Mondi plc ordinary shares under the Mondi Sharesave Option Plan.

	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Awards lapsed during year	Exercise price per share (GBp)	Date of award	Awards held as at 31 December 2013	Exercise period
David Hathorn	15,808	–	–	99	Mar 09	15,808	1 May 14 to 31 Oct 14
Andrew King	15,808	–	–	99	Mar 09	15,808	1 May 14 to 31 Oct 14

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2013 was R179.70 and the range during the period between 1 January 2013 and 31 December 2013 was R92.16 (low) and R182.50 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2013 was £10.46 and the range during the period between 1 January 2013 and 31 December 2013 was £6.67 (low) to £11.22 (high).

Statement of voting at annual general meetings

The annual general meetings of Mondi Limited and Mondi plc were both held on 3 May 2013. As required by the dual listed company structure, all resolutions were treated as joint electorate actions and were decided on a poll. All resolutions at both meetings were passed. The voting results of the joint electorate actions are identical and are given below. Overall in excess of 83% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	Votes withheld
Mondi Limited Business						
13. To endorse the remuneration policy	405,411,149	99.51	1,981,114	0.49	407,392,263	585,234
14. To authorise the payment of a fee to the chairman of the social and ethics committee *	407,153,379	99.98	95,257	0.02	407,248,636	728,861
15. To authorise a 2.9% increase in non-executive director fees*	407,314,582	99.98	92,539	0.02	407,407,121	567,376
Mondi plc Business						
28. To approve the remuneration report	405,500,992	99.51	1,984,814	0.49	407,485,806	491,691

* Special resolutions

Statement of implementation of directors' remuneration policy in 2014

Current salary levels, and increases awarded in January 2014, are as follows:

Name	Base salary effective 1 Jan 2014	Previous base salary	% change
David Hathorn	£868,000	£846,000	2.60%
Andrew King	£513,000	£500,000	2.60%
Peter Oswald	€895,000	€872,000	2.64%

David Hathorn remains eligible for a bonus of up to 150% of salary in respect of 2014 and the other executive directors for a bonus of up to 120% of salary. Half of any bonus earned will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares. The bonus structure for 2014 will remain as it was for 2013, viz. a maximum of 60 points on financial objectives (30 on EBITDA and 30 on ROCE), 10 points on safety and 30 on personal objectives.

For 2014, the Committee intends to make an LTIP award of 185% of salary to David Hathorn and of 130% of salary to Andrew King and Peter Oswald. There will continue to be two performance conditions of equal weight – TSR and ROCE, measured over a three year performance period commencing on 1 January 2014.

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group on page 92, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 16% (i.e. 50% of the total award).

The Group will continue to operate pensions and benefits in accordance with its approved policy in 2014.

Remuneration report continued

Current non-executive directors' fees, and increases proposed for implementation with effect from the date of the annual general meetings of Mondi Limited and Mondi plc to be held on 14 May 2014, are:

Role	Annual fee	Proposed with effect from 14 May 2014	Percentage increase proposed
Joint chairman fee [1]	£265,000	£272,000	2.64
Non-executive base fee	£42,400	£43,500	2.59
Additional fees:			
Senior independent director and DLC remuneration committee chairman fee	£15,900	£16,350	2.83
DLC audit committee chairman fee	£10,600	£10,900	2.83
DLC sustainable development committee chairman fee	£8,480	£8,700	2.59
Mondi Limited social and ethics committee chairman fee	£8,480	£8,700	2.59
Attendance fee per meeting (outside country of residence)	£5,300	£5,450	2.83
Attendance fee per day (inside country of residence)	£1,590	£1,630	2.52

[1] No supplement is payable for additional commitments in relation to this role.

This report was approved by the Boards on 27 February 2014 and is signed on their behalf.

Anne C Quinn
Senior independent director and chairman of the DLC remuneration committee

Directors' report

The disclosures below, together with the biographies on pages 50 to 53 and the Corporate governance report set out on pages 54 to 79, form the Directors' report.

The disclosures relating to principal risks and the likely future developments in the business of the Group have been included in the Strategic report which can be found on pages 10 to 47.

Share capital

Full details of the Group's share capital can be found in note 24 to the financial statements.

Purchase of own shares

At the annual general meeting of Mondi plc held in May 2013 shareholder approval was received to undertake an odd-lot offer. In connection with this, shareholders passed a resolution authorising Mondi plc to repurchase ordinary shares in Mondi plc from shareholders holding less than 100 ordinary shares in Mondi plc. As a result, on 17 July 2013 Mondi plc repurchased 96,591 Mondi plc ordinary shares of €0.20 each on the UK share register at a price of 965.43 pence per share and 322,727 Mondi plc ordinary shares of €0.20 each on the South African branch register at a price of 13903.10 rand cents per share.

The shares repurchased under the odd-lot offer were temporarily held as treasury shares before being transferred to the Mondi Employee Share Trust on 30 July 2013. There was, therefore, no change to the issued ordinary share capital of Mondi plc.

Substantial interests

Mondi Limited

Based on the Mondi Limited share register as at 31 December 2013, the directors are aware of the following shareholders holding directly 5% or more of the issued share capital of Mondi Limited:

Shareholder	Shares	%
GEPF Equity	24,679,781	20.86
Coronation Fund Managers	15,803,479	13.36
State Street Bank and Trust	6,765,633	5.72
Allan Gray	6,331,242	5.35
Old Mutual	6,109,777	5.16

Save as indicated above, the directors have not been advised of and have no certainty whether any of the shareholders could be beneficially interested in 5% or more of the issued share capital of Mondi Limited.

Mondi plc

As at 31 December 2013, the Group had received notifications from the following parties in the voting rights of Mondi plc. The number of shares and percentage interests shown are as disclosed at the date on which the holding was notified.

Shareholder	Shares	%
Investec Asset Management Proprietary Limited	17,789,698	4.84
AXA S.A.	17,210,471	4.69
Standard Life Investments Limited	16,476,021	4.49
Old Mutual Plc	11,978,984	3.26
Norges Bank	11,025,198	3.00
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

No changes in interests have been notified between 1 January 2014 and the date of this report.

Directors' report continued

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act can be found on pages 203 to 206 of this report.

Special resolutions of Mondi Limited subsidiaries

During 2013 the following special resolutions were passed by subsidiaries of Mondi Limited:

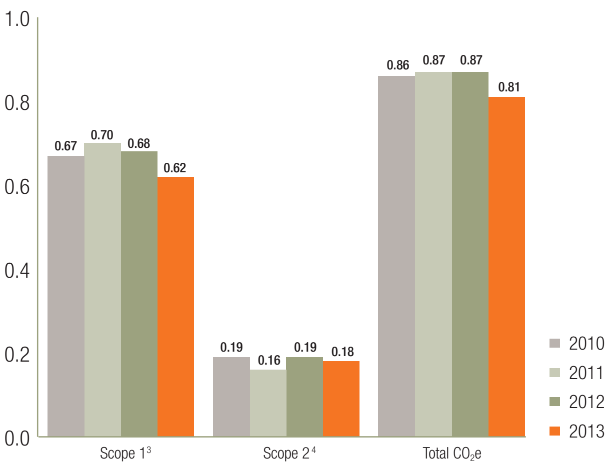
- the adoption of a new memorandum of incorporation by Mondi Shanduka Newsprint Proprietary Limited;
- the adoption of a new memorandum of incorporation by Siyaqhubeka Forests Proprietary Limited; and
- change of name and amendments to the company's main business by Mondi Sacherie Moderne Holdings Proprietary Limited.

Greenhouse gas emissions[1]

Climate change as a result of man-made greenhouse gas (GHG) emissions represents one of the greatest threats to our environment, society and economy. Mondi is committed to making a real contribution to the battle against climate change through more efficient use of energy, increasing our use of renewable energy, reducing landfilled waste, and helping to manage forests sustainably and contribute to minimising deforestation.

In 2010, Mondi committed to reducing our CO_2e emissions per unit of saleable production from our mills by 15% by 2014, against a 2004 base year. We have already met and exceeded this target and will be setting a new commitment and reporting on it in 2014.

***Specific CO_2e emissions from our material operations*[2]**
(CO_2e tonnes/tonnes of saleable production)



[1] Greenhouse gas (GHG) emissions: Greenhouse gases are gases listed in the Kyoto Protocol of the UN-FCCC that contribute to the greenhouse effect and are regulated by the Kyoto Protocol. GHGs according to the Kyoto Protocol are: CO_2, CH_4, HFCs, PFCs, N_2O, and SF_6.

[2] CO_2e (CO_2-equivalent): GHGs are often compared on the basis of their estimated potential to cause global warming. Factors can be used to convert a quantity of non-CO_2 GHG (such as CH_4 or N_2O) into an amount of CO_2 with an equivalent warming potential. Total GHG emissions can be calculated as the sum of several GHGs expressed as the equivalent amount of CO_2, abbreviated as CO_2e.

[3] Scope 1 emissions: Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries of the Group boundaries. This includes CO_2e from fossil fuels and processes, Group leased/owned vehicles, waste and waste-water treatment, from make-up chemicals, and from other GHG gases.

[4] Scope 2 emissions: Total GHG emissions from sources that are related to generation of purchased energy outside the Group boundaries (no other GHG considered but CO_2).

[5] Scope 3 emissions: Total GHG emissions from business travel; raw materials; transport of products and raw materials; and employee commuting.

See SD online at → www.mondigroup.com/sd13 for further emissions detail including comparative data.

A corporate GHG inventory is the basis for accounting emissions-related risks and opportunities for Mondi. We focus on GHG emissions from our own operations, as well as along our value chains and product portfolios (Scope 3 emissions)[5]. We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the World Resources Institute, and have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable assurance on our scope 1 and 2 GHG data in accordance with ISO14064. See their full statement at SD www.mondigroup.com/sd13/assurance.

Employees

Mondi has formal and informal processes to communicate with and engage employees across the Group. In addition to electronic communications and publications, regular local briefing sessions by managers focus on safety, operational objectives and performance, financial performance and the Group's values and culture. The Group has a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, and the majority of our employees participate in a performance-related pay scheme. In 2013 a Group-wide employee survey was conducted and will be followed up through feedback and consultation sessions during 2014.

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be consistent with that of other employees.

See → www.mondigroup.com/policies for further information and for access to our publicly available policies and standards.

Research and development activities

In addition to research and development (R&D) in ecosystem conservation, Mondi's R&D Innovation Centres and R&D-related activities focus on product stewardship. Our investment in R&D is integral to the development of new products, further developing existing products as well as our on-going process optimisation, all the time anticipating market trends and new technologies. The resultant innovations are tailor-made to our customers' requirements, and are economical as well as ecologically responsible. These innovations also support our customers and other stakeholders within Mondi's supply chain to address their respective sustainability challenges through responsible product solutions. Mondi's investment into R&D during 2013 amounted to €14 million.

See SD online at → www.mondigroup.com/sd13 for further information.

Political donations

No political donations were made during 2013 and it is Mondi's policy not to make such donations.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 10 to 47. The most significant risks and the Group's related management and mitigating actions are set out in the Corporate governance report on pages 66 to 68. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

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

The Group meets its funding requirements from a variety of sources as more fully described in note 19 of the financial statements. The availability of some of these facilities is dependent on the Group meeting certain financial covenants all of which have been complied with. Mondi had €792 million of undrawn committed debt facilities as at 31 December 2013 which should provide sufficient liquidity in the medium term. The Group's debt facilities have maturity dates of between 1 and 12 years, with an average maturity of 3.7 years.

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

The directors have reviewed the overall Group strategy, the budget for 2014 and subsequent years, considered the assumptions contained in the budget and reviewed the critical risks which may impact the Group's performance. After making such enquiries, the directors are satisfied that the Group remains solvent and has adequate liquidity in order to meet its obligations and continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the integrated report and financial statements.

Auditors

Each of the directors of Mondi Limited and Mondi plc at the date when this report was approved confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Deloitte & Touche and Deloitte LLP (together 'Deloitte') have indicated their willingness to continue as auditors of Mondi Limited and Mondi plc respectively. The Boards have decided that resolutions to reappoint them will be proposed at the annual general meetings of Mondi Limited and Mondi plc scheduled to be held on 14 May 2014.

The reappointment of Deloitte has the support of the DLC audit committee, which will be responsible for determining their audit fee on behalf of the directors.

Note 3 to the financial statements sets out the auditors' fees both for audit and non-audit work.

Events occurring after 31 December 2013

With the exception of the proposed final dividend for 2013, included in note 10 to the financial statements, there have been no material reportable events since 31 December 2013.

Annual general meetings

The annual general meeting of Mondi Limited will be held at 11.30 (SA time) on Wednesday 14 May 2014 at the Hyatt Regency, 191 Oxford Road, Rosebank, Johannesburg 2132, Republic of South Africa and the annual general meeting of Mondi plc will be held at 10.30 (UK time) on Wednesday 14 May 2014 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notices convening each meeting, which are sent separately to shareholders, detail the business to be considered and include explanatory notes for each resolution. The notices are available on the Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Boards on 27 February 2014 and is signed on their behalf.

Philip Laubscher
Company secretary

Mondi Limited
4th Floor, No. 3 Melrose Boulevard
Melrose Arch 2196
PostNet Suite #444
Private Bag X1
Melrose Arch 2076
Gauteng
Republic of South Africa

Registration No. 1967/013038/06

Carol Hunt
Company secretary

Mondi plc
Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG
UK

Registered No. 6209386

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Directors' responsibility statement

The directors are responsible for preparing the integrated report, remuneration report and the financial statements in accordance with applicable laws and regulations.

South African and UK company law requires the directors to prepare financial statements for each financial year.

- Under the Companies Act of South Africa 2008, the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for each financial year giving a true and fair view of the Mondi Limited parent company's and the Group's state of affairs at the end of the year and profit and loss for the year.
- Under the UK Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the Mondi plc parent company financial statements in accordance with IFRS as adopted by the EU. Furthermore, under UK company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

In preparing the Group's financial statements and the Mondi Limited parent company financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

- properly select and consistently apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's and company's ability to continue as a going concern.

In preparing the Mondi plc parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101, 'Reduced Disclosure Framework', has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent companies' transactions; disclose with reasonable accuracy at any time the financial position of the Group and parent companies; and enable them to ensure that the financial statements comply with the UK Companies Act 2006. They are also responsible for safeguarding the assets of the Group and companies and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the financial statements

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

The Boards confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit and loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the integrated report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Group's combined and consolidated financial statements, and related notes 1 to 38, were approved by the Boards and authorised for issue on 27 February 2014 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Independent auditor's report to the shareholders of Mondi Limited

Report on the financial statements

We have audited the Group financial statements of Mondi Limited set out on pages 114 to 188, which comprise the combined and consolidated statement of financial position as at 31 December 2013, the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated statement of cash flows and the combined and consolidated statement of changes in equity for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Group financial statements present fairly, in all material respects, the financial position of the Mondi Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Directors' report, the DLC audit committee's report and the Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche
Registered Auditors
Per Bronwyn Kilpatrick
Partner
Sandton

27 February 2014

Building 1, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead,
Sandton, Republic of South Africa

Independent auditor's report to the members of Mondi plc

Opinion on financial statements of Mondi plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Mondi plc parent company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Mondi plc parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the combined and consolidated income statement, the combined and consolidated statement of comprehensive income, the combined and consolidated and Mondi plc parent company statements of financial position, the combined and consolidated statement of cash flows, the combined and consolidated and Mondi plc parent company statements of changes in equity and the related notes 1 to 38 of the combined and consolidated financial statements and notes 1 to 8 of the Mondi plc parent company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 103 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent auditor's report to the members of Mondi plc continued

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of goodwill and tangible fixed assets	
Goodwill is reviewed annually for impairment using a value in use basis whilst tangible fixed assets are assessed for impairment where possible impairment indicators are identified. The Group's assessment of the carrying value of goodwill and tangible fixed assets requires significant management judgement, as described in note 11 to the Group financial statements, in particular in relation to the forecast future cash flows, future growth rates and the discount rates applied.	Our audit procedures included challenging management's key assumptions used in the impairment model for goodwill and tangible fixed assets with reference to historical trading performance, market expectations and our understanding of the future utilisation of assets by the Group. In performing our audit procedures, we used internal valuation specialists to assess the discount rate applied. Key assumptions challenged include those related to the level at which impairment is assessed, being for tangible fixed assets the lowest level at which largely independent cash inflows can be identified and for goodwill the businesses that are expected to benefit from the acquisition, forecast future cash flows, future growth rates and the discount rates applied.
Capitalisation of tangible fixed assets	
The Group continues to invest in significant capital projects with capital expenditure of €421 million during the year ended 31 December 2013, as detailed in note 12. The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of tangible assets meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment' and the application of management judgement in assigning appropriate useful economic lives.	Our audit work included assessing the nature of tangible assets capitalised by the Group to evaluate whether they meet the recognition criteria set out in IAS 16 and that capitalisation of assets ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by the Group. Furthermore, we challenged the useful economic lives assigned with reference to the Group's historical experience and our understanding of the future utilisation of assets by the Group.
Taxation	
The Group operates across a number of tax jurisdictions giving rise to a high level of cross border transactions and complex taxation arrangements.	Our audit work, which involved taxation audit specialists, included the assessment of taxation assets and liabilities, with particular consideration given to the judgements taken in relation to corporate tax provisions and the recognition of deferred tax assets and liabilities. Our assessment included the review of applicable third party evidence and correspondence with tax authorities. In relation to deferred tax assets, we considered the appropriateness of management's judgements of the availability of future appropriate taxable profits in assessing whether to recognise deferred tax assets.

The DLC audit committee's consideration of these risks is set out on pages 64 and 65.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €28 million, which is below 5% of profit before tax and special items, and below 2% of equity. Special items are defined by the Group as those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance by the Group with further details provided in note 5 to the financial statements. Since these items are non-recurring in nature, it has been concluded that it is appropriate to exclude these items in determining materiality.

