

Mondi Group

Annual report
and accounts 2007



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Cover photograph:
High-yielding eucalyptus plantation in KwaZulu-Natal, South Africa.



The Mondi Group

Mondi is an international paper and packaging group and in 2007 had revenues of €6.3 billion. Its key operations and interests are in western Europe, emerging Europe, Russia and South Africa.

The Group is principally involved in the manufacture of packaging paper and converted packaging products; uncoated fine paper; and speciality products and processes, including coating, release liner and consumer flexibles.

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

Mondi has production operations across 35 countries and had an average of 35,000 employees in 2007.

Financial highlights

Welcome to our annual report for 2007 – a year of strong growth and positive change for Mondi.

Operational and strategic highlights

- Delivered a substantial improvement in financial performance, with underlying operating profit up 33%, underlying earnings per share up 74% and return on capital employed up by 2.5 percentage points to 10.6%
- Cash inflow from operations up €300 million at €957 million, benefiting from improved results and working capital management
- Achieved productivity records at the majority of paper mills and delivered cost savings of €167 million
- Further rationalised and restructured the business, including the planned closure of 140,000 tonnes of uncoated fine paper capacity at Hungarian mill
- Approved and commenced expansion and modernisation projects in Russia and Poland
- Successful listing of the Mondi Group on the JSE and LSE on 3 July 2007, completing the demerger from Anglo American plc
- Proposed maiden final dividend of 15.7 euro cents per share, to give a total dividend of 23.0 euro cents per share with respect to 2007

	2007	2006	change
Group revenue (in €m)	6,269	5,751	+9%
EBITDA (in €m)	870	726	+20%
Underlying operating profit (in €m)	502	377	+33%
Underlying profit before tax (in €m)	405	305	+33%
Reported profit before tax (in €m)	382	223	+71%
Basic earnings per share (in €cents)	45.4	15.2	+199%
Underlying earnings per share (in €cents)	46.9	27.0	+74%
Headline earnings per share (in €cents)	39.5	28.2	+40%
Total dividend per share (in €cents)	23.0	n/a	n/a
Cash inflow from operations (in €m)	957	657	+46%
Net debt (in €m)	1,507	1,479	+2%
Group ROCE (in %)	10.6%	8.1%	+31%

Group revenue up 9% at €6,269 million	EBITDA up 20% at €870 million	Underlying operating profit up 33%
2004 €5,385m	2004 €779m	2004 €459m
2005 €5,364m	2005 €718m	2005 €386m
2006 €5,751m	2006 €726m	2006 €377m
2007 €6,269m	2007 €870m	2007 €502m

For definitions refer to glossary of financial terms on page 128

Group revenue

54%	46%
Mature markets	Emerging markets

What we do

Mondi is an integrated packaging and business paper producer with leading market positions in western and emerging Europe, Russia and South Africa.

Packaging

including Mondi Packaging South Africa



Sales

€3.9bn

The global packaging industry is worth around US\$450 billion annually. Roughly a third is paper-based packaging, which is Mondi's principal activity. The Group's packaging operations are based mainly in western and emerging Europe, Russia, Turkey and South Africa.

Key products

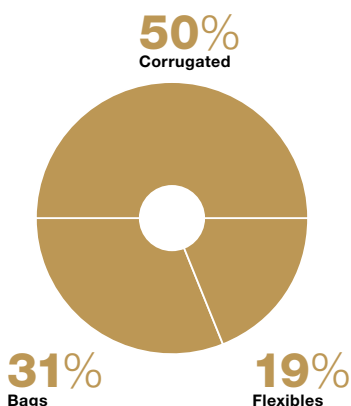
- Virgin and recycled container-board, and converted products including corrugated boxes, corrugated board and point-of-sale displays
- Kraft papers and industrial bags for building materials, chemicals, food and animal feed
- Flexible plastic-based products, including release liner, extrusion coating and speciality consumer flexibles packaging

Market positions

- **No 1** producer of kraft paper in Europe
- **No 1** in bag converting in Europe¹
- **No 1** in corrugated packaging in South Africa¹
- **No 1** in cartonboard in South Africa¹
- **No 1** in rigid plastic packaging in South Africa¹
- **No 2** producer of kraftliner in Europe
- **No 3** in corrugated packaging in Europe¹

¹ based on sales

Percentages of sales from product groups 2007



Business paper

including newsprint and merchenting



Sales

€2.3bn

Annual global demand for business paper is running at around 155 million tonnes, of which uncoated fine paper – Mondi's principal product in this segment – accounts for some 54 million tonnes and newsprint for around 39 million tonnes. The Group's business paper operations are based mainly in western and emerging Europe, Russia and South Africa.

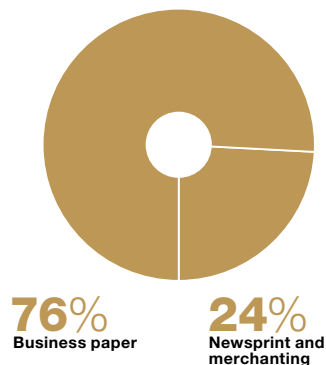
Key products

- Uncoated fine paper (UFP), including 'universal' B and C grade office and offset papers, and speciality A grade office paper, colour laser and tinted papers
- Newsprint and telephone directory paper
- Merchenting of graphic, packaging and office communication papers and other office supplies

Market positions

- **No 1** producer of office paper in Europe
- **No 1** in UFP and newsprint in South Africa
- **No 2** producer of UFP in Europe

Percentages of sales from business paper vs newsprint and merchenting



Where we do it

Mondi employs 35,000 people* across 35 countries worldwide, with a strong emphasis on the emerging markets of Europe, Russia and South Africa.

Mondi locations and nature of business

The Group has 127 operating sites worldwide, located in the following countries:

Europe

- 1 Austria
- 2 Belgium
- 3 Bulgaria
- 4 Croatia
- 5 Czech Republic
- 6 Denmark
- 7 France

- 8 Germany
- 9 Greece
- 10 Hungary
- 11 Italy
- 12 Netherlands
- 13 Norway
- 14 Poland
- 15 Romania
- 16 Russia
- 17 Serbia
- 18 Slovakia
- 19 Spain
- 20 Sweden
- 21 Switzerland
- 22 Turkey
- 23 United Kingdom

Africa

- 24 Morocco
- 25 Mozambique
- 26 Namibia
- 27 South Africa
- 28 Zimbabwe

North America

- 29 USA

Latin America

- 30 Mexico

Asia

- 31 Malaysia

Middle East

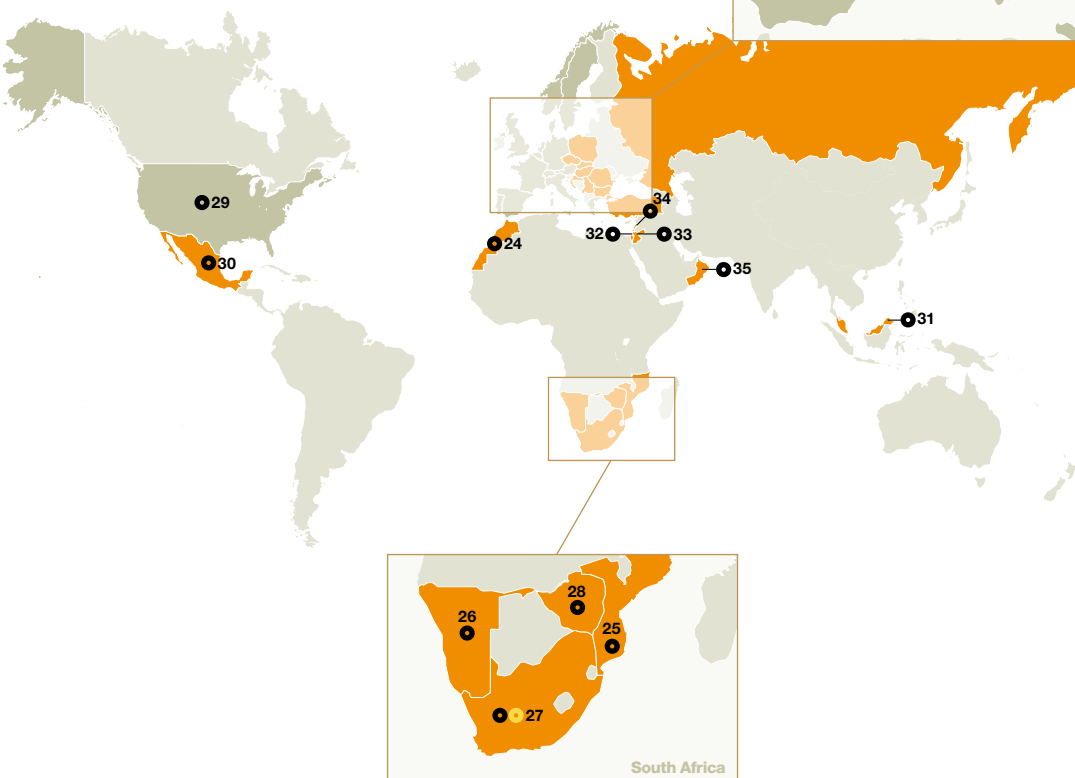
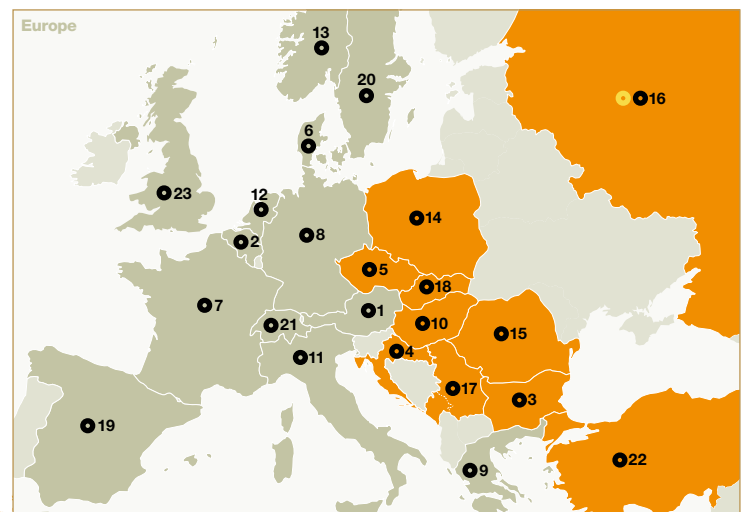
- 32 Israel
- 33 Jordan
- 34 Lebanon
- 35 Oman

2007 investments in emerging markets

14 Poland
Containerboard and box plant
New €350 million
Polish plant will be the lowest-cost producer of containerboard in Europe. **Page 17**

16 Russia
Syktyvkar modernisation expansion
€525 million investment will boost annual production capacity and lower costs. **Page 16**

22 Turkey
Tire Kutsan mill acquisition
Fastest-growing packaging market in Europe with demand expected to increase by 12% annually. **Page 17**



Mondi's markets

- Emerging markets
- Mature markets

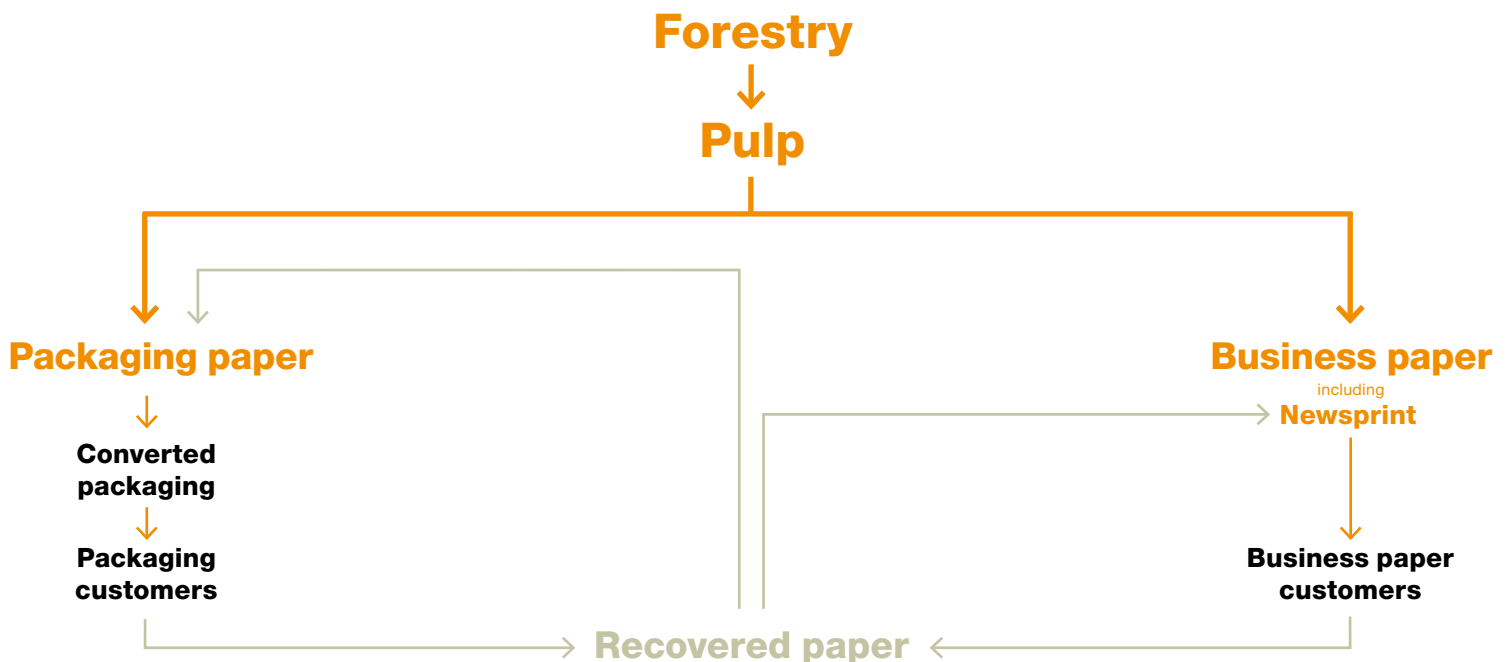
Type of operations

- Forestry
- Manufacturing

* average number of employees in 2007

How we do it

Mondi aims to be the lowest-cost producer in its markets, by selectively investing in forestry and production capacity in low cost regions and adding value at every stage of the product chain.



Forestry

Wood is the essential raw material for all of Mondi's virgin paper-based products. The Group owns or leases more than 1.9 million hectares of hardwood (e.g. eucalyptus) and softwood (e.g. pine and spruce) forests in the low cost regions of Russia and South Africa, providing an annual allowable cut of 8 million m³. This makes Mondi potentially self-sufficient in wood for more than half its pulp-production needs.

Pulp

In 2007 Mondi produced around 3.8 million tonnes of pulp, the basic ingredient of all paper and paper-based packaging, from nine integrated pulp and paper mills in Austria, Bulgaria, Czech Republic, Poland, Russia, Slovakia, South Africa and Sweden. Pulp is produced from wood fibre. Excluding Hungary, in 2007, the Group was 96% self-sufficient in pulp for paper production.

Packaging paper

In 2007 Mondi produced around 3.4 million tonnes of packaging paper: kraft paper, containerboard, kraftliner, recycled containerboard (all from softwood and recovered paper) and packaging board for liquids (from hardwood). The Group produces more packaging paper than it consumes in its converting operations, selling the balance to external customers.

Converted packaging

Mondi adds value to its packaging paper output by converting it into a range of products:

- High-strength kraft paper, made from virgin fibre, is converted into industrial bags for the building and chemical industries
- Kraftliner and recycled containerboard are used to make corrugated boxes

Packaging customers

Mondi sells its packaging products to four main markets:

- Fast-moving consumer goods (FMCG) companies

- Packaging converters (who use Mondi's virgin and recycled containerboard to produce corrugated boxes for food and durable goods)
- Building and construction companies
- Various other industries (e.g. chemicals, pharmaceuticals and electronics)

Business paper

Uncoated fine paper is manufactured mainly from hardwood pulp.

Softwood pulp and de-inked recovered paper are used to manufacture newsprint.

Converted paper

Uncoated fine paper is typically used for photocopier paper and printing applications. It is sold as cut-size office paper, in folio form or in large reels.

Business paper customers

Mondi supplies business paper through three main channels:

- Merchants
- Original equipment manufacturers (OEMs)
- Office suppliers and retailers

Recovered paper

Mondi uses substantial quantities of recovered paper as a raw material in its paper mills. 25-30% of the Group's paper products are manufactured from recycled materials.

Replanting

Each year, Mondi replenishes its forestry assets with extensive replanting programmes. In 2007, the Group planted more than 18,000 hectares of new trees in Russia and South Africa.

Chairmen's statement

Sir John Parker

Cyril Ramaphosa

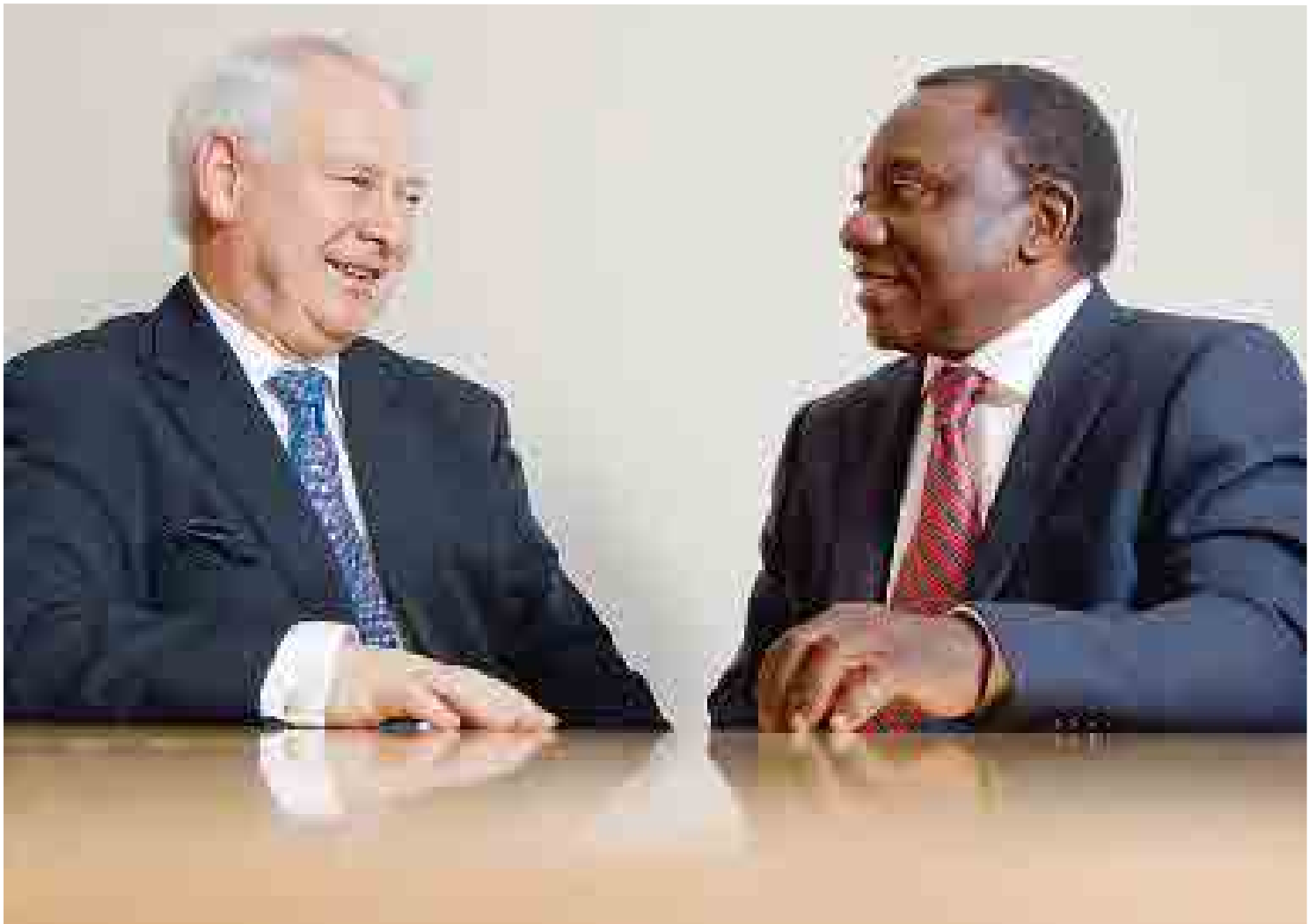
“We have every reason to be encouraged by Mondi's performance over the past year.”

Sir John Parker



“We look forward to the future with confidence and enthusiasm.”

Cyril Ramaphosa



Dear Shareholder

It is a privilege for us both to introduce Mondi's first annual report as an independent dual listed Group, following our successful demerger from Anglo American plc in July 2007. We welcome all our new shareholders and hope that you will have a long and rewarding relationship with Mondi.

As David Hathorn, our chief executive, reports on the following pages, we have every reason to be encouraged by Mondi's performance over the past year. With some improvement in pricing and the concerted efforts of management and employees, the Group produced a substantial improvement in underlying operating profit, up 33% to €502 million from €377 million in the prior year, resulting in a rise of 74% in underlying earnings per share to 46.9 euro cents per share (2006: 27.0 euro cents per share). In addition, we made and announced a number of significant investments for the future.

Governance

Under the dual listed company structure, Mondi Limited in South Africa and Mondi plc in the UK are separate corporate entities, each with its own board and shareholders. However, Mondi operates as a single corporate Group and this is reflected in the fact that both boards comprise the same directors, with independent non-executives in the majority on each board. In addition, the two companies are managed as a single economic enterprise and shareholders in each company share in the performance of the Group as a whole.

Daily management of Mondi's operations is carried out by the DLC executive committee, chaired by David Hathorn. This arrangement maintains the independence of the Boards from the team responsible for day-to-day management of the Group, whilst ensuring that the Group's strategic objectives are met and key risk and performance areas are rigorously reviewed and monitored.

As an independent Group employing more than 35,000 people in 35 countries worldwide, with stock exchange listings on two continents, we are mindful of the need to ensure that Mondi adheres to best practice at all levels of its operations and management. Our governance complies with the key requirements of the codes in both our domiciles and our financial controls and administration procedures are of the high standard which shareholders have a right to expect of a leading international group.

