TOGETHER

ANNUAL REPORT
MAYR-MELNHOF KARTON AG

2020

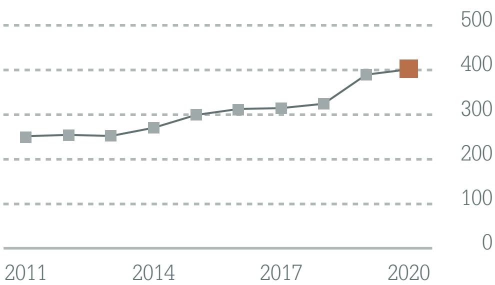
Key Indicators

consolidated (in millions of EUR)	2020	2019	+/-
Consolidated sales	**2,528.4**	2,544.4	- 0.6 %
EBITDA	**398.9**	389.6	+ 2.4 %
Operating profit	**231.4**	255.3	- 9.4 %
Profit before tax	**222.1**	251.1	- 11.6 %
Profit for the year	**162.2**	190.2	- 14.7 %
Cash flow from operating activities	**318.2**	331.4	- 4.0 %
Return on equity	**10.6 %**	13.1 %	- 253 bp
Operating margin	**9.2 %**	10.0 %	- 88 bp
Return on capital employed	**13.7 %**	15.4 %	- 174 bp
Total equity	**1,547.1**	1,508.3	+ 2.6 %
Total assets	**2,399.6**	2,422.7	- 1.0 %
Equity ratio	**64.5 %**	62.3 %	+ 222 bp
Net debt	**- 122.2**	- 218.6	
Capital expenditures (CAPEX)	**157.6**	151.0	+ 4.4 %
Depreciation and amortization[1]	**167.5**	134.3	+ 24.7 %
Employees	**9,938**	10,014	- 0.8 %
Earnings per share (in EUR)	**8.06**	9.49	- 15.1 %
Dividend per share (in EUR)	**3.20**[2]	3.20	0.0 %

Please find the five year overview 2016 – 2020 at the end of the report.

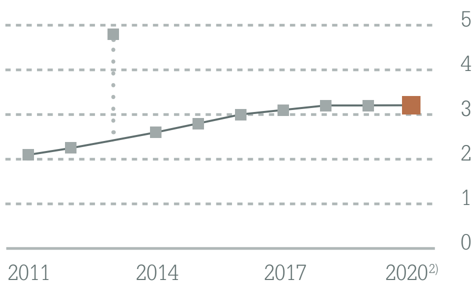
EBITDA
in millions of EUR

398.9



Dividend
in EUR

3.20



2013: incl. EUR 2.40 bonus

[1] incl. impairment of property, plant and equipment, and intangible assets
[2] proposed

TOGETHER

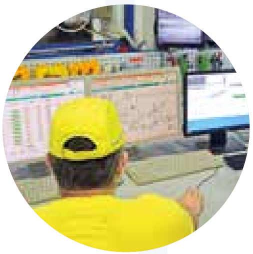
Common visions and goals, shared values, joint efforts and achievements – these are the foundations for the sustainable success of the Mayr-Melnhof Group. Together, our international and diverse team ensures efficiency, innovation and growth with sustainable cartonboard and fiber-based packaging products.

What moves us

Long-term strategy with focused business model

Cartonboard and folding carton packaging for consumer staples are at the center of our business activities. In two divisions, MM Karton and MM Packaging, we create value along the supply chain through cost-efficient plants, future-oriented and innovative cooperation with our customers, and enthusiasm of the entire MM team. In this way, we combine sustainable high competitiveness with manageable cyclicality.

Excellent industrial performance



With a passion for responsibly delivering excellent performance, we focus on our core competencies and pursue growth with sustainable high returns through our claim to cost, innovation and technology leadership. Our best-practice driven corporate culture promotes continuous improvement in quality and performance through the development of our human resources and ongoing investments in modern technology and innovation.

Sustainable, innovative solutions

Consumers are increasingly asking for recyclable packaging solutions with high functionality in adequate design. Circular economy is at the core of our business model with many ecologically sustainable, innovative and value-added product solutions. They meet the diverse requirements of a wide range of FMCG, e-commerce and premium solutions through high customer proximity. What they all have in common is the good certainty: cartonboard is made from nature and becomes nature again.

Our positioning

Cartonboard packaging for consumer staples is our core competence. This is where we concentrate our resources in the long term, pursuing a sustainable business model with attractive potential.

No. 1 in **folding carton packaging** in Europe

~10,000
employees worldwide

No. 1 **cartonboard producer** in Europe

847,000 tons of **tonnage processed**

1.7 million tons of **cartonboard produced** p.a.

~2,700 **customers** in over 100 **countries**

57 % of shares **core shareholder families**

50 **production sites** on 3 **continents**

Our year 2020 at a glance

High constancy in an exceptional year, solid volume and cash flow development

13.7 %
ROCE
Return on capital employed
- 174 bp

2,528.4 in millions of EUR
Group sales
- 0.6 %

157.6 in millions of EUR
Investments (CAPEX)
+ 4.4 %

398.9 in millions of EUR
EBITDA
+ 2.4 %

8.06 in EUR
Earnings per share
- 15.1 %

318.2 in millions of EUR
Cash Flow from operating activities
- 4.0 %

3.20 in EUR[1)]
Dividend per share
+/- 0 %

1) proposed

Optimization of the production base

- Focus on sustainability, digitalization, and growth
- MM Karton invests over EUR 100 million in Frohnleiten cartonboard mill
- Major investment at MMP Neupack Hirschwang for orientation towards e-commerce and high-quality packaging
- Decommissioning of the small cartonboard machine at Hirschwang

Targeted corporate development

- MM enters into agreements to acquire Kotkamills, Finland, and Kwidzyn, Poland, in the virgin fiber-based cartonboard sector
- Intensified investment program 2021 – 2022 with a focus on highly efficient large-scale sites, specialization and digitalization for growth in the next years, e.g. in e-commerce and the substitution of plastics

Low impacts of Covid-19

- Cartonboard and cartonboard packaging are system-relevant products
- Overall continuous production despite temporary downtimes at smaller sites
- Safety and hygiene measures contain infections

Content

Company & Strategy

Shares & Governance

Performance 2020

Service

"In 2020, we have set the course for growth.

Creating positive perspectives together

On April 1, 2020, Peter Oswald took over as Chairman of the Management Board of Mayr-Melnhof Karton AG. Creating long-term positive perspectives based on sustainability, innovation and efficiency is at the core of his program for MM.

Dear Shareholders,

I hope that our Annual Report 2020 finds you in good health despite the ongoing Covid-19 pandemic. It gives me the opportunity to provide you with a personal overview of developments and novelties after my first year as CEO of the MM Group.

We were able not only to close 2020 with a solid operating performance under challenging conditions, but we also succeeded in starting out on a number of historic courses for the future – focusing on growth, efficiency, and innovation in sustainable products.

Stable business model
When I started at MM a year ago, I was particularly impressed by the high stability of the business model in an industry that is commonly known as mildly cyclical. The fact that the combination of cartonboard and cartonboard packaging for consumer goods is very resilient, even under challenging conditions, has been confirmed especially in this past exceptional year: our products are system-relevant.

Outstanding achievements
It has been a special challenge to continue our production reliably in the situation of a pandemic so that we could ensure the continuous supply of people with packaging for consumer staples 24/7. At the same time, we have set the course for growth and have taken measures to increase our competitiveness. This requires the highest level of commitment, responsibility and flexibility. On behalf of the Management Board and Supervisory Board, I would therefore like to express my sincere thanks and great appreciation to all our employees for their many outstanding achievements. Every one of them has actively contributed to shaping our common future.

New growth and development opportunities

Building on a solid foundation, we have positioned ourselves for new growth opportunities in 2020: in our Packaging Division, we changed to a business unit-oriented organization, which allows for a better Europe-wide focus on the requirements of our customers per business unit. We have launched a number of investment projects: the largest one for our Frohnleiten mill with an investment of more than EUR 100 million aimed at digitalization, sustainability and capacity expansion. Further investments are planned for other cartonboard sites as well as for several packaging plants. In this way, we ensure that we can also meet a growing demand. In addition, we will significantly expand our special offers for growth segments – such as e-commerce.

Increasing efficiency through specialization, digitization and economies of scale

We have defined specialization, digitalization and economies of scale as the three main topics for positioning our mills. Innovative and sustainably recyclable cartonboard and fiber-based packaging products, especially also as a replacement for plastic, are our growth offer in an economically and ecologically challenging market. Consumers demand sustainable and high-quality packaging at low prices – therefore it is indispensable that we improve our efficiency.

According to the guideline of further expanding our strengths and exploiting new options for MM on the market, we will invest in sites with cost advantages over the next three years. In high-cost locations, the focus will be placed on digitalization and achieving economies of scale.

Second strong pillar in the growing virgin fiber-based cartonboard market

Furthermore, in addition to MM Karton's previous strong focus on recycled fiber-based cartonboard, we have decided to expand our competitive position in the growing European virgin fiber-based cartonboard market (FBB / Folding Boxboard and FSB / Food Service Board) through innovation, sustainability and efficiency in relation to the two market leaders.

> **Consumers want natural, plastic-free packaging made from cartonboard and paper because it is produced from a renewable raw material and is recylcled to up to 85 %.**

Kotkamills and Kwidzyn – the basis for more sustainability and increased efficiency

With the successful negotiations for the acquisition of Kotkamills in Finland and Kwidzyn in Poland, we have succeeded in pursuing two strategic directions in recent months: Kotkamills specializes in plastic-free barrier cartonboard, which will enable us to offer our customers more innovative solutions with plastic-free barrier solutions after the acquisition. Kwidzyn produces high-quality cartonboard with backward integration into pulp and other cost advantages. This will enable our customers, especially in the food sector, to replace even low-priced plastic packaging with high-quality and very competitive cartonboard. We expect these transactions to close in the middle of the year and in the third quarter of 2021.

In addition, with the Saturating Kraft Paper of Kotkamills and kraft paper for flexible fiber-based packaging as well as copying and printing papers from Kwidzyn, we will be opening up new product areas.

Thanks for the great trust

Such major, far-reaching strategic steps require in-depth analyses and discussions, foresight and trust. I would like to take this opportunity to thank our Supervisory Board, its Chairman and Presidium, who not only followed the strategic process closely and approved the decisions, but also encouraged the Management Board to take these growth steps.

We would also like to thank the many institutional investors who, at the end of February 2021, subscribed to Schuldschein loans and Namensschuldverschreibungen with a total volume of one billion euros and with maturities of five to 15 years, thus expressing a high level of confidence in MM's business model, growth course and management. Even after this major step, the financing of the Group remains conservatively characterized.

In the next two years, the integration of the newly acquired mills as well as the implementation of the intensified investment program will be a major focus at MM. In addition, we will, however, also pursue opportunities for further organic and inorganic growth with a high degree of attention.

MM remains a dividend stock

For you, our shareholders, the MM Group shall remain a solid and predictable company with continuous dividend payments. Therefore, I am very pleased that we can propose a stable dividend for 2020 to the 27th Annual General Meeting despite the major macroeconomic challenges of the first year of the Covid-19 pandemic and one-off expenses due to structural adjustments.

Even more effective through diversity, occupational health and safety

A look into the year that has started shows that after the positive effects for MM Karton derived from cost deflation in 2020, currently strongly increasing prices for paper for recycling, pulp and energy are putting a high pressure on cartonboard margins.

Our team is working actively and determinedly on further improving our performance and on structural adjustments to secure our success also in the next years. We are increasingly relying on the diversity of our team and a healthy, safe working environment as success factors. We are convinced that we can create positive long-term prospects for our customers, employees and shareholders through sustainability, innovation, and efficiency.

Yours sincerely

Peter Oswald
Chairman of the Management Board
March 15, 2021

"The market demands lower prices for top quality. Therefore, we need to increase our efficiency through specialization, digitalization, and economies of scale.

TOGETHER

Andreas Blaschke
Member of the Management Board


Peter Oswald
Chairman of the Management Board
Franz Hiesinger
Member of the Management Board

Our strategy

Building on ongoing trends

- Growth of virgin fiber-based cartonboard with innovative bio-coating as a substitute for plastic
- Focus on growth markets, e.g. e-commerce
- Capitalizing on sustainability as the core of our business
- Securing industrial leadership based on cost, technology and innovation

Sustainability

- Expanding the attractiveness of MM as a sustainability leader in the supply chain through top performance and transparency according to ESG criteria[1] as well as implementation of circular economy

[1] Environment Social Governance

Cost Leadership

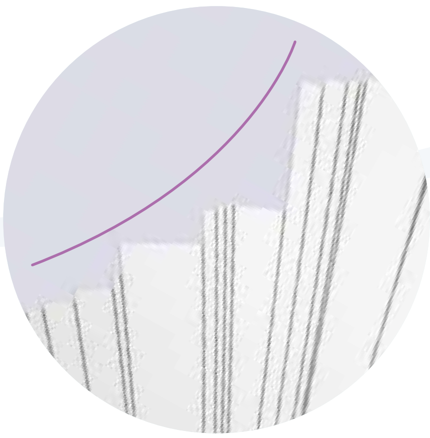
- Improving the cost base through economies of scale, digitalization and focusing on specific product groups to realize synergy effects

Innovation

- Development of relevant and convincing solutions for the success of our customers, especially in the replacement of plastics with sustainable fiber-based packaging

Focus on value creation

- Increased market penetration in business with higher added value through specialization and increasing efficiency



Continuous growth

- Organic growth through focus on growth markets
- Aim to grow by 1 % more than the market
- Acquisitions in core business and suitable adjacent business

Our business model

Fibers

For the production of our cartonboard products, we purchase fibers mainly on the spot market. We source paper for recycling from municipalities and traders. For virgin fibers, we mainly use groundwood pulp which is also produced directly at the cartonboard mills.

MM Karton

In addition to fibers, energy, chemicals and logistics are significant input cost factors in cartonboard production. Cartonboard is sold to packaging producers, with consumer goods producers playing an ever more important role.

MM Karton

37 %
Group sales

37 %
Group operating profit

14.5 %
ROCE

Recycled fibers
1.2 million tons

Virgin fibers
0.4 million tons

Cartonboard production
(1.7 million tons)

MM KARTON

Cartonboard sales to MMP
(226,000 tons)

External cartonboard sales
(1,478,000 tons)

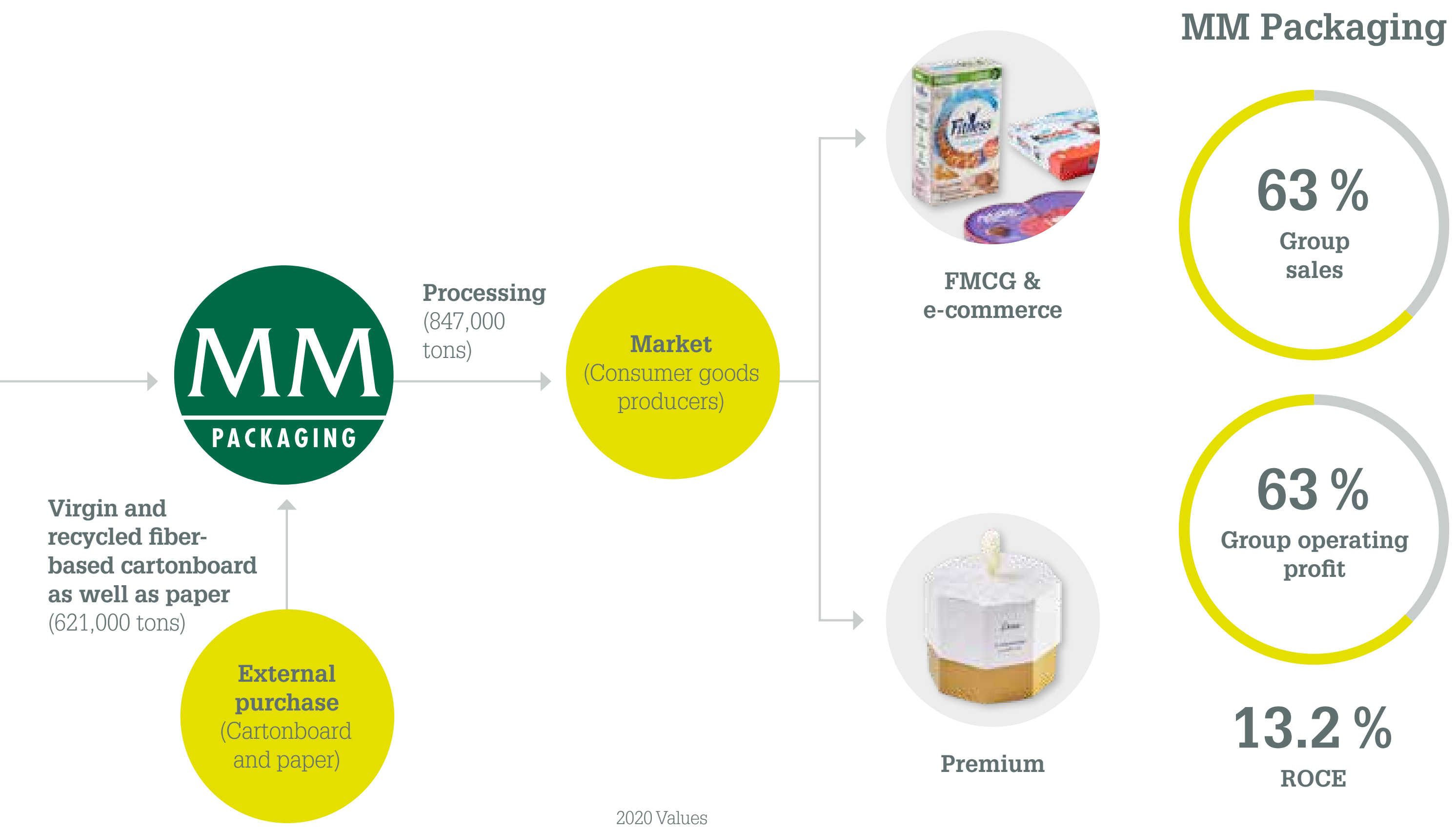
Market
(folding carton producers)

MM Packaging

Next to personnel, cartonboard is the main cost factor of MM Packaging. As a result of the broad sales spectrum, recycled fiber-based cartonboard and virgin fiber-based cartonboard incl. paper are processed at a rate of approximately 50 % each. MM Packaging is supplied by MM Karton at market conditions.

End markets

Fast moving consumer goods (FMCG) incl. e-commerce and premium contribute in roughly equal parts to the sales of MM Packaging. The highly specialized premium business comprises the areas health, beauty & personal care, cigarette and luxury.



2020 Values

Sustainability at the core of our business

With our committed sustainability management, we want to increasingly emphasize MM‘s attractiveness as a responsible company and respond even better to our customers‘ expectations.

Our product responsibility

Cartonboard packaging is: renewable – recyclable – biodegradable. Cartonboard is nature. Cartonboard becomes cartonboard again. It is produced from the renewable raw material wood from sustainably managed forests or from paper for recycling. Packaging materials made of cartonboard meet all the requirements for a functioning circular economy. For processing, we use modern high-performance technologies to manufacture high-quality cartonboard and folding carton products in a resource-saving way.

Paper and cartonboard
85 %
Recycling rate
Source: Eurostat

Cellulose fibers
25 times recyclable
Source: TU Darmstadt

Our environmental management

Consumers are asking for sustainable packaging because they want to be part of the solution. The efficient, careful use of resources and a positive contribution to the long-term preservation of natural habitats and biodiversity are at the forefront of our commitment to the environment.

CO_2

Direct emissions

0.3 t CO_2e / ton
Production MM Karton

0.03 t CO_2e / ton
Processing MM Packaging
2020 Values

Security goal

0
Occupational accidents
with >3 lost days

Our employees

We pay a great deal of attention on ensuring that people enjoy working for MM and that the Group has a sustainable supply of qualified specialists and managers. Ensuring a high level of employability in the sense of professional and personal development over the entire period of employment at MM is at the center of our personnel development concept. It is our corporate responsibility that everyone will return home safety from their workplace at the end of a working day.

Education

32,078
Training hours
in 2020

MM Karton

Leading cartonboard producer

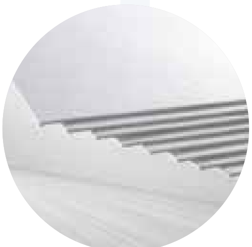
MM Karton is the largest cartonboard producer in Europe, leading in recycled fiber-based cartonboard and with a growing share in virgin fiber-based cartonboard production. Of the production capacity of over 1.7 million tons, around 80 % was attributable to recycled fiber-based cartonboard and around 20 % to virgin fiber-based cartonboard in 2020.

Sustainable sales market

The products of MM Karton are used primarily as raw materials for the production of cartonboard packaging for consumer staples and are characterized by high functionality and sustainability. The core business is food packaging, packaging for household, hygiene and health products. The main customers of MM Karton are cartonboard packaging manufacturers in the highly fragmented European folding carton industry. In view of short-term delivery of the product to the customers as well as transport costs, the European cartonboard market is mainly supplied from Europe.

Strengthening the competitive position through more innovation, sustainability and efficiency

	Target	Strategy
Recycled fiber-based cartonboard	Improvement of cost position and development of innovative products	Targeted investments in existing mills
Virgin fiber-based cartonboard	Introduction of new sustainable products as a substitute for plastics	Acquisition and expansion of efficient and innovative plants



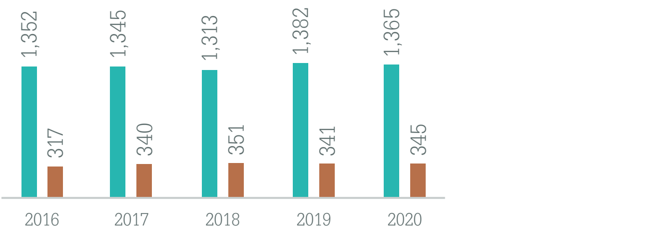
Key Indicators MM Karton

(in millions of EUR)	2020	2019	+/-
Sales[1]	**1,050.8**	1,078.3	- 2.6 %
EBITDA	**164.7**	162.2	+ 1.5 %
Operating profit	**86.7**	110.5	- 21.5 %
EBITDA margin	**15.7 %**	15.0 %	+ 63 bp
Operating margin	**8.3 %**	10.2 %	- 199 bp
Cash flow from operating activities	**126.3**	155.3	- 18.7 %
Return on capital employed	**14.5 %**	18.7 %	- 424 bp
Capital expenditures (CAPEX)	**95.0**	84.8	+ 12.0 %
Depreciation and amortization[2]	**78.0**	51.7	+ 50.9 %
Employees	**2,417**	2,516	- 3.9 %

	2020	2019	+/-
Tonnage sold (in thousands of tons)	**1,704**	1,705	0.0 %
Tonnage produced (in thousands of tons)	**1,710**	1,723	- 0.8 %
Recycled fiber-based cartonboard	**1,365**	1,382	
Virgin fiber-based cartonboard	**345**	341	
Capacity utilization	**97 %**	97 %	

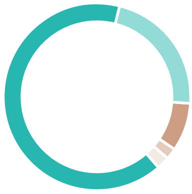
[1] incl. interdivisional sales
[2] incl. impairment of property, plant and equipment, and intangible assets

Tonnage produced by MM Karton



in thousands of tons

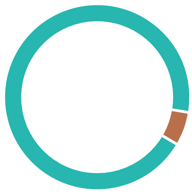
Sales by destination



- 65.3 % Western Europe
- 22.4 % Eastern Europe
- 8.4 % Asia and MENA
- 1.7 % The Americas
- 2.2 % Other

Sales by end markets

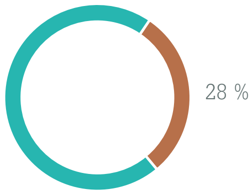
(% volume)



- 94 % FMCG & e-commerce
- 6 % Premium

Share of top 5 customers[1]

(% sales)

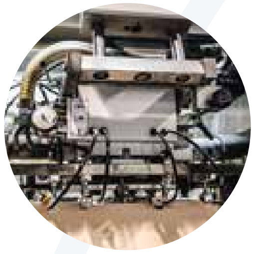


[1] incl. MM Packaging

2020 Values

MM Packaging

Leading folding carton producer



MM Packaging is the leading producer of folding cartons in Europe and one of the largest worldwide. In 2020, MM Packaging generated sales of EUR 1,594.2 million and processed around 847,000 tons of recycled and virgin fiber-based cartonboard as well as paper.

Focus on fast moving consumer goods & e-commerce as well as premium

The main sales area is cartonboard packages for consumer staples. With technologically dedicated locations and broad market expertise, MM Packaging‘s business covers both the large volume market of fast moving consumer goods (FMCG), including e-commerce, as well as highly specialized printing and packaging services for premium products. Due to transport costs and service requirements, folding carton products are manufactured close to the customer. MM Packaging manufactures around 80 % of its production for large international customers.

Growth through greater competitiveness and specialization

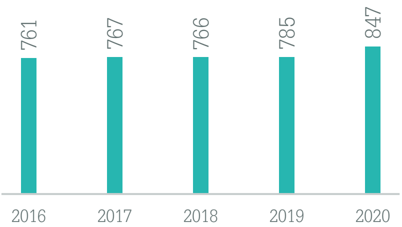
	Target	Strategy
Folding carton	Expand folding carton market share and increase efficiency	Acquisition, automation and targeted investments in locations with cost advantages as well as specialization

Key Indicators MM Packaging

(in millions of EUR)	2020	2019	+/-
Sales[1]	**1,594.2**	1,578.0	+ 1.0 %
EBITDA	**234.2**	227.4	+ 3.0 %
Operating profit	**144.7**	144.8	- 0.1 %
EBITDA margin	**14.7 %**	14.4 %	+ 28 bp
Operating margin	**9.1 %**	9.2 %	- 10 bp
Cash flow from operating activities	**191.9**	176.1	+ 9.0 %
Return on capital employed	**13.2 %**	13.6 %	- 36 bp
Capital expenditures (CAPEX)	**62.6**	66.2	- 5.4 %
Depreciation and amortization[2]	**89.5**	82.6	+ 8.4 %
Employees	**7,521**	7,498	+ 0.3 %
	2020	**2019**	**+/-**
Tonnage processed (in thousands of tons)	**847**	785	+ 7.9 %

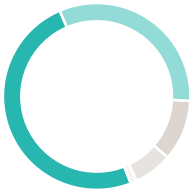
[1] incl. interdivisional sales
[2] incl. impairment of property, plant and equipment, and intangible assets

Tonnage processed by MM Packaging



in thousands of tons

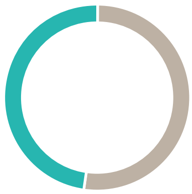
Sales by destination



- 49.6 % Western Europe
- 32.4 % Eastern Europe
- 10.6 % Asia and MENA
- 6.7 % The Americas
- 0.7 % Other

Sales by end markets

(% sales)

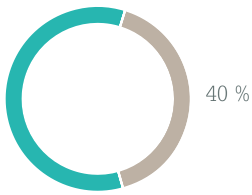


- 48 % FMCG & e-commerce
- 52 % Premium[1]

[1] Health, beauty & personal care, cigarette, luxury

Share of top 5 customers

(% sales)



2020 Values

Global presence, focus on Europe

Products from our European cartonboard mills are sold worldwide. Due to the limited economic delivery radius, the business of individual packaging plants mainly focuses on the respective regional markets.

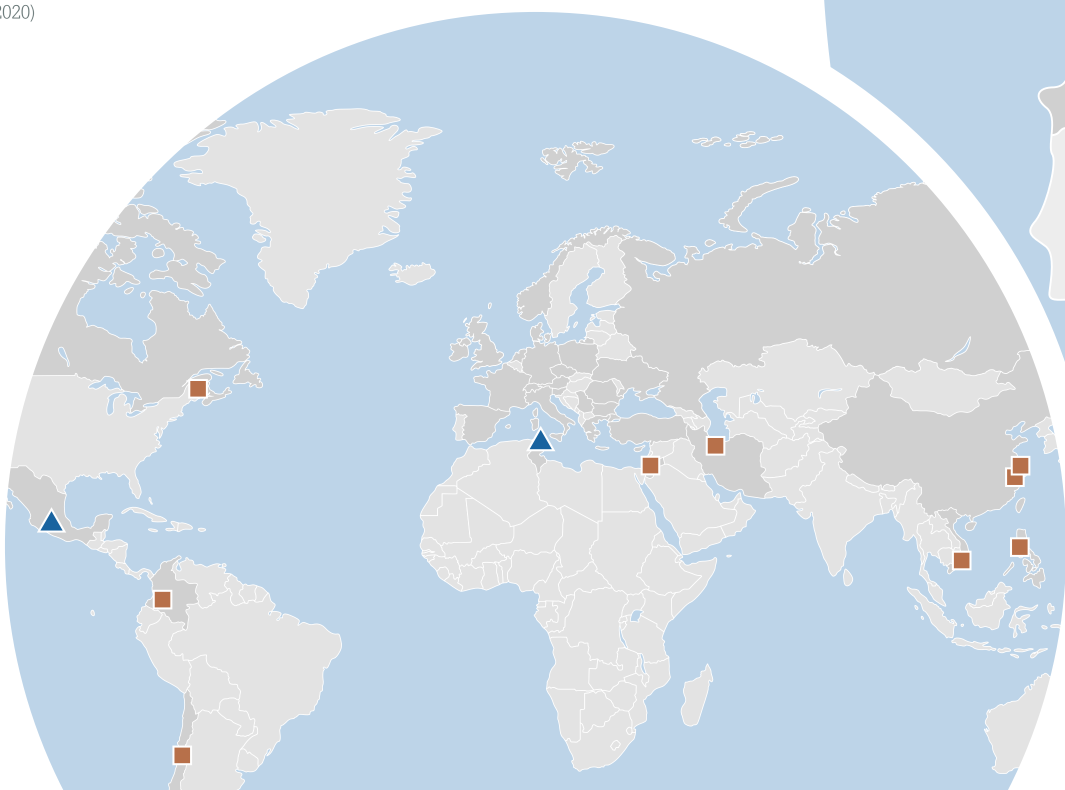
50 Production sites on **3** continents

6 Cartonboard mills

44 Packaging plants

Sales in more than **100** countries

(values year-end 2020)




MM Karton
Mills
Sales offices
FollaCell
MM Packaging
Plants

TOGETHER
efficient

We are continuously increasing our efficiency in order to further improve our competitive position based on economies of scale and targeted investments in technology and cost advantages.

TOGETHER growing

With a clear focus on growth markets and innovative products, we are pursuing the goal of growing faster than the market. Acquisitions are intended to increase our efficiency and our market position in new, sustainable products.

TOGETHER sustainable

Through the increasingly efficient use of resources and the production of sustainable packaging, we contribute to the long-term preservation of natural habitats. Our goal is to develop new solutions that replace plastics.

TOGETHER
innovative

We develop innovative packaging products and digital solutions to even exceed our customers' requirements. With a claim to innovation leadership, we offer natural, plastic-free packaging for a growing range of applications.

TOGETHER
diverse

We see diversity as an opportunity to fulfill our tasks even more effectively together. That is why we have been relying on a balanced mix of competences and different backgrounds within the MM team for a long time.

MM Shares

In 2020, the Mayr-Melnhof share developed very well in a stock market environment that was primarily characterized by the Covid-19 pandemic. A sharp decline in the share price in March in the course of the corona-related correction of the overall market was followed not only by a recovery, but also by a historic high of EUR 166.20 on December 29, 2020. The announcement in December to acquire the Finnish company Kotkamills was received positively by the capital market. After a share price of EUR 119.60 at the end of 2019 and the distribution of a dividend of EUR 3.20 per share, the year 2020 ended with a closing price of EUR 165.00. This corresponds to an annual performance of +38 %.

The focus of our ongoing investor relations activities was on positioning the MM Group as a long-term oriented, profitable market leader in cartonboard packaging. Our resilience and sustainable business model with risk-conscious, value-oriented growth led to an exceptionally high level of interest from institutional and private investors. In 2020, we remained in continuous contact with our investors and interested members of the public, in particular via virtual meetings and conferences. We consider the constructive feedback from the dialog with capital market participants as valuable for our future path. The development and strategic positioning of the MM Group also convinced the analysts of international banks and brokerage houses who overall issued positive recommendations.

The share

The share of Mayr-Melnhof Karton AG has now been listed on the Vienna Stock Exchange for 27 years. The issue price on April 21, 1994 amounted to EUR 26.16. The long-time listing on the ATX Prime requires the fulfillment of special additional requirements, such as stricter transparency criteria and minimum capitalization.

The share capital of Mayr-Melnhof Karton AG, amounting to EUR 80 million is divided into 20 million bearer shares, whereby the principle "one share – one vote" applies. Moreover, there was a Sponsored Level 1 American Depository Receipt (ADR) program with the Bank of New York Mellon in the U.S. until November 24, 2020 in which ADRs in US dollars were traded over the counter (OTC).

Stock markets 2020

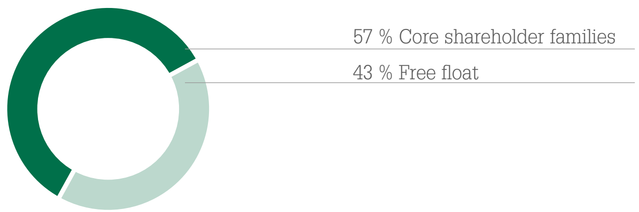
The stock market year 2020 was above all characterized by one of the sharpest market declines in recent years. This was due to the Covid-19 pandemic, which has led to massive price losses on stock markets worldwide since the beginning of March. While digital business models benefited, cyclical ones suffered more from uncertainties and the recession. Both the European Central Bank and the U.S. Federal Reserve responded with an increasingly expansionary monetary policy, so that financial markets began to recover already in the second quarter. Towards the end of the year, promising news, in particular about Corona vaccines, the settlement reached in the Brexit trade agreement and the outcome of the U.S. presidential election ensured further price increases and even record highs on individual stock exchanges.

While the pan-European EURO STOXX 50 did not quite return to its previous year's level with a decline of 5.1 %, the Dow Jones Industrial (DJI) in particular was able to compensate its losses from spring with an increase of 7.3 % compared to the end of 2019. The DAX also marked a slight increase of 3.6 %. On the Vienna Stock Exchange, the leading index ATX lost 12.8 %.

Stable shareholder structure

The shareholder structure of Mayr-Melnhof Karton AG is characterized by a high degree of stability. The largest shareholders are the core shareholder families who hold approximately 57 % of the share capital in a syndicate. The remaining 43 % of the shares are in free float and mainly held by long-term-oriented institutional investors in Europe and the U.S..

Shareholder structure
in %



Continuous dividend policy

Our dividend policy provides a continuous distribution to the Company's shareholders in line with profit performance. Following the sound profit development in the business year 2020, the Management Board will propose a dividend of EUR 3.20 per share to the 27th Ordinary Shareholders' Meeting on April 28, 2021, after EUR 3.20 per share were also paid for 2019. This corresponds to a dividend payment totaling EUR 64.0 million (2019: EUR 64.0 million) for the business year 2020 and a payout ratio of 39.71 % (2019: 33.73 %). Based on the average share price in 2020, a dividend yield of around 2.4 % was achieved (2019: 2.8 %).

Investor Relations

The focus of our investor relations program is a sustainable personal and open dialog with institutional and private investors, analysts, journalists, and the interested public, which we continued to pursue with great commitment also in 2020.

We responded flexibly to the government's measures in spring and were one of the first companies to hold its Annual General Meeting virtually and thus without delay.

In order to maintain and establish a good contact with investors, we primarily used online investor conferences and meetings. Furthermore, regular publications on structural innovations resulted in an increasing number of direct requests for dialogs from investors, which we gladly fulfilled.

The approach of our investor relations work consists in providing an accurate image of the Group at all times through timely and transparent communication, in order to facilitate an appropriate valuation of the MM share.

We thereby attach the highest priority to the principle of treating all shareholders equally. We therefore always publish all share-price-relevant and current information simultaneously and identically via an electronic distribution system and on the website of Mayr-Melnhof Karton AG.

The Chairman of the Management Board comments on the current development of the Group on a quarterly basis in publicly accessible audio and/or video webcasts. Thereby, the presentation of the annual and half-year results takes place as a video webcast and a subsequent CEO conference call on a regular basis.

Service for shareholders

We offer shareholders and interested parties the possibility to register for regularly receiving the Company's reports and press releases on our website (https://www.mayr-melnhof.com/en/publication-mailing).

Furthermore, our Investor Relations department is available to answer any questions you may have.

We aim at continuously improving our Investor Relations activities and are therefore always grateful for any suggestions for optimization.

Your contact at Mayr-Melnhof Investor Relations

Stephan Sweerts-Sporck
Phone: +43 1 501 36 91180
Fax: +43 1 501 36 91195
E-mail: investor.relations@mm-karton.com
Website: https://www.mayr-melnhof.com

Information about Mayr-Melnhof shares

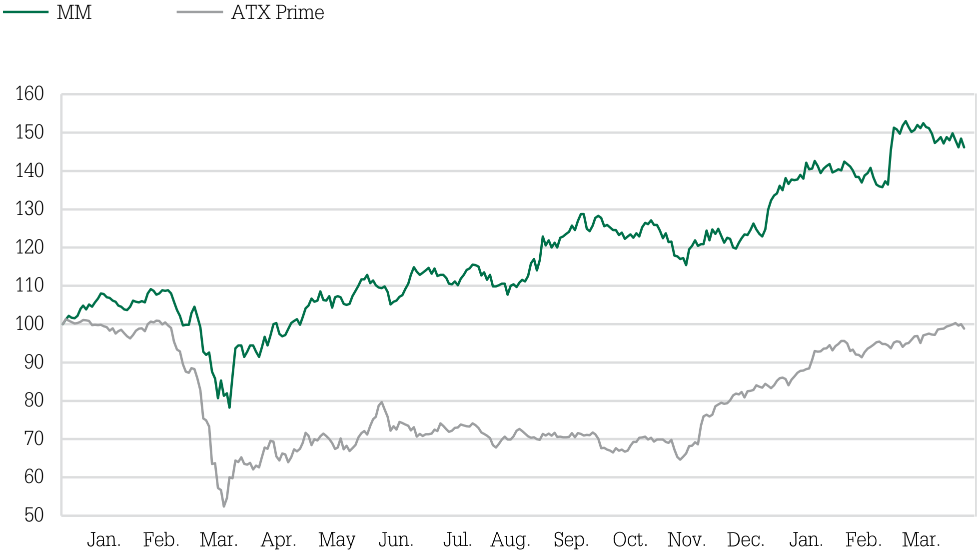
ISIN securities identification number: AT0000938204

Reuters: MMKV.VI

Bloomberg: MMK:AV

Share price chart

Relative performance of MM shares 2020 (December 30, 2019 = 100)



Share performance indicators

Stock price per share (in EUR)	**2018**	**2019**	**2020**
High	131.80	121.00	166.20
Low	107.40	105.80	93.50
Year-end	110.00	119.60	165.00
Stock performance (as of Dec. 31)			
-1 month	-3.7 %	-0.7 %	+ 11.8 %
-3 months	+ 1.7 %	+ 8.3 %	+ 11.3 %
-9 months	-10.7 %	+ 7.0 %	+ 46.0 %
Relative performance (year-end)			
MM Shares	-10.2 %	+ 8.7 %	+ 38.0 %
ATX Prime	-19.6 %	+ 15.9 %	-12.1 %
Share performance indicators (in EUR)			
Earnings per share	8.18	9.49	8.06
Total equity per share	69.13	75.15	77.12
Dividend per share	3.20	3.20	3.20[3]
Dividend (in millions of EUR)	64.00	64.00	64.00[3]
Dividend yield per average share price	2.7 %	2.8 %	2.4 %
Stock market data (Vienna Stock Exchange)			
Trading volume[1] (in EUR)	1,252,761	1,519,050	3,251,689
Number of shares issued	20,000,000	20,000,000	20,000,000
Free float[2]	8,596,720	8,596,720	8,596,720
Market capitalization[2] (in millions of EUR)	2,200	2,392	3,300
ATX Prime weighting[2] (in %)	2.41 %	2.18 %	3.37 %

[1] daily average
[2] as of Dec. 31
[3] proposed

Corporate Governance Report

The Mayr-Melnhof Group pursues a responsible business activity focusing on sustainable value added. In order to ensure this in the long term, we ensure that Corporate Governance is consistently practiced and further developed in all areas of the Company. This includes the whole system of management and control of the Company with the aim of promoting the trust of our employees, shareholders, customers, suppliers and the public in the MM Group and consolidating a high level of transparency.

This report summarizes the disclosures required by sections 243 c and 267 b of the Austrian Commercial Code.

COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

Since the Austrian Corporate Governance Code (Österreichischer Corporate Governance Kodex – ÖCGK) became effective in 2002, Mayr-Melnhof Karton AG has voluntarily committed itself to compliance with the Code in its respectively applicable version. The Code is based on the provisions of Austrian stock corporation, stock exchange and capital market laws, EU recommendations as well as the guidelines contained in the OECD Principles of Corporate Governance. The Code is, in accordance with national and international developments, regularly reviewed and adjusted accordingly. The current Austrian Corporate Governance Code can be downloaded from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. The compliance with the Corporate Governance Code is subject to an annual internal evaluation provided by Mayr-Melnhof Karton AG. Furthermore, an external evaluation of compliance with C rules is carried out every three years, which was last performed in 2018 in order to rotation.

The implementation and evaluation for the business year 2020 is based on the Code's version of January 2021. Mayr-Melnhof Karton AG continues to comply with all legal provisions without any restrictions. Almost all additional C Rules and R Rules (Recommendations) contained in the Code, which do not require any explanation in case of deviations, have been complied with.

The Company gives the following explanations for deviations from C Rules for 2020:

Rule 27a	In case of an early termination of a member of the Management Board without any good cause, such member shall be compensated for no more than the remaining term of the contract. The economic situation of the Company is not considered. Explanation: Content of current contracts with the members of the Management Board

COMPOSITION OF THE BOARD

THE MANAGEMENT BOARD

Peter OSWALD
Chairman
Member of the Management Board
since April 1, 2020
appointed until March 31, 2025
born 1962

Franz HIESINGER
Member of the Management Board
since October 1, 2017
appointed until September 30, 2025
born 1965

Andreas BLASCHKE
Member of the Management Board
since May 14, 2002
appointed until April 30, 2025
born 1961

Wilhelm Hörmanseder, born 1954, was a member of the Management Board from March 9, 1994 to March 31, 2020, and was Chairman of the Management Board from May 14, 2002 to March 30, 2020. Peter Oswald succeeded Wilhelm Hörmanseder as Chairman of the Management Board as of April 1, 2020.

The members of the Management Board do not hold any mandates in Supervisory Boards outside the Group. As a member of the Management Board, Wilhelm Hörmanseder was also a member of the Board of Directors of Krono Holding AG, Luzern, Switzerland.

THE SUPERVISORY BOARD

Rainer ZELLNER
Chairman since April 29, 2015
born 1947
Independent entrepreneur; Chairman of the Supervisory Board of Mayr-Melnhof Holz Holding AG, Leoben

Johannes GOESS-SAURAU
1st Deputy Chairman since May 7, 2008
Member of the Supervisory Board since May 18, 2005
born 1955
Manager of his own companies

Nikolaus ANKERSHOFEN
2nd Deputy Chairman since April 26, 2017
Member of the Supervisory Board since April 28, 2010
born 1969
Lawyer and partner at Ankershofen Goëss Hinteregger Rechtsanwälte OG; Supervisory Board member at Mayr-Melnhof Holz Holding AG, Leoben; Management Board member of several private trusts

Alexander LEEB
Member of the Supervisory Board since May 7, 2008
born 1959
Deputy Chairman of the Supervisory Board at Plansee Holding AG, Reutte; Deputy Chairman of the Supervisory Board at Andritz AG, Graz; Chairman of the Board of Trustees of LGT Venture Philanthropy Foundation, Vaduz

Georg MAYR-MELNHOF
Member of the Supervisory Board since May 7, 2008
born 1968
Employee of the archdiocese of Salzburg

Ferdinand MAYR-MELNHOF-SAURAU
Member of the Supervisory Board since April 29, 2020
born 1987
Managing partner at various real estate investment and real estate development companies; Management Board member at Oskar Vogl Privatstiftung, Graz

Klaus RABEL
Member of the Supervisory Board since April 29, 2020
born 1961
Auditor and tax consultant, University Professor of Corporate Valuation and Value-Oriented Corporate Governance at the Institute of Corporate Accounting and Taxation at the Karl-Franzens-University, Graz; Deputy Chairman of the Professional Committee for Business Administration of the Chamber of Advisors and Auditors, Vienna; Member of the Europe MSR Board of the International Valuation Standards Council (IVSC), London; Management Board member of Austrian family trusts and Supervisory Board member in Austrian family-owned companies

Franz RAPPOLD
Member of the Supervisory Board since April 29, 2020
born 1952
Managing partner at RAFRA Consulting GmbH; Supervisory Board member at Polo Handels AG, Vienna; Supervisory Board member at Mayr-Melnhof Holz Holding AG, Leoben; Management Board member of a private trust; former Management Board member at Mayr-Melnhof Karton AG

Andreas HEMMER
Member of the Supervisory Board since October 20, 2009
born 1968
Employee representative

Gerhard NOVOTNY
Member of the Supervisory Board since May 10, 1995
born 1963
Employee representative

Romuald BERTL
Member of the Supervisory Board from March 2, 1994 to April 29, 2020
born 1953
Auditor and tax consultant, Ordinary University Professor of Accounting and Auditing at the Vienna University of Economics and Business; Head of the Institute of Accounting and Auditing at the Vienna University of Economics and Business; President of the Austrian Financial Reporting and Auditing Committee (AFRAC); Management Board member of Austrian family trusts and Supervisory Board member in Austrian family-owned companies

Guido HELD
Member of the Supervisory Board from May 7, 2008 to April 29, 2020
born 1944
Lawyer and managing partner at hba Rechtsanwälte GmbH; Management Board member of several private trusts; member of the management of various companies

The current mandates of all members of the Supervisory Board delegated by the shareholders will expire at the 31st Ordinary Shareholders' Meeting in 2025 which will resolve on the discharge for the financial year 2024. The mandates of the employees' representatives are awarded for an indefinite period of time.

Members of the Committees of the Supervisory Board

Presidium (Committee for Management Board Issues)
Rainer ZELLNER, Chairman
Johannes GOESS-SAURAU
Nikolaus ANKERSHOFEN

Audit Committee
Klaus RABEL, Chairman since April 29, 2020
Rainer ZELLNER
Johannes GOESS-SAURAU
Nikolaus ANKERSHOFEN
Gerhard NOVOTNY
Romuald BERTL, Chairman until April 29, 2020

Members of the Supervisory Board with additional Supervisory Board mandates in publicly listed companies

Alexander LEEB
Deputy Chairman of the Supervisory Board, Andritz AG, Graz

Independence of the members of the Supervisory Board

The members of the Supervisory Board use the guidelines of the Austrian Corporate Governance Code as an orientation for determining the criteria of their independence:

A Supervisory Board member must not maintain, or have maintained in the past year, any business relations with the Company or any of its subsidiaries with significance for the member of the Supervisory Board. This also applies to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not to the performance of institutional functions in the Group. The approval of individual transactions by the Supervisory Board in accordance with L Rule 48 (Company Contracts with Members of the Supervisory Board outside their activity in the Supervisory Board) does not automatically qualify the person as not independent.

The Supervisory Board member must not have acted as an auditor of the Company or have owned a share in the auditing company or have worked there as an employee in the past three years.

The Supervisory Board member must not be a member of the Management Board of another company in which a member of the Company's Management Board is a Supervisory Board member.

The Supervisory Board member must not be closely related (direct offspring, spouse, life partner, parent, uncle, aunt, brother, sister, niece, nephew) to a member of the Management Board or employees in leading positions, the auditor, or employees of the auditing company.

All members of the Supervisory Board have declared their independence in accordance with these criteria. Consequently this also applies to all members of the Committees of the Supervisory Board.

Representation of interests of a share > 10 % in Mayr-Melnhof Karton AG
In the Supervisory Board of Mayr-Melnhof Karton AG, there are two independent members representing a shareholding of more than 10 %:

Nikolaus ANKERSHOFEN
Ferdinand MAYR-MELNHOF-SAURAU

Contracts between members of the Supervisory Board and the Company subject to approval
In the financial year 2020, the following contracts between Mayr-Melnhof Karton AG and individual members of the Supervisory Board were subject to approval:

Nikolaus ANKERSHOFEN
Ankershofen Goëss Hinteregger Rechtsanwälte OG, where Nikolaus Ankershofen is lawyer and partner, acts as a legal advisor to Mayr-Melnhof Karton AG on an ad-hoc basis. These mandates mainly relate to the employment law relationship of the Management Board members of Mayr-Melnhof Karton AG with the AG. Ankershofen Goëss Hinteregger Rechtsanwälte OG charges on the basis of hourly rates customary for lawyers. In the financial year 2020, fees totaling thous. EUR 45 were charged.

Franz RAPPOLD
RAFRA Consulting GmbH provides consulting services on the basis of a consulting agreement with Mayr-Melnhof Karton AG, which are outside the activities of Franz Rappold as a member of the Supervisory Board. The consulting agreement has a total term of 3 years and ends on June 30, 2022. The contractually agreed consulting fee amounts to thous. EUR 100 per calendar year plus any cash expenses.

INFORMATION ON THE PROCEDURES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Allocation of rights and duties within the Management Board
Peter OSWALD, Chairman, CEO
(Member of the Management Board since April 1, 2020)
Strategic and profit-responsible management of the entire Group and in particular the areas:

- Group strategy
- Group organization
- Human resources of the Group and Board of the subsidiaries
- External and internal communication and investor relations
- Communication with the Chairman of the Supervisory Board and major shareholders
- Sustainability including occupational safety
- Determination of representatives at associations as well as
- Primary profit responsibility for the cartonboard division (including sales and marketing, production, innovation and product development)
- Procurement

Franz HIESINGER, CFO

- Finance and all financing matters
- Group reporting and accounting as well as controlling
- Merger and acquisition matters
- Risk management, insurances
- Legal and tax matters including compliance
- IT
- Internal Audit

Andreas BLASCHKE, Member of the Management Board Packaging
Primary profit responsibility for the packaging division (including sales and marketing, production, innovation and product development)

Wilhelm HÖRMANSEDER, Chairman, CEO (Member of the Management Board until March 30, 2020)

The Management Board manages the business in accordance with the law, the bylaws, and the Articles of Association of the Company. The bylaws of the Management Board govern the assignment of responsibilities as well as the cooperation within the Management Board and include a list of business cases which require the prior consent of the Supervisory Board. The members of the Management Board cooperate closely as colleagues, informing one another of all significant measures and occurrences within their respective areas of operation. The Management Board of Mayr-Melnhof Karton AG holds regular Board meetings on material Group- and division-relevant topics. The Chairman of the Management Board is responsible for chairing and preparing the meetings and for exchanging information with the Supervisory Board.

Type and decision-making power of the Committees of the Supervisory Board
The Supervisory Board has established the following Committees constituted by its members:

Presidium (Committee for Management Board Issues)
The principal task of the Presidium is to discuss the Company's strategy and direction on a continuous basis and to prepare resolutions for the Supervisory Board concerning all strategic matters. Furthermore, this Committee decides on issues concerning the Management Board in accordance with statutory regulations and also fulfills the functions of the Nomination and Compensation Committee. The quality of the Committee's work is guaranteed by the long-standing experience and know-how of its members in the field of compensation policy.

Audit Committee
The Committee's decision-making power derives from statutory regulations. The quality of the Committee's work is guaranteed by the long-standing experience and know-how of its members in the fields of finance, accounting, and reporting.

It is guaranteed that the Supervisory Board and the Committees are able to take decisions promptly in urgent cases. Each Chairman of the Committee informs the Supervisory Board on a regular basis about the activities of the Committee.

Focus of the Supervisory Board

The Supervisory Board convened in eight meetings in the business year 2020, with the participation of the Management Board, and fulfilled its tasks and obligations in accordance with the law and the Articles of Association.

All the members of the Supervisory Board attended at least six meetings. In addition to analyzing ongoing business development, the focus was in particular placed on strategic, organic and acquisition-based growth options. In this context, on the one hand, the most comprehensive investment program to strengthen the competitiveness and growth potential of selected existing sites was discussed. On the other hand, the potential expansion of MM Karton's position in the virgin fiber-based cartonboard sector was at the center of the discussions on non-organic growth opportunities, which finally resulted in successful agreements to acquire Kotkamills, Finland, in December 2020 and IP Kwidzyn, Poland, in February 2021. Due to the changed general conditions and the new personnel situation within the Management Board, amendments to the bylaws of the Management Board and Supervisory Board were adopted and organizational topics were covered in depth. In addition, projects for necessary structural adjustments were accompanied and topics relating to financing, risk evaluation, Corporate Governance, compliance, and succession planning were discussed. The Supervisory Board paid particular attention to the Covid-19 pandemic and its impact on business performance, the personnel situation, and the value added chain.

The Supervisory Board carried out a self-evaluation for the financial year 2020, with the result that the activity of the Supervisory Board was assessed to have been generally efficient. The amended bylaws, the regular exchange of information as well as the discussion of major topics in cooperation with the Management Board and the Group Auditor contribute significantly to this. A new level of efficiency was achieved with the digitalization of reporting and voting management in the Supervisory Board.

Discussions in the Supervisory Board and Management Board meetings were characterized by openness and a high degree of constructiveness also in 2020. All participants had sufficient opportunities to ask questions and engage in discussions.

Focus of the Committees of the Supervisory Board

In 2020, the Presidium (Committee for Management Board Issues) met ten times. It dealt especially with Group strategy, in particular with issues of transformation through acquisitions and investments as well as matters relating to the Management Board, and prepared the meetings of the Supervisory Board.

The implementation and review of the compensation policy and the reporting on compensation have been taken care of (see compensation report 2020 at https://www.mayr-melnhof.com/en/for-investors/reports/).

In 2020, the Audit Committee held two meetings and fulfilled its statutory duties. One focus was placed on dealing with the Group financial statements and the individual financial statements for 2019 as well as the preparation of the Group financial statements and the individual financial statements for 2020. In this context, the consolidated non-financial report according to section 267 a of the Austrian Commercial Code and its audit were also discussed, as well as details concerning the scope of non-auditing services rendered by the auditors, and the key audit matters were determined.

Due to the regular exchange between the Chairman of the Audit Committee and the Group Auditor outside the meetings, a discussion during the meetings without the participating Management Board members was not necessary.

MEASURES TO PROMOTE WOMEN AND DESCRIPTION OF THE CONCEPT OF DIVERSITY

The MM Group's concept of diversity is stated in the Code of Conduct. It is laid down there that we commit ourselves to creating a working environment throughout the Group that is characterized by openness and mutual respect. Diversity enables us to see things from different perspectives and against the background of different experiences, which we consider to be an enrichment that allows us to perform our tasks in even more effective and innovative ways. We are committed to providing equal opportunities, regardless of national or ethnic decent, gender, age, religion or life situation. Employees and job applicants are assessed based on the principle of non-discrimination.

The Supervisory Board currently comprises ten men, and the Management Board three. In the election of Supervisory Board members at the 26th Annual General Meeting, attention was paid to the candidates' professional and personal qualifications, independence and impartiality, and to a well-balanced composition. A balanced gender ratio within the Supervisory Board remains an objective.

The MM Group, however, follows the recommendations of the Equality Act to observe diversity when filling management positions within the Company and to strive for achieving a reasonable allocation according to gender, age, and expertise. Women have been holding leading positions within the MM Group for a long time, particularly in the areas of human resources, legal matters, information management, sales, finance and product development, and safety. The strategic goal is to achieve the best possible diversity at top management level and to further increase the proportion of women in management positions. By making work arrangements more flexible, the compatibility of career and family is supported. Owing to the Group's activities in heavy industry and the shift systems, the proportion of women within the Group and in the recruitment process tends to be low, however. Being an attractive employer for women, also in technical occupations, is our long-term aspiration.

Details on employee development can be found in the "Employees" section of the non-financial report.

EXTERNAL EVALUATION

The Code (ÖCGK) requires a regular external evaluation (at least every three years) of the Company's compliance with the C rules (Comply or Explain). The last was carried out in the course of the annual audit of the financial statements 2018 by Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The review of compliance with the rules of the Code regarding the audit was conducted by Georg Eckert, professor at Innsbruck University. As a result of this evaluation, the auditors have determined that the declaration given by Mayr-Melnhof Karton AG regarding compliance with the Corporate Governance Code corresponds to the actual conditions. The next external evaluation is planned for the Corporate Governance report of the year 2021.

EVENTS AFTER THE BALANCE SHEET DATE

There were no changes of matters requiring reporting between the reporting date and the preparation of the Corporate Governance report.

Vienna, March 15, 2021

The Management Board

Peter Oswald m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Report of the Supervisory Board

In the financial year 2020, the Supervisory Board fulfilled its responsibilities pursuant to statutory provisions and the Articles of Association. Besides analyzing ongoing business development, the main focus was in particular placed on strategic, organic and acquisition-based growth options. In addition, projects for necessary structural adjustments were accompanied, and topics relating to financing, risk evaluation, Corporate Governance, compliance, and succession planning were discussed. The Supervisory Board paid particular attention to the Covid-19 pandemic and its impact on business management, the personnel situation, and the value added chain.

With the successful negotiations on the acquisition of the virgin fiber-based cartonboard mills Kotkamills in Finland and Kwidzyn in Poland, the MM Group has taken two strategic steps of historic proportions in recent months, which, in the opinion of the Supervisory Board, fit in well with the previous focus on recycled fiber-based cartonboard and offer interesting development prospects. By subscribing Schuldschein loans and Namensschuldverschreibungen with a total volume of 1 billion euros, a broadly diversified group of institutional investors expressed their high confidence in the business model, the growth course, and the management of MM. The Supervisory Board would like to thank all those involved in this historic transformation for their great commitment and high level of trust. As before, the Supervisory Board will continue to be closely involved in the upcoming completion of the acquisitions and the forthcoming integration.

Ongoing activities of the Supervisory Board

During the financial year 2020, the Supervisory Board convened in eight meetings with the participation of the Management Board. All the members of the Supervisory Board attended at least six meetings. Furthermore, the Presidium (Committee for Management Board Issues) convened ten times, the Audit Committee met twice.

The meetings of the Supervisory Board and the Committees always offered sufficient opportunity to discuss individual agenda items and timely submitted documents in detail.

The interaction of capital and employee representatives within the Supervisory Board was characterized by a constructive atmosphere.

The Management Board has complied with its duty to provide information and has informed the Supervisory Board regularly, promptly and in detail, both in writing and verbally, about the position and development of the Company and its subsidiaries.

Between the meetings, the Chairman of the Supervisory Board and the Chairman of the Management Board were regularly in contact and discussed the progress of business, strategy, and the Company's risk position.

Information on the composition and procedures of the Supervisory Board and its compensation can be found in the Corporate Governance report and the compensation report.

Audit 2020

The annual financial statements and the management report of Mayr-Melnhof Karton AG for the year ending December 31, 2020, including accounting, were audited by PwC Wirtschaftsprüfung GmbH, Vienna. The same applies to the consolidated annual financial statements which were prepared in accordance with IFRS and supplemented by the management report for the Group and further notes pursuant to section 245 a of the Austrian Commercial Code. The audit confirmed that accounting, the annual financial statements, the management report as well as the consolidated annual financial statements and the management report for the Group comply with the legal requirements and the Articles of Association and, in all material respects, convey a fair picture of the financial position, the financial performance, and cash flows. The audit provided no reason for query, and the auditors duly issued an unqualified opinion for 2020.

The Supervisory Board has examined the annual financial statements and the management report of Mayr-Melnhof Karton AG as of December 31, 2020 as well as the consolidated annual financial statements and the Group management report of Mayr-Melnhof Karton AG as of December 31, 2020 in accordance with legal requirements. According to its final result, the audit by the Supervisory Board did not give rise to any objections.

The Supervisory Board has complied with its statutory audit obligation for the consolidated Corporate Governance report 2020 and consolidated non-financial report 2020. Additionally, a limited assurance engagement of the non-financial report 2020 was performed. Based on the procedures performed, nothing has come to the attention of PwC Wirtschaftsprüfung GmbH, Vienna, that gives reason to believe that the consolidated non-financial report 2020 of Mayr-Melnhof Karton AG is not prepared in accordance with the requirements of section 267 a of the Austrian Commercial Code in all material aspects.

Approval of annual financial statements, consolidated annual financial statements and distribution of the profit

The Supervisory Board concurs with the annual financial statements, the management report, the Corporate Governance report, the consolidated non-financial report according to section 267 a of the Austrian Commercial Code as well as the consolidated annual financial statements and the management report for the Group, and hereby approves the annual financial statements as well as the consolidated annual financial statements of Mayr-Melnhof Karton AG as of December 31, 2020. Thus, the 2020 annual financial statements of Mayr-Melnhof Karton AG are adopted in accordance with section 96 (4) of the Austrian Stock Corporation Act.

The Supervisory Board has considered and approved the Management Board's proposal regarding the distribution of the profit for the financial year 2020.

The members of the Supervisory Board extend their gratitude to the Management Board and all employees of the Mayr-Melnhof Group for their excellent performance and great dedication in this particularly challenging financial year 2020. In addition, the Supervisory Board would also like to thank the shareholders for the trust they have placed in the Company.

Vienna, March 2021

Rainer ZELLNER
Chairman of the Supervisory Board

Management Report

1 — POSITIONING OF THE MAYR-MELNHOF GROUP AND THE DIVISIONS

GROUP

Focus on cartonboard packages for consumer goods

The production and sale of cartonboard as well as the processing of cartonboard into folding carton packages for consumer goods are the two core business areas of the Mayr-Melnhof Group. They are managed as two divisions that are each responsible for their own results and supply each other at arm's length. The MM Karton division is the largest producer of cartonboard in Europe with a leading position in recycled fiber-based cartonboard and a growing position in the area of virgin fiber-based cartonboard. The MM Packaging division is the largest producer of folding cartons in Europe and, additionally, holds a leading market position in several countries outside Europe. Cartonboard is mainly used as a raw material for the production of folding carton packaging. Folding cartons are, besides plastics, the most important primary packaging material for consumer staples. In addition to the attractive presentation of the consumer goods and their protection, folding carton packaging is characterized in particular by its sustainable production from renewable fiber materials that can be recycled many times. Responsible circular economy is thus an immanent part of the Mayr-Melnhof Group's business. Demand for cartonboard and cartonboard packaging correlates with the development of private consumption, especially of consumer staples, and thus shows a relative resilience. Due to transport costs and service demands, the folding carton business has a mainly regional character. By contrast, the cartonboard business is mainly concentrated on the individual continents (Europe, Asia, America), global cartonboard trade thus only having minor importance.

Integrated business model as two profit centers

In 2020, MM Karton supplied around 13 % of its cartonboard sales to MM Packaging at arm's length conditions, which is slightly more than in the previous year. The majority of its cartonboard production, however, is sold to folding carton producers outside the Group and thus to competitors of MM Packaging.

MM Packaging bought around one quarter of the tonnage processed internally from MM Karton in 2020. The major share of the required cartonboard is purchased from external suppliers. The main reasons are the currently still limited internal supply of virgin fiber-based cartonboard, free purchase at market conditions and specifications by customers concerning particular cartonboard grades.

Regional focus on Europe

The geographical focus of our business is the well-developed and sustainable European market, where both divisions have held the leading market position for a long time and plan to grow even further. Outside Europe, the MM Group is active in global cartonboard exports and operates packaging sites in individual markets in Latin America, the Middle East, and Asia.

Growth through efficiency and innovation of sustainable products

Growth is firstly aimed at a further penetration of existing market segments and secondly at the exploitation of new sales areas with innovative, sustainable products. For this purpose, we are, on the one hand, focusing on targeted investments in existing plants with the aim of increasing market share through high efficiency and a focused product orientation. On the other hand, the acquisition of efficient and innovative sites, such as the recently announced acquisition of the two virgin fiber-based cartonboard mills Kotkamills, Finland, and Kwidzyn, Poland, is intended to expand the position of the MM Group in growing markets and to enable the entry into new products.

By growing in the core business and focusing on specific product groups, we aim at exploiting additional synergies for positioning the Mayr-Melnhof Group sustainably as market, cost and technology leader in its segments. Creating added value through sustainability and innovation is a clear orientation for further market development, in particular also for plastic substitution, with the objective of growing faster than the market with a high return on capital employed.

MAYR-MELNHOF KARTON

Leading cartonboard producer

With a total annual production capacity of more than 1.7 million tons, the division MM Karton is the biggest cartonboard producer in Europe. A wide range of cartonboard products for a wide spectrum of applications in the packaging area is manufactured at six locations in Europe. At the end of 2020, coated recycled fiber-based cartonboard accounts for approx. 80 % of the production and the area of virgin fiber-based cartonboard for approx. 20 %, which will be significantly expanded as soon as the acquisitions in Finland and Poland that were announced at the end of 2020 and at beginning of 2021 have been completed. The objective is to strengthen MM Karton's competitive position in a growing European virgin fiber-based cartonboard market in addition to recycled fiber-based cartonboard through more innovation, sustainability and efficiency. Recycled fibers, which are purchased from external suppliers, remained the most important raw material in 2020, accounting for approx. 75 % of the fibers used. Approx. 19 % of the fibers used are groundwood pulp, most of which we produce ourselves at our cartonboard mills and in the division's own fiber mill FollaCell in Norway. Pulp accounts for approx. 6 % of the fiber demand and is of minor importance.

Cartonboard – a wide range of applications for consumer goods packaging

Cartonboard products of MM Karton are used as packaging material in numerous consumer goods markets for daily needs. The main areas of application are fast moving consumer goods (FMCG), including e-commerce, which account for more than 90 % of sales. These include, in particular, food packages as well as packages for household and hygiene products. A coordinated process between innovation activity, product development and commercialization has been established as a key factor for further growth. The focus is placed on continuously improving existing solutions and processes as well as developing new fields of application and market potentials. MM Karton thus pursues an approach which takes into account aspects from the entire value chain for differentiation on the market. A high level of quality, product functionality, and safety as well as comprehensive know-how and state-of-the-art services characterize our cartonboard portfolio. In order to optimally satisfy specific requirements of individual market segments, MM Karton's main product groups – recycled fiber-based cartonboard, virgin fiber-based cartonboard, and white coated recycling liner (high-quality printable and finishable top layer for corrugated board products in low grammage) – have been set up as separate units within the sales organization. With the possibility to deliver the same products from several cartonboard mills (multi-mill concept), we assume responsibility with regard to security of supply for our customers.

"Plastic substitution" – our sustainable goal

Plastics are the most important competitive product for cartonboard in the field of packaging in a wide variety of forms and applications with a high dependency on the price of crude oil. Due to an increasing demand for sustainable packaging solutions, the trend towards "plastic substitution" has been growing significantly in recent years and is continuing. MM Karton's aim is to create new possibilities for replacing plastic packaging with environmentally friendly innovative cartonboard packaging and to further increase the functionalities of cartonboard packaging. This concerns new areas of application for both recycled and virgin fiber-based cartonboard. A measurable impact of this trend on cartonboard sales is still difficult to estimate today. MM Karton's ambition is to use this strategically in order to grow faster than the market.

Our main market – Europe

Due to transport costs, high logistical demands regarding short-term product delivery to customers as well as the high level of specific finishing of cartonboard in individual formats, the European cartonboard market is primarily supplied from Europe.

According to the geographic base of MM Karton with six European production sites, Europe is MM Karton's main market, where it distributed around 84 % of its sales volume in 2020. With an export share of 16 % to countries outside Europe, MM Karton holds not only the leading position in Europe but also that of the largest cartonboard exporter from Europe. More than 1,000 customers are supplied in around 100 countries worldwide. These are in particular printing businesses in the medium-sized and highly fragmented European folding carton industry. Furthermore, the influence of consumer goods producers and retailers on buying decisions for cartonboard has been increasing for years, also as direct contact partners. MM Karton is positioned very well in this development due to a customized range of products and services tailored to this, company size as well as specific expertise.

Progress through digitalization

With "MMK digital", the digital sales and service channel, MM Karton continues to be a pioneer in digitalization in the cartonboard industry and is setting new standards by continuously expanding its offer. For example, "MMK digital" provided its users with a new function as of fall 2020, which allows complaints to be processed digitally in a quick and intuitive manner. A seamless change function for orders was also set up. The very high proportion of customer connections underlines the high level of acceptance on the market. In addition to customer communication, digitalization will also be used increasingly to speed up logistics and the movement of goods in the future, resulting in efficiencies and increased level of service, particularly at larger sites.

High-performance locations

In 2020, in the course of the shut-down of its smallest cartonboard mill in Hirschwang, Austria, MM Karton continued to concentrate its production on high-performance sites, a strategy which it has already been pursuing for three decades. At the end of 2020, MM Karton is producing on eight high-performance cartonboard machines at six European locations in four countries: Germany, Austria, Slovenia, and the Netherlands. Each of the machines is aligned to specific product qualities: three to recycled fiber-based cartonboard, two to virgin fiber-based cartonboard, and one to white coated recycling liner. In addition, two more cartonboard machines flexibly produce both recycled and virgin fiber-based cartonboard grades. The cartonboard machines are continuously further developed according to the state of the art with a focus on growth potential and competitive strength. The announced acquisitions of Kotkamills, Finland, and Kwidzyn, Poland, indicate a continuation of the focus on large high-performance mills.

Recycled fibers – sustainably available

Paper for recycling is the strategically most important raw material for the production of coated recycled fiber-based cartonboard. Groundwood pulp, energy, chemicals, and logistics are other significant cost factors. High-quality printability of cartonboard is reached through the application of a coating made from chalk, fillers, and binders to the outer surface of cartonboard.

MM Karton purchases recycled fibers exclusively in Europe, predominantly on the spot market. In addition, long-term supply opportunities from municipalities and waste-management companies are also used to a lesser extent. Due to high European recycling quotas for paper for recycling and existing reserves as well as lower exports of paper for recycling from Europe to Asia, we consider the raw material of paper for recycling to be sustainably available and the supply of our cartonboard mills to be secured. As the Covid-19 situation has shown, temporary fluctuations in volumes of paper for recycling may, however, occur as a result of government measures.

Intense competition in the cartonboard industry

MM Karton is the only supplier with several locations in the production of recycled and virgin fiber-based cartonboard, respectively, and, moreover, the only European cartonboard producer with an additional mainstay in folding carton production. The three largest Scandinavian suppliers operate exclusively in the area of virgin fiber-based cartonboard.

With regards to recycled fiber-based cartonboard, the capacity growth in Europe has been achieved only through a continuous technological modernization of existing mills ("creeping capacity increase") for more than two decades. Regarding virgin fiber-based cartonboard, in particular the structural shift from graphical papers to cartonboard packaging products over the last few years has resulted in the creation of new capacities, some of which are also sold outside Europe.

MAYR-MELNHOF PACKAGING

Leading folding carton producer

The core business of MM Packaging focuses on folding cartonboard packages for consumer staples. In the year 2020, around 703,000 tons of recycled and virgin fiber-based cartonboard and 144,000 tons of paper have been processed and sales of EUR 1,594.2 million were generated. MM Packaging is thus not just the leading producer of folding cartons in Europe but also one of the largest worldwide.

The production of corrugated cartonboard is a different industry from that of cartonboard and folding cartons with different products and markets in which MM Packaging does not operate. There is an overlap for consumer goods packaging made of fine flute (micro-flute), which are also produced at some specialized MM Packaging sites. These combine the stability of flute with the excellent printability of cartonboard.

International site network always close to the customer

Transport costs and service requirements limit the supply radius of folding cartons, which are thus defined as mainly regional products. The geographic focus of the site network of 44 production plants in 18 countries lies on Europe. Consequentially MM Packaging offers a pan-European supply concept that is unique in the industry. In addition, a leading position is also held in individual countries in the Middle East, South America, and the Far East. Aside to the broad local presence, we create competitive advantages by having our sites specializing in specific market and product segments in the areas of fast moving consumer goods (FMCG) and e-commerce as well as premium through appropriate know-how and continuous further development. To this end, we are constantly investing in state-of-the-art high-performance technology and cost efficiency. The main sales market of Europe accounts for approx. 82 % of sales, the Middle East/Asia markets for 11 %, and the Americas for 7 %. The aim of our location policy is to support our customers' expansion with large, modern production facilities in attractive markets.

Balance and potential through supplying a wide range of industries

In the field of packaging for consumer staples, MM Packaging covers a wide range of sectors, thus creating potential and a certain degree of resilience. Thereby, the "FMCG" and "premium" markets contribute to MM Packaging's sales in almost equal parts. The highly specialized premium business comprises the areas health, beauty & personal care, cigarette, and luxury. With this combination of various end markets and an efficient company size, MM Packaging holds a unique position in Europe.

The organization of MM Packaging in business units specialized in individual sales sectors and product fields enables us to satisfy individual market and product requirements with a high level of competitive strength. The major part of the business is generated with large multinational consumer goods producers which account for approx. 80 % of sales. The allocation of demand via tender procedures and multi-year procurement agreements are the rule in international key customer business. The remaining part of sales goes to local customers. In total, MM Packaging supplies over 1,700 customers worldwide.

Growth – organic and through acquisitions
As the cartonboard market, the demand for folding carton packages correlates with private consumption. Due to the focus on packages for consumer staples, demand shows a high level of continuity in the mature main market Europe. MM Packaging's aim here is to continue to grow organically and through acquisitions by increasing its competitive strength and by focusing on future markets, such as e-commerce.

Outside Europe, we still pursue the strategy of occupying a significant position in future markets in time to secure the greatest possible potential at a manageable risk. The main focus of existing production sites outside Europe lies on optimizing the size of operations through further growth.

Like before, MM Packaging will continue its expansion course, in a risk-conscious way, guided by value creation and striving for a sustainably high quality of results. The promotion of cartonboard packaging as a particularly sustainable and innovative form of packaging is receiving considerable attention in the current market environment.

Best industrial practice – claim to technological leadership
The production of folding cartons is a multi-step process that can be briefly described as follows: cartonboard is printed, creased in the subsequent cutting process before being separated into packaging blanks which are then folded individually according to the demand of the customer branch and glued in the final step of the process. In addition, a large number of processes for finishing the packages is applied. The packages are generally shipped and transported in a folded state with an outer carton. The filling of packages with consumer goods largely takes place at the customers' packing systems.

Aspiring best industrial practice, MM Packaging uses all common state-of-the-art preprinting, printing, and finishing technologies. We improve the efficiency and quality of our products and processes firstly by constantly benchmarking the performance of individual production lines and secondly by continuously investing in new technologies. We always provide space for innovation, often in close cooperation with our customers, with the goal of operational and technological leadership in the market. Current priorities are the increased specialization of locations, automation and digitalization, and the development of innovative sustainable packaging.

Cartonboard – strategic raw material
Folding carton production starts with cartonboard as essential raw material, constituting both the most important input and cost factor. The choice of used cartonboard, on the one hand, depends on the functionality of the package, and, on the other hand, on the specific requirements of individual consumer goods sectors and manufacturers. In accordance with the divisional profit-center principle of the Group, MM Packaging procures the required recycled and virgin fiber-based cartonboard via its own purchase organization. Within the business with international consumer goods manufacturers, the purchase of cartonboard is also decided or negotiated by the customer. To cover major changes in cartonboard prices, long-term supply contracts with large customers generally include appropriate clauses which relate to reference values.

In addition to cartonboard and paper, other important raw materials for MM Packaging include inks, varnishes, and tools. The personnel intensity in folding carton production is consistently higher than in cartonboard production.

Cost leadership and industrial excellence

For a long time, MM Packaging has strategically pursued differentiation through industrial production in the European folding carton industry which is largely dominated by trade businesses. Major characteristics of this are the use of cost advantages due to location size and geographical location as well as the deployment of high-performance technology, such as automation and digitalization, in production and logistics.

To ensure industrial excellence, the basic processes have been largely standardized and are continuously improved based on constant performance monitoring among machines and locations to conform to the state of the art. Moreover, we are implementing market-specific innovation and specialization initiatives for individual business units with the aim of maintaining cost, technology and innovation leadership in these areas. This is crucial for securing sustainable growth capacity and profitability.

Compared to the cartonboard industry, market barriers are lower in the folding carton business, resulting in the business being characterized by a continuously intensely competitive environment.

2 — DEVELOPMENT IN THE YEAR 2020

GENERAL ECONOMIC SITUATION

The global economy was characterized by a drop of historic dimensions in 2020 as a result of the Covid-19 pandemic, with severe effects on many economic sectors. In Europe, economies were affected differently, with the sharpest declines in GDP particularly in France, Spain and Italy, and a somewhat smaller downturn in Germany and Poland, for example. The measures introduced to contain the pandemic, in particular "lockdowns" and travel restrictions, resulted in a dramatic increase in unemployment rates and short-time working in many sectors, as well as temporary production stops and disruptions to supply chains. By contrast, numerous aid programs were implemented as part of expansive monetary and fiscal policies to reduce the economic impact of the pandemic. Consumer behavior saw significant structural changes with a marked increase in demand for everyday products and record sales in the e-commerce sector. Although economic activity picked up again temporarily in the third quarter as measures were eased, the second wave of the pandemic which set in in fall once more led to significant restrictions. All forecasts remain subject to exceptional uncertainties regarding the further spread of the virus, the scope and duration of containment measures, as well as consumer, business, and financial market confidence.

INDUSTRY DEVELOPMENT

Compared to the overall economy, demand on the European cartonboard and folding carton markets was characterized by a certain resilience to the pandemic. While demand for packaging of daily consumer goods was very robust and demand in e-commerce was dynamic, sales in markets such as duty-free, cosmetics, but also food service (fast food) were characterized by a temporary significant decline which could not be made up for in the course of the year.

Following a decline in prices for mixed grades of paper for recycling at the beginning of the year, the fiber markets recorded a significant increase in the wake of reduced volumes during the first lockdown in spring, which was followed by a renewed price increase due to intensified pandemic measures after an easing during the summer months. By contrast, prices for virgin fiber-based products, such as pulp, only showed an upward trend as of the fourth quarter after a long period of moving sideways. While the market for recycled fiber-based cartonboard was characterized by continuity, that for virgin fiber-based cartonboard developed slightly better than in the previous year, with prices in both areas remaining quite firm. Capacity increases in the European cartonboard industry in 2020 again focused mainly on ongoing investment activities in existing plants. In the group of the largest European cartonboard producers, MM's announcements regarding the acquisition of Kotkamills in December 2020 and IP Kwidzyn in February 2021 were the most significant changes. Overall, capacity utilization in the industry developed at a good level.

The topic of sustainability in packaging, in particular the substitution of plastic, has received more attention in 2020 and is proactively promoted by all participants along the value chain, cartonboard and folding carton producers as well as consumer goods manufacturers and retailers. At the same time, there has been a continuous trend towards specialization and increasing the functionality of cartonboard packaging.

Consolidation in the European folding carton industry continues, with low-cost production and a specific focus on individual market segments, such as FMCG, health, personal care, special packaging, etc., emerging as the main thrusts. Overall, the supplier structure continues to be characterized by a strong fragmentation.

DEVELOPMENT OF BUSINESS 2020

GROUP

The Mayr-Melnhof Group was able to close the financial year 2020 with a solid volume and cash flow development despite challenging general conditions. The concentration of the business portfolio on cartonboard and cartonboard packaging for consumer staples allowed for a certain resilience.

While sales almost reached the previous year's level, profit figures were, as expected, below the previous year due to one-off effects, primarily from market- and structure-related adjustments. These had an impact of EUR 64.0 million on the operating profit for 2020, with a large part attributable to impairment of current and non-current assets and personnel expenses.

In its current business, the cartonboard division benefited in particular from favorable raw material and energy costs. The packaging division showed a solid performance mainly due to the overall good volume development.

The MM Group's strategic focus is placed on cost optimization and deeper market penetration as well as the development of new markets. The objective is to secure growth with sustainable and innovative packaging products and high profitability in the long term. The recently concluded agreements on the acquisition of Kotkamills, Finland, and Kwidzyn, Poland, in the virgin fiber-based cartonboard sector and the intensified investment program 2021 – 2022 for sites with cost benefits are transformative milestones on this path, and offer an attractive potential.

In line with the solid profit development, a stable dividend compared to the previous year of EUR 3.20 per share (2019: EUR 3.20) will be proposed to the 27th Annual General Meeting on April 28, 2021 for the financial year 2020.

Consolidated income statements

Consolidated income statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	+/-
Sales	2,528.4	2,544.4	- 0.6 %
Operating profit	231.4	255.3	- 9.4 %
Financial result and result from investments	(9.4)	(4.2)	+ 124.7 %
Income tax expense	(59.8)	(60.9)	- 1.8 %
Profit for the year	**162.2**	**190.2**	**- 14.7 %**

Consolidated sales of the Group reached EUR 2,528.4 million and were thus close to the previous year's level (2019: EUR 2,544.4 million). A volume-related increase in sales in the packaging division was offset by a price-related decline in the cartonboard division. The geographic distribution of sales remained largely constant, with 55.2 % attributable to Western Europe, 28.3 % to Eastern Europe, and 16.5 % to markets outside Europe (2019: 54.6 %; 28.5 %; 16.9 %). Intercompany sales increased slightly to EUR 116.6 million (2019: EUR 111.8 million) and were mainly related to deliveries from MM Karton to MM Packaging.