We agreed with the DLC audit committee that we would report to the committee all audit differences identified in excess of €560,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

Our Group audit scope focused primarily on the audit work at 15 locations from across Mondi Group, which were subject to a full audit completed using materiality which was set at a level lower than Group materiality. These 15 locations represent the principal business units and account for 63% of the Group's revenue. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

A further 30 locations were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These 30 locations represent a further 21% of the Group's revenue.

From the above audit scope, in aggregate the locations subject to audit procedures represents 84% of the Group's revenue.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits the 8 operating locations that have been assessed as the most financially significant to the Group at least once every three years, or more frequently where other indicators are identified. In the current year, a senior member of the Group audit team therefore visited certain of the Group's operations in Austria, Germany, Russia and South Africa.

Furthermore, for each of the businesses included within the programme of planned visits, the Group audit team also discusses audit findings with the relevant component audit team throughout the audit engagement and reviews relevant audit working papers.

For the remaining 7 locations where full audits were completed, we discuss audit findings with the relevant component audit team, reviews audit working papers in relation to key issues and discuss key matters with divisional management where considered necessary in forming our Group audit opinion.

In relation to the 30 locations which were subject to an audit of specified account balances, we discuss the results of these businesses and accounting matters arising through our involvement in divisional meetings with management.

Independent auditor's report to the members of Mondi plc continued

Opinion on other matters prescribed by the Companies Act 2006
In our opinion: • the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Remuneration report to be audited is not in agreement with the accounting records and returns. Under the Listing Rules we are required to review certain elements of the Remuneration report. We have nothing to report arising from these matters or our review.
Corporate governance statement	Under the Listing Rules we are also required to review the part of the Corporate governance statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Integrated report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Integrated report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Integrated report is fair, balanced and understandable and whether the Integrated report appropriately discloses those matters that we communicated to the DLC audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Integrated report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Mitchell (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

27 February 2014

Combined and consolidated income statement

for the year ended 31 December 2013

€ million	Notes	2013 Before special items	2013 Special items (note 5)	2013 After special items	(Restated) 2012 Before special items	(Restated) 2012 Special items (note 5)	(Restated) 2012 After special items
Group revenue	2	**6,476**	**–**	**6,476**	5,790	–	5,790
Materials, energy and consumables used		(3,391)	–	(3,391)	(3,024)	–	(3,024)
Variable selling expenses		(523)	–	(523)	(527)	–	(527)
Gross margin		**2,562**	**–**	**2,562**	2,239	–	2,239
Maintenance and other indirect expenses		(278)	–	(278)	(279)	–	(279)
Personnel costs	4	(940)	(17)	(957)	(834)	(16)	(850)
Other net operating expenses		(276)	(10)	(286)	(199)	(10)	(209)
Depreciation, amortisation and impairments		(369)	(67)	(436)	(353)	(1)	(354)
Operating profit/(loss)	2;3	**699**	**(94)**	**605**	574	(27)	547
Non-operating special items	5	–	7	7	–	(64)	(64)
Net profit/(loss) from associates	14	2	–	2	(5)	–	(5)
Total profit/(loss) from operations and associates		**701**	**(87)**	**614**	569	(91)	478
Net finance costs	6	**(115)**	**–**	**(115)**	(110)	–	(110)
Investment income		3	–	3	4	–	4
Foreign currency losses		(1)	–	(1)	(2)	–	(2)
Finance costs		(117)	–	(117)	(112)	–	(112)
Profit/(loss) before tax		**586**	**(87)**	**499**	459	(91)	368
Tax (charge)/credit	8	(98)	13	(85)	(90)	(1)	(91)
Profit/(loss) for the year		**488**	**(74)**	**414**	369	(92)	277
Attributable to:							
Non-controlling interests				**28**			35
Shareholders				**386**			242
Earnings per share (EPS) for profit attributable to shareholders							
Basic EPS (€ cents)	9			**79.8**			50.1
Diluted EPS (€ cents)	9			**79.6**			49.9
Basic underlying EPS (€ cents)	9			**95.0**			69.2
Diluted underlying EPS (€ cents)	9			**94.8**			68.9
Basic headline EPS (€ cents)	9			**91.3**			62.9
Diluted headline EPS (€ cents)	9			**91.1**			62.7

Combined and consolidated statement of comprehensive income

for the year ended 31 December 2013

	2013			(Restated) 2012		
€ million	**Before tax amount**	**Tax expense**	**Net of tax amount**	Before tax amount	Tax benefit	Net of tax amount
Profit for the year			**414**			277
Other comprehensive (expense)/income						
Items that may subsequently be reclassified to the combined and consolidated income statement:						
Effect of cash flow hedges:	(2)	–	(2)	2	–	2
Fair value losses arising during the year	(2)			–		
Less: Reclassification adjustments for losses included in combined and consolidated income statement	–			2		
Gains on available-for-sale investments	(2)	–	(2)	1	–	1
Exchange differences on translation of foreign operations	(233)	–	(233)	49	–	49
Share of other comprehensive income of associates [1]	(1)	–	(1)	–	–	–
Items that will not subsequently be reclassified to the combined and consolidated income statement:						
Remeasurements on retirement benefits plans:	19	(6)	13	(33)	8	(25)
Remeasurement gains: Return on plan assets	4			3		
Actuarial losses arising from changes in demographic assumptions	(4)			–		
Actuarial gains/(losses) arising from changes in financial assumptions	17			(40)		
Actuarial gains/(losses) arising from experience adjustments	4			(24)		
Asset ceiling movement	(2)			28		
Other comprehensive (expense)/income for the year	**(215)**	**(6)**	**(221)**	19	8	27
Other comprehensive (expense)/income attributable to:						
Non-controlling interests	**(11)**	**–**	**(11)**	7	–	7
Shareholders	**(204)**	**(6)**	**(210)**	12	8	20
Total comprehensive income for the year			**193**			304
Total comprehensive income attributable to:						
Non-controlling interests			**17**			42
Shareholders			**176**			262

Note:
[1] Associates' share of exchange differences on translation of foreign operations.

Combined and consolidated statement of financial position

as at 31 December 2013

€ million	Notes	2013	(Restated) 2012	(Restated) At 1 January 2012
Intangible assets	11	675	695	238
Property, plant and equipment	12	3,428	3,709	3,355
Forestry assets	13	233	311	309
Investments in associates	14	6	6	19
Financial asset investments	15	27	26	22
Deferred tax assets	22	4	10	5
Net retirement benefits asset		–	–	8
Derivative financial instruments	20	1	–	3
Total non-current assets		**4,374**	4,757	3,959
Inventories	16	746	783	633
Trade and other receivables	17	954	1,010	814
Current tax assets		26	10	6
Financial asset investments	15	1	1	1
Cash and cash equivalents	30b	130	56	193
Derivative financial instruments	20	5	4	10
Assets held for sale	29	4	2	–
Total current assets		**1,866**	1,866	1,657
Total assets		**6,240**	6,623	5,616
Short-term borrowings	19	(181)	(281)	(268)
Trade and other payables	18	(989)	(1,029)	(877)
Current tax liabilities		(76)	(66)	(78)
Provisions	21	(46)	(67)	(44)
Derivative financial instruments	20	(4)	(4)	(8)
Total current liabilities		**(1,296)**	(1,447)	(1,275)
Medium and long-term borrowings	19	(1,571)	(1,648)	(746)
Net retirement benefits liability	23	(211)	(253)	(202)
Deferred tax liabilities	22	(264)	(344)	(313)
Provisions	21	(32)	(33)	(30)
Derivative financial instruments	20	(1)	(1)	–
Other non-current liabilities		(19)	(24)	(18)
Total non-current liabilities		**(2,098)**	(2,303)	(1,309)
Total liabilities		**(3,394)**	(3,750)	(2,584)
Net assets		**2,846**	2,873	3,032
Equity				
Share capital and stated capital	24	542	542	542
Retained earnings and other reserves		2,049	2,030	2,044
Total attributable to shareholders		**2,591**	2,572	2,586
Non-controlling interests in equity		255	301	446
Total equity		**2,846**	2,873	3,032

The Group's combined and consolidated financial statements, and related notes 1 to 38, were approved by the Boards and authorised for issue on 27 February 2014 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06
Mondi plc company registered number: 6209386

Combined and consolidated statement of cash flows

for the year ended 31 December 2013

€ million	Notes	2013	(Restated) 2012
Cash flows from operating activities			
Cash generated from operations	30a	1,036	849
Dividends from associates	14	1	1
Dividends from other investments	6	–	1
Income tax paid		(126)	(109)
Net cash generated from operating activities		**911**	742
Cash flows from investing activities			
Investment in property, plant and equipment		(405)	(294)
Investment in intangible assets	11	(12)	(9)
Investment in forestry assets	13	(41)	(51)
Investment in financial asset investments	15	(4)	(7)
Proceeds from the disposal of tangible and intangible assets		36	15
Proceeds from the disposal of financial asset investments	15	1	4
Acquisition of subsidiaries, net of cash and cash equivalents	26	–	(381)
Investment in associates	14	–	(43)
Proceeds from disposal of associates		4	–
Proceeds from the disposal of businesses, net of cash and cash equivalents		2	1
Loan repayments from related parties	15	1	–
Loan repayments from external parties	15	2	16
Interest received		3	3
Net cash used in investing activities		**(413)**	(746)
Cash flows from financing activities			
Repayment of short-term borrowings	30c	(77)	(114)
Proceeds from medium and long-term borrowings	30c	107	613
Repayment of medium and long-term borrowings	30c	(117)	(65)
Interest paid		(124)	(92)
Dividends paid to shareholders	10	(138)	(128)
Purchases of treasury shares		(30)	(34)
Dividends paid to non-controlling interests	10	(60)	(29)
Non-controlling interests bought out		(4)	(298)
Net realised gain/(loss) on held-for-trading derivatives		30	(9)
Government grants received		2	–
Net cash used in financing activities		**(411)**	(156)
Net increase/(decrease) in cash and cash equivalents		**87**	(160)
Cash and cash equivalents at beginning of year		(37)	119
Cash movement in the year	30c	87	(160)
Effects of changes in foreign exchange rates	30c	14	4
Cash and cash equivalents at end of year	30b	**64**	(37)

Combined and consolidated statement of changes in equity

for the year ended 31 December 2013

€ million	Combined share capital and stated capital	Retained earnings	Other reserves	**Total attributable to shareholders**	Non-controlling interests	**Total equity**
At 31 December 2011, as previously reported	542	2,041	3	**2,586**	449	**3,035**
Effect of restatement	–	–	–	**–**	(3)	**(3)**
At 1 January 2012 (restated)	542	2,041	3	**2,586**	446	**3,032**
Total comprehensive income for the year	–	242	20	**262**	42	**304**
Dividends paid	–	(128)	–	**(128)**	(29)	**(157)**
Issue of shares under employee share schemes	–	9	(9)	**–**	–	**–**
Purchases of treasury shares	–	(34)	–	**(34)**	–	**(34)**
Non-controlling interests bought out	–	(141)	–	**(141)**	(157)	**(298)**
Disposal of businesses (see note 28)	–	–	15	**15**	–	**15**
Reclassification	–	(12)	12	**–**	–	**–**
Other	–	2	10	**12**	(1)	**11**
At 31 December 2012 (restated)	542	1,979	51	**2,572**	301	**2,873**
Total comprehensive income/(expense) for the year	–	386	(210)	**176**	17	**193**
Dividends paid	–	(138)	–	**(138)**	(60)	**(198)**
Issue of shares under employee share schemes	–	12	(11)	**1**	–	**1**
Purchases of treasury shares	–	(30)	–	**(30)**	–	**(30)**
Non-controlling interests bought out	–	(1)	–	**(1)**	(3)	**(4)**
Reclassification	–	1	(1)	**–**	–	**–**
Other	–	–	11	**11**	–	**11**
At 31 December 2013	**542**	**2,209**	**(160)**	**2,591**	**255**	**2,846**

Other reserves[1] (restated)

€ million	Share-based payment reserve	Cumulative translation adjustment reserve	Cash flow hedge reserve	Post-retirement benefits reserve	Statutory reserves[2]	Total
At 1 January 2012	17	(208)	(2)	(56)	252	**3**
Total comprehensive income/(expense) for the year	–	42	2	(25)	1	**20**
Mondi share schemes' charge	10	–	–	–	–	**10**
Issue of shares under employee share schemes	(9)	–	–	–	–	**(9)**
Disposal of businesses (see note 28)	–	15	–	–	–	**15**
Reclassification	–	–	–	12	–	**12**
At 31 December 2012	18	(151)	–	(69)	253	**51**
Total comprehensive income/(expense) for the year	–	(223)	(2)	13	2	**(210)**
Mondi share schemes' charge	11	–	–	–	–	**11**
Issue of shares under employee share schemes	(11)	–	–	–	–	**(11)**
Reclassification	–	–	–	(1)	–	**(1)**
At 31 December 2013	**18**	**(374)**	**(2)**	**(57)**	**255**	**(160)**

Notes:

1 All movements in other reserves are disclosed net of non-controlling interests. The movement in non-controlling interests as a direct result of the movement in other reserves for the year ended 31 December 2013 was a decrease in non-controlling interests related to total comprehensive income for the year of €11 million (2012: increase of €7 million).

2 Statutory reserves consist of the merger reserve of €259 million (2012: €259 million) and other sundry reserves in deficit of €4 million (2012: deficit of €6 million).

Notes to the combined and consolidated financial statements

for the year ended 31 December 2013

1a Accounting policies

Basis of preparation

The Group's combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and therefore the Group also complies with Article 4 of the EU IAS Regulation. The Group has also complied with the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Reporting Standards Council of South Africa. The combined and consolidated financial statements have been prepared on a going concern basis as discussed in the directors' report, under the heading 'Going concern'.

The financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments and forestry assets. The principal accounting policies adopted are set out below.

Basis of consolidation

Dual listed structure

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.

Subsidiaries

The combined and consolidated financial statements incorporate the assets, liabilities, equity, revenues, expenses and cash flows of Mondi Limited and Mondi plc, and of their respective subsidiaries drawn up to 31 December each year. All intra-group balances, transactions, income and expenses are eliminated. Subsidiaries are those entities over which the Group has the power, directly or indirectly, to govern operating and financial policy in order to obtain economic benefits.

The results of subsidiaries acquired or disposed of during the years presented are included in the combined and consolidated income statement from the effective date of acquiring control or up to the effective date of disposal, as appropriate.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses. Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted for and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders.

Associates

Associates are investments over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee. Typically, the Group owns between 20% and 50% of the voting equity of its associates.

Investments in associates are accounted for using the equity method of accounting except when classified as held for sale.

The total carrying values of investments in associates represent the cost of each investment including the carrying value of goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long-term debt interests which, in substance, form part of the Group's net investment in that entity. The carrying values of associates are reviewed on a regular basis and if an impairment has occurred, it is written off in the year in which those circumstances arose. The Group's share of an associate's losses in excess of its interest in that associate is not recognised unless the Group has an obligation to fund such losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market, at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

The Group measures the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure.

Revenue recognition

Sale of goods

Revenue is derived principally from the sale of goods and is measured at the fair value of the consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have been transferred. This is when title and insurance risk have passed to the customer, and the goods have been delivered to a contractually agreed location.

Sale of green energy and CO_2e credits

Revenues generated from the sale of green energy and CO_2e credits issued under international schemes are recorded as income within other net operating expenses in the combined and consolidated income statement when ownership rights pass to the buyer.

Investment income

Interest income, which is derived from cash and cash equivalents, available-for-sale investments, and loans and receivables, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Business combinations

Identifiable net assets

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary or an associate are recorded at their fair values on acquisition date. Assets and liabilities which cannot be measured reliably are recorded at provisional fair values, which are finalised within 12 months of the acquisition date.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred.

Goodwill

Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of cash-generating units that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the Boards for internal management purposes. The recoverable amount of the group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when events or changes in circumstances indicate that it may be impaired.

Any impairment is recognised in the combined and consolidated income statement. Impairments of goodwill are not subsequently reversed.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

1a Accounting policies continued

Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefits asset

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Assets in the course of construction are carried at cost, less any recognised impairment. Cost includes all costs incurred in bringing the assets to the location and condition for their intended use and includes borrowing costs incurred to the extent that the asset is a qualifying asset.

Depreciation is charged so as to write off the cost of assets, other than land and assets in the course of construction, over their estimated useful lives to their estimated residual values. Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated to their residual values at varying rates, on a straight-line basis over their estimated useful lives. Estimated useful lives range from three years to 20 years for items of plant and equipment and to a maximum of 50 years for buildings.

Other intangibles and research and development expenditure

Other intangibles are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is written off in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised as an expense if they do not qualify for capitalisation.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of the asset, or cash-generating unit, is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount and an impairment recognised as an expense. Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or cash-generating unit, in prior years. A reversal of an impairment is recognised in the combined and consolidated income statement.

Agriculture – owned forestry assets

Owned forestry assets are measured at fair value, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted to present value by applying a market related pre tax discount rate.

Changes in fair value are recognised in the combined and consolidated income statement within other net operating expenses. At point of felling, the carrying value of forestry assets is transferred to inventory.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal from the date on which these conditions are met.

Any resulting impairment is reported through the combined and consolidated income statement as a special item. On classification as held for sale, the assets are no longer depreciated or amortised. Comparative amounts are not adjusted.

Current non-financial assets

Inventory

Inventory is valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs of disposal.

Retirement benefits

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the combined and consolidated income statement is the contributions paid or payable during the reporting period.

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on AA rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the reporting period.

The net retirement benefits liability recognised in the combined and consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of plan assets. Any net retirement benefits asset resulting from this calculation is limited to an asset ceiling which is the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the relevant Group plans.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to operating profit. A net interest expense or net interest income is calculated by applying the discount rate, on a per plan basis, to the net defined benefit liability or asset and recognised in the combined and consolidated income statement within net finance costs.