Sustainability

We aim to achieve a balance in ecological, social and economic values and we are proud of the progress Mondi has made towards this objective. Our efforts are led by the DLC sustainable development committee of the Boards which operates on a Group-wide basis and is chaired by our independent non-executive director, Colin Matthews.

We pursue leading sustainable forest management practices in the Group's owned and leased forestry operations and the Group's fibre-tracing system ensures that our wood and pulp come only from acceptable sources. We are committed to reducing our environmental footprint and have pledged a 15% reduction in energy-use and carbon dioxide emissions between 2004 and 2014. We have also undertaken to reduce the quantity of waste taken to landfill by 20% between 2005 and 2010.

Safety and health

Mondi operates in a heavy industrial environment and consequently safety is a key focus and the first item on every board agenda. Most of the Group's sites are already accredited to the most demanding international health and safety standards and the rest are in the process of obtaining accreditation. Although our record is good, we regard every injury as avoidable and every fatality as totally unacceptable. Each incident is thoroughly investigated and prompt action taken to ensure that such accidents are never repeated.

In 2007 a new integrated sustainable development management system (SDMS) was introduced across the Group which incorporates clear policies. In future the Group will be audited against the performance requirements of the SDMS and sites will be required to implement annual improvement plans.

We are conscious of the impact on our people of the rise in HIV/AIDS in South Africa. Whilst we estimate the prevalence of the disease in our employees to be less than 3%, and although it has not been a significant factor in absenteeism rates, we have routinely provided voluntary counselling and testing since 2003 and this is now a standard voluntary part of our employees' periodic medical examinations. We will continue to support our affected employees and encourage them to continue their treatment.

Investment in the community

Mondi's sites are often among the largest employers in their localities, so they have a clear duty of care to contribute to their communities. In an effort to help individual Group operations to manage their social and economic impact on their communities, Mondi carries out detailed assessments using a specially-designed Socio-Economic Assessment Toolbox (SEAT).

Chairmen's statement

continued

We have also put in place community engagement plans at all sites with a high environmental impact. Each plan identifies objectives, stakeholders, details of community investment mechanisms and impacts, and recommends measurable action. This typically takes the form of education funding, support for small business development, or the financing of sports facilities. In 2007 the Group spent a total of €6.5 million on community investment projects and we expect to invest at similar levels in the current year.

Black empowerment

Mondi fully supports the South African government's policy of enabling Broad-Based Black Economic Empowerment (BBBEE) as a means of developing a balanced, sustainable economy. We give tangible expression to this through positive procurement and employment practices and privileged support for local producers. We also have a valuable empowerment partner in Shanduka Resources, the black-owned and managed investment company which holds interests in our South African packaging and newsprint businesses.

You can read more about Mondi's sustainability practices and achievements in our separately published sustainability report, a summary of which you will find on pages 32 to 35 of this report.

Dividend

Mondi is well financed, with healthy operating cash flows and a strong balance sheet. Against this background our dividend policy reflects our strategy of disciplined and value-creating investment for growth, which will in turn offer shareholders long-term dividend growth.

Accordingly, the boards of Mondi Limited and Mondi plc have recommended a final dividend of 15.7 euro cents per share, payable on 21 May 2008 to shareholders on the register at 25 April 2008. An equivalent final dividend will be paid in South African rand on the same terms.

Taken together with the interim dividend of 7.3 euro cents paid on 17 September 2007, this represents a total dividend of 23.0 euro cents, paid in the approximate proportions two-thirds (final) and one-third (interim), consistent with the policy we indicated at the time of the demerger.

Organisation changes

From 1 January 2008 there has been a new organisation structure in place, the outcome of a thorough review of the Group's operations following the demerger in July 2007. We now have two main divisions, Europe & International and South Africa, replacing the former Mondi Packaging and Mondi Business Paper business units. This new organisation structure is part of a continuing programme of performance improvement at Mondi, the objective of which is consistently to reduce costs and improve effectiveness in a highly competitive industry. This latest reform will further simplify management reporting lines and eliminate duplication.

We would like to welcome to the Boards Peter Oswald, who was appointed chief executive officer of the Europe & International division and a director of Mondi Limited and Mondi plc on 1 January 2008.

David Hathorn discusses this new structure in more detail in his review on the following pages.

Strategy and outlook

Mondi has a clear mission: to be the best performing paper and packaging group in the world. Our strategy for achieving this aim is equally straightforward: we will continue to increase our exposure to those high-growth emerging markets which offer the best available returns in our industry, whilst further enhancing our value chain and rigorously controlling our cost base. This strategy is reflected in our improved results.

Our goal over the coming years is to secure the best returns for our shareholders, whilst meeting the needs of our stakeholders inside and outside the Group and operating sustainably across all our businesses.

On behalf of the Boards, we would like to pass on our thanks and appreciation to all Mondi's people for their dedication and commitment in a challenging and busy year.

We look forward to our future, a new future as a successful independent Group, with confidence and enthusiasm.

Cyril Ramaphosa

Sir John Parker

Chief executive's review

David Hathorn



“Our ability to deliver value for shareholders is driven by our low cost asset base, our strong market positions and our commitment to operational excellence.”

Strong maiden results: substantial profit improvement

It is a unique pleasure to be reporting Mondi's first results as an independent Group. Independence brings with it many changes, new responsibilities and new challenges, but what remains unchanged is our absolute belief that low cost operations in high growth markets are primary drivers of our success to date and major requirements for our continued progress in the future.

Our ability to achieve value for our shareholders is driven by our focus on performance and in particular our significant exposure to emerging markets, which enables us to deliver above average growth from a low cost asset base. Our low cost position is supported by our high level of vertical integration, being self sufficient in wood, our primary raw material, in two of the lowest cost timber regions of the world.

Results

In the half-year report last August we announced a strong first set of results, despite continued pressure from trade flows on the back of the weakness of the US dollar and high input costs, with a substantial recovery in operating profit. I am pleased to say that this recovery continued into the second half, reflecting the generally positive trends in our key business segments.

Mondi recorded substantial improvements in sales, up 9%, underlying operating profit, up 33%, and cash inflow from operations, up 46%. Underlying operating profit of €502 million was up €125 million and reflected better performances across all main business areas as increased pricing, focus on operational efficiency and the benefits of restructuring actions and €167 million cost savings all contributed to the financial outcome. I am particularly pleased that average return on capital employed, a key measure of performance for Mondi, increased from 8.1% to 10.6%, which reflects both improved profitability and tighter management of our capital employed. While this improvement is clearly a step in the right direction, current returns remain unsatisfactory and significant additional cost reductions and further productivity improvements will be targeted. Furthermore, we remain very focused on supply-side discipline as an important component of ensuring ongoing price stability and improvement.

For a more detailed review of Group performance see pages 20 to 25.

Mondi's strategic advantage

Mondi has a clear mission: to be the best performing paper and packaging group in the world. Our strategy to achieve this is simple and has four key drivers:

Leading market positions

We are building on our leading market positions in packaging and uncoated fine paper ('UFP'), particularly in emerging markets which offer sustained above-average growth potential.

High quality, low cost asset base

We aim to be the lowest cost producer in our industry, by selectively investing in production capacity in lower cost regions and by exploiting the benefits of upstream integration (including forestry) across our operations. As of 31 December 2007, 65% of Mondi's asset base was located in emerging markets.

Focus on performance

Continuous productivity improvement and cost reduction are institutionalised disciplines at Mondi, delivered through a range of business excellence programmes and rigorous asset management.

Growth

We will continue to target value-enhancing growth through a combination of organic expansion and acquisitions.



Leading market positions

Mondi is the European market leader in sales of industrial bags for a range of specialist applications. In 2007 Mondi produced approximately 3.6 billion industrial paper bags. The Group supplies more than 10 million industrial bags to its global customers every single day. Bag converting is just one of

many product segments in which Mondi is number one or two in its chosen markets. Others include: kraft paper, kraftliner (corrugated packaging) and uncoated fine paper. Some 46% of Mondi's products are sold to the fast-growing markets of emerging Europe, Russia and South Africa.

**Group
revenue**

54%

Mature markets

46%

Emerging markets

**Net operating
assets**

35%

Mature markets

65%

Emerging markets



● Quality control in the bag converting plant at **Świecie** in Poland.

Chief executive's review

continued

Leading market positions

We have a particularly strong presence in western and emerging Europe, Russia and South Africa where we occupy the number one or two market positions in almost all our chosen packaging and UFP product segments.

We continue to concentrate our activities and resources in the emerging markets of Europe, Russia and South Africa. In 2007 these markets accounted for approximately 46% of the Group's sales and our objective is to increase this percentage.

The reason for this emphasis on emerging markets is simple: they offer appreciably higher rates of growth than the more mature markets of western Europe, as can be seen in the tables below.

Uncoated fine paper

2006–2011 demand growth¹

Western Europe

1.3%

Eastern Europe

6.6%

Corrugated

2005–2010 demand growth²

Western Europe

1.8%

Eastern Europe

8.2%

¹ Source: EMGE Woodfree Forecast Report October 2007 for eastern and western Europe.

² Source: ICCA.

High quality, low cost asset base

The key to delivering above-average returns is to operate low cost assets. In our business, that means concentrating our production in lower-cost regions, where our principal input costs, wood, energy and personnel, are inherently lower. Accordingly, between 2004 and 2007 we incurred capital expenditure of approximately €1.4 billion in the low cost emerging markets of Europe, Russia and South Africa. In 2007, 65% of our operating assets were deployed in these markets.

This strategy has given us significant upstream cost advantages. For example, 100% of our unbleached and white-top kraftliner capacity and (following the closure of the Hungarian mill referred to below) 100% of our universal UFP capacity are in the lowest cost quartile delivered to their respective geographic markets.³

Our primary raw material is, of course, wood. We own or lease forests in Russia and South Africa, meeting more than half the Group's total pulp-production needs and making us fully self-sufficient in two of the world's lowest-cost fibre-producing regions. Mondi is also close to potential self-sufficiency in pulp: following the closure of the unintegrated Hungarian paper operations, our total adjusted self-sufficiency in 2007 would have been around 96%.

This high level of vertical integration in the value chain gives us security of supply and greatly reduces our exposure to price volatility in our key raw materials. In addition, we are 82% self-sufficient in energy in our major mills.

³ Source: Pöyry Industry Forestry Consulting, Mondi.



Stocks of mother reel in Mondi's fully-automated warehouse at Hausmending in Austria.

“The development of Mondi’s production capacity in emerging markets continues.”

Focus on performance

We are fortunate to have an outstanding and highly experienced management team at Mondi. It is a team which not only has a fine track record in managing complex international businesses, but has also demonstrated its ability over many years to acquire and integrate new value-adding businesses.

It is in the very nature of our industry that success depends upon remaining competitive at all stages of the cycle. Operational excellence is a prerequisite: we must constantly strive to improve our productivity, which essentially means improving machine efficiency and output per employee. Put simply, our unrelenting challenge is to produce more with less.

I believe that one of our key differentiators is our rigorous control of costs at all levels of the business. Over the past three years we have delivered cumulative cost reductions of approximately 10% of total cash costs. In 2007 alone, we achieved cost reductions of 3.1% or €167 million and this process continues through a series of ongoing cost-reduction programmes and profit improvement initiatives.

A key to cost saving is productivity, which has improved substantially. For example, over the last 10 years the Group’s bag converting operations have delivered an 8% compound annual growth in units per employee. More specifically, in Poland our Świecie paper mill has increased output per employee by 24% compound per annum over the last ten years. In Russia, our Syktyvkar paper mill has lifted productivity by 13% compound per annum since 2002. Furthermore, in Slovakia, since the beginning of the decade, our Ružomberok paper mill has increased productivity by 20% compound per annum.

Where sites do not meet our strict performance criteria they are closed or divested. For example, in the past six years we have closed two testliner mills (in the UK and Switzerland), reducing our capacity by 11%. A further 11% of corrugated packaging capacity has been taken out since 2004. In all, we have closed four paper machines and 35 packaging converting plants and disposed of a further 30 converting plants since 2001. These actions not only contribute to an improvement in Mondi’s overall cost base and asset quality but have also contributed to supply-side reductions, leading to an improved supply/demand balance in our respective grades, with resultant margin improvements.

In view of the current uncoated fine paper (UFP) market dynamics, which have seen sustained high pulp prices and a weak US dollar with resultant trade flows impacting European operating rates, we have decided to decrease Mondi’s European UFP operating capacity and further reduce costs by simplifying our European UFP operations, principally through cutting divisional overheads and reducing mill headcount. As a result, it is planned, during the second quarter of 2008, to shut down the paper machine at Mondi’s unintegrated mill at Szolnok in Hungary. This mill has a capacity of 140,000 tonnes, employs approximately 275 people, and made an operating loss in 2007. This closure is subject to negotiations with employee representatives.

The total estimated pre tax restructuring charge for this closure and related actions is estimated at €88 million (of which €57 million is an impairment and €31 million is a cash cost). This will be booked as a special item in the income statement (€57 million in the 2007 accounts and the balance in 2008).

The costs of ongoing rationalisation of divisional overheads and mill headcount reduction will be charged to underlying operating profits as a restructuring charge as and when incurred, as part of Mondi’s normal process of continuous cost reduction.

This ongoing focus on performance requires a periodic review of our organisational structure. Soon after the demerger we therefore took the opportunity to conduct such a review, with the aim of further eliminating duplication, simplifying our processes and aligning our business model across the Mondi Group. From 1 January 2008, in place of the former Mondi Packaging and Mondi Business Paper business units, we now operate as two divisions: Europe & International and South Africa.

The Europe & International division comprises our packaging and UFP activities outside South Africa and is headed by Peter Oswald, formerly chief executive officer of Mondi Packaging, who joined the boards of Mondi Limited and Mondi plc at the beginning of 2008. The South Africa division comprises our existing South African forestry operation and the plants at

Merebank and Richards Bay, and is headed by Ron Traill, formerly managing director of the Štětí mill in the Czech Republic.

Günther Hassler, the former chief executive officer of Mondi Business Paper, decided to leave Mondi towards the end of 2007 to pursue other opportunities. On behalf of the Boards and senior management I would like to thank Günther for the contribution he has made to Mondi during his 20 years with the Group.

The reporting lines for Mondi Packaging South Africa, Mondi Shanduka Newsprint, Aylesford Newsprint in the UK and Europapier remain unchanged.

Following the reorganisation we have made good progress in simplifying our processes, eliminating duplication and reducing overheads, and we expect to see the benefits beginning to flow through in the current year.



● A logging operation at Mondi's forest near **Syktyvkar** in Russia.

High quality, low cost assets

Mondi's main raw material for its paper-based products is wood fibre and the Group is self-sufficient in two of the lowest-cost fibre regions in the world, thanks to its extensive owned or leased forests in Russia and South Africa.

With 65% of its operating assets deployed in low cost emerging markets, Mondi also enjoys significant upstream cost advantages. For example, the Group's entire production capacity in three of its major products – kraftliner, white-top kraftliner and universal uncoated fine paper – is in the industry's lowest cost quartile.

Average hardwood and softwood costs (€/m³, Q2 2007)

South Africa	25
Brazil	25
Russia	26
Chile	30
Australia	30
Poland	33
Portugal	37
Sweden	39
Finland	42
France	47

Source: Pöyry Industry Forestry Consulting.

Chief executive's review

continued

Growth

Mondi is committed to generating value enhancing growth, both organically and through acquisition, primarily by expanding its asset and sales base in emerging markets. We continue to investigate opportunities to extend our position in low cost locations for pulp and paper production, whilst divesting non-core assets and further rationalising our plant network. In deciding upon capital allocation, we focus on our ability to secure a sustained low cost position, thus ensuring that we deliver a return in excess of our cost of capital over the cycle.

In Poland, we are investing €350 million in a new lightweight recycled containerboard machine and new box plant at our Świecie mill. Annual demand growth for converted packaging in central and eastern Europe is estimated to be running at around 8% and there is a substantial deficit in lightweight containerboard supply which we aim to fill.

In Russia, we are investing €525 million in modernising and expanding our low cost mill at Syktyvkar. This mill has already proven to be a great success, earning in excess of Mondi's cost of capital. The wood-handling facilities will be modernised and expanded and the fibre lines will be upgraded. On completion, it is estimated that the two chipping lines and debarking units will be the largest in the world by capacity.

In addition, a new recovery boiler will be installed, substantially increasing our energy supply with surplus energy being sold to the grid. The resultant increased pulp production will enable us to increase paper output on a fully integrated basis, with both the paper and containerboard machines being rebuilt. This investment will enable Mondi to benefit from the strong growth in demand for containerboard and UFP in Russia, as well as substantially reducing our production costs.

In addition to organic investment, the acquisition of assets in growing markets with the potential for improved returns is central to our strategy. Over the last seven years we have acquired and integrated numerous businesses, improving their efficiency, leveraging synergies with our existing operations, transferring 'know-how' from elsewhere in the Group and improving the product mix.

Our most recent major acquisition has been in the key market of Turkey, where we have completed the purchase of a majority stake in Tire Kutsan, the country's leading corrugated packaging company. This expands our European footprint and, coupled with our existing presence, gives us immediate market leadership in corrugated packaging in emerging Europe, including Turkey.

I am confident that this combination of controlled growth and a rigorous attention to business excellence will enable us to meet our key financial objective for the Group of a 13% return on capital employed across the cycle.



One of three papermaking machines at Mondi's Syktyvkar mill.

Syktyvkar, Russia

Mondi's €525 million investment in its low cost Syktyvkar mill in Russia will reduce costs, increase energy output and boost annual pulp production capacity by 190,000 tonnes, UFP capacity by 52,000 tonnes and containerboard capacity by 46,000 tonnes, with a reduced environmental footprint. Construction will begin in the spring of 2008 and the project will be completed by mid to late 2010.



Świecie, Poland

Mondi's new €350 million light-weight recycled containerboard machine, to be built on a brownfield site at the Group's Świecie mill in northern Poland, will be the lowest-cost producer of containerboard in Europe.

It will produce 470,000 tonnes of containerboard annually and 250 million m² of corrugated board. The main machinery is already on order and production is expected to begin in mid to late 2009.



Tire Kutsan, Turkey

The acquisition of a majority interest in Tire Kutsan in Turkey will enable Mondi to take full advantage of one of the fastest-growing packaging markets in Europe – expected to grow by 12% annually over the five years to 2010. Its sheet mill in western Turkey produces annually 120,000 tonnes of recycled containerboard and five corrugated box plants around the country have an annual production capacity of around 450 million m². Tire Kutsan provides Mondi with a springboard for further expansion in Turkey.

Outlook

We believe that Mondi's leading positions in the emerging markets provide both cost and growth advantages. Furthermore, our focused strategy, obsession with driving down costs and willingness to react quickly to market conditions leave us very well placed to respond to changing economic circumstances. Therefore, despite the uncertainty surrounding the prospects for the global economy, we are confident of building on our 2007 results and making further progress in 2008.

David Hathorn

- The automated production line for uncoated fine paper at **Ružomberok** in Slovakia.



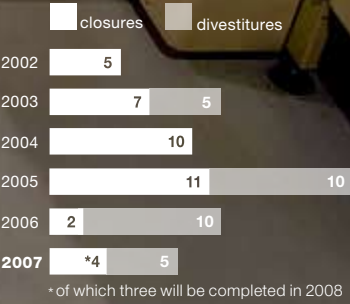


Focus on performance

Over the last three years Mondi has delivered cumulative cost-reductions of around 10% of cash costs, through rigorous control of operating expenditure, improved productivity and a disciplined programme of plant rationalisation. For example, in the Group's key production regions of Russia, Poland and Slovakia, productivity at its plants has been boosted by between 13% and 24% compound per

annum over the last ten years. Where sites do not meet strict performance criteria they are closed or divested. Over the last six years, four Mondi paper mills and 32 packaging converting plants have been closed and 30 converting plants have been divested. This has not only reduced costs, but has also cut capacity, thereby improving the demand/supply balance.

Closures/divestitures



Group operations and financial review

Group operations review

Overview

The Group operating margin of 8.0% was up 1.4 percentage points on the prior year (2006: 6.6%), as a result of an improved pricing environment and the benefits of operational efficiencies, in particular €167 million of cost savings. These positive developments were partially offset by significant increases in raw materials, particularly the costs of wood, pulp, recycled fibre and chemicals.

Mondi Packaging's underlying operating profit increased by €86 million, or 38%, reflecting price increases achieved across all major paper grades, improved operating performance in the converting operations and cost savings of €81 million. This improved result was delivered despite €17 million in restructuring costs (2006: €17 million) incurred as part of the ongoing rationalisation of our downstream converting assets.

Mondi Business Paper's underlying operating profit increased by €48 million, or 46%, principally due to a significant turnaround in the South African operations as well as an improved result from our Russian operations. The result also benefited from modest increases in paper pricing together with cost reductions throughout the business of €82 million. The improved South African performance was achieved through a restructuring of the business and a better operating performance from the PM31 paper machine in Merebank. These improvements were partially offset by €10 million in restructuring costs (2006: €nil), mainly incurred to reduce divisional overheads.

Mondi Packaging South Africa's underlying operating profit of €35 million was up 8% in local currency, but the reported figure was flat year on year due to translation into euros at a significantly weaker rand exchange rate. The increase in local currency was mainly due to good demand and volume growth following a strong agricultural season in South Africa.

Our merchant and newsprint businesses (profits up €11 million, or 38%) benefited from improved pricing and demand and in the UK from lower energy costs.

Net corporate costs were €20 million higher, reflecting the cost of Mondi as a listed Group and the creation of Mondi's stand alone corporate structure following the demerger from Anglo American plc.

Mondi Packaging

€ million	2007	2006	Change %
Segment revenue	3,590	3,167	+13.4
– of which inter-segment revenue	43	46	-6.5
EBITDA	503	412	+22.1
Underlying operating profit	312	226	+38.1
Corrugated	158	120	+31.7
Bags	127	97	+30.9
Flexibles	27	9	+200.0
Capital expenditure ¹	215	267	-19.5
Net segment assets	2,772	2,494	+11.1
Return on capital employed (%)	13.2%	10.2%	+29.4

¹ Capital expenditure is cash payments and excludes business combinations.