Group sales by destination

(in %)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Western Europe (excl. Austria)	53.3 %	52.5 %
Austria	1.9 %	2.1 %
Eastern Europe (incl. Turkey)	28.3 %	28.5 %
Asia and MENA	10.2 %	10.2 %
The Americas	4.9 %	5.3 %
Other	1.4 %	1.4 %
Total	**100.0 %**	**100.0 %**

Cost of sales

				Percentage of sales	
(in millions of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	+/-	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Cost of materials and purchased services	1,317.9	1,362.1	- 3.2 %	52.1 %	53.5 %
Personnel expenses	363.3	350.2	3.7 %	14.4 %	13.8 %
Depreciation and amortization[1]	144.0	112.5	28.0 %	5.7 %	4.4 %
Other expenses	88.7	92.7	- 4.3 %	3.5 %	3.7 %
Cost of sales	**1,913.9**	**1,917.5**	- 0.2 %	**75.7 %**	**75.4 %**

[1] incl. impairment on property, plant and equipment, and intangible assets

At EUR 1,913.9 million, the cost of sales for operating performance were close to the comparative figure of the previous year (2019: EUR 1,917.5 million). Reduced material costs, mainly as a result of lower fiber costs, were offset by one-off expenses related to market- and structure-related adjustments. As a result, the share in sales remained almost unchanged at 75.7 % (2019: 75.4 %).

Selling and distribution, administrative and other operating expenses

				Percentage of sales	
(in millions of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**	**+/-**	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Personnel expenses	163.2	146.6	11.4 %	6.4 %	5.8 %
Depreciation and amortization[1)]	23.5	21.8	7.8 %	0.9 %	0.9 %
Other expenses	216.2	215.1	0.5 %	8.6 %	8.4 %
Selling and distribution, administrative and other operating expenses	**402.9**	**383.5**	**5.1 %**	**15.9 %**	**15.1 %**

[1)] incl. impairment on property, plant and equipment, and intangible assets

Selling and distribution, administrative and other operating expenses increased, in particular due to expenses related to the closure of MM Karton Hirschwang as well as the termination agreement with the former CEO, from EUR 383.5 million to EUR 402.9 million. Their share in sales changed from 15.1 % to 15.9 %.

EBITDA rose by 2.4 % or EUR 9.3 million to EUR 398.9 million (2019: EUR 389.6 million), the EBITDA margin to 15.8 % (2019: 15.3 %). At EUR 231.4 million, the operating profit was 9.4 % or EUR 23.9 million below the previous year (2019: EUR 255.3 million). This includes one-off expenses of EUR 64.0 million, in particular from necessary market- and structure-related adjustments. Thereof, EUR 40.2 million are attributable to the cartonboard division and EUR 23.8 million to the packaging division. Depreciation and amortization including impairment thus increased from EUR 134.3 million to EUR 167.5 million. The result of the packaging division, which was close to the previous year's level, was offset by a decline in the cartonboard division. The Group's operating margin therefore amounted to 9.2 % (2019: 10.0 %), the return on capital employed to 13.7 % (2019: 15.4 %).

Financial income of EUR 1.7 million (2019: EUR 1.4 million) contrasted with financial expenses of EUR -7.9 million (2019: EUR -8.4 million). The "Other financial result - net" changed to EUR -3.2 million (2019: EUR 2.8 million), mainly due to changes in the foreign currency result.

Accordingly, profit before tax of EUR 222.1 million was 11.6 % lower than in the previous year (2019: EUR 251.1 million). Income tax expense amounted to EUR 59.8 million (2019: EUR 60.9 million), resulting in an effective Group tax rate of 27.0 % (2019: 24.3 %).

Profit for the year, earnings per share

Profit for the year amounted to EUR 162.2 million (2019: EUR 190.2 million), the net profit margin was thus at 6.4 % (2018: 7.5 %). An unchanged total average of 20,000,000 shares was outstanding in the reporting year, resulting in earnings per share of EUR 8.06 (2019: EUR 9.49) based on the profit for the year attributable to the shareholders of the Company of EUR 161.2 million (2019: EUR 189.7 million).

Assets, capital, and liquid funds

Consolidated balance sheets (condensed version)

(in millions of EUR)	Dec. 31, 2020	Dec. 31, 2019
Non-current assets	1,397.9	1,442.2
Current assets	1,001.7	980.5
Total assets	**2,399.6**	**2,422.7**
Total equity	1,547.1	1,508.3
Non-current liabilities	397.2	419.8
Current liabilities	455.3	494.6
Total equity and liabilities	**2,399.6**	**2,422.7**

The Group's total assets of EUR 2,399.6 million by December 31, 2020 were EUR 23.1 million lower than at year-end 2019 (EUR 2,422.7 million). The Group’s total equity rose from EUR 1,508.3 million (December 31, 2019) to EUR 1,547.1 million, with the profit-related increase being offset by the dividend payment and foreign currency effects. The equity ratio remained at a high level of 64.5 % (December 31, 2019: 62.3 %). Return on equity was at 10.6 %, after 13.1 % in the previous year.

Financial liabilities, primarily of a long-term nature, decreased from EUR 345.4 million at the end of 2019 to EUR 268.4 million as of December 31, 2020 due to repayments. These include lease liabilities according to IFRS 16 of EUR 46.6 million (December 31, 2019: EUR 53.7 million).

With cash available to the Group amounting to EUR 146.2 million (December 31, 2019: EUR 126.8 million), net debt declined from EUR 218.6 million to EUR 122.2 million at the end of 2020. Furthermore, credit lines and credit facilities totaling EUR 902.5 million (December 31, 2019: EUR 446.0 million) were available to the Group which can be used at any time.

Non-current assets decreased from EUR 1,442.2 million to EUR 1,397.9 million, mainly as a result of market-related impairments in both divisions. At EUR 1,001.7 million, current assets were higher than at the end of 2019 (EUR 980.5 million).

Cash flow development

Consolidated cash flow statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Net cash from operating activities	318.2	331.4
Net cash from investing activities	(142.9)	(380.6)
Net cash from financing activities	(150.8)	(87.1)
Effect of exchange rate changes	(5.1)	2.1
Net change in cash and cash equivalents	**19.4**	**(134.2)**
Cash and cash equivalents at the end of the year	**146.2**	**126.8**

At EUR 318.2 million, cash flow from operating activities was EUR 13.2 million below the comparative figure (2019: EUR 331.4 million). This change resulted from a lower cash-effective result and higher payments for income taxes.

Cash flow from investing activities changed from EUR -380.6 million to EUR -142.9 million. This difference particularly results from the purchase price payment for the acquisition of Tann-Group amounting to EUR 267.7 million in the previous year. An increase in payments for the acquisition of property, plant and equipment, and intangible assets from EUR 136.1 million to EUR 152.8 million was offset by a cash inflow of EUR 6.2 million from government grants.

Capital expenditures of MM Karton amounting to EUR 93.5 million (2019: EUR 75.1 million) were mainly related to technical modernization and expansions with a focus on the sites in Gernsbach, Germany, Kolicevo, Slovenia, and Frohnleiten, Austria.

The main focus of MM Packaging's capital expenditures in the amount of EUR 59.3 million (2019: EUR 61.0 million) were technological innovation and expansions in Iran, Austria, France, Romania, and Turkey.

Cash flow from financing activities changed from EUR -87.1 million to EUR -150.8 million. This is mainly due to loan repayments in 2020.

Further information

In December 2020, the Mayr-Melnhof Group has agreed to acquire Kotkamills Group Oyj ("Kotkamills") from its shareholders for an Enterprise Value of around EUR 425 million less net debt, representing approx. 7.8x EBITDA.

Kotkamills operates two board/paper machines at its integrated mill in Kotka (Southern-Finland): a FBB/FSB board machine which started up in 2016 following an investment of more than EUR 180 million with current sales volumes of around 260,000 tons and a planned capacity of 400,000 tons; a Saturated Kraft paper machine with 170,000 tons capacity in which the company is a leading global supplier. Kotkamills employs about 500 people and lately generated an EBITDA of approx. EUR 55 million on sales of approx. EUR 380 million.

Closing of the transaction is expected by mid of 2021.

Mid-February 2021, Mayr-Melnhof Group has agreed to acquire International Paper (Poland) Holding sp. z o.o. ("Kwidzyn") from International Paper for a debt and cash free amount of around EUR 670 million and additionally assuming approx. EUR 33 million of usufruct and operating lease liabilities.

At its integrated pulp and paper site in Poland, Kwidzyn operates a pulp mill with an annual capacity of around 400,000 tons and four integrated cartonboard/paper machines: The flagship is a FBB board machine with 260,000 tons annual capacity. In addition, Kwidzyn has recently entered the MF kraft paper segment through the conversion of one of its paper machines to serve the growing demand for flexible fiber-based packaging products. Production of this machine is increasing up to an annual capacity of 75,000 tons. Finally, Kwidzyn operates two of the most attractive copy paper machines (UWF) in Europe with an annual total capacity of 410,000 tons. About 2,300 people are working at the mill. In 2020 it generated an adjusted EBITDA of approx. EUR 92 million on sales of approx. EUR 510 million.

Closing of the acquisition is expected in the third quarter of 2021.

The acquisitions strengthen the competitive position of MM Karton in the attractive market for high-quality virgin fiber-based cartonboard (FBB) and Food Service Board (FSB) with innovative, sustainable qualities as well as more efficiency compared to the two market leaders and complement the established market position in recycled fiber-based cartonboard. The entry into new business areas and the integration of pulp and paper at one site also create new perspectives. Continuing to drive innovations for environmentally friendly packaging solutions to substitute plastic is an essential part of the Group's growth and sustainability strategy.

The acquisitions will be financed by issuing loans in the form of Schuldscheinen and Namensschuldverschreibungen totaling EUR 1 billion and are subject to customary closing conditions and regulatory approval.

Definition of financial indicators

Cash earnings
Sum of profit for the year before depreciation, amortization as well as impairment of property, plant and equipment, and intangible assets and before non-cash-effective and deferred taxes.

Cash earnings margin
Cash earnings divided by sales.

EBITDA (Earnings before interest, income taxes, depreciation and amortization)
Operating profit plus depreciation, amortization and impairment of property, plant and equipment, and intangible assets.

EBITDA margin
EBITDA divided by sales.

Employees
Employees at the end of the year, including apprentices and part-time employees on a pro-rata basis.

Equity ratio
Total equity divided by total assets.

Net debt/Net liquidity
The sum of current and non-current interest-bearing financial liabilities, including lease liabilities according to IFRS 16 less cash and cash equivalents. In case the sum of cash and cash equivalents exceeds financial liabilities, there is net liquidity.

Net profit margin
Profit for the year divided by sales.

Operating margin
Operating profit divided by sales.

Return on capital employed (ROCE)
Operating profit divided by the sum of average total equity, average current and non-current interest-bearing financial liabilities, including lease liabilities according to IFRS 16, average provisions for non-current liabilities and charges (excluding personnel provisions) and average obligations with regard to non-controlling (minority) shareholders according to IAS 32, less average cash and cash equivalents.

Return on equity (ROE)
Profit for the year divided by average total equity.

All indicators were calculated exclusively on the basis of the information provided in the consolidated financial statements.

BUSINESS DEVELOPMENT IN THE DIVISIONS

MM Karton

Overall, demand on the European cartonboard markets was characterized by robustness in 2020, despite a varied course. An increased order activity at the beginning of the pandemic was followed by a successive normalization towards the middle of the year and increasingly cautious planning by customers in the last quarter. Despite high price discipline, MM Karton succeeded in maintaining its market shares well through a selective sales policy. At around 100,000 tons, the average order backlog was above the comparative figure of the previous year (2019: 68,000 tons). As in the previous year, capacity utilization amounted to 97 %. Irrespective of the Corona situation, investments for further growth and quality were continued through the technological development of our plants.

On the procurement markets, prices for mixed grades of paper for recycling recorded a volatile movement at a low level after a sharp increase due to collection holdups during the lockdown in spring. Since the fourth quarter, however, prices have been rising again significantly due to further lockdowns and good demand from the processing industries. By contrast, prices for virgin fiber-based products and energy were overall more stable and below the level of the previous year.

At 1,710,000 tons, production was slightly (0.8 %) below 2019 (1,723,000 tons). Of this, 1,365,000 tons (80 %) were attributable to recycled fiber-based cartonboard and 345,000 tons (20 %) to virgin fiber-based cartonboard (2019: 1,382,000 tons or 80 % and 341,000 tons or 20 %). Based on the average number of employees, 693 tons (2019: 687 tons) were produced per employee. At 1,704,000 tons, the cartonboard volume sold showed a stable development compared to the previous year (2019: 1,705,000 tons).

At EUR 1,050.8 million, sales were price-related slightly below the comparative figure (2019: EUR 1,078.3 million). With a share of around 66 % in Western Europe (2019: 65 %) and 22 % in Eastern Europe (2019: 22 %), sales to European markets were again higher, resulting in the sales share in countries outside Europe declining to 12 % (2019: 13 %).

MM Packaging was again MM Karton's largest customer with a share of deliveries of around 13 % or 226,000 tons (2019: 12 % or 201,000 tons).

While the current business was characterized by high continuity under challenging macroeconomic conditions, 2020 was also a year of significant transformation for MM Karton.

At the smallest cartonboard site in Hirschwang, Austria, the 70-year-old, uncompetitive machine had to be shut down at the beginning of November due to high upcoming expenses that could not be justified.

In contrast, a comprehensive renewal and expansion program with a total investment volume of over EUR 100 million for the years 2021 – 2022 was adopted for MMK Frohnleiten, Europe's largest recycled cartonboard mill. The focus is on sustainability, digitalization, and capacity expansions safeguarding the future using state-of-the-art technologies. Innovative fully digitalized processes will significantly increase efficiency in stock preparation and, at the same time, reduce the specific consumption of energy and water. The latest production technologies in cartonboard production will increase product quality and capacities as a prerequisite for further applications of recycled fiber-based cartonboard, e. g., also in plastic substitution. Highly automated logistics will significantly accelerate the movement of goods.

Operating profit decreased to EUR 86.7 million (2019: EUR 110.5 million) due to one-off effects of EUR 40.2 million, which, to a large extent, resulted from the shut-down of the Hirschwang cartonboard mill and market-related impairments in the second quarter. The operating margin amounted to 8.3 % (2019: 10.2 %), the return on capital employed to 14.5 % (2019: 18.7 %). Cash flow from operating activities reached EUR 126.3 million, compared to EUR 155.3 million in the previous year.

Divisional indicators MM Karton

(in millions of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	+/-
Sales[1]	1,050.8	1,078.3	- 2.6 %
Operating profit	86.7	110.5	- 21.5 %
Operating margin (%)	8.3 %	10.2 %	- 199 bp
Cash flow from operating activities	126.3	155.3	- 18.7 %
Return on capital employed (%)	14.5 %	18.7 %	- 424 bp
Tonnage sold (in thousands of tons)	1,704	1,705	0.0 %
Tonnage produced (in thousands of tons)	1,710	1,723	- 0.8 %

[1] including interdivisional sales

In December 2020 and February 2021, two historic contracts of a transformative nature were concluded with the acquisition of Kotkamills and Kwidzyn. In addition to the traditional recycled cartonboard business, the aim is to expand the position in the growing, high-quality virgin fiber-based cartonboard sector with innovative, sustainable, and competitive grades compared to the two market leaders.

MM Packaging

Similar to the cartonboard market, the European folding carton markets as a whole were marked by a high degree of continuity in 2020. After a record level of incoming orders at the beginning of the pandemic, MM Packaging recorded a development at a good level also in the further course of the year. Above all, business in the FMCG and e-commerce areas was characterized by strong capacity utilization and sales development compared to the previous year. This was, however, contrasted by a decline in some premium markets, such as duty-free and cosmetics.

Plant shut-downs as a result of the Corona situation were only brief at individual production sites. Cost-cutting programs, investments and necessary structural adjustments were systematically pursued and implemented. This includes in particular automation and digitalization projects to increase efficiency and quality in the plants. With "MMP digital", MM Packaging has had a digital sales and service channel for a 24/7 connection to customers since 2020.

Tonnage processed of cartonboard and paper increased by 7.9 % to 847,000 tons (2019: 785,000 tons), mainly due to changes in the product mix.

At EUR 1,594.2 million, sales were slightly above the previous year's level (2019: EUR 1,578.0 million). 50 % and 32 % thereof were accounted for by Western and Eastern Europe, and 18 % by business outside Europe (2019: 49 %; 33 %; 18 %). MM Packaging supplies more than 1,700 customers in various consumer goods industries. Main markets are FMCG and e-commerce as well as premium markets in the areas of health, beauty & personal care as well as cigarette and luxury. As a result of a high concentration in the customer industries, a significant share of business is accounted for by multinational key accounts, whereby around 40 % of sales in 2020 were generated with the five largest customers (2019: 41 %).

At EUR 144.7 million (2019: EUR 144.8 million), the operating profit remained close to the previous year's level despite one-off effects of EUR 23.8 million, which resulted in particular from structural adjustments. Accordingly, the operating margin amounted to 9.1 % (2019: 9.2 %). Return on capital employed was at 13.2 % (2019: 13.6 %), the cash flow from operating activities at EUR 191.9 million after EUR 176.1 million in 2019.

MM Packaging's intensified investment program focuses on an increased orientation towards growth markets, such as e-commerce, as well as large sites with an advantageous cost structure. The objective is to increase the market share with sustainable folding cartons through efficiency and innovation.

In this context, a comprehensive future program amounting to EUR 18 million was adopted in 2020 for the folding carton production Neupack at the Austrian Hirschwang site. Investments in buildings and machinery are intended to significantly increase the site's international competitiveness in e-commerce packaging and high-quality printed consumer goods packaging in fine flute (micro-flute) for products such as food, pet food, and electrical household appliances.

Divisional indicators MM Packaging

(in millions of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**	**+/-**
Sales[1]	1,594.2	1,578.0	+ 1.0 %
Operating profit	144.7	144.8	- 0.1 %
Operating margin (%)	9.1 %	9.2 %	- 10 bp
Return on capital employed (%)	13.2 %	13.6 %	- 36 bp
Cash flow from operating activities	191.9	176.1	+ 9.0 %
Tonnage processed (in thousands of tons)	847	785	+ 7.9 %

[1] including interdivisional sales

3 — RESEARCH AND DEVELOPMENT

The research and development activities focus on sustainably securing and strengthening the competitiveness and growth capacity of the Mayr-Melnhof Group.

This is based on our strategic target of creating sustainable added value on the basis of industrial leadership in costs, technology and innovation. We therefore aim at identifying market and future trends at an early stage and exploiting them to create added value for our customers and the Company. To achieve this in the long term, we draw on a broad range of resources, both inside and outside of our organization, regularly create space and incentives that allow new things to develop, and continuously invest in progress and the future of our Company. Our innovations follow a holistic approach and regularly include aspects of the entire supply chain and the relevant stakeholder groups.

Innovation – interdisciplinary collaboration within the Group

Our R&D activities are based on a collaboration among experts from various areas of the Group, drawing on the latest findings and long-standing know-how within the Company. Moreover, external specialists and research institutions are involved in specific events. A continuously refined innovation process ensures that innovations are purposefully accompanied by the necessary resources, from idea generation to implementation. Our common goal is to always implement innovations quickly, while meeting the requirements of state-of-the-art technological functionality, quality, safety and sustainability. Therefore, we use a proactive approach that includes aspects of basic research as well as visionary concepts and ideas. Our close cooperation with standardization and legislative bodies ensures that future regulations are taken into account for our developments at an early stage.

Focus on sustainability

Sustainable, plastic-free packaging, a natural appearance, convenience, and safety as well as perfect integration into online sales and communication are currently the defining trends and requirements in packaging. In close cooperation with our customers, we develop individual solutions in line with these specifications and ensure maximum performance and efficiency in their implementation.

We process mainly renewable raw materials and use the latest high-performance technologies to manufacture convincing print and packaging products that save resources. These can be fully recycled after use. Sustainability and the implementation of a circular economy have thus always been an integral part of the development and innovation activities of the Mayr-Melnhof Group.

EU Circular Economy Package - Driver for environmentally friendly cartonboard packaging
Both the Corona pandemic and climate change remind us that security and prosperity depend on how we preserve common goods, such as public health and climate stability, in the long term: society and economy must be built on a resilient, sustainable, and climate-friendly basis. The EU Circular Economy Package with the Single Use Plastics Directive (SUPD) and the Packaging and Packaging Waste Directive (PPWD) can support here and cover not only environmental (relieving the environment from waste and resource consumption) but also economic (investment and growth) and social aspects (job creation). Both directives will have a significant impact on the future choice of packaging materials, and cartonboard should thus gain in importance as environmentally friendly packaging. It is an opportunity to support customers in replacing plastic with innovative and, at the same time, proven solutions made of paper and cartonboard.

Our innovative achievements in the area of climate protection were especially appreciated and recognized in the business year 2020. Thus, the Mayr-Melnhof Group was awarded the newly introduced GreenTech Award of the ÖGSV (Austrian Society for Consumer Studies) for its contribution of innovative cartonboard packaging.

Progressing digitalization in the Group
In recent years, digitalization with "MMK digital" (digital sales and service channel) focused mainly on the sales area, where MM Karton continues to set new standards as a pioneer in the cartonboard industry. In 2020, "MMK digital" was expanded by several innovative and helpful features, such as user-friendly complaint processing and a seamless order change function. Direct customer connection via electronical data exchange was also one of the focus topics this year. With the presentation of the internationally renowned PPI Award for IoT & Digitalization, the digital pioneering role of the cartonboard division received special recognition from a top-class jury.

In 2020, Mayr-Melnhof Packaging followed this successful concept and launched "MMP digital", a new sales and service platform that makes order management easier than ever. MMP digital starts a new era of efficiency in administrative business processes which can now be carried out in seconds, online, transparently and 24/7. With MMP digital, Mayr-Melnhof Packaging is leading the packaging industry and setting new standards for speed and communication.

In manufacturing, the automation of work processes in both divisions is progressively gaining momentum with the aim of creating new competitive advantages. This is also accompanied by the introduction of a large number of new skilled functions in the Group.

As a result of the Corona pandemic, in particular the digitalization of our communication processes within the Group was also accelerated significantly in 2020. The use of state-of-the-art online communication and e-learning tools has proven to be very effective and establishes a new form of cooperation within the MM Group and with business partners.

Innovation activity in the MM Karton division in 2020

The innovation activities of MM Karton included in particular continuous improvements of the products and their properties. Increasing product quality and expanding functionalities are aimed at occupying new fields of application. The focus was placed on increasing stiffness and smoothness as well as the development of a new type of grease barrier. In view of the increased demand for sustainable and environmentally compatible food packaging, partly due to the Single Use Plastic Directive, our research and development focuses on new solutions to expand the circular economy of fiber-based packaging materials.

Fundamental innovation work is carried out by the research and development center at Frohnleiten. Here, the immediate closeness of science and production is particularly advantageous, as findings and results can be obtained and implemented in a practical manner. In addition, 2020 was also characterized by significant technology cooperations with external research institutions and customers.

Share of new products increased further

The comprehensive know-how and range of services of the cartonboard mills enables us to constantly check our product portfolio for improvements and also to implement these in-house. The focus is placed on the best possible service for growing customer requirements, thus the cooperation between the sales organization and the cartonboard mills is close. The product development program ensures that projects are systematically guided through a process – from the idea to the market launch. The resulting products which are not older than five years accounted for more than 20 % of the cartonboard division's total sales in 2020.

The GC2 virgin fiber-based board grade Excellent Top™ Strong from the German virgin fiber mill in Baiersbronn, developed in 2020, combines high stiffness with excellent processing efficiency at the usual consistent quality. With the additional option of freeze treatment, Excellent Top™ Strong is also suitable for chilled and frozen foods. Due to the optical properties and excellent inkjet and laser coding capabilities, the new grade is also ideally suited for demanding packaging solutions in the pharmaceutical segment. For digital printing, perfect results are achieved, for example, with personalized folding cartons in the cosmetics and personal care sector.

Multicolor Mirabell Fungizid™, a cartonboard with a fungicide-treated reverse side, from the Austrian cartonboard mill Frohnleiten, was specifically developed for the hygiene and personal care segment where protection against mold infestation constitutes a particular challenge. While folding cartons for this sector were coated on both sides with polyethylene (PE) in the past, the new solution clearly corresponds to the concept of the circular economy.

Innovation activity in the MM Packaging division in 2020

MM Packaging's innovation network

The target of MM Packaging's innovation network is to develop relevant and convincing solutions for the success of our customers at every stage of the innovation process. It comprises the following internal units: PacProject, the creative Innovation Center in Hamburg, the Premium Printing Center in Trier, and the Technical Competence Center for coordinating targeted customer briefings with the local Packaging Development Centers and individual plants. In 2020, the innovation network was expanded with the Tann-Group's research and development center. In order to also take into account the customers' needs in terms of technical orientation and equipment, there is a close cooperation with the Divisional Technical Support Team.

The innovation process at MM Packaging ranges from trend studies to idea workshops. At PacProject in Hamburg, concept studies up to the first prototypes are carried out in close coordination with the customer. Due to the close cooperation with the Technical Account Management, a first feasibility analysis is already carried out at this stage. At the Premium Printing Center in Trier, highly innovative technologies are used to create packaging designs with extraordinary effects in the shortest possible time.

Current innovation focus

In 2020, MM Packaging's innovation activities focused in particular on the topics of sustainability and e-commerce.

The reduction or replacement of plastics in packaging in various areas of daily use remains a key focus of innovation. In cooperation with customers, universities of applied sciences and research institutes, work was carried out on optimizing recyclable packaging and developing new products. The wide range of innovations covered everything from electronics packaging and tissue boxes to fruit and vegetable packaging.

For plastic-free fruit and vegetable packaging, the following packaging solutions were launched in 2020: MM Easybox, MM Clickbox, and MM Basket. These products are available in three look configurations, allowing for individual design and adaptability. The recyclability has been rated at over 98 %.

In order to take sustainability aspects into account already during the development of a product and to present cost advantages for the customers, "cost initiative in advance" was introduced. This initiative involves the calculation of costs for ordered products already at the planning stage, with taking into account the sustainability aspect. Before a new project is launched, different variants are calculated with regard to technical aspects, market requirements, design and costs of the new product and presented to the customer for selection.

Natural appearance has gained even more importance in the packaging industry in 2020. The technical possibilities for developing products with a natural appearance were demonstrated and implemented in workshops together with customers. Above all, it is the interplay of a wide variety of cartonboard surfaces, artwork, coatings, and printing inks matched to the surface that makes it possible to present folding carton packaging in a natural look.

E-Commerce

Due to the Corona pandemic, the demand for e-commerce packaging increased significantly in 2020. In addition, projects for substituting synthetic materials and plastics, implemented by all e-commerce platforms and marketplaces, contributed to the increase in demand. MM Packaging is an important supplier of e-commerce packaging articles made of solid board and invests in new production capacities as well as in the design of competitive new packaging solutions and the establishment of a pan-European logistics network. Plants specialized in e-commerce are currently located in Romania, Austria, and Poland.

Awards for special sustainability

MM Karton was honored with a Gold Award for sustainability and environmental friendliness at the European Carton Excellence Awards, the most prestigious competition for cartonboard packaging, for an application of the Excellent Top™ grade.

Furthermore, MMP Austria received a platinum award for a packaging solution commissioned by a well-known customer. The packaging solution was designed for a beauty care product to highlight the responsible use of resources.

4 — RISK MANAGEMENT

The Mayr-Melnhof Group is exposed to a variety of general and industry-specific risks in connection with its global operations. Owing to the correlation of demand for cartonboard packaging with private consumption, the development of the economic situation has a particularly significant influence on the Group's risk situation. Due to the geographical business focus on Europe and the mainly regional character of cartonboard and cartonboard packaging because of transport costs and service, the economic conditions in the major European economies are of special importance. With regards to procurement, especially the development on fiber and energy markets is relevant for risk assessment.

In the financial year 2020, risk management focused in particular on the Covid-19 pandemic and related uncertainties. The individual risks and effects were considered and managed within the existing risk areas of the Mayr-Melnhof Group. As the Group immediately initiated numerous effective measures to protect employees and maintain the supply chain and operations, no change in risk classifications was necessary. The challenges and risks associated with a pandemic were largely cushioned within the Group by the instruments available. Due to the systemic importance of cartonboard and cartonboard packaging for consumer staples, there was a certain degree of resilience.

For the most part, the Group's risk situation for the financial year 2020 and the beginning of 2021 can be classified as unchanged. Due to the increasing number of cyber attacks worldwide and in connection with the Covid-19 pandemic, we estimate, however, that IT risks are more likely to occur than in previous years. In addition, in the area of procurement of paper for recycling, the damage potential and probability of occurrence following the implementation of measures are rated slightly higher than before. Taking into account the safety and control instruments already in use and the early warning indicators, no significant risks that could endanger the Group's existence or impair its development are currently identifiable, however.

Owing to a long-term focus on the core business areas, the Group has a solid base for identifying potential risks at an early stage and for adequately assessing possible consequences thereof. Dealing with risks is set out in a risk management system. It involves the systematic identification, assessment, control, and reporting of significant events and risks which could potentially endanger the Group's existence and influence its development. We define the term risk as a negative deviation from the corporate objectives resulting from an event that might occur in the future with a certain degree of probability. The risk management system aims at limiting substantial risks to an acceptable level by means of suitable measures. The existence of the Group and its ability to create value should thus be safeguarded in the long term.

For each risk that is identified and considered to be significant for the Group, specific control, steering and safeguarding measures are determined, taking into account the Group-wide risk policy, in order to manage the respective risk. These measures are continuously evaluated and developed or amended. They are oriented towards improving the Group's risk position, however without restricting possible opportunities.

The Management Board is responsible for the Group's risk management, defines the risk policy which is generally characterized by a conservative approach and sets the framework for Group-wide risk management. There is a focus on risk prevention and risk reduction which are, as far as economically justifiable, achieved by appropriate control measures and complemented by the Group's insurance program.

The "Risk Management Compliance" department reports directly to the Management Board and ensures that risk management is implemented and conducted on behalf and in the interest of the Management Board. Each risk area that is considered to be significant is assigned to a risk area officer with relevant expertise who is responsible for analyzing, assessing, controlling, and monitoring the respective risks. Thus, the risk management process does not take place in an isolated way, but as an integral part of the organization and its procedures. The identified risks are evaluated in terms of potential damage and probability of occurrence before as well as after taking safeguarding and steering measures.

The Group's auditor assesses the functionality of the risk management system and reports to the Supervisory Board and the Management Board.

The most significant risk areas to which the Group is exposed and the measures taken to manage these risks are described below.

Sales

The demand for cartonboard packages correlates with private consumption, especially with the demand for consumer staples. Market risks may therefore arise in particular from the overall economic development as well as regulatory and political conditions on individual sales markets.

Owing to sufficiently available capacities of providers, the sales markets of the cartonboard and packaging division are characterized by intensified competition. The Group therefore sustainably pursues a strategy of further asserting and extending the market leadership position of both divisions in the long term through cost, technology, and innovation leadership as well as sustainability.

The Group has a total of several thousand customers. The cartonboard division sells unprocessed cartonboard in particular to the medium-sized European folding carton industry and generates around 51 % of divisional sales with its 20 main customers, including MM Packaging. The packaging division supplies printed cartonboard packages to consumer goods manufacturers and generates around 80 % of divisional sales with multinational customers. The level of dependency on individual customers is still considered manageable.

Customers assess their locations network in constant evaluations in order to optimize costs and exploit growth opportunities, which may result in a geographical relocation of business. The Group's broad positioning in a great number of market segments and the geographical width of market presence contribute to minimizing risk, however.

A broad range of well-established measures has been taken to safeguard market shares and generate new business. These include a close contact with customers, ongoing monitoring, market analyses, co-operation in research and development, sustained quality and cost management, continuous investment activities, a systematic expansion of our customer base, and a regular participation in tenders. Due to the possibilities of digitalization, potentials for customer retention are used especially in business processing and service.

The increased public interest in sustainability and health has been accompanied by growing demands from customers, interest groups, and legislators with regard to sustainable packaging solutions as well as their product quality and safety. It is a particular priority for MM to meet these requirements in order to minimize a potential risk to sales, compliance, or reputation. Embedded in an institutionalized framework, both divisions continuously implement R&D activities that undergo continuous further development. This makes it possible to offer safe and innovative products that are sustainably in line with market demands. MM meets the high product safety and quality requirements by certifying all production sites according to ISO 9001 and through regular quality assurance measures and inspections. As a result, 100 % of all MM cartonboard grades are tested with regard to their impact on consumer health and safety. In particular in the area of food packaging, a variety of effective measures ensure compliance with strict legal regulations and customer requirements, thus contributing to compliance, customer satisfaction and safeguarding sales. These include comprehensive certification in accordance with food safety and hygiene standards, continuous R&D activities, and quality controls with regard to the interaction between packaging and contents (migration studies), as well as measures to meet product traceability requirements.

In terms of sustainable, environmentally friendly packaging solutions, MM as a whole benefits from a positive perception of cartonboard as a packaging material by the general public and customers. Particular importance is currently attached to substitution possibilities for plastic packaging using cartonboard applications which are being taken up proactively and in a customer-orientated manner. Following the trend towards light-weight cartonboard packages, MM Karton has expanded its range of qualities with low grammages.

The market for cigarette packaging is subject to regulatory risk due to the protection of non-smokers and minors, which is associated with potential effects on sales development. This can affect both the quantity and the value of the product. This is because more and more countries around the world require "plain packaging", i. e. standard packages without brand logos. The Member States in the European Union have implemented the EU Tobacco Products Directive (TPD2), which requests larger warning labels. The impact on the relevant sales of the MM Packaging division cannot be quantified yet, but the risk is minimized by broad global geographic sales and a close cooperation with cigarette manufacturers. Companies operating in this product area may be subject to discrimination in the public perception.

Production

Production plants and processes in the Group are systematically developed or renewed in line with the state of the art. A focus is placed on a sustainably responsible production, taking into account economic, environmental, and social aspects with the aim of creating consistent benefits for our stakeholders, in particular customers, employees, and shareholders.

This primarily involves an economical use of resources (especially of fibers, cartonboard, energy, water, chemicals, and transport) for our production, a high solution expertise, and guaranteeing quality while maintaining a sound financial conduct. We therefore focus on continuous performance benchmarking among locations, innovation, and sustainable investments in the latest technology. Potentials of automation and digitalization are actively pursued and implemented. The aim is to produce according to the highest possible standards throughout the Group.

A high degree of technical availability (operational readiness) of the plants is crucial in both cartonboard and folding carton production. Continuous electronic monitoring of individual machines and sections of machines, revisions, maintenance and certifications as well as risk engineering in collaboration with insurance companies are among the most important preventive measures for maintaining continuous operations. Furthermore, division-wide back-up concepts secure readiness for supply even in the event of long-term interruptions of operations. The opportunity to produce individual products in various locations constitutes a core element.

Meeting required quality standards and norms, especially in the areas of product safety and food contact, is an essential precondition for the sustainable competitiveness and attractiveness of our products and services. Constant quality assurance measures along the value added chain record compliance with high standards and enable traceability of products. Ongoing investment as well as R&D activities, market observation, and a longstanding collaboration with national and international standardization bodies and lobbies allow us to evaluate and consider new findings and interpretations as well as future developments in a timely manner.

We keep risks regarding investments, technical innovation, and integration of acquisitions limited by focusing on our core competences. Before their realization, investment plans are subjected to a standard multi-level approval process as well as clearly defined tendering procedures involving the specialist departments concerned. Furthermore, investment projects are accompanied by a continuous control of qualitative as well as quantitative aspects. Product and process innovation is subjected to extensive test phases and generally assessed in pilot projects before being rolled out.

Procurement

The performance of both divisions requires the use of certain essential raw materials and input factors which are mainly obtained externally. In the division MM Karton, these include especially fiber materials, in particular paper for recycling and groundwood pulp, as well as energy, chemicals, and logistics services. With regard to the division MM Packaging, these include primarily cartonboard and paper as well as printing inks, varnishes, glue and finishing materials, but also tools and packaging materials. For procurement there is basically a risk of availability concerning quantity and quality as well as a price risk. We particularly counter the risk of availability through regular market and demand monitoring and continuous contact with a majority of suppliers. We ensure compliance with the agreed properties by incoming goods inspections, continuous quality monitoring, and on-site visits at our suppliers. Where reasonable and possible, tenders are conducted for current purchasing volumes.

Paper for recycling is the most essential raw material for MM Karton and sufficiently available in Europe. The division procures it via its own European procurement organization, mainly by monthly or spot orders as well as longer-term contracts. Ongoing monitoring and suitable security measures, such as capacity reservations, long-term contracts, and backup concepts, are partly successful in counteracting the currently increased shortage and price risk due to a higher global demand and in absorbing short-term price peaks. As a result of high recycling quotas in Europe and existing reserves, a sufficient supply of paper for recycling is basically assured. Due to regulatory measures, there may be shifts in supply. The additionally required groundwood pulp is mainly produced internally in the cartonboard mills and in our Norwegian fiber mill FollaCell.

In close cooperation between production and engineering, we take state-of-the-art measures to control the consumption and optimize the use of raw materials. In this regard, opportunities for substitution and adjustments of formulations are regularly evaluated.

Based on the profit center principle, purchase of cartonboard and paper for the MM Packaging division is conducted by its own procurement organization with continuous screening of various cartonboard and paper producers.

Significant price changes of strategically important input factors are taken into account by appropriate clauses in long-term agreements.

Energy (gas and electricity) is an input factor of strategic importance, especially for the division MM Karton. In risk assessment, purchase price, basic availability, and purchase opportunity are essential parameters. The latter refers to the physical availability of energy, which mainly depends on the political stability of producer and transit countries. In some cases, minimum purchase quantities are defined in energy agreements. If the level of those is not reached due to standstills or technical faults, compensation settlements are due (take-or-pay rule). In order to manage the risk, we rely on concluding long-term framework purchase contracts, continuously monitoring price developments and existing hedging contracts as well as linking production and sales planning to the purchase of energy. Medium-term purchasing policy is managed based on regular consultations between the management and an energy procurement with Group-wide responsibility. Furthermore, measures aimed at reducing specific energy consumption are continuously implemented.

Due to the political objective of reducing greenhouse gas emissions in the industry, all mills in the cartonboard division are confronted with a regulatory risk regarding the availability of emission permits (CO_2 certificates) which are issued restrictively according to the "cap & trade" principle. Thanks to energy-efficient facilities and correspondingly good benchmarking results, MM Karton continues to benefit from a partly free allocation of emission permits and currently holds sufficient CO_2 certificates. It is expected that the EU will gradually reduce free allocations in order to create incentives for further emission reductions. If necessary, MM Karton can procure missing certificates on the free market under the EU emission trading system, whereby a price risk must be taken into account. MM Packaging also faces the risk of indirect emissions pricing. Based on the European Effort Sharing Regulation or the Fuel Emissions Trading Act in Germany, certain sectors (heating and transport) face a CO_2 levy, which may have an impact on the cost side of both divisions as a result of onward charging. With the "Green Deal", the EU Commission has drawn up a plan that aims to achieve a climate-neutral EU by 2050. Further details on greenhouse gas emissions can be found in the consolidated non-financial report.

Human Resources

The Group relies on qualified, motivated, and performance-oriented employees at all levels in order to achieve corporate success. We promote sustainable collaboration through continuous personnel development, education, appropriate remuneration, and bonus systems as well as a lived value and corporate culture with the aim of tying our employees to the Company in the long run and finding suitable top performers for vacancies. Targeted measures in HR marketing are implemented to ensure the Group's attractiveness as an employer.

The central "Group Human Resources" department acts as a strategic partner of the management and is not only responsible for operational personnel issues at the Group's headquarters, but also develops target-group-specific standards for the entire Mayr-Melnhof Group. With a wide range of development and training programs, we systematically establish conditions under which talents can grow, and up-to-date expertise is made available to the Company over the long term.

Corporate health management supports our employees through a large number of support and prevention measures with the goal of maintaining health and productivity at a high level over their entire working lives.

Since the start of the Covid-19 pandemic, particular attention has been paid to the measures required to ensure the best possible protection of the health and safety of employees, even under these exceptional circumstances. Higher safety standards, the option to work from home and the use of the latest online communication and e-learning tools have made an important contribution in this respect.

Pensions/severance payments/pre-retirement

The majority of employees in the Group is covered by defined contribution plans as part of statutory pension schemes. Apart from statutory pension schemes, the Group has also made performance- and contribution-based pension commitments to certain employees on the basis of individual commitments and company agreements. Furthermore, there are performance- and contribution-based severance obligations and obligations as part of statutory pre-retirement schemes. For monitoring and minimizing risks, a clearly structured process of data provisioning, plausibility checks, and verification at the level of individual companies or the Group is pursued and individual commitments are monitored by the Group's headquarter.

Liquidity risk is addressed through the use of qualifying insurance policies in Austria and Germany, pension funds in Great Britain and the Philippines, and a collective foundation in Switzerland to cover assets. The investment involves an assessment risk. External fund assets are invested as conservatively as possible in line with legal requirements (low equity component, corporate rather than government bonds).