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (after recognising the net finance charge) are recognised in the combined and consolidated statement of financial position with a charge or credit to other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled, but those amounts recognised in other comprehensive income may be transferred within equity.

Tax

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current tax

The current tax payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

1a Accounting policies continued

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Group's combined and consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it is probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the combined and consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets held under finance leases are recognised as assets of the Group at inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting lease payments using the interest rate implicit in the lease. The interest element of the rental is recognised as a finance charge in the combined and consolidated income statement, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs. These assets are depreciated over the shorter of the lease term and the expected useful economic lives of the assets.

Operating leases

Rental costs under operating leases are charged to the combined and consolidated income statement in equal annual amounts over the lease term unless another systematic basis is more representative of the pattern of use.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, which it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect of discounting is material.

Restoration and environmental costs

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the ongoing production of a plant or landfill site. Costs for restoration of site damage are provided for at their present values and charged against profit and loss as the obligation arises.

Government grants

Government grants are recognised when the right to receive such grants is established and are treated as deferred income. They are released to the combined and consolidated income statement on a systematic basis, either over the expected useful lives of the assets for which they are provided, or over the periods necessary to match them with the related costs which they are intended to compensate.

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions are recorded in their functional currencies at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the combined and consolidated income statement and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

Translation of overseas operations

The Group's results are presented in euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates on the dates of the underlying transactions. Exchange differences arising, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Share-based payments

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-vesting conditions where applicable. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the combined and consolidated income statement, with a corresponding adjustment to equity.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's combined and consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial asset investments

Investments, other than investments in subsidiaries and associates, are either classified as available-for-sale or loans and receivables.

Available-for-sale investments are initially recorded at fair value. They are subsequently remeasured at each reporting date to fair value. Any unrealised gains and losses are recognised in other comprehensive income and deferred in equity until an investment is disposed of or impaired, at which time the cumulative gain or loss deferred in equity is included in the combined and consolidated income statement.

Loans and receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the combined and consolidated statement of financial position. Cash and cash equivalents in the combined and consolidated statement of cash flows and in the presentation of net debt are reflected net of overdrafts.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

1a Accounting policies continued

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less allowance for any impairment as appropriate.

Trade payables

Trade payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method.

Borrowings

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the combined and consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the combined and consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the combined and consolidated statement of financial position within derivative financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in the combined and consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the combined and consolidated income statement in the same period in which the hedged item affects profit and loss on a proportionate basis.

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the combined and consolidated income statement. Gains or losses from remeasuring the associated derivative are also recognised in the combined and consolidated income statement.

Ineffective, expired, sold, terminated or exercised hedging instruments

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the combined and consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the combined and consolidated income statement.

Equity instruments, share issue costs, treasury shares and dividend payments

Equity instruments

An equity instrument is any contract which evidences a residual interest in the net assets of an entity.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of applicable tax, from the proceeds. An incremental share issue cost is one which would not have arisen if shares had not been issued.

Treasury shares

The purchase by any Group entity of either Mondi Limited's or Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of either Mondi Limited or Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments

Dividend distributions to Mondi Limited's and Mondi plc's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by both Mondi Limited's and Mondi plc's ordinary equity holders at their respective annual general meetings and interim dividends are recognised when approved by the Boards.

Special items

Special items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items must exceed €5 million or are material in nature in relation to the financial year's results.

Earnings per share (EPS)

Basic EPS

Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of the sum of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares.

Diluted EPS

For diluted EPS, the weighted average number of the sum of Mondi Limited and Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease EPS. The effect of anti-dilutive potential shares is excluded from the calculation of diluted EPS.

Underlying and headline EPS

Underlying EPS excludes the impact of special items and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 2/2013, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Segmental reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the DLC executive committee, the chief operating decision-making body.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

1a Accounting policies continued

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Group

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

Standards, amendments to published Standards and Interpretation effective during 2013

The Group has adopted the following Standards and amendments to published Standards during the current year, and their impact on the Group's results are detailed in note 1b:

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

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

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

Standards, amendments to published Standards and Interpretation that are not yet effective and have not been early adopted by the Group

The following amendments to published Standards and Interpretation are not expected to have a significant impact on the Group's results, and will become effective for the annual reporting period beginning on 1 January 2014:

- IFRS 1 – First-time Adoption of International Financial Reporting Standards
- IFRS 2 – Share-based Payments
- IFRS 3 – Business Combinations
- IFRS 8 – Operating Segments
- IFRS 10 – Consolidated Financial Statements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 1 – Presentation of Financial Statements
- IAS 7 – Statement of Cash Flows
- IAS 12 – Income Taxes
- IAS 16 – Property, Plant and Equipment
- IAS 19 – Employee Benefits
- IAS 24 – Related Party Disclosures
- IAS 27 – Separate Financial Statements
- IAS 32 – Financial Instruments: Presentation
- IAS 38 – Intangible Assets
- IAS 39 – Financial Instruments
- IAS 40 – Investment Property
- IFRIC 21 – Levies

The Group is in the process of assessing the impact of the following Standard on the Group's results, which currently has no effective date:

- IFRS 9 – Financial Instruments

Accounting estimates and critical judgements

The preparation of the Group's combined and consolidated financial statements includes the use of estimates and assumptions which affect certain items reported in the combined and consolidated statement of financial position and the combined and consolidated income statement. The disclosure of contingent assets and liabilities is also affected by the use of estimation techniques. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. Such estimates relate to management's assumptions about expected future cash flows, market exposures, useful lives and discount rates, amongst others.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next financial year are:
- Capitalisation of tangible assets – estimated residual values and useful economic lives – refer to accounting policies.
- Estimated impairment of goodwill, tangible and intangible assets – refer to notes 11 and 12.
- Fair value of owned forestry assets – refer to note 13.
- Retirement benefits – refer to note 23.

1b Restatement of comparative information

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

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

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

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

1b Restatement of comparative information continued

Combined and consolidated income statement

€ million	Year ended 31 December 2012 As previously reported	Effect of restatement	**As restated**
Group revenue	5,807	(17)	5,790
Gross margin	2,235	4	2,239
Operating profit	541	6	547
Non-operating special items	(64)	–	(64)
Net profit/(loss) from associates	1	(6)	(5)
Total profit from operations and associates	478	–	478
Net finance costs	(107)	(3)	(110)
Investment income	10	(6)	4
Foreign currency losses	(2)	–	(2)
Finance costs	(115)	3	(112)
Profit before tax	371	(3)	368
Tax charge	(92)	1	(91)
Profit for the year	279	(2)	277
Attributable to:			
Non-controlling interests	35	–	35
Shareholders	244	(2)	242

The restatement had no impact on special items.

Earnings per share (EPS) for profit attributable to shareholders

		As previously reported	Effect of restatement	**As restated**
Basic EPS	(€ cents)	50.5	(0.4)	50.1
Diluted EPS	(€ cents)	50.3	(0.4)	49.9
Basic underlying EPS	(€ cents)	69.6	(0.4)	69.2
Diluted underlying EPS	(€ cents)	69.3	(0.4)	68.9
Basic headline EPS	(€ cents)	63.4	(0.5)	62.9
Diluted headline EPS	(€ cents)	63.1	(0.4)	62.7

Combined and consolidated statement of comprehensive income

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

Combined and consolidated statement of financial position

	As at 31 December 2012			As at 1 January 2012		
€ million	As previously reported	Effect of restatement	**As restated**	As previously reported	Effect of restatement	**As restated**
Non-current assets	4,755	2	4,757	3,971	(12)	3,959
Current assets	1,859	7	1,866	1,674	(17)	1,657
Total assets	6,614	9	6,623	5,645	(29)	5,616
Current liabilities	(1,443)	(4)	(1,447)	(1,306)	31	(1,275)
Non-current liabilities	(2,295)	(8)	(2,303)	(1,304)	(5)	(1,309)
Total liabilities	(3,738)	(12)	(3,750)	(2,610)	26	(2,584)
Net assets	2,876	(3)	2,873	3,035	(3)	3,032
Equity						
Share capital and stated capital	542	–	542	542	–	542
Retained earnings and other reserves	2,030	–	2,030	2,044	–	2,044
Total attributable to shareholders	2,572	–	2,572	2,586	–	2,586
Non-controlling interests in equity	304	(3)	301	449	(3)	446
Total equity	2,876	(3)	2,873	3,035	(3)	3,032
Net debt	(1,864)	(8)	(1,872)	(831)	11	(820)

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

1b Restatement of comparative information continued

Combined and consolidated statement of cash flows

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

2 Operating segments

Identification of the Group's externally reportable operating segments

The Group's externally reportable segments reflect the internal reporting structure of the Group, which is the basis on which resource allocation decisions are made by management in the pursuit of strategic objectives. The Group operates under two primary geographic regions reflecting its South African activities and assets, and its international, principally European, activities and assets. The broad European region is further split by product segments reflecting the management structure of the Group.

Mondi Shanduka Newsprint was incorporated into the South Africa Division during 2012 due to similarities in geographical location, production processes and the integrated nature of the production facilities and is now consolidated as a subsidiary. The effects of this change on the comparative periods are set out in note 1b. The Group's segmental information for the comparative periods has been restated to reflect this change in accounting policy.

Product revenues

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

Operating segments	**Revenues** [1]
Europe & International	
Packaging Paper	– Packaging paper
Fibre Packaging	– Fibre packaging
Consumer Packaging	– Consumer packaging
Uncoated Fine Paper	– Uncoated fine paper
	– Pulp
	– Newsprint
South Africa Division	– Packaging paper
	– Pulp
	– Uncoated fine paper
	– Newsprint (external only)

Note:

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

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

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

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

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

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

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

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

Year ended 31 December 2013

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

Note:

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

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

2 Operating segments continued

Year ended 31 December 2012 (restated)

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

Note:

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

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

External revenue by product type

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

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

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

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

2 Operating segments continued

Reconciliation of operating profit before special items

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

Reconciliation of total profit from operations and associates to EBITDA

€ million	2013	(Restated) 2012
Total profit from operations and associates	**614**	478
Special items (see note 5)	87	91
Depreciation, amortisation and impairments [1]	369	353
Net (profit)/loss from associates	(2)	5
EBITDA	**1,068**	927

Note:

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

Reconciliation of operating segment assets

	2013		(Restated) 2012	
€ million	Segment assets	Net segment assets	Segment assets	Net segment assets
Segments total	**5,890**	**5,000**	6,357	5,366
Unallocated:				
Investments in associates	6	6	6	6
Deferred tax assets/(liabilities)	4	(260)	10	(334)
Other non-operating assets/(liabilities)	182	(306)	167	(319)
Group capital employed	**6,082**	**4,440**	6,540	4,719
Financial asset investments (non-current)	27	27	26	26
Cash and current financial asset investments/(net debt)	131	(1,621)	57	(1,872)
Group	**6,240**	**2,846**	6,623	2,873

Non-current non-financial assets

€ million	2013 Non-current non-financial assets	2013 Segment assets	2013 Net segment assets	(Restated) 2012 Non-current non-financial assets	(Restated) 2012 Segment assets	(Restated) 2012 Net segment assets
Africa						
South Africa	600	710	601	796	951	796
Rest of Africa	6	20	19	7	20	19
Africa total	606	730	620	803	971	815
Western Europe						
Austria	442	809	606	477	828	611
United Kingdom	34	45	41	39	69	60
Rest of western Europe	892	1,300	1,095	929	1,359	1,136
Western Europe total	1,368	2,154	1,742	1,445	2,256	1,807
Emerging Europe						
Poland	604	761	672	623	805	703
Slovakia	418	461	406	408	456	388
Rest of emerging Europe	450	633	501	451	628	511
Emerging Europe total	1,472	1,855	1,579	1,482	1,889	1,602
Russia	735	878	821	855	985	925
North America	95	166	141	84	162	136
Asia and Australia	60	107	97	46	94	81
Segments total	**4,336**	**5,890**	**5,000**	4,715	6,357	5,366

3 Operating profit before special items

Operating profit before special items includes:

€ million	2013	(Restated) 2012
Depreciation of property, plant and equipment (see note 12)	(342)	(332)
Profit on disposal of tangible and intangible assets	2	4
Amortisation of intangible assets (see note 11)	(23)	(17)
Impairment of property, plant and equipment (excluding special items) (see note 12)	(4)	(4)
Operating lease charges	(35)	(38)
Research and development expenditure	(14)	(11)
Restructuring and closure costs (excluding special items)	(6)	(4)
Net foreign currency (losses)/gains (see note 7)	(2)	2
Green energy sales and disposal of emissions credits	47	76
Fair value gains on forestry assets (see note 13)	17	40
Felling costs (see note 13)	(55)	(66)

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

3 Operating profit before special items continued

An analysis of auditors' remuneration is presented as follows:

€ million	**2013**	2012
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual financial statements	0.4	0.5
United Kingdom	0.3	0.4
South Africa	0.1	0.1
Fees payable to the auditors and their associates for the audit of Mondi Limited's and Mondi plc's subsidiaries	3.5	3.4
Total audit fees	**3.9**	3.9
Audit related assurance services	0.2	0.2
Taxation compliance services	0.1	0.2
Other services	–	0.1
Total non-audit fees	**0.3**	0.5
Total fees	**4.2**	4.4

4 Employee numbers and costs

The average number of employees was:

hundreds	**2013**	(Restated) 2012
By business segment		
Europe & International		
Packaging Paper	48	48
Fibre Packaging	76	75
Consumer Packaging	39	17
Uncoated Fine Paper	71	77
Total Europe & International	234	217
South Africa Division	18	19
Corporate & other businesses	–	1
Group total	**252**	237

The principal locations of employment were:

hundreds	2013	(Restated) 2012
South Africa and rest of Africa	20	20
Western Europe	81	70
Eastern Europe	71	66
Russia	67	69
North America	12	9
Asia and Australia	1	4
Group total	**252**	238

Payroll costs in respect of the employees included in the tables above were:

€ million	2013	(Restated) 2012
Within operating costs		
Wages and salaries	745	656
Social security costs	168	151
Defined contribution retirement benefit service costs (see note 23)	11	11
Defined benefit retirement benefit service costs (see note 23)	5	6
Share-based payments (see note 25)	11	10
Total within operating costs	**940**	834
Within special items		
Personnel costs relating to restructuring (see note 5)	17	16
Total within special items	**17**	16
Within net finance costs		
Retirement benefit medical plan net interest costs (see note 23)	5	6
Retirement benefit pension plan net interest costs (see note 23)	6	9
Total within net finance costs	**11**	15
Group total	**968**	865

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

4 Employee numbers and costs continued

Compensation for the Boards and key management[1; 2]

€ million	2013	2012
Salaries and short-term employee benefits	5.0	5.3
Non-executive directors	1.0	1.0
Defined contribution plan payments	0.8	0.9
Social security costs	0.9	1.4
Share-based payments	3.9	4.3
Group total	**11.6**	12.9

Notes:

1 In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both executive and non-executive) of Mondi Limited and Mondi plc.

2 The information presented in the table above, in conjunction with the audited information included in the remuneration report, satisfies the disclosure requirements of the South African Companies Act 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Group.

5 Special items

€ million	2013	2012
Operating special items		
Asset impairments	(67)	(1)
Restructuring and closure costs:		
Restructuring and closure costs excluding related personnel costs	(10)	(4)
Personnel costs relating to restructuring	(17)	(16)
Transaction costs incurred on the acquisition of Nordenia	–	(11)
Gain on insurance settlement	–	5
Total operating special items	**(94)**	(27)
Non-operating special items		
Loss on disposals (see note 28)	–	(70)
Gain on sale of land	7	6
Total non-operating special items	**7**	(64)
Total special items before tax and non-controlling interests	**(87)**	(91)
Tax (see note 8)	13	(1)
Total special items attributable to shareholders	**(74)**	(92)

Operating special items

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

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

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

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

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

Non-operating special items

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

6 Net finance costs

Net finance costs and related foreign exchange gains/(losses) are presented below:

€ million	2013	(Restated) 2012
Investment income		
Interest income		
Bank deposits, loan receivables and other	3	3
Total interest income	**3**	3
Dividend income	–	1
Total investment income	**3**	4
Foreign currency losses		
Foreign currency losses (see note 7)	**(1)**	(2)
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(108)	(98)
Net interest expense on net retirement benefits liability (see note 23)	(11)	(15)
Total interest expense	**(119)**	(113)
Less: interest capitalised (see note 12)	2	1
Total finance costs	**(117)**	(112)
Net finance costs	**(115)**	(110)

The weighted average interest rate applicable to interest on general borrowings capitalised for the year ended 31 December 2013 is 5.34% (2012: 5.04%) and is related to investments in Austria and South Africa.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

7 Foreign exchange

The amounts of net foreign currency (losses)/gains (charged)/credited to the combined and consolidated income statement is presented as follows:

€ million	2013	2012
Net operating foreign currency (losses)/gains (see note 3)	(2)	2
Net financing foreign currency losses [1] (see note 6)	(1)	(2)
Net foreign currency losses	**(3)**	–

Note:

1 Net of fair value movements attributable to foreign exchange contracts.

8 Tax charge

(a) Analysis of tax charge for the year

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

(b) Factors affecting tax charge for the year

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

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the weighted average UK and SA corporation tax rate of 23.8% (2012: 24.9%), as follows:

€ million	2013	(Restated) 2012
Profit before tax	**499**	368
Tax on profit before tax calculated at the weighted average UK and SA corporation tax rate of 23.8%[1] (2012: 24.9%[1])	**119**	91
Tax effects of:		
Expenses not (taxable)/deductible for tax purposes	**(1)**	6
Intangible amortisation and non-qualifying depreciation	(9)	(7)
Special items not deductible	7	5
Other non-deductible expenses	1	8
Non-taxable income	**–**	(1)
Temporary difference adjustments	**(18)**	35
Changes in tax bases and rates[2]	(5)	7
Current year tax losses and other temporary differences not recognised	15	36
Prior period tax losses and other temporary differences not previously recognised	(28)	(8)
Other adjustments	**(15)**	(40)
Current tax prior period adjustments	17	(11)
Tax incentives	(37)	(20)
Effect of differences between local rates and UK and SA rates	(7)	(19)
Other adjustments	12	10
Tax charge for the year	**85**	91

Notes:

1 The weighted average tax rate has been determined by weighting the profit before tax after special items of Mondi Limited and its subsidiaries and Mondi plc and its subsidiaries.