Mondi Packaging had an excellent year, due to an improved trading environment and the benefit of €81 million of cost savings which helped offset increased input cost pressures. Packaging paper volumes were up 3.4% and return on capital employed rose by three percentage points to 13.2%. 10 out of 14 mills achieved productivity records and the Świecie mill successfully completed the major rebuild of PM1, improving efficiencies and volumes. These improvements were partly offset by increased external wood and recycled paper costs, which were up on average 20% and 50% respectively on 2006, as well as the restructuring costs of €17 million already referred to.

Within the corrugated business, the positive containerboard price trends and demand growth seen in 2006 were maintained in 2007. On average kraftliner prices were up around 10% year on year, with white-top kraftliner marginally up, although some levelling off in prices is now being seen. Corrugated box prices increased by around 10% on average, reflecting the passing-on of containerboard price increases; however, corrugated box profit margins remain at an unsatisfactory level and further box price increases are required. The increase in profits was supported by the restructuring

of the downstream corrugated packaging operations.

The bags business recorded improved average kraft paper prices, up around 12%, and paper volumes up 5%, benefiting from the acquisition of Stambolijski in Bulgaria in the second half of 2006. The downstream converting operations also saw an improvement in demand in the first half, mainly from the construction industry. We continued to drive productivity through the rationalisation of our plant network with two plant closures towards the end of the year.

Improvement in the flexibles businesses was mainly driven by price increases and efficiency enhancements and also includes the benefit from acquisitions made in the second half of 2006. Selling prices trended upwards but lagged input cost increases which adversely impacted margins. We further rationalised our plant network with the closure of a coating plant in Norway towards the end of year.

During the year, the 40% associate equity stake in Bischof + Klein GmbH was disposed of for €54 million, resulting in a profit on sale of €19 million. In addition, to avoid a mandatory offer for the minority



Coating and printing of wrapping material for copy paper at Zeltweg in Austria.



Mother reels of office paper ready to be cut into sheet size at Ružomberok in Slovakia.

interests in Mondi Packaging Paper Świecie S.A. following Mondi's demerger from Anglo American plc, a 5.3% stake in Świecie was disposed of for €66 million, resulting in a profit on sale of €57 million. Mondi's ownership following the disposal is 66%.

The Group completed the acquisition of a 53.6% stake in Tire Kutsan, the Turkish corrugated packaging company, on 3 September 2007. The debt-free enterprise value of Tire Kutsan is €190 million and this business has been consolidated at 63.4% given the Group's commitment to acquire a further 9.8% within one month of the third anniversary of the completion of the transaction. The Group completed the acquisition of 100% of the Austrian-based Unterland flexible packaging business on 31 August 2007, which provides access to substrate technology that complements our flexibles offering. The debt-free enterprise value of Unterland was €70 million. Both are exciting additions to Mondi and strengthen our packaging operations in two of its key segments, with the acquisition of Tire Kutsan representing our first major step into the high growth Turkish market.

As reported previously, Mondi is investing €350 million in a 470,000 tonne lightweight recycled containerboard machine and new 250 million m² per annum corrugated box plant at the Świecie mill in Poland, to exploit the growing shortage of containerboard in the region and leverage off Świecie's low cost position. The level of available fiscal support (mainly in the form of a favourable tax regime) from the Polish authorities has now been agreed. Commissioning is expected in mid to late 2009 and €19 million of capital expenditure was incurred during 2007.

Mondi Business Paper

€ million	2007	2006	Change %
Segment revenue	1,898	1,889	+0.5
– of which inter-segment revenue	185	163	+13.5
EBITDA	289	237	+21.9
Underlying operating profit	152	104	+46.2
Capital expenditure ¹	119	156	-23.7
Net segment assets	2,098	2,212	-5.2
Return on capital employed (%)	8.0%	5.3%	+50.9

1 Capital expenditure is cash payments and excludes business combinations.

The increase in underlying operating profit was largely driven by a significant improvement in the South African operations, coupled with an improved performance in Russia and modest improvement in pricing. Cost savings of €82 million helped to partly offset input cost pressures. The operational difficulties experienced in the first half of 2006, following the 2005 rebuild of PM31 in Merebank, have been addressed with the alteration to the headbox completed in October 2007. The restructuring of the South African operations has also been completed to further improve efficiencies.

Uncoated fine paper (UFP) production (from continuing operations) was 2.1% higher than 2006, with good performances at our South African, Slovakian and Russian mills partially offset by production downtime taken in the second half which reduced output by circa 75,000 tonnes. Total pulp production was up 4%, with the Richards Bay pulp mill operating at improved rates following the major upgrade in 2005, including record production in the fourth quarter.

Group operations and financial review

continued

Mondi Business paper continued

UFP prices improved by around 7% on average year on year, but are still well below mid-cycle levels. Whilst margins have grown, they are not at acceptable levels, particularly given higher pulp input costs at the non-integrated mills and higher purchased wood costs. The overall fibre cost increase was, however, largely mitigated by our own low cost wood resources in South Africa and Russia.

Fire damage in South Africa affected 10,789 hectares of forested areas (circa 5% of forested area under management), with a net impact of around €5 million on the Group's results. Furthermore, €10 million was incurred in restructuring costs at the divisional level in order to simplify the operation and ensure that we are the lowest-cost producer in this sector. These effects, coupled with fibre input cost pressures, were partly offset by cost-saving initiatives which contributed €82 million during the year.

As reported in the chief executive's review, the Group has decided to decrease its European operating capacity and further reduce costs by simplifying its European UFP operations. As a result, Mondi is planning to close its non-integrated Hungarian mill at Szolnok in the second quarter of 2008, removing 140,000 tonnes of UFP from the market. This, coupled with European industry closures totalling 410,000 tonnes announced and implemented in 2007, should lead to a further improvement in operating rates.

In order to benefit from strong growth in Russian demand, in both containerboard and UFP, and to improve operating efficiencies, Mondi is now committed to the €525 million modernisation and expansion of the Syktyvkar mill. The necessary operating permits have been obtained with completion expected by the end of 2010. €21 million of capital expenditure was incurred on this project in 2007.

Corporate and other businesses

€ million	2007	2006
Corporate costs net of other businesses	(37)	(17)

Corporate costs were €19 million higher than 2006 due to Mondi establishing itself as an independent listed Group, with certain functions previously performed by Anglo American plc now provided within the Mondi Group.

Operating profits from other non-core businesses, mostly in South Africa, were €1 million lower than 2006 following the disposal of certain of these businesses during 2006.

Mondi Packaging South Africa

€ million	2007	2006	Change %
Segment revenue	419	360	+16.4
– of which inter-segment revenue	28	25	+12.0
EBITDA	53	46	+15.2
Underlying operating profit	35	35	–
Capital expenditure ¹	47	27	+74.1
Net segment assets	335	187	+79.1
Return on capital employed (%)	13.8%	17.4%	-20.7

¹ Capital expenditure is cash payments and excludes business combinations.

Demand was good across all business segments, largely due to an increase in local consumption and a good agricultural season. The reported underlying operating profit masks the improvement in local currency terms, which was up 8% and is impacted by translation at a weak rand rate. The acquisition of Lenco, a mainly rigid plastics business in South Africa, was completed on 4 July 2007 and included in the results is a

€1.5 million charge for the amortisation of intangibles as a result of the acquisition.

The €12 million Springs mill optimisation project was commissioned in August 2007 and the €25 million Felixton optimisation project, due for commissioning in March 2008, is progressing well. When complete, this will enable Felixton to produce lighter-weight paper and increase fluting production by 50,000 tonnes.

Merchant and Newsprint businesses

€ million	2007	2006	Change %
Segment revenue	591	539	+9.6
– of which inter-segment revenue	1	1	–
EBITDA	60	48	+25.0
Underlying operating profit	40	29	+37.9
Capital expenditure ¹	18	9	+100.0
Net segment assets	248	251	-1.2
Return on capital employed (%)	17.3%	12.5%	+38.4

¹ Capital expenditure is cash payments and excludes business combinations.

The Europapier merchanting business saw improved pricing and volumes, due to strong demand in its key eastern European markets.

Aylesford Newsprint in the UK benefited from marginally improved prices and lower energy input costs as well as a one-off benefit (of which Mondi's share was €4 million) from a change in the pension plan arrangements to an average salary scheme.

Mondi Shanduka Newsprint's underlying profit was higher in local currency and benefited from continued strong local demand. However, the result was marginally lower in euros on translation as a result of the weaker rand.

Group financial review

The improvement in our financial performance in 2007, which saw profit before tax and special items up 33%, underlying earnings per share up 74% and net cash flow from operating activities up 46%, was driven by a combination of an improved trading environment, which led to better pricing, and our focus on the cost base, with a further €167 million of savings achieved in the period. Mondi ended the year with a strong financial position: the Group's net debt finance charge was covered 5.5 times by underlying operating profit and year-end gearing was 45.2% of total equity.

Reconciliation of underlying to reported profit

€ million	Before tax	Tax	After tax
Underlying profit	405	(117)	288
Special items:	(23)	15	(8)
Operating special items	(77)	5	(72)
Net profit on disposals	83	(4)	79
Interest and other	(29)	14	(15)
Reported profit	382	(102)	280

Special items

In aggregate, pre-tax special items amounted to a loss of €23 million (€8 million after tax), made up of the following items:

- An operating special item charge of €77 million before tax, principally comprising: impairments associated with the closure of the Szolnok mill in Hungary and related actions in the European UFP operations (€57 million); an asset impairment at Mondi Business Paper South Africa (€4 million); accelerated share scheme charges relating to the demerger from Anglo American plc (€8 million); and charges relating to retention arrangements put in place for senior executives following the demerger (€9 million).
- Net profit on disposals of €83 million, including: the sale of Bischof + Klein GmbH (€19 million profit); the sale of a 5.3% stake in Mondi Packaging Paper Świecie S.A. (€57 million profit);
- the sale of various corrugated converting operations (€8 million profit) held for sale at the end of 2006, which were divested as part of a restructuring programme to improve the corrugated results; and the disposal of certain non-core businesses in South Africa (loss €1 million). These have been separately identified given their materiality.
- Financing special item of €29 million: as part of the demerger from Anglo American plc, certain long-term loans in South Africa were closed out at a cost of €29 million, representing largely the interest foregone on the settlement of the loans. Given the materiality of this amount, the Boards believe that it is more appropriate to disclose this separately on the income statement.

Finance costs

Net finance costs of €99 million, before special financing items, were €22 million higher than 2006 (€77 million), due to higher average net debt coupled with higher interest rates, particularly in South Africa, and a movement in foreign exchange from a gain of €13 million in 2006 to a charge of €2 million in 2007. €4 million of net debt finance charges were capitalised during the period on key capital projects (2006: €2 million).

Taxation

The effective tax rate of 29% (before special items) was eight percentage points lower than in 2006 as the 2006 effective rate reflected adjustments associated with the Group operating on a stand alone basis. The reported tax rate after special items of 27% is 15% lower than 2006 principally as disposals have been realised on a tax efficient basis.

Minority interests

Minority interests in the income statement were €4 million lower than the prior year, mainly because the 2006 results for Świecie and Ružomberok included a very high level of income from sales of green energy and CO₂ emission credits.

Group operations and financial review

continued

Cash flow

€ million	2007	2006
EBITDA	870	726
Fair value adjustments and other non-cash movements	(9)	15
Movement in working capital	97	(82)
Taxes paid	(93)	(71)
Net cash flow from operating activities	865	588
Capital expenditure	(406)	(460)
Investment in forestry assets	(41)	(50)
Acquisitions of subsidiaries and associates	(193)	(115)
Disposals of businesses	166	34
Other investing activities including interest received	40	67
Net cash flow used in investing activities	(434)	(524)
Cash flow from financing activities	(717)	(234)
Net cash outflow	(286)	(170)

EBITDA of €870 million in the year was 20%, or €144 million, higher than 2006, reflecting the improved trading environment. Cash inflows from operating activities of €865 million were €277 million up on the comparable period, benefiting from improved trading and tighter control of working capital. Cash inflow from working capital of €97 million was achieved despite a 9% increase in sales.

Capital expenditure in the year of €406 million was broadly in line with depreciation of €363 million (excluding spend in the year on the two key capital projects of €40 million). Capital expenditure is expected to increase significantly in 2008 and 2009 due to the €350 million investment in the lightweight recycled containerboard and box plant at the Świecie plant in Poland and the €525 million modernisation and expansion of the Syktyvkar mill in Russia.

Spending on acquisitions completed during the year totalled €193 million, mainly relating to the purchase of a majority stake in Tire Kutsan (€78 million), 100% of Unterland (€34 million) and 100% of Lenco (€71 million).

The proceeds from disposals completed during the year of €166 million mainly relate to: the sale of 5.3% of Mondi Packaging Paper Świecie S.A. (€66 million), which was necessary to avoid a mandatory offer for the minority interests under Polish stock exchange requirements on demerger from Anglo American plc; the sale of our 40% associate interest in Bischof + Klein GmbH (€54 million); disposal of the Mondi Packaging converting assets held for sale at the end of 2006; and the sale of certain non-core assets in South Africa.

Balance sheet and returns on invested capital

€ million (except percentages)	2007	2006
Trading capital employed	4,818	4,737
ROCE (pre taxation)	10.6%	8.1%
Shareholders' funds	2,963	2,966
Return on shareholders' funds	8.1%	4.8%
Net debt	1,507	1,479
Gearing (net debt/total equity)	45.2%	44.9%
EBITDA interest cover (times)	9.6	9.3

Total invested capital attributable to the equity holders was €2,963 million, €3 million lower than in 2006 (€2,966 million).

Trading capital employed for the period was €4,818 million, €81 million higher than 2006 mainly due to acquisitions. 65% of the Group's trading capital is employed in emerging markets, positioning the Group well in terms of growth and operating cost.

Return on capital employed improved from 8.1% to 10.6% as a result of improved profitability and tightened control of capital employed, particularly working capital. This improved return, whilst close to our weighted average cost of capital, is still below our target across the cycle of 13%.

Through the demerger from Anglo American plc, €2,166 million of Group distributable reserves were created, of which €198 million relate to Mondi Limited and €1,968 million relate to Mondi plc. Total retained profits of €68 million were generated between 3 July 2007 and 31 December 2007.

Net debt of €1,507 million was €28 million higher than 2006, with the positive net cash inflow from operations offset by capital expenditure, net outflows from business combinations and payments to Anglo American plc upon finalisation of the demerger.

Gearing as at 31 December 2007 was 45.2%, with an EBITDA interest cover of 9.6 times.

Treasury and borrowings

The Group's treasury function operates within clearly-defined board-approved policies and limits. The treasury function follows controlled reporting procedures and will be subject to regular internal and external reviews.

The Group's policy with regard to reducing interest rate risk is to keep between 60% and 100% of net debt at fixed rates of interest on a rolling basis. At 31 December 2007, 63% of the Group's net debt was at fixed rates of interest.

Group liquidity is provided through a range of committed debt facilities in excess of the Group's short-term needs. The principal debt facilities are: a €1.55 billion syndicated revolving credit facility, which is a five-year multi-currency revolving credit facility with interest charged at a market-related rate linked to LIBOR; and a R2.0 billion three-year amortising term loan with interest charged at a market-related rate linked to JIBAR. In total at 31 December 2007 the Group had €2.7 billion of committed facilities of which €1.2 billion was undrawn at the balance sheet date. The average maturity of the committed debt facilities is 3.5 years.

Basis of preparation

The combined and consolidated financial information for the year ended 31 December 2007 comprises an aggregation of amounts included in the financial statements of Mondi entities and former Anglo American entities up to the date of demerger (2 July 2007) and, from the date of demerger onwards, an aggregation of the consolidation of Mondi Limited and Mondi plc.

The Group's combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). There are no differences for the Group in applying IFRSs as issued by the IASB and as adopted by the European Union (EU) and, therefore, the Group also complies with IFRSs as endorsed by the EU.



A eucalyptus seedling, ready for planting, from Mondi's Kwambonambi nursery in KwaZulu-Natal, South Africa.



Growth

Mondi's strategy is to grow organically and through selected value-enhancing acquisitions, primarily in low cost, high-growth emerging markets. The Group is currently investing €0.9 billion in its two biggest projects, in Poland and Russia. In pursuing growth Mondi continues to maintain a balance between economic, social and ecological values. A rigorous fibre-tracing system ensures that all the Group's wood and pulp are drawn from acceptable sources. In 2007, as part of its leading sustainable forest management practices, Mondi planted more than 18,000 hectares of new forest.



● A young plantation in
one of Mondi's forests
in **South Africa**.

Board of directors

Joint Chairmen



Sir John Parker^{2,5}

Joint chairman

Sir John Parker is a graduate of Queen's University, Belfast, having studied naval architecture and mechanical engineering whilst a student apprentice at Harland and Wolff, progressing to chief executive in the early 1990s and chairman in 1994. He went on to become chairman and chief executive of Babcock International Group plc.

Sir John is a former chairman of Lattice Group plc, overseeing its demerger from BG plc in 2000 and subsequent merger in 2002 with National Grid plc, where he continues to serve as chairman. He is a former chairman of Firth-Rixson plc, P&O Group plc and of RMC Group plc, leading its transformation and agreed sale to Cemex in 2005.

He has held non-executive directorships at British Coal Corporation, BG plc, GKN plc and Brambles Industries plc.

Sir John serves as deputy chairman of Dubai-based DP World Limited, as senior non-executive director of the Court of the Bank of England and as a non-executive director of European Aeronautic Defence and Space Company EADS N.V. (EADS). He has been a non-executive director of Carnival plc and of Carnival Corporation since Carnival's acquisition of P&O Princess Cruises, where he served as deputy chairman following its demerger from P&O in 2000.

Sir John Parker is vice chancellor of the University of Southampton, a member of the Prime Minister's Business Council for Britain and a Fellow of the Royal Academy of Engineering. He was knighted in 2001 for services to the defence and shipbuilding industries. Sir John chairs the DLC nominations committee and is a member of the DLC sustainable development committee.



Cyril Ramaphosa²

Joint chairman

Cyril Ramaphosa graduated in law from the University of South Africa and joined the Council of Unions of South Africa (CUSA) as a legal adviser in 1981. He went on to found the National Union of Mineworkers, South Africa's largest trade union, serving as general secretary until 1991.

Cyril is currently executive chairman of Shanduka Group (Proprietary) Limited, which owns Shanduka Newsprint (Proprietary) Limited and Shanduka Packaging (Proprietary) Limited, and non-executive chairman of telecommunications group MTN Group Limited. He is also a non-executive director of insurance group SASRIA Limited, brewing group SABMiller plc, steelmaker MacSteel Holdings (Proprietary) Limited, financial services group Alexander Forbes Limited and Standard Bank Group Limited.

He is a past chairman of the Black-Economic Empowerment Commission in South Africa and was the first deputy chairman of the Commonwealth Business Council. He is currently vice chairman of the Global Business Coalition on HIV/AIDS.

Cyril holds honorary doctorates from a number of institutions, including the University of South Africa and the University of Massachusetts. He is a member of the DLC nominations committee.

Cyril is the former chairman of the Constitutional Assembly, which negotiated South Africa's first democratic dispensation.

Board of directors committee membership

¹ DLC audit committee

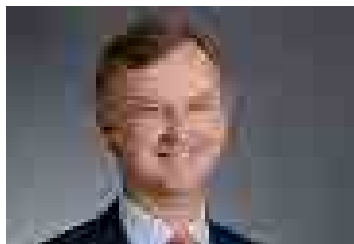
² DLC nominations committee

³ DLC remuneration committee

⁴ DLC executive committee

⁵ DLC sustainable
development committee

Executive directors



David Hathorn ^{4,5}

Chief executive officer

David Hathorn graduated in commerce from the University of Natal and qualified as a chartered accountant at Deloitte & Touche. He 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. He oversaw the demerger of Mondi and its dual listing in London and Johannesburg in 2007. David is a member of the DLC sustainable development committee and chairs the DLC executive committee.

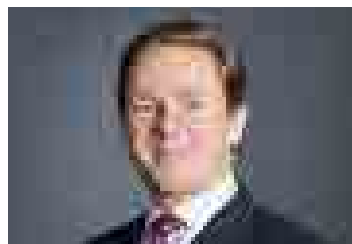


Paul Hollingworth ⁴

Chief financial officer

Paul Hollingworth graduated in commerce and accountancy from the University of Witwatersrand and qualified as a chartered accountant at Meyer, Wilson and Marsh. He then spent eight years with international food and distribution group Unigate, holding a number of senior financial positions and finishing as group controller. He went on to become finance director of several listed companies including Ransomes plc and De La Rue plc.

In 2002 Paul joined BPB plc, a leading international building materials group and world leader in plaster-board. BPB was the subject of a takeover offer from Saint Gobain and, after helping to oversee the transition of BPB's financial management to Saint Gobain, Paul left the Group in February 2006. He joined Mondi in June 2006 as chief financial officer, to assist with the listing and demerger from Anglo American plc and to lead the finance function. He is responsible for the Group's financial strategy, planning, financial controls and associated systems and processes. Paul is due to join Electrocomponents plc as a non-executive director on 1 May 2008.



Peter Oswald ⁴

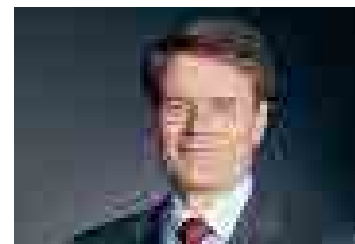
CEO Europe & International division

Peter Oswald graduated in law and business administration from the University of Vienna, beginning his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992, initially as head of internal audit, later as corporate controller.

After serving as chief executive of the bag and flexibles business from 1995 to 2001, overseeing its recovery and sevenfold growth, Peter was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach and recently-acquired Bauernfeind into the new Mondi Packaging division.

At the beginning of 2008 Peter joined the Boards of Mondi Limited and Mondi plc as chief executive officer of the Group's Europe & International division, comprising all the former Mondi Packaging and Mondi Business Paper operations outside South Africa.