The continuing low level of interest rates has methodically led to a low discount rate, which increases the actuarial present value of obligations. The resulting deduction item in equity can be classified as absolutely manageable in relation to equity. The projected expenses for pensions and severance payments remain stable.

Financial risks

Corporate planning is based on professional forecasts, assessments, and assumptions concerning future economic and financial developments in the Group. We try to hold the risk of false estimation at bay by a close cooperation of the mills with the specialist departments of the Group and the divisions within the framework of a clearly defined multi-step planning process.

We counter financing and liquidity risks of the Group in particular by a centrally managed cash and credit management, the careful selection and a continuous monitoring of national and international banking partners, and the availability of sufficient credit lines at any time.

Foreign exchange risks are monitored continuously with system support and are limited or reduced by suitable hedging measures. Hence, the focus is placed on balancing risks naturally by matching receivables and liabilities at individual subsidiaries and at Group level as well as foreign exchange forward, swap and option contracts. Currency hedging transactions are mainly performed on a central currency trading platform. Currencies that are hedged for fluctuations of their exchange rates are in particular the British pound, the US dollar as well as the Euro for the companies with functional currencies other than the Euro. The related price risks are reduced as far as possible by currency congruence in business transactions and by price adjustment mechanisms in long-term agreements. Derivative financial instruments are neither used for trading nor for speculative purposes.

A central management system continuously optimizes working capital and minimizes impairment risks for inventories. The risk of default on accounts receivable is minimized by constant credit assessment as well as credit insurance for all customers, with the exception of selected international customers that enjoy the highest credit rating.

Accounting

The Management Board is responsible for establishing and developing an appropriate internal monitoring and risk management system for accounting as well as financial reporting and for preparing the consolidated financial statements. This ensures the completeness, reliability, and transparency of financial information. In addition, the appropriateness and efficiency of processes as well as compliance with statutory, contractual, and internal regulations is guaranteed.

The accounting process covers all essential tasks which ensure that the accounting-relevant information is recorded and processed completely, accurately, and in time and that financial reporting is presented in accordance with the applicable accounting standards.

In the organizational and operational structure, clear responsibilities are defined for the individual companies and the Group. The central departments "Corporate Accounting" and "Planning and Reporting" are responsible for developing up-to-date uniform Group guidelines as well as for organizing and controlling financial reporting in the Group.

The reporting to the Management Board and Supervisory Board is effected in a regular, comprehensive, and timely manner. Compliance with internal Group guidelines and processes concerning the recording, posting, and accounting of business transactions is continuously monitored. The data processing systems used are developed in a targeted manner and are continuously improved. Accounting processes and financial reporting are reviewed regularly for potential risks. Improvement measures are taken as quickly as possible and implemented swiftly. Focus audits are carried out by auditors and the Internal Audit department.

Information technology

Central IT management is based on ISO 31000, information security of the central IT on ISO 27001. The risk of a breakdown of central data processing is limited by a geographically separated backup computer center and by a variety of preventive measures and regular checks. Risks regarding information security are countered by a wide range of security measures which are embedded in a Group-wide information security management system (ISMS). The function of an Information Protection Officer ensures the Group-wide establishment and continuous update of security standards. We counter the general rise in cybercrime by continuously refining prevention, detection and continuity management. Employees are instructed in regular security training courses and trained to maintain a high level of attention.

Other risks

Compliance risks arising from possible non-conformity with standards, laws, ethical codes of conduct, and, where applicable, voluntary commitments are managed especially by means of protective measures in the systems, regular, systematic compliance monitoring, the four-eyes principle as well as Group-wide guidelines, for example the Code of Conduct (available on our website at https://www.mayr-melnhof.com/en/about-us/responsibility/code-of-conduct/). Furthermore, we have created the function of a Compliance Officer who can act autonomously and who is also responsible for compliance training and internal and external reporting.

The corporate governance report which is an integrated part of the annual report is available on our website at https://www.mayr-melnhof.com/en/about-us/responsibility/corporate-governance/.

We address the "legal compliance" risk in particular through the function of a Legal Manager who is responsible for monitoring and controlling the risk area and, if necessary, by calling in external experts. The aim is to comply with legal requirements, the best possible contractual design of business relationships and, finally, to comply with these contractual requirements. This is not least intended to prevent the increasing risks of a breach of the law and possible sanctions resulting from ever more stringent regulation.

In addition to the risks listed here, the Group may be exposed to further risks. We are currently not aware of any such risks or classify them as insignificant.

5 — DISCLOSURES ACCORDING TO SECTION 243 A PARA. 1 OF THE AUSTRIAN COMMERCIAL CODE

Composition of capital, stock categories
Please refer to the information provided in the consolidated financial statements under note 13 a.

Restrictions concerning the voting rights and the transfer of shares
Approximately 57 % of the shares are held by the core shareholder families in a syndicate. There is a syndicate agreement which regulates the transferability of shares within the syndicate and to outside parties. Issues that concern the Ordinary Shareholders' Meeting are decided by the syndicate with 65 % of the voting rights. Modifications of the syndicate agreement require 90 % of the voting rights.

Direct or indirect participation in capital of at least 10 %
According to the information provided to the Company, there were the following minimum participations of 10 % in the capital at year-end 2020:

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG
CAMA Privatstiftung

Owners of shares with special control rights and a description of these rights
There are no shares with special control rights.

Type of voting rights control for capital participation by employees, if they do not directly exercise the right to vote
There is no such capital participation model for employees.

Provisions for appointment and revocation of members of the Management Board and the Supervisory Board and regarding alteration of the Articles of Association of the Company that do not arise directly from the Act
There are no provisions of this type.

Authorization of the members of the Management Board that does not arise directly from the Act, in particular with regard to the option of issuing or repurchasing shares
There are no authorizations of this type.

All significant agreements to which the Company is a party and that take effect are modified or terminated in the event of a change of control of the Company as a result of a takeover offer as well as its effects; agreements which would significantly damage the Company if made public are excepted, unless the Company is obligated to make such information public as a result of other statutory provisions
The protective clause with regard to the disclosure of this information is invoked. The scope of the business in question is considered reasonable.

Existence and significant content of compensation agreements between the Company and the members of its Management and Supervisory Boards or employees in the event of a public takeover offer
There are no agreements of this type.

6 — CONSOLIDATED NON-FINANCIAL STATEMENT ACCORDING TO SECTION 267 A OF THE AUSTRIAN COMMERCIAL CODE

To comply with section 267 a of the Austrian Commercial Code, the option to set up a separate consolidated non-financial report was chosen (see pages 91 et seq.).

7 — OUTLOOK ON THE FINANCIAL YEAR 2021

This outlook reflects the assessment of the Management Board as of March 15, 2021, and does not take into consideration the effects of any acquisitions, disposals, or other structural changes in 2021. Previous and subsequent forward-looking statements are subject to known as well as unknown risks and uncertainties that may result in actual events differing from the forecasts made here.

The Covid-19 pandemic and measures taken to contain it will continue to weigh heavily on the overall economic situation in our sales markets in the current year, despite the start of vaccination programs. Economic recovery appears to be lower than expected. The extent and timing still remain difficult to assess. Due to the business portfolio of the MM Group that focuses on system-relevant packaging products for consumer staples, there should, however, be a certain resilience in demand. In any case, the current development of order levels of both divisions signals continuity.

By contrast, the prices for the strategic raw material of paper for recycling are rising sharply. In parallel, prices for pulp, energy, chemicals, and logistics are also rising, which is why MM Karton has increased the prices for recycled fiber-based cartonboard, which will have an effect as of the second quarter.

Due to the currently strong pressure on cartonboard margins, maintaining the previous year's result levels will prove a challenge for 2021.

The focus on optimizing cost structures and increasing market penetration with sustainable and innovative packaging products will be pursued systematically. Investment activities aimed at this will be intensified in 2021 – 2022 and are intended to ensure growth in the following years. In this context, MM focuses in particular on e-commerce and circular economy through innovation in plastic substitution as well as digitalization.

Investments to increase capacity and efficiency are made in numerous MM Packaging plants. At MM Karton, in addition to the major project Frohnleiten with rebuilds in Neuss and Kolicevo, the focus is in particular placed on high-performance sites. Accordingly, investments in 2021 and 2022 are expected to range from EUR 250 to 300 million p.a. instead of the usual around EUR 150 million.

For the acquisitions of Kotkamills, Finland, and Kwidzyn, Poland, whose closing is expected for the middle of the year and the third quarter of 2021, respectively, the focus over the next two years will be on integration.

The investment program and the acquisitions will be financed by Schuldschein loans and Namensschuldverschreibungen taken out at the end of February 2021 as well as committed credit lines and cash flow.

Vienna, March 15, 2021

The Management Board

Peter Oswald m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Consolidated Non-financial Report

The MM Group in the context of sustainability

INTRODUCTION

Sustainability has always been a decisive success factor in the orientation and management of the Mayr-Melnhof Group. Since the start of non-financial reporting in 2017, we have been reporting in ever greater depth and more comprehensively on key environmental, employee and social issues. The legal requirements pursuant to section 267 a of the Austrian Commercial Code as well as the usual international standards serve as a basis. The aim is to document key sustainability topics at the MM Group by systematically presenting the relevant management concepts, objectives, measures as well as risks and opportunities. This consolidated non-financial report describes non-financial topics on which the business of the MM Group has a major impact or which are of particular interest for our stakeholders. It also describes the way in which we deal with them. Our aspiration is to continuously optimize and complement our annual reporting, especially by taking into account the findings and requirements identified in our continuous stakeholder dialog. The impact of Covid-19 on non-financial matters is discussed in a separate section.

As a member of the United Nations Global Compact, we are committed to the Sustainable Development Goals (SDGs) of the United Nations. This report on the year 2020 is for the first time based on the GRI (Global Reporting Initiative) standards. By taking this step toward greater transparency and international comparability, we respond to the growing need of our stakeholders (especially investors, employees and the public) for more in-depth information on the Company based on ESG (Environment, Social, Governance) criteria.

Responsible circular economy has long been an intrinsic part of our business activities due to the concentration of our business on cartonboard and paper products, which are mainly produced using renewable raw materials and are fully recycled after use. Therefore, we strive to offer new possibilities for the substitution of plastics and to create attractive future potential in the current packaging discussion through innovative and competitive solutions using cartonboard and paper.

The basis for the sustainable orientation of the MM Group is our strategic positioning as market leader on the basis of cost and innovation leadership as well as the rules laid down in our Code of Conduct, which also include the universal principles of the UN Global Compact in the areas of labor standards, human rights, environmental protection, and anti-corruption. We set our targets and allocate resources based on the Group's sustainable orientation.

In this context, the management of sustainability and occupational safety, which had previously been largely decentralized, was established as a Group function in 2020, with the aim of further improving Group-wide performance by harmonizing systems, tools, and standards and creating new competitive advantages for the Group. In addition, the high importance of these areas is also increasingly taken into account by supplementing the basis for the variable remuneration of managers by criteria relating to occupational safety and climate protection (Management Board only).

The fact that the MM Group succeeds in making continuous progress in economic as well as ecological, social and societal terms is due to the high sense of responsibility and performance of the entire MM team, for which we would like to express our special thanks to our employees.

The topics described below were determined in the course of a materiality analysis in the Company. Relevant performance indicators were identified on the basis of the GRI Standards, and the appropriate internal experts were involved. They also provided assistance in taking into account the interests of our stakeholders. The definition and collection of non-financial indicators were analyzed throughout the Group and are intended to be further developed for future reports.

BUSINESS MODEL

The production of cartonboard and folding cartons for consumer goods is the core business of the Mayr-Melnhof Group, which covers almost the entire fiber cycle with the exception of the purely recycled fiber business. The integrated setup of the Group is covered by the divisions MM Karton and MM Packaging, which are managed as profit centers and trade among each other at market conditions. Cartonboard is the most important raw material for folding cartons which are mainly used for the packaging of consumer staples. About 10,000 employees in the Group produce approximately 1.7 million tons of cartonboard per year and process approximately 847,000 tons of cartonboard and paper. The MM Group generated sales of around EUR 2.5 billion in 2020. Mayr-Melnhof is present in 20 countries with 6 cartonboard mills[1] and 44 packaging sites and sells its products to around 100 countries worldwide, with Europe as main market.

MM Karton is the largest producer of cartonboard in Europe with a leading position in the field of recycled fiber-based cartonboard and a growing position in the field of virgin fiber-based cartonboard. The broad product and service portfolio of the cartonboard division comprises cartonboard grades for a great variety of consumer goods industries, especially in the sectors of fast-moving consumer goods (FMCG) and e-commerce. In line with the product portfolio, around 75 % recycled fibers and 25 % virgin fibers are used as raw materials. The significantly lower virgin fiber share consists mainly of groundwood pulp and a smaller proportion of cellulose. Besides fibers, the most important input factors are coating chemicals for the cartonboard surface and energy which mainly comes from natural gas. As already described in the introduction, unprocessed cartonboard is mainly used in packaging production. All cartonboard products of MM Karton are produced using renewable fibers and are both recyclable and biodegradable.

[1] In addition, MM Karton produces virgin fibers at the FollaCell site.

Customers of the cartonboard division are mainly folding carton producers, but consumer goods manufacturers also have an influence on the choice of cartonboard.

MM Packaging is the largest producer of folding cartons in Europe and in several countries outside Europe. Production focuses primarily on manufacturing packaging for everyday consumer goods in the sectors of fast-moving consumer goods (FMCG) and e-commerce as well as in the premium sector. While the first sector serves a wide range of food and non-food applications, the premium business comprises highly specialized packaging markets such as health, beauty & personal care, cigarette, and luxury. Recycled and virgin fiber-based cartonboard are used as raw materials in roughly equal proportions, with the majority of cartonboard being purchased from outside the MM Group. In addition to the raw material cartonboard, inks, varnishes and die-cutting tools are important input factors in the production of packaging which is more labor-intensive but more energy-extensive than cartonboard production. MM Packaging's customers include both multinational and local consumer goods producers.

The recycling rate for cartonboard and paper currently totals around 85 % in Europe. Circular economy is an inherent part of the MM Group's business model through the use of paper for recycling in cartonboard production and the manufacture of recyclable cartonboard packaging.

There were no significant changes in the Group's business model or with regard to the supply chain in the past year.

SUSTAINABILITY STRATEGY AND GOALS

Value added and growth in the core business

The focus of our strategy is the sustainable generation of value added and growth along the supply chain according to the business model described above, focusing on the two core business areas: MM Karton and MM Packaging.

Striving for best practice

To this end, we focus on excellent industrial performance, striving to achieve cost, innovation and technology leadership and to use best practice opportunities in the areas of resource consumption, circular economy, safety and the development of our human resources, diversity, respect for human rights as well as an ongoing fight against corruption and bribery. By implementing a Group-wide sustainability management, we aim at further emphasizing MM's attractiveness as a sustainable company and at responding even better to our customers' expectations in this connection.

Growth based on sustainable solutions

We focus on the development and optimization of recyclable packaging solutions made of cartonboard and paper as we are convinced that we will meet the expectations of the market in the long term and achieve success with sustainably produced products that create added value. We strive for growth both organically and through acquisitions. We support our customers in their expansion aspirations, open up new sales areas and penetrate existing markets with highly competitive and innovative products and processes.

Our goal is to grow faster than the market through innovative, sustainable packaging solutions and to reduce the number of occupational accidents and CO_2 emissions.

GOVERNANCE

The ultimate responsibility for non-financial matters lies with the Management Board.

In the Group, the central function "Sustainability Management" has been set up, reporting directly to the Management Board and ensuring that sustainability management is implemented and operated on behalf of and in the interests of the Management Board. This central function was set up to conduct a materiality analysis, data collection, and reporting. The respective local management exercises its managerial duties, with each employee making her or his own contribution. Sustainability management therefore does not take place in an isolated way, but as an integral element of the organization and its processes.

PwC Wirtschaftsprüfung GmbH, Vienna, has performed an independent audit of the consolidated non-financial report with limited assurance. The respective report can be found on page 144.

The Supervisory Board complies with its legal obligation of auditing the consolidated non-financial report.

COVID-19 PANDEMIC

Impact of Covid-19 on business activities

With the Covid-19 pandemic, a new material issue has arisen in 2020, which, due to its far-reaching effects, also requires reporting with regard to the impact on the non-financial concerns of the Company and its business model. It should be noted that the overall economic impact of Covid-19 on the Company has so far been largely neutral and the supply chain has been kept intact despite temporary challenges.

Due to the fact that the mills are still in operation, there were no significant direct changes in environmental aspects. Investment subsidies were used to invest in more climate-friendly expansions, however, e. g. at the cartonboard site in Frohnleiten. In addition, the limited travel activities within the Group have caused fewer emissions.

From a social point of view, the system relevance of cartonboard and cartonboard packaging for the supply of people with goods for their daily needs manifested itself as an opportunity. In contrast, lockdowns result in particular in higher volatilities in the volume and prices of paper for recycling.

Changes in working conditions resulted in particular from higher hygiene standards to reduce the risk of infection, the need for greater flexibility, and new requirements and opportunities arising from the fact that employees were working at home. No impact on fundamental rights or changes in susceptibility to corruption and bribery were identified in connection with business activities during the corona pandemic.

Management concepts and due diligence processes

The objective of the pandemic management concepts is to ensure the safety of employees in the best possible way at all times and to maintain operations. With a view to maintaining the supply chain, broad-based monitoring of goods and logistics and flexible planning within and among the plants are used in close coordination with business partners. Control measures are cascaded at both plant and divisional levels. A steering committee set up at Group level also monitors ongoing developments and makes decisions on overarching guidelines and measures within the Group and regulations at Group headquarters. Hygiene management is assigned to the individual subsidiaries, with minimum standards in place.

Measures and development

Objective	Developments and measures 2020
Employee safety	Training and advice on hygiene measures, provision of protective equipment and testing, flexible work scheduling, enabling home office
Maintaining operation	Ongoing monitoring involving supply chain partners, back-up concepts; in view of possible future pandemics, contingency plans will be further refined based on the level that has been significantly improved since the Covid-19 outbreak.

	MM Group
Covid-19 diseases	382
Covid-19-related deaths	0

CLIMATE CHANGE

Impact of business activities on climate change

Cartonboard and cartonboard packaging have two specific advantages:

- They are based on wood, a renewable resource. Wood absorbs CO_2 during its growth phase.
- They store carbon and, through recycling, CO_2 remains bound. It's not returned to the atmosphere.

When forests are sustainably managed, as in Europe, carbon sequestration in wood increases steadily or at least remains stable.

The latest CO_2 footprint for cartonboard was calculated in 2019 by the RISE Research Institutes on behalf of Pro Carton. In addition to the fossil emissions previously considered exclusively, resulting mainly from energy production, the new method now also covers biogenic emissions and their decomposition as well as direct land use changes. With a CO_2 eq/t value of 326 kg, cartonboard has extremely low CO_2 ratings compared to other packaging materials, such as plastic, glass, or aluminum. This value is the result of a methodologically new study initiated by Pro Carton and available at https://www.procarton.com/wp-content/uploads/2019/10/Carbon-Footprint-Report-2019-Exec-Summary-English-1.pdf. The CO_2 footprint of cartonboard for 2019 has improved by 9 % compared to 2015 when applying the old method.

For years, the division MM Packaging has moreover been participating in the world's largest collection of primary emission data of companies, the CDP (Carbon Disclosure Project), with the aim of evaluating the climate footprint in the value chain on the basis of this database. In this context, the MM Group, for its part, strives for refining its monitoring to achieve even higher transparency. On this basis, climate change is also to be increasingly taken into account by the Group's risk management.

Risks from the Company's activities in connection with climate change are mainly concentrated on the use of fossil energy sources in the energy production of our cartonboard mills and on logistics along the value chain. This is, however, offset by opportunities arising in connection with the increased use of renewable energy and the progressive substitution of plastic packaging with sustainable cartonboard and paper solutions.

Relevance of climate change for the business model

We currently consider the direct and short-term effects of climate change on the business model of the MM Group to be insignificant regarding the supply chain as well as to the general conditions. From today's perspective, we also do not expect any significant changes in the medium term due to the geographical positioning of the MM Group and the availability of raw materials and sustainable sales markets. The effects of possible future regulatory measures on our business environment are subject to risk but cannot be assessed.

Opportunities derive in particular from the positive positioning of renewable packaging products made of cartonboard and paper with low CO_2 values and high recycling rates. Risks can arise above all from regulatory changes with regard to the raw materials and energy used and transportation. MM pursues consistent minimization of specific consumption as well as an optimization in the planning, use and choice of means of transport.

CONTEXT OF NON-FINANCIAL TOPICS WITH BUSINESS DEVELOPMENT

Taking a strategic approach to dealing with non-financial issues in the context of business development allows for a comprehensive risk and opportunity management.

For the MM Group, there is a range of factors in the areas of environment, human resources and society that drive costs, revenues, and sales volumes and impact or might impact current as well as future business success.

A relevant sales driver is the trend towards an increased demand for sustainable packaging solutions, which we aim to meet by continuously positioning of our offer and innovation according to changing market and consumer preferences.

The human capital of our employees is a significant value driver and the engine of continuously necessary changes and adjustments. The MM Group's multi-faceted education and advanced training programs and measures aimed at employee retention and recruitment contribute to the Group having a sufficient number of qualified employees to secure and develop its position.

Costs relating to non-financial matters result from personnel, energy requirements, water consumption, or waste generation of the MM Group. Future cost drivers might arise in particular from regulatory changes, including an increase in the costs of CO_2 certificates, changing or stricter guidelines and regulations at both national and EU levels.

In contrast, broad social developments represent possible future opportunities for the business model of the MM Group. Advancing digitalization and automation will continue to raise efficiency in production processes, thus allowing for cost savings. Developments in the transport sector may contribute to fuel and personnel cost savings. The trend towards urbanization and smaller households as well as growing private consumption in emerging economies might contribute to increased sales volumes in the future, for example through a greater demand for smaller product units.

The current business development of the Mayr-Melnhof Group in 2020 was characterized by a relatively high resilience to the Corona pandemic and thus by a high degree of continuity compared to the previous year. In addition, structural adjustment measures as well as significant acquisition and investment decisions were taken. The impact of non-financial issues and the correlations of related key performance indicators (KPIs) with the annual financial statements, however, did not show any significant changes or particular anomalies. Taking an overall view of non-financial and financial aspects, we consider the measures taken as part of sustainability management to be effective in terms of minimizing risks and optimizing opportunities in the Group. The following key figures from the economic value added statement confirm this finding, taking into account one-off effects. A task force has been set up for the climate-related financial disclosure required as of the fiscal year 2021.

Participation of stakeholders in net value added

The Group's value added is the difference between total operating revenue and the products and services provided by third parties. In the statement of distribution, the share of all parties participating in the net value added is shown.

Value added

(in millions of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019	Year ended Dec. 31, 2019
Origin:				
Sales	2,528.4		2,544.4	
Other operating income	19.8		11.9	
Change in finished goods and own work capitalized	(1.1)		(6.6)	
Financial result and result from investments	(9.4)		(4.1)	
Total operating revenue	**2,537.7**		**2,545.6**	
(-) Expenditures on purchased goods and services	(1,613.7)		(1,655.2)	
(-) Depreciation and amortization	(167.5)		(134.3)	
Net value added	**756.5**	**100.0 %**	**756.1**	**100.0 %**
Distribution:				
Employees	(307.1)	(40.6 %)	(288.5)	(38.2 %)
Social benefit costs	(143.4)	(19.0 %)	(142.0)	(18.8 %)
Public authorities	(143.8)	(19.0 %)	(135.4)	(17.9 %)
Non-controlling (minority) interests	(1.0)	(0.1 %)	(0.5)	(0.1 %)
Shareholders' dividend (proposed for 2020)	(64.0)	(8.5 %)	(64.0)	(8.5 %)
Company	97.2	12.8 %	125.7	16.6 %

In the financial year 2020, the MM Group generated a total operating revenue of EUR 2,537.7 million, after EUR 2,545.6 million in the previous year. After the deduction of expenditures on purchased goods and services as well as depreciation and amortization including impairment totaling EUR 1,781.2 million (2019: EUR 1,789.5 million), a net value added of EUR 756.5 million (2019: EUR 756.1 million) was achieved.

With 40.6 % or EUR 307.1 million (2019: 38.2 %; EUR 288.5 million), the major share of the net value added was again distributed to our employees. A similarly large proportion of 38.0 % or EUR 287.2 million (2019: 36.7 %; EUR 277.4 million) was paid to public authorities and social insurance. The shareholders of the Company are to receive a dividend of EUR 64.0 million or 8.5 % of the net value added (2019: EUR 64.0 million; 9.5 %) for the financial year 2020. A profit of EUR 97.2 million or 12.8 % of the net value added will be retained within the Group (2019: EUR 125.7 million; 16.6 %).

STAKEHOLDERS

The MM Group knows its stakeholder groups and assumes its responsibility towards them in the long-run.

In an analysis along the value added chain involving internal experts from various business areas, we identified the following stakeholder groups which remained unchanged compared to the previous year:

Stakeholders of the MM Group

- Customers and consumers
- Employees
- Capital markets (e. g., shareholders, analysts)
- Suppliers
- Public bodies (e. g., politicians, authorities, inspection bodies, NGOs)
- Industry associations
- Media
- Residents

Stakeholder dialog

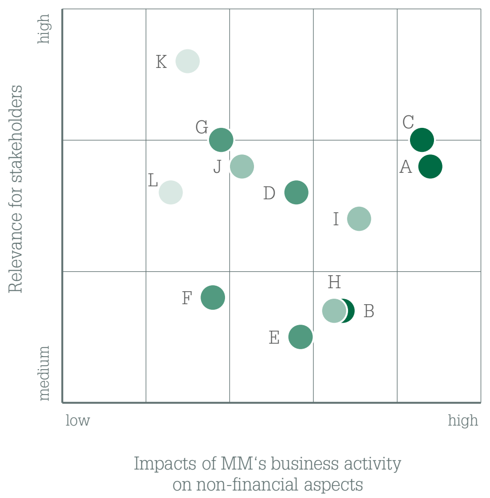
We attach great importance to a sustained, open and constructive exchange with our stakeholder groups, because it gives us the opportunity to understand their concerns and expectations, identify potential for improvement, and take appropriate action. Our stakeholder dialog takes place in a number of different ways. We use modern digital means of communication, such as the Internet and intranet platforms, e-newsletters or online surveys, as well as direct personal contact in one-on-one discussions and forums of various formats. Due to the situation in 2020, dialogs via video and telephone conferences were also significantly extended. MM is regularly represented at relevant trade shows and congresses, takes part in competitions and is involved in European (e. g., CEPI, ECMA) and national interest groups (e. g., VDP, Austropapier) on a long-term basis. Employee appraisals are generally held once a year. Shareholders and capital market participants are in regular contact with the Investor Relations department.

MATERIAL TOPICS

The MM Group has developed the material topics listed below in two process steps. In the financial year 2017, the value added chain of MM was analyzed with regard to potential risks for the environment, society, and the economy. The impacts of MM's business activity on these areas were evaluated in terms of their significance. Responsible persons from all relevant specialist areas were involved in this process. As a second dimension of the materiality analysis, the relevance of non-financial matters for MM's various stakeholder groups was prioritized, with internal experts performing the assessment as representatives of these groups. In addition, an industry analysis confirmed the relevance of the identified topics in the general context of sustainability and industry-specific characteristics. At an internal workshop with 14 department managers and technical experts with the participation of the Management Board held in 2018, we conducted a more detailed analysis of topics that had been identified as relevant in 2017. This provided us with a better understanding of the impacts on non-financial matters and their potential significance for business development.

The analysis and prioritization were performed separately for the two divisions of the MM Group and were then combined to obtain a weighted result for the Group. A review for 2020 in which the Management Board was also involved has shown no need for changes in the material topics in terms of completeness, topicality and relevance for the business model, neither in the area of taxes. When considering the two dimensions - impacts and stakeholder interests - for MM, the material topics can be illustrated as follows:

Materiality matrix



Material and product responsibility
- A Renewable raw materials and recyclability
- B Ecological criteria in procurement
- C Packaging safety

Environmental management
- D Energy consumption and emissions in cartonboard production
- E Transport emissions
- F Water consumption in cartonboard production
- G Waste in production

Employees
- H Employees' education and training
- I Employees' safety and health
- J Socially acceptable working conditions for employees

Society
- K Infringement of regulations and requirements
- L Anti-corruption and anti-competitive behavior

Material and product responsibility

Material topic	Influence and responsibility of MM	Non-financial matters	GRI topic
Renewable raw materials and recyclability	The consumption of renewable raw materials and the production of recyclable products are under the influence of MM. MM assumes responsibility by minimizing the specific use of raw material and maintaining or improving the recyclability of its products.	Environmental matters	301 Materials
Ecological criteria in procurement	The choice and design of procurement processes has a significant impact on the environment. MM assumes responsibility by choosing the means of transport, route planning and using the cargo area.	Environmental matters	308 Supplier Environmental Assessment
Packaging safety	Packaging has a considerable influence on the safety of the packaged goods. MM takes the safety of packaging into account by selecting input factors, processing operations, quality assurance as well as research & development.	Social matters	416 Customer Health and Safety

Environmental management

Material topic	Influence and responsibility of MM	Non-financial matters	GRI topic
Energy consumption and emissions in cartonboard production	Industrial cartonboard production is associated with significant energy consumption and emissions. MM assumes responsibility by reducing specific energy consumption and related emissions as well as optimizing energy production and the choice of energy sources.	Environmental matters	302 Energy, 305 Emissions
Transport emissions	From raw material procurement to distribution, the supply chain of cartonboard packaging is associated with logistics services that cause transport emissions. MM assumes responsibility in particular by choosing the means of transport and logistical planning.	Environmental matters	305 Emissions
Water consumption in cartonboard production	Water is an essential operating resource in the cartonboard production process. MM takes this into account by controlling water consumption and water usage.	Environmental matters	303 Water and Effluents (2018)
Waste in production	Different waste fractions are generated in the production of cartonboard and packaging. MM sets the priorities in waste reduction: prevention before recycling and disposal.	Environmental matters	306 Effluents and Waste

Employees

Material topic	Influence and responsibility of MM	Non-financial matters	GRI topic
Employees' education and training	The employees of MM are supported to be able to fulfill their professional tasks in the best possible way.	Employee matters	404 Training and Education
Health and safety of employees	Measures to ensure safety at work and health protection contribute to the health and sustainable performance of employees.	Employee matters	403 Occupational Health and Safety (2018)
Socially acceptable working conditions for employees	MM ensures socially acceptable working conditions in accordance with the core labor standards of the International Labour Organization (ILO) and the principles of the UN Global Compact. An attractive working environment that promotes employee identification and satisfaction is always important to us.	Employee matters, respect for human rights	102 General Disclosure, 408 Child Labor, 409 Forced or Compulsory Labor

Society

Material topic	Influence and responsibility of MM	Non-financial matters	GRI topic
Infringement of regulations and requirements	MM pursues consistent compliance with laws, guidelines and regulations.	Social matters	419 Socioeconomic Compliance
Anti-corruption and anti-competitive behavior	MM systematically prevents corruption, bribery and anti-competitive behavior.	Fight against corruption and bribery	205 Anti-Corruption, 206 Anti-Competitive Behavior

Alignment with Sustainable Development Goals (SDGs)

As a member of the UN Global Compact, the MM Group contributes in particular to the following objectives for sustainable development (Sustainable Development Goals, SDGs). These were adopted by the United Nations (UN) in 2015 and involve the private sector as an important partner in achieving these goals. The selection was made taking into account the value added chain of MM and the Company's potential to achieve the greatest positive impact.

The basic prerequisite and starting point for our activities is compliance with all laws, internationally applicable minimum standards and human rights.

Material topic	Targets	Influence by MM
Renewable raw materials and recyclability	*SDG 12: Responsible Consumption and Production* 12.2. Achieve the sustainable management and efficient use of natural resources 12.5. Reduce waste generation through prevention, reduction, recycling and reuse	Reduce the consumption of natural resources; Use recycled and renewable fibers; Conserve resources through product recyclability
Ecological criteria in procurement	*SDG 8: Decent Work and Economic Growth* 8.4. Improve progressively global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation	Contribute to improving forest management and protecting sustainable habitats and biodiversity
	SDG 15: Life on Land 15.2. Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	
	15.5. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species	
Packaging safety	*SDG 3: Good Health and Well-being* 3.9. Reduce the number of deaths and illnesses from hazardous chemicals	Ensure and improve product safety; Health protection

Material topic	Targets	Influence by MM
Energy consumption and emissions in production	*SDG 7: Affordable and Clean Energy* 7.3. Double the global rate of improvement in energy efficiency	Increase in energy efficiency, reducing the demand for non-renewable energy sources
Transport emissions	*SDG 13: Climate Action* 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Reduction in traffic volume and transport emissions
Water consumption in production	*SDG 6: Clean Water and Sanitation* 6.4. Increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater	Reduction in water consumption
	SDG 12: Responsible Consumption and Production 12.2. Achieve the sustainable management and efficient use of natural resources	
Waste in production	*SDG 12: Responsible Consumption and Production* 12.4. Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle 12.5 Reduce waste generation through prevention, reduction, recycling and reuse	Reduction in hazardous and non-hazardous waste
Employees' education and training	*SDG 4: Quality Education* 4.4. Increase the number of youth and adults who have relevant skills for employment	Promoting professional and personal qualifications
Health and safety of employees	*SDG 8: Decent Work and Economic Growth* 8.8. Protect labor rights and promote safe and secure working environments for all workers	Reduction in the accident rate; Promote safe and healthy working conditions
Socially acceptable working conditions for employees	*SDG 8: Decent Work and Economic Growth* 8.7. Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of child labor 8.8. Protect labor rights and promote safe and secure working environments for all workers	Safeguarding socially acceptable working conditions
Infringement of regulations and requirements	*SDG 16: Peace, Justice and Strong Institutions* 16.3. Promote the rule of law at the national and international levels and ensure equal access to justice for all	Require and promote behavior that meets compliance requirements
Anti-corruption and anti-competitive behavior	16.5. Reduce corruption and bribery in all their forms	Require and promote behavior that meets compliance requirements

How the sustainability objectives of MM are implemented is explained in the sections on the respective topics.

Sustainability topics

MATERIAL AND PRODUCT RESPONSIBILITY

1 — RENEWABLE RAW MATERIALS AND RECYCLABILITY

With the production and processing of cartonboard, MM focuses on a packaging material that particularly satisfies the increasingly important requirement of recyclability in the packaging world and combines clear advantages when compared to other packaging materials with regard to the following parameters for sustainability.

Because cartonboard is

RENEWABLE due to the use of the raw material wood from sustainably managed forests. Certifications for fibers and sourcing from responsibly managed forests are considered standard in the European cartonboard industry.

RECYCLABLE and can thus be reused several times. Used cartonboard packages have the highest recycling rate of all packaging materials in the EU (85 %) and form the basis of the production of an environmentally friendly packaging material – recycled fiber-based cartonboard.

BIODEGRADABLE/COMPOSTABLE. Once released into the environment, paper-based packaging disintegrates within a few weeks.

Besides fibers, chemicals (mainly inorganic pigments, binders, starch and glues) and packaging materials are essential materials in the production and sale of cartonboard. The main materials used in the production of folding cartons are cartonboard, printing inks, varnishes, glue, and finishing materials, such as foils and packaging materials.

a — Impacts, risks and opportunities

Both divisions of the MM Group process a predominant proportion of renewable materials, i. e. fibers. Non-renewable raw materials only play a subordinate role. This is also reflected in the volumes used, which are presented on page 109. While MM Karton, as a leading manufacturer of coated recycled fiber-based cartonboard, processes almost three quarters of recycled fibers in its cartonboard mills, the use of print substrates (cartonboard and paper) made from recycled and virgin fibers is balanced at MM Packaging.

Due to the geographical positioning of our cartonboard sites, the raw materials wood and recycled fiber are sufficiently available. Around 60 million tons of paper are collected and reprocessed in Europe every year. MM Karton processes around 1.2 million tons thereof. Risks consist in an interruption or slowdown of the logistics chain and the collection volume due to regulatory restrictions on social and economic life.

Stock preparation, i. e. breaking down individual fibers before supplying them to the cartonboard machine, is possible for recycled fibers with high energy-efficiency. In addition to the energy-saving aspect of the use of paper for recycling, other ecological benefits include the protection and conservation of natural resources. Opportunities for increasing fiber recovery (fiber efficiency) arise in particular from technological progress.

Risks arising from the raw materials area arise in particular from the supply chain and the use of chemicals. One potential scenario is the discharge of chemicals in the course of production for both divisions. This is minimized by complying with the relevant statutory regulations and by additional specific safety measures, such as chemical storage areas equipped with retention basins, staff training, and meticulously planned incident management.

The main purchasing categories correspond to the materials discussed above, which are primarily obtained from European suppliers via a sustainable supply chain.

b — Management concepts and due diligence processes

The goal of the MM Group is to guarantee a continuous supply of raw materials, ensure minimization and environmental protection in the area of material consumption along with the highest possible recyclability of our products.

Paper for recycling is subject to strict quality standards. The different grades are precisely defined in the EN 643 standard. MM Karton obtains its raw materials exclusively from certified sources. The qualities used are subject to strict quality inspections of the quality management system implemented at MM Karton. Our procurement organization has been instructed to ensure the optimum verification of origin and quality as well as the highest level of supply reliability.

Cartonboard mills therefore work continuously on projects aimed at optimizing fiber use. Improvements in extracting recycled fibers are achieved primarily through progress in stock preparation. Technological innovations on machines aim, among other things, at higher effectiveness in fiber utilization or reduction in fiber use. Constant monitoring ensures optimum use in ongoing operation.

All chemicals used in cartonboard production comply with the 36th Recommendation (Paper and Board for Food Contact) of the Federal Institute for Risk Assessment (Federal Ministry of Food and Agriculture – Federal Republic of Germany) – BfR XXXVI and with the provisions of the REACH Regulation.

In the area of chemicals management, we pursue the goal of minimizing the harmful effects of the use and storage of chemicals to humans and the environment.

At MM Packaging, only low-migration inks and varnishes that comply with all relevant legal regulations are used for food packages. In Europe, these include Regulations (EC) No. 1935/2004 and No. 2023/2006, for example. Furthermore, the inks and varnishes are produced in accordance with the EuPIA Guideline on Printing Inks and comply with Swiss Ordinance 817.023.21. We attach great importance to implementing these high European standards at all sites throughout the Group. Food-contact inks and mineral-oil-free inks conforming to the EuPIA recommendation are also used for other packages and are more environmentally friendly in the recycling cycle and beyond.

The types of glue used for food packages have to fulfill high demands in terms of processability, strength of the adhesive seam, and safety for use with food, and are continuously optimized. We use only adhesives and glues which comply with Regulations (EC) No. 1935/2004 and No. 2023/2006 and which are produced in accordance with the FEICA guidance.

MM Group part of the 4evergreen Alliance

Since 2019, the MM Group is part of the 4evergreen Alliance, which was initiated by CEPI, the European paper industry association (http://www.cepi.org/4evergreen). 4evergreen brings together companies from all sections of value added chain to promote the recycling of fiber-based packaging and cooperation in the development of recyclable materials. The aim is to increase the contribution of fiber-based packaging to a sustainable circular economy in order to minimize impacts on climate and environment.

c —— Measures and development

Objective	Developments and measures 2020
Reduce the consumption of natural resources; Use recycled and renewable fibers; Conserve resources through product recyclability	Examine the topic of plastics reduction and substitution with a focus on market and technology, closely involving customers and experts
	MM Karton
	Reduction in the use of cellulose by expanding the in-house production of groundwood pulp, increased use of FSC/PEFC and/or recycled cartonboard grades
	Optimization of chemical consumption through process modifications, such as the installation of measuring devices in the bleaching process
	MM Packaging
	A large number of projects to reduce rejects of cartonboard and paper substrates through process optimization
	Projects to reduce or substitute the use of plastics
	The focus in chemicals management was placed on optimizing consumption and waste.
	For shipping packaging, reduction in packaging material and increased use of pallets made from recycled wood

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 12.2., SDG 12.5.

	Cartonboard production[1]	Packaging production
Renewable raw materials[2]	1.7 million t	0.9 million t
Fiber use/cartonboard and paper use	1.6 million t	0.8 million t
Recycled fibers[3]/recycled fiber-based cartonboard	1.2 million t	0.4 million t
Virgin fibers[4]/virgin fiber-based cartonboard	0.4 million t	0.4 million t
Non-renewable raw materials[2]	0.2 million t	0.0 million t
Share of renewable raw materials	89 %	95 %

[1] excluding MM FollaCell AS
[2] including packaging materials
[3] excluding rejects
[4] groundwood pulp equivalent

2 — ECOLOGICAL CRITERIA IN PROCUREMENT

Ecological criteria in procurement are another important topic for the MM Group in terms of material and product responsibility. The efficient use of resources and a positive contribution to the long-term conservation of natural areas and biodiversity are our main focus. In this context, we attach particular importance to the independent monitoring of raw material procurement and the verifiable compliance of the Company's operations with international environmental and social standards that support long-term sustainable development. In addition, we generally seek to keep delivery distances short in procurement and, if possible, use sources of supply close to our production sites.

a — Impacts, risks and opportunities

The potential risk of encroachment on local communities and ecosystems, e. g., through illegal logging, is counteracted by chain-of-custody certification according to FSC® and PEFC™ standards for all cartonboard mills. Opportunities lie in particular in the increasing awareness of end customers and the associated positive effects on demand.