2 For the year ended 31 December 2013, changes in tax bases and rates principally relate to adjustments made to deferred tax balances based on a substantively enacted future change in the corporation tax rate in Slovakia and the abolition of the flat tax regime in Mexico.

The Group's share of its associates' tax charge included within net profit from associates for the year ended 31 December 2013 is €nil (2012: €nil).

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

9 Earnings per share

€ cents per share	2013	(Restated) 2012
Profit for the year attributable to shareholders		
Basic EPS	**79.8**	50.1
Diluted EPS	**79.6**	49.9
Underlying earnings for the year		
Basic EPS	**95.0**	69.2
Diluted EPS	**94.8**	68.9
Headline earnings for the year		
Basic EPS	**91.3**	62.9
Diluted EPS	**91.1**	62.7

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

	Earnings	
€ million	2013	(Restated) 2012
Profit for the year attributable to shareholders	**386**	242
Special items (see note 5)	87	91
Related tax (see note 5)	(13)	1
Underlying earnings for the year	**460**	334
Special items: restructuring and closure costs	(27)	(20)
Transaction costs incurred on the acquisition of Nordenia	–	(11)
Profit on disposal of tangible and intangible assets	(2)	(4)
Impairments not included in special items	4	4
Related tax	7	1
Headline earnings for the year	**442**	304

	Weighted average number of shares	
million	2013	2012
Basic number of ordinary shares outstanding	**484**	483
Effect of dilutive potential ordinary shares	1	2
Diluted number of ordinary shares outstanding	**485**	485

10 Dividends

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

€ cents per share	**2013**	2012
Final dividend paid (in respect of prior year)	19.10	17.75
Interim dividend paid	9.55	8.90
Final dividend proposed for the year ended 31 December [1]	**26.45**	19.10

Note:

[1] The dividend proposed is subject to approval by shareholders at the annual general meetings of Mondi Limited and Mondi plc scheduled for 14 May 2014 and therefore has not been included as a liability in the Group's combined and consolidated statement of financial position.

€ million	**2013**	2012
Final dividend paid (in respect of prior year)	92	85
Interim dividend paid	46	43
Final dividend proposed for the year ended 31 December	**128**	92
Paid to non-controlling interests	60	29

11 Intangible assets

2013/*€ million*	Goodwill	Other intangible assets	Total
Cost			
At 1 January	835	263	1,098
Fair value adjustment to assets acquired through business combinations (see note 26)	(3)	–	(3)
Additions	–	12	12
Disposal of assets	–	(12)	(12)
Reclassification	–	6	6
Currency movements	(18)	(3)	(21)
At 31 December	**814**	**266**	**1,080**
Accumulated amortisation and impairments			
At 1 January	274	129	403
Charge for the year	–	23	23
Disposal of assets	–	(12)	(12)
Reclassification	–	3	3
Currency movements	(10)	(2)	(12)
At 31 December	**264**	**141**	**405**
Carrying value as at 31 December	**550**	**125**	**675**

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

11 Intangible assets continued

2012/€ *million*	Goodwill	Other intangible assets	Total
Cost			
At 1 January	477	146	623
Acquired through business combinations (see note 26)	356	105	461
Additions	–	9	9
Disposal of assets	–	(1)	(1)
Reclassification	(3)	5	2
Currency movements	5	(1)	4
At 31 December	835	263	1,098
Accumulated amortisation and impairments			
At 1 January	275	110	385
Charge for the year	–	17	17
Disposal of assets	–	(1)	(1)
Reclassification	(3)	3	–
Currency movements	2	–	2
At 31 December	274	129	403
Carrying value as at 31 December	561	134	695

The carrying value of other intangible assets consists of the following:

€ *million*	**2013**	2012
Software development costs	32	25
Customer relationships	44	52
Patents and trademarks	42	50
Other	7	7
Total other intangible assets	**125**	134

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to each cash-generating unit (CGU) which reflect how it is monitored for internal management purposes.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three year period that are based on the latest forecasts for revenue and cost as approved by the Boards. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines; management projections; and historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management forecasts. Growth rates in the countries in which the Group operates are determined with reference to published growth domestic product information. Zero percent growth rates are assumed in perpetuity for most of the businesses given the commodity nature of the majority of the products (i.e. nominal growth is assumed to be offset by real price declines). Following the acquisition of Nordenia in 2012, growth of 2% (2012: 3%) was assumed for Consumer Packaging given the nature of the business and its expected growth rates.

Post tax cash flow projections are discounted using a post tax discount rate, adjusted by a country risk premium which considers the residual economic, legal and political risks of a jurisdiction not reflected in the underlying cash flows specific to each CGU. Country risk premiums range from 0.5% to 3% (2012: 0% to 3%), with some exceptions where it can be up to 4%. Each country risk premium is estimated based on a number of external sources as well as management's judgement.

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates.

Summary of key assumptions

%	2013	2012
Discount rate	7.38	7.37
Country risk premiums	0.5-4.0	0-3
Perpetuity growth rates		
Consumer Packaging	2	3
All other divisions	–	–

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure.

Sensitivity analyses performed included:
- 1% increase in discount rate;
- 0% growth rate assumed in Consumer Packaging; and
- 5% decrease in cash flows.

None of these downside sensitivities indicated the need for an impairment.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

11 Intangible assets continued

Carrying value of goodwill at the reporting dates

€ million	2013	2012
Europe & International		
Consumer Packaging	281	281
Kraft paper	84	84
Containerboard	59	63
Industrial bags	50	52
Uncoated Fine Paper	36	37
Corrugated packaging	21	25
Coatings	19	19
Total goodwill	**550**	561

12 Property, plant and equipment

2013/*€ million*	Land and buildings	Plant and equipment	Other[1]	Total
Cost				
At 1 January (restated)	1,593	6,041	480	8,114
Fair value adjustment to assets acquired through business combinations (see note 26)	3	–	–	3
Additions	22	115	284	421
Disposal of assets	(23)	(83)	(18)	(124)
Disposal of businesses	(1)	–	(1)	(2)
Reclassification	76	135	(211)	–
Currency movements	(81)	(407)	(30)	(518)
At 31 December	**1,589**	**5,801**	**504**	**7,894**
Accumulated depreciation and impairments				
At 1 January (restated)	617	3,582	206	4,405
Charge for the year	41	281	20	342
Impairments[2]	14	54	3	71
Disposal of assets	(13)	(69)	(16)	(98)
Reclassification	26	(33)	13	6
Currency movements	(29)	(221)	(10)	(260)
At 31 December	**656**	**3,594**	**216**	**4,466**
Carrying value as at 31 December	**933**	**2,207**	**288**	**3,428**

2012/€ million (restated)	Land and buildings	Plant and equipment	Other [1]	Total
Cost				
At 31 December 2011, as previously reported	1,530	5,794	414	7,738
Effect of restatement	(58)	(150)	1	(207)
At 1 January (restated)	1,472	5,644	415	7,531
Acquired through business combinations (see note 26)	86	232	28	346
Additions	12	73	216	301
Disposal of assets	(20)	(85)	(11)	(116)
Reclassification	12	120	(171)	(39)
Currency movements	31	57	3	91
At 31 December (restated)	1,593	6,041	480	8,114
Accumulated depreciation and impairments				
At 31 December 2011, as previously reported	631	3,506	224	4,361
Effect of restatement	(44)	(143)	2	(185)
At 1 January (restated)	587	3,363	226	4,176
Charge for the year	40	275	17	332
Impairments[2]	1	4	–	5
Disposal of assets	(17)	(80)	(8)	(105)
Reclassification	(1)	(5)	(31)	(37)
Currency movements	7	25	2	34
At 31 December (restated)	617	3,582	206	4,405
Carrying value as at 31 December (restated)	976	2,459	274	3,709

Notes:
[1] Other includes €226 million (2012: €220 million) of assets in the course of construction, which are not yet being depreciated in accordance with the accounting policy set out in note 1.
[2] Impairments include €67 million (2012: €1 million) of asset impairments reflected in operating special items and €4 million (2012: €4 million) of other impairments.

Included in the cost above is €2 million (2012: €1 million) of interest incurred on qualifying assets which has been capitalised during the year.

The carrying value and depreciation charges relating to assets held under finance leases amount to €7 million (2012: €8 million) and €1 million (2012: €2 million) respectively.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

12 Property, plant and equipment continued

The carrying value of land and buildings comprises:

€ million	2013	(Restated) 2012
Freehold	928	972
Leasehold – long	3	1
Leasehold – short (less than 50 years)	2	3
Total land and buildings	**933**	976

13 Forestry assets

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

Forestry assets comprise forests with the maturity profile disclosed in the table below:

€ million	2013	(Restated) 2012
Mature	146	187
Immature	87	124
Total forestry assets	**233**	311

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Plantations are considered harvestable after a specific age depending on the species planted and regional considerations.

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

Management's judgement is exercised in determining the future net cash flows and the discount rate. Future net cash flows are dependent upon inputs including expected selling prices; costs of transport, harvesting, extraction and loading (THEL); and the factor used to convert hectares of land under afforestation to tonnes of standing timber which in itself is dependent on a variety of environmental factors. Net selling price is selling price after deduction of THEL costs.

The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions:

€ million	2013
Effect of €1/tonne increase in net selling price	13
Effect of 1% increase in conversion factor (hectares to tonnes)	2
Effect of 1% increase in discount rate	(2)

14 Investments in associates

€ million	2013	(Restated) 2012
At 31 December 2011, as previously reported		10
Effect of restatement		9
At 1 January (restated)	6	19
Net profit/(loss) from associates	2	(5)
Dividends received	(1)	(1)
Investment in associates	–	43
Disposal of associates	–	(50)
Currency movements	(1)	–
At 31 December	**6**	6

The Group's share of the summarised financial information of principal associates, all of which are unlisted, is as follows:

€ million	2013	(Restated) 2012
Total non-current assets	8	3
Total current assets	8	8
Total current liabilities	(5)	(4)
Total non-current liabilities	(5)	(1)
Share of associates' net assets	**6**	6
Total revenue	38	133
Total operating costs	(36)	(138)
Share of associates' profit/(loss)	**2**	(5)

There are no material contingent liabilities for which the Group is jointly or severally liable at the reporting dates presented.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

15 Financial asset investments

€ million	2013			(Restated) 2012		
	Loans and receivables	**Available-for-sale investments**	**Total**	Loans and receivables	Available-for-sale investments	Total
At 31 December 2011, as previously reported				21	13	34
Effect of restatement				(11)	–	(11)
At 1 January (restated)	12	15	27	10	13	23
Additions	3	1	4	2	5	7
Fair value adjustments	–	2	2	–	2	2
Repayments by related parties	(1)	–	(1)	–	–	–
Repayments – other	(2)	–	(2)	(16)	–	(16)
Acquired through business combinations (see note 26)	–	–	–	17	–	17
Disposal of assets	–	(1)	(1)	–	(4)	(4)
Other	(1)	1	–	(1)	(1)	(2)
Currency movements	(1)	–	(1)	–	–	–
At 31 December	**10**	**18**	**28**	12	15	27
Current	–	1	1	1	–	1
Non-current	10	17	27	11	15	26

The fair values of available-for-sale investments represent the published prices of the securities concerned. Loans and receivables are held at amortised cost. The fair value of loans and receivables approximate the carrying values presented.

16 Inventories

€ million	**2013**	(Restated) 2012
Valued using the first-in-first-out cost formula		
Raw materials and consumables	20	34
Work in progress	7	10
Finished products	26	34
Total valued using the first-in-first-out cost formula	**53**	78
Valued using the weighted average cost formula		
Raw materials and consumables	290	339
Work in progress	110	70
Finished products	293	296
Total valued using the weighted average cost formula	**693**	705
Total inventories	**746**	783
Of which, held at net realisable value	172	156

€ million	2013	(Restated) 2012
Combined and consolidated income statement		
Cost of inventories recognised as expense	(2,867)	(2,482)
Write-down of inventories to net realisable value	(21)	(19)
Aggregate reversal of previous write-down of inventories	12	13

17 Trade and other receivables

€ million	2013	(Restated) 2012
Trade receivables (a)	823	885
Allowance for doubtful debts (b)	(37)	(42)
Net trade receivables	**786**	843
Other receivables	146	151
Prepayments and accrued income	22	16
Total trade and other receivables	**954**	1,010

The fair values of trade and other receivables approximate the carrying values presented.

(a) Trade receivables: credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 35. Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €44 million (2012: €38 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €42 million (2012: €50 million) which are past due but not impaired as at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact. An ageing analysis of these past due trade receivables is provided as follows:

	Trade receivables past due by				
€ million	Less than 1 month	1-2 months	2-3 months	More than 3 months	Total
Carrying value as at 31 December 2013	**33**	**3**	**3**	**3**	**42**
Carrying value as at 31 December 2012 (restated)	37	6	3	4	50

The Group has not entered into any debt factoring arrangements in which the financial counterparties retain recourse in the event of debtor default.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

17 Trade and other receivables continued

(b) Movement in the allowance account for bad and doubtful debts

€ million	**2013**	2012
At 1 January	42	43
Increase in allowance recognised in combined and consolidated income statement	7	10
Amounts written off or recovered during the year	(9)	(11)
Currency movements	(3)	–
At 31 December	**37**	42

18 Trade and other payables

€ million	**2013**	(Restated) 2012
Trade payables	497	555
Tax and social security	68	67
Other payables	118	104
Accruals and deferred income	306	303
Total trade and other payables	**989**	1,029

The fair values of trade and other payables approximate the carrying values presented.

19 Borrowings

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

The maturity analysis of the Group's borrowings, presented on an undiscounted future cash flow basis, is included as part of a review of the Group's liquidity risk in note 35.

Obligations under finance leases

The maturity of obligations under finance leases is:

€ million	2013	2012
Not later than one year	1	3
Later than one year but not later than five years	4	8
Later than five years	7	5
Future value of finance lease liabilities	**12**	16
Future finance charges	(5)	(5)
Present value of finance lease liabilities	**7**	11

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

Financing facilities

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

€750 million Syndicated Revolving Credit Facility (RCF)

The RCF is a five year multi-currency revolving credit facility which was signed on 14 April 2011. Interest is charged on the balance outstanding at market-related rates linked to EURIBOR/LIBOR.

€500 million 2017 Eurobond

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

€500 million 2020 Eurobond

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

€280 million Eurobond

As part of the acquisition of Nordenia in 2012 Mondi assumed Nordenia's €280 million Eurobond, paying a coupon of 9.75% per annum and maturing on 15 July 2017. The bond was recognised at its fair value of €324 million at date of acquisition. The value of the bond includes the fair value of an option to call the bond early at the following redemption rates:

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

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

€160 million Export Credit Agency Facility (ECAF)

The ECAF is used to part finance expansionary capital expenditure in Russia. The facility has an amortising repayment until 2020 and interest is charged on the balance outstanding at a market-related rate linked to EURIBOR.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

19 Borrowings continued

PLN 474 million European Investment Bank Facility (EIBF1)

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

€100 million European Investment Bank Facility (EIBF2)

The EIBF2 facility was fully drawn on 28 June 2013 and is used to part finance expansionary capital expenditure in Russia. The facility amortises over 12 years with a two year grace period and interest is charged on the balance outstanding at a market-related rate linked to EURIBOR.

RUB 1.6 billion European Bank for Reconstruction and Development Facility (EBRDF)

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

In addition to the facilities above, the Group has a revolving committed bank facility amounting to ZAR500 million in South Africa. This facility is repayable on its maturity date of 11 June 2014 and bears interest at one month JIBAR plus a margin. On 31 October 2013 the Group repaid and cancelled a ZAR700 million revolving loan that was outstanding at 31 December 2012.

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

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

2012/*€ million (restated)*	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	126	1,322	–	1,448	1,559
South African rand	180	–	8	188	188
Pounds sterling	116	–	–	116	116
Polish zloty	84	–	–	84	84
Russian rouble	41	–	–	41	41
Turkish lira	29	–	–	29	29
Other currencies	22	1	–	23	23
Carrying value	598	1,323	8	1,929	
Fair value	598	1,434	8		2,040

In addition to the above, the Group swaps euro debt into other currencies through the foreign exchange market as disclosed in note 35.

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

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

€ million	2013	(Restated) 2012
Assets held under finance leases		
Property, plant and equipment	7	8
Assets pledged as collateral for other borrowings		
Property, plant and equipment	10	8
Inventories	3	4
Financial assets	3	2
Total value of assets pledged as collateral	**23**	22

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

20 Derivative financial instruments

	2013			(Restated) 2012		
€ million	Asset	Liability	Notional amount	Asset	Liability	Notional amount
Current derivatives						
Held-for-trading						
Foreign exchange contracts [1]	5	(3)	849	4	(2)	892
Cash flow hedges						
Foreign exchange contracts	–	(1)	62	–	(2)	30
Total current derivative financial instruments	**5**	**(4)**	**911**	4	(4)	922
Non-current derivatives						
Cash flow hedges						
Foreign exchange contracts	1	(1)	69	–	(1)	50
Total non-current derivative financial instruments	**1**	**(1)**	**69**	–	(1)	50

Note:
1 Of the €849 million (2012: €892 million) aggregate notional amount presented, €645 million (2012: €710 million) relates to the economic hedging of foreign exchange exposures on short-term intercompany funding balances, which are fully eliminated on consolidation.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

20 Derivative financial instruments continued

Derivative financial instruments are carried held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments.