Non-executive directors



Colin Matthews ^{1,2,3,5}

Independent non-executive director

Colin Matthews graduated in engineering from Cambridge University. After taking an MBA at INSEAD, followed by a period in management consultancy with Bain, he joined the General Electric Company (US). In 1997 he joined British Airways plc as managing director BA Engineering and later became director of technical operations, responsible for engineering, IT and procurement.

Colin was group managing director of Transco from 2001 to 2002 and then chief executive officer of Hays plc from 2002 to 2004, where he commissioned the strategic review which ultimately led to Hays' transformation into a pure specialist recruitment and HR services business. From 2005 to October 2007 he was group chief executive of Severn Trent plc, where he oversaw the restructuring of the business into a focused water services company. Colin is due to join BAA as chief executive on 1 April 2008.

He is chairman of the DLC sustainable development committee and a member of the DLC nominations, remuneration and audit committees.

Board of directors



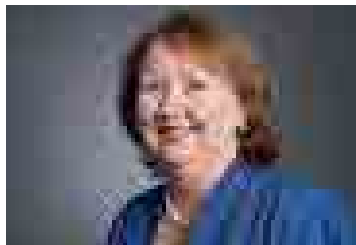
Imogen Mkhize^{2,3}

Independent non-executive director

Imogen Mkhize graduated in information systems from Rhodes University in 1984 and gained an MBA from Harvard Business School in 1995. She spent her early career with Anglo American, Andersen Consulting and Nedcor, before becoming managing director of telecommunications group Lucent Technologies South Africa. Imogen is currently engaged in managing a number of growing entrepreneurial companies in various sectors, including energy.

Imogen is a director of energy group Sasol Limited, engineering group Murray & Roberts Holdings Limited, Illovo Sugar Limited, investment management firm Allan Gray Limited and Mobile Telephone Networks (Proprietary) Limited. She is a member of the South African Financial Markets Advisory Board, the Harvard Business School Global Alumni Board and Rhodes University Board of Governors.

In 2001 Imogen was recognised by the World Economic Forum as a Global Leader for Tomorrow and from 2003 to 2006 she was chief executive officer of the 18th World Petroleum Congress. Imogen is a member of the DLC nominations and remuneration committees.



Anne Quinn CBE^{1,2,3}

Independent non-executive director

Anne Quinn CBE graduated with a bachelor of commerce from Auckland University and a masters in management science from the Massachusetts Institute of Technology. She spent her early career with NZ Forest Products Limited and the US management consulting company Resource Planning Associates. She then joined Standard Oil of Ohio, which was subsequently acquired by BP plc. Anne went on to work for BP in the US, Belgium, Colombia and the UK and held a number of executive positions including managing director of Alliance Gas Limited (a BP joint venture) and BP Gas Marketing Limited and later group vice president of Gas, LNG and Natural Gas Liquids.

Anne is currently a managing director of Riverstone Holdings (Europe), a private equity investment firm specialising in the renewable and conventional energy and power industries.

Anne was a non-executive director of The BOC Group plc from 2004 to 2006. She currently serves on the MIT President's Advisory Committee to the Sloan School, Massachusetts Institute of Technology. Anne chairs the DLC remuneration committee and is a member of the DLC nominations and audit committees.



David Williams^{1,2,3}

Senior independent non-executive director

David Williams is Mondi's senior independent non-executive director. He retired as finance director of Bunzl plc in January 2006, having served on the board for 14 years. He is the senior independent non-executive director of Taylor Wimpey plc and a non-executive director of Dubai-based DP World Limited, Tullow Oil plc and Meggitt plc, chairing the audit committees of all three. David is also a former non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc and Medeva plc. David is a chartered accountant. He is chairman of the DLC audit committee and a member of the DLC nominations and remuneration committees.



Andrew King

Group strategy & business development director

Andrew King graduated in commerce from the University of Cape Town and qualified as a chartered accountant at Deloitte & Touche in 1994. He joined Minorco, the international arm of Anglo American, as a financial analyst in 1995 and subsequently assumed responsibility for the group's investment management activities. He transferred to Minorco's corporate finance department in 1998, working on a number of group M&A activities before being appointed vice president of Anglo American Corporate Finance in 1999. His key assignments included the restructuring of the relationship with De Beers, the reorganisation of the Mondi Europe Group and Mondi's acquisition of Syktyvkar Paper Enterprises.

Andrew was 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, when he was appointed to his present role. He was heavily involved in the listing process and establishment of the Group's dual listed corporate structures.

DLC executive committee

The DLC executive committee is chaired by chief executive officer **David Hathorn** and includes chief financial officer **Paul Hollingworth** and **Peter Oswald**, chief executive officer of the Europe & International division.

The other members of the DLC executive committee are:



Peter Machacek

CEO Uncoated fine & kraft paper
Europe & International division

Peter Machacek graduated in business administration from the University of Vienna in 1976 and began his career with Kienzle Datasysteme and Tetra Pak in Austria. In 1981 he moved to the Frantschach Group as sales and marketing manager of the group's converting business.

In 1988 Peter became sales director of Patria Papier & Zellstoff, the sales company for the Frantschach paper mill, and was shortly afterwards appointed to the management board of the mill.

In 2000 he became executive vice president of Mondi Packaging Paper, responsible for the Frantschach, Štětí, Dynäs and Świecie paper mills, and subsequently became chief executive officer of Mondi's packaging paper division, responsible for the Group's five newly-acquired recycled containerboard mills in Austria, Switzerland, Germany, Italy and the UK. Peter assumed his current role and joined the management board of the Europe & International division following the reorganisation of the Group's operations at the beginning of 2008.

Peter is vice president of the Austrian Federation of Paper Makers.



Kurt Mitterböck

Group technical director

Kurt Mitterböck graduated in process technology from the University of Graz in Austria, specialising in paper and pulp technology. He began his career as a project manager with a paper machine manufacturer, later becoming production director of a coated fine paper mill in Austria and subsequently production director of Hagen Kabel, a publication paper mill in Germany.

He joined Mondi in 1989 and soon afterwards was appointed to the board of Neusiedler as chief operations officer, where he introduced worldwide total chlorine-free pulp production and established the first high-speed three-layer headbox for copy paper and the first high-speed single nip shoe press paper machine. Kurt went on to serve on the boards of a number of Mondi companies in Austria, eastern Europe and South Africa, before being appointed to his present role in 2005.



Mervyn Walker

Group human resources
& legal director

Mervyn Walker graduated in law from Oxford University and qualified as a solicitor in 1984, joining British Airways in 1986 as a legal adviser. He went on to become legal director in 1991 and director of purchasing in 1994. In 1996 he was appointed global human resources director.

He went on to become director of Heathrow Airport and then director of UK airports, heading ground operations at all BA's airports and leading a team of 9,000 people. He was chairman of the Trustees of the BA Pension Schemes from 2002 to 2005 and has been chairman of the Pension Trustees of Amec plc since 2006.

Mervyn joined Mondi in his current role in June 2006. He has responsibility for the Group's human resources, corporate communications, safety, sustainable development, legal and company secretarial matters.



Carol Hunt

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 Laubscher

Company secretary Mondi Limited

Philip Laubscher, who holds B Proc 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.

Philip and Carol work together on the coordination of Mondi's DLC structure.

Sustainability review

Mondi is committed to operating its business sustainably. Following our demerger from Anglo American plc in 2007, we took the opportunity to review our sustainability policies and practices across the Mondi Group, to ensure that they fully address our sustainability challenges. The way in which we run our business directly affects our shareholders, our employees, the communities in which we operate and,

more generally, broader society and the environment. Ensuring that our business is sustainable is a priority, as reflected in our Sustainable Development (SD) commitments. As part of our review in 2007, we revised our SD commitments, spanning all key sectors and reaching out to 2014. These can be found in full in our sustainability report at www.mondigroup.com.

Our sustainability journey

	Challenge	Priorities in 2008	Our commitments
Sustainable forestry	To ensure that our forestry practices enable us to provide the future resources our business needs in a sustainable manner.	To successfully maintain the certification of our sustainable forestry practices and trace wood and virgin fibre throughout the supply chain, so enhancing our reputation as responsible forestry stewards and resource developers.	We will meet all requirements of our Forestry Policy and Operating Standards – to manage risks and issues, including those relating to forest stewardship, responsible purchasing, wood tracing, ecosystems and biodiversity action planning, land access and indigenous people.
Reducing environmental impact	As a member of global society, to help meet the world's paper and packaging needs and simultaneously reduce the environmental footprint of our products, especially mitigating the impact of greenhouse gas emissions on the climate.	To further reduce our environmental footprint, supported by our key environmental performance indicators which set specific targets in areas of significant impact. Going forward, our current performance results have formed the basis for identifying areas which require enhanced focus and these are reflected in our priorities for 2008, including: advances in the inventory of greenhouse gases, reduction in waste to landfill in South Africa and plans for further reduction of organic waste water loads.	We will meet all requirements of our Climate Change and Environmental Policies and Operating Standards. Our target is a 15% reduction in carbon-based energy use per unit of production by year-end 2014, against the 2004 baseline. We also have a target of a 15% reduction in greenhouse gas emissions per unit of production over the same period.
Safety and health stewardship	To achieve our vision of zero-harm workplaces, ensuring that all people working for Mondi understand, rigorously apply, and fully comply with our safety standards. Our occupational and community health challenge is to ensure that our health programmes recognise and influence the health factors which impact our employees, contractors, their families and our neighbouring communities.	To eliminate fatalities from our business. Our plan is to address our most material safety risks in 2008 with a focus on transportation, in particular mobile plant and equipment. In addition, we are targeting a significant reduction in injuries to hands across the Group in 2008. We are also taking further steps to address the risk of noise-induced hearing loss. We are continuing to work at a local level to fight HIV/AIDS in South Africa, by both educating our communities and managing disease infection rates.	We value life above all else and regard one injury as one too many. Our commitment to achieve a level of performance below 0.5 TRCR (Total Recordable Case Rate) and below 0.1 LTIFR (Lost Time Injury Frequency Rate) by year-end 2010 is considered to be world-class. This, together with achieving our other target of zero fatalities, will take us closer to our stated objectives of zero-harm workplaces and safety excellence.
Long-term social, community and stakeholder relationships	To understand social and community issues and expand our role as corporate citizens, so that the communities in which we operate value our citizenship.	To continue with community participation and engagement. While Mondi operates the majority of its community engagement programmes at a local level, it facilitates a consistent approach to community development via the Socio-Economic Assessment Toolbox (SEAT).	We will be a role model in terms of social impact and transparency in our industry. To achieve this, we will continue with community engagement plans for all significant operations. We will continue to make anti-retroviral treatment available to employees to combat HIV/AIDS in South Africa. We will also maintain a merit-based and empowering culture which meets the requirements of our Corporate Citizenship and Global Employment Policies and Operating Standards.

During the year, we worked to take the best of our former parent's sustainability culture and use it to shape and inform our own across a range of key focus areas including forestry, the environment, safety (for employees, contractors, communities and consumers of our products) and social responsibility.

In doing so, we have begun to create a sustainability ethos that is individually Mondi's, shaped to reflect the nature of our operations in some of the world's most environmentally and socially sensitive regions.

At the heart of this is the development of our own Sustainable Development Management System (SDMS), which we completed during 2007. This is a comprehensive sustainability management system, owned at Group level and applicable to all our sites, operations and activities throughout the world.

Including our sustainability policies, management and operating standards, commitments and performance requirements, the SDMS is also supported by a set of auditable standards, which will assist us in achieving our commitment of full compliance with the SDMS by 2010. In addition, we have developed a set of transparent and measurable improvement targets across the Group. These can be found in full in our sustainability report at www.mondigroup.com.

We made progress in many areas in 2007, some of which we describe in this review. Many of the issues facing us, however, are long-term challenges which require long-term solutions. Our commitment to seek ever more sustainable ways of working across the Group will therefore remain a fundamental reality of our business for many years to come.

Forestry

We have a forestry policy that, among other commitments, binds us to increasing the volume of sustainable fibre we produce per unit of area, to practising active stewardship of our land and its ecosystems, and to promoting the interests of indigenous people and communities.

We are developing a new model for our forestry operations, based on still-emerging scientific knowledge and engagement with communities and Non Government Organisations (NGOs), to meet environmental, social and climate change challenges.

Our work includes a number of important areas of investigation in our South African plantations that are already producing some very encouraging environmental results. For example, we are working with Professor Michael Samways, who heads the Department of Conservation Ecology and Entomology at Stellenbosch University. His research is showing that leaving undeveloped 'corridors' of land between different ecosystems stimulates biodiversity in areas that have already been affected by forestry or agriculture.

In parallel, our land in South Africa is home to a range of practical experiments and trials aimed at enabling the recovery of natural freshwater resources. This has resulted in our taking some 5% of our land out of production to create treeless 'buffer zones' in riparian (waterside) areas or next to wetlands, which has led to the rapid recovery of threatened resources.

Scientific research of this kind is enabling our involvement in several projects where intensive forestry is now operating hand-in-hand with world-class conservation activities.

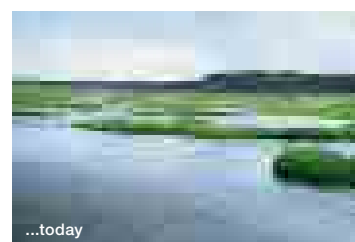
These include the Greater St Lucia Wetlands Park, where we were the first commercial organisation to delineate an accurate eco-boundary line between a World Heritage Site and a forestry plantation.

Certification is very important for any forestry business and we use both the FSC (Forest Stewardship Council) and PEFC (The Programme for the Endorsement of Forest Certification) schemes in Mondi. Currently all 350,000 hectares of Mondi land in South Africa are FSC-certified as are 1.6 million hectares in Russia's Komi Republic.

Today, we are placing much emphasis on helping the small growers from whom we buy timber in Europe and South Africa to gain certification. To ease the often complex and costly certification process for them, we are working to find an acceptable and practical solution with many partners including The Forests Dialogue and a number of key NGOs and certification bodies, including WWF and local Russian NGO Silver Taiga.

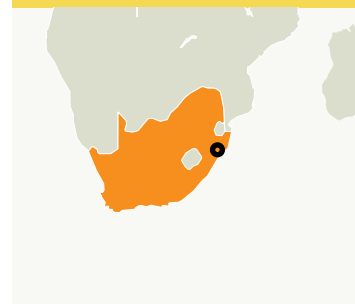
To maintain our own certification and to meet our commitments, we are ensuring that we and our suppliers comply fully with the protection of High Conservation Value (HCV) forests. As part of this effort, during 2007 we continued our work on the development of a risk-based tracing system that will enable us to assure the sustainability of all the wood we use. We will support the system with all the resources, training, education, consultation and auditing needed to ensure that we can consistently meet our commitments.

In these and other ways, we are working to meet our commitment only to use wood, fibre and biomass from sustainable sources.



Case study Rehabilitating the wetlands

The Mondi Wetlands Project aims to bring about the rehabilitation, wise use and sustainable management of valuable wetlands, including springs and seeps, marshes, floodplains, swamp forests, mangrove swamps and estuaries. It is widely recognised as South Africa's most successful non-governmental wetlands project, successfully promoting conservation among government agencies and private and communal wetland users.



Sustainability review

continued

The environment

Under Mondi's environmental policy, the Group is committed to integrating environmental principles such as conserving raw materials, using clean production processes and reducing emissions from our operations.

A primary focus for us is to restrict our emissions of greenhouse gases, and we drive year-on-year reductions through a Group-wide energy strategy that ensures we keep our financial and environmental energy costs as low as possible.

This is based on four central requirements:

- managing energy price volatility effectively;
- consistently improving the energy-efficiency of our production processes;
- increasing the proportion of power that we produce ourselves;
- increasing the overall share of energy from renewable sources as a proportion of the energy we use.

In 2007, we made progress on all these fronts. For example, the 1991 Kyoto Protocol enables us to invest cost-effectively in so-called Clean Development Mechanism (CDM) projects in developing countries, so enabling us to manage the cost of the power we use. For more than two years, we successfully focused on developing the methodology for CDM projects – the results of this work came to fruition in South Africa during 2007 with the completion of a bark boiler and gas turbine at our Richards Bay mill.

We have also invested widely in the energy efficiency of our production processes. This involves a wide range of individual projects, from using improved, more efficient compressed air systems or water pumps, to reducing water consumption through the use of closed-loop systems and increasing the motor efficiencies of equipment throughout the business.

The gains to be made from each individual improvement are likely to be small – but replicating them in tens of sites across Mondi makes a powerful contribution towards helping us achieve our carbon emission goals.

Across Mondi, as a direct result of investing in our own energy production, we reduced our consumption of electrical energy from the grid by 4,788GWh in 2007 from 2006.

Where possible, we have replaced the inefficient production typical of a conventional power plant with close to 100% implementation of greatly more efficient combined heat and power ('CHP') technology.

Our industry has the potential to reduce its carbon impact by replacing fossil fuels such as coal, lignite (brown coal) or gas with renewable biological power sources such as our own-produced biomass, black liquor, sludge and other renewable fuels. Currently, 41% of our total energy is from biomass.

Such efforts have also enabled us to reduce our total CO₂ emissions from fossil fuels by 6% from 2004 to 2007.

The year saw major reductions in the two most significant waste water loads emitted during the pulp and paper-making process: AOX (chlorinated organics) and COD (chemical oxygen demand). Following an ongoing investment programme, we reduced total COD levels by 21% from our baseline level of 138,523 tonnes in 2005. In terms of AOX, we reduced total levels by 65% from 439 tonnes in 2005 to 152 tonnes in 2007.

Mondi is also committed to reducing its emissions into the atmosphere to as low a level as possible in all its plants throughout the world, through a set of ambitious improvement targets supported and enabled by a rolling investment programme.

The main issues affecting us are emissions of Total Reduced Sulphur (TRS), Sulphur Dioxide (SO₂) and, to a lesser degree, Nitrogen Oxide (NOx) and other particulates.

The majority of TRS emissions are caused by the pulp-making process and a focus on our pulp mills has helped us reduce total emissions by 60% from 2005 to 2007. Significantly, investments at our Merebank mill in South Africa have seen an 80% reduction in total SO₂ emission levels since 2004.

Careful management continues to achieve progressive reductions in the waste we send to landfill. To date we have reduced total waste to landfill by 20% from our 2005 total.

Safety

Safety is always the first agenda item at Board and DLC executive committee meetings as we pursue our 'zero-harm' policy of seeking to prevent any injury to our staff or contractors. During 2007, we introduced a new set of nine safety rules to live by. As a significant part of our Group safety requirements, we also initiated a Group-wide focus on the four main areas that we have identified as critical to improving our safety record: people, process, emergency preparation & response and crisis management.

While the year saw the continuation of a significant ongoing trend that has seen our lost-time injury (LTI) frequency rate fall from 0.47 in 2004 to 0.23 in 2007 (the number of LTIs multiplied by a factor of 200,000 divided by the total man-hours worked across the entire Group during the year), it was marred by the deaths of three of our contractors. We have focused significant resources on establishing the precise causes of these tragic accidents and have taken action to ensure that everyone in the business has the support needed to prevent future incidents.

Forestry is the area of our business with the highest safety risks, and we are running initiatives in both Russia and South Africa to create a safer working environment. In South Africa, these include an initiative called 'Phepha' (the Zulu word for safety), which we are now also bringing to our contractors, and a highly effective 'traffic light' card system, (red for danger, green for good practice).

Case study

Protecting pristine forest

As we work to ensure the protection of High Conservation Value (HCV) forest in Russia's Komi Republic, one of the greatest challenges is identifying those pristine areas, with a very high ecological value, in which logging should not take place.

This is particularly difficult, because such protection is not enshrined in legislation. In addition, it is necessary to balance appropriately the interests of a range of stakeholders.

Our solution is to work co-operatively with different interest groups, including such stakeholders as the local population and administration, other companies, NGOs and the government and State Forest Service of the Komi Republic. To date, some 23% of the Republic's 21 million hectares of productive forest has been identified as 'pristine', and we have helped negotiate full solutions for 800,000 hectares, and a partial solution for a further 1.2 million.

Mondi and local NGO Silver Taiga have also created together an inventory of over 3.4 million hectares of pristine forest, as well as gaining significant experience in managing HCV forests during the FSC certification process. This is helping us ensure that the forestry activities we undertake are environmentally and socially responsible. Looking ahead, our plan for 2008 includes reaching agreement on new areas and opening dialogue on others.

We also work consistently to help promote the health of our people. One example of this was an AIDS-awareness initiative conducted by the clinic at our Richards Bay mill. This facility has won two prizes in the 2007 South African Occupational Health Nursing Practitioners Awards. It was selected as the outstanding practice and Christine Viljoen, who runs the clinic, was chosen as the Occupational Health Nursing Practitioner of the Year.

Our commitment to safety also extends to our products, and we are constantly investing in new concepts and applications that protect our customers and end consumers.

For this reason, in our packaging business we are going beyond the legislative requirements of EU human food hygiene rules, by implementing one of two additional forms of certification. These are Hazard Analysis Critical Control Points, an internationally recognised system for food safety management, and the British Retail Consortium and Institute of Packaging's (BRC/IOP) technical standard and protocol that sets food packaging quality for retailer-branded products.

Together, these two schemes certify that we have addressed all relevant regulations covering food hygiene. Some 25 of the 40 relevant Mondi plants achieved full certification in 2007, and work continues on the remainder.

Social responsibility

Promoting health more widely is also an important element of our work with communities and we run a number of schemes throughout our operations, from supporting a hospital in Ružomberok, Slovakia, to funding a trauma clinic near Johannesburg that opened in November 2007.

We base this work on real needs, identified through in-depth Socio-Economic Assessment Toolbox (SEAT) reports involving wide-ranging interviews and liaison with stakeholders throughout the communities where we operate material sites. These give us detailed insight into how our activities impact on communities, and highlight areas where our input can be of true sustainable value.

In South Africa, helping the government combat the country's HIV/AIDS epidemic is a major focus for us, both providing education and support programmes for our staff and working with communities, including an outreach scheme to help children orphaned by the disease.