Risks and opportunities arising in procurement logistics are identified and managed through logistics projects in close coordination with the central logistics manager. The focus of activities is currently on MM Karton and will be further expanded for this division as well as for MM Packaging. This involves the pursuit of multimodal logistics concepts as well as storage concepts (see also topic of transport emissions).

b — Management concepts and due diligence processes

The MM Group pursues a Chain-of-Custody standard (CoC) in order to comply with the principle of dealing responsibly with resources and using designated sustainable raw materials in production preserving natural habitats and biodiversity. This is particularly done by establishing specifically designed management systems and certifications according to FSC® und PEFC™.

The certification of all six MM cartonboard mills according to the PEFC™ and FSC® standards (license FSC-C003336) since 2009 has demonstrated that all the virgin fibers used in cartonboard production come from responsibly managed forests and/or from controlled sources and are inspected by independent third parties on a regular basis.

The currently valid FSC® Controlled Wood Standard excludes the purchase from the following sources:

- Illegally harvested wood
- Wood from areas where traditional and basic civil rights are violated
- Wood from forests whose special rights of protection are endangered by forest management
- Wood gained from the transformation of natural forests into plantations or for non-forestry use
- Wood from forests planted with genetically modified tree species

The CoC standard is implemented differently in the divisions of the Group.

Mills of MMK Karton work with a so-called "credit system" which records all purchased virgin fibers and their certification status. There is no physical separation of fibers in the mill itself. They are stored and processed together. The quantity of cartonboard with FSC® or PEFC™ certification that can be sold depends on the volume of certified and creditable fibers purchased.

MM Packaging plants store and process FSC®- and PEFC™-certified cartonboard strictly separately from non-certified cartonboard. Which type of cartonboard is used in folding carton production depends on our customers' wishes and the respective field of application.

In addition, other applicable industry standards, such as ISO 14001, EMAS, and ISO 50001, also address the evaluation of ecological criteria in procurement within the MM Group and go beyond the purchase of fibers, covering all relevant input factors including technical equipment and machinery.

We expect our business partners to always comply with all legal regulations and customary industry standards along the supply chain, and we encourage them to introduce and implement similar principles of responsibility. In MM's terms and conditions of purchase, suppliers are obliged to comply with the MM Group's Code of Conduct.

c — Measures and development

Objective	Developments and measures 2020
Contribute to improving forest management and protecting sustainable habitats and biodiversity	**MM Karton**
	Re-certification of individual mills in accordance with FSC® und PEFC™, ISO 9001, 14001 und 50001
	MM Packaging
	Supplier FSC®- und PEFC™ qualification, ISO 14001, EXMA/GMP, re-certification of individual mills in accordance with FSC® und PEFC™

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 8.4., SDG 15.2., SDG 15.5.

	Cartonboard production[1) 2)]	Packaging production
Share of fiber use		
- from FSC®-certified sources	23 %	17 %
- from PEFC™- certified sources	36 %	10 %
- from controlled sources[3)]	41 %	-
FSC®-certified production sites[4)]	6 of 6	40 of 44
PEFC™-certified production sites[4)]	6 of 6	34 of 44
Number of suppliers audited for environmental criteria[5)]	> 300	> 200

1) excluding MM FollaCell AS
2) groundwood pulp equivalent
3) including FSC® Controlled Wood
4) excluding Hirschwang mill
5) including MM FollaCellAS

3 — PRODUCT SAFETY

The safety of food packages has long been a central topic for the MM Group. This means that, firstly, products of the MM Group are themselves free from any harmful substances and, secondly, outer migration-proof. Accordingly, no transfer takes place from inks and varnishes printed onto cartonboard, nor from any other materials with which cartonboard may come into contact, in quantities that might endanger human health.

a — Impacts, risks and opportunities

Possible risks of product contamination, a potential hazard for the health of consumers, and possible violations of relevant regulations, legislation, and standards as well as possible recalls along the supply chain are minimized by applying high quality management standards and carrying out regular internal and external inspections. Opportunities are offered in particular by the development of innovative packaging solutions that combine a high level of safety for the packaged goods and the consumer with ecological benefits arising from resource conservation and recyclability.

b — Management concepts and due diligence processes

Certifications provide important evidence for customers and consumers of MM Karton and MM Packaging that our products are sustainable, socially acceptable, and do not pose any risk to health. Moreover, they serve as a proof of legal compliance in the area of product safety. In addition, certifications also serve as confirmation of safety of its supply chain for MM.

At the same time, regular inspections of MM products to ensure conformity with certification criteria guarantee rigorous quality assurance that is also externally visible.

Certifications in the area of product quality and food safety have been obtained in particular in accordance with:

- ISO 9001
- BRC Packaging
- FSSC 22000 (ISO 22000)
- EN 15593
- ECMA GMP

The respective certifications of individual MM locations can be found in detail on our divisional websites at http://www.mm-karton.com/en/company/mills and http://www.mm-packaging.com/en/locations.

ISO 9001
The Mayr-Melnhof Group has been certified according to the ISO 9001 quality management system for a long time. It currently covers all production sites of both divisions.

In addition to the internal benefits of a quality management system, such as efficient workflows and processes, defined implementation rules, and, above all, continuous further development, customer satisfaction is our highest priority. Our primary goal is to guarantee our customers consistent product quality and application-oriented product solutions while ensuring maximum security of supply.

BRC Packaging and FSSC 22000
The British Retail Consortium (BRC) Packaging standard is a global standard for packages and packaging materials that focuses on monitoring food hygiene and product safety. This standard, along with the global FSSC 22000 standard for food safety management systems (food safety system certification), which also covers the requirements of ISO 22000, are hygiene management systems recognized by the Global Food Safety Initiative (GFSI). With their certification according to BRC Packaging and FSSC 22000, our sites prove their competence in the areas of risk management, hygiene, product safety, and quality systems, and thus comply with our customers' requirements regarding food safety.

Certified hygiene management in accordance with EN 15593
The requirements of certified hygiene management in accordance with EN 15593 apply in particular to cartonboard packaging products used in the fields of food and pharmaceuticals. In this connection, it is important to meet the high demands placed on the hygienic cleanliness of products and thus on production itself. Visible proof of compliance is the certification of our relevant sites according to the EN 15593 hygiene management system standard. It covers sensitive and important parameters, such as personal hygiene, foreign-object and glass checking, cleaning cycles, pest management, and microbiology. All MM cartonboard production sites and more than 60 % of MM's packaging plants are certified according to one or more of these international hygiene management standards.

ECMA GMP

Supplying customers and consumers with safe food packages made from cartonboard is a priority in the folding carton industry. The ECMA GMP guideline was developed as an initiative of the European Carton Makers Association (ECMA). All European packaging sites comply with the requirements of this guideline.

c — Measures and development

Objective	Developments and measures 2020
Ensure and improve product safety; Health protection	Regular internal and external analysis of state-of-the-art cartonboard products and continuous evaluation of compliance with relevant rules and regulations
	Staff training in product safety and food contact
	MM Karton
	Preparation for ISO 22000 certification for food safety management systems
	Product innovations and developments, e. g., fat separator products, substitutes for superabsorbents in foodpads.
	EN 15593 certification (hygiene management in the production of food packaging), ISEGA (hygiene management)
	MM Packaging
	Improvements of existing food safety certifications (BRC, FSSC 22000, ECMA GMP, ISO 22000, ISEGA) and the fulfillment of special customer requirements
	Optimization of legal compliance monitoring
	Microbiological analysis of suppliers, integration of REACH

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 3.9.

	Cartonboard production	Packaging production
Share of cartonboard types for which the impact on consumer health and safety is assessed	100 %	
ISO 9001-certified production sites[1)]	6 of 6	43 of 44
Production sites certified in the areas of food safety and hygiene[1)]	6 of 6	27 of 44

[1)] excluding MM FollaCell AS and Hirschwang mill

ENVIRONMENTAL MANAGEMENT

1 — ENERGY CONSUMPTION AND EMISSIONS IN PRODUCTION

Important environmental impacts from the business operation of the MM Group mainly result from the high energy consumption within the cartonboard production and related emissions. In comparison, the energy demand of the packaging division is significantly lower.

Natural gas is predominantly used as the primary energy source in MMK mills. Each mill has its own power station in which natural gas is used to generate steam for the demands of cartonboard production and to produce electricity from the generated high-pressure steam via a turbine. In addition, electricity is also purchased from energy supply companies. Other fossil energy sources in the individual mills include light heating oil, diesel, and liquefied gas.

The production of MM Karton, whose energy efficiency continues to grow, is increasingly supplied with power from renewable energy sources, such as biomass, biogas and hydroelectric power.

a — Impacts, risks and opportunities

Exhaust air emissions that result from cartonboard production are mainly caused in energy production by burning natural gas. Emissions of CO_2, NO_x, and CO are constantly monitored and observed according to legal provisions. In contrast, direct exhaust air produced by cartonboard machines consists primarily of steam. MM Karton constantly undertakes new measures to further reduce exhaust air emissions in line with the latest technological standards.

Energy use at MM Packaging is far lower than at MM Karton, accounting for less than 10 % of Group-wide energy consumption. Nevertheless, programs aimed at raising the energy efficiency especially of machinery and lighting are also implemented in the packaging division. Waste heat from the machinery pool is used in several plants to pre-heat other premises, for example.

Risks arise in particular from possible new regulatory requirements and technological limits to further optimization. In contrast, the increased use of renewable energies and modernized systems offers opportunities for further reducing emissions and the specific energy demand.

Resource-efficient operations not only pay off for us but also for our environment.

b — Management concepts and due diligence processes

Responsible management of energy consumption and associated emissions has a high priority. Throughout the Group, attention is paid to integrating the best possible standards and consistently upgrading existing plants.

Existing environmental management systems within the MM Group have been set up in such a way that changing requirements can be incorporated and adapted easily and as quickly as possible. Currently, environmental and energy management systems are in place at six production sites of MM Karton and at 30 sites of MM Packaging. The intention is to further increase the degree of penetration within the Group.

Every year, environmental objectives are defined at all concerned levels and for each relevant area at the locations with environmental management systems. In order to achieve these objectives, a program is initiated containing the aspired objectives, specific measures, the people responsible for accomplishment, a time frame, and the funds required for the achievement. The environmental officer reports to the management on environmental performance and further planned measures as part of the management review.

Internal and external audits (especially in connection with certifications and re-certifications) and an appraisal by the management based on the management review are performed in order to guarantee those environmental standards already achieved, to satisfy new requirements, and to monitor the effectiveness of the environmental management system.

The aim of energy management consists in sustainably reducing the energy consumption of our factories, raising efficiency and obtaining an ever increasing share of the required energy from renewable sources. Certifications are also of great importance for our energy management and help us to identify Group-wide energy-saving potentials.

Certifications regarding environment and energy management are in particular based on the following standards:

- ISO 14001
- EMAS
- ISO 50001

ISO 14001
The systematic incorporation of environmental protection into management considerations was already established more than two decades ago with the certification of the cartonboard mill in Frohnleiten according to ISO 14001, the globally applicable standard for environmental management systems. Regular internal and external audits safeguard the high level achieved and support us in meeting new requirements.

EMAS

The cartonboard production site in Frohnleiten participated voluntarily in the EC's ecological auditing regulation already in 1996. The "Eco-Management and Audit Scheme" (EMAS) is a common system for environmental management and environmental auditing. Participation supports the information policy of the Mayr-Melnhof Group in presenting its corporate culture characterized by responsible action. Together with the ISO 14001 certification, EMAS forms the basis of the continuous safeguarding of an integrated environmental management system at MM. Today, the sites at Frohnleiten, Eerbeek, and the fiber mill FollaCell are certified according to ISO 14001, with Frohnleiten additionally being certified according to EMAS. The cartonboard mills that are not directly certified have internal environmental protection systems for continuous improvement and use synergies with the certified sites. 29 locations in the packaging division are certified according to ISO 14001 and/or EMAS.

ISO 50001

The MM Group strives to make sure that in particular the mills of the energy-intensive cartonboard division increasingly comply with the provisions of ISO 50001. Four production facilities in the cartonboard division as well as the fiber mill FollaCell and seven packaging sites are currently certified according to this standard.

Energy management is consistently continued and optimized on the basis of sustainable monitoring and has already resulted in a significant reduction in energy costs, greenhouse gas emissions, and other emissions in the past. The success of projects implemented in this context is the starting point of new optimization initiatives.

Greenhouse gas emissions (CO_2 certificates)

The EU Emissions Trading Scheme (EU ETS) is the centered European climate protection instrument for reducing greenhouse gas emissions in the EU and a number of non-EU countries, such as Norway. It includes the energy industry as well as selected energy-intensive industrial sectors, such as the paper and cartonboard industry, hence also the six MM cartonboard mills within the EU and the FollaCell fiber mill. The scheme is based on the "cap & trade" principle according to which an upper limit on permitted emissions is set in order to issue a limited number of emission allowances (CO_2 certificates). These can be freely traded on the market if required. The allocation of free CO_2 certificates is without charge under certain conditions in order to avoid "carbon leakage", i. e. the transfer of emissions to countries with less stringent climate protection regulations. A benchmark procedure is used to ensure that selected sectors subject to international competition receive some of their certificates free of charge. The free allocation is based on benchmarks that reward the most efficient facilities in every sector. As the EU's political goal is to further reduce CO_2 emissions, free allocations are also gradually decreasing, creating incentives for reducing emissions and adopting energy-efficient technologies. The European Green Deal is expected to lead in particular to further reductions in CO_2 emissions. The previous target of reducing the EU's CO_2 emissions by 40 % by 2030 compared to 1990 is to be stepped up to a reduction of at least 55 %.

In the third ETS allocation period (2013 – 2020), the six MM Karton mills and the FollaCell fiber mill also benefited from a largely free allocation of CO_2 certificates thanks to good benchmarking results. Accordingly, sufficient CO_2 certificates were available for the sites until the end of 2020. The allocation process for the fourth ETS allocation period (2021 – 2030) will, however, be subject to an EU review. Based on what we know at present, free certificates will again be allocated on the basis of a benchmark procedure. CO_2 allocation notices for the period 2021 to 2025 are expected for the second half of 2021. In addition, we expect CO_2 emissions to be dynamically allocated as of 2021, which means that monitoring activity data as of 2020 will be required as part of a monitoring methodology.

With the European Climate Protection Regulation (EU) 2018/842, the states have now also adopted a greenhouse gas reduction target in certain non-ETS sectors; these are sectors that are not covered by the EU emissions trading system. A key measure in Germany is the introduction of a national emissions trading system (nETS) for non-ETS sectors, such as heating and transport. Legislation provides for a CO_2 tax to be levied on the distributors of fuels and combustibles as of 2021. All companies using fossil fuels will be indirectly affected by these costs being passed on, irrespective of their participation in the EU ETS scheme. Although there is a plan for EU ETS sites (MM Karton) to be relieved from the national CO_2 pricing, there is currently no practicable solution. MM Karton could now be subjected to a double burden or at least would have to pay up front. Operators of production sites not covered by the EU ETS scheme (MM Packaging) will face an additional cost factor due to CO_2 pricing. A similar system has already been discussed in Austria.

c — Measures and development

Objective	**Developments and measures 2020**
Increase in energy efficiency; Reducing the resource demand	**MM Karton**
	Comprehensive energy-saving programs launched for all mills as part of a new initiative, with subsequent potential for CO_2 reductions. The projects cover all areas of cartonboard production.
	Increased use of biogas from water treatment, increased use of biomass for heating
	Optimization of energy generation, improvements in heat recovery continued
	ISO 14001, EMAS, ISO 50001 certifications; new energy monitoring system, energy audits
	MM Packaging
	The conversion to LED lighting was continued systematically.
	Investments in heat recovery and renewable energy forms, such as solar panels, nitrogen generator Energy efficiency was enhanced at several production sites by modifying existing equipment and renewing machinery and infra-structure.
	Measures taken to improve air-conditioning systems and thermal insulation
	Investments in systems for treating polluted exhaust, metering systems, and intelligent energy management systems

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 7.3.

	Cartonboard production	Packaging production
ISO 14001- or EMAS-certified production sites[1]	2 of 6	29 of 44
ISO 50001-certified production sites[1]	4 of 6	7 of 44
Energy consumption - total[2]	3.4 TWh	0.4 TWh
Share of renewable sources - total	12 %	25 %
Specific energy consumption[3]	1.9 MWh/t	0.4 MWh/t
Fuel consumption	2.8 TWh	0.1 TWh
Share of renewable sources (mainly biomass and biogas)	4 %	0 %
Electricity consumption	0.6 TWh	0.2 TWh
Share of renewable sources	43 %	40 %
Steam, heating, and cooling purchased for consumption	-	0.02 TWh
Share of renewable sources	-	9 %
Energy sold	0.04 TWh	-
Share of renewable sources	17 %	-
Direct CO_2 emissions[2) 4)]	0.5 million t CO_2e	0.03 million t CO_2e
Specific direct CO_2 emissions[3]	0.3 t CO_2e/t	0.03 t CO_2e/t
Indirect CO_2-emissionen from electricity consumption[5]	0.08 million t CO_2e	0.04 million t CO_2e

1) excluding MM FollaCell AS and Hirschwang mill
2) including MM FollaCell AS
3) based on net production or tonnage processed
4) at MM Karton: emissions reported according to section 9 of the Emissions Certificates Act 2011; at MM Packaging: emission factors used according to the German Federal Environment Agency (Umweltbundesamt)
5) emission factors used: according to the German Federal Environment Agency (Umweltbundesamt)

2 — TRANSPORT EMISSIONS

In addition to direct emissions from production, greenhouse gas emissions resulting from upstream and downstream transport are another, albeit less significant, component that contributes to the ecological footprint of the Mayr-Melnhof Group. As our production sites do not have their own vehicle fleet, reference is made here to external transport services, e. g., freight forwarders. Transport emissions resulting from the MM Group’s business activities are consequently not to be attributed to direct but to indirect emissions.

a — Impacts, risks and opportunities

Cartonboard and cartonboard packaging are voluminous bulk goods that require considerable transport services both in the procurement flows of the raw materials and in the shipment of the finished products. The MM Group transports approximately six million tons of raw materials and finished products each year.

The resulting transport emissions are determined in part by the ton-kilometers covered which are caused by long delivery distances on both, the procurement and the sales side. Furthermore, the choice of transport means and their specific characteristics are also responsible for the volume of greenhouse gases emitted. The selected means of transport depends primarily on available transport options between the participants in the value added chain and is usually predetermined by the relevant connections between the shipping parties. Transport by rail and ship is subject to many restrictions inherent to the system. Even though rail is considered the most ecological means of transport, the MM Group mainly uses trucks and multimodal logistics concepts due to a lack of rail infrastructure. While two of MM Karton's mills have direct rail connections, this is only the case at one MM Packaging production site. Transport is therefore only possible by truck at many sites, especially at the smaller folding carton production sites, as well as for most customers and suppliers.

In times of smaller batch sizes as well as short-notice call-offs and acceptance time windows, the logistical challenges, and hence also those relating to transport emissions, are increasing significantly.

On the whole, emissions resulting from transport are of lesser importance compared to the emissions released during the production process. CO_2 emissions caused by transportation to MMK customers are less than one fifth of direct CO_2 emissions caused by cartonboard production.

Risks arise in particular from the availability of ecological modes of transport along the respectively required connections.

b —— Management concepts and due diligence processes

Optimizing traffic volumes, logistics and transport emissions is of great relevance to the MM Group, both, in economic and ecological terms, and is therefore a priority. Besides cost minimization, the concept of sustainability therefore also plays a key role in logistics projects, with a central logistics manager in the cartonboard division assuming responsibility for strategic coordination.

In procurement, care is generally taken to keep delivery distances short and, if possible, to use sources of supply close to our production sites. Across the Group, the MM Group can purchase more than half of the raw materials it uses from local suppliers, with an even higher share in the cartonboard division. The broad geographical spread of the packaging sites in turn contributes significantly to minimizing ton-kilometers and transport emissions on the sales side.

Throughout the MM Group, high priority is attached to making optimum use of transport space, as this has both, ecological and economic benefits. Ideal transport and storage facilities play an important role already in course of the product design of packaging solutions.

The Mayr-Melnhof Group strives to give priority to rail as the most ecological means of transport in logistics planning. The largest MM Karton mill in Frohnleiten, which has a direct rail connection, now ships about two thirds of its finished goods directly by rail. The share of rail transportation at the Kolicevo cartonboard mill is somewhat lower due to the lack of rail infrastructure at customers. At the Vienna packaging site, the share of rail in shipments is about one third. Due to its geographical location, the fiber producer FollaCell loads all its goods onto ships.

Despite the fact that only a few MM production sites and their suppliers and customers have direct rail connections or access to a port, the MM Group makes use of the ecological advantages of rail and ship. Both divisions are pursuing interesting approaches in connection with multimodal logistics concepts. Depending on the route and available connections, low-emission intermodal transport is part of daily business, bringing substantial CO_2 savings compared to conventional road transport alone. In combination with the integration of external interim storage facilities, rail is used as an integral part of the transport chain throughout Europe, while ships are used for overseas deliveries. Intermodal transport thus makes it possible to limit the need for road transport to the "last mile".

c — Measures and development

Objective	Developments and measures 2020
Reduction in traffic volume and transport emissions	Development and implementation of multimodal logistics concepts, transport space optimization
	MM Karton
	Mills optimize transport services, in particular through improvements in the use of truck capacities, reduction of big bag shipments on trucks for chemicals by switching to suspension deliveries, efficiency increases in internal logistics and an optional increase in rail transport.
	MM Packaging
	Improved truck utilization, regular maintenance of the vehicles, optimization of internal transport, increase of rail transport wherever possible

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 13.1.

	MM Karton
Indirect CO_2 emissions[1)] from shipments to MMK customers	0.1 million t CO_2e/t

[1)] including MM FollaCell AS; emission factors used (g/tcm): truck 97.5, rail 23.4, ship 33.4; transport emissions from shipments to MMP customers not available

3 — WATER CONSUMPTION IN PRODUCTION

Water is an essential operating resource in the cartonboard production process. By contrast, almost no water is needed for production in cartonboard processing. As a result, there are higher waste water volumes in the cartonboard division than in the packaging division.

a — Impacts, risks and opportunities

Water is used in large quantities during cartonboard manufacturing over the entire course of production – from stock preparation of paper for recycling through processing fibers to being used as a coolant and for the production of steam in power generation.

In this connection, it is important to clearly differentiate between water use and water consumption. One part of the water is only used temporarily in production (e. g., as cooling water) before being treated and returned. The risk of water shortage due to production is therefore low. Only a small part of the water used is not actually returned, but remains either in the product as residual moisture or evaporates.

b —— Management concepts and due diligence processes

MM Karton's aim is a sustainable reduction in the use of water by continuously optimizing production processes and products. Specific water consumption is measured on an ongoing basis and is kept very low or further reduced through recirculation switching as well as increases in efficiency.

At MM Karton, the concept is to generally use the extracted ground and surface water a number of times, first as cooling water and then as process water in several stages. Excessive water is initially cleaned mechanically and then treated in a multi-step biological wastewater purification process before being discharged again – overuse or contamination do not take place.

The water used repeatedly in the production process is cleaned and treated in state-of-the-art wastewater purification plants before it leaves the mills.

Wastewater volumes are continuously recorded and evaluated by specifically trained Company-internal staff and by regular external inspections. Compliance with the relevant statutory regulations is verified by the respective national or regional authorities. Modernizations and expansions of wastewater treatment plants are regularly implemented with a view to the future. For information regarding certifications in environmental management, please refer to page 116.

c —— Measures and development

Objective	Developments and measures 2020
Reduction in water consumption	**MM Karton**
	Technological modernization and expansion of industrial wastewater treatment plants for future requirements, introduction of group-wide benchmarking for water treatment, establishment of an anaerobic wastewater process including biogas production.
	MM Packaging
	Projects to reduce fresh water consumption and corresponding training
	Increased focus on differentiation between process and non-process water, leakage detection and reduction using optimized pressure plates
	Rainwater for fire-extinguishing tanks

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 6.4., SDG 12.2.

	Cartonboard production[1)]	Packaging production
Water consumption	19.7 million m³	0.7 million m³
Surface water	11.6 million m³	0.03 million m³
Groundwater	8.0 million m³	0.3 million m³
Third party water	0.1 million m³	0.3 million m³

1) including MM FollaCell AS

4 —— WASTE IN PRODUCTION

Reducing waste in the production and optimizing the use of materials are of central importance within the MM Group to maintain cost leadership and make an important contribution to the conservation of resources. Projects with this focus relate in particular to measures to further reduce waste and improvements in separation and recycling.

a —— Impacts, risks and opportunities

The largest share of waste at MM Karton in terms of volume in recycling mills is the residual waste from the processing of paper for recycling, the so-called reject. Together with the sludge and household-waste-like commercial waste, they are either used in a thermal recovery process within the mills or handed over to authorized disposal firms. Hazardous waste, such as used oil, chemicals, contaminated liquids, wastewater contaminated by chemicals, workshop waste, and batteries, are handed over to licensed waste disposal companies for disposal in compliance with statutory regulations.

At MM Packaging, the largest share of waste in folding carton production is also by far represented by non-hazardous materials that are introduced into the recycling cycle. The most important category of waste by volume is cartonboard scrap from the die cutting process. It is largely reused within the MM Group or in other companies and processed into new cartonboard.

Solvent, ink and varnish residues, used oils, humidifying water, and wastewater from the printing machines are regarded as hazardous waste that makes up only a small fraction of the total waste volume and which is handed over to authorized waste disposal firms in compliance with statutory regulations.

After use, products of the MM Group are generally disposed of by end customers or consumers. The environmental impacts of the packaging waste caused by this are low, as the materials used are environmentally friendly (recyclable and compostable cartonboard, mineral-oil-free inks) and can be seen as an opportunity compared to other forms of packaging. Furthermore, the waste volume and its associated impact on the environment are reduced by MM's business model – reuse of paper for recycling.

b —— Management concepts and due diligence processes

The MM Group’s waste management focuses on the concept "prevention before recycling before disposal". Waste management at the sites is implemented by the respective waste management officer. Waste disposal itself is performed by authorized waste collectors, recyclers, and disposal firms in accordance with the respective statutory provisions, depending on the type of waste. We aim at combining economic and ecological benefits, in particular by constantly minimizing the amount of residual materials and recycling.

For information regarding certifications in environmental management, please refer to page 116.

c —— Measures and development

Objective	Developments and measures 2020
Reduction in hazardous and non-hazardous waste	**MM Karton**
	Improvements in fiber recovery, process changes, and optimization of fiber supply sources
	Implementation of thermal utilization of wood residues in Kolicevo
	MM Packaging
	Improvements in the production process based on new technology
	Optimization of separate collection
	Minimization of hazardous waste (e. g., solvent and paint residues) through avoidance or substitution
	Optimization of process stability and investment in new machinery to reduce substrate waste.
	Installation of washing/distillation machines for recycling solvents.

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 12.4., SDG 12.5.

	Cartonboard production[1]	Packaging production
Non-hazardous waste	0.2 million t	0.2 million t
Hazardous waste	1 thous. t	3 thous. t

[1] including MM FollaCell AS

EMPLOYEES

1 — EMPLOYEE EDUCATION AND TRAINING

At the end of 2020, the Mayr-Melnhof Group employed a total of 9,938 people in 27 countries. They form the basis of the Company's development and sustainable success.

a — Impacts, risks and opportunities

A central element in personnel development of MM is to ensure general conditions in which employees at all levels can fully develop their abilities over the long term and, with growing skills, take on more responsible tasks. We actively promote career paths and international deployment within the Group in order to retain knowledge and talents within the Group over the long term and enable our employees to grow together with MM.

We take great care to ensure that people enjoy working at MM and that qualified experts and managers are available to the Group on a sustainable basis. Ensuring a high level of employability in terms of professional and personal development throughout the entire employment relationship at MM is at the core of our personnel development concept.

The MM Group promotes the development of professional and personal skills of its employees through a variety of training and further education programs as well as challenging professional tasks. Our aim is to control the risk of a sufficient availability of qualified employees and, on the other hand, to make sure that the Group has good chances when competing for skilled workers. The latter is supported by targeted employer branding which is aimed at maintaining MM's attractiveness as an employer. We counteract risks arising from fluctuation and the outflow of know-how through sustainable employee retention by providing attractive development opportunities and allowing our employees to work in a climate of mutual appreciation.

b — Management concepts and due diligence processes

The central "Group Human Resources" function manages the Group's human resources program with a focus on employee development, training and continued education, and recruiting for key positions. The individual components of the program are continuously evaluated and adapted to current requirements in terms of content, methods, and technology (e. g. digitalization).

MM has established numerous programs within the Group that systematically accompany employees along their career paths within the Mayr-Melnhof Group. In all programs, particular emphasis is placed on designing them to offer challenging tasks and interesting content and make an active contribution to the Company's success.

MM-Academy

The "MM-Academy" is the central institution for education and advanced training for our employees at all levels within the MM Group. The main focus is placed on teaching specialist knowledge and language skills and further development of social and managerial skills as well as the "MM Apprentice Academy". The key criterion for every training is the creation of added value for our Company. In our "Leadership Journey", we teach employees in managerial positions the latest management tools and promote an international exchange in accordance with our corporate values: performance, responsibility, and passion. In the "MM-Academy", employees are trained in both, class-based and online training courses, with the e-learning offering being significantly expanded.

Systematic support from the start

With the "Young Professionals" program, we offer ambitious young job starters at the beginning of their careers a holistic, inter-company course of training going far beyond a conventional apprenticeship. After a careful selection process, we encourage our junior staff to acquire high professional skills and to develop their personality-related soft skills as well as foreign language skills in order to prove themselves in an international environment. "The apprentice as an opportunity for our Company and our Company as an opportunity for the apprentice" is the guiding principle.

In the "Ranger" program, we prepare "High Potentials" for future top or executive positions and assign each of them responsible tasks from the very beginning. The development plan involves three different areas of responsibility at three different locations over the course of three years. We accompany "Rangers" on their paths to future management functions by providing exchange with experienced managers and specific opportunities for training and gaining experience. Special professional qualification, high motivation, language skills, and international mobility are fundamental requirements for participating in the program. In addition to their individual tasks, "Rangers" work together on a project of topical relevance within the Group every year.

The "Explorer" program offers young university graduates attractive career paths in Key Account Management, Controlling, or Engineering with a focus on production and automation. We support "Explorers" in an exciting ongoing activity by means of personal mentoring and technical upskilling.

The "Fast Mover" program was set up to meet the challenges arising from a shortage of skilled workers on the labor market with the primary goal of strengthening our position in the production sector and attracting, developing, and retaining the best people for our Company in the long run. The program includes specifically tailored training plans and position-dependent competence profiles and optimally complements the training and development opportunities within the Group.

"Methusalems" program

We tie the long-standing experience and expert knowledge of senior employees to the Company in the "Methusalems" program within selected projects. The aim is to successfully combine time-proven practice with innovation and to fundamentally safeguard complex projects. The exchange of ideas between young and old is a highly appreciated, regular element of our personnel development programs.

Active personnel marketing

Already prior to an employment, we offer potential employees various opportunities to get to know the Group and get in touch with us. We use our continuous collaboration with schools, universities, and colleges as well as our regular participation in career fairs to position the Mayr-Melnhof Group as an attractive employer and to get into contact with young people at an early stage, for example.

Due to the pandemic, the focus in 2020 was on maintaining ongoing business operations, including maintaining jobs, and the health of our employees. Both worked out well in these difficult times. Since we wanted to keep the risk of infection as low as possible, many training courses have been converted to virtual formats so that ongoing training in key areas is still possible. Other training courses had to be canceled or postponed.

c — Measures and development

Objective	Developments and measures 2020
Promoting professional and personal qualification	The development programs described above were consistently continued. In 2020, we provided position-specific training and further education to around 4,000 participants in the "MM Academy". The e-learning offer (e. g. personal qualification, foreign languages, compliance, communication in times of crisis) was further expanded. Training courses are adapted even more specifically to the respective tasks/functions and issues in the Company. Particular emphasis was placed on information security and data privacy, as well as ways of dealing with professional tasks and personal challenges in the corona situation in the best possible way.
MM as an attractive employer and workplace	The year 2020 was marked by the Covid-19 pandemic. As an employer, MM very quickly took the necessary steps to enable employees to work from home, on the one hand, and to create safe framework conditions, in particular for employees in the plants, through comprehensive safety measures that reduce the possibility of infection, on the other hand. MM has proven to be a reliable and stable employer even in these difficult times.

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 4.4.

	MM Karton	MM Packaging
MM-Academy courses [1]	273	
Participants in MM-Academy courses [1]	1,232 male / 356 female	1,614 male / 876 female
Thereof executives	250	456
MM-Academy training hours [1]	13,440	18,638

Participants in central HR programs: Young Professionals: 53 in Germany, 49 in Austria; Leadership Academy: 45; Rangers: 5; Explorers: 7; Fast Movers: 3; Methusalems: 3.

[1] including 95 web-based training courses amounting to 20,635 hours

2 — HEALTH AND SAFETY OF EMPLOYEES

The health and safety of all participants along the value chain is a top priority for MM. It is our corporate responsibility to ensure that all stakeholders return home safely from their workplace at the end of a working day. As safety risks are inherent in manufacturing companies, occupational safety is of particular importance in our production plants. At the same time, accidents are also a relevant economic factor, as downtime also generates costs. Promoting occupational health and safety therefore also constitutes an important contribution to the Company's operational efficiency and competitive strength.

a — Impacts, risks and opportunities

Despite accident prevention and health promotion measures, risks arise from work-related stress. Possible adverse effects arise from working in shifts, handling chemicals, working in confined spaces, and from fire and hot work. In addition, psychological stain may have an impact on employees' health. The risk is reduced by actively planning health promotion measures.

b — Management concepts and due diligence processes

As a Group, we have set ourselves the goal of promoting employee health and safety by implementing a Group function of Occupational Safety. Immediate starting concepts include the development of a sustainable safety strategy, standardized reporting and management tools, awareness-raising initiatives, the definition of projects, and an increased focus on fire safety.

In addition to the central Group function, occupational health and safety is a key area of responsibility of the respective local site managers and safety officers, as they best know the needs within their facilities and how to comply with country-specific regulations. The successful implementation of occupational health and safety management systems is confirmed by OHSAS 18001 or ISO 45001 certifications for 16 production sites. Local regulations and standards for occupational health and safety are complied with. Accordingly, workplaces are regularly evaluated together with the employees, work-related hazards are identified using appropriate procedures, risks are assessed and preventive measures derived from there are implemented. Training courses and awareness-raising campaigns are aimed at continuously improving health and safety at the workplace.

Our objectives in the area of occupational safety include the continuous reduction of accidents and the promotion of safety awareness by providing employees with regular training and information. As a result of organizational changes in 2020, higher priority was attached to this aspect as part of a sustainable progress of the MM Group, so that safety management is now being reformed throughout the Group.

The area of health protection in 2020 was dominated by the Covid-19 pandemic. Accordingly, in addition to continuously improving health protection in general, we also pursued the goal of providing the highest possible protection of our employees' health under the extraordinary conditions of a pandemic.

c — Measures and development

Objective	Developments and measures 2020
Reduction of accidents; promote safe and healthy working conditions, minimization of Covid-19 infections	Ongoing company medical care, the continuous offer of training courses on health and occupational safety, and preventive check-ups. Health and safety management focused in particular on preventive measures in the workplace and working environment, with a special emphasis on hygiene and organizational measures to prevent the spread of Covid-19.
	The main focus of training was placed on optimization in the areas of first aid as well as accident and sickness (pandemic) prevention. Further mandatory training courses for specific target groups are planned for 2021.

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 8.8.

	MM Karton	MM Packaging
ISO 45001- and OHSAS 18001-certified production sites[1]	0 of 6	16 of 44
Work-related injuries[2] – employees	69	185
Rate of work-related injuries[2] – employees	3.7	3.0
Work-related injuries[2] – temporary workers	5	20
Rate of work-related injuries[2] – temporary workers	8.7	4.8
High-consequence work-related injuries[2] – employees	2	2
Fatalities – employees	0	0

[1] excluding MM FollaCell AS and Hirschwang mill; number of employees covered: 2,546
[2] fully consolidated companies; work-related injuries with > 3 lost days; rate based on 200,000 hours worked

3 — WORKING CONDITIONS/ENVIRONMENT

Our goal is to guarantee minimum general framework standards within the MM Group in which our employees can contribute to the Company's success over the long term. At the end of the year, around 87 % of the employees were located in Europe and 13 % in the Americas, the Middle East, and Asia. Their diversity in terms of culture and experience is an enrichment for our international business activities. By supporting diversity and equal opportunities, we promote innovation capability and creativity as well as our competitiveness in an increasingly global context.

The MM Group is aware of the importance of human rights from a value-based as well as from an economic perspective and fully commits itself to respecting and upholding human rights and to actively preventing human rights violations.

Employees of the Group

	Dec. 31, 2020		Dec. 31, 2019	
Western Europe (excl. Austria)	4,239	42.7 %	4,299	42.9 %
Austria	1,764	17.8 %	1,846	18.4 %
Eastern Europe (incl. Turkey)	2,626	26.4 %	2,569	25.7 %
Asia and MENA	841	8.4 %	812	8.1 %
The Americas	468	4.7 %	488	4.9 %
Total[1)]	**9,938**	**100,0 %**	**10,014**	**100.0 %**

[1)] full employment equivalent

a — Impacts, risks and opportunities

Although a major part of MM Group's sites are located in European countries, the Company may be exposed to risks regarding human rights, especially in countries outside Europe where MM operates. In some of these countries, there is, for example, a risk of forced labor, child labor, and the violation of labor standards and equal opportunities. In our industry and regarding the supply chain, the risks are deemed to be low, however.

A potential risk for our employees arises in connection with shift work in production operations, which may result in health restrictions (see chapter on health and safety of employees).

b — Management concepts and due diligence processes

We observe the applicable regulations concerning working time in all Group companies and comply with the statutory provisions of the relevant countries. The respective site manager is responsible for this. As in most industrial companies, production operations in the MM Group run in shifts. This means that appropriate statutory compensation measures are offered to the employees. Flexible working time models, such as part-time work, are intended to contribute to the reconcilability of family and career. In the MM Group, 2 % of employees, mostly women, make use of this option. The Group offers the majority of its employees permanent employment contracts; only 2 % of the employees, including apprentices and trainees, are employed on the basis of fixed-term contracts. At the end of the year, the Group also employed 465 temporary workers.

We recognize the entitlement of our employees to appropriate remuneration: the remuneration paid is based on the standard market remuneration for comparable positions in the relevant sector. At some locations, this includes the application of collective wage agreements. Almost two thirds of the employees of the MM Group are in an employment relationship that is governed by a collective agreement.

A high level of personal identification with the success of the Company is firmly rooted within our corporate culture. For this reason, performance-related forms of remuneration have had a long tradition throughout the Group to ensure that high-performing individuals are able to get their share of the Company's success. By including occupational safety as a success factor, we aim at significantly increasing Group-wide identification with this performance indicator.

We respect our employees' right of freedom of association. We strive for a long-term constructive dialog with the employees' representatives, both, at a local level and in regional federations of companies.

The MM Group undertakes to comply with human rights within its sphere of influence and rejects any form of forced labor in its organization and among its business partners. The risks of human rights violations are limited through the application of the Code of Conduct and regular external audits.

We also reject child labor, irrespective of local legislation, throughout our Company and in the companies of our business partners. Throughout the Group we are guided by the international standards (ILO Conventions C 138 and C 182) and keep records that show that all members of our workforce are of the minimum age required by law.

The MM Group offers all employees the same rights and opportunities regardless of age, gender, culture, religion, origin or other diversity characteristics.

The majority of employees in the Group is covered by defined contribution plans as part of statutory pension schemes. Apart from statutory pension schemes, the Group has also made performance- and contribution-based pension commitments to certain employees on the basis of individual commitments and company agreements. In addition, there are performance- and contribution-based severance obligations and obligations as part of statutory pre-retirement schemes at individual locations.

The Code of Conduct covers the fundamental needs of our employees. This standard applies to all employees of the MM Group. The MM Code of Conduct reflects our basic principles with regard to complying with laws, child labor, human rights, working hours and remuneration, health and safety, drugs and alcohol, and the development of employees. Local management is responsible for ensuring compliance with the CoC.