The notional amounts presented represent the aggregate face value of all derivatives outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Group's exposure to credit or market risks. Note 35 provides an overview of the Group's management of financial risks through the selective use of derivative financial instruments and also includes a presentation of the undiscounted future contractual cash flows of the derivative contracts outstanding at the reporting date.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to profit and loss in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

The fair value losses reclassified from the cash flow hedge reserve during 2012 and matched against the realisation of hedged risks in the combined and consolidated income statement were as follows:

€ million	**2013**	2012
Net finance costs	–	(2)
Total reclassification adjustments	**–**	(2)

There was no ineffectiveness recognised in profit and loss arising on cash flow hedges for both the years presented.

Held-for-trading derivatives

€ million	**2013**	2012
Net fair value gains on held-for-trading derivatives	**–**	7

Held-for-trading derivatives are used primarily to hedge foreign exchange balance sheet exposures. Held-for-trading derivative gains/(losses) have corresponding (losses)/gains which arise on the revaluation of the foreign exchange balance sheet exposures being hedged. The Group elected not to apply hedge accounting to the held-for-trading derivatives.

21 Provisions

€ million	Restoration & environmental	Restructuring costs	Long service awards	Other	Total
At 31 December 2011, as previously reported	11	17	14	36	78
Effect of restatement	(5)	–	–	1	(4)
At 1 January 2012 (restated)	6	17	14	37	74
Acquired through business combinations (see note 26)	–	–	2	27	29
Charged to combined and consolidated income statement	–	25	3	19	47
Unwinding of discount	–	–	1	–	1
Released to combined and consolidated income statement	–	(1)	–	(2)	(3)
Amounts applied	–	(15)	(2)	(32)	(49)
Currency movements	–	–	–	1	1
At 31 December 2012 (restated)	6	26	18	50	100
Charged to combined and consolidated income statement	–	27	1	14	42
Unwinding of discount	–	–	1	–	1
Released to combined and consolidated income statement	–	–	–	(3)	(3)
Amounts applied	–	(34)	(1)	(25)	(60)
Reclassification	–	1	–	–	1
Currency movements	–	–	(2)	(1)	(3)
At 31 December 2013	**6**	**20**	**17**	**35**	**78**

Maturity analysis of total provisions on a discounted basis:

€ million	2013	(Restated) 2012
Current	46	67
Non-current	32	33
Total provisions	**78**	100

Included within other provisions are amounts relating to onerous contracts and employee benefits. Of these, €23 million (2012: €38 million) are due to be incurred within the next 12 months. The residual €12 million (2012: €12 million) will be incurred over a period longer than one year.

All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre tax real yield on long-term bonds over the last five years.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

22 Deferred tax

Deferred tax assets

€ million	2013	2012
At 1 January	10	5
(Charged)/credited to combined and consolidated income statement	(6)	1
Credited to combined and consolidated statement of comprehensive income	–	2
Acquired through business combinations (see note 26)	–	4
Reclassification	–	(2)
At 31 December	**4**	10

Deferred tax liabilities

€ million	2013	(Restated) 2012
At 31 December 2011, as previously reported		(310)
Effect of restatement		(3)
At 1 January (restated)	(344)	(313)
Credited/(charged) to combined and consolidated income statement	43	(5)
(Charged)/credited to combined and consolidated statement of comprehensive income	(6)	6
Acquired through business combinations (see note 26)	–	(41)
Reclassification	–	2
Currency movements	43	7
At 31 December	**(264)**	(344)

The amount of deferred tax provided is presented as follows:

€ million	2013	(Restated) 2012
Deferred tax assets		
Tax losses [1]	2	6
Other temporary differences	2	4
Total deferred tax assets	**4**	10
Deferred tax liabilities		
Capital allowances in excess of depreciation	(277)	(333)
Fair value adjustments	(61)	(82)
Tax losses	20	16
Other temporary differences	54	55
Total deferred tax liabilities	**(264)**	(344)

Note:

[1] Based on forecast data, the Group believes that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses.

The amount of deferred tax credited/(charged) to the combined and consolidated income statement is presented as follows:

€ million	2013	(Restated) 2012
Capital allowances in excess of depreciation	27	(8)
Fair value adjustments	(1)	2
Tax losses	3	(4)
Other temporary differences	8	6
Total credit/(charge)	**37**	(4)

The current expectation regarding the maturity of deferred tax balances is:

€ million	2013	(Restated) 2012
Deferred tax assets		
Recoverable within 12 months	2	5
Recoverable after 12 months	2	5
Total deferred tax assets	**4**	10
Deferred tax liabilities		
Payable after 12 months	(264)	(344)
Total deferred tax liabilities	**(264)**	(344)

The Group has the following amounts in respect of which no deferred tax asset has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised:

€ million	2013	2012
Tax losses – revenue	1,637	1,638
Tax losses – capital	17	17
Other temporary differences	119	44
Total	**1,773**	1,699

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2013	2012
Within one year	13	1
One to five years	94	136
After five years	125	169
Total expiring unrecognised tax losses	**232**	306

A further €1,422 million (2012: €1,349 million) of losses have no expiry date.

No deferred tax liability is recognised on gross temporary differences of €786 million (2012: €719 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. A change to UK tax legislation largely exempts, from UK tax, overseas dividends received on or after 1 July 2009. As a result, the gross temporary differences at 31 December 2013 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

23 Retirement benefits

The Group operates post-retirement defined contribution and defined benefit pension plans for the majority of its employees. It also operates two post-retirement medical plans.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €11 million (2012: €11 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2014 are €6 million.

Defined benefit pension plans and post-retirement medical plans

Only a few of the defined benefit plans are funded. The assets of these plans are held separately from those of the Group in independently administered funds, in accordance with statutory requirements or local practice throughout the world. The majority of the defined benefit plans are unfunded pension and severance plans, principally in Europe.

The defined benefit pension plan in South Africa entered the liquidation process in August 2012 and Mondi Limited expects to receive a reimbursement of the pension surplus of €6 million once the fund is wound up, subject to any potential claims. No further claims have been lodged with the fund since it entered the liquidation process. The expected reimbursement is included in trade and other receivables.

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded whilst the Austrian plan is funded. The South African plan has been closed to new participants since 1 January 1999.

The boards of trustees of the plans are required to act in the best interest of the plans and of all relevant stakeholders of the plans, i.e. active employees, inactive employees, retirees and employers. The boards of trustees are responsible for the investment policy with regard to the assets of the plans.

Defined benefit plans typically expose the Group to the following actuarial risks:

Investment risk	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the return on the plan's debt instruments.
Longevity risk	The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability/asset is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method. The actuaries have updated the valuations to 31 December 2013.

Actuarial assumptions

The principal assumptions used to determine the actuarial valuations are detailed below:

%	2013 South Africa	2013 Eurozone & UK	2013 Other regions	2012 South Africa	2012 Eurozone & UK	2012 Other regions
Discount rate	8.7	3.5 – 4.4	6.5 – 9.4	7.5	3.0 – 4.3	6.5 – 8.8
Rate of inflation	6.6	1.8 – 3.4	3.0 – 10.0	6.5	1.8 – 3.0	3.0 – 10.0
Rate of increase in salaries	7.6	2.0 – 5.5	3.5 – 10.0	7.7	2.0 – 5.5	1.0 – 10.0
Rate of increase of pensions in payment	–	2.0 – 4.4	2.0	–	2.0 – 4.4	2.0
Expected average increase of medical cost trend rates	8.1	4.1	–	8.0	4.1	–

The assumption for the discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency. However, in South Africa the discount rate assumption has been based on the zero coupon government bond yield curve.

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

years	2013 South Africa	2013 Europe & International	2012 South Africa	2012 Europe & International
Retiring today:				
Males	15.94	13.86 – 22.70	15.91	12.88 – 22.50
Females	19.89	17.08 – 26.77	19.85	16.68 – 26.17
Retiring in 20 years:				
Males	20.34	13.86 – 22.70	20.24	12.88 – 22.69
Females	24.64	14.00 – 25.99	24.55	16.68 – 25.99

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 76% (2012: 72%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the plans' trustees and in accordance with local actuarial advice and statutory provisions.

The majority of the defined benefit pension plans are closed to new members. Consequently, it is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2014 are €17 million (2013: €15 million).

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

23 Retirement benefits continued

The weighted average duration of the Group's defined retirement benefits liability is 12.51 years. The expected maturity analysis of undiscounted retirement benefits is as follows:

2013/*€ million*	Less than a year	Between 1-2 years	Between 2-5 years	Between 5-10 years
Defined benefit pension plans	8	8	25	246
Post-retirement medical plans	7	11	20	102
Group total	**15**	**19**	**45**	**348**

Combined and consolidated statement of financial position

The amounts recognised in the combined and consolidated statement of financial position are determined as follows:

	2013			(Restated) 2012		
€ million	South Africa	Europe & International	Total	South Africa	Europe & International	Total
Present value of unfunded liabilities	(56)	(114)	(170)	(83)	(125)	(208)
Present value of funded liabilities	–	(160)	(160)	–	(162)	(162)
Present value of plan liabilities	**(56)**	**(274)**	**(330)**	(83)	(287)	(370)
Fair value of plan assets	–	121	121	–	117	117
Deficit on retirement benefits	**(56)**	**(153)**	**(209)**	(83)	(170)	(253)
Asset ceiling	–	(2)	(2)	–	–	–
Net retirement benefits liability	**(56)**	**(155)**	**(211)**	(83)	(170)	(253)
Liabilities reported in combined and consolidated statement of financial position						
Defined benefit pension plans	–	(155)	(155)	–	(166)	(166)
Post-retirement medical plans	(56)	–	(56)	(83)	(4)	(87)
Net retirement benefits liability	**(56)**	**(155)**	**(211)**	(83)	(170)	(253)

The changes in the present value of defined benefit liabilities are as follows:

€ million	2013 Pension plans	2013 Post-retirement medical plans	2013 Total plans	(Restated) 2012 Pension plans	(Restated) 2012 Post-retirement medical plans	(Restated) 2012 Total plans
At 31 December 2011, as previously reported				(403)	(86)	(489)
Effect of restatement				48	–	48
At 1 January (restated)	(270)	(100)	(370)	(355)	(86)	(441)
Acquired through business combinations (see note 26)	–	–	–	(28)	–	(28)
Current service cost	(5)	–	(5)	(4)	–	(4)
Past service cost and liabilities extinguished on settlements	–	–	–	164	–	164
Interest cost	(10)	(6)	(16)	(11)	(7)	(18)
Remeasurement gains/(losses)	3	14	17	(49)	(15)	(64)
Actuarial losses arising from changes in demographic assumptions	(4)	–	(4)	–	–	–
Actuarial gains/(losses) arising from changes in financial assumptions	5	12	17	(25)	(15)	(40)
Actuarial gains/(losses) arising from experience adjustments	2	2	4	(24)	–	(24)
Contributions paid by other members	–	(3)	(3)	–	(3)	(3)
Benefits paid	16	7	23	15	8	23
Currency movements	4	20	24	(2)	3	1
At 31 December	**(262)**	**(68)**	**(330)**	(270)	(100)	(370)

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

23 Retirement benefits continued

The changes in the fair value of plan assets are as follows:

€ million	2013			(Restated) 2012		
	Pension plans	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
At 31 December 2011, as previously reported				309	12	321
Effect of restatement				(47)	–	(47)
At 1 January (restated)	105	12	117	262	12	274
Acquired through business combinations (see note 26)	–	–	–	7	–	7
Interest income	4	1	5	4	1	5
Assets distributed on settlements	–	–	–	(166)	–	(166)
Remeasurement gains/(losses): Return on plan assets	3	1	4	4	(1)	3
Contributions paid by employer	3	–	3	2	–	2
Contributions paid by other members	–	3	3	–	3	3
Benefits paid	(5)	(3)	(8)	(5)	(3)	(8)
Reclassification	–	–	–	(6)	–	(6)
Currency movements	(3)	–	(3)	3	–	3
At 31 December	**107**	**14**	**121**	105	12	117

The market values of the plan assets in these plans are detailed below:

€ million	Europe & International 2013	(Restated) 2012
External equity	42	40
Property	1	2
Bonds	63	62
Insurance contracts	8	7
Cash	2	1
Other	5	5
Fair value of plan assets	**121**	117

The majority of the Group's plan assets are located in Austria and the UK and the following asset-liability matching/investing strategies are applied:

Austria The investment strategy is based on the Austrian Social Security Law which stipulates that investments can only be made in high-quality euro bonds or deposits in euro in highly rated financial institutions. No investments in equity or equity funds are allowed. Due to legal and market restrictions asset-liability matching is not possible.

UK The trustees invest in diverse portfolios of pooled funds. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the Company to an undue level of risk. The mix of investments in each plan is determined taking into account the maturity, currency and nature of the expected benefit payments required.

There are no financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, bonds, property, insurance contracts and cash are determined based on quoted prices in active markets.

The actual return on plan assets in respect of defined benefit plans was a gain of €9 million (2012: gain of €8 million).

The changes in the asset ceiling are as follows:

€ million	2013	2012
At 1 January	–	(27)
Interest cost	–	(2)
Asset ceiling movement	(2)	28
Currency movements	–	1
At 31 December	**(2)**	–

Combined and consolidated statement of comprehensive income

The amounts recognised in the combined and consolidated income statement and combined and consolidated statement of comprehensive income are as follows:

	2013			(Restated) 2012		
€ million	**Pension plans**	**Post-retirement medical plans**	**Total plans**	Pension plans	Post-retirement medical plans	Total plans
Analysis of the amount charged to operating profit						
Current service costs	5	–	5	4	–	4
Past service cost	–	–	–	1	–	1
Losses from settlements	–	–	–	1	–	1
Total within operating costs	**5**	**–**	**5**	6	–	6
Analysis of the amount charged to net finance costs						
Net interest expense	6	5	11	9	6	15
Net charge to net finance costs	**6**	**5**	**11**	9	6	15
Total charge to combined and consolidated income statement	**11**	**5**	**16**	15	6	21
Remeasurement on the net retirement benefits						
Remeasurement (gains)/losses: Return on plan assets	(3)	(1)	(4)	(4)	1	(3)
Actuarial losses arising from changes in demographic assumptions	4	–	4	–	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	(5)	(12)	(17)	25	15	40
Actuarial (gains)/losses arising from experience adjustments	(2)	(2)	(4)	24	–	24
Asset ceiling movement	–	2	2	(25)	(3)	(28)
Total (income)/expense recognised in other comprehensive income	**(6)**	**(13)**	**(19)**	20	13	33
Total expense/(income) recognised in combined and consolidated statement of comprehensive income	**5**	**(8)**	**(3)**	35	19	54

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

23 Retirement benefits continued

Sensitivity analysis

Significant actuarial assumptions for the determination of the net retirement benefits assets/liabilities are the discount rate, rate of inflation and medical cost trend rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

A 1% change in the assumptions would have the following effects on the net retirement benefits plans:

€ million	1% increase	1% decrease
Discount rate		
Effect on aggregate of the current service cost and interest cost	(3)	(1)
Effect on net retirement benefit asset/liability	(52)	56
Rate of inflation		
Effect on aggregate of the current service cost and interest cost	3	1
Effect on net retirement benefit asset/liability	52	(56)
Medical cost trend rate		
Effect on aggregate of the current service cost and interest cost	1	(1)
Effect on net retirement benefit asset/liability	11	(10)

The sensitivity analysis presented above may not be representative of the actual changes in the net retirement benefits asset/liability as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses above.

24 Share capital and stated capital

number of shares	**Authorised**
Mondi Limited ordinary shares with no par value	250,000,000
Mondi Limited special converting shares with no par value	650,000,000

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval.

		Called up, allotted and fully paid/€ million		
2013	Number of shares	Share capital	Stated capital	Total
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	–	431	431
Mondi plc €0.20 ordinary shares issued on the LSE	367,240,805	74	–	74
Total ordinary shares in issue	**485,553,780**	**74**	**431**	**505**
Mondi Limited special converting shares with no par value	367,240,805	–	8	8
Mondi plc €0.20 special converting shares	118,312,975	24	–	24
Total special converting shares	**485,553,780**	**24**	**8**	**32**
Mondi plc €0.04 deferred shares	146,896,322	5	–	5
Total shares	**1,118,003,882**	**103**	**439**	**542**

2012	Number of shares	Called up, allotted and fully paid/€ million Share capital	Stated capital	Total
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	–	431	431
Mondi plc €0.20 ordinary shares issued on the LSE	367,240,805	74	–	74
Total ordinary shares in issue	485,553,780	74	431	505
Mondi Limited special converting shares with no par value	367,240,805	–	8	8
Mondi plc €0.20 special converting shares	118,312,975	24	–	24
Total special converting shares	485,553,780	24	8	32
Mondi plc €0.04 deferred shares	146,896,322	5	–	5
Total shares	1,118,003,882	103	439	542

The special converting shares are held in trust and do not carry dividend rights. The special converting shares provide a mechanism for equality of treatment on termination of the DLC agreement for both Mondi Limited and Mondi plc ordinary equity holders.

The deferred shares are held in trust and do not carry any dividend or voting rights.

Treasury shares purchased represent the cost of shares in Mondi Limited (held by the Mondi Incentive Schemes Trust) and Mondi plc (held by the Mondi Employee Share Trust) purchased in the market to satisfy share awards under the Group's employee share schemes (see note 25). These costs are reflected in the combined and consolidated statement of changes in equity.