Another important focus is education, and we are involved in a wide range of projects from promoting the study of maths and science in South Africa to working with schools in Russia and Slovakia.

We are also committed to supporting small businesses based around our operations, and we run many schemes aimed at helping local companies flourish as part of our supply chain. These include a formal preferred supplier scheme at Świecie in Poland, where our procurement practices favour the region's small and medium enterprises over international providers. In South Africa, our enterprise development arm Mondi Zimele invests funds and expertise

in a wide range of carefully selected small businesses.

Mondi Zimele is a key constituent in our efforts to support the South African government with its ongoing transformation of business and the economy, which aims to ensure that black and female representation in the ownership and management of companies should eventually match the wider demographics of the country as a whole.

This transformation, supported particularly by the Broad-Based Black Economic Empowerment (BBBEE) legislation, is behind our efforts both to change the management profile of our business and to procure products and services from more black-owned companies. We have wide-ranging training and development programmes in place, alongside a merit-based promotion and recruitment policy that favours black applicants when all other criteria are equal.

This approach is having a significant impact on the make-up of our business. At our Springs mill, for example, black management representation has risen from 0% in 1998 to 34% today, and the proportion continues to increase.

This is one result of our commitment to global employment standards and ethical business practice. In 2007, we introduced sophisticated benchmarking schemes that measure us against acknowledged global leaders. Using MORIS (Mondi Reporting and Information System), our new Group-wide sustainability platform, we are successfully identifying, sharing and applying throughout the Group the best management practices that we find within our operations across the world.

The full sustainability report is available for download from Mondi's website at www.mondigroup.com.

Directors' report

The directors present their report on the activities of the combined Group comprising the legal entities Mondi Limited and Mondi plc together with the audited combined and consolidated financial information for the year ended 31 December 2007.

Principal activities

Mondi is an international paper and packaging group. Its key operations and interests are in western and emerging Europe, Russia and South Africa. It is principally involved in the manufacture of packaging paper, converted packaging products (including corrugated packaging, industrial bags and speciality packaging products) and uncoated fine paper.

Mondi is integrated across the paper and packaging production process from the growing of wood for pulp production and the manufacture of pulp and paper, to the conversion of packaging papers into corrugated packaging and industrial bags. It also has a growing speciality packaging business focused on the production of release liner, extrusion coating and consumer flexibles products.

Business review

A review of the business and a commentary on its strategy, performance and development are incorporated into and forms part of this report:

- Chairmen's statement, pages 6 to 8
- Chief executive's review, pages 9 to 19
- Group operations and financial review, pages 20 to 27
- Sustainability review, pages 32 to 35
- Risk management and internal control, pages 43 and 44

Directors

Under the dual listed company (DLC) structure the boards of both Mondi Limited and Mondi plc comprise the same individuals. The directors in office as at the date of this report are set out on pages 28 to 30, together with their detailed biographies. The directors as at 31 December 2007 were as set out on pages 28 to 30 with the exception of Peter Oswald who became a director with effect from 1 January 2008.

Both David Hathorn and Cyril Ramaphosa were directors of Mondi Limited throughout the year to 31 December 2007, having been appointed prior to the demerger of Mondi from Anglo American plc and the listing of Mondi Limited. David Hathorn and Cyril Ramaphosa were appointed directors of Mondi plc on 1 May 2007 and 16 May 2007 respectively.

Paul Hollingworth was appointed a director of Mondi Limited on 23 May 2007 and of Mondi plc on 1 May 2007.

The remaining directors, Colin Matthews, Imogen Mkhize, Sir John Parker, Anne Quinn and David Williams were each appointed to the boards of Mondi Limited on 23 May 2007 and of Mondi plc on 16 May 2007.

Prior to the demerger from Anglo American plc, Mondi Limited, formerly Mondi South Africa Limited, was an existing Mondi Group company. Immediately prior to 23 May 2007 the board had comprised, in addition to David Hathorn and Cyril Ramaphosa, John Barton, Godfrey Gomwe, Günther Hassler, Claudia Manning, Vivien McMenamin, Otto Pichler and Theo van Breda. With the exception of David Hathorn and Cyril Ramaphosa, each of these directors resigned from the board on 23 May 2007. David Barber resigned on 12 February 2007 and Lazarus Zim resigned on 14 February 2007.

Mondi plc was formed specifically for the purpose of the demerger and, prior to the appointment of the Mondi directors as detailed above, was managed by the incorporation agents whose director was Hackwood Directors Limited.

As announced on 11 December 2007, Peter Oswald was appointed an executive director of both Mondi Limited and Mondi plc with effect from 1 January 2008.

All the directors will retire at the first annual general meetings under the DLC structure of Mondi Limited and of Mondi plc, each to be held on 7 May 2008, and will stand for election by the shareholders.

Directors' interests

The interests of those directors in office as at 31 December 2007, including those of connected persons, in shares and in options to receive shares in both Mondi Limited and Mondi plc are set out in the remuneration report on pages 46 to 50.

Dividends

Mondi Limited

An interim dividend of 71.73637 rand cents per ordinary share was declared to shareholders registered on 31 August 2007 and was paid on 17 September 2007.

The directors have proposed a final dividend of 177.37939 rand cents per ordinary share to shareholders registered on 25 April 2008. The final dividend is subject to the approval of members of Mondi Limited at the annual general meeting scheduled for 7 May 2008 and, if approved, will be paid on 21 May 2008.

No holders of Mondi Limited ordinary shares have agreed to waive their rights to receive dividends.

Mondi plc

An interim dividend of 7.3 euro cents per ordinary share was declared to shareholders registered on 31 August 2007 and was paid on 17 September 2007.

The directors have proposed a final dividend of 15.7 euro cents per ordinary share to shareholders registered on 25 April 2008. The final dividend is subject to the approval of members of Mondi plc at the annual general meeting scheduled for 7 May 2008 and, if approved, will be paid on 21 May 2008.

The holders of 5,570,118 Mondi plc ordinary shares have agreed to waive their rights to receive dividends.

Donations

The Group's continuing policy is that no company in the Group shall make contributions or donations for political purposes.

During 2007 the Group made charitable donations and community social investments totalling €6.5 million (2006: €5.7 million). Operating within guidelines set by the Group, Mondi's local businesses are responsible for choosing and funding their own causes through discretionary volunteering,

donations and sponsorships. This devolved approach has resulted in support for a variety of programmes that have an impact on Mondi's employees and the communities in which they work and live.

Research and development

The Group has a dedicated central resource focused on identifying and seeking profit enhancing opportunities through the application of new technologies. The research and development activities aim to provide continuous and proactive improvements in processes and products. Research is focused on improving the quality and range of products offered as well as making more efficient use of resources in production, in terms of both cost and environmental factors. Expenditure on research and development during 2007 was €8.9 million (2006: €6.8 million).

Employees

Mondi is committed to the development and well-being of its employees.

The Group's health and safety policies and standards are fundamental to this commitment. Mondi's goal is to achieve 'zero-harm' to its employees and contractors in the operation of its business and the Group undertakes significant initiatives on a continuing basis to achieve further improvements in safety performance and occupational health.

Mondi also places a strong emphasis on the training and development of employees and on employee communication and involvement. Following the demerger from Anglo American plc, reviews were conducted of the Group's organisation structure and talent management processes to maximise effectiveness and efficiency.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and through a range of other internal communication channels, including publications and electronic communication. Employee representatives are consulted regularly on the range of matters affecting their current and future interests. In the UK, the Group operates a Share Incentive Plan, described on page 48, and intends to launch a Sharesave plan in 2008.

The main focus of the Group's diversity initiatives is in South Africa. Mondi is committed to meeting the requirements of the Broad-Based Black Economic Empowerment (BBBEE) Act's charter and has taken active steps to this end.

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes 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.

Directors' report

continued

Policy and practice on payment to creditors

Mondi applies a policy of agreeing the payment terms as part of the commercial arrangements negotiated with suppliers. Once agreed, Mondi aims to pay in accordance with these payment terms.

The Group had 60.7 days' purchases outstanding at 31 December 2007 (64.4 days at 31 December 2006) based on the average daily amount invoiced by suppliers.

Going concern

The directors are confident, after having made appropriate enquiries, that Mondi Limited, Mondi plc and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Management believes that its current credit facilities provide sufficient working capital to meet the present requirements of its existing businesses and that the gearing ratio is appropriate, given the nature of the Group's activities.

Share capital

Full details of the Group's share capital can be found in note 28 to the financial statements.

Substantial interests

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

Mondi Limited

No notifications received.

Mondi plc

Name	Shares	%
Capital Research and Management Company	19,779,375	5.39
AXA S.A.	19,059,172	5.19
Legal & General Assurance (Pensions Management) Limited	14,725,872	4.00
Tarl Investment Holdings Limited	12,987,806	3.54

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 & Touche LLP (together Deloitte & Touche) 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 7 May 2008.

The reappointment of Deloitte & Touche 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 2007

With the exception of the proposed final dividend for 2007, included in note 9 to the financial statements, there have been no material reportable events since 31 December 2007.

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act 2006 can be found on pages 129 to 131.

Annual general meetings

The annual general meeting of Mondi Limited will be held at 12.00 (SA time) on Wednesday 7 May 2008 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 11.00 (UK time) on Wednesday 7 May 2008 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 at the Group's website: www.mondigroup.com.

By order of the Boards

Philip Laubscher
Company Secretary
Mondi Limited
4th Floor
No.3 Melrose Boulevard
Melrose Arch 2196
Gauteng
Republic of South Africa

Carol Hunt
Company Secretary
Mondi plc
Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG
United Kingdom

27 February 2008

Corporate governance report

Mondi is committed to strong ethical values and professionalism in all its activities. As an essential part of this commitment the boards of Mondi Limited and Mondi plc (together ‘the Boards’) support the highest standards of corporate governance and best practice and are committed to the principles of transparency, integrity and accountability.

Dual listed company structure

Mondi operates under a dual listed company (DLC) structure, which requires compliance with the corporate and accounting regulations of South Africa and the UK. Mondi Limited and Mondi plc (together ‘the Mondi Group’ or ‘Mondi’) have separate corporate identities and separate stock exchange listings. Mondi Limited has a primary listing on the Johannesburg Stock Exchange (JSE), while Mondi plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE. 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, with Mondi Limited and Mondi plc having boards of directors comprised of the same individuals; 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.

Compliance statement

Mondi has complied with the principles contained in the South African King II Code of Corporate Practices and Conduct and Section 1 of the UK Combined Code on Corporate Governance issued by the Financial Reporting Council since 3 July 2007 when Mondi was listed on the JSE and the London Stock Exchange, save that Cyril Ramaphosa, the joint chairman, was not considered to be independent upon appointment, as explained below.

Boards of directors

Pursuant to the DLC structure under which Mondi operates, the Boards are identical. The Boards manage Mondi as if it were a single unified economic enterprise and, in addition to their duties to the company concerned, have regard to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc in the management of the Mondi Group.

As at 31 December 2007 there were eight directors: the joint chairmen, two executive directors and four independent non-executive directors. An additional executive director, Peter Oswald, chief executive officer of the newly created Europe & International division, was appointed on 1 January 2008. This provides a good balance between executive and non-executive directors, with three executives and four independent non-executives (excluding the joint chairmen), resulting in a strong mix of skills and experience, particularly in South Africa and Europe, relevant for Mondi as a newly listed enterprise.

On appointment each non-executive director receives a letter of appointment 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 after which, whilst not automatic, their appointment may be extended for a second term subject to mutual agreement and shareholder approval.

The directors holding office as at 31 December 2007 are listed below, together with their attendance at board meetings of Mondi Limited and Mondi plc held during the period from listing to the end of the financial period. Those in office as at the date of this report, together with their biographical details, can be found on pages 28 to 30.

Directors	Mondi Limited board (3 meetings)	Mondi plc board (5 meetings)
Sir John Parker	3	5
Cyril Ramaphosa	3	5
David Hathorn	3	5
Paul Hollingworth	3	5
Colin Matthews*	2	4
Imogen Mkhize	3	5
Anne Quinn	3	5
David Williams	3	5

* Colin Matthews was unable to attend the meetings held on 27 July 2007. At that time, he was chief executive of Severn Trent plc and his commitments in dealing with the effects of the severe flooding in the UK in July prevented his attendance at the meetings.

Corporate governance report

continued

In line with the DLC structure, certain of the Board meetings are combined DLC Mondi Limited and Mondi plc meetings. Six have been scheduled during 2008. In addition, each company holds additional meetings to cover any specific local requirements. All Board meetings are convened by formal notice, incorporating a detailed agenda.

The Boards have collective responsibility for providing entrepreneurial leadership and for the development of a long-term strategy for the Group. In addition, each of the Boards has a schedule of matters reserved to them which enable them to ensure that effective controls and risk management procedures are in place to protect the Group's assets and to ensure that the Group operates within a framework of robust corporate governance and ethical behaviour. The Boards also oversee major capital expenditure, acquisitions and disposals, as well as monitoring financial reporting and controls, shareholder matters and the implementation of Group policies including the code of business ethics and the share dealing code. A copy of the full schedule of matters reserved for the Boards is available on the Mondi Group website at www.mondigroup.com. The Boards have delegated certain specific duties to committees as detailed below.

Between Board meetings, to enable the directors to fulfil their duties, additional relevant information is provided to them via hard copy, e-mail and telephone, as appropriate.

One meeting per year has been scheduled for the joint chairmen and non-executive directors to meet without executive management present.

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.

Throughout the period to 31 December 2007 Mondi maintained directors' and officers' insurance.

Joint chairmen and chief executive officer

Mondi has joint chairmen, Sir John Parker and Cyril Ramaphosa, with the chief executive officer role held separately by David Hathorn. The division of responsibilities between the joint chairmen and the chief executive officer has been clearly defined and approved by the Boards.

The principal responsibilities of the joint chairmen include to:

- lead the Boards, ensuring their effectiveness and setting their agenda;
- ensure high standards of corporate governance;
- ensure that the Boards set a clear and appropriate strategy for the Group; and
- ensure effective communication with shareholders and other stakeholders.

The principal responsibilities of the chief executive officer include to:

- lead the business;
- chair the DLC executive committee and lead the management team;
- ensure that the Group has effective processes and controls; and
- ensure that the Boards receive accurate, timely and clear information about the Group's performance.

The joint chairmen and chief executive officer work together to ensure that there is effective coordination of their roles and responsibilities. In particular, they work closely together on matters such as the relationships with major shareholders, government, analysts, media and other external relationships at a senior level and on major acquisitions and disposals.

David Hathorn, chief executive officer, does not hold any directorships external to Mondi. The main positions held by Sir John Parker and Cyril Ramaphosa outside the Mondi Group are detailed in their biographies set out on page 28.

Whilst Sir John Parker was independent upon appointment, Cyril Ramaphosa was not considered independent upon appointment in view of his existing connection with Mondi as chairman of the Shanduka Group, which has shareholdings in Mondi Shanduka Newsprint (Proprietary) Limited and Mondi Packaging South Africa (Proprietary) Limited (see page 115). Notwithstanding this, Mondi benefits greatly from his considerable knowledge and experience, particularly of the South African business environment, and the Boards firmly believe that this justifies his appointment.

Since his appointment to the Boards Sir John Parker has taken on a non-executive directorship at European Aeronautic Defence and Space Company EADS N.V. (EADS). This was reported to the Boards which considered that the additional commitment would not affect Sir John Parker's availability to perform his duties as Mondi's joint chairman.

Senior independent director

David Williams is the senior independent director. His responsibilities include chairing meetings of the non-executive directors at which the performance of the joint chairmen is considered. He is also available to shareholders should they have any concerns that contact through other channels has failed to resolve or for which such contact may be inappropriate.

Company secretaries

Philip Laubscher is the company secretary of Mondi Limited and Carol Hunt is the company secretary of Mondi plc. The appointment and removal of the company secretaries is a matter for the Boards. All directors have access to the advice and services of the company secretaries. The company secretaries are responsible for ensuring that the correct board procedures are followed and that the Boards are advised of all relevant corporate governance and regulatory matters, including the provision of advice on the performance of directors' duties.

Under the direction of the joint chairmen, the company secretaries manage the prompt provision of information and documentation, in particular meeting papers, to the Boards, allowing them sufficient time to prepare fully for any Board or committee meetings.

Induction and professional development

In the lead up to the demerger of the Mondi Group from Anglo American plc on 2 July 2007 and the listing of Mondi Limited and Mondi plc on 3 July 2007, the individuals who had indicated their agreement to join the Boards met informally on several occasions and received presentations from management regarding the business and products of the Group together with its operation and structure. In addition, key issues such as sustainable development were discussed. Site visits were arranged and these have continued where the opportunity has arisen in conjunction with board meetings. Where possible, opportunities to introduce the Boards to personnel below senior executive level are taken, utilising site visits, meetings and board presentations.

A formal induction programme has been devised for future board appointments. This includes meetings with divisional business unit chief executives and other members of the DLC executive committee, site visits and meetings with key advisers. In addition, a briefing from one of the company secretaries will be provided on the DLC structure and its implications for the Boards, as well as the corporate governance issues in South Africa and the UK affecting the Group.

Continuing professional development is provided to directors to meet their individual needs. As required, updates are provided on relevant topics including corporate governance, legislative and financial matters. Directors are also made aware of relevant external training courses and workshops which may support their position on the Boards or on a committee. The directors are briefed on changes in regulation and governance with particular emphasis on matters relating to their role and responsibilities. Certain non-executive directors have taken up the opportunity to attend external training courses.

It is recognised that executive directors can gain valuable experience through serving as non-executive directors on the boards of other companies. A policy is in place requiring the executive directors to seek the approval of the Boards on the appropriateness of any proposed appointment and also to ensure that the number of any such commitments is contained, so that an appropriate balance is maintained.

Performance evaluation

Whilst it was recognised that it was still early in the development of the Boards and committees, it was considered a worthwhile process for the Boards to test, at the end of 2007, whether there were any particular areas that required adjustment or focus going forward. It was agreed that, for this initial period as an independent listed Group, an internally facilitated performance evaluation of the Boards, principal committees and individual directors was most appropriate. The evaluations were led by the joint chairmen and supported by the company secretaries and comprised a questionnaire completed by each director regarding various aspects of the performance of the Boards and further questionnaires completed by each member of the principal DLC committees relating to the activities of each committee. In addition, the joint chairmen interviewed each director on a one-to-one basis, Sir John Parker interviewing those directors based in the UK and Cyril Ramaphosa interviewing those based in South Africa.

The results of the questionnaires and interviews were very positive. The Boards were considered to be operating well, with non-executive board members investing appropriate time to develop a good understanding of the Group's businesses and structure and the industry sector. It was agreed that during the initial period following listing it was particularly important for the Boards to keep abreast of investor views about the Group and that detailed discussion of key projects would remain critical. Changes to the composition of the DLC nominations committee were agreed following comments received at the one-to-one interviews, resulting in the two independent non-executive directors who had not previously served on the committee being appointed as members on 17 January 2008.

The performance of the joint chairmen was reviewed at a meeting of the non-executive directors held in February 2008. It was concluded that the leadership and combined business knowledge of the joint chairmen served Mondi well at this stage in its development as an independent organisation.

Board 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. Copies of the terms of reference can be found on the Mondi Group website at www.mondigroup.com. Each committee is empowered, through its terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of its duties.

Whilst only committee members are entitled to attend committee meetings, the chairmen of each committee can invite, as they consider appropriate, management and advisers to meetings to assist the committees in carrying out their duties. To ensure that the Boards as a whole have an understanding of any key issues under consideration by a committee, each committee chairman provides a report to the Boards following each committee meeting.

The company secretaries of Mondi Limited and Mondi plc each act as secretary to each of the DLC committees dependent upon their availability and the location of the meetings.

The membership of each of the DLC committees, together with the attendance at committee meetings held in the period since the committees were established by the Boards in May 2007, is detailed below.

Membership of each committee is kept under review and, in particular, will be considered when each committee undertakes its annual evaluation, as demonstrated by the recent change to the composition of the DLC nominations committee. Each committee reviews its terms of reference on an annual basis and these are available at the Mondi Group website: www.mondigroup.com.

Corporate governance report

continued

DLC audit committee

Members	DLC audit committee (2 meetings)
Colin Matthews	1
Anne Quinn	2
David Williams (Chairman)	2

The DLC audit committee operates on a Group-wide basis. The committee met twice during the period and has four meetings scheduled for 2008. The Group heads of internal audit and representatives from the external auditors, Deloitte & Touche and Deloitte & Touche LLP, are regularly in attendance at meetings. The committee has responsibility, among other things, for monitoring the integrity of the Group's financial statements and reviewing the results announcements. It oversees the relationship with the external auditors, reviews the effectiveness of the external audit process as well as the objectivity and independence of the external auditors and has established the principles for the use of the external auditors for non-audit services. It also has responsibility for reviewing the effectiveness of the Group's system of internal controls and risk management systems. Time has been scheduled at one meeting each year for the committee to meet separately with the internal and external auditors without executive management present.

A policy on the provision of non-audit services provided by the auditors of Mondi Limited and of Mondi plc to the Group sets out the procedures for the pre-approval of such services. Reports are presented to the committee at each meeting detailing any non-audit services approved since the previous meeting, to enable the committee to keep under review the provision of these services to ensure that they do not impair the external auditors' independence and objectivity. The provision of certain non-audit services, including financial information systems design, internal audit outsourcing and actuarial valuation services, is prohibited.

The Boards consider that David Williams, who is a chartered accountant and was finance director of Bunzl plc until his recent retirement, has recent and relevant financial experience. In addition, each of the members of the DLC audit committee has appropriate knowledge and understanding of financial issues.

The committee has discharged its responsibilities as set out in its terms of reference to the extent appropriate during the period and specific matters reviewed by the committee included:

- the approval and implementation of a policy for the provision of non-audit services by the external auditors;
- the approval and implementation of a policy restricting the recruitment of former external audit staff;
- a review of the Mondi Group half-year results and also the year end results and annual report, including reports from the Group controller and the external auditors on the results;
- the review and approval of the external audit plan and proposed fees for the 2007 year end;

- a review of non-audit services approved during the period; and
- status reports from the Group heads of internal audit which included a review of the internal audit charter, audits carried out and the results thereof, the programme for 2008, reports received via Speak-Up (the Group's whistleblowing facility) and fraud.