Ongoing communication (e. g., via Intranet, Internet, folders) and training courses provide information about the working environment in the Mayr-Melnhof Group.

c — Measures and development

Objective	Developments and measures 2020
Ensuring socially acceptable working conditions	In the pandemic year 2020, technical and other precautions were quickly taken to ensure that work can continue to be carried out safely. IT investments and upgrades were made, and new communication tools were implemented to enable virtual collaboration. Within the framework of the respective legal and operational possibilities, work was made more flexible (e. g. work from home). Various safety measures were taken, including new rules on attendance, meetings and business trips, a clear separation of (shift) teams, disinfectants on site, masks, plexiglass partition walls, etc.

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 8.7., SDG 8.8.

	MM Karton	MM Packaging
Cases of child labor	0	0
Cases of forced labor	0	0
Production countries[1] with Fundamental Rights Index ≤ 0.4 (Rule of Law)	0 of 5	0 of 18
Number of employees by gender[1]		
Male	2,088	5,693
Female	330	1,827

[1] including MM FollaCell AS
[2] full employment equivalent

SOCIETY

COMPLIANCE

MM aims at a sustainable increase in the value of the Company through responsible business activities in compliance with all legal regulations, industry standards and the universal principles of the UN Global Compact in the areas of human rights, labor standards, environmental protection and the fight against corruption. In this context, "compliance with laws, standards, codes of conduct" and "the fight against corruption, anti-trust compliance" have been identified as key issues for the MM Group and its contribution to society.

1 — COMPLIANCE WITH LAWS, STANDARDS AND RULES OF CONDUCT

The MM Karton division generates 88 % of its sales in Europe and 12 % in countries outside Europe. The six cartonboard mills are located in Germany, Austria, the Netherlands, and Slovenia. The MM Packaging division has 44 production sites in 18 countries on three continents. 82 % of sales are generated in European countries. MMP's production outside Europe takes place in China, the Philippines, Canada, Columbia, Chile, Vietnam, Jordan, and Iran.

We comply with all the relevant laws and regulations of the countries we operate in and observe their social standards. Some of the important regulations, guidelines, standards, and certifications relating to sustainability are partly cited in previous sections.

a — Risks and impacts

Compliance with policies and regulations is essential for our customer relationships and the trust of all other stakeholders.

Potential risks resulting from the MM Group’s business activities are possible non-compliance with standards, laws, rules of conduct and, possibly, voluntary declarations of commitment and human rights violations. The risk of human rights violations is classified as very low in European countries, owing to statutory frameworks.

b — Management concepts and due diligence processes

Compliance comprises all those actions and measures aimed at observing laws, codes of conduct, and other standards and is a key task of the Management Board in the Mayr-Melnhof Group.

The compliance risk arising from a potential failure to adhere to standards, laws, rules of conduct and, possibly, voluntary declarations of commitment is assessed, in particular, through regular compliance monitoring in the individual organizational units (sites, divisions, central Group functions), the principle of dual control and guidelines (such as the Code of Conduct). Furthermore, we have appointed a Compliance Officer who coordinates the development of compliance management in cooperation with the legal department and the CFO.

We deal with the risk area of "Legal Compliance" which covers all actions and measures geared towards ensuring compliance with legal regulations and contractual provisions through the position of a Legal Manager, the use of a central legal compliance system, and, where necessary, by consulting external experts.

c — Measures and development

Objective	Developments and measures 2020
Require and promote behavior that meets compliance requirements	Mandatory acknowledgement of a new edition of Group Guidelines on a wide range of compliance topics

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 16.3.

	MM Group
No significant fines or sanctions for non-compliance with legislation and regulations in the social and business field	✓

2 — ANTI-CORRUPTION, ANTI-TRUST COMPLIANCE

We always act in the best interest of the Mayr-Melnhof Group and strictly separate the interests of the Company from private interests. We aim at avoiding even the mere appearance of a conflict of interests. We take decisions based on reasonable economic aspects in line with laws and standards. In our business relations, we always act properly in line with the respective regulations against corruption, bribery, fraud, and money laundering. We undertake not to accept gifts or financial benefits and not to enter into any participation that might result in a conflict of interests. Furthermore, no bribes or any other form of unlawful payments or benefits may be accepted, offered, or paid.

We fully commit ourselves to fair competition with our competitors, business partners, and other market participants. At the same time, we undertake to comply with the laws on the restriction of competition that apply in the countries where the Mayr-Melnhof Group does business.

a — Risks and impacts

Potential risks resulting from the MM Group's business activities are cases of corruption and anti-competitive behavior. The risk of corruption is classified as very low in European countries due to statutory provisions. We also assume that the business operations of the MM Group are not the target of fraudulent actions, especially as the products manufactured are of low fungibility.

b — Management concepts and due diligence processes

Our employees are provided with clear guidelines on compliance and lawful conduct in our Group Organizational Guidelines. In complex areas, in particular in the field of competition law, these guidelines are supplemented by training courses.

Accepting gifts, granting benefits (according to the Code of Conduct)
Employees of the Mayr-Melnhof Group may not demand, accept, offer, or grant any direct or indirect unwarranted benefits in the course of their business activities.

Guideline: competition compliance
Agreements with competitors and coordinated practices that aim at or result in a restriction or prevention of competition are prohibited.

c — Measures and development

Objective	Developments and measures 2020
Require and promote behavior that meets compliance requirements	Mandatory acknowledgement of a new edition of corporate guide-lines on a variety of compliance topics

This supports the implementation of the following Sustainable Development Goals (SDGs): SDG 16.5.

	MM Karton	MM Packaging
Production countries[1] with corruption index < 30 according to Transparency International Corruption Index 2020	0 of 5	1 of 18
Confirmed cases of corruption	0	0
Lawsuits/legal proceedings for anti-competitive practices	0	0

[1] including MM FollaCell

ABOUT THE CONSOLIDATED NON-FINANCIAL REPORT

With this report, the Mayr-Melnhof Group fulfills its obligation to prepare a separate consolidated non-financial report in accordance with section 267 a of the Austrian Commercial Code (UGB). Accordingly, Mayr-Melnhof has now expanded its annual financial reporting for the fourth time to include disclosures on material non-financial aspects of its business activities in the areas of employee, social and environmental topics as well as respect for human rights and the fight against corruption and bribery.

This year, for the first time, the consolidated non-financial report was prepared in accordance with the GRI standards issued by the Global Sustainability Standards Board (GSSB). The standards of the Global Reporting Initiative (GRI) have become established as an internationally recognized framework for sustainability reporting. The GRI content index is included in the appendix starting on page 141.

This consolidated non-financial report has been prepared by Mayr-Melnhof Karton AG, based in Vienna, as of December 31, 2020. It includes the activities and key figures of the Mayr-Melnhof Group in accordance with the reporting boundaries and the reporting period of the Annual Report 2020. Any deviations from the scope of consolidation are indicated in the individual chapters. The report refers to the financial year 2020, which corresponds to the calendar year 2020. The last available report is dated December 31, 2019. During the reporting period, the following significant changes in the size, structure and ownership of the organization occurred: closure of the cartonboard production in Hirschwang, Austria.

PwC Wirtschaftsprüfung GmbH, Vienna, has been responsible for conducting an independent limited assurance review of the consolidated non-financial statements. The corresponding report can be found on page 144.

The consolidated non-financial report of Mayr-Melnhof Karton AG has been published annually since 2017 and is subject to a continuous improvement process. In 2020, sustainability management and non-financial reporting were significantly advanced. The orientation towards the GRI standards resulted in a significant expansion of the reported non-financial indicators. At the same time, we tried to ensure continuity in the reporting structure for to a large extent. We intend to continue updating the materiality analysis and the ongoing development of data collection processes and reporting in the coming years.

Contact: Stephan Sweerts-Sporck
Phone: +43 1 501 36 91180; e-mail: investor.relations@mm-karton.com

Vienna, March 15, 2021

The Management Board

Peter Oswald m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Appendix

NON-FINANCIAL INDICATORS AT A GLANCE

Material and product responsibility

Renewable raw materials and recyclability[1]	**2020**	**2019**	**2018**	**2017**
Cartonboard production[2]				
Renewable raw materials	1.7 million t	1.7 million t	1.6 million t	1.6 million t
Fiber use	1.6 million t	1.6 million t	1.5 million t	1.6 million t
Recycled fibers[3]	1.2 million t	1.2 million t	1.1 million t	1.2 million t
Virgin fibers[4]	0.4 million t	0.4 million t	0.4 million t	0.4 million t
Share of renewable raw materials	89 %	88 %		
Non-renewable raw materials	0.2 million t	0.2 million t	0.3 million t	0.3 million t
Packaging production				
Renewable raw materials	0.9 million t	0.9 million t	0.8 million t	0.8 million t
Cartonboard and paper use	0.8 million t	0.8 million t	0.8 million t	0.8 million t
Recycled fiber-based cartonboard	0.4 million t	0.3 million t	0.3 million t	0.4 million t
Virgin fiber-based cartonboard	0.4 million t	0.3 million t	0.3 million t	0.4 million t
Share of renewable raw materials	95 %	91 %		
Non-renewable raw materials	0.0 million t	0.1 million t	0.0 million t	0.0 million t

[1] including packaging materials
[2] excluding MM FollaCell AS
[3] excluding rejects
[4] groundwood pulp equivalent

Ecological criteria in procurement	**2020**	**2019**	**2018**	**2017**
Virgin fibers in cartonboard production[1) 2)]				
- from FSC®-certified sources	23 %	17 %	14 %	17 %
- from PEFC™-certified sources	36 %	36 %	38 %	36 %
- from controlled sources[3]	41 %	47 %	48 %	47 %
Packaging production				
- from FSC®-certified sources	17 %			
- from PEFC™-certified sources	10 %			
FSC®-certified production sites	46 of 50[4]	46 of 52		
PEFC™-certified production sites	40 of 50[4]	40 of 52		

[1] excluding MM FollaCell AS
[2] groundwood pulp equivalent
[3] including FSC® Controlled Wood
[4] excluding Hirschwang mill

Product safety	**2020**	**2019**	**2018**	**2017**
Percentage of cartonboard grades whose impacts on customers' health and safety are verified	100 %	100 %	100 %	100 %
ISO 9001-certified production sites[1]	49 von 50	52 of 52	43 of 44	43 of 44
Production sites[1] which are certified in the areas of food safety and/or hygiene	33 von 50	34 of 52	32 of 44	32 of 44

[1] excluding MM FollaCell AS

Environmental management

	2020	2019	2018	2017
Environmental and energy management				
ISO 14001- or EMAS-certified production sites[1]	31 of 50	33 of 52		
ISO 50001-certified production sites[1]	11 of 50	10 of 52		
Energy consumption				
Energy consumption in cartonboard production[2]	3.4 TWh	3.3 TWh	3.4 TWh	3.4 TWh
Share of renewable sources	12 %			
Specific energy consumption[2,3]	1.9 MWh/t	1.8 MWh/t	1.9 MWh/t	1.9 MWh/t
Energy consumption in packaging production	0.4 TWh	0.4 TWh	0.3 TWh	0.3 TWh
Share of renewable sources	25 %			
Specific energy consumption[3]	0.4 MWh/t	0.5 MWh/t	0.4 MWh/t	0.4 MWh/t
Emissions				
Cartonboard production[2,4]				
Direct CO_2 emissions	0.5 million t CO_2e	0.5 million t CO_2e	0.5 million t CO_2e	0.5 million t CO_2e
Specific direct CO_2 emissions[3]	0.3 t CO_2e/t	0.3 t CO_2e/t	0.3 t CO_2e/t	0.3 t CO_2e/t
Indirect CO_2 emissions from electricity consumption[5]	0.08 million t CO_2e			
Indirect CO_2 emissions from shipments to MMK customers[2]	0.1 million t CO_2e	0.1 million t CO_2e		
Packaging production[4]				
Direct CO_2 emissions	0.03 million t CO_2e	0.03 million t CO_2e	0.03 million t CO_2e	
Specific direct CO_2 emissions[3]	0.03 t CO_2e/t	0.04 t CO_2e/t	0.04 t CO_2e/t	
Indirect CO_2 emissions from electricity consumption[5]	0.04 million t CO_2e	0.1 million t CO_2e		
Water consumption				
Water consumption in cartonboard production[2]	19.7 million m^3	21 million m^3	22 million m^3	24 million m^3
Water consumption in packaging production	0.7 million m^3	0.7 million m^3	0.3 million m^3	0.3 million m^3
Waste				
Non-hazardous waste in cartonboard production[2]	0.2 million t	0.2 million t	0.3 million t	0.4 million t
Non-hazardous waste in packaging production	0.1 million t	0.1 million t		
Hazardous waste in cartonboard production[2]	1 thous. t	1 thous. t	4 thous. t	4 thous. t
Hazardous waste in packaging production	3 thous. t	3 thous. t		

1) excluding MM FollaCell AS and Hirschwang mill
2) including MM FollaCell AS
3) based on net production or tonnage processed
4) at MM Karton: emissions reported according to section 9 of the Emissions Certificates Act 2011; at MM Packaging: emission factors used according to the German Federal Environment Agency (Umweltbundesamt)
5) emission factors used: according to the German Federal Environment Agency (Umweltbundesamt)

Employees[1)]

	2020	2019	2018	2017
Employee education and training				
MM-Academy courses	273[6)]	149		
Participants in MM-Academy courses	4,055[6)]	1,447	3,853	1,067
Thereof executives	706[6)]			
MM-Academy training hours	32,078[6)]	12,494		
Health and safety of employees				
ISO 45001- or OHSAS 18001-certified production sites[2)]	16 of 52	16 of 52		
Work-related injuries with more than 3 lost days				
Work-related injuries – employees	254			
Rate of work-related injuries[3)] – employees	3.1			
Work-related injuries – temporary workers	25			
Rate of work-related injuries[3)] – temporary workers	5.2			
High-consequence work-related injuries – employees	4			
Fatalities – employees	0	0	0	0
Working conditions/environment				
Human Rights				
Cases of child labor	0	0	0	0
Cases of forced labor	0	0	0	0
Production countries[1)] with Fundamental Rights Index ≤ 0.4 (Rule of Law)	0 of 21	3 of 21	2 of 18	2 of 18
Number of employees by gender[5)]				
Male	7,781			
Female	2,157			

1) fully consolidated companies
2) excluding MM FollaCell AS and Hirschwang mill
3) based on 200,000 hours worked
4) including MM FollaCell AS
5) full employment equivalent
6) including 95 web-based training courses amounting to 20,635 hours

Society

	2020	2019	2018	2017
Compliance with laws, standards, rules of conduct				
No significant fines or sanctions for non-compliance with legislation and regulations in the social and business field	✓	✓	✓	✓
Anti-corruption, anti-trust compliance				
Production countries[1] with corruption index < 30 according to Transparency International Corruption Index 2020	1 of 21	2 of 21	1 of 18	3 of 18
Number of cases of corruption or anti-competitive practices	0	0	0	0

[1] including MM FollaCell AS

Material local employment effects	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Number of employees[1] per country				
Germany	2,632	2,715	2,760	2,854
Austria	1,764	1,846	1,498	1,499
France	919	916	918	937
Poland	670	687	736	811
Russia	624	609	495	492
Turkey	478	450	575	612
Slovenia	398	389	392	389
Chile	244	239	270	336
Iran	270	239	245	263
Great Britain	255	236	220	232
Ukraine	229	224	226	229
China	202	212	0	0
Colombia	174	204	196	224
Romania	223	202	214	218
Netherlands	209	202	200	207
Spain	139	143	146	163
Vietnam	137	123	135	146
Philippines	117	120	0	0
Jordan	112	115	127	139
Norway	73	69	65	61
Canada	49	44	0	0
Others	20	30	27	44
Total	**9,938**	**10,014**	**9,445**	**9,856**

[1] full employment equivalent

GRI CONTENT INDEX

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[1] This information can be found in the Annual Report outside the chapter "Consolidated non-financial report"

INDEPENDENT LIMITED ASSURANCE REPORT

Independent limited assurance report on the consolidated non financial report 2020

We have performed a limited assurance engagement of the consolidated non financial report 2020 of Mayr-Melnhof Karton Aktiengesellschaft, Wien, and its subsidiaries (the "Group") for the year ended December 31, 2020.

Management's responsibility
The Management is responsible for the preparation of the consolidated non financial report 2020 in accordance with the requirements of section 267a UGB as well as the GRI Standards: Core option. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the consolidated non financial report 2020 that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express a limited assurance conclusion based on our procedures performed and evidence obtained.

We performed our engagement in accordance with the professional standards applicable in Austria with regard to KFS/PG 13 "Other assurance engagements", KFS/PE28 "Selected issues in connection with the assurance of non financial statements and non financial reports pursuant to sections 243b UGB and 267a UGB as well as sustainability reports" and the International Standards on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information". These standards require that we comply with our ethical requirements, including rules on independence, and that we plan and perform our procedures by considering the principle of materiality to be able to express a limited assurance conclusion based on the assurance obtained. As provided under section 275 para. 2 UGB (liability provision regarding the audit of financial statements of small and medium-sized companies), our responsibility and liability towards the Company and any third parties arising from the assurance engagement are limited to a total of EUR 2 million.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of the procedures lies in the sole discretion of the auditor and comprised the following:

- Critical assessment of the Group's analysis of materiality considering the concerns of external stakeholders by interviewing the responsible employees and inspecting relevant documents

- Obtaining an overview of the policies pursued by the Group, including due diligence processes implemented as well as the processes used to ensure an accurate presentation in the consolidated non financial report by interviewing the Company's management and inspecting internal guidelines, procedural instructions and management systems in connection with non financial matters/disclosures

- Obtaining an understanding of reporting processes by interviewing the relevant employees and inspecting selected documentations

- Evaluating the reported disclosures by performing analytical procedures regarding non financial performance indicators, interviewing relevant employees and inspecting selected documentations. All interviews as well as audit activities were conducted virtually due to the ongoing Covid-19 pandemic and the respective coronavirus protective measures

- Examining the consolidated non financial report regarding its completeness in accordance with the requirements of section 267 a UGB as well as the GRI Standards: Core option

- Evaluating the overall presentation of the disclosures and non financial information

The following is not part of our engagement:

- Examining the processes and internal controls particularly regarding their design, implementation and effectiveness

- Performing procedures at individual locations as well as measurements or individual evaluations to check the reliability and accuracy of data received

- Examining the prior-year figures, forward-looking information or data from external surveys

- Checking the correct transfer of data and references from the (consolidated) financial statements to the non financial report; and

- Examining the information and disclosures on the website or further references on the internet

Neither an audit nor a review of financial statements is objective of our engagement. Furthermore, the disclosure and solution of criminal acts, as e. g. embezzlement or other kinds of fraud, and wrongful doings, nor the assessment of the effectiveness and profitability of the management are objectives of our engagement.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non financial report 2020 is not prepared, in all material aspects, in accordance with the requirements of section 267 a UGB as well as the GRI Standards: Core option.

Vienna, March 15, 2021

PwC Wirtschaftsprüfung GmbH

Aslan Milla m. p.
Austrian Certified Public Accountant

We draw attention to the fact that the English translation of this report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Consolidated Financial Statements

Consolidated Balance Sheets

(all amounts in thousands of EUR)	Notes	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Property, plant and equipment	6	996,472	1,034,471
Intangible assets including goodwill	6	346,347	358,996
Investments accounted for using the equity method, securities and other financial assets	8	7,404	6,227
Deferred tax assets	9	47,700	42,454
Non-current assets		**1,397,923**	**1,442,148**
Inventories	10	349,621	363,539
Trade receivables	11	415,804	418,733
Income tax receivables		12,158	7,924
Assets held for sale	5	5,230	3,739
Prepaid expenses and other current assets	12	72,593	59,763
Cash and cash equivalents	31	146,241	126,807
Current assets		**1,001,647**	**980,505**
TOTAL ASSETS		**2,399,570**	**2,422,653**
EQUITY AND LIABILITIES			
Share capital	13	80,000	80,000
Additional paid-in capital	13	172,658	172,658
Retained earnings	13	1,564,165	1,466,884
Other reserves	13	(274,477)	(216,508)
Equity attributable to shareholders of the Company		**1,542,346**	**1,503,034**
Non-controlling (minority) interests	13	4,752	5,275
Total equity		**1,547,098**	**1,508,309**
Financial liabilities	14	215,511	232,540
Provisions for non-current liabilities and charges	15	143,001	147,539
Deferred tax liabilities	9	38,684	39,692
Non-current liabilities		**397,196**	**419,771**
Financial liabilities	14	52,915	112,843
Current tax liabilities	9	19,809	27,185
Trade liabilities	16	220,437	219,562
Deferred income and other current liabilities	17	140,183	122,793
Provisions for current liabilities and charges	18	21,932	12,190
Current liabilities		**455,276**	**494,573**
Total liabilities		**852,472**	**914,344**
TOTAL EQUITY AND LIABILITIES		**2,399,570**	**2,422,653**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Income Statements

(all amounts in thousands of EUR except share and per share data)	Notes	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Sales	19	2,528,399	2,544,409
Cost of sales	21	(1,913,879)	(1,917,524)
Gross margin		**614,520**	**626,885**
Other operating income	20	19,808	11,882
Selling and distribution expenses	21	(244,758)	(244,427)
Administrative expenses	21	(158,074)	(138,926)
Other operating expenses		(116)	(143)
Operating profit		**231,380**	**255,271**
Financial income	25	1,712	1,465
Financial expenses	26	(7,863)	(8,394)
Other financial result – net	27	(3,155)	2,787
Profit before tax		**222,074**	**251,129**
Income tax expense	9	(59,844)	(60,910)
Profit for the year		**162,230**	**190,219**
Attributable to:			
Shareholders of the Company		161,188	189,743
Non-controlling (minority) interests	13	1,042	476
Profit for the year		**162,230**	**190,219**
Earnings per share for profit attributable to the shareholders of the Company during the year:			
Basic and diluted average number of shares outstanding	28	20,000,000	20,000,000
Basic and diluted earnings per share	28	**8.06**	**9.49**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Comprehensive Income Statements

(all amounts in thousands of EUR)	Notes	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Profit for the year		**162,230**	**190,219**
Other comprehensive income:			
Actuarial valuation of defined benefit pension and severance obligations	13	(583)	(19,843)
Effect of income taxes	9	(784)	5,309
Total of items that will not be reclassified subsequently to the income statement		**(1,367)**	**(14,534)**
Foreign currency translations[1]	13	(59,690)	9,199
Effect of income taxes	9	2,948	0
Total of items that will be reclassified subsequently to the income statement		**(56,742)**	**9,199**
Other comprehensive income (net)		**(58,109)**	**(5,335)**
Total comprehensive income		**104,121**	**184,884**
Attributable to:			
Shareholders of the Company		103,219	184,430
Non-controlling (minority) interests	13	902	454
Total comprehensive income		**104,121**	**184,884**

The accompanying notes are an integral part of these consolidated financial statements.
[1] In the financial year 2020, an amount of thous. EUR -133 (2019: thous. EUR -12) was reclassified from other comprehensive income to profit for the year.

Consolidated Statements of Changes in Equity

		Equity attributable to shareholders of the Company								
					Other comprehensive income					
(all amounts in thousands of EUR)	Notes	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translations	Actuarial gains and losses	**Other reserves**	**Total**	Non-controlling (minority) interests	**Total equity**
Balance at Jan. 1, 2019		**80,000**	**172,658**	**1,341,132**	**(159,784)**	**(51,411)**	**(211,195)**	**1,382,595**	**2,164**	**1,384,759**
Profit for the year		0	0	189,743	0	0	0	189,743	476	190,219
Other comprehensive income		0	0	0	9,204	(14,517)	(5,313)	(5,313)	(22)	(5,335)
Total comprehensive income		**0**	**0**	**189,743**	**9,204**	**(14,517)**	**(5,313)**	**184,430**	**454**	**184,884**
Transactions with shareholders:										
Dividends paid	13	0	0	(64,000)	0	0	0	(64,000)	(1,047)	(65,047)
Change in majority interests	5	0	0	9	0	0	0	9	3,704	3,713
Balance at Dec. 31, 2019		**80,000**	**172,658**	**1,466,884**	**(150,580)**	**(65,928)**	**(216,508)**	**1,503,034**	**5,275**	**1,508,309**
Profit for the year		0	0	161,188	0	0	0	161,188	1,042	162,230
Other comprehensive income		0	0	0	(56,593)	(1,376)	(57,969)	(57,969)	(140)	(58,109)
Total comprehensive income		**0**	**0**	**161,188**	**(56,593)**	**(1,376)**	**(57,969)**	**103,219**	**902**	**104,121**
Transactions with shareholders:										
Dividends paid	13	0	0	(64,000)	0	0	0	(64,000)	(1,196)	(65,196)
Change in majority interests	5	0	0	93	0	0	0	93	(229)	(136)
Balance at Dec. 31, 2020		**80,000**	**172,658**	**1,564,165**	**(207,173)**	**(67,304)**	**(274,477)**	**1,542,346**	**4,752**	**1,547,098**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statements

(all amounts in thousands of EUR)	Notes	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit for the year		162,230	190,219
Adjustments to reconcile profit for the year to net cash from operating activities excluding interest and taxes paid:			
Income tax expense	9	59,844	60,910
Depreciation and amortization of property, plant and equipment, and intangible assets	6	135,964	134,329
Impairment of property, plant and equipment, and intangible assets	6	31,517	0
Gains (losses) from disposal of property, plant and equipment, and intangible assets	20	263	(623)
Financial income	25	(1,712)	(1,465)
Financial expenses	26	7,863	8,394
Share of profit (loss) of other investments	27	(344)	(283)
Other adjustments	31	(10,105)	(145)
Net cash from profit		**385,520**	**391,336**
Changes in working capital:			
Inventories	10	(1,316)	20,035
Trade receivables	11	(18,017)	(18,702)
Prepaid expenses and other current assets	12	(7,221)	18,115
Trade liabilities	16	6,598	(8,247)
Deferred income and other current liabilities	17	15,148	(2,844)
Provisions for current liabilities and charges	18	12,222	(269)
Changes in working capital		**7,414**	**8,088**
Cash flow from operating activities excluding interest and taxes paid		**392,934**	**399,424**
Income taxes paid		(74,750)	(68,003)
Net cash from operating activities		**318,184**	**331,421**
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from disposals of property, plant and equipment, and intangible assets		2,214	1,794
Payments for acquisition of property, plant and equipment, and intangible assets (incl. payments on account)	16	(152,772)	(136,086)
Proceeds from government grants	31	6,150	0
Payments for acquisition of companies or other business entities, net of cash and cash equivalents acquired (2020: thous. EUR 0; 2019: thous. EUR 19,392)		0	(248,326)
Proceeds from disposal of companies or other business entities		500	0
Proceeds from disposals of securities and other financial assets		155	595
Payments for securities and other financial assets		(1,226)	(246)
Dividends received	27	344	283
Interest received		1,775	1,432
Net cash from investing activities		**(142,860)**	**(380,554)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid		(7,857)	(8,129)
Issuance of financial liabilities	31	642	189,019
Repayments of interest-bearing financial liabilities	31	(69,934)	(194,810)
Repayments of lease liabilities	31	(8,322)	(8,160)
Payments to non-controlling (minority) shareholders		(136)	(14)
Dividends paid to the shareholders of the Company	13	(64,000)	(64,000)
Dividends paid to non-controlling (minority) shareholders	13	(1,196)	(1,047)
Net cash from financing activities		**(150,803)**	**(87,141)**
Effect of exchange rate changes on cash and cash equivalents		(5,087)	2,099
Change in cash and cash equivalents		**19,434**	**(134,175)**
Cash and cash equivalents at the beginning of the year (according to the consolidated balance sheet)		**126,807**	**260,982**
Cash and cash equivalents at the end of the year (according to the consolidated balance sheet)		**146,241**	**126,807**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 — BASIC INFORMATION

The Mayr-Melnhof Group
Mayr-Melnhof Karton AG and its subsidiaries ("the Group") are primarily engaged in manufacturing and selling cartonboard and folding cartons with a focus on Europe. The parent company of the Group is Mayr-Melnhof Karton AG, located at Brahmsplatz 6, 1040 Vienna, Austria. The shares of the Company are listed on the Vienna Stock Exchange.

Segment information
The Group is divided into two operating segments (see note 19): Mayr-Melnhof Karton ("MM Karton") and Mayr-Melnhof Packaging ("MM Packaging"). MM Karton manufactures and markets numerous grades of cartonboard, focusing on coated cartonboard produced predominantly from paper for recycling as well as virgin fiber-based cartonboard. MM Packaging processes cartonboard into folding cartons, mainly for the food industry (e. g., cereals, dried foods, sugar, and baked products, high-end confectionery packaging) as well as other consumer goods industries (e. g., cosmetics, toiletries, detergents, household goods, tobacco products, toys and pharmaceuticals).

Significant events affecting the Group's financial situation and profitability
Under more difficult macroeconomic conditions as a result of the Covid-19 pandemic, the Group recorded a solid overall operating performance. However, with stable sales, one-off expenses for restructuring measures adopted in the financial year (see note 5) and impairments on property, plant and equipment, and intangible assets including goodwill (see note 6) had a negative impact on the Group's financial situation and profitability.

2 — PRINCIPLES OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Basic accounting principles and declaration of compliance
The consolidated financial statements of Mayr-Melnhof Karton AG and its subsidiaries and notes thereto have been prepared according to section 245 a of the Austrian Commercial Code in accordance with International Financial Reporting Standards and their interpretations released by the International Accounting Standards Board "IASB" to be applied within the European Union. Additional requirements according to section 245 a paragraph 1 of the Austrian Commercial Code have been met.

The consolidated financial statements are prepared based on historical acquisition or manufacturing costs, except for certain positions such as certain financial instruments and defined benefit obligations.

The present consolidated financial statements comprise the period from January 1 till December 31, 2020 and have been signed by the Management Board and have been approved by the Supervisory Board as of March 15, 2021.

The consolidated financial statements are reported in Euro. Unless stated otherwise, all amounts herein, except for share data and per share amounts, are specified in thousands of Euro.

Application of new and revised standards

During the preparation of the consolidated financial statements and notes thereto, relevant amendments to existing IAS and IFRS, as published in the Official Journal of the European Union no later than December 31, 2020 and with an effective date no later than this date, were taken into consideration:

Revised standards	Content	Effective
IAS 1/IAS 8	Definition of Material	2020
	References to the Conceptual Framework in IFRS	2020
IFRS 9/IAS 39/IFRS 7	Interest Rate Benchmark Reform – Phase 1	2020
IFRS 3	Definition of a Business	2020
IFRS 16	Leases – Covid-19-Related Rent Concessions	06/2020

If applicable, the effective regulations were applied in the present consolidated financial statements. The above mentioned changes did not have any significant impact on the Group's financial situation and profitability.

The amendments to IAS 1 and IAS 8 create a uniform and more precise definition of the materiality of financial statement information in the IFRSs and supplement it with accompanying examples. In this context, the definitions from the Framework, IAS 1, IAS 8 and IFRS Practice Statement 2 "Making Materiality Judgements" are harmonized. This did not have any material impact on the present consolidated financial statements.

The amendments to IFRS 9, IAS 39 and IFRS 7 relate in particular to certain simplifications regarding hedge accounting rules and are mandatory for all hedging relationships affected by the reform of the reference interest rate. In addition, further disclosures are to be provided on the extent to which the entities' hedging relationships are affected by the amendments. The Group does not apply hedge accounting.

The amendments to IFRS 3 clarify that a business comprises a group of activities and assets that involve at least one input and one process that together contribute significantly to the ability to produce output. There were no business combinations in the fiscal year 2020. The Group does not expect the application of the amendments to have any impact on the consolidated financial statements, also for future acquisitions, as the acquired entities constitute a business under both the previous and the amended definition.

The amendments to IFRS 16 provide lessees with relief from assessing whether lease concessions granted as a result of the coronavirus pandemic (e. g., rent-free periods or temporary rent reductions) constitute a lease modification. This simplification rule was not applied.

Furthermore, the following revised standards were endorsed by the EU until December 31, 2020; their application is, however, not yet compulsory for the financial year 2020:

Revised standards	Content	Effective
IFRS 4	Deferral of IFRS 9	2021

Additionally, the following new and revised standards were published by IASB until December 31, 2020 but have not yet been endorsed by the EU:

New standards	Content	Effective
IFRS 17	Insurance Contracts	postponed to 2023
Revised standards	**Content**	**Effective**
IAS 1	Classification of Liabilities as Current or Non-current	postponed to 2023
IFRS 9/IAS 39/IFRS 7/ IFRS 4/IFRS 16	Interest Rate Benchmark Reform –Phase 2	2021
IFRS 3	Reference to the Conceptual Framework in IFRS	2022
IAS 16	Proceeds before Intended Use	2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	2022
	Annual Improvements to IFRS 2018 – 2020 Cycle	2022

From today’s point of view, the above mentioned new or revised standards are not expected to have any significant impact on the Group’s financial situation and profitability.

3 — ACCOUNTING PRINCIPLES

The significant accounting and recognition principles applied in the Group are explained in the corresponding note.

Consolidation principles and methods

The consolidated financial statements and notes thereto include Mayr-Melnhof Karton AG ("the Company") and its subsidiaries. These are all companies over which the Group has control. The Group has control when it is exposed to both, positive and negative variable returns of its involvement in the entity and has an influence on the amount of these variable returns. Generally, an ownership of more than 50 % of voting shares provides an entity with control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The criteria whether the Group has control over another entity are reviewed even when the Group holds less than 50 % of voting rights. The Group has the majority of shares and voting rights in all of its controlled entities. There are no additional agreements which rule out control.

The subsidiaries, provided that they are not of subordinate importance for the presentation of the financial situation and profitability, are consolidated as of the date on which control is transferred to the Group. They are deconsolidated on the date on which such control ceases to exist or a subsidiary is deemed to be insignificant by the Group.

Changes in shareholdings of the Group which do not lead to a loss of control over the subsidiaries are presented only as equity transactions (change in majority interests) and therefore have no impact on the consolidated income statement.

Non-controlling (minority) interests represent the external shareholders' proportionate share in equity and total profit for the year in subsidiaries of the Group. These minority interests are presented separately within equity.

Any effects of intercompany transactions are entirely eliminated.

Foreign currency translation

Assets including goodwill and liabilities of foreign subsidiaries with a functional currency other than the Euro are translated into Euro using the average exchange rates as of the balance sheet date. Revenues and expenses are translated using average exchange rates for the year. The annual average rates are calculated as the arithmetic mean of the individual closing rates at month-end, whereby the exchange rate of December 31 of the last year always being taken as the first closing rate. Differences arising from the translation of assets and liabilities in comparison with the previous periods are recognized as a separate component of equity. Gains and losses resulting from foreign currency transactions are recognized in the income statement as incurred.

The transactions of the Company in currencies other than the functional currency are translated using the exchange rates on the date of transaction. Monetary items in foreign currency are translated using the exchange rates on the balance sheet date. Resulting exchange rate differences as well as effects of the realization are recognized in the income statement.

Exchange rate differences arising in connection with monetary items that are part of a net investment in a foreign operation are initially reported as a separate component of equity and are recognized in the income statement only upon intentional repayment or disposal of the net investment.

The exchange rates of the relevant currencies of non-Euro participating countries used in preparing the consolidated financial statements and notes thereto were as follows:

		Exchange rate at Dec. 31, 2020	**Exchange rate at Dec. 31, 2019**	**Annual average exchange rate 2020**	**Annual average exchange rate 2019**
Country:	**Currency:**	**1 EUR =**	**1 EUR =**	**1 EUR =**	**1 EUR =**
Bulgaria	BGN	1.96	1.96	1.96	1.96
Canada	CAD	1.56	1.46	1.53	1.49
Chile	CLP	871	832	899	791
China	CNY	8.03	7.82	7.89	7.73
Colombia	COP	4,200	3,679	4,213	3,690
Czech Republic	CZK	26.24	25.41	26.39	25.66
Great Britain	GBP	0.90	0.85	0.89	0.88
Jordan	JOD	0.87	0.80	0.81	0.80
Norway	NOK	10.47	9.86	10.69	9.85
Philippines	PHP	58.69	56.35	56.69	58.00
Poland	PLN	4.61	4.26	4.45	4.30
Romania	RON	4.87	4.78	4.84	4.74
Russia	RUB	90.68	69.34	82.03	72.54
Switzerland	CHF	1.08	1.09	1.07	1.11
Tunisia	TND	3.31	3.14	3.21	3.27
Turkey	TRY	9.01	6.65	7.88	6.33
Ukraine	UAH	34.74	26.42	30.61	28.87
Vietnam	VND	28,517	26,066	26,667	26,116

Business Combinations
All new acquisitions of subsidiaries and businesses are accounted for using the acquisition method.

The acquisition costs of the transaction classified as a business correspond to the fair values of the assets transferred and liabilities received or taken over on the acquisition date (value of consideration transferred).

The identifiable assets acquired and liabilities assumed in the course of business combinations are measured at fair value at the acquisition date. Depending on the nature and materiality of the acquisition, land, buildings, and machines are basically valuated based on an independent external expert report. Intangible assets are, according to their nature and due to the complexity of identifying the fair values, measured based on reports of independent external experts or internally, applying adequate valuation methods. Any non-controlling (minority) interests in the acquiree are recognized at the non-controlling (minority) interests' proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Potential contingent considerations are measured at fair value at the acquisition date. Additional changes in contingent consideration classified as asset or liability are also measured at fair value, and the resulting profit or loss is recognized in the profit for the year.

The excess of the consideration transferred and the amount of the non-controlling (minority) interest in the acquiree over the fair value of identifiable net assets acquired shall be capitalized as goodwill. After repeated assessment, negative goodwill shall be recognized directly in the income statement.

4 — DISCRETIONARY DECISIONS, ASSUMPTIONS, AND ESTIMATES

The consolidated financial statements and the notes thereto are prepared in accordance with generally accepted accounting and recognition standards of IFRS using estimates and assumptions for certain items which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period and the reported values at the balance sheet date. In the process of applying the Group's accounting policies, management makes various judgments and actual values may ultimately differ from these assumptions and estimates. Estimates are obtained carefully and underlying assumptions are constantly monitored and prospectively recognized. These assumptions are based on past experience and other factors including expectations about future events that could have a financial impact on the Group and are applied appropriately under given circumstances.

The consolidated financial statements and notes thereto include the following material items, the determination of whose carrying amounts is highly dependent on the underlying assumptions and estimates:

Useful life of non-current assets
Property, plant and equipment as well as acquired intangible assets are recognized at acquisition and manufacturing costs and are depreciated/amortized on a straight-line basis over their estimated useful lives. The estimation of useful lives is based on assumptions concerning wear and tear, aging, technical standards, contract periods, and changes in demand. Changes in these factors may cause a reduction of the useful life of an asset. Hence, the carrying amount would be depreciated/amortized over the remaining shorter useful life, resulting in higher annual depreciation/amortization expenses (see note 6).

Accounting for acquisitions
As a consequence of company acquisitions a goodwill is reported in the consolidated balance sheet, or a negative goodwill is recognized directly in the income statement after repeated assessment. As part of the initial consolidation of a company acquisition, all identifiable assets, liabilities, and contingent liabilities are recognized at fair value as of the effective acquisition date. The valuation of intangible assets is in particular based on the forecast of the total expected cash flows and strongly depends on the management's assumptions regarding future developments and the underlying developments of the discount rate to be applied (see note 5).

Impairment of assets
Goodwill is tested for impairment in the course of an annual impairment test. Furthermore, a recoverability evaluation of fixed assets is performed whenever events that have occurred or circumstances that have changed indicate that the carrying amount of an asset or a group of assets exceeds its recoverable amount. In the course of this impairment test, the evaluation of fixed assets is also based on budget, assessments of market or company-specific discount rates, expected annual growth rates, and EBITDA margin/costs development. The assumptions involved in these calculations may change and may lead to an impairment loss in future periods (see note 6).

Other intangible assets

In the course of the implementation of the Kyoto Protocol, Directive 2003/87/EC came into force in the European Union on January 1, 2005. Based on this Directive (and the follow-up regulations), the Group is obliged to redeem specified emission rights for carbon dioxide emissions incurred during cartonboard production. These emission rights have been allocated free of charge to the Group's respective production sites for the period from 2013 to 2020. The carbon dioxide allocation notices for the period from 2021 to 2025 are expected by the 3^{rd} quarter of 2021. In addition, a dynamic CO_2 allocation is to be assumed to apply as of 2021, an allocation change being triggered in the event of an activity change of +/-15 % in relation to a base period. Accordingly, activity data, in particular production data, are to be tracked as of 2020 as part of a monitoring methodology.

As IFRIC 3 "Emission Rights" has been withdrawn by the IASB, there are no definite regulations concerning the accounting treatment of emission rights. Therefore, these emission rights are recognized in accordance with IAS 38 "Intangible Assets" as intangible assets in "Prepaid expenses and other current assets", measured at cost amounting to zero, if the rights have been allocated free of charge. If actual carbon dioxide emissions exceed the number of existing emission rights during the reporting period at the balance sheet date, a provision for these missing emission rights in the amount of their market value has to be accounted for. As of December 31, 2020 and 2019, the Group had sufficient emission rights available.