	2013		2012	
at 31 December	**Number of shares held**	**Average price per share**	Number of shares held	Average price per share
Mondi Incentive Schemes Trust				
Mondi Limited ordinary shares with no par value	**720,489**	**R117.66**	549,935	R70.69
Mondi Employee Share Trust				
Mondi plc €0.20 ordinary shares	**1,543,601**	**£8.90**	1,452,253	£6.04

25 Share-based payments

Mondi share awards

The Group has set up its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the remuneration report.

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or Mondi plc. The Group has no obligation to settle the awards made under these schemes in cash. Dividends foregone on Bonus Share Plan share awards and, for awards made in 2013 and thereafter in respect of the Long-Term Incentive Plan, are paid in cash upon vesting.

The total fair value charge in respect of all the Mondi share awards granted during the year ended 31 December is made up as follows:

€ million	**2013**	2012
Bonus Share Plan (BSP)	6	6
Long-Term Incentive Plan (LTIP)	5	4
Total share-based payment expense	**11**	10

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

25 Share-based payments continued

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited	**BSP 2013**	BSP 2012	BSP 2011
Date of grant	25 March 2013	28 March 2012	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (R)	125.55	71.29	63.70

Mondi Limited	**LTIP 2013**	LTIP 2012	LTIP 2011
Date of grant	25 March 2013	28 March 2012	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	99	100	100
TSR component	25	25	25
Grant date fair value per instrument (R)			
ROCE component	125.55	63.60	56.09
TSR component [1]	31.39	15.90	14.02

Mondi plc	**BSP 2013**	BSP 2012	BSP 2011
Date of grant	25 March 2013	28 March 2012	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (£)	8.87	5.93	5.82

Mondi plc	**LTIP 2013**	LTIP 2012	LTIP 2011
Date of grant	25 March 2013	28 March 2012	25 March 2011
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	99	100	100
TSR component	25	25	25
Grant date fair value per instrument (£)			
ROCE component	8.87	5.27	5.09
TSR component [1]	2.22	1.32	1.27

Note:

[1] The base fair value has been adjusted for contractually-determined market-based performance conditions.

A reconciliation of share award movements for the Mondi share schemes is shown below:

	BSP			LTIP		
number of shares	**Mondi Ltd**	**Mondi plc**	**Total**	**Mondi Ltd**	**Mondi plc**	**Total**
At 1 January 2012	675,958	3,333,795	4,009,753	1,061,283	6,587,021	7,648,304
Shares conditionally awarded	166,892	646,225	813,117	186,452	996,281	1,182,733
Shares vested	(297,572)	(1,627,900)	(1,925,472)	(546,555)	(3,788,110)	(4,334,665)
Shares lapsed	(12,136)	(105,654)	(117,790)	(53,908)	(530,127)	(584,035)
At 31 December 2012	533,142	2,246,466	2,779,608	647,272	3,265,065	3,912,337
Shares conditionally awarded	126,627	483,190	609,817	139,373	820,910	960,283
Shares vested	(199,011)	(1,002,717)	(1,201,728)	(263,622)	(1,324,379)	(1,588,001)
Shares lapsed	–	(30,333)	(30,333)	–	(29,283)	(29,283)
At 31 December 2013	**460,758**	**1,696,606**	**2,157,364**	**523,023**	**2,732,313**	**3,255,336**

Combined share award schemes

2013	**1 January**	**Shares conditionally awarded**	**Shares vested**	**Shares lapsed**	**31 December**
Mondi Limited	1,180,414	266,000	(462,633)	–	983,781
Mondi plc	5,511,531	1,304,100	(2,327,096)	(59,616)	4,428,919
Total	**6,691,945**	**1,570,100**	**(2,789,729)**	**(59,616)**	**5,412,700**

2012	1 January	Shares conditionally awarded	Shares vested	Shares lapsed	31 December
Mondi Limited	1,737,241	353,344	(844,127)	(66,044)	1,180,414
Mondi plc	9,920,816	1,642,506	(5,416,010)	(635,781)	5,511,531
Total	11,658,057	1,995,850	(6,260,137)	(701,825)	6,691,945

The weighted average share price of share awards that vested during the period:

	2013	2012
Mondi plc	**£8.66**	£5.94
Mondi Limited	**R121.03**	R70.56

26 Business combinations

There were no significant acquisitions made during the year ended 31 December 2013.

To 31 December 2012

On 2 May 2012, Mondi Świecie S.A. acquired the entire share capital of Saturn Management Sp. Z o.o. (Saturn) from Polish Energy Partners S.A. for a net cash consideration of €31 million and the assumption of debt of €57 million.

On 1 October 2012 Mondi acquired 99.93% of the outstanding share capital of Nordenia from Oaktree Capital Management L.P. and certain other minority shareholders for a cash consideration of €259 million.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

26 Business combinations continued

On 5 November 2012, Mondi acquired two corrugated box plants in Germany and the Czech Republic and a 105,000 tonne recycled containerboard mill in the Czech Republic from Duropack GmbH (Duropack) for a cash consideration of €133 million. The recycled containerboard mill was subsequently closed in December 2012. Subsequent to 31 December 2012, the fair value of the property, plant and equipment attributable to the assets acquired from Duropack was increased by €3 million and goodwill adjusted accordingly.

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

€ million	Book value	Revaluation	Fair value
Net assets acquired:			
Intangible assets	2	103	105
Property, plant and equipment	324	22	346
Financial asset investments	17	–	17
Deferred tax assets	4	–	4
Inventories	123	5	128
Trade and other receivables	143	–	143
Cash and cash equivalents	53	–	53
Other current assets	1	–	1
Short-term borrowings	(67)	–	(67)
Trade and other payables	(156)	–	(156)
Current tax liabilities	(7)	–	(7)
Provisions	(28)	(1)	(29)
Medium and long-term borrowings	(348)	(45)	(393)
Net retirement benefits liability	(21)	–	(21)
Deferred tax liabilities	(15)	(26)	(41)
Other non-current liabilities	(16)	–	(16)
Net assets acquired	9	58	67
Goodwill arising on acquisitions			356
Total cost of acquisitions			423
Transaction costs expensed			11
Cash acquired net of overdrafts			(53)
Net cash paid per combined and consolidated statement of cash flows			381

€ million	Net assets	Goodwill	Net cash paid
Nordenia	(9)	268	237
Saturn	27	4	29
Duropack	49	84	115
Group total	67	356	381

27 Non-controlling interests bought out

There were no significant non-controlling interests that were acquired during the year ended 31 December 2013.

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

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

28 Disposal of businesses

There were no significant disposals in the year ended 31 December 2013.

To 31 December 2012

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

€ million	(Restated) 2012
Net investment in equity accounted investee	48
Guarantee liability retained	7
Cumulative translation adjustment reserve realised	15
Loss on disposal of investment in equity accounted investee (see note 5)	(70)
Disposal proceeds	–
Deferred consideration received in respect of the sale of Mondi Frohnleiten in 2010	1
Net cash inflow from disposal of businesses	1

29 Assets held for sale

There were no individually material assets held for sale as at 31 December 2013. Details of the aggregate assets held for sale are presented as follows:

€ million	**2013**	2012
Property, plant and equipment	4	1
Inventories	–	1
Total assets classified as held for sale	**4**	2
Net assets	**4**	2

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

30 Consolidated cash flow analysis

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

€ million	2013	(Restated) 2012
Profit before tax	**499**	368
Depreciation and amortisation	365	349
Impairment of tangible and intangible assets (not included in special items)	4	4
Share-based payments	11	10
Non-cash effect of special items	60	91
Net finance costs	115	110
Net (profit)/loss from associates	(2)	5
Decrease in provisions and net retirement benefits	(25)	(22)
Increase in inventories	(7)	(16)
Increase in operating receivables	(14)	(38)
Decrease in operating payables	(6)	(29)
Fair value gains on forestry assets	(17)	(40)
Felling costs	55	66
Profit on disposal of tangible and intangible assets	(2)	(4)
Other adjustments	–	(5)
Cash generated from operations	**1,036**	849

(b) Cash and cash equivalents

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

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

(c) Movement in net debt (restated)

The Group's net debt position is as follows:

€ million	Cash and cash equivalents [1]	Debt due within one year	Debt due after one year	Current financial asset investments	Total net debt
At 31 December 2011, as previously reported	117	(212)	(737)	1	**(831)**
Effect of restatement	2	18	(9)	–	**11**
At 1 January 2012 (restated)	119	(194)	(746)	1	**(820)**
Cash flow	(160)	114	(548)	–	**(594)**
Business combinations (see note 26)	–	(67)	(393)	–	**(460)**
Movement in unamortised loan costs	–	–	3	–	**3**
Reclassification	–	(46)	46	–	**–**
Currency movements	4	5	(10)	–	**(1)**
At 31 December 2012 (restated)	(37)	(188)	(1,648)	1	**(1,872)**
Cash flow	87	77	10	–	**174**
Movement in unamortised loan costs	–	–	18	–	**18**
Reclassification	–	(34)	34	–	**–**
Currency movements	14	30	15	–	**59**
At 31 December 2013	**64**	**(115)**	**(1,571)**	**1**	**(1,621)**

Note:

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

31 Capital commitments

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

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

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

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

31 Capital commitments continued

The expected maturity of these capital commitments is:

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

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

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

32 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2013 of €25 million (2012: €15 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's combined and consolidated statement of financial position for both years presented.

33 Operating leases

Lease agreements

The principal operating lease agreements in place include the following:

Russian forestry leases

The forestry lease agreements were entered into by the Group on 1 November 2007 for a total term of 47 years and on 30 June 2008 for a total term of 49 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price inflation of the local jurisdiction. The leases do not contain any clauses with regard to contingent rent or options to purchase the forestry assets at the end of the lease term, and do not impose any significant restrictions on the lessee.

South African land lease

The Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The operating lease commitment and annual escalation rate is renegotiated every five years. The operating lease charge recorded in the combined and consolidated income statement amounted to €1 million (2012: €1 million). The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the lessee. There are 57 years remaining on the lease. The operating lease commitments of this lease are not included in the table below.

Office building

The Group entered into an office building lease agreement for a total term of 10 years commencing in February 2014. The lease is renewable 6 months prior to September 2023. Rent escalates on an annual basis by the consumer price inflation of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term and does not impose any significant restrictions on the lessee. Contingent rent is included in the lease and charged at the consumer price index.

Other

In addition to the above, the Group is currently entered into approximately 700 lease agreements, none of which are individually significant.

As at 31 December, the Group had the following outstanding commitments under non-cancellable operating leases:

	2013		(Restated) 2012	
€ million	**Forestry assets**	**Land, buildings and other assets**	Forestry assets	Land, buildings and other assets
Expiry date				
Within one year	5	18	5	21
One to two years	4	18	5	19
Two to five years	13	32	14	34
After five years	83	30	98	23
Total operating leases	**105**	**98**	122	97

34 Capital management

The Group defines its capital employed as equity, as presented in the combined and consolidated statement of financial position, plus net debt, less non-current financial asset investments.

€ million	**2013**	(Restated) 2012
Total borrowings and current financial asset investments (see note 30c)	1,685	1,835
Less: cash and cash equivalents (see note 30b)	(64)	37
Net debt (see note 30c)	**1,621**	1,872
Less: non-current financial asset investments		
Loans and receivables (see note 15)	(10)	(11)
Available-for-sale investments (see note 15)	(17)	(15)
Adjusted net debt	**1,594**	1,846
Equity	**2,846**	2,873
Capital employed	**4,440**	4,719

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. The Group is committed to managing its cost of capital by maintaining an appropriate capital structure. In order to do so, the Group may adjust the future level of dividends paid to shareholders, repurchase shares from shareholders, issue new equity instruments or dispose of assets to reduce its net debt exposure.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

34 Capital management continued

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the Group's operations and are consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as net debt divided by total equity plus net debt; and
- return on capital employed, defined as trailing 12 month underlying operating profit, plus share of associates' net profit/(loss), divided by trailing 12 month average capital employed.

%	2013	(Restated) 2012
Gearing	**36.3**	39.5
Return on capital employed	**15.3**	13.6

The Group operates a DLC structure which has been agreed with the South African Ministry of Finance and is subject to certain exchange control conditions. The exchange control conditions do not infringe upon the Group's ability to optimally manage its capital structure. However, they do require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc, be constrained by the equality of treatment mechanism, which serves to maintain and protect the economic interests of both sets of shareholders. The Group has continually met the exchange control provisions in the past and management is committed to ensuring that the Group continues to meet these provisions in future.

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Boards and are overseen by the DLC executive committee. In turn, the DLC executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment; identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take speculative positions on derivative contracts and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

35 Financial risk management

Market risk

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's treasury policy requires its subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign exchange contracts entered into to mitigate possible movements on recognised monetary items are marked to market at each reporting date. Foreign currency monetary items are translated at each reporting date to incorporate the underlying foreign exchange movements and any such movements naturally offset fair value movements on related forward foreign exchange contracts.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone

	Net monetary foreign currency exposures – assets/(liabilities)[1]							
2013/€ *million*	**EUR**	**USD**	**PLN**	**GBP**	**SEK**	**TRY**	**CZK**	**Other**
Functional currency zones[2]								
Euro	–	(2)	(1)	8	–	2	–	2
South African rand	–	(2)	–	–	–	–	–	–
Pounds sterling	–	–	–	–	–	–	–	1
Czech koruna	(15)	–	–	–	–	–	–	–
Hungarian forint	3	–	–	–	–	–	–	–
Polish zloty	5	–	–	1	–	–	–	–
Russian rouble	2	(1)	–	–	–	–	–	–
Swedish krona	(3)	–	–	–	–	–	–	–
Turkish lira	(2)	–	–	–	–	–	–	–
US dollar	1	–	–	–	–	–	–	–
Other	(33)	1	–	–	–	–	–	–

	Net monetary foreign currency exposures – assets/(liabilities)[1]							
2012/€ *million*	EUR	USD	PLN	GBP	SEK	TRY	CZK	Other
Functional currency zones[2]								
Euro	–	(3)	1	2	1	2	–	5
South African rand	(4)	1	–	1	–	–	–	–
Pounds sterling	1	–	–	–	–	–	–	1
Czech koruna	(11)	1	–	(1)	–	–	–	–
Hungarian forint	3	–	–	–	–	–	–	–
Polish zloty	1	–	–	–	–	–	1	–
Russian rouble	8	2	–	–	–	–	–	–
Swedish krona	(8)	–	–	–	–	–	–	–
Turkish lira	(16)	(3)	–	1	–	–	–	–
US dollar	1	–	–	–	–	–	–	–
Other	(24)	10	–	–	–	–	–	–

Notes:

1 Presented in euro, the presentation currency of the Group.

2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

35 Financial risk management continued

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group believes that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's combined and consolidated income statement if these currency movements had occurred.

	2013 Income/(expense)		2012 Income/(expense)	
€ million	+5%	-5%	+5%	-5%
Functional currency zones				
Russian rouble	–	–	(1)	1
Czech koruna	1	(1)	1	(1)
Turkish lira	–	–	1	(1)
Other	2	(2)	1	(1)

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €6 million (2012: €4 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the syndicated facility (RCF) (see note 19). When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are usually designated as cash flow hedges and are measured at fair value at each reporting date. The fair value of interest rate swaps are determined by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract. The Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

Interest rate risk sensitivities on variable rate debt and interest rate swaps

	Interest rate risk exposures and sensitivities							
2013/*€ million*	**EUR**	**ZAR**	**PLN**	**RUB**	**TRY**	**GBP**	**Other**	**Total**
Total debt	**1,507**	**85**	**64**	**30**	**33**	**–**	**33**	**1,752**
Less:								
Fixed rate debt	(1,299)	–	–	–	–	–	(2)	(1,301)
Cash and cash equivalents	(62)	(5)	(11)	(2)	(3)	(7)	(40)	(130)
Net variable rate debt & exposure	**146**	**80**	**53**	**28**	**30**	**(7)**	**(9)**	**321**
+/- basis points change								
Potential impact on earnings (+50 basis points)	(1)	(1)	–	–	–	–	–	(2)
Potential impact on earnings (-50 basis points)	1	1	–	–	–	–	–	2

The Group did not have any outstanding interest rate swaps at 31 December 2013.

	Interest rate risk exposures and sensitivities							
2012/*€ million (restated)*	EUR	ZAR	PLN	RUB	TRY	GBP	Other	Total
Total debt	1,448	188	84	41	29	116	23	1,929
Less:								
Fixed rate debt	(1,322)	–	–	–	–	–	(1)	(1,323)
Cash and cash equivalents	(15)	(4)	(2)	(3)	(1)	(1)	(30)	(56)
Net variable rate debt & exposure	111	184	82	38	28	115	(8)	550
+/- basis points change								
Potential impact on earnings (+50 basis points)	(1)	(1)	–	–	–	(1)	–	(3)
Potential impact on earnings (-50 basis points)	1	1	–	–	–	1	–	3

The potential impact on the Group's combined and consolidated equity resulting from the application of +/-50 basis points to the interest rate swaps designated as cash flow hedges would be €nil for the year ended 31 December 2012.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

35 Financial risk management continued

In addition to the above, the Group swaps euro debt into/(out of) other currencies through the foreign exchange market using foreign exchange contracts which has the effect of exposing the Group to interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

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

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

Credit risk associated with trade receivables

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group believes that there is no significant geographical or customer concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total gross trade receivables balance of €823 million (2012: €885 million) included in trade and other receivables reported in the combined and consolidated statement of financial position (see note 17), credit insurance covering €663 million (2012: €621 million) of the total balance has been taken out by the Group's trading entities to insure against the related credit default risk. The insured cover is presented gross of contractually agreed excess amounts. In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €17 million (2012: €18 million).