The DLC audit committee has concluded that, based on the foregoing, it is satisfied that auditor independence and objectivity have been maintained.

DLC nominations committee

Members	DLC nominations committee (2 meetings)
Sir John Parker (Chairman)	2
Cyril Ramaphosa	2
Anne Quinn	2
David Williams	2

Colin Matthews and Imogen Mkhize, both independent non-executive directors, were appointed as additional members of the DLC nominations committee on 17 January 2008.

The DLC nominations committee operates on a Group-wide basis. The committee meets periodically as required but at least annually and met twice during the period to the end of December 2007. The chief executive officer is usually invited to attend meetings of the committee, as is the Group human resources and legal director, both of whom provide information to support the work of the committee.

The committee is responsible for making recommendations to the Boards on the composition of each board and the committees and on retirements and appointments of additional and replacement directors. Whilst one of the joint chairmen chairs this committee, he is not permitted to chair meetings during discussions regarding his performance or when the appointment of a successor is being discussed.

During the period the committee considered, in particular, changes to the DLC executive committee and executive representation on the Boards following completion of the Mondi organisational review. This resulted in the recommendation to, and acceptance by, the Boards of the appointment of Peter Machacek to the DLC executive committee in November 2007 and the appointment of Peter Oswald as an executive director of the Boards in January 2008. There were no proposed appointments of additional non-executive directors during the period. A formal process for the consideration of new directors has been agreed by the committee and will be implemented going forward. The process includes, where appropriate, the involvement of external search agencies.

In addition, the committee considered and recommended to the Boards an internal evaluation process, the results of which were presented to, and discussed by, the committee at its meeting in January 2008 following which recommendations were made to, and accepted by, the Boards.

At its meeting in January 2008 the committee also reviewed succession plans for the senior executive roles, which followed a detailed talent review by the Group. The committee also considered the election of the directors at the annual general meetings of Mondi Limited and Mondi plc, although as each director was newly appointed at the time of the demerger of Mondi from Anglo American plc, all the directors will be standing for election by the shareholders on the occasion of the annual general meetings to be held in May 2008.

DLC remuneration committee

Members	DLC remuneration committee (4 meetings)
Colin Matthews	3
Imogen Mkhize	4
Anne Quinn (Chairman)	4
David Williams	4

The DLC remuneration committee operates on a Group-wide basis. The committee met four times during the period and plans to meet three times in 2008.

The committee has responsibility for making recommendations to each board on the Group's policy on remuneration of senior management, for the determination, within agreed terms of reference, of the remuneration of the joint chairmen and of specific remuneration packages for each of the executive directors and members of senior management, including pension rights and any compensation payments. In addition, the committee is responsible for the implementation of employee share plans.

The committee's full report on directors' remuneration is set out on pages 46 to 50.

DLC sustainable development committee

Members	DLC sustainable development committee (3 meetings)
Sir John Parker	3
David Hathorn	3
Colin Matthews (Chairman)	3

The DLC sustainable development committee operates on a Group-wide basis. The committee met three times during the period and plans to meet six times in 2008. The committee has responsibility for overseeing the Group's policy, targets and performance on safety, health, the environment, social responsibility, other sustainable development matters and business ethics.

During the period the committee reviewed the Group's key sustainable development policies, received detailed reports of major incidents within the Group and monitored the senior management's response to such incidents.

The report from the directors on the Group's sustainable development practices is set out on pages 32 to 35 and further details, including the full sustainability report, can be found at the Mondi Group website: www.mondigroup.com.

DLC executive committee

The DLC executive committee operates on a Group-wide basis. The members of the executive committee are detailed on pages 30 and 31. The committee is chaired by David Hathorn and met seven times during the period, with nine meetings scheduled for 2008.

The DLC executive committee is responsible for the day-to-day management of the Group and its business operations within the limits set by the Boards, together with policy implementation in line with the Group's strategy agreed by the Boards.

Risk management and internal control

The DLC executive committee, mandated by the Boards, has established a Group-wide system of internal control to manage Group risks. This 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.

Internal control

The system of internal control, embedded in all key operations, provides 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. In addition, certain Board committees focus on specific risks, such as safety, and provide relevant assurance to the Boards.

The finance heads of the business units provide six-monthly confirmation that financial and accounting control frameworks have operated satisfactorily. The Boards also receive assurance from the DLC audit committee, which derives its information in part from regular internal and external audit reports of the Group's risk and internal controls.

The Group's internal audit function formally collaborates with the external auditors to ensure efficient coverage of internal controls and is responsible for providing independent assurance to the DLC executive committee and Boards on the effectiveness of the Group's risk management process.

Key elements of the Group's system of internal control are:

- a clearly-defined organisation structure with established responsibilities;
- a simple and focused business strategy, restricting potential risk exposure;
- Group financial, business conduct, operating and administrative policies and procedures which incorporate statements of required behaviour;
- a continuous review of operating performance;

Corporate governance report

continued

- a comprehensive reporting system, including monthly results, annual budgets, and periodic forecasts, monitored by the Boards;
- approval by the Boards of all major investments, with proposals being subject to rigorous strategic and commercial examination;
- a centrally coordinated internal audit programme, using internal and external resources to support the Boards in ensuring a sound control environment;
- completion by business unit management of an annual internal control assessment, confirming compliance with Group policies and procedures, detailing controls in operation and listing any weaknesses;
- assurance activities covering the key business risks summarised and reported annually to the Boards, the DLC audit committee or, where appropriate, the DLC sustainable development committee; and
- annual risk-profiling by local businesses to identify, monitor and manage significant risks, with the results discussed at business review and internal control, audit and risk meetings.

Risk management

The Board's risk management policy encompasses all significant financial, operational and compliance-related risks which could undermine the Group's ability to achieve its business objectives.

Mondi's dynamic risk management system has the commitment of the Group's senior management and is designed so that different businesses can tailor their processes to the specific circumstances. Clear accountability for risk management is a key performance criterion for the Group's line managers, who are provided with appropriate support through Group policies and procedures. The requisite risk and control capability is assured through Board challenge and appropriate management selection and skills development. Continuous monitoring of risk and control processes across all key risk areas provides the basis for regular reports to management, the DLC executive committee and the Boards.

The risk assessment and reporting criteria provide the Boards with a Group-wide perspective on the key risks identified by the operating units. Reports to the Boards include an assessment of the likelihood and potential impact of risks, as well as any risk-mitigation initiatives undertaken.

In conducting its annual review of the effectiveness of risk management, the Boards consider key findings from ongoing monitoring and reporting processes, management assurances and independent assurance reports. The Boards also take account of material changes and trends in the risk profile and consider whether the control system, including reporting, adequately supports each of the Boards in achieving their risk management objectives.

Principal risks and uncertainties

It is in the nature of our business that Mondi is exposed to risks and uncertainties which may have an impact on future performance and financial results, as well as upon our ability to meet certain social and environmental objectives. The Group believes that it has effective systems and controls in place to manage the key risks identified below.

Mondi operates in a highly competitive environment

The markets for paper and packaging products are highly competitive, with many participants and prices determined by market conditions including industry operating capacities and exchange rates. Prices of Mondi's key paper grades have experienced substantial fluctuations in the past; however, Mondi is flexible and responsive to changing market and operating conditions and the Group's significant exposure to low cost emerging markets provides some measure of protection from market conditions.

Raw material costs are subject to significant fluctuations

Materials, energy and consumables used by Mondi include significant amounts of wood, pulp, recovered paper, packaging papers and chemicals. Increases in the costs of any of these raw materials, or any difficulties in procuring wood in certain countries, could have an adverse effect on Mondi's business, operational performance or financial condition. However, given Mondi's relatively high level of integration and access to its own fibre in Russia and South Africa, this acts to help mitigate this risk.

Significant capital investments including acquisitions carry project risk

Mondi has announced two significant capital investments to expand and upgrade existing facilities in Poland and Russia respectively, as well as completed several acquisitions during 2007. These projects and the integration of acquisitions carry risks and Mondi has put in place dedicated teams to ensure delivery of the projects on time and within budget as well as dedicated personnel to assist with the integration of acquisitions. Furthermore, several of the large capital components have already been ordered at committed prices.

Accountability and audit

The Boards are required to present a balanced and understandable assessment of the Group's financial position and prospects, which are provided in the joint chairmen's and chief executive officer's statements and in the Group operations and financial review set out on pages 6 to 27 of this annual report. The responsibilities of the directors and external auditors are set out on pages 51 to 53.

Whistleblowing programme

The Group has maintained a whistleblowing programme in almost all operations following the demerger from Anglo American plc. The programme, monitored by the DLC audit committee, enables employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns about conduct which is considered to be contrary to our values. It makes communication channels available to any person in the world who has information about unethical practice in the Group's operations.

During 2007 reports were received via the global programme facility covering a number of areas. Reports were kept strictly confidential and referred to appropriate line managers for resolution.

Communication with shareholders

The Boards consider communication with shareholders, whether institutional, private or employee, to be extremely important. A variety of communication mechanisms are used, with the Mondi Group website, www.mondigroup.com, providing a range of financial and business information about the Group, including an archive of past announcements and share price information, as well as the Group's sustainable development policies.

The DLC structure requires Mondi to comply with the disclosure obligations forming part of the Listings Requirements of the JSE Limited and the Disclosure and Transparency Rules and Listing Rules of the UK Listing Authority. The Boards ensure that procedures are in place to ensure compliance and have agreed to apply on each issue whichever is the higher standard of governance and regulation between South Africa and the UK.

The chief executive officer and chief financial officer have a programme of regular dialogue with institutional shareholders, analysts and fund managers. During the period this included site visits to help increase the knowledge and understanding of the Group. Summaries of the feedback from these discussions and meetings were presented to the Boards, which helps them to gain an understanding of the views and opinions of those interested in the Group. In addition, the Boards are supported by the Group head of communications. All contact with investors and other interested parties 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.

Responses are given to letters and emails received from shareholders and other interested parties on a variety of subjects. For those shareholders wishing to receive communications from the Group via electronic means, facilities are available for this, including for the submission of proxy votes for general meetings. The annual general meetings provide opportunities for shareholders to question the directors directly regarding the Group's activities and prospects.

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. 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.

All dealings by directors and persons discharging managerial responsibilities and their connected persons are announced to the JSE and London Stock Exchange when they occur. The remuneration report on pages 46 to 50 contains details of the directors' interests in the shares of both Mondi Limited and Mondi plc.

Business ethics

The Boards have adopted a Code of Business Ethics, which applies throughout the Group and sets clear principles for the conduct of the Group's business activities. 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 against the code. The code is available at the Group's website: www.mondigroup.com.

Annual general meetings

The annual general meetings of Mondi Limited and Mondi plc will be held on 7 May 2008 in Johannesburg and London respectively and will provide an opportunity for shareholders to ask questions of the directors and chairmen of each Board committee about Mondi's activities and prospects. All directors and, in particular, the chairmen of the principal Board committees are expected to be present.

Separate resolutions will be proposed for each substantially separate item of business for consideration at the annual general meetings. All resolutions at the meetings will be voted on by taking polls, with indicative results advised to the meeting and the verified results announced as soon as practicable after the meeting. The proxy voting results will also be available at the Mondi Group website: www.mondigroup.com.

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

Remuneration report

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

- the tables of executive directors' and non-executive directors' remuneration and associated footnotes on page 49;
- the table of pension contributions in respect of executive directors on page 49; and
- the table of share awards granted to executive directors and associated footnotes on page 50.

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 when the Committee was established in May 2007. A copy of the terms of reference is available on the Group's website, www.mondigroup.com. The primary purposes of the Committee are set out in its terms of reference and 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.

The members of the Committee throughout the period since it was established have been Anne Quinn (chairman of the Committee), Colin Matthews, Imogen Mkhize and David Williams, all of whom are independent non-executive directors. Carol Hunt and Philip Laubscher act as secretary to the Committee.

The Group human resources and legal director, Mervyn Walker, and the Group head of reward, Paul Wessels, provide advice on remuneration policies and practices and are usually invited to attend meetings of the Committee, along with the joint chairmen and the chief executive officer.

No director or other attendee is present for any discussion regarding his or her own remuneration.

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

In the year to 31 December 2007, the following advisers provided services to the Committee:

- Deloitte & Touche LLP – provision of remuneration policy advice. Deloitte and Touche LLP, together with Deloitte & Touche, are also the Group's auditors.
- Linklaters LLP – provision of legal advice.

Remuneration policy

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

Remuneration policy is framed around the following key principles:

- remuneration packages should be set at levels that are competitive in the relevant market;

- a significant proportion of the remuneration of executive directors and other senior executives 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
- performance targets should be stretching and aligned with shareholders' interests and the Group's business strategy.

Executive directors' remuneration

The executive directors who served during the period under review were David Hathorn and Paul Hollingworth. Peter Oswald was appointed an executive director with effect from 1 January 2008.

Remuneration packages for executive directors comprise the following elements:

- salary;
- participation in the Bonus Share Plan, which provides for an annual bonus payable half in cash and half in deferred shares;
- participation in the Long-Term Incentive Plan;
- pension contributions; and
- car or car allowance and non-cash benefits.

Salary

Salaries are reviewed annually, normally with effect from 1 January, and are targeted broadly at the median position in the relevant market. The Committee has regard principally to companies in the UK market which have a similar size, complexity and international scope to the Group, but also has regard to international peers of the Group in the paper and packaging sector.

The Committee also takes into account business performance, salary practices prevailing for other managers in the Group and, when setting individual salaries, the individual's performance and experience in the role.

Remuneration figures for all executive and non-executive directors are given in euros in this report. With the exception of Peter Oswald, whose remuneration is set and paid in euros, the remuneration of all directors is denominated in pounds sterling.

Bonus Share Plan

Both Mondi Limited and Mondi plc operate Bonus Share Plans (together 'the BSP'). The BSP is the annual bonus plan operated by the Group for executive directors and other senior executives. Under the BSP, bonuses are awarded against achievement of corporate and individual targets. Half the bonus awarded is paid immediately in cash and half is paid in deferred shares which vest after three years subject to the executive remaining in the Group's service.

The maximum bonus eligibility of the executive directors is currently 150% of salary in the case of David Hathorn and 120% of salary in the case of Paul Hollingworth and Peter Oswald.

For 2007, the bonus for executive directors was based 70% on corporate financial and safety performance targets and 30% on personal performance targets. The corporate financial performance targets related equally to earnings before interest and tax (EBIT) and return on capital employed (ROCE).

The outcome for 2007 was that 64% was achieved in relation to the corporate performance targets. The corporate financial targets were achieved in full but a deduction was applied in relation to safety because, although the Group's Lost-Time Injury Frequency Rate (LTIFR) target was achieved, the Group regrettably and unacceptably suffered three fatalities to contractors engaged in its operations.

For 2008, the structure of the performance targets for executive directors will be based 80% on a combination of Group financial performance, measured by earnings per share (EPS), and Group safety performance and 20% on personal performance targets.

Long-Term Incentive Plan

Both Mondi Limited and Mondi plc operate Long-Term Incentive Plans (together 'the LTIP'). Executive directors and other senior executives are eligible to participate in the LTIP, under which awards are made of conditional shares which vest after three years, subject to the achievement of demanding performance conditions and to continued service.

For the LTIP awards made in 2007, the performance conditions are based in equal thirds on Total Shareholder Return (TSR), EPS growth and return on capital employed (ROCE), over a performance period ending on 31 December 2009. The Committee believes that this combination of targets 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 the following group of international competitor companies:

Billerud	Norske Skog
Constantia Packaging	Portucel
David S Smith	Sappi
Holmen	SCA
International Paper	Smurfit Kappa
Mayr-Melnhof	Stora Enso
MeadWestvaco	UPM
M-Real	Weyerhaeuser

If the Group's TSR is below the median when ranked against the comparator group, the element of the award attributable to TSR will lapse in full. For TSR at the median, 25% of the one-third of the award attributable to TSR will vest, with a straight line progression to the upper quartile, at which point the one-third of the award attributable to TSR will vest in full.

The one-third of the award attributable to EPS growth will lapse in full unless compound annual EPS growth is at least 7%, at which point 30% of the one-third will vest. There will be a straight line progression to compound annual EPS growth of 13%, at which level the one-third of the award attributable to EPS growth will vest in full.

The one-third of the award attributable to ROCE will lapse in full if ROCE is below 10%, at which point 30% of the one-third will vest. There will be a straight line progression to ROCE of 13%, at which level the one-third of the award attributable to ROCE will vest in full.

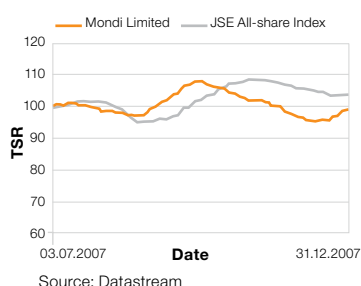
The Committee retains discretion to vary the performance conditions applicable to the awards, if it concludes that events have occurred which would make such a variation necessary or desirable or would make the amended performance conditions a fairer measure of performance.

No re-testing of performance is permitted for any element of the awards that does not vest at the end of the performance period and all such elements lapse.

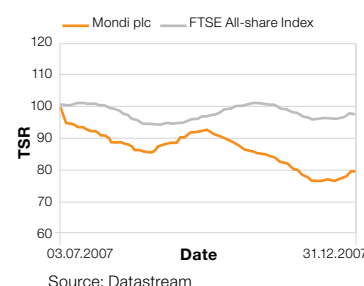
The maximum value of annual award that can be made to any LTIP participant is two times salary. For 2007, the award made to David Hathorn was 175% of salary and the award made to Paul Hollingworth was 120% of salary. It is currently intended to continue to make annual awards at these levels to David and Paul and to make annual awards to Peter Oswald at a value of 120% of salary.

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 3 July 2007 and 31 December 2007, those indices having been chosen because they are broad equity market indices of which Mondi Limited and Mondi plc respectively are members:

TSR graph of Mondi Limited and JSE All-Share Index



TSR graph of Mondi plc and FTSE All-Share Index



Pension contributions

The executive directors are eligible to participate in defined contribution pension arrangements and to payment by the Group of a pension contribution of 30% of salary, in the case of David Hathorn, and 25% of salary, in the case of Paul Hollingworth and Peter Oswald, or to receive a cash alternative of equivalent cost to the Group. No element of remuneration is pensionable other than basic salary.

Car allowance and non-cash benefits

The executive directors are entitled to receive a car allowance (in the case of David Hathorn and Paul Hollingworth), or to have a fully expensed car provided (in the case of Peter Oswald). The executive directors also benefit from private health insurance, death in service cover and a limited amount of personal tax and financial planning advice. In addition, David Hathorn is a member of the Anglo American Medical Plan in South Africa, in which the Group's South African employees participate on a continuing basis.

The Group has also taken out permanent health insurance cover in relation to the executive directors and certain other senior executives.

One-off share awards

In addition to the BSP and LTIP, which are schemes that the Group intends to operate on a continuing basis, there are three types of one-off share awards which have been granted to the executive directors who served during the period under review. Details of these awards, which arose from the specific circumstances of the Group's demerger from Anglo American plc and which are not intended to form a continuing part of remuneration policy, are set out below.

Co-Investment Plan

David Hathorn participates in a Co-Investment Plan ('the Plan'), pursuant to which he made an investment of £1,000,000 from his own funds in Mondi plc shares ('the investment shares') in August 2007. Under the terms of the Plan, provided he retains his investment shares and remains in the Group's employment, he is entitled to receive matching Mondi plc shares based on achievement against a performance condition measured over a four year period from July 2007.

The performance condition will measure the Group's TSR relative to the group of 16 international competitors listed above. For performance up to the median, David will be eligible to receive a match of 50% of the number of investment shares. For performance at the upper quintile or above, he will be eligible to receive a match of 250% of the number of investment shares, with a straight line progression applying for performance between the median and the upper quintile.

Remuneration report

continued

Transitional share award

David Hathorn received an award of 152,017 Mondi plc shares in August 2007, which will vest, subject to remaining in the Group's service, in early 2009. The shares were awarded to replace the value of the portion of subsisting share awards lost as a result of leaving the employment of the Anglo American group.

Retention share award

Following the Group's demerger from Anglo American plc, Paul Hollingworth received a retention award pursuant to a commitment made in 2006 after he joined the Group. The retention award comprised a cash bonus of 50% of salary and an award of 126,078 Mondi plc shares in August 2007. The shares awarded will vest in equal tranches in July 2008 and July 2009, subject to continued service with the Group.

Discretionary Share Option Plan

In addition to the BSP and LTIP, Mondi Limited and Mondi plc have both adopted Discretionary Share Option Plans. There is, however, no current intention to make grants under these plans.

All-employee share plans

The Group currently operates one all-employee share plan in the United Kingdom:

Share Incentive Plan (SIP)

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £125 per month are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc. 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.

The Group also intends to launch an HM Revenue & Customs approved Sharesave plan in the UK during 2008.

Origin of shares to satisfy share awards

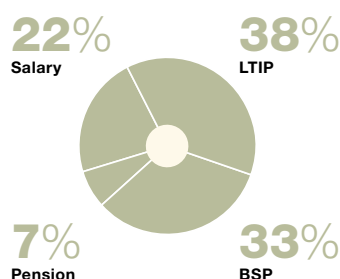
The Group's current policy is to purchase market shares through employee benefit trust arrangements to satisfy share awards.

In the event that newly issued shares are used to satisfy awards the Group intends to comply with ABI guidelines regarding the issue of new shares.

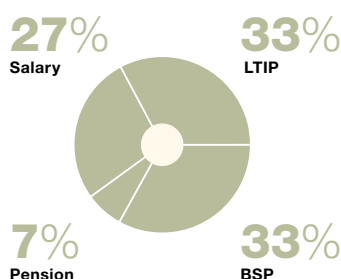
Split of executive directors' remuneration

The split of executive directors' remuneration between salary and other fixed remuneration, short-term variable remuneration and long-term variable remuneration is as follows:

CEO maximum values



Executive director maximum values



- (i) The above charts are based, in the case of variable remuneration, on the maximum value of awards.
 (ii) The charts include the effect of the BSP and LTIP, which are continuing elements of remuneration, but not the one-off share awards described above.
 (iii) BSP awards are paid half in cash and half in deferred shares, as described above.