Accordingly, only expenses from the use of acquired emission rights and income from the sale of redundant emission rights are recorded in the income statement.

Income taxes

The Group operates in numerous countries and is therefore subject to a wide range of tax laws in numerous tax jurisdictions. Calculating global tax liabilities requires comprehensive assessments that may result in the actual outcome of such tax-related uncertainties differing from the original estimate and in consequences for tax liabilities and deferred taxes (see note 9).

Realization of deferred tax assets

Deferred taxes are calculated by applying the tax rates which are effective on the balance sheet date or have essentially been legally adopted and which are expected to be valid at the time of realization of a deferred tax asset or the settlement of a deferred tax liability as well as by evaluating the capacity of future taxable income. Future taxable results which differ from the assumptions may result in the fact that the realization of deferred tax assets becomes improbable, and a change in estimate of deferred tax assets for the respective assets has to be recorded (see note 9).

Duration of leases

The Group determines the duration of the lease based on the non-cancellable base term of the lease as well as by including the period arising from an option to extend the lease. When assessing whether there is sufficient certainty that the option to extend or terminate the lease is exercised or not, discretionary decisions are made. All relevant factors representing an economic incentive are considered. These are scrutinized and re-evaluated as circumstances change, which can result in an adjustment of the lease term and thus in adjustments of the lease liability and the right-of-use asset. The relevant assumptions for determining the useful life of offices and warehouses with unlimited agreements were adopted according to strategic ojectives, location and costs (see note 14).

Provisions for pensions, severance payments, and anniversary bonuses

The actuarial calculation of obligations regarding pensions, severance payments, and anniversary bonuses is based on assumptions about discount rates, salary and pension adjustments, life expectancy, and retirement age. Additionally, the probable employee turnover depending on the years of service is used for assessing anniversary bonuses. Actual outcomes may be different from these assumptions due to changes in the economic environment and market conditions and, as a result, can result in a significant change in non-current provision as well as equity (see note 15).

Other provisions

The use and valuation of other provisions is based on the best possible estimation of probability of the future resources outflow as well as experience and known circumstances as of the balance sheet date. Therefore, the actual realized resources outflow can differ from the provision amount reported on the balance sheet date (see note 15 and 18).

5 — CHANGES IN THE CONSOLIDATED COMPANIES AND OTHER SIGNIFICANT EVENTS

a — Changes in the consolidated companies in 2020

With the exception of immaterial changes at individual subsidiaries, which can be found in note 33, there were no changes in the consolidated companies in the financial year 2020.

b — Changes in the consolidated companies in 2019

In January 2019, the division MM Packaging acquired 100 % of the shares in Eurasia Invest Holding AG including its subsidiaries, i. e. the Tann-Group. The Tann-Group, headquartered in Traun, Austria, finishes externally sourced fine paper in a gravure printing process to produce cigarette filter paper (tipping paper) and is a global market leader in this field. Through the acquisition, MM Packaging expands the existing production of folding carton packaging by the technologically related production of tipping paper. Based on technological similarities and a long-standing cooperation with the same top-customers, the acquisition fits strategically well into the division MM Packaging. The aim is to strengthen the profitability of the division through extended value added. Additionally, the development of the plants should be used to exploit new potential.

The cash-paid purchase price amounts to thous. EUR 267,718 and was financed by cash as well as using available credit lines in an amount of thous. EUR 120,000. Inclusion into the Group and division was effected on January 15, 2019.

The fair values of the acquired assets and liabilities according to IFRS at the acquisition date were presented as follows:

Fair values according to IFRS

(in thousands of EUR)	Jan. 15, 2019
Property, plant and equipment	98,485
Intangible assets	114,204
Securities and other financial assets	357
Deferred tax assets	2,894
Inventories	33,301
Trade receivables	29,520
Prepaid expenses and other current assets	12,476
Cash and cash equivalents	19,392
Non-controlling (minority) interests	(3,727)
Deferred tax liabilities	(34,681)
Provisions for non-current liabilities and charges	(11,241)
Financial liabilities	(90,615)
Current tax liabilities	(3,212)
Trade liabilities	(12,084)
Prepaid expenses, other provisions and liabilities	(17,847)
Goodwill	130,496
Net assets	**267,718**

The fair values of machines and technical equipment were determined by an independent external expert using a cost-based approach based on replacement cost or valorised acquisitions cost for similar machines. The real estate was measured at fair value as determined by independent external expert reports depending on the available market data using either market or income approach.

The intangible assets included, in particular, customer relationships amounting to thous. EUR 112,861, which are based on long-term customer relations and amortized over a useful life of up to 21 years.

Trade receivables comprised gross contractual receivables amounting to thous. EUR 30,196 of which thous. EUR 676 were estimated as presumably irrecoverable, resulting in a fair value of thous. EUR 29,520. In the case of tax receivables in the amount of thous. EUR 5,945 as well as other receivables of thous. EUR 5,776 the fair values corresponded to the gross amounts. Due to the short-term nature of receivables, the Group assumed that future cash flows correspond to the fair value. The Group has not recognized any contigent liabilities in the course of the transaction.

The remaining goodwill of thous. EUR 130,496 mainly reflected expected synergies achieved by portfolio expansion, network effects of the acquired sites and the leading market position in the field of tipping paper. There were additional adjustments of balance sheet positions and remaining goodwill of thous. EUR 1,432 in comparison to the values as of June 30, 2019, which arose from the final evaluation in the course of the purchase price allocation. Non-controlling (minority) interests of thous. EUR 3,727 have been determined as a proportionate share of the identifiable net assets of the respective subsidiaries. Recognized goodwill was not deductible for tax purposes.

Of the acquisition-related costs amounting to thous. EUR 1,388, thous. EUR 983 were recorded as expense in the financial year 2018 and thous. EUR 405 in the financial year 2019 and reported under administrative expenses in the consolidated income statement.

Sales and profit before tax for the time the business belonged to the Group and division in the financial year 2019 amounted to thous. EUR 213,504 and thous. EUR 22,256. Profit before tax was reduced by a non-recurring effect amounting to thous. EUR 4,808, which results from the valuation of inventory and order backlog performed in the course of the purchase price allocation and was recognized as cost of sales in the first half-year. If the acquisition had been concluded as of January 1, 2019, the Tann-Group would have addidionally contributed thous. EUR 7,481 to the Group's sales and thous. EUR 1,320 to the Group's profit before tax.

Additionally, there were a purchase of interests in a joint venture (see note 8) and further insignificant changes in individual subsidiaries.

c — Other significant events in 2020

Restructuring measures in 2020
In both divisions, restructuring measures were taken at individual sites in 2020.

In the cartonboard division, the 70-year-old, uncompetitive cartonboard machine at Mayr-Melnhof Karton GmbH's site in Hirschwang, Austria, was decommissioned at the beginning of November due to high upcoming expenses that were not justifiable. In the course of the discontinuation of production, impairment losses had to be recognized on the site's property, plant and equipment, and intangible assets as well as inventories. A social plan was negotiated in connection with the necessary staff reductions. In addition, expenses arose from post-closure obligations for inherited liabilities. Total expenses amounting to thous. EUR 23,486 arose from the closure of the cartonboard mill in Hirschwang. In this context, non-current assets in the amount of thous. EUR 5,230, mainly technical equipment and machinery, were classified as held for sale and reclassified accordingly.

Structural adjustment measures were announced in the packaging division, among others, at MM Graphia Bielefeld GmbH in Bielefeld and at R + S Stanzformen GmbH in Niederdorfelden, both in Germany.

With the planned discontinuation of a rotogravure printing line in Bielefeld, the Group intends to focus on its high-performance sites for this printing technology. This will result in expenses mainly for impairment losses on property, plant and equipment, and inventories. In addition, there will be a reduction in the number of employees, for whom a social plan is to be negotiated. The Group's result will be burdened with thous. EUR 6,702 from this decommissioning.

At R + S, the Group itself has produced cutting dies as tools for use in the packaging division so far. This production will be discontinued, resulting mainly in expenses for impairment of property, plant and equipment, and inventories as well as for a social plan. This plant closure caused expenses in the amount of thous. EUR 5,871.

Details on the restructuring measures can be found in notes 6, 15, and 18.

In addition, there were other restructuring measures which are not material for the Group.

Other significant events in 2020
In February 2020, a fire in Hirschwang irreparably destroyed a large warehouse building and inventories therein. In this context, Neupack Ges. m. b. H. in the packaging division received an insurance compensation of thous. EUR 8,750 (for further details, see notes 6 and 20).

As a result of the termination agreement with the former chairman of the Management Board, equal shares of a total of thous. EUR 7,206 were booked in administrative expenses in the divisions.

6 — DEVELOPMENT OF FIXED ASSETS

a — Property, plant and equipment including leases

Property, plant and equipment
Property, plant and equipment are recognized at acquisition or manufacturing cost less accumulated depreciation and impairment. Therefore, depreciation expense is recognized applying the straight-line method over the following estimated useful lives:

Buildings	10 – 50 years
Technical equipment and machines	3 – 20 years
Other equipment, fixtures and fittings	3 – 20 years

The Group capitalizes significant renewal investments and leasehold improvements. Generally, costs resulting in a prolongation of utilization or in an increase in future utilization of assets are capitalized. Current costs of maintenance and repairs are recognized as expenses as incurred.

The costs of internally generated assets include the respective direct costs as well as attributable material and manufacturing overhead costs including depreciation.

Development of property, plant and equipment 2020

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	Construction in progress	**Property, plant and equipment**
ACQUISITION OR MANUFACTURING COSTS:					
Balance at Jan. 1, 2020	**669,816**	**1,819,449**	**190,085**	**78,676**	**2,758,026**
Effect of exchange rate changes	(14,229)	(34,797)	(3,269)	(951)	(53,246)
Additions	9,364	61,784	10,640	66,976	148,764
Disposals	(2,635)	(18,303)	(7,638)	(804)	(29,380)
Reclassifications	4,485	(9,464)	(3,769)	(69,345)	(78,093)
Balance at Dec. 31, 2020	**666,801**	**1,818,669**	**186,049**	**74,552**	**2,746,071**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
Balance at Jan. 1, 2020	**294,171**	**1,286,173**	**143,211**	**0**	**1,723,555**
Effect of exchange rate changes	(4,099)	(20,914)	(2,156)	0	(27,169)
Disposals	(1,931)	(17,034)	(6,904)	(18)	(25,887)
Depreciation/amortization expense for the year	22,213	89,394	13,821	0	125,428
Impairments	12,667	14,898	933	1,225	29,723
Reclassifications	(10,720)	(59,729)	(5,602)	0	(76,051)
Balance at Dec. 31, 2020	**312,301**	**1,292,788**	**143,303**	**1,207**	**1,749,599**
NET BOOK VALUE:					
Net book value at Dec. 31, 2020	**354,500**	**525,881**	**42,746**	**73,345**	**996,472**
Net book value at Dec. 31, 2019	**375,645**	**533,276**	**46,874**	**78,676**	**1,034,471**

Development of property, plant and equipment 2019

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	Construction in progress	**Property, plant and equipment**
ACQUISITION OR MANUFACTURING COSTS:					
Balance at Jan. 1, 2019	**550,254**	**1,690,388**	**176,808**	**54,127**	**2,471,577**
Recognition right-of-use assets from initial application of IFRS 16	49,279	1,413	2,263	0	52,955
Adjusted balance at Jan. 1, 2019	**599,533**	**1,691,801**	**179,071**	**54,127**	**2,524,532**
Effect of exchange rate changes	3,274	3,623	537	310	7,744
Changes in consolidated companies	48,824	45,288	2,825	1,548	98,485
Additions	10,845	60,693	11,182	71,246	153,966
Disposals	(2,576)	(17,793)	(5,195)	(17)	(25,581)
Reclassifications	9,916	35,837	1,665	(48,538)	(1,120)
Balance at Dec. 31, 2019	**669,816**	**1,819,449**	**190,085**	**78,676**	**2,758,026**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
Balance at Jan. 1, 2019	**271,103**	**1,213,908**	**133,959**	**0**	**1,618,970**
Effect of exchange rate changes	1,051	2,066	490	0	3,607
Disposals	(1,458)	(15,640)	(4,701)	0	(21,799)
Depreciation/amortization expense for the year	23,491	86,064	13,475	0	123,030
Impairments	0	0	0	0	0
Reclassifications	(16)	(225)	(12)	0	(253)
Balance at Dec. 31, 2019	**294,171**	**1,286,173**	**143,211**	**0**	**1,723,555**
NET BOOK VALUE:					
Net book value at Dec. 31, 2019	**375,645**	**533,276**	**46,874**	**78,676**	**1,034,471**
Net book value at Dec. 31, 2018	**279,151**	**476,480**	**42,849**	**54,127**	**852,607**

Leases

The Group is a lessee of leases. With the first-time application of IFRS 16, the following items have been included in the statement of financial position in 2019. The tables present additional information for the right-of-use assets by classes of underlying assets:

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	**Property, plant and equipment**
Balance at Jan. 1, 2020	**51,469**	**3,363**	**1,743**	**56,575**
Effect of exchange rate changes	(283)	(88)	(26)	(397)
Additions	990	736	802	2,528
Disposals	(575)	(142)	(99)	(816)
Amortization expense for the year	(6,667)	(1,269)	(844)	(8,780)
Impairments	0	0	0	0
Reclassifications	(1,000)	0	0	(1,000)
Balance at Dec. 31, 2020	**43,934**	**2,600**	**1,576**	**48,110**

(in thousands of EUR)	**Lands, similar land rights and buildings**	**Technical equipment and machines**	**Other equipment, fixtures and fittings**	**Property, plant and equipment**
Balance at Jan. 1, 2019	**3,066**	**2,621**	**0**	**5,687**
Recognition right-of-use assets from initial application of IFRS 16	49,279	1,413	2,263	52,955
Adjusted balance at Jan. 1, 2019	**52,345**	**4,034**	**2,263**	**58,642**
Effect of exchange rate changes	219	(41)	22	200
Changes in consolidated companies	3,236	0	131	3,367
Additions	4,355	616	135	5,106
Disposals	(1,073)	0	(23)	(1,096)
Amortization expense for the year	(7,613)	(1,246)	(785)	(9,644)
Impairments	0	0	0	0
Balance at Dec. 31, 2019	**51,469**	**3,363**	**1,743**	**56,575**

Disposals of the right-of-use assets also include contract adjustments and changes in term assumptions.

b — Intangible assets including goodwill

Intangible assets acquired for valuable consideration which are determined to have a finite useful life are capitalized at acquisition cost and amortized on a straight-line basis over the following estimated useful lives:

Concessions, licenses and similar rights	5 – 10 years
Customer relationships and other intangible assets	5 – 21 years

Amortization of intangible assets is recognized based on the nature of the respective intangible assets in cost of sales, selling and distribution as well as administrative expenses.

Development of intangible assets including goodwill 2020

(in thousands of EUR)	Concessions, licenses and similar rights	Goodwill	Customer relationships and other intangible assets	**Intangible assets including goodwill**
ACQUISITION OR MANUFACTURING COSTS:				
Balance at Jan. 1, 2020	**66,825**	**245,898**	**144,282**	**457,005**
Effect of exchange rate changes	(298)	(2,390)	(1,348)	(4,036)
Additions	2,222	0	0	2,222
Disposals	(418)	0	(3,286)	(3,704)
Reclassifications	(1,035)	0	0	(1,035)
Balance at Dec. 31, 2020	**67,296**	**243,508**	**139,648**	**450,452**
ACCUMULATED AMORTIZATION AND IMPAIRMENT:				
Balance at Jan. 1, 2020	**56,569**	**9,048**	**32,392**	**98,009**
Effect of exchange rate changes	(215)	(8)	(1,198)	(1,421)
Disposals	(413)	0	(3,286)	(3,699)
Amortization expense for the year	2,805	0	7,731	10,536
Impairments	14	0	1,780	1,794
Reclassifications	(1,114)	0	0	(1,114)
Balance at Dec. 31, 2020	**57,646**	**9,040**	**37,419**	**104,105**
NET BOOK VALUE:				
Net book value at Dec. 31, 2020	**9,650**	**234,468**	**102,229**	**346,347**
Net book value at Dec. 31, 2019	**10,256**	**236,850**	**111,890**	**358,996**

Development of intangible assets including goodwill 2019

(in thousands of EUR)	Concessions, licenses and similar rights	Goodwill	Customer relationships and other intangible assets	**Intangible assets including goodwill**
ACQUISITION OR MANUFACTURING COSTS:				
Balance at Jan. 1, 2019	**62,898**	**115,510**	**31,838**	**210,246**
Effect of exchange rate changes	(10)	(108)	(417)	(535)
Changes in consolidated companies	1,343	130,496	112,861	244,700
Additions	2,236	0	0	2,236
Disposals	(267)	0	0	(267)
Reclassifications	625	0	0	625
Balance at Dec. 31, 2019	**66,825**	**245,898**	**144,282**	**457,005**
ACCUMULATED AMORTIZATION AND IMPAIRMENT:				
Balance at Jan. 1, 2019	**54,086**	**9,046**	**24,246**	**87,378**
Effect of exchange rate changes	(13)	2	(410)	(421)
Disposals	(247)	0	0	(247)
Amortization expense for the year	2,743	0	8,556	11,299
Impairments	0	0	0	0
Balance at Dec. 31, 2019	**56,569**	**9,048**	**32,392**	**98,009**
NET BOOK VALUE:				
Net book value at Dec. 31, 2019	**10,256**	**236,850**	**111,890**	**358,996**
Net book value at Dec. 31, 2018	**8,812**	**106,464**	**7,592**	**122,868**

In the financial year 2020, depreciation, amortization and impairment expenses recorded under "Property, plant and equipment" and "Intangible assets including goodwill" amounted to thous. EUR 167,481 (2019: thous. EUR 134,329). The amortization and impairment of the position "Intangible assets including goodwill" is recorded mainly for assets related to customer relationships and is included in selling and distribution expenses as well as for software licences which are recognized in cost of sales, selling and distribution as well as administration expenses.

There was no pledge right implied on the Group's property to secure the liabilities.

c — Recoverability of non-current assets

A recoverability evaluation of non-current assets is performed as soon as events have occurred or circumstances have changed, indicating that the carrying amount of an asset or a group of assets could exceed its recoverable amount. In such a case, the carrying amount of the asset or the group of assets is compared to the higher of fair value less costs to sell or its present value of estimated future cash flows from use of the asset. The impairment loss resulting from the comparison of the carrying amounts with the recoverable amount is allocated proportionally to the assets based on the carrying amounts of each asset. The individual assets are not to be reduced below their fair value less costs to sell. If the reason for an impairment no longer exists, a reversal has to be conducted.

Property, plant and equipment and intangible assets with a finite useful life

Property, plant and equipment and intangible assets with a finite useful life are recognized at acquisition or manufacturing cost less accumulated depreciation and impairment and depreciated over their useful lives. Based on external and internal information sources, the Group monitors events and changed circumstances indicating that those assets could have been impaired (e. g., technical or physical obsolescence of assets or unscheduled downtimes as well as changed economic circumstances).

As soon as such events have occurred or circumstances have changed, value in use is determined for the concerned subsidiary based on the present value of estimated future cash flows (Free Cash Flows) before taxes using the discounted cash flow method. If and when necessary, external expert opinions for determining the fair value less costs to sell are additionally obtained. If, based on this procedure and these underlying assumptions, the recoverable amount (value in use or fair value less costs to sell) is lower than the respective book value of the group of assets, the difference is recorded as impairment.

In 2020, the Group assessed whether there was any indication of impairment of assets due to the Covid-19 pandemic and the associated uncertainties. Both external and internal sources of information were used for the analysis. Based on the currently available information, the Group does not expect any material negative effects on the future cash flows of its operating divisions MM Karton and MM Packaging.

Due to the challenging economic conditions and individual temporary plant shutdowns, the future cash flow forecasts for individual cash generating units were, however, estimated to be lower. In addition, a group of separable assets at the Frohnleiten cartonboard mill were subjected to an impairment test. In order to determine the impairment loss, the respective recoverable amount of the tested cash generating unit was identified and compared to the carrying amounts. Besides these market-based valuations, there were asset-specific write-downs in both divisions due to structural adjustment measures.

Based on currently available estimates and assumptions, impairment losses of thous. EUR 31,517 had to be recorded, of which thous. EUR 29,723 were related to property, plant and equipment and were mainly recognized in cost of sales, while thous. EUR 1,794 were related to intangible assets and had to be recognized in selling expenses.

In the cartonboard division, a group of separable assets at the Austrian Frohnleiten cartonboard mill was subjected to an impairment test, as market demand for a product line remained significantly below expectations and sales forecasts for the coming years are estimated to be declining. The calculated present value of estimated future cash flows before taxes according to the discounted cash flow method (discount rate 8.93 %; growth rate -3 %) amounted to thous. EUR 20,173. In contrast, the group of assets had carrying amounts of thous. EUR 33,324 and were consequently written down to the lower recoverable amount. The impairment loss of thous. EUR 13,151 which is entirely attributable to property, plant and equipment was recognized in cost of sales. In addition, the decommissioning of the cartonboard machine in Hirschwang, Austria, resulted in an impairment loss on property, plant and equipment, and intangible assets in the amount of thous. EUR 10,584, which was mainly recognized in cost of sales.

Impairments in the packaging division in the amount of thous. EUR 7,782 were primarily related to the production site in Amman, Jordan, and a Polish site in Bydgoszcz. The impairment loss resulting from the comparison of the carrying amounts of the group of assets with their respective recoverable amount of the cash generating unit was allocated proportionally to the assets based on the carrying amounts of each asset. The individual assets were not reduced below their fair value less costs to sell. The fair values less costs to sell were determined by external appraisers based on internationally accepted valuation methods. In the case of the Polish production site, in addition to impairment losses on property, plant and equipment, the related customer relationship was also fully written off. Besides market-based valuations, impairment losses in the packaging division also include immaterial amounts due to restructuring measures, mainly in Germany.

Due to the fire in Hirschwang (see Note 5), the fair value of the building less costs to sell amounted to zero. The impairment loss in the amount of thous. EUR 125 on non-current assets is recognized in the income statement in cost of sales.

Goodwill

Goodwill is recognized at acquisition cost and is not amortized but tested for impairment on an annual basis as of December 31 or when there is an indication that a significant impairment may exist.

Goodwill allocation

Goodwill within the Group is monitored at the level of the operating segments MM Karton and MM Packaging (see note 19). The impairment test is carried out at this organizational level. Goodwill is allocated to the operating segments as follows:

(in thousands of EUR)	**Dec. 31, 2020**	**Dec. 31, 2019**
Goodwill MM Karton	4,612	4,612
Goodwill MM Packaging	229,856	232,238
Goodwill Group	**234,468**	**236,850**

Any possible impairment will be recorded in the amount by which the book value of the respective operating segment including the respective goodwill assigned to this segment exceeds the recoverable amount. The recoverable amount is defined as the higher of value in use and fair value less cost to sell of the Group's respective cash generating units. For the impairment test, the respective recoverable amount is determined based on the calculation of value in use for each operating segment.

Calculation of value in use

Value in use is determined for the respective operating segment based on the present value of estimated future cash flows (Free Cash Flows) before taxes using the discounted cash flow method (DCF method) based on the following underlying assumptions (parameters):

Discount rate	The discount rate represents the weighted average cost of capital (WACC) of the Group before taxes, and, for the current financial year, it amounts to 9.95 % (2019: 9.98 %) for the segment MM Karton and to 12.90 % (2019: 12.99 %) for the segment MM Packaging. Cost of equity is derived from a general risk premium for which the Group's specific risk premium is taken into consideration by applying the beta factor as well as country-specific risk indicators. The beta factor and cost of debt are derived from peer-group capital market information.
The detailed forecast period	The detailed forecast period is five years (2019: five years). The last planned year is also used for the cash flow calculation hereafter and modified using further assumptions for the terminal value.
Free Cash Flow	The free cash flows in the detailed forecast period are based on the estimates of the medium-term corporate planning of the two segments, which was approved by the Supervisory Board. This includes assumptions about volume and earnings developments which were derived from external forecasts, historical experience, and internal management projections of the market environment, such as material and selling prices, and internal input factors, such as investment and personnel planning.
Growth rate	For the Free Cash Flows after the five year detailed forecast period a continuous growth rate of 1.5 % p.a. (2019: 1.5 % p.a.) including a retention rate is considered.
EBITDA margin/Cost development	Based on the expectation of the Company, a stable EBITDA margin and fixed cost development is assumed. Planned capital expenditures are offset by depreciation and amortization in an appropriate amount.

If, based on this procedure and these underlying assumptions, the recoverable amount (value in use) is determined to be lower than the respective book value of the cash generating operating segment including the respective goodwill assigned, the difference is recorded as impairment.

The Group has conducted its annual impairment test as of December 31, 2020 and December 31, 2019. Neither in 2020 nor in 2019 an impairment on goodwill was recognized on this basis.

Sensitivity of underlying assumptions
Regarding the underlying parameters for calculating the value in use, the above stated assumptions were met. From today's perspective, after due deliberation, no significant changes of one or more underlying assumptions used for determining the value in use of both operating segments are expected, which would result in the book value of the respective operating segments including goodwill assigned to this segment exceeding the recoverable amount in the following financial year.

The respective pre-tax discount rate according to which the value in use would equal the book value as of December 31, 2020 amounts to 17.91 % (December 31, 2019: 17.25 %) for the operating segment MM Karton and to 17.63 % (December 31, 2019: 15.64 %) for the operating segment MM Packaging.

A decrease in free cash flows by 5.0 % points or in growth rate by 0.5 % points would not have led to any impairment, neither as of December 31, 2020 nor as of December 31, 2019, for both operating segments.

As of December 31, 2020, the Group's market capitalization amounted to thous. EUR 3,300,000 (December 31, 2019: thous. EUR 2,392,000), and the book value of equity amounted to thous. EUR 1,547,098 (December 31, 2019: thous. EUR 1,508,309).

7 — FINANCIAL INSTRUMENTS DISCLOSURES

a — Classification and measurement of financial instruments

Financial instruments comprise financial assets and financial liabilities and are recognized in different categories which determine the respective measurement method and thus also the resulting type of income and expense. Below, the financial instruments are assigned to the respective categories. Afterwards, the carrying amounts included in the balance sheet that correspond to the respective categories are presented. In conclusion, the income and expenses resulting from the different categories are shown.

Financial assets of the Group comprise securities, other financial assets, loans, trade receivables, other receivables and assets (except for certain positions which do not represent financial instruments, such as receivables regarding taxes and other charges), cash and cash equivalents as well as derivative financial instruments with a positive balance.

Financial assets are classified and measured as follows:

Category	Examples in MM Group
At amortized cost	Trade receivables, cash and cash equivalents
At fair value through other comprehensive income	–
At fair value through profit or loss	Derivatives

The categories of financial assets are explained in greater detail below.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies trade accounts receivable and all other financial receivables in this category. In addition, all cash and cash equivalents, such as fixed deposits, are classified in this measurement category.

A debt instrument that meets the following two conditions is measured at fair value through other comprehensive income (as items that will subsequently be reclassified to the income statement):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not hold debt instruments that are measured at fair value through other comprehensive income.

A financial asset that is not measured at amortized cost or at fair value through other comprehensive income shall be valued at fair value through profit or loss. This includes, for example, debt instruments held which do not meet the two business model conditions (e. g., trading portfolio) and/or whose cash flows are not solely payments of principal and interest.

Investments in equity instruments (shareholdings) are basically measured at fair value through profit or loss, if, at their initial recognition, they are not irrevocably designated as at fair value through other comprehensive income, provided that they are not held for trading. However, in limited circumstances, cost may be an appropriate estimate of fair value for (non-listed) equity instruments. This may be the case if insufficient current information is available to measure fair value or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. In the Group, there are equity investments in unconsolidated companies. In general, these are to be measured at fair value. The acquisition costs, however, represent an appropriate estimate of fair value. Due to the minor importance of these entities, particularly with regard to their low business volume and their significance for the Group, fair value has not been calculated.

In the Group, derivative financial assets with a positive fair value and certain securities are classified as at fair value through profit or loss. For financial instruments which are measured at amortized cost, there is an option to designate them as at fair value. The Group does not make use of this option.

Recognition and derecognition
A regular purchase or sale of financial assets is recognized using the trade date, i. e. the day on which the Group commits itself to purchasing or selling the asset. Financial assets are derecognized when the rights for payment have been transferred or expired and the Group has transferred considerable risks and rewards associated with ownership.

Measurement
Financial assets classified in the category "at amortized cost" are initially measured at fair value plus transaction costs. At their initial recognition, trade receivables are measured at their transaction price, if they do not contain a significant financing component. In the Group, financial assets are not valued in accordance with the effective interest rate method, thus there is no result recorded from this method in the comprehensive income.

Financial assets classified as "at fair value through profit or loss" are first measured at their fair value; associated transaction costs are directly recognized in profit and loss.

Impairment
Financial assets are assessed at the end of each reporting period to determine whether an impairment exists. The impairment model of IFRS 9 is based on the premise of providing for expected losses. The Group has implemented a framework for determining simplified expected credit losses from trade receivables in accordance with IFRS 9, which provides reliable results by using suitable parameters based on historical defaults. A detailed description of the model can be found in this note under section c) under credit and default risk.

The Group considers the other financial assets as insignificant regarding a potential impairment.

Financial liabilities of the Group comprise interest-bearing financial liabilities, lease liabilities, trade liabilities, other liabilities (except for certain positions which do not represent financial instruments, such as liabilities regarding taxes and other charges) as well as derivative financial liabilities with a negative balance.

Financial liabilities are classified and measured as follows:

Category	**Examples in MM Group**
At fair value through profit or loss	Derivatives
At amortized cost	Financial liabilities, trade liabilities

Financial liabilities measured at fair value through profit and loss are initially recorded at their fair value, transaction costs are directly recognized in profit and loss. At their initial recognition, financial liabilities valued at amortized cost are measured at their fair value net of transaction costs.

In subsequent periods, financial liabilities are evaluated either at amortized costs, using the effective interest method, or at their fair value through profit and loss.

The following table shows in which category financial assets included in the balance sheet are recognized respectively by which method these financial instruments are measured:

(in thousands of EUR)	At fair value through profit and loss	At amortized cost[2]	**Total**
	Carrying amount at Dec. 31, 2020		
Securities and other financial assets[1]	1,774	936	2,710
Trade receivables	0	415,804	415,804
Other receivables and assets incl. derivatives[3]	2,663	8,128	10,791
Cash and cash equivalents	0	146,241	146,241
Total	**4,437**	**571,109**	**575,546**
	Carrying amount at Dec. 31, 2019		
Securities and other financial assets[1]	1,682	969	2,651
Trade receivables	0	418,733	418,733
Other receivables and assets incl. derivatives[3]	1,660	8,262	9,922
Cash and cash equivalents	0	126,807	126,807
Total	**3,342**	**554,771**	**558,113**

1) For measurement of "other financial assets" classified as "at fair value through profit and loss", see note 7e.
2) The reported amounts regarding financial assets measured at amortized cost represent a proper approximation to the fair value.
3) see note 12

The following table shows in which category financial liabilities included in the balance sheet are recognized respectively by which method these financial instruments are measured:

(in thousands of EUR)	At fair value through profit and loss	At amortized cost[1]	**Total**
	Carrying amount at Dec. 31, 2020		
Interest-bearing financial liabilities	0	221,792	221,792
Lease liabilities	0	46,634	46,634
Trade liabilities	0	220,437	220,437
Other liabilities incl. derivatives[2]	2,625	9,812	12,437
Total	**2,625**	**498,675**	**501,300**
	Carrying amount at Dec. 31, 2019		
Interest-bearing financial liabilities	0	291,720	291,720
Lease liabilities	0	53,663	53,663
Trade liabilities	0	219,562	219,562
Other liabilities incl. derivatives[2]	1,840	10,144	11,984
Total	**1,840**	**575,089**	**576,929**

[1] The reported amounts regarding financial liabilities measured at amortized cost represent a proper approximation to the fair value. The fair value of fixed-interest financial liabilities can be found in note 14a.
[2] see note 17

The following table shows the types of income and expenses from financial assets assigned to categories and measurement methods, respectively:

(in thousands of EUR)	At fair value through profit and loss	At amortized cost	**Total**
	Income and expense 2020		
In profit for the year	**1,351**	**1,341**	**2,692**
Interest/dividends received	344	1,712	2,056
Fair value/carrying amount changes	1,007	(371)	636
In other comprehensive income	**0**	**0**	**0**
Change in fair value	0	0	0
Net profit/loss	**1,351**	**1,341**	**2,692**
	Income and expense 2019		
In profit for the year	**1,238**	**1,524**	**2,762**
Interest/dividends received	283	1,465	1,748
Fair value/carrying amount changes	955	59	1,014
In other comprehensive income	**0**	**0**	**0**
Change in fair value	0	0	0
Net profit/loss	**1,238**	**1,524**	**2,762**

All income and expenses are recognized in the income statement.

The following table shows the types of income and expenses from financial liabilities assigned to categories and measurement methods, respectively:

(in thousands of EUR)	At fair value through profit and loss	At amortized cost	**Total**
	Income and expense 2020		
In profit for the year	**(785)**	**(7,698)**	**(8,483)**
Interest	0	(7,863)	(7,863)
Fair value/carrying amount changes	(785)	165	(620)
Net profit/loss	**(785)**	**(7,698)**	**(8,483)**
	Income and expense 2019		
In profit for the year	**(877)**	**(8,229)**	**(9,106)**
Interest	0	(8,394)	(8,394)
Fair value/carrying amount changes	(877)	165	(712)
Net profit/loss	**(877)**	**(8,229)**	**(9,106)**

b — Derivatives

The Group recognizes derivative financial instruments as financial assets or liabilities measured at their fair value. These hedging relationships established to secure cash flows or fair values related to single underlying transactions reduce the currency risk in the Group.

Thereby foreign exchange forward, swap and option contracts are used in order to mitigate the short-term effects of exchange rate fluctuations.

The most important foreign currencies for which the Group protects itself against fluctuation effects are the British Pound, the US Dollar as well as the Euro for the companies with functional currencies other than the Euro. The changes in market values of these derivatives are recognized in "Foreign currency exchange rate gains (losses) – net" (see note 27). The settlement of these transactions and the trade are generally executed by Corporate Treasury.

As of December 31, 2020, the Group had concluded foreign exchange forward and swap contracts with a nominal value of receivables of thous. EUR 205,290 (December 31, 2019: thous. EUR 178,668) and liabilities of thous. EUR 205,072 (December 31, 2019: thous. EUR 178,891) with a positive total market value of thous. EUR 38 (December 31, 2019: negative total market value of thous. EUR 180).

The derivative financial instruments are recorded in the consolidated balance sheet under "Prepaid expenses and other current assets" as current assets in the amount of thous. EUR 2,663 (December 31, 2019: thous. EUR 1,660) and under "Deferred income and other current liabilities" as current liabilities in the amount of thous. EUR 2,625 (December 31, 2019: thous. EUR 1,840).

As there is no hedge accounting in the MM Group, the corresponding rules in accordance with IFRS 9 are not applied.

c — Financial Risk Management

The Group is exposed to various financial risks arising from its operating activities and the structure of its financing. These financial risks include primarily credit risk, liquidity risk, currency risk, and risk of interest rate changes. These risks are limited using centralized risk management which is applied throughout the Group. The identification, analysis, and evaluation of financial risks as well as the decisions concerning the application of financial instruments to manage these risks are basically carried out by the Group's headquarters.

Credit and default risk

Credit risk is the risk arising from a non-fulfillment of contractual obligations by business partners, which may result in losses. The immanent risk of default of business partners resulting from the underlying transaction is widely hedged in the Group by credit risk insurance, bank guarantees, and letters of credit. The criteria to be applied for credit ratings are based on contractual agreements with credit insurance institutions and are defined by internal guidelines.

Credit and default risks are continuously monitored; existing and identifiable risks are provided for by recording appropriate allowances or provisions. For the assessment of the overall risk, existing insurance coverage, possible guarantees, and letters of credit are taken into consideration. Financial instruments which may in certain cases cause a concentration of financial risks within the Group comprise primarily cash and cash equivalents and trade receivables. Trade receivables derive from a broad and diversified customer base with different credit ratings. The financial risk arising from customers is monitored by ongoing credit rating assessments. Additionally, the Group concludes credit insurance contracts in order to cover losses arising from certain potentially non-collectible receivables and goods that have already been produced.

Furthermore, the Group forms allowances based on the expected loss of the total volume of receivables. If trade accounts receivable are insured against default and if an allowance becomes necessary, only the amount not covered by insurance is to be recognized. The Group reports single or specific lump-sum allowances, respectively at Group level the expected credit loss model according to IFRS 9 is applied. The impairment model is based on the premise of providing for expected losses. The Group has implemented a framework for determining simplified expected credit losses from trade receivables in accordance with IFRS 9, which provides reliable results by using suitable parameters based on historical defaults. For the measurement, the Group applies a simplified approach using an allowance matrix which considers probability-weighted total credit losses ("life-time expected credit loss model"). The calculation of estimated expected credit losses is based on actual credit loss experiences over the past four years separately for the regions Europe, the Americas, as well as Asia and MENA. The inclusion of forward-looking information in the determination is taken into account by using CDS spreads for the calculation, as they reflect the future default risk. The Group considers the other financial assets as insignificant in view of a potential impairment.

As a result of the broad and diversified customer base and the existing credit insurance contracts, there is no concentrated risk of default. There are mainly trade receivables against customers with credit insurance and customers with very good creditworthiness; accordingly, bad debt losses were insignificant in the past.

The Group also uses foreign exchange forward, swap and option contracts. All the respective contract partners are renowned international financial institutions with which the Group has ongoing business relations. Therefore, the Group considers the risk of non-fulfillment by a contract partner and the related risk of loss as low.

Money market investments are concluded with corporate banks with investment-grade ratings.

The carrying amounts of financial assets reflect the theoretical maximum default risk.

Liquidity risk

The liquidity risk is referred to as the risk of having to raise the required funds at any time in order to settle the amounts payable in due course. The Group's financing policy is oriented towards long-term financial planning and is managed centrally and monitored constantly. Based on well-timed liquidity management, sufficient liquidity of all the Group's subsidiaries is provided for by the availability of adequate cash and cash equivalents as well as unused credit lines available. The companies of the MM Group are financed mostly internally. Consequently, inter-company credit lines and a cash-pooling system with financial limits are available. Liquidity risk is thus assessed as low.

The following table shows the undiscounted future cash outflows arising from interest-bearing financial liabilities, lease liabilities, trade liabilities, payment obligations and payment entitlements arising from derivative financial instruments as well as interest for interest-bearing financial liabilities and lease liabilities based on the remaining maturity as of the balance sheet date or referred to the contractually agreed maturity.

(in thousands of EUR)	Up to 3 months	3 months up to 1 year	1 – 2 years	2 – 5 years	Over 5 years
Balance at Dec. 31, 2020					
Interest-bearing financial liabilities	2,484	43,359	23,685	102,264	50,000
Interest for interest-bearing financial liabilities	217	3,305	3,345	7,301	1,350
Lease liabilities	1,973	5,099	5,562	11,254	22,746
Interest for lease liabilities	362	1,011	1,209	2,907	12,745
Trade liabilities	212,470	7,951	16	0	0
Payment obligations from derivative financial instruments	196,311	8,761	0	0	0
Payment entitlements for derivative financial instruments	(196,571)	(8,719)	0	0	0
Balance at Dec. 31, 2019					
Interest-bearing financial liabilities	47,570	56,924	13,928	103,298	70,000
Interest for interest-bearing financial liabilities	437	3,782	3,721	9,346	2,839
Lease liabilities	1,866	6,483	7,074	12,966	25,274
Interest for lease liabilities	389	1,123	1,346	3,214	13,544
Trade liabilities	178,516	40,923	123	0	0
Payment obligations from derivative financial instruments	167,206	11,685	0	0	0
Payment entitlements for derivative financial instruments	(167,137)	(11,530)	0	0	0

Currency risk

Currency risk is the risk arising from changes in the value of financial instruments due to exchange rate fluctuations. This risk exists when business transactions are processed in currencies other than the functional (local) currency of the Company. This is particularly the case for business relations to customers and suppliers in the British Pound, the US Dollar and the Euro, from the perspective of companies which do not have the Euro as their functional currency. The respective currency risks are, as far as possible, reduced by matching business transactions in similar currencies and by price adjustment mechanisms in longer-term agreements as well as foreign exchange forward, swap and option contracts.

Provided that currencies related to current and non-current financial receivables and financial liabilities as of December 31, 2020 (December 31, 2019) stated below changed by the below-stated percentage ("volatility"), assuming that all other variables remained constant, the profit for the year and hence equity would have increased or decreased by the following values.

		Impact on profit for the year and equity in thousands of EUR	
Currency	**Volatility**	**2020**	**2019**
EUR[1]	+/- 5 %	-/+ 425	-/+ 253
GBP	+/- 5 %	+/- 143	+/- 198
USD	+/- 5 %	-/+ 63	-/+ 439

[1] From the perspective of companies which do not have the Euro as functional currency.