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

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

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

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's expected cash outflows, principally related to the payment of employees, supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Group's trade receivables and trade payables respectively. The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the combined and consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group. Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial assets held by the Group, are settled gross by customers. The Group's financial investments, which are not held-for-trading and therefore do not comprise part of the Group's liquidity planning arrangements, make up the remainder of the non-derivative financial assets held.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. Non-interest bearing financial liabilities which are due to be settled in less than 12 months from maturity equal their carrying values, since the impact of the time value of money is immaterial over such a short duration.

Maturity profile of outstanding financial liabilities

2013/*€ million*	< 1 year	1-2 years	2-5 years	5+ years	Total [1]
Bank loans and overdrafts	160	37	102	79	378
Bonds	–	–	791	498	1,289
Other borrowings	20	24	28	6	78
Finance leases	1	1	2	3	7
Total borrowings	**181**	**62**	**923**	**586**	**1,752**
Interest on borrowings net of amortised costs and discounts	84	79	162	55	380
Trade and other payables (excluding tax and social security) (see note 18)	921	–	–	–	921
Total undiscounted cash flows	**1,186**	**141**	**1,085**	**641**	**3,053**

Note:

[1] It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows.

35 Financial risk management continued

2012/€ million (restated)	< 1 year	1-2 years	2-5 years	5+ years	Total [1]
Bank loans and overdrafts	258	26	186	42	512
Bonds	–	–	812	498	1,310
Other borrowings	21	19	48	8	96
Finance leases	2	2	3	4	11
Total borrowings	281	47	1,049	552	1,929
Interest on borrowings net of amortised costs and discounts	95	86	192	57	430
Trade and other payables (excluding tax and social security) (see note 18)	962	–	–	–	962
Total undiscounted cash flows	1,338	133	1,241	609	3,321

Note:
[1] It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows.

The following table presents the Group's outstanding contractual maturity profile for its derivative financial instruments, which will be settled on a net basis. The amounts disclosed are the contractual undiscounted net cash flows.

Maturity profile of outstanding derivative positions

2013/*€ million*	**< 1 year**	**1-2 years**	**2-5 years**	**Total [1]**
Foreign exchange contracts	1	–	–	1
Discounted cash profile of derivatives	**1**	**–**	**–**	**1**
Discounting and interest	(2)	(4)	–	(6)
Total undiscounted cash flows	**(1)**	**(4)**	**–**	**(5)**

2012/*€ million*	< 1 year	1-2 years	2-5 years	Total [1]
Foreign exchange contracts	–	(1)	–	(1)
Discounted cash profile of derivatives	–	(1)	–	(1)
Discounting and interest	(4)	(3)	(5)	(12)
Total undiscounted cash flows	(4)	(4)	(5)	(13)

Note:
[1] It has been assumed that, where applicable, foreign exchange rates prevailing at the reporting date will not vary over the time periods projected.

Fair value estimation

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

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

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

The significant inputs required to fair value all of the Group's financial instruments are either quoted prices or are observable. The Group only holds level 1 and 2 financial instruments and therefore does not hold any financial instruments categorised as level 3 financial instruments. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

Specific valuation methodologies used to value financial instruments include:

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

The only assets or liabilities measured at fair value on level 3 of the fair value measurement hierarchy represent forestry assets. Refer to note 13 for more details on fair value measurement.

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

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

36 Related party transactions

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

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

The DLC executive committee is deemed to comprise the key management personnel of the Group. Their remuneration, including the non-executive directors' remuneration is disclosed in note 4. The remuneration of the directors is disclosed in the remuneration report.

	Associates	
€ million	**2013**	(Restated) 2012
Sales to related parties	10	8
Purchases from related parties	219	205
Dividends received	1	1
Payables due to related parties	1	1

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

36 Related party transactions continued

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

€ million	Up to 3 May 2013	2012
Purchases from Shanduka Group	3.1	12.8
Shareholder's loan due to Shanduka Group	6.3	8.3
Payables due to Shanduka Group	0.1	–

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 23.

37 Group companies

The principal subsidiaries of the Group as at the reporting dates are presented below. All of these interests are combined and consolidated within the Group's financial statements. The Group has restricted the information to its principal subsidiaries, as full compliance with Section 409 of the UK Companies Act 2006 would result in a statement of excessive length.

			Percentage equity owned and proportion of voting rights	
Subsidiaries	**Country of incorporation**	**Business Unit**	**2013**	2012
Mondi Consumer Packaging International AG	Germany	Consumer Packaging	100	99.93
Mondi Finance plc	UK	Treasury	100	100
Mondi Gronau GmbH	Germany	Consumer Packaging	100	99.93
Mondi Paper Sales GmbH	Austria	Sales company	100	100
Mondi Štětí a.s.	Czech Republic	Packaging Paper	100	100
Mondi Świecie S.A.	Poland	Packaging Paper	100	100
Mondi Syktyvkar OJSC	Russia	Uncoated Fine Paper and Packaging Paper	100	100
Mondi SCP a.s.	Slovakia	Uncoated Fine Paper	51	51

These companies operate principally in the countries in which they are incorporated. Non-operating intermediate holding companies are excluded from the above table.

There are no joint ventures or any material associates in the Group.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

number of subsidiaries	2013	2012
Wholly-owned subsidiaries		
Packaging Paper	17	18
Fibre Packaging	80	81
Consumer Packaging	25	14
Uncoated Fine Paper	17	22
South Africa Division	5	5
Corporate holding companies and other	21	23
	165	163
Non-wholly-owned subsidiaries		
Packaging Paper	8	8
Fibre Packaging	13	13
Consumer Packaging	5	20
Uncoated Fine Paper	4	4
South Africa Division	3	3
	33	48

Refer to Mondi's global footprint on pages 20 and 21 for more information on the places of operation.

Details of non-wholly owned subsidiaries

		Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
Name of subsidiary	**Place of incorporation**	**2013**	2012	**2013**	2012	**2013**	2012
Mondi SCP a.s.	Slovakia	**49**	49	27	20	210	241
Mondi Świecie S.A.	Poland		–[1]		7		–
Individually immaterial subsidiaries with non-controlling interests				1	8	45	60
				28	35	**255**	301

Note:
[1] The Mondi Świecie non-controlling interests were all acquired in April and May 2012. Refer to note 27 for more details.

Notes to the combined and consolidated financial statements continued

for the year ended 31 December 2013

37 Group companies continued

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP a.s.

€ million	**2013**	2012
Statement of financial position		
Non-current assets	421	412
Current assets	157	237
Current liabilities	(92)	(91)
Non-current liabilities	(49)	(57)
Net assets	**437**	501
Equity attributable to owners of the company	227	260
Equity attributable to non-controlling interests	210	241
Income statement and statement of comprehensive income		
Revenue	475	490
Operating costs (including taxation)	(420)	(449)
Profit for the year	**55**	41
Attributable to owners of the company	28	21
Attributable to non-controlling interests	27	20
Profit and total comprehensive income for the year	**55**	41
Dividends paid to non-controlling interests	**59**	27
Statement of cash flows		
Net cash inflow from operating activities	79	111
Net cash outflow from investing activities	(42)	(15)
Net cash outflow from financing activities	(120)	(55)
Net cash (outflow)/inflow	**(83)**	41

The summarised financial information represents amounts before intragroup eliminations.

38 Events occurring after 31 December 2013

With the exception of the proposed final dividend for 2013, included in note 10, there have been no material reportable events since 31 December 2013.

Independent auditor's report on the summary financial statements to the shareholders of Mondi Limited

The accompanying summary financial statements, which comprise the statement of financial position as at 31 December 2013 and selected notes, are derived from the audited annual financial statements of Mondi Limited for the year ended 31 December 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 27 February 2014. Our auditor's report on the audited annual financial statements contained an Other Matter paragraph 'Other reports required by the Companies Act' (included below).

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary financial statements, therefore, is not a substitute for reading the audited annual financial statements of Mondi Limited.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of the summary financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, 'Engagements to Report on Summary Financial Statements'.

Opinion

In our opinion, the summary financial statements derived from the audited annual financial statements of Mondi Limited for the year ended 31 December 2013 are consistent, in all material respects, with those annual financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The 'other reports required by the Companies Act' paragraph in our audit report dated 27 February 2014 states that as part of our audit of the annual financial statements for the year ended 31 December 2013, we have read the Directors' report, the DLC audit committee's report and the Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary financial statements or our opinion thereon.

Deloitte & Touche
Registered Auditors
Per Bronwyn Kilpatrick
Partner
Sandton

27 February 2014

Building 1, Deloitte Place, The Woodlands
Woodlands Drive, Woodmead,
Sandton, Republic of South Africa

National Executive: **LL Bam** Chief Executive **AE Swiegers** Chief Operating Officer **GM Pinnock** Audit **DL Kennedy** Risk Advisory **NB Kader** Tax **TP Pillay** Consulting **K Black** Clients & Industries **JK Mazzocco** Talent & Transformation **CR Beukman** Finance **M Jordan** Strategy **S Gwala** Special Projects **TJ Brown** Chairman of the Board **MJ Comber** Deputy Chairman of the Board

A full list of partners and directors is available on request

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Mondi Limited parent company statement of financial position

as at 31 December 2013

R million	Notes	2013	(Restated) 2012	(Restated) 1 January 2012
Property, plant and equipment		5,265	5,308	5,396
Forestry assets		2,752	2,856	2,294
Investments in subsidiaries	2	85	182	415
Investment in associate	3	24	24	24
Financial asset investments		–	1	5
Net retirement benefits asset		–	–	80
Total non-current assets		**8,126**	8,371	8,214
Inventories		524	572	531
Trade and other receivables		1,582	1,375	1,343
Investments in subsidiaries	2	100	95	76
Current tax assets		3	21	–
Financial asset investments		127	55	47
Cash and cash equivalents		3	–	54
Derivative financial instruments		–	11	17
Assets held for sale		–	26	5
Total current assets		**2,339**	2,155	2,073
Total assets		**10,465**	10,526	10,287
Short-term borrowings		(1,318)	(2,150)	(1,905)
Trade and other payables		(924)	(939)	(927)
Provisions		(61)	(66)	(65)
Derivative financial instruments		(9)	–	(1)
Liabilities directly associated with assets held for sale		–	(1)	–
Total current liabilities		**(2,312)**	(3,156)	(2,898)
Medium and long-term borrowings		–	(2)	(1)
Net retirement benefits liability		(797)	(912)	(789)
Deferred tax liabilities		(1,472)	(1,505)	(1,554)
Provisions		(27)	(27)	(27)
Total non-current liabilities		**(2,296)**	(2,446)	(2,371)
Total liabilities		**(4,608)**	(5,602)	(5,269)
Net assets		**5,857**	4,924	5,018
Equity				
Stated capital	4	4,188	4,188	4,188
Retained earnings and other reserves		1,669	736	830
Total equity		**5,857**	4,924	5,018

The statement of financial position and statement of changes in equity of Mondi Limited and related notes were approved by the board and authorised for issue on 27 February 2014 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06

Mondi Limited parent company statement of changes in equity

for the year ended 31 December 2013

R million (restated)	Stated capital	Retained earnings	Other reserves	**Total equity**
At 1 January 2012	4,188	849	(19)	**5,018**
Dividends paid	–	(322)	–	**(322)**
Total comprehensive income/(expense) for the year	–	299	(47)	**252**
Mondi share schemes' charge	–	–	18	**18**
Issue of Mondi Limited shares under employee share schemes	–	22	(18)	**4**
Shares vested from Mondi Incentive Schemes Trust	–	(46)	–	**(46)**
Reclassification	–	19	(19)	**–**
At 31 December 2012	4,188	821	(85)	**4,924**
Dividends paid	–	(416)	–	**(416)**
Total comprehensive income for the year	–	476	120	**596**
Mondi share schemes' charge	–	–	20	**20**
Issue of Mondi Limited shares under employee share schemes	–	30	(17)	**13**
Shares vested from Mondi Incentive Schemes Trust	–	(29)	–	**(29)**
Share options exercised – Anglo American share scheme	–	(1)	–	**(1)**
Transfer from Mondi plc	–	750	–	**750**
At 31 December 2013	**4,188**	**1,631**	**38**	**5,857**

Notes to the Mondi Limited parent company financial statements

for the year ended 31 December 2013

1 Accounting policies

Basis of preparation

The statement of financial position and selected notes of Mondi Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) under the historical cost convention.

Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in note 1 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to a set of the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

IFRS 10 broadened the concept of control. The impact of this Standard was that Mondi Shanduka Newsprint Proprietary Limited has become a subsidiary, whilst it was previously recorded as an investment in a joint venture. IAS 19 (revised) impacted the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures. Comparative information has been restated.

The accounting policy which is additional to those applied by the Group is stated as follows:

Investments

Investments in subsidiaries and associates are reflected at cost less amounts written off and provisions for any impairments.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1).

2 Investments in subsidiaries

R million	**2013**	(Restated) 2012
Unlisted		
Shares at cost	10	10
Loans advanced	275	267
Impairment	(100)	–
Total investments in subsidiaries	**185**	277
Repayable within one year disclosed as a current asset	(100)	(95)
Total long-term investments in subsidiaries	**85**	182

3 Investment in associate

R million	2013	2012
Mpact Recycling Proprietary Limited		
Shares at cost	24	24
Total investment in associate	**24**	24

4 Stated capital

Full disclosure of the stated capital of Mondi Limited is set out in note 24 of the Group's combined and consolidated financial statements.

5 Contingent liabilities

Contingent liabilities for the Company comprise aggregate amounts at 31 December 2013 of R80 million (2012: R75 million) in respect of loans and guarantees given to banks and other third parties.

Mondi plc parent company balance sheet

as at 31 December 2013

€ million	Notes	2013	2012	1 January 2012
Fixed asset investments	5	2,938	2,938	2,938
Total fixed assets		**2,938**	2,938	2,938
Debtors – due within one year		3	2	3
Current tax assets		–	1	10
Cash and cash equivalents		447	108	2
Total current assets		**450**	111	15
Total assets		**3,388**	3,049	2,953
Trade and other creditors		(17)	(17)	(8)
Total creditors: amounts falling due within one year		**(17)**	(17)	(8)
Provisions		(1)	(1)	(1)
Total creditors: amounts falling due after more than one year		**(1)**	(1)	(1)
Total liabilities		**(18)**	(18)	(9)
Net assets		**3,370**	3,031	2,944
Capital and reserves				
Share capital	6	103	103	103
Profit and loss account		3,254	2,914	2,828
Share-based payments reserve		13	14	13
Total shareholders' funds		**3,370**	3,031	2,944

The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the board and authorised for issue on 27 February 2014 and were signed on its behalf by:

David Hathorn
Director

Andrew King
Director

Mondi plc company registered number: 6209386

Mondi plc parent company statement of changes in equity

for the year ended 31 December 2013

€ million	Share capital	Profit and loss account	Share-based payments reserve	**Total equity**
At 1 January 2012	103	2,828	13	**2,944**
Dividends paid	–	(97)	–	**(97)**
Mondi share schemes' charge	–	–	8	**8**
Issue of shares under employee share schemes	–	7	(7)	**–**
Purchase of treasury shares	–	(29)	–	**(29)**
Profit for the year	–	205	–	**205**
At 31 December 2012	103	2,914	14	**3,031**
Dividends paid	–	(105)	–	**(105)**
Mondi share schemes' charge	–	–	9	**9**
Issue of shares under employee share schemes	–	10	(10)	**–**
Purchase of treasury shares	–	(24)	–	**(24)**
Profit for the year	–	514	–	**514**
Transfer to Mondi Ltd	–	(55)	–	**(55)**
At 31 December 2013	**103**	**3,254**	**13**	**3,370**

Notes to the Mondi plc parent company financial statements

for the year ended 31 December 2013

1 Accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2013 the Company has undergone transition from reporting under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The adjustments did not have a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Mondi plc, which are publicly available.

The results, assets and liabilities of Mondi plc are included in the combined and consolidated Group financial statements, which are publicly available.

Mondi plc has made use of the exemption from preparing a profit and loss account, as conferred by Section 408 of the UK Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the Directors' report additional disclosures under the heading 'Going concern'.

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in note 1 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to a set of the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policies which are either different, or additional, to those applied by the Group are stated as follows:

Investments

Fixed asset investments are stated at cost, less provision for any diminution in value.

Retirement benefits

The cost of defined contribution pension plans is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short-term asset or liability. Mondi plc does not participate in the Group's defined benefit retirement plans.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi plc are discussed in the Group's combined and consolidated financial statements (see note 1).

2 Auditor's remuneration

Disclosure of the audit fees payable to the auditor for the audit of Mondi plc's financial statements is set out in note 3 of the Group's combined and consolidated financial statements.

3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 25 of the Group's combined and consolidated financial statements.

4 Deferred tax

A deferred tax asset of €6 million (2012: €31 million; 2011: €29 million) has not been recognised in relation to temporary differences regarding the share-based payment arrangements. A deferred tax asset has not been recognised in relation to tax losses brought forward of €28 million (2012: €27 million; 2011: €24 million). The deferred tax assets have not been recognised due to the unpredictability of future profit streams against which they could be utilised.

5 Fixed asset investments

€ million	**2013**	2012	2011
Unlisted			
Shares at cost	2,938	2,938	2,938
Carrying value as at 31 December	**2,938**	2,938	2,938

The investment above is an investment in Mondi Investments Limited (incorporated in the United Kingdom), a wholly-owned subsidiary which acts as an investment holding company.

6 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 24 of the Group's combined and consolidated financial statements.

7 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the UK pension schemes of its subsidiaries, obligations incurred in the ordinary course of business and the borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and therefore the estimated financial effect of issuance is €nil (2012: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

Notes to the Mondi plc parent company financial statements continued

for the year ended 31 December 2013

7 Contingent liabilities continued

€ million	2013	2012	2011
Pension scheme guarantees	84	85	84
Guarantees of obligations of subsidiaries of Mondi plc			
– Incurred in the ordinary course of business	26	23	19
– In favour of banks and bondholders	2,185	2,116	1,325
At 31 December	**2,295**	2,224	1,428

8 Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2012 and the date of transition to FRS 101 was therefore 1 January 2012. The transition is not considered to have had a material effect on the Company's reported financial position, or financial performance.