Executive directors' service contracts

David Hathorn and Paul Hollingworth are both employed under service contracts with both Mondi Limited and Mondi plc.

The Group's policy is that executive directors' service contracts should provide for one year's notice by either party, except where a longer notice period is appropriate as a transitional measure, in which case the notice period would reduce automatically to one year within a reasonable period of time.

The service contracts for David Hathorn and Paul Hollingworth provide for one year's notice by either party, provided that, in the case of David Hathorn, the Group may not serve notice to expire earlier than two years after the Group's admission to Listing on 3 July 2007. The Committee regards the arrangement with David Hathorn as being appropriate to ensure continuity during the period after the Group's demerger from Anglo American plc.

Details of the service contracts of the executive directors who served during the period under review are as follows:

Executive director	Effective date of contract	Unexpired term/notice period
David Hathorn	3 July 2007	Terminable on 12 months' notice provided that the Group may not give notice to expire before 3 July 2009
Paul Hollingworth	3 July 2007	Terminable on 12 months' notice

In the event of early termination of service contracts, the Group's policy is to act fairly in all the circumstances. The duty to mitigate would be taken into account and the Group would have due regard to the requirements of legislation, regulation and good governance.

The service contracts for David Hathorn and Paul Hollingworth contain pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise salary, car allowance and pension contributions for the notice period, along with a cash sum in lieu of bonus for that part of the financial year worked by the executive director prior to the termination of his employment.

Non-executive directors' remuneration

The remuneration of the joint chairmen is determined by the Committee and the remuneration of the other non-executive directors is determined by the joint chairmen and the executive directors.

The remuneration of the joint chairmen comprises a core fee of €382,353 (£260,000) per annum, plus supplemental fees reflecting their additional commitments, subject to a cap of €588,235 (£400,000) per annum per chairman. The supplemental fees are as follows: €22,059 (£15,000) per meeting for each board meeting attended outside their country of residence; €22,059 (£15,000) per annum for chairing a board committee; €4,412 (£3,000) per meeting for each board committee attended (other than as chairman of the committee); and a fee of €7,353 (£5,000) per day for any additional duties performed at the request of the Boards.

The other non-executive directors receive an annual fee of €58,824 (£40,000), along with an attendance fee of €7,353 (£5,000) for each board meeting held outside their country of residence and €2,206 (£1,500) for each day on which they attend board meetings in their country of residence. In addition, the senior independent director and DLC audit committee chairman receives an annual fee of €22,509 (£15,000) and the chairmen of the DLC remuneration and DLC sustainable development committees each receive an annual fee of €11,765 (£8,000).

In the period between 1 August 2006 and their appointment as directors in May 2007, Sir John Parker and David Williams acted as consultants to Mondi Investments Limited (then called Anglo Mondi Investments Limited), in preparation for the Group's demerger from Anglo American plc, and Colin Matthews and Anne Quinn also undertook substantial preparatory work. Sir John Parker received a consultancy fee at a rate of €588,235 (£400,000) per annum in respect of his services during that period and David Williams, Colin Matthews and Anne Quinn each received the sum of €58,824 (£40,000) in respect of the period up to their appointment as directors.

The joint chairmen and the other non-executive directors are appointed jointly by Mondi Limited and Mondi plc. The terms of their appointment

provide for the appointment to be terminable on six months' notice, which cannot expire before the first anniversary of the date of their appointment, with the exception of Sir John Parker, whose appointment is terminable on 12 months' notice until the first anniversary of the date of his appointment and thereafter is terminable on six months' notice.

Cyril Ramaphosa was a director of Mondi Limited throughout the year to December 2007 and was appointed a director of Mondi plc with effect from 16 May 2007. Sir John Parker and the other non-executive directors were appointed to the Mondi plc board with effect from 16 May 2007 and to the Mondi Limited board with effect from 23 May 2007. The directors will all submit themselves for election at the annual general meetings of Mondi Limited and Mondi plc to be held on 7 May 2008.

Remuneration for the year ended 31 December 2007

Executive directors' remuneration

		Base salary	Annual cash bonus	Grant value of BSP share award	Other cash benefits	Other non-cash benefits	Total
David Hathorn	2007	€959,532	€1,375,368 ⁽ⁱⁱ⁾	€735,662	€123,282	€14,799	€3,208,643
	2006	€764,706	€407,206	€407,206	€70,063	€3,208	€1,652,389
Paul Hollingworth ^(vi)	2007	€661,765	€692,206 ⁽ⁱⁱⁱ⁾	€361,324	€27,000	€6,562	€1,748,857
	2006	€353,275	€98,406	€98,406	€14,299	€2,705	€567,091

- (i) The table covers all remuneration in respect of the years ended 31 December 2007 and 31 December 2006, whether received from Mondi Limited, Mondi plc or companies in the Anglo American group, including remuneration in respect of the period prior to listing on 3 July 2007.
- (ii) David Hathorn's salary was increased from €1,066,176 (£725,000) to €1,139,706 (£775,000) per annum with effect from 1 January 2008 and Paul Hollingworth's salary was increased from €661,765 (£450,000) to €735,294 (£500,000) with effect from the same date. Peter Oswald's salary with effect from 1 January 2008 is €800,000 per annum.
- (iii) Includes the cash element of the retention award of €330,882 (£225,000) for Paul Hollingworth and a bonus of €639,706 (£435,000) paid to David Hathorn by Anglo American plc.
- (iv) This table includes remuneration for the full 2007 calendar year. For the period since listing on 3 July 2007, base salary payments were €533,088 (Hathorn) and €330,882 (Hollingworth). Other cash benefits were €16,860 (Hathorn) and €13,500 (Hollingworth) and non-cash benefits were €5,958 (Hathorn) and €3,281 (Hollingworth). On a time apportioned basis, the cash bonuses were €367,831 (Hathorn) and €511,544 (Hollingworth) and the grant value of the BSP share award was €367,831 (Hathorn) and €180,662 (Hollingworth). Total remuneration for this period was therefore €1,291,568 (Hathorn) and €1,039,869 (Hollingworth).
- (v) David Hathorn also benefited from the vesting of shares under Anglo American plc share schemes on the Group's demerger from Anglo American plc.
- (vi) Paul Hollingworth joined Mondi on 6 June 2006.

Non-executive directors' remuneration

	Fees	Other benefits	Total
Sir John Parker	€588,235	–	€588,235
Cyril Ramaphosa	€283,088	–	€283,088
Colin Matthews	€124,265	–	€124,265
Imogen Mkhize	€69,583	–	€69,583
Anne Quinn	€126,471	–	€126,471
David Williams	€135,110	–	€135,110

- (i) Sir John Parker received €368,778 (£250,769) in respect of the period from his appointment to the Boards in May 2007. The balance of €219,457 (£149,231) relates to his services as a consultant to Mondi Investments Limited (formerly Anglo Mondi Investments Limited) during the period from 1 January 2007 up to appointment to the Boards. The fee paid to Sir John was capped at €588,235 (£400,000) in accordance with the arrangements described on page 48.
- (ii) David Williams received €76,400 (£51,952) in respect of the period from his appointment to the Boards in May 2007. The balance of €58,710 (£39,923) relates to his services as a consultant to Mondi Investments Limited (formerly Anglo Mondi Investments Limited) during the period up to his appointment to the Boards.
- (iii) The fees paid to Colin Matthews and Anne Quinn include in each case a sum of €58,824 (£40,000) in respect of their preparatory work during the period up to their appointment to the Boards.

Pension contributions in respect of executive directors

David Hathorn and Paul Hollingworth both participate in defined contribution pension schemes under arrangements established by the Group. The contributions payable by the Group in respect of the years 2007 and 2006 are:

Group contribution	2007	2006
David Hathorn	€287,685	€210,294
Paul Hollingworth	€165,441	€88,235

Directors' beneficial share interests

The beneficial share interests of the directors and their connected persons as at 1 January 2007 or, if later, on appointment, and as at 31 December 2007 were as follows:

Mondi Limited

	Ordinary shares held as at 1 January 2007	Ordinary shares held as at 31 December 2007
David Hathorn	–	1,066

Mondi plc

	Ordinary shares held on appointment to the Boards	Ordinary shares held as at 31 December 2007
Sir John Parker	–	11,750
Cyril Ramaphosa	–	7,050
David Hathorn	–	273,086
Paul Hollingworth	–	100,000
Colin Matthews	–	5,825
Imogen Mkhize	–	–
Anne Quinn	–	9,401
David Williams	–	5,000

There has been no change in the interests of the directors and their connected persons between 31 December 2007 and the date of this report.

Remuneration report

continued

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

No consideration was paid to 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 2007.

Share awards granted to executive directors

The following table sets out the share awards granted to the executive directors under the BSP and LTIP, the transitional share award granted to David Hathorn, the award granted to David Hathorn under his Co-Investment Plan and the retention share award granted to Paul Hollingworth.

Mondi Limited

	Type of award	Awards held as at 1 Jan 2007	Awards granted during year	Award price basis (ZAc)	Date of award	Awards held as at 31 Dec 2007	Release date
David Hathorn	LTIP	–	84,336	6423	Aug 2007	84,336	Mar 2010

Mondi plc

	Type of award	Awards held on appointment to the Boards	Awards granted during year	Award price basis (GBp)	Date of award	Awards held as at 31 Dec 2007	Release date
David Hathorn	BSP	–	59,677	464	Aug 2007	59,677	Mar 2010
	LTIP	–	191,407	464	Aug 2007	191,407	Mar 2010
	Transitional	–	152,017	464	Aug 2007	152,017	Mar 2009
	Co-Investment	–	538,795	464	Aug 2007	538,795	Aug 2011
Paul Hollingworth	BSP	–	14,422	464	Aug 2007	14,422	Mar 2010
	LTIP	–	116,308	464	Aug 2007	116,308	Mar 2010
	Retention	–	63,039	464	Aug 2007	63,039	July 2008
	Retention	–	63,039	464	Aug 2007	63,039	July 2009

(i) Awards under the LTIP and the Co-Investment Plan are subject to the performance conditions described on page 47.

(ii) The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 49.

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE on 31 December 2007 was R64.50 and the range of closing prices during the period between Listing on 3 July 2007 and 31 December 2007 was R58.48 (low) to R70.25 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2007 was £4.25 and the range of closing prices during the period between Listing on 3 July 2007 and 31 December 2007 was £3.67 (low) to £4.90 (high).

This report was approved by the Boards on 27 February 2008 and is signed on their behalf by:

Anne C Quinn

Non-executive director and chairman of the DLC remuneration committee

Independent auditors' report to the members of Mondi plc

We have audited the parent company financial statements of Mondi plc for the period ended 31 December 2007 which comprise the balance sheet and the related notes 1 to 9. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Mondi Group for the year ended 31 December 2007 and on the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the directors' responsibility statement.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the directors' report is consistent with the parent company financial statements. The information given in the directors' report includes that specific information presented in the other sections of the Annual Report that is cross referred from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report [as described in the contents section] and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

27 February 2008

Mondi plc parent company balance sheet

as at 31 December 2007

€ million	Note	2007
Fixed assets		
Investments	5	2,938
Current assets		
Other debtors		16
Cash and cash equivalents		15
		31
Creditors: amounts falling due within one year	6	(986)
Net current liabilities		(955)
Total assets less current liabilities		1,983
Net assets		1,983
Capital and reserves		
Called-up share capital	7/8	103
Profit and loss account	8	1,868
Share-based payments	8	12
		1,983

The balance sheet of Mondi plc and related notes on pages 117 to 120 were approved by the board and authorised for issue on 27 February 2008 and were signed on its behalf by:

David Hathorn
Director

Paul Hollingworth
Director

Notes to the Mondi plc parent company financial statements

1 Accounting policies

Basis of preparation

The financial statements of Mondi plc have been prepared in accordance with UK GAAP and in compliance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

The results, assets and liabilities of Mondi plc are included in the combined and consolidated financial statements of the Mondi Group, which are publicly available. Consequently, Mondi plc has made use of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised), 'Cash flow statements' and has also made use of the exemption from preparing a profit and loss account, as conferred by Section 230 of the Companies Act 1985.

Mondi plc is also exempt under the terms of FRS 8, 'Related Party Disclosures', from disclosing related party balances, and under the terms of FRS 29, 'Financial Instruments: Disclosures', from disclosing financial instruments and risk management disclosures. Financial instruments and risk management disclosures are presented in the combined and consolidated Group financial statements.

Principal accounting policies

Foreign currency

Foreign currency transactions are translated into euros, Mondi plc's functional and presentational currency, at the rates of exchange prevailing on the dates that transactions are entered into. Associated monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Gains and losses arising on foreign currency transactions and balances are recorded in the profit and loss account.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on a timing difference arising from the unremitted earnings of Mondi plc's direct and indirect subsidiaries, where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Distributions

Dividend distributions to the shareholders of Mondi plc are recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the board. Final dividends are accrued when approved by the shareholders at the annual general meeting and interim dividends are accounted for when paid.

Investments

Fixed asset investments are stated at cost, less provision for any diminution in value.

Loans and receivables

Loans and receivables are held 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings classified as liabilities are subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the profit and loss account over the borrowing period using the effective interest rate method.

Share-based payments

Mondi plc operates a number of share-based payment plans for its own staff and staff employed by other Group undertakings. The fair value of an equity instrument granted under such a plan is recorded in the share-based payments reserve incrementally over the contractually-determined vesting period and either recognised as a capital contribution to the employing subsidiaries, where applicable, or within profit or loss.

At each balance sheet date, estimates regarding the future probability of service, and non-market performance, conditions being met are revised on a basis consistent with recent experience. Any resultant revisions of original estimates are recorded as an adjustment to the cost of investments in employing subsidiaries or profit or loss, as appropriate, and the share-based payments reserve.

Employing subsidiaries reimburse Mondi plc for the cost of equity instruments granted. Reimbursement receipts represent a return of capital contributed and are treated as a reduction in the cost of investments in employing subsidiaries.

Treasury shares

The purchase by Mondi plc of its own equity instruments, either directly or via an Employee Share Ownership Plan (ESOP) trust over which Mondi plc has *de facto* control, results in the recognition of treasury shares. The consideration paid is deducted from shareholders' funds and is separately disclosed. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Pensions

The cost of defined contribution retirement schemes 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 Mondi Group's defined benefit retirement schemes.

2 Employees

The monthly average number of staff employed by Mondi plc for the period ended 31 December 2007 was 27. Wages and salaries of €7 million and social security costs of €1 million were incurred in respect of these employees.

3 Auditors' remuneration

Disclosure of the audit fees payable to the auditors for the audit of Mondi plc's financial statements is made in note 3 of the Group's combined and consolidated financial statements.

4 Share-based payments

The number of share awards granted by Mondi plc to its employees are presented below:

Scheme	3 July 2007	Shares conditionally awarded in year	Shares vested in year	Shares expired in year	31 December 2007
Transitional LTIP	–	150,074	–	–	150,074
Transitional BSP	–	30,705	–	–	30,705
BSP	–	117,297	–	–	117,297
LTIP	–	599,514	–	–	599,514
Retention awards	–	477,591	(26,940)	–	450,651
Co-investment	–	538,795	–	–	538,795
Total	–	1,913,976	(26,940)	–	1,887,036

The total fair value charge in respect of these awards for the period ended 31 December 2007 was €3 million. The share schemes and the underlying assumptions used to estimate the associated fair value charge are discussed in note 29 of the Group's combined and consolidated financial statements.

5 Fixed asset investments

€ million	Investments
Cost	
At 11 April 2007	–
Additions ¹	3,741
Disposals ²	(803)
At 31 December 2007	2,938
Net book value at 31 December 2007	2,938

Note:

- 1 Includes the estimated incremental fair value of share awards granted to staff employed by other Group undertakings of €9 million.
- 2 Includes reimbursements of €9 million received from other Group undertakings in respect of share awards granted.

Mondi plc acquired Anglo Mondi Investments Limited ('AMIL') on 2 July 2007 from Anglo American plc. The consideration provided by Mondi plc to acquire AMIL was in the form of equity instruments issued. AMIL was subsequently renamed Mondi Investments Limited ('MIL').

Mondi plc also acquired Mondi Limited as part of the demerger of the Mondi Group from Anglo American plc. Mondi plc subsequently distributed its ownership interest in Mondi Limited to the newly created external shareholders by way of a dividend *in specie*. See note 6 for more details regarding the demerger.

Subsidiary undertaking	Country of incorporation	Nature of entity	% equity owned
Mondi Investments Limited	England	Holding company	100

Notes to the Mondi plc parent company financial statements

6 Creditors: amounts falling due within one year

€ million	2007
Amounts owed to Group undertakings	979
Accruals	7
5% cumulative preference share capital	–
Total	986

Mondi plc has borrowed funds from another Group undertaking. The borrowings are denominated in euros, carry interest at the one month inter-bank reference rate and are repayable on demand. As at 31 December 2007, there is no difference between the carrying value and the fair value of these borrowings.

Mondi plc has 50,000 £1 5% cumulative preference shares in issue. The preference shares contractually obligate Mondi plc to make future dividend payments to the holders of these equity instruments and, accordingly, have been recognised as a financial liability.

7 Called-up share capital

Full disclosure of the share capital of Mondi plc is disclosed in note 28 of the Group's combined and consolidated financial statements.

8 Reconciliation of shareholders' funds

€ million	Called up share capital	Profit and loss account	Share-based payments reserve	Total
Issue of shares to acquire AMIL	2,938	–	–	2,938
Share capital reduction	(2,864)	2,864	–	–
Issue of special converting shares	29	(29)	–	–
Dividend <i>in specie</i>	–	(794)	–	(794)
Share issue expenses	–	(74)	–	(74)
Purchase of treasury shares	–	(33)	–	(33)
Share-based payments	–	–	12	12
Retained profit after tax	–	(39)	–	(39)
Interim dividend	–	(27)	–	(27)
	103	1,868	12	1,983

On 2 July 2007, Mondi plc issued its own equity instruments to the owners of Anglo American plc, on a pro rata basis of one ordinary share for every one Anglo American ordinary share held, in exchange for a 100% ownership interest in AMIL. The fair value of the equity instruments issued equalled the fair value of the underlying net assets of AMIL, a holding entity for the Mondi Group.

Prior to the listing of Mondi plc's shares on the LSE, the nominal share capital raised on the transfer of AMIL was reduced and transferred to the profit and loss account, net of share issue costs and a dividend in specie. The share capital reduction was legally sanctioned by the UK High Court on 2 July 2007.

The dividend in specie represents the transfer of Mondi Limited to its own external shareholders. Share issue costs have been taken to reserves because they were incurred in respect of, and are directly attributable to, the issuance of Mondi plc's equity instruments.

9 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the bank 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. The fair value of these issued financial guarantees is deemed to be immaterial.

Independent auditors' report to the members of Mondi Limited

Report on the components of the financial statements

We have audited the accompanying balance sheet and selected notes to the balance sheet of Mondi Limited for the year ended 31 December 2007.

Directors' responsibility for the components of the financial statements

The company's directors are responsible for the preparation and fair presentation of the balance sheet and selected notes in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet and selected notes. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies related to the balance sheet and selected notes 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 balance sheet and selected notes give a true and fair view of the balance sheet of the company as of 31 December 2007 in accordance with the applicable International Financial Reporting Standards.

Deloitte & Touche
Audit KZN
Registered Auditors
Per C Sagar
Partner – Audit KZN

2 Pencarrow Crescent
La Lucia Ridge Office Estate
Durban
4001

27 February 2008

National Executive: G G Gelink (Chief Executive), A E Swiegers (Chief Operating Officer), G M Pinnock (Audit), D L Kennedy (Tax), L Geeringh (Consulting), L Bam (Strategy), C R Beukman (Finance), T J Brown (Clients & Markets), N T Mtoba (Chairman of the Board), J Rhynes (Deputy Chairman of the Board)

Regional Leader: G Brazier

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

Mondi Limited parent company balance sheet

as at 31 December 2007

<i>R million</i>	Note	2007	2006
Property, plant and equipment		6,492	6,661
Forestry assets		1,779	1,578
Investments in subsidiary entities	2	600	141
Investment in joint venture entity	3	128	128
Financial asset investments		122	20
Retirement benefits surplus		72	42
Total non-current assets		9,193	8,570
Inventories		573	648
Trade and other receivables		1,430	1,457
Current tax assets		36	36
Loans to subsidiaries and joint ventures	2/3	65	1,107
Financial asset investments		43	–
Cash and cash equivalents		12	103
Derivative financial instruments		2	1
Total current assets		2,161	3,352
Assets held for sale		–	12
Total assets		11,354	11,934
Short-term borrowings		(697)	(293)
Trade and other payables		(716)	(619)
Provisions		–	(17)
Derivative financial instruments		(1)	–
Total current liabilities		(1,414)	(929)
Medium and long-term borrowings		(682)	(1,007)
Retirement benefit obligations		(663)	(647)
Deferred tax liabilities		(1,215)	(1,087)
Provisions		(35)	(36)
Total non-current liabilities		(2,595)	(2,777)
Liabilities directly associated with assets classified as held for sale		–	(34)
Total liabilities		(4,009)	(3,740)
Net assets		7,345	8,194
Equity			
Ordinary share capital	4/5	103	3
Share premium	4/5	5,073	4,168
Retained earnings and other reserves	5	2,169	4,023
Total attributable to equity holders		7,345	8,194

The balance sheet of Mondi Limited and related notes on pages 122 to 124 were approved by the board and authorised for issue on 27 February 2008 and were signed on its behalf by:

David Hathorn
Director

Paul Hollingworth
Director

Notes to the Mondi Limited parent company financial statements

1 Accounting policies

Basis of preparation

The balance sheet and selected notes of Mondi Limited have been prepared in accordance with applicable IFRSs.

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 company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited 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

Investment in subsidiaries and joint ventures are reflected at cost less amounts written off and provisions for any impairments.