Group financial record

Financial performance 2009 – 2013[1]

Combined and consolidated income statement

€ million	2013	(Restated) 2012[2]	2011	2010	2009
Group revenue					
Europe & International					
Packaging Paper	2,000	1,896	2,006	1,746	1,195
Fibre Packaging	1,967	1,860	1,881	1,728	1,592
Consumer Packaging	1,153	502	372	347	313
Uncoated Fine Paper	1,388	1,466	1,429	1,516	1,351
South Africa Division	624	702	645	656	540
Disposed and discontinued operations[3]	–	–	88	415	964
Group segment revenue	7,132	6,426	6,421	6,408	5,955
Less: Intersegment revenue	(656)	(636)	(682)	(798)	(698)
Group revenue	**6,476**	5,790	5,739	5,610	5,257
Underlying operating profit/(loss)					
Europe & International					
Packaging Paper	298	227	295	178	25
Fibre Packaging	93	101	86	52	63
Consumer Packaging	74	19	25	22	17
Uncoated Fine Paper	172	191	205	179	146
South Africa Division	93	69	63	71	38
Corporate & other businesses	(31)	(33)	(33)	(33)	(37)
Disposed and discontinued operations[3]	–	–	(19)	(11)	42
Underlying operating profit	**699**	574	622	458	294
Special items	(87)	(91)	(55)	(21)	(133)
Net profit/(loss) from associates	2	(5)	1	2	2
Total profit from operations and associates	**614**	478	568	439	163
Net finance costs	(115)	(110)	(111)	(106)	(114)
Profit before tax	**499**	368	457	333	49
Tax charge	(85)	(91)	(100)	(82)	(52)
Profit/(loss) after tax from continuing operations	**414**	277	357	251	(3)
Profit from discontinued operation	–	–	14	34	–
Net gain on distribution of discontinued operation	–	–	29	–	–
Profit/(loss) for the year	**414**	277	400	285	(3)
Non-controlling interests	(28)	(35)	(70)	(61)	(30)
Profit/(loss) attributable to shareholders	**386**	242	330	224	(33)
Underlying earnings	**460**	334	340	206	95
Basic underlying EPS	**95.0**	69.2	68.1	40.6	18.7
Total dividend per share paid and proposed	**36.0**	28.0	26.0	20.0	9.50

Notes:
1 Prepared on a combined and consolidated basis and in accordance with applicable IFRS.
2 Comparative information has been restated to reflect the changes in IFRS as described in note 1b.
3 The information presented for the years prior to 2010 includes the results of Mpact Limited, formerly Mondi Packaging South Africa Proprietary Limited, which was demerged from the Group on 11 July 2011 and thus classified as a discontinued operation from 1 January 2010.

Group financial record

continued

Financial performance 2009 – 2013 continued

Key performance indicators

%	2013	(Restated) 2012[1]	2011	2010	2009
EBITDA margin	**16.5**	16.0	16.8	14.2	12.3
Operating margin	**10.8**	9.9	10.8	8.2	5.6
ROCE	**15.3**	13.6	15.0	12.3	7.6

Note:
[1] Comparative information has been restated to reflect the changes in IFRS as described in note 1b.

Significant cash flows

€ million	2013	(Restated) 2012[1]	2011	2010	2009
EBITDA	**1,068**	927	964	798	645
Cash generated from operating activities	**911**	742	834	734	867
Capital expenditure cash outflows[2]	**(405)**	(294)	(263)	(394)	(517)

Notes:
[1] Comparative information has been restated to reflect the changes in IFRS as described in note 1b.
[2] Excludes business combinations and investments in intangible assets.

Combined and consolidated statement of financial position

€ million	2013	(Restated) 2012[1]	2011	2010	2009
Non-current assets	4,374	4,757	3,971	4,693	4,476
Current assets[2]	1,735	1,809	1,482	1,717	1,609
Total assets	**6,109**	6,566	5,453	6,410	6,085
Current liabilities[3]	(1,115)	(1,166)	(1,020)	(1,185)	(1,159)
Non-current liabilities[4]	(527)	(655)	(567)	(637)	(585)
Total liabilities	**(1,642)**	(1,821)	(1,587)	(1,822)	(1,744)
Net assets excluding net debt	**4,467**	4,745	3,866	4,588	4,341
Equity	2,591	2,572	2,586	2,763	2,399
Non-controlling interests	255	301	449	461	425
Net debt	1,621	1,872	831	1,364	1,517
Total equity and net debt	**4,467**	4,745	3,866	4,588	4,341

Notes:
[1] Comparative information has been restated to reflect the changes in IFRS as described in note 1b.
[2] Including assets held for sale and excluding cash and cash equivalents and current financial asset investments.
[3] Including liabilities directly associated with assets classified as held for sale and excluding net debt.
[4] Excluding net debt.

Production statistics

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

Notes:
1 Includes Nordenia from October 2012.
2 Restated to include 100% of the Mondi Shanduka Newsprint production.

Exchange rates

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

Additional information for Mondi plc shareholders

Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association ('Articles') and applicable English law concerning companies (the 'Companies Act'). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Share capital

Mondi plc's issued share capital as at 31 December 2013 comprised 367,240,805 ordinary shares of 20 euro cents each (the 'Ordinary Shares') representing 71.4% of the total share capital, 118,312,975 PLC Special Converting Shares of 20 euro cents each representing 23.0% of the total share capital, 146,896,322 deferred shares of 4 euro cents each (the 'Deferred Shares') representing 5.5% of the total share capital, the Special Rights Share of €1, the PLC Special Voting Share of €1, the UK DAN Share of €1 and the UK DAS Share of €1. Each of the Special Rights Share, PLC Special Voting Share, UK DAN Share and UK DAS Share represent only a nominal percentage of the total share capital.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Act, Mondi plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Act, Mondi plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Mondi plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Mondi plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use his discretion as to how to vote. On a poll every member who is present in person or by proxy has one vote for every fully paid share of which he is the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares. Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of Mondi plc, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative.

Additional information for Mondi plc shareholders

continued

Ordinary Shares continued

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Where, under an employee share plan operated by Mondi plc, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless: (i) the instrument of transfer is in respect of only one class of share, (ii) when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require and (iii) it is fully paid.

Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Deferred Shares

The rights and privileges attached to the Deferred Shares are as follows: no entitlement to receive any dividend or distribution declared, made or paid or any return of capital (save as described below) and does not entitle the holder to any further or other right of participation in the assets of Mondi plc.

On a return of capital on winding up, but not on a return of capital on any other class of shares of Mondi plc, otherwise than on a winding up of Mondi plc, the holders of the Deferred Shares shall be entitled to participate but such entitlement is limited to the repayment of the amount paid up or credited as paid up on such share and shall be paid only after the holders of any and all Ordinary Shares then in issue shall have received (i) payment in respect of such amount as is paid up or credited as paid up on those Ordinary Shares held by them at that time plus (ii) the payment in cash or *in specie* of £10,000,000 on each such Ordinary Share.

The holders of the Deferred Shares are not entitled to receive notice of, nor attend, speak or vote at, any general meeting of Mondi plc.

Shares required for the DLC structure

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding up, and they have no rights to dividends. The PLC Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each annual general meeting held in each year at least one-third of the directors, including at least one-third of non-executive directors, or if their number is not a multiple of three then the number nearest to, but not less than, one-third, shall retire from office. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last election or re-election or, if later, deemed election or re-election and so that as between persons who became or were last re-elected directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. In casting the lot, the provision that a director must also be a director of Mondi Limited and the corresponding provision of the Mondi Limited memorandum of incorporation shall be observed. A retiring director shall be eligible for re-election.

Additional information for Mondi plc shareholders

continued

Directors continued

Appointment and replacement of directors continued

The board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

Powers of the directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of Mondi plc will be managed by the board who may exercise all the powers of Mondi plc.

The board may exercise all the powers of Mondi plc to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi plc or of any third party.

Significant agreements: change of control

The Articles of Mondi plc and the memorandum of incorporation of Mondi Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Mondi plc or Mondi Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Mondi plc and Mondi Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Mondi plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment of the Articles

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Act by way of special resolution.

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.

Under the DLC structure any ordinary share held in either Mondi Limited or Mondi plc gives the holder an effective economic interest in the whole Mondi Group. The relationship between Mondi Limited and Mondi plc is underpinned by the DLC structure principles, which provide that:

- Mondi Limited and Mondi plc and their subsidiaries must operate as if they are a single corporate group; and
- the directors of Mondi Limited and Mondi plc will, in addition to their duties to the company concerned, have regard to the interests of the Mondi Limited shareholders and the Mondi plc shareholders as if the two companies were a single unified economic enterprise and for that purpose the directors of each company will take into account, in the exercise of their powers, the interests of the shareholders of the other.

Analysis of shareholders

As at 31 December 2013 Mondi Limited had 118,312,975 ordinary shares in issue and Mondi plc had 367,240,805 ordinary shares in issue, of which 145,466,535 were held on the South African branch register.

By size of holding

Mondi Limited

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
3,538	66.28	1 – 500	544,600	0.46
474	8.88	501 – 1,000	346,150	0.29
581	10.88	1,001 – 5,000	1,271,609	1.07
497	9.31	5,001 – 50,000	9,292,686	7.86
225	4.22	50,001 – 1,000,000	48,532,112	41.02
23	0.43	1,000,001 – highest	58,325,818	49.30
5,338	100.00		118,312,975	100.00

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
2,156	60.51	1 – 500	434,768	0.12
421	11.82	501 – 1,000	307,698	0.08
442	12.41	1,001 – 5,000	993,080	0.27
282	7.91	5,001 – 50,000	5,492,396	1.50
207	5.81	50,001 – 1,000,000	46,433,765	12.64
55	1.54	1,000,001 – highest	313,579,098	85.39
3,563	100.00		367,240,805	100.00

Shareholder information

continued

Analysis of shareholders continued

By type of holding

Mondi Limited

	No. of holders	No. of shares	% of shares
Public [1]	5,335	117,589,056	99.39
Non-public	3	723,919	0.61
Directors of Mondi Limited/Mondi plc	*2*	*3,430*	*0.00*
Mondi staff share schemes [2]	*1*	*720,489*	*0.61*
Total	5,338	118,312,975	100.00

Mondi plc

	No. of holders	No. of shares	% of shares
Public [1]	3,552	365,116,274	99.42
Non-public	11	2,124,531	0.58
Directors of Mondi Limited/Mondi plc	*9*	*463,134*	*0.13*
Mondi staff share schemes [2]	*2*	*1,661,397*	*0.45*
Total	3,563	367,240,805	100.00

1 As per the Listings Requirements of the JSE Limited.
2 Shares held for the purposes of Mondi staff share schemes are held in trust.

Registrars

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

	Mondi Limited shares and Mondi plc shares on the South African branch register	Mondi plc shares
Registrar	Link Market Services South Africa Proprietary Limited	Capita Asset Services
Postal Address	PO Box 4844 Johannesburg, 2000 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)
Email	info@linkmarketservices.co.za	ssd@capitaregistrars.com

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 Share Portal, a free secure online service offered by Capita, at www.capitashareportal.com.

Financial calendar

14 May 2014	2014 annual general meetings
14 May 2014	Interim management statement
22 May 2014	Payment date for 2013 final dividend (see below)
7 August 2014	2014 half-yearly results announcement
September 2014	2014 interim dividend payment
16 October 2014	Interim management statement

Dividends

Dividend payments

An interim dividend for the year ended 31 December 2013 of 126.03689 rand cents/9.55 euro cents per share was paid on 17 September 2013 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant share registers on 23 August 2013.

A proposed final dividend for the year ended 31 December 2013 of 26.45 euro cents per ordinary share will be paid on 22 May 2014 to those shareholders on the share register of Mondi plc on 25 April 2014. An equivalent South African rand final dividend of 387.39464 rand cents per ordinary share will be paid on 22 May 2014 to shareholders on the share register of Mondi Limited on 25 April 2014. The final dividend is subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective annual general meetings scheduled for 14 May 2014.

Dividend timetable

The proposed final dividend for the year ended 31 December 2013 of 387.39464 rand cents/26.45 euro cents per share will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	16 April 2014	16 April 2014
London Stock Exchange	Not applicable	22 April 2014
Shares commence trading ex-dividend		
JSE Limited	17 April 2014	17 April 2014
London Stock Exchange	Not applicable	23 April 2014
Record date		
JSE Limited	25 April 2014	25 April 2014
London Stock Exchange	Not applicable	25 April 2014
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	2 May 2014	2 May 2014
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	5 May 2014	27 April 2014*
Payment Date		
South African Register	22 May 2014	22 May 2014
UK Register	Not applicable	22 May 2014
DRIP purchase settlement dates	30 May 2014	27 May 2014**
Currency conversion dates		
ZAR/euro	28 February 2014	28 February 2014
Euro/sterling	Not applicable	6 May 2014

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

Shareholder information

continued

Dividends continued

Dividend timetable continued

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 17 April 2014 and 28 April 2014, both dates inclusive, nor may transfers between the UK and South African share registers of Mondi plc take place between 16 April 2014 and 28 April 2014, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final dividend paid to Mondi Limited shareholders and Mondi plc shareholders on the South African branch register at the rate of 15%, unless a shareholder qualifies for an exemption.

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

Mondi plc shareholders on the UK share register resident in the UK may elect to receive their dividends in euro.

Mondi plc shareholders on the UK share register resident outside the UK may elect to receive their dividend in Pounds sterling.

Mondi plc shareholders wishing to elect to receive their dividend in euros or Pounds sterling should contact Capita Asset Services using the details provided.

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 Asset Services as appropriate to obtain an application form. Shareholders holding their shares through Capita can also arrange this via the Capita Share Portal at 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 Asset Services. 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 Asset Services as appropriate.

Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regards to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. Tax vouchers will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

Donating shares to charity

For shareholders wishing to dispose of small holdings of shares, the sale of which would be uneconomic, there is the option to donate the shares to charity.

The following charity donation schemes in South Africa and the UK allow shareholders to donate unwanted shares free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities.

South Africa – Strate Charity Shares

If you would like to donate your Mondi Limited shares or Mondi plc shares held on the South African branch register or for further information, please visit www.strate.co.za, call 0800 202 363 if calling from South Africa or +27 11 870 8207 if calling from outside South Africa or write to Strate, PO Box 78608, Sandton 2146, South Africa.

UK – ShareGift

If you would like to donate your Mondi plc shares or for further information, please visit www.sharegift.org, call +44 (0)20 7930 3737 or write to ShareGift, PO Box 72253, London SW1P 9LQ, UK.

Electronic communications

Shareholders can elect to access certain shareholder documents, for example the integrated report and financial statements, electronically via Mondi's website rather than receiving them by post. Electing to access documents in this way will mean you will receive an email alerting you each time Mondi circulates a new shareholder document or communication. This will contain a link that will direct you to the appropriate page on Mondi's website where you can view the documents at your own convenience.

This has a number of benefits including faster notification of information, helping to reduce Mondi's costs and being more environmentally friendly.

Shareholders on the main Mondi plc register can elect to receive documents electronically by logging on to the Capita Share Portal at www.capitashareportal.com. For further information please contact Capita Asset Services.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register can elect to receive documents electronically by contacting Link Market Services South Africa Proprietary Limited on +27 (0)11 713 0800 or by emailing corpactfax@linkmarketservices.co.za.

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.

Shareholder information

continued

Fraudulent transactions

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact our registrars, Capita Asset Services or Link Market Services South Africa Proprietary Limited, as appropriate using the contact details provided or Mondi's company secretarial department on +44 (0)1932 826300.

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.

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Forward-looking statements disclaimer

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

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

Mondi expressly disclaims

a) any warranty or liability as to accuracy or completeness of the information provided herein; and

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

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

This document includes market share estimates prepared by the Group based on industry publications and management estimates. Primary sources in relation to market share estimates are: RISI, POYRY Smart Terminal Service, Henry Poole Consulting, Freedonia, EMGE, Eurograph delivery statistics, Pyrabelisk and Alexander Watson Associates.

Glossary of terms

This report contains a number of terms which are explained below. For a detailed glossary of sustainability terms refer to our Sustainable development report 2013 at ➔ www.mondigroup.com/sd13.

CoC	Chain-of-Custody (CoC) is a tracking system that allows manufacturers and traders to demonstrate that wood comes from a forest that is responsibly managed in accordance with credible standards.
EBITDA	Operating profit before special items, depreciation and amortisation.
EBITDA margin	EBITDA divided by Group revenue.
FSC™	Forest Stewardship Council™ (FSC™) is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third party certification and labelling of forest products.
Gearing	The ratio of net debt to total equity plus net debt.
GHG	Greenhouse gases (GHG) are gases listed in the Kyoto Protocol of the United Nations – Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol.
GRI	The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.
Headline EPS	The presentation of headline earnings per share (EPS) is mandated under the Listings Requirements of the JSE Limited. Headline earnings has been calculated in accordance with Circular 2/2013, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.
Net debt	A measure comprising short, medium, and long-term borrowings and bank overdrafts less cash and cash equivalents and current financial asset investments.
Operating margin	Underlying operating profit divided by Group revenue.
Return on capital employed (ROCE)	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 those strategic projects which are not yet in production.
Special items	Those non-recurring financial items 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.
TRCR	Total recordable case rate (TRCR) is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.
Underlying earnings	Net profit after tax before special items attributable to shareholders.
Underlying operating profit	Operating profit before special items.
Underlying profit before tax	Reported profit before tax and special items.

For further information, please see:

Sustainable development report 2013
Published exclusively on our website at → *www.mondigroup.com/sd13*

Shaping our sustainable future 2013
Mondi's response to global sustainability issues at → *www.mondigroup.com/ssf13*

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