Share-based payments

Mondi Limited operates a number of share-based payment plans for its own staff and staff employed by other Group entities. The fair value of an equity instrument granted under such a plan is recorded in the share-based payments reserve incrementally over the contractually-determined vesting period and either recognised as a capital contribution to the employing subsidiaries, where applicable, or within profit or loss.

At each balance sheet date, estimates regarding the future probability of service, and non-market performance conditions being met are revised on a basis consistent with recent experience. Any resultant revisions of original estimates are recorded as an adjustment to the cost of investments in employing Group entities or profit or loss, as appropriate, and the share-based payments reserve.

Employing Group entities reimburse Mondi Limited for the cost of equity instruments granted. Reimbursement receipts represent a return of capital contributed and are treated as a reduction in the cost of investments in employing Group entities.

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 subsidiary entities

<i>R million</i>	2007	2006
Unlisted		
Shares at cost	11	39
Loans advanced	654	879
Total investment in subsidiary entities	665	918
Repayable within one year disclosed as a current asset	(65)	(777)
Total long-term investment in subsidiary entities	600	141

3 Investment in joint venture entity

<i>R million</i>	2007	2006
Mondi Shanduka Newsprint (Proprietary) Limited		
Shares at cost	–	–
Shareholder's loan	128	128
Mezzanine loan	–	330
Total investment in joint venture	128	458
Repayable within one year disclosed as a current asset	–	(330)
Total long-term investment in joint venture	128	128

Notes to the Mondi Limited parent company financial statements

4 Share capital

<i>R million</i> ¹	Share capital	Share premium	Total
Called-up, allotted and fully paid²			
146,896,322 ordinary shares of R0.20 each	29	5,073	5,102
367,240,805 special converting shares of R0.20 each	74	–	74
	103	5,073	5,176

Notes:

1 No comparatives have been presented because Mondi Limited's shares were issued on Admission to the JSE on 3 July 2007. Prior to this date, Mondi Limited was owned by Anglo American Limited.

2 The authorised share capital is disclosed in note 28 of the Group's combined and consolidated financial statements.

5 Reconciliation of movement in equity

<i>2007 R million</i>	Share capital	Share premium	Retained earnings	Other reserves	Total equity
At 1 January	3	4,168	3,759	264	8,194
Issue of shares pre demerger	–	1,005	–	–	1,005
Share consolidation	26	(26)	–	–	–
Issue of special converting shares	74	(74)	–	–	–
Dividends paid to Anglo American plc group companies	–	–	(1,914)	–	(1,914)
Interim dividend	–	–	(105)	–	(105)
Total recognised income and expense	–	–	332	4	336
Reclassification	–	–	(135)	135	–
Other	–	–	–	(171)	(171)
At 31 December	103	5,073	1,937	232	7,345

<i>2006 R million</i>	Share capital	Share premium	Retained earnings	Other reserves	Total equity
At 1 January	2	1,569	3,846	208	5,625
Issue of shares	1	2,599	–	–	2,600
Total recognised income and expense	–	–	55	103	158
Dividends paid to Anglo American group companies	–	–	(159)	–	(159)
Reclassification	–	–	17	(17)	–
Other	–	–	–	(30)	(30)
At 31 December	3	4,168	3,759	264	8,194

6 Contingent liabilities

Mondi Limited has issued financial guarantees in respect of the bank 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 Rnil. The fair value of these issued financial guarantees is deemed to be immaterial.

Group financial record

Financial performance 2004 – 2007¹

Income statement

€ million	2007	2006	2005	2004
Group revenue (after inter-segmental revenue elimination)				
Mondi Packaging				
Corrugated Business	1,561	1,411	1,355	1,385
Bag Business	1,229	1,131	1,029	988
Flexibles Business	757	579	477	466
Total Mondi Packaging	3,547	3,121	2,861	2,839
Mondi Business Paper	1,713	1,726	1,612	1,630
Mondi Packaging South Africa	391	335	348	330
Merchant and Newsprint businesses	590	538	509	521
Corporate and other businesses	28	31	34	65
	6,269	5,751	5,364	5,385
Underlying operating profit				
Mondi Packaging				
Corrugated Business	158	120	116	116
Bag Business	127	97	83	109
Flexibles Business	27	9	26	22
Total Mondi Packaging	312	226	225	247
Mondi Business Paper	152	104	129	143
Mondi Packaging South Africa	35	35	32	40
Merchant and Newsprint businesses	40	29	18	28
Corporate and other businesses	(37)	(17)	(18)	1
	502	377	386	459
Operating special items	(77)	(78)	(203)	–
Group operating profit	425	299	183	459
Net profit/(loss) on disposals	83	(4)	10	18
Net income/(loss) from associates	2	5	5	(9)
Total profit from operations and associates	510	300	198	468
Net finance costs, including special finance item in 2007	(128)	(77)	(100)	(81)
Profit before taxation	382	223	98	387
Tax	(102)	(94)	(89)	(108)
Minorities' share	(47)	(51)	(32)	(52)
Profit attributable to equity holders	233	78	(23)	227
Underlying earnings²	241	139	166	220

Notes:

1 Prepared on a combined and consolidated basis and in accordance with applicable IFRSs.

2 Underlying earnings is a non-GAAP measure that the Group believes provides a useful alternative basis to the measurement of earnings. Underlying earnings represent the Group's earnings before special items.

Group financial record

Financial performance 2004 – 2007¹ (continued)

Key performance indicators

	2007	2006	2005	2004
EBITDA margin (%) ¹	13.9	12.6	13.4	14.5
Operating margin (%) ²	8.0	6.6	7.2	8.5
ROCE (%) ³	10.6	8.1	8.6	10.9

Notes:

1 EBITDA margin is Group EBITDA divided by Group revenue.

2 Operating margin is Group operating profit divided by Group revenue.

3 ROCE is an annualised measure based on underlying operating profit, plus share of associates' net earnings, divided by average trading capital employed.

Significant cash flows

€ million	2007	2006	2005	2004
EBITDA (€ million) ¹	870	726	718	779
Cash inflows from operating activities	957	657	544	775
Capital expenditure cash outflows ²	(406)	(460)	(551)	(618)

Note:

1 EBITDA is Group operating profit before special items, depreciation and amortisation.

2 Excludes business combinations.

Balance sheet

€ million	2007	2006	2005	2004
Non-current assets	4,549	4,349	4,516	4,420
Current assets ²	2,133	2,075	1,942	1,758
Total assets	6,682	6,424	6,458	6,178
Current liabilities ³	(1,248)	(1,055)	(1,045)	(1,075)
Non-current liabilities ⁴	(591)	(593)	(694)	(627)
Total liabilities	(1,839)	(1,648)	(1,739)	(1,702)
Net assets excluding net debt	4,843	4,776	4,719	4,476
Equity ⁵	2,963	2,966	2,781	2,629
Minority interests	373	331	326	318
Net debt	1,507	1,479	1,612	1,529
	4,843	4,776	4,719	4,476

Notes:

1 Prepared on a combined and consolidated basis and in accordance with applicable IFRSs.

2 Including assets held for sale and excluding cash and cash equivalents and loans from related parties.

3 Including liabilities directly associated with assets held for sale and excluding net debt.

4 Excluding net debt.

5 Equity includes the Anglo American plc investment prior to demerger.

Production statistics

Production statistics

		Year ended 31 December 2007	Year ended 31 December 2006
Mondi Packaging			
Containerboard	tonnes	2,101,363	2,044,391
Kraft paper	tonnes	891,385	850,271
Corrugated board and boxes	m m ²	2,088	2,103
Industrial bags	m units	3,642	3,606
Coating and release liners	m m ²	2,971	2,360
Pulp – external	tonnes	179,059	180,166
Mondi Business Paper			
Uncoated fine paper	tonnes	1,987,574	2,012,295
Newsprint	tonnes	192,329	187,100
Pulp – external	tonnes	125,679	114,099
Woodchips	bone dry tonnes	690,447	886,612
Mondi Packaging South Africa			
Packaging papers	tonnes	368,574	369,300
Corrugated board and boxes	m m ²	367	328
Newsprint Joint Ventures			
Newsprint (attributable share)	tonnes	314,847	320,876
Aylesford (attributable share)	tonnes	185,990	196,864
Shanduka (attributable share)	tonnes	128,857	124,012

Exchange rates

		Year ended 31 December 2007	Year ended 31 December 2006
Closing rates against the euro			
South African rand		10.03	9.22
Pounds sterling		0.73	0.67
Polish zloty		3.59	3.84
Russian rouble		35.99	34.68
Slovakian koruna		33.58	34.56
US dollar		1.47	1.32
Czech koruna		26.63	27.50
Average rates for the period against the euro			
South African rand		9.66	8.51
Pounds sterling		0.68	0.68
Polish zloty		3.78	3.90
Russian rouble		35.02	34.14
Slovakian koruna		33.77	37.25
US dollar		1.37	1.26
Czech koruna		27.76	28.37

Glossary of terms

This report contains a number of terms, some of which are particular to the paper and packaging industry, which are explained below:

Annual allowable cut

Volume of timber which can be harvested annually, subject to government regulations and the principles of sustained yield. It is a key part of the management model by which forests can be sustained from generation to generation.

Cartonboard

Paperboard used to produce folding cartons and graphic products like cards and covers.

Chemical pulp

Wood pulp or fibres obtained by digesting and bleaching of wood chips, to remove lignin and other organic materials surrounding cellulose fibres and isolate them for papermaking.

Containerboard

Collective term for kraftliner and/or testliner and fluting, the two basic components used to make the walls of corrugated boxes and cases.

Converting

Process of transforming paper and containerboard into value added products; e.g. wood-free reels into cut-size, or folding containerboard into folding cartons.

Corrugated board

Packing material produced by gluing outer layers of containerboard to a rippled middle layer of fluting.

Corrugated boxes

Boxes produced from corrugated board.

Corrugated packaging

Packaging materials made from corrugated board.

De-inked pulp

Waste-paper pulp produced from used printed paper from which the ink has been removed.

Extrusion-coated

Substrate material (e.g. paper, board, aluminium) coated with a molten web of resin (polymer) to enhance its barrier properties (e.g. to make it waterproof).

Flexible packaging

Papers, cellulose films and aluminium foils primarily used, separately or in combination, for retail food and non-food packaging (e.g. pet food, hygiene product overwrap, detergents) and other specialist uses such as medical, pharmaceutical and tobacco.

Fluting

Raw material used for the rippled middle layer of corrugated board.

Industrial bags

Flexible bags made of paper, typically used to package between 10 and 50 kilograms of powdered, granular or coarse products.

Kraftliner

Containerboard manufactured primarily from virgin fibre.

Kraft paper

Strong paper made from virgin fibre.

Mechanical pulp

Pulp produced by mechanically grinding debarked wood to separate the wood fibre.

Office paper

Uncoated fine paper in cut sizes (e.g. A4, A3) and other converted products (e.g. forms, computer sheets, coloured papers and envelopes).

Plantations

Selected species of tree planted in regimented lines to maximise yield and ease of management.

Recovered fibre

Used paper and board separately collected for re-use as fibre raw material in paper and board manufacture.

Recycled fibre

Fibre derived from the collection and treatment of waste paper.

Release liners

Protective backing of self-adhesive products, the prerequisite for modern pressure-sensitive-adhesive technology (e.g. for self-adhesive tapes, labels, advertising films, diaper tapes, roofing membranes, etc.).

Semi-chemical fluting

Fluting manufactured primarily from virgin fibre.

Testliner

Containerboard manufactured primarily from recycled product.

Uncoated fine paper

Uncoated 'wood-free' paper, produced from chemical pulp and used, for example, in office papers.

Virgin fibre

Fibre derived directly from wood pulp.

Wood pulp

Principal raw material of paper and containerboard. The suitability of certain types of wood pulp for specific products depends upon the type of wood used and the pulping process. Pulp produced from hardwood trees (e.g. eucalyptus, aspen, birch and acacia) has short fibres and is better suited to coated packaging boards, coated and uncoated fine paper and tissues. Softwood (e.g. pine and fir) has long fibres and is generally used for strengthening.

Financial terms

EBITDA

Operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

EBITDA interest cover

EBITDA divided by net debt finance charges (before special financing items).

Gearing

The ratio of net debt to total capital employed.

Group revenue

Total turnover of subsidiaries and proportionate share of joint venture turnover.

Headline earnings

JSE listing measure, calculated in accordance with Circular 8/2007, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Net debt

A non-GAAP measure, comprising short and medium-term borrowings and bank overdrafts less cash and cash-equivalents and current financial asset investments.

Net segment assets

Net segment assets are segment assets, consisting of property, plant and equipment, intangibles, forestry assets, retirement benefit surplus, inventories and operating receivables less segment liabilities consisting of non-interest-bearing current liabilities, restoration and decommissioning provisions and provisions for post-retirement benefits.

Operating margin

Underlying operating profit divided by Group revenue.

Return on capital employed (ROCE)

Underlying operating profit, including share of associates' net earnings, divided by average trading capital employed and for segments has been extracted from management reports.

Shareholders' funds

Share capital, share-premium, retained profits and other reserves attributable to equity holders.

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.

Total equity

Shareholders' funds and minority interests in equity.

Trading capital employed

Net segment assets plus investment in associates, deferred tax, and other non-operating assets and liabilities excluding financial investments.

Underlying earnings

Net profit after tax before special items attributable to equity holders of the Group.

Underlying operating profit

Operating profit of subsidiaries and joint ventures before special items.

Additional information for Mondi plc shareholders

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 1985 and the Companies Act 2006, together the 'Companies Acts'). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required. A new set of Articles will be adopted at the annual general meeting scheduled for 7 May 2008, as explained on page 8 of the notice of annual general meeting.

Share capital

Mondi plc has an authorised share capital comprising 3,177,608,605 ordinary shares of 20 euro cents each (the 'Ordinary Shares'), 50,000 5% cumulative preference shares of £1 each (the 'Preference Shares'), 250,000,000 PLC Special Converting Shares of 20 euro cents each, 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.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Companies Acts, 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 Acts, 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 Acts.

Voting Rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person and every duly appointed proxy has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for every share. 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 Acts 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 member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meetings as a corporate representative.

Additional information for Mondi plc shareholders

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 Acts.

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 Acts, 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 an extraordinary 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 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. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. 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 two months 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 recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require.

Subject to the Companies Acts 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's employee share plans include restrictions on transfer of shares while the shares are subject to the plan.

Preference Shares

The rights and privileges attached to the Preference Shares are as follows: out of the profits available for distribution and resolved to be distributed, the holders of the Preference Shares shall be entitled in priority to any payment of dividend to the holders of any other class of shares to be paid in respect of each financial year or other accounting period of Mondi plc a fixed cumulative preferential dividend.

The holders of the Preference Shares shall only have the right to receive notice of any general meeting of Mondi plc: (i) if and when, at the date of the notice convening such meeting, the MPLC Preferential Dividend (as defined in the Articles) on such Preference Shares is six months or more in arrears; or (ii) if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the cumulative Preference Shares or for the winding up of Mondi plc, in which case they shall only be entitled to vote on such resolution.

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 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 enables 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 ordinary resolution increase or reduce the maximum or minimum number of directors.

At each annual general meeting held in each year one-third of the 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 and Articles shall be observed. A retiring director shall be eligible for re-election.

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 Acts 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 association of both Mondi plc and 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 of association

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Acts by way of special resolution. A special resolution will be put to the annual general meeting scheduled for 7 May 2008 to adopt a new set of articles of association of Mondi plc, with certain further provisions becoming effective on 1 October 2008.

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 Johannesburg Stock Exchange (JSE) whilst Mondi plc has a primary listing on the London Stock Exchange and a secondary listing on the JSE.

Analysis of shareholders

As at 31 December 2007 Mondi Limited had 146,896,322 ordinary shares in issue, of which 16,025,853 were held as Depositary Interests, and Mondi plc had 367,240,805 ordinary shares in issue, of which 70,449,397 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
28,473	90.56	1 – 500	1,814,222	1.24
1,085	3.45	501 – 1,000	797,504	0.54
1,016	3.23	1,001 – 5,000	2,174,911	1.48
556	1.77	5,001 – 50,000	10,175,112	6.93
291	0.93	50,001 – 1,000,000	58,544,691	39.85
19	0.06	1,000,001 – highest	73,389,882	49.96
31,440	100.00		146,896,322	100.00

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
6,646	77.70	1 – 500	797,608	0.22
600	7.02	501 – 1,000	429,034	0.12
665	7.77	1,001 – 5,000	1,479,260	0.40
320	3.74	5,001 – 50,000	5,750,742	1.57
269	3.15	50,001 – 1,000,000	66,259,833	18.04
53	0.62	1,000,001 – highest	292,524,328	79.65
8,553	100.00		367,240,805	100.00

By type of holding

Mondi Limited

	Number of shares	% of shares
Public*	146,895,256	100.00
Non-public	1,066	0.00
Directors of Mondi Limited/Mondi plc	1,066	0.00
Holders of 10% or above	–	–
Mondi staff share schemes	–	–
Total	146,896,322	100.00

Mondi plc

	Number of shares	% of shares
Public*	360,957,291	98.29
Non-public	6,283,514	1.71
Directors of Mondi Limited/Mondi plc	412,112	0.11
Holders of 10% or above	–	–
Mondi staff share schemes	5,871,402	1.60
Total	367,240,805	100.00

* as per the Listings Requirements of the JSE Limited.

Registrars

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

South African Transfer Secretaries

For queries relating to your Mondi Limited shares or Mondi plc shares on the South African branch register please contact:

Link Market Services South Africa (Pty) Limited
PO Box 4844
Johannesburg 2000
Republic of South Africa

Helpline:
011 630 0888 (if calling from South Africa)
+27 11 630 0888 (if calling from outside South Africa)

UK Registrars

For queries relating to your Mondi plc shares or Mondi Limited Depositary Interests held through the Corporate Sponsored Nominee please contact:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
UK

Helpline:
0871 384 2837 (if calling from the UK)
+44 121 415 7047 (if calling from outside the UK)

You may also access details of your shareholding, amend your details or elect to receive shareholder documents electronically by registering with Shareview, an online service offered by Equiniti, at www.shareview.co.uk

For queries relating to your Mondi Limited Depositary Interests please contact:

Capita IRG Trustees Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
UK

Helpline:
0871 664 0335* (if calling from the UK)
+44 208 639 3135 (if calling from outside the UK)
* calls cost 10p per minute plus network extras

Financial calendar

7 May 2008	Interim management statement
7 May 2008	2008 annual general meetings
21 May 2008	Payment date for 2007 final dividend (see below)
27 May 2008	Payment date for 2007 final dividend to Depositary Interest holders (see below)
31 July 2008	2008 half-yearly results announcement
September 2008	2008 interim dividend payment
28 October 2008	Interim management statement

Dividends

Dividend payments

An interim dividend for the year ended 31 December 2007 of 71.73637 rand cents/7.3 euro cents per share was paid on 17 September 2007 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 31 August 2007.

A proposed final dividend for the year ended 31 December 2007 of 177.37939 rand cents/15.7 euro cents per share will be paid on 21 May 2008 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 25 April 2008. The final dividend is subject to the approval of the members of Mondi Limited and Mondi plc at the respective annual general meetings scheduled for 7 May 2008.

Dividend timetable

The proposed final dividend for the year ended 31 December 2007 will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Currency conversion date		
ZAR/euro	28 February 2008	28 February 2008
Last date to trade shares cum-dividend		
JSE	18 April 2008	18 April 2008
LSE	Not applicable	22 April 2008
Shares commence trading ex-dividend		
JSE	21 April 2008	21 April 2008
LSE	Not applicable	23 April 2008
Record date		
JSE	25 April 2008	25 April 2008
LSE	Not applicable	25 April 2008
Last date for Dividend Reinvestment Plan (DRIP) elections by Central Securities Depositary Participants	6 May 2008	6 May 2008
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	7 May 2008	7 May 2008
Currency conversion date		
Euro/sterling	Not applicable	12 May 2008
Payment date		
South African Register	21 May 2008	21 May 2008
UK Register	Not applicable	21 May 2008
Depositary Interest holders (dematerialised DIs)	27 May 2008	Not applicable
Holders within the Equiniti Corporate Nominee	29 May 2008	Not applicable
DRIP purchase settlement date	28 May 2008	27 May 2008*

*28 May 2008 for Mondi plc South African branch register shareholders

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 21 April 2008 and 28 April 2008, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 16 April 2008 and 28 April 2008, both dates inclusive.

Shareholder information

Dividend currency

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

Mondi Limited	South African rand
Mondi Limited Depositary	
Interest holders	Sterling
Mondi plc	Euros
Mondi plc (UK residents)	Sterling
Mondi plc (South African residents)	South African rand

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 (Pty) Limited or Equiniti as appropriate to obtain an application form.

Mondi Limited shareholders holding their shares on the main register 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 Overseas Payment Service offered by Equiniti. This is also available to those holding Mondi Limited Depositary Interests through the Corporate Sponsored Nominee. A fee is charged per dividend for this service. For further information or for an application form please contact Equiniti.

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 resident in the US and Canada). This service is not available for holders of Mondi Limited Depositary Interests.

For more information or for an application form please contact either Link Market Services South Africa (Pty) Limited or Equiniti as appropriate.

Donating to charity

For shareholders wishing to dispose of small holdings of shares, the sale of which would be uneconomical, 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/strate/charityshares, 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, Republic of 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, 17 Carlton House Terrace, London SW1Y 5AH, UK.

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.

Unsolicited mail

Companies are legally obliged to make their share registers available to the general public. As a result, shareholders may receive unsolicited mail. UK residents may, however, limit such mail by registering for free with the Mailing Preference Service either online at www.mpsonline.org.uk, by calling 0845 703 4599 or by writing to the Mailing Preference Service, Freepost 29 (LON.20771), London W1E 0ZT, UK.

Fraudulent transactions

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

Alternative formats

If you would like to receive this report in an alternative format please contact Mondi's company secretarial department on +44 (0)1932 826300.

Cautionary statement

By their nature, the statements concerning the risks and uncertainties facing the Mondi Group in the 2007 annual report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this annual report and Mondi undertakes no obligation to update these forward looking statements. Nothing in this annual report should be construed as a profit forecast.

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Registered No. 1967/013038/06

Registered office

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