Interest rate risk

The interest rate risk is referred to as the risk arising from changes in market interest rates which can result in a fluctuation of the values of balance sheet items or a fluctuation in cash flows. For balance sheet items with fixed interest, the risk consists mainly in fluctuations in value (price risk); when the market interest rate changes, the (present) value of financial instruments with fixed interest payments will also change. Due to these value fluctuations, profit or loss can arise; these are particularly realized when the financial instrument is sold before maturity. For balance sheet items with a variable interest rate, there is mainly the risk of fluctuating cash flows. In case the market interest rate changes, the amount of interest receivable or payable from financial instruments with variable interest payments will also change. Such changes would alter the ongoing interest payments and thus also interest income and expense. As of December 31, 2020, the Group is financed via financial liabilities with variable as well as fixed interest rates and holds almost only financial assets with variable interest rates.

If the interest rates as of December 31, 2020 (December 31, 2019) had been higher or lower by ten basis points (i. e. 0.1 %), assuming that all other variables remained constant, the profit for the year and hence equity would have increased or decreased for the whole year as follows:

	Change in interest rate	Impact on profit for the year and equity in thousands of EUR	
		2020	2019
Financial assets with variable interest	+/- 0.1 %	+/- 39	+/- 25
Financial liabilities with variable interest	+/- 0.1 %	-/+ 103	-/+ 151

d — Capital management

Capital employed includes the equity of the Group and interest-bearing financial liabilities less cash and cash equivalents.

Capital management aims in particular at ensuring an equity to total assets ratio that is appropriate for the long-term economic development of the Group, taking into consideration a continuous dividend policy, as well as to ensure the necessary liquidity reserves.

Equity and total assets as of December 31, 2020 and December 31, 2019 amounted to:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Total equity	1,547,098	1,508,309
Total assets	2,399,570	2,422,653
Equity ratio	64.5 %	62.3 %

The aim of capital management to achieve an equity ratio ranging from 50 % to 70 % remains unchanged in comparison to the previous year. The Company fulfills legal and statutory minimum capital requirements. Mayr-Melnhof Karton AG is subject to the minimum capital requirements of the Austrian Stock Corporation Act. The Articles of Association do not stipulate capital requirements.

Group’s liquidity reserves are reflected by net debt indicator. It is calculated as of December 31, 2020 and December 31, 2019 as follows:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	146,241	126,807
Financial liabilities	(268,426)	(345,383)
Net debt	**(122,185)**	**(218,576)**

There are financial covenants partly agreed on with lenders for the interest-bearing financial liabilities. The financial covenants are mainly related to the equity ratio and the net debt to EBITDA ratio. All of these clauses were complied with in the financial year.

e — Measurement at fair value

The amounts of financial assets and financial liabilities which are recognized at fair value are as follows:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Financial assets:		
Derivative financial instruments (level 2)	2,663	1,660
Securities (level 1)	371	367
Financial liabilities:		
Derivative financial instruments (level 2)	2,625	1,840

Measurement methods

The Group applies the following hierarchy to determine the measurement method and to identify the fair value of financial instruments, depending on the availability of information about market prices:

Availability of information, sorted by level	Measurement method used
Level 1 – Quoted market prices are available	Measurement based on quoted market prices for similar financial instruments
Level 2 – Quoted market prices for identical instruments are not available, but all necessary measurement inputs can be derived from active markets	Measurement based on measurement methods using directly or indirectly observable market data

The fair value of securities (level 1 measurement) is determined based on the prices quoted on active markets.

The fair value of derivative financial instruments (level 2 measurement) is mostly determined on the basis of spot prices as of the balance sheet date, taking into account forward premiums or discounts with relevant maturity.

In general, there are also financial instruments measured at fair value using parameters for which no observable market data exist (level 3 measurement). There are currently no financial instruments for which this measurement method would be applicable in the Group.

As of December 31, 2020, other financial assets classified as "at fair value through profit or loss" include investments in unconsolidated companies in the amount of thous. EUR 1,403 (December 31, 2019: thous. EUR 1,315). In general, these must be measured at fair value. However, cost represents an appropriate estimate of fair value. Due to the minor importance of these entities, particularly with regard to their low business volume and their significance to the Group, fair value has not been calculated.

8 — INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, SECURITIES, AND OTHER FINANCIAL ASSETS

Investments in associated companies

Investments in associated companies in which the Group has the ability to exercise significant influence, but no dominant control over their operating and financial policies are accounted for using the equity method and are primarily recognized at their acquisition costs. This is generally the case when the voting interest is between 20 % and 50 %. Additionally, the Group also has investments in associated companies which are not measured using the equity method. In general, these are to be measured at fair value. The acquisition costs, however, represent an appropriate estimate of the fair value or the amount is immaterial for the Group.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method and are primarily recognized at their acquisition costs. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Securities

The Group measures its securities mostly at fair value through profit and loss. Premiums and accretions of discount of debt securities are allocated over their maturity period and are included in the income statement under the positions "financial income" or "financial expenses".

Securities are to be classified as non-current if they are not going to be sold or not intended to be sold within 12 months of the balance sheet date. Otherwise, they must be classified as current. Currently the Group does not hold any current securities.

Other financial assets

Other financial assets comprise other investments, loans, and other financial investments. Other investments are defined as part of the category "at fair value through profit and loss". Cost represents an appropriate estimate of the fair value and the amount is of low significance for the Group, however.

The carrying amounts of investments in associated companies and joint ventures, non-current securities, and other financial assets consist of:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Investments in associated companies	2,057	2,104
Investments in joint ventures	2,637	1,472
Other investments	1,403	1,315
Liability insurance not pledged to beneficiaries	813	848
Non-current securities	494	488
Investments accounted for using the equity method, securities and other financial assets	**7,404**	**6,227**

As of December 31, 2020, non-current securities of the Group comprised investment funds and fixed-interest-bearing securities in the amount of thous. EUR 494 (December 31, 2019: thous. EUR 488).

The Group holds 45 % of shares in Société Tunisienne des Emballages Modernes (STEM), Tunis, Tunisia (see note 33). The shares in this company represent an individually immaterial associated company that is accounted for using the equity method.

The Group holds 40 % of shares in Zhejiang TF Special Papers Co., Ltd., Quzhou City, China (see note 33). Decisions on relevant activities must be made unanimously. The shares in this company thus represent a joint venture that is individually immaterial and accounted for using the equity method.

The following table summarizes the financial information:

	Investments in associated companies		**Investments in joint ventures**	
(in thousands of EUR)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
Share of result for the year[1)]	74	(230)	210	(64)
Share of other comprehensive income[2)]	(121)	198	(94)	1
Share of total comprehensive income	**(47)**	**(32)**	**116**	**(63)**

[1)] recognized in "other financial result – net"
[2)] share of foreign currency translations in the consolidated comprehensive income statement

9 — INCOME TAXES

Income taxes are recognized in profit and loss unless they are associated with positions directly recognized in equity or other comprehensive income of total comprehensive income. In this case, income taxes are also recorded in equity or other comprehensive income of total comprehensive income.

Current tax expense of the period comprises current and deferred taxes and is recognized according to the tax regulations of the countries in which the subsidiaries are active and obtain their taxable income.

Deferred tax assets and liabilities are recognized for all temporary differences between tax and the consolidated balance sheet. Deferred taxes are evaluated using the tax rates which are already in force on the balance sheet date or which have essentially been legally adopted and which are expected to be valid at the time of realization of the deferred tax asset or the settlement of deferred tax liability. Deferred tax assets are recognized only if there is a probability that sufficient taxable profit will be available for the utilization of the deductible temporary differences. Unrecognized deferred tax entitlements are reassessed at every balance sheet date. If losses are incurred in the current period or have been incurred in the previous period, deferred tax assets are only recognized in case of objective evidence of a future taxable result, as, for example, following an internal reorganization of subsidiaries.

Deferred tax liabilities arising from temporary differences related to investments in subsidiaries, joint ventures and associated companies are recognized unless the Group is able to control the date of reversal and it is probable that these temporary differences will not be reversed in the foreseeable future due to this influence. This is the case for dividends within the Group that are subject to withholding tax or that are not covered by the international participation exemption, for example.

Deferred tax assets will be offset with deferred tax liabilities only if the entity has the legal right to settle on a net basis, if they are related to income taxes, and if they are levied by the same tax authority on the same taxable entity or different taxable entities that intend to realize the asset and settle the liability at the same time. This applies, in particular, to subsidiaries that are part of the Austrian tax group or to entities of the MM Group that are part of a tax unity.

The effect of tax rate changes on deferred tax assets and liabilities is recognized as income tax expense or in the consolidated comprehensive income statement in the period of a tax rate change.

a — Deferred taxes recognized in the balance sheet

Deferred tax assets and liabilities due to temporary differences and tax loss carryforwards recognized in the balance sheet as of the balance sheet dates are as follows:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Intangible assets	1,772	1,666
Property, plant and equipment	10,862	10,234
Inventories	7,591	6,650
Defined benefit plans and other liabilities and charges	28,870	28,465
Loans receivable, investments and securities	2,372	1,862
Loss carryforwards	11,614	11,970
Financial liabilities	12,079	13,500
Other	4,222	2,968
Gross deferred tax assets	**79,382**	**77,315**
Unrecognized deferred tax assets	(8,907)	(9,408)
Net deferred tax assets	**70,475**	**67,907**
Offset	(22,775)	(25,453)
Deferred tax assets in the balance sheet	**47,700**	**42,454**
Intangible assets	(25,913)	(28,313)
Property, plant and equipment	(22,831)	(25,488)
Inventories	(1,108)	(797)
Defined benefit plans and other liabilities and charges	(4,919)	(3,728)
Other	(6,688)	(6,819)
Net deferred tax liabilities	**(61,459)**	**(65,145)**
Offset	22,775	25,453
Deferred tax liabilities in the balance sheet	**(38,684)**	**(39,692)**

The unrecognized deferred tax assets in the amount of thous. EUR 8,907 (December 31, 2019: thous. EUR 9,408) comprise thous. EUR 7,904 (December 31, 2019: thous. EUR 8,252) of unrecognized loss carryforwards.

The following table shows the expected realization of deferred tax assets and liabilities:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets, realized within 12 months	15,194	12,740
Deferred tax assets, realized after 12 months	55,281	55,167
Deferred tax assets	**70,475**	**67,907**
Deferred tax liabilities, realized within 12 months	(3,433)	(2,834)
Deferred tax liabilities, realized after 12 months	(58,026)	(62,311)
Deferred tax liabilities	**(61,459)**	**(65,145)**

Deferred tax liabilities which result from the difference between the tax carrying amount of investments and pro-rata equity (Outside-Basis-Differences) were not recognized for certain subsidiaries and investments in joint ventures and associated companies, as it is probable that this temporary difference will not be dissolved in the near future. These retained earnings amounted to thous. EUR 1,226,492 at December 31, 2020 (December 31, 2019: thous. EUR 1,273,295). For retained earnings which are intended for distribution, the valuation of deferred tax liabilities was adjusted according to the applicable capital gains and withholding taxes on profit distribution.

The Group is exposed to various risks arising from its operating activities as well as from national and international regulations. After detailed analyses of potential risks, the Group assumes that due to the lack of predictability regarding the assessment by tax authorities in Austria and abroad, these uncertainties have been sufficiently covered at the time of preparing the financial statements.

b — Tax loss carryforwards

An overview of the Group’s tax loss carryforwards as of the respective balance sheet dates is presented below:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Loss carryforwards with expiration	21,074	25,100
Loss carryforwards with no expiration	28,463	24,240
Loss carryforwards	**49,537**	**49,340**

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Recognized loss carryforwards	14,997	15,453
Unrecognized loss carryforwards	34,540	33,887
Loss carryforwards	**49,537**	**49,340**

The loss carryforwards limited in time will expire between 2021 and 2025 unless they are utilized before these dates.

The assessment of the recognition of loss carryforwards showed that for thous. EUR 14,997 (December 31, 2019: thous. EUR 15,453), deferred tax assets amounting to thous. EUR 3,710 (December 31, 2019: thous. EUR 3,718) were recognized. For the remaining amount of thous. EUR 34,540 (December 31, 2019: thous. EUR 33,887), deferred tax assets amounting to thous. EUR 7,904 (December 31, 2019: thous. EUR 8,252) were not recorded in the balance sheet. The expiry dates of this unrecognized loss carryforwards are as follows:

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
1 year	2,571	2,480
2 years	2,516	2,103
3 years	5,607	7,473
4 years	2,494	8,065
5 years	6,228	3,370
After 5 years	1,170	0
No expiration	13,954	10,396
Total	**34,540**	**33,887**

c — "Income tax expense" recognized in the income statement

The position "income tax expense" is comprised as follows:

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Current taxes:		
Current period	63,240	74,544
Due to utilization of previously unrecognized loss carryforwards	(285)	(154)
Prior periods	1,222	6,649
Deferred taxes:		
Due to temporary differences	(3,827)	(18,989)
Due to tax loss carryforwards of the current period	(285)	(2,086)
Due to utilization of recognized loss carryforwards	503	1,254
Due to tax loss carryforwards of previous periods	(243)	0
Due to changes in estimates of deferred tax assets	0	(39)
Due to tax rate changes	(481)	(269)
Income tax expense	**59,844**	**60,910**

d — Tax effects on "Other comprehensive income"

The amount of income taxes directly recognized in other comprehensive income is based on actuarial losses from defined benefit plans and foreign currency translations on net investments booked in 2020 amounting to thous. EUR 5,225 (2019: thous. EUR 18,604). Thereon income taxes amounting to thous. EUR 2,164 (2019: thous. EUR 5,309), were recognized for the financial year 2020. As a result, actuarial losses from defined benefit plans and losses from foreing currency translations after tax amounted to thous. EUR 3,061 (2019: thous. EUR 13,295).

e — Group tax rate

Reconciliation from the applicable tax rate which results from the geographical allocation of income and the applicable nominal tax rates of the respective tax jurisdictions to the effective tax rate, which burdens the profit before tax is as follows:

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Profit before tax	222,074	251,129
Theoretical tax expense 25 %	**55,519**	**62,782**
Foreign tax rate adjustments	(1,271)	(2,376)
Non-deductible expenses and tax-free income	130	(1,664)
Unrecognized loss carryforwards of the financial year	1,459	729
Recognition of loss carryforwards of previous years	(297)	(2,085)
Utilization of unrecognized loss carryforwards	(285)	(155)
Changes of estimates of deferred tax assets	0	(39)
Capital gains and withholding tax	1,496	3,197
Tax rate changes	(481)	(269)
Non-periodic income tax expense or revenue (current and deferred)	3,541	820
Other effects	33	(30)
Income tax expense recognized	**59,844**	**60,910**
Effective tax rate	**26.95 %**	**24.25 %**

10 — INVENTORIES

Inventories are valued at the lower of acquisition or manufacturing costs and the net realizable value. The net realizable value is based on expected selling prices and takes into consideration remaining costs of completion as well as estimated selling and distribution expenses. In order to determine purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale, a weighted average price method, taking into consideration the sales market, is primarily applied in the cartonboard division. In the packaging division, the purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale are basically recognized using the actual sequence of consumption (specific identification method). The value of raw materials, manufacturing and operating supplies recognized in the balance sheet is based on data from physical stock-taking or from the inventory management system. The devaluation of raw materials, manufacturing and operating supplies depends on each individual case.

Work in process and finished goods consist of direct costs, such as material and labor costs, and material and production overheads as well as administrative costs. Write-downs for slow moving and obsolete inventories are recognized considering the storage period and sales situation.

(in thousands of EUR)	**Dec. 31, 2020**	**Dec. 31, 2019**
Raw materials, manufacturing and operating supplies	202,889	204,795
Work in process	26,746	26,565
Finished goods and goods for resale	156,119	165,090
Total	**385,754**	**396,450**
Write-downs	(36,133)	(32,911)
Inventories – net	**349,621**	**363,539**

In the financial year 2020, write-downs of inventories recognized as an expense amounted to thous. EUR 9,485 (2019: thous. EUR 9,876), the reversal of write-downs of inventories recognized as income amounted to thous. EUR 1,655 (2019: thous. EUR 464), both under cost of goods sold. The carrying amount of inventories carried at net realizable value amounted to thous. EUR 8,340 (December 31, 2019: thous. EUR 8,529).

Cost of materials and purchased services recognized in cost of goods sold presented in the Group's income statement can be broken down as follows:

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Cost of materials	1,288,624	1,329,150
Cost of purchased services	29,264	32,968
Total	**1,317,888**	**1,362,118**

11 — TRADE RECEIVABLES

Receivables are accounted for at amortized cost, i. e. at par value less allowances.

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Trade receivables	417,274	420,124
Allowances	(1,470)	(1,391)
Trade receivables – net	**415,804**	**418,733**

As of December 31, 2020 and December 31, 2019, the aging of trade receivables overdue but not impaired is as follows:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Up to 30 days overdue	5,306	6,883
31 – 60 days overdue	3,400	4,093
61 – 365 days overdue	2,317	2,993
More than 365 days overdue	265	500
Total of trade receivables overdue but not impaired	**11,288**	**14,469**

For an explanation of the criteria which were considered for the determination of the allowances please refer to the remarks on credit and default risk (see note 7).

Allowances for trade receivables developed as follows:

(in thousands of EUR)	2020	2019
Allowances at the beginning of the year	**1,391**	**1,387**
Effect of exchange rate changes	(41)	17
Changes in consolidated companies	0	676
Utilization	(251)	(633)
Reversal	(124)	(370)
Increase	495	314
Allowances at the end of the year	**1,470**	**1,391**

12 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are as follows:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Value-added tax receivables	19,652	19,873
Other tax receivables	14,639	11,819
Prepaid expenses	10,989	10,198
Payments on account of property, plant and equipment	8,551	2,235
Derivative assets	2,663	1,660
Other receivables and other assets	16,099	13,978
Prepaid expenses and other current assets	**72,593**	**59,763**
Thereof financial assets	10,791	9,922
Thereof non-financial assets	61,802	49,841

In the previous year, other assets included property recognized as "non-current asset held for sale", which is now presented as a separate item in the balance sheet for clarification purposes.

13 — EQUITY

a — Share capital/additional paid-in capital

Ordinary shares are classified as equity.

As in the previous year, the fully-paid share capital of the Company amounts to thous. EUR 80,000 and comprises 20,000,000 approved and issued no-par value shares. One no-par value share grants a calculated share of EUR 4.00 in share capital. Each share participates equally in equity and grants the same rights and responsibilities, especially the entitlement to resolved dividends and the voting right at the Ordinary Shareholder's Meeting. There are neither any different share classes nor shares with special control rights.

Additional paid-in capital derives from the share premium raised at the capital increase in the course of the initial public offer in 1994 and the cancelation of treasury shares less the increase of share capital by conversion of additional paid-in capital in 2008 and 2010, representing the amount of the tied capital reserve.

The Management Board was authorized by the 25th Ordinary Shareholders' Meeting to repurchase own shares up of to 10 % of the Group's share capital, which remains valid until October 24, 2021. As of December 31, 2020, the Management Board has made no use of this authorization.

b — Retained earnings/dividend

Retained earnings comprise accumulated results from previous years.

Under the Austrian Stock Corporation Act, the amount of dividend available for distribution to shareholders is based on the unappropriated retained earnings from the annual financial statements of Mayr-Melnhof Karton AG, determined in accordance with the Austrian Commercial Code. As of December 31, 2020, the distributable unappropriated retained earnings amounted to thous. EUR 130,000 (December 31, 2019: thous. EUR 75,000).

Extract from the individual financial statements of Mayr-Melnhof Karton AG

(in thousands of EUR)	**2020**	**2019**
Unappropriated retained earnings at Jan. 1	**75,000**	**65,000**
Net profit of the Company for the year ended Dec. 31	132,106	69,602
Changes in reserves	(13,106)	4,398
Dividend paid	(64,000)	(64,000)
Unappropriated retained earnings at Dec. 31	**130,000**	**75,000**

For the year ended December 31, 2020, the Management Board has proposed to the Supervisory Board and subsequently to the Shareholders' Meeting a dividend of EUR 3.20 per voting share after EUR 3.20 for 2019, resulting in a dividend of thous. EUR 64,000 as of the balance sheet date of 2020. The dividend for 2019, amounting to thous. EUR 64,000, was paid out according to schedule on May 13, 2020 (see consolidated statement of changes in equity).

c — Non-controlling (minority) interests

Non-controlling (minority) interests comprise the interest in equity and total profit for the year attributable to external shareholders' investments in subsidiaries of Mayr-Melnhof Karton AG. The non-controlling (minority) interests as of the acquisition date are presented as part of net assets (equity) of the respective entity or businesses and are adjusted in the following period taking into consideration profit or loss attributable to the shareholders, dividend paid as well as paid-in or paid-out capital.

The summarized information about the subsidiaries in which the Group holds non-controlling (minority) interests is stated below. The disclosures correspond to the amounts before intra-group eliminations. Further information on these subsidiaries can be found in note 33.

	Dec. 31, 2020		Dec. 31, 2019	
(in thousands EUR)	MM Karton	MM Packaging	MM Karton	MM Packaging
Non-current assets	527	53,324	592	54,723
Current assets	3,109	59,702	3,210	66,836
Non-current liabilities	687	33,242	848	28,683
Current liabilities	1,319	16,809	1,145	33,813
Net assets	**1,630**	**62,975**	**1,809**	**59,063**
Carrying amount of the non-controlling (minority) interests	**646**	**4,106**	**704**	**4,571**

	Year ended Dec. 31, 2020		Year ended Dec. 31, 2019	
Sales	6,067	80,379	6,027	68,982
Profit for the year	524	11,480	1,190	6,695
Thereof attributable to non-controlling (minority) interests	**178**	**864**	**364**	**112**
Total comprehensive income	749	10,920	1,496	6,540
Thereof attributable to non-controlling (minority) interests	**189**	**713**	**346**	**108**
Dividend paid to non-controlling (minority) interests	247	949	357	690
Net change in cash and cash equivalents	**0**	**561**	**0**	**16,996**

d — Other comprehensive income of the consolidated comprehensive income statement

Other reserves comprise certain changes directly recognized in equity. These are in particular differences arising from foreign currency translation as well as actuarial gains and losses arising from the defined benefit pension and severance obligations, the latter after considering deferred income taxes.

In 2020, profit and loss recognized in other comprehensive income consisted of foreign currency translations with a negative amount of thous. EUR 59,690 (2019: positive amount of thous. EUR 9,199) as well as actuarial losses in the amount of thous. EUR 583 (2019: thous. EUR 19,843). Thereon income taxes in the amount of thous. EUR 2,164 (2019: thous. EUR 5,309) were recognized for the financial year 2020 (see note 9d). The high foreign currency translations in the current fiscal year result in particular from the devaluation of the Russian ruble, the Turkish lira, and the Polish zloty.

14 — FINANCIAL LIABILITIES AND LEASES

Financial liabilities comprise interest-bearing financial liabilities and lease liabilities and are recognized at amortized cost. This amount is calculated as initially paid out nominal value less redemptions plus accrued interest.

The financial liabilities of the Group are as follows:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Non-current interest-bearing financial liabilities	175,949	187,226
Non-current lease liabilities	39,562	45,314
Non-current financial liabilities	**215,511**	**232,540**
Current interest-bearing financial liabilities	45,843	104,494
Current lease liabilities	7,072	8,349
Current financial liabilities	**52,915**	**112,843**
Financial liabilities	**268,426**	**345,383**

a — Interest-bearing financial liabilities

As of December 31, 2020 and December 31, 2019, interest-bearing financial liabilities comprised liabilities against banks and insurance companies. These financial liabilities at current interest rates can be summarized as follows:

(in thousands of EUR)	Dec. 31, 2020
0.596 % EUR loan(s) due 2021	42,674
6.082 % CNY loan(s) due 2021	685
0.806 % EUR loan(s) due 2022	23,000
6.082 % CNY loan(s) due 2022	685
6.473 % CNY loan(s) due 2023	2,138
1.811 % EUR loan(s) due 2024	80,000
5.715 % EUR loan(s) due 2024	126
0.552 % EUR loan(s) due 2025	20,000
2.673 % EUR loan(s) due 2026	50,000
Used loan facilities	2,484
Interest-bearing financial liabilities	**221,792**
Thereof non-current interest-bearing financial liabilities	175,949
Thereof current interest-bearing financial liabilities	45,843

(in thousands of EUR)	**Dec. 31, 2019**
0.789 % EUR loan(s) due 2020	55,688
9.450 % JOD loan(s) due 2020	1,573
6.524 % CNY loan(s) due 2020	1,235
0.750 % EUR loan(s) due 2021	12,693
6.524 % CNY loan(s) due 2021	1,235
0.691 % EUR loan(s) due 2022	20,000
6.524 % CNY loan(s) due 2022	1,235
6.524 % CNY loan(s) due 2023	2,063
1.846 % EUR loan(s) due 2024	80,000
0.691 % EUR loan(s) due 2025	20,000
2.673 % EUR loan(s) due 2026	50,000
Used loan facilities	45,998
Interest-bearing financial liabilities	**291,720**
Thereof non-current interest-bearing financial liabilities	187,226
Thereof current interest-bearing financial liabilities	104,494

As of December 31, 2020, the weighted average interest rate for these financial liabilities was 1.614 % (December 31, 2019: 1.610 %).

As of December 31, 2020, the Group had available current interest-bearing loan facilities in the amount of thous. EUR 2,484 (December 31, 2019: thous. EUR 45,998), of which thous. EUR 2,484 (December 31, 2019: thous. EUR 45,998) had been used as of the balance sheet date. As of December 31, 2020, the weighted average interest rate of these current loans, used by foreign subsidiaries, was 1.279 % (December 31, 2019: loan facilities mainly used by subsidiaries in Austria: 1.239 %). These loans are subject to common banking terms and conditions.

Of the interest-bearing financial liabilities, loans in the amount of thous. EUR 118,328 (December 31, 2019: thous. EUR 141,171) are subject to a fixed interest rate, whose fair value amounts to thous. EUR 126,929 as of December 31, 2020 (December 31, 2019: thous. EUR 149,023). The calculation is based on the present value of future cash flows discounted by the currently observable yield curve (Level 2). Amortized costs represent a proper approximation to the fair value for financial liabilities subject to variable interest rates.

No collaterals were provided in order to secure the financial liabilities described above. As of December 31, 2020, the Group had unused non-current credit lines available in the amount of thous. EUR 900,000 (December 31, 2019: thous. EUR 400,000).

As of December 31, 2020, the current revolving bank credits in an amount of thous. EUR 37,980 (December 31, 2019: thous. EUR 37,980) are included in the interest-bearing financial liabilities.

b — Leases

The Group is predominantly the lessee in lease transactions. Until the financial year 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. As of January 1, 2019, leases have been recognized as right-of-use asset and a corresponding liability at the date at which the leased asset has become available for use by the Group. All contracts which were identified as leases according to IAS 17 as of December 31, 2018 were taken over into IFRS 16.

Lease liabilities with a term of more than twelve months are measured at the present value of the remaining lease payments.

In principle, the implicit interest rate based on the lease contract is applied, if it can be determined. Otherwise, leases are discounted using the lessee's incremental borrowing rate, i. e. the interest rate that a lessee would have to pay for comparable transactions.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are not recognized on the balance sheet, but as an expense. Lease contracts with terms of up to 12 months are classified as short-term leases.

The Group mainly rents and leases buildings, land, warehouses, offices, and other facilities that are necessary for the operating business. Extension and termination options are included in a number of property and equipment leases. The Group has assessed these and considered them accordingly. These contract conditions are used to maximise operational flexibility in terms of managing assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

An overview of the lease liabilities recognized in the balance sheet as of December 31, 2020 and December 31, 2019 is presented below:

(in thousands of EUR)	**Dec. 31, 2020**	**Dec. 31, 2019**
Non-current lease liabilities	39,562	45,314
Current lease liabilities	7,072	8,349
Lease liabilities	**46,634**	**53,663**

Total cash outflows for leases in 2020 were thous. EUR 9,907 (2019: thous. EUR 9,833).

Expenses related to payments not included in the measurement of the lease liability are as follows:

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Expenses related to variable lease payments	5,283	5,637
Expenses related to short-term leases	1,414	1,329
Expenses related to leases of low-value assets	526	399

15 — PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

Defined benefit pension obligations and other benefits related to severance obligations are valued actuarially in accordance with IAS 19 "Employee benefits" using the projected unit credit method. The present value of defined benefit obligations is calculated based on the years of service, the anticipated development of the employee's compensation as well as the enacted contractual and statutory pension revaluation requirements. The service cost is recognized in personnel cost; the net interest cost for the provisions is recognized in "other financial result – net". Actuarial gains and losses as well as gains from plan assets, excluding the amounts which are already included in the net interest on net liability, are recognized in other comprehensive income in the statement of comprehensive income in accordance with IAS 19.

Provisions for anniversary bonuses are valued actuarially for non-current obligations against employees related to the number of years of their service based on collective or plant bargaining agreements using the projected unit credit method. The service cost is recognized in personnel cost; the net interest cost for the provisions is recognized in "other financial result – net". Actuarial gains and losses are recognized in the income statement in accordance with IAS 19.

Provisions for pre-retirement programs are accrued upon conclusion of individual contractual agreements as well as for probable pre-retirement agreements in the future, if employees have the right to participate in pre-retirement programs based on plant bargaining agreements or collective agreements. Statutory deposits of securities for covering pre-retirement programs are netted with the provisions for pre-retirement programs, provided that they meet the definition of plan assets.

The item "Other" mainly includes post-closure obligations for inherited liabilities which have now been classified as non-current and reclassified from current to non-current provisions for clarification purposes.

a — Development of provisions for non-current liabilities and charges

In 2020, provisions for non-current liabilities and charges developed as follows:

(in thousands of EUR)	Pensions	Severance	Anniversary bonuses	Pre-retirement programs	Other	**Total**
Balance at Jan. 1, 2020	**85,010**	**44,113**	**14,933**	**576**	**2,907**	**147,539**
Effect of exchange rate changes	(810)	(450)	0	0	0	(1,260)
Reclassifications	0	0	(36)	0	2,816	2,780
Utilization	(4,780)	(9,998)	(1,048)	(368)	(5)	(16,199)
Reversal	0	0	(2,020)	0	(699)	(2,719)
Increase	2,083	2,628	1,977	109	4,615	11,412
IAS 19 remeasurements through other comprehensive income	(411)	991	0	0	0	580
Benefit payments from and contributions to plan assets	868	0	0	0	0	868
Balance at Dec. 31, 2020	**81,960**	**37,284**	**13,806**	**317**	**9,634**	**143,001**

In 2019, provisions for non-current liabilities and charges developed as follows:

(in thousands of EUR)	Pensions	Severance	Anniversary bonuses	Pre-retirement programs	Other	**Total**
Balance at Jan. 1, 2019	**72,926**	**31,550**	**10,646**	**359**	**428**	**115,909**
Effect of exchange rate changes	698	(133)	0	0	0	565
Changes in consolidated companies	367	8,474	2,400	0	0	11,241
Utilization	(4,248)	(3,319)	(747)	(286)	(4)	(8,604)
Increase	3,849	2,880	2,634	503	2,483	12,349
IAS 19 remeasurements through other comprehensive income	14,786	4,661	0	0	0	19,447
Benefit payments from and contributions to plan assets	(3,368)	0	0	0	0	(3,368)
Balance at Dec. 31, 2019	**85,010**	**44,113**	**14,933**	**576**	**2,907**	**147,539**

As of December 31, 2020, securities with a fair value of thous. EUR 1,356 (December 31, 2019: thous. EUR 1,341) have been provided as security for provisions for pre-retirement programs within the scope of the respective legal commitments. At December 31, 2020 and December 31, 2019, those securities were deducted as plan assets from the underlying obligations.

In the financial year 2020, provisions were recognized for post-closure obligations for inherited liabilities in connection with the decommissioning of the cartonboard machine in Hirschwang, Austria. In the business year 2019, there were no significant expenses arsing from environmental matters.

b — Provisions for pensions and severance payments

The majority of the Group's employees are covered by government-sponsored pension and welfare programs, whereas the Group makes periodic payments to various government agencies, which are expensed as incurred. In addition, the Group provides certain employees with additional retirement benefits through the sponsorship of defined contribution plans and defined benefit plans. The benefits provided by the Group depend on the legal, fiscal, and economic circumstances of each individual country and are primarily based on the length of service and the employee's compensation.

Under the defined contribution plans, the Group makes fixed payments to external pension funds. Once the contributions have been made, the Group does not have any further payment obligations towards the employees. These periodical contribution payments are recognized as part of the annual pension and severance costs and amounted to thous. EUR 6,396 in the financial year 2020 (2019: thous. EUR 6,008).

Defined benefit obligations in the Group consist of pensions and severance payments. These obligations exist in several countries where the Group has employees, in particular in Germany, Austria, and Great Britain.

The pension obligations cover the arrangement of a pension program for active employees and, after fulfillment of the vesting period, for former employees, including their surviving dependants. Essentially, these are managers and also employees for whom a corresponding commitment originating from a time before the acquisition of the respective subsidiary was assumed by the Group. Therefore, obligations exist both towards employees in existing employment relationships and also towards employees who have left or retired.

Expected payments under the pension plan may depend on the salary received by the employee in the last year of service or on an average of several years and, as a rule, are based on the length of service. Pension benefits are granted as a non-recurring payment or as monthly retirement payments. In case of retirement payments, the Group bears the risk of longevity and inflation due to pension adjustments to the full extent.

In Great Britain, the Group operates a defined benefit pension plan which is governed by a board of trustees composed of representatives of the Company and plan participants. The responsibility for investment decisions and contribution schedules lies jointly with the Company and the board of trustees.

Obligations arising from the severance of employees cover legal and contractual claims for non-recurring severance payments made by the Group to employees due to certain reasons, such as termination, dissolution of an employment relationship by mutual agreement, retirement, or death of an employee. These payments significantly depend on the number of years of service and the cause of termination.

Defined benefit pension and other benefit plans are measured and recognized applying the internationally common projected unit credit method according to IAS 19. According to this method, the actuarial calculation of future obligations is based on the proportionate obligations as of the balance sheet date. The valuation was conducted based on assumptions and assessments as of the balance sheet date. Significant influencing factors were discount interest rate, estimated life expectancy, expected salary growth rate, expected pension growth rate as well as retirement age.

Actuarial gains and losses which result from changes in the number of plan participants and from differences between actual trends and estimates that are the basis for calculation are recognized in other comprehensive income in the consolidated comprehensive income statement according to IAS 19.

The calculation of pension and other benefit obligations is based on the following actuarial assumptions:

	Dec. 31, 2020		Dec. 31, 2019	
(in %)	**Pensions**	**Severance**	**Pensions**	**Severance**
Discount rate	1.02 %	1.35 %	1.18 %	1.23 %
Salary growth rate	2.51 %	2.85 %	2.53 %	2.66 %
Pension growth rate	2.00 %	-	2.16 %	-

The information presented above shows the weighted average of all relevant entities of the Group.

Valuation of life expectancy was performed based on local mortality tables. These are in particular for Austria: AVÖ 2018-P "Angestellte" or "Gemischt" (2019: AVÖ 2018-P "Angestellte" or "Gemischt"), for Germany: Heubeck-Richttafeln 2018 G (2019: 2018 G), for Great Britain: Post Retirement and Pre Retirement: S3PA CMI_2019_M/F [1.25 %] (2019: S3PA CMI_2018_M/F [1.25 %]). As a rule, the retirement age corresponds to the respective country-specific legal regulations.

The following expenses were recorded for defined benefit pension and severance commitments:

	2020		2019	
(in thousands of EUR)	**Pensions**	**Severance**	**Pensions**	**Severance**
Service cost	1,074	2,040	1,557	1,939
Net interest on the net defined benefit liability	877	517	1,430	964
Past service costs	0	47	0	153
Effects due to plan changes	(27)	24	727	(176)
Administration costs	159	0	135	0
Net periodic benefit cost	**2,083**	**2,628**	**3,849**	**2,880**

The defined benefit obligation and plan assets developed as follows:

	2020		2019	
(in thousands of EUR)	**Pensions**	**Severance**	**Pensions**	**Severance**
Defined benefit obligation at the beginning of the year	**146,887**	**44,113**	**126,100**	**31,550**
Effect of exchange rate changes	(2,176)	(450)	1,983	(133)
Changes in consolidated companies	0	0	2,515	8,474
Service cost	1,074	2,040	1,557	1,939
Interest cost	1,685	517	2,676	964
Past service costs	0	47	0	153
Remeasurements	(557)	991	15,577	4,661
Thereof (gains)/losses from change in demographic assumptions (e.g. life expectancy, retirement age)	*(87)*	*89*	*(979)*	*(479)*
Thereof (gains)/losses from change in financial assumptions (e.g. discount rate, salary growth rate, pension growth rate)	*651*	*803*	*17,470*	*4,452*
Thereof experience (gains)/losses (deviation between actual value and planned value)	*(1,121)*	*99*	*(914)*	*688*
Benefit payments	(4,780)	(9,998)	(4,248)	(3,319)
Effects due to plan changes	(27)	24	727	(176)
Defined benefit obligation at the end of the year	**142,106**	**37,284**	**146,887**	**44,113**

	Pensions	
(in thousands of EUR)	**2020**	**2019**
Fair value of plan assets at the beginning of the year	**61,877**	**53,174**
Effect of exchange rate changes	(1,366)	1,285
Changes in consolidated companies	0	2,148
Interest income	808	1,246
Administrative expense	(159)	(135)
Remeasurements	(146)	791
Thereof return on plan assets excluding amounts included in interest income - net	*(146)*	*791*
Employer contributions	1,483	5,024
Benefit payments from plan	(2,351)	(1,656)
Fair value of plan assets at the end of the year	**60,146**	**61,877**

An overview of the geographic and divisional allocation of net periodic benefit costs for defined benefit pensions and severance, defined benefit obligation, and the fair value of plan assets for the financial years 2020 and 2019 is represented as follows:

	2020							
	MM Karton				MM Packaging			
(in thousands of EUR)	Germany	Austria	Other countries[1]	**Total**	Germany	Austria	Other countries	**Total**
Net periodic benefit cost	363	981	562	**1,906**	818	1,057	930	**2,805**
Defined benefit obligation at the end of the year	24,197	46,094	42,347	**112,638**	34,842	22,451	9,459	**66,752**
Fair value of plan assets at the end of the year	902	29,835	24,685	**55,422**	809	3,531	384	**4,724**

[1] This primarily includes the pension plan in Great Britain.

	2019							
	MM Karton				MM Packaging			
(in thousands of EUR)	Germany	Austria	Other countries[1]	**Total**	Germany	Austria	Other countries	**Total**
Net periodic benefit cost	535	1,730	1,315	**3,580**	997	1,047	1,105	**3,149**
Defined benefit obligation at the end of the year	26,195	52,049	42,947	**121,191**	37,211	23,979	8,619	**69,809**
Fair value of plan assets at the end of the year	920	29,245	27,321	**57,486**	717	3,280	394	**4,391**

[1] This primarily includes the pension plan in Great Britain.

The employers' contributions to plan assets for the year 2021 are expected to amount to thous. EUR 3,186. This includes a contribution for increasing plan assets and for other expenses in Great Britain in the amount of thous. EUR 3,059.

The structure of plan assets

There are plan assets for pension obligations in Austria and Germany in the form of qualifying insurance policies which are pledged to the respective beneficiaries. The Group contributes to qualifying insurance policies as required.

Further plan assets include a pension plan in Great Britain which is assessed by external asset management according to directives of the responsible board of trustees. Current directives allow for a proportionate investment of 30 % to 40 % in equity instruments and of 60 % to 70 % in debt instruments; minimum diversification is prescribed to diversify the default risk, by which the single investment value is limited to 2 % of the portfolio and the total value of all investments in one company is limited to 4 % of the portfolio. Investments in Private Equity Funds and Hedge Funds are forbidden. The objective of asset management is to maximize the return at an adequate level of risk; index-based benchmarks are given to asset management to measure the achievement of objectives. The Group is obliged to provide regular contributions to the plan assets in Great Britain based on a contribution plan over several years. Furthermore, there are plan assets in the form of a pension plan in the Philippines and a collective foundation in Switzerland.

The portfolio structure of plan assets as of December 31, 2020 and of December 31, 2019:

(in thousands of EUR)	Dec. 31, 2020	in %	Dec. 31, 2019	in %
Equity instruments:				
– developed markets	7,460		8,497	
– emerging markets	969		1,409	
Total	**8,429**	**14 %**	**9,906**	**16 %**
Debt instruments:				
– Corporate bonds	12,311		13,855	
– Government bonds	1,987		782	
Total	**14,298**	**24 %**	**14,637**	**24 %**
Qualifying insurance policy pledged to beneficiaries	36,309	60 %	35,822	58 %
Money market investment/Bank deposit	1,110	2 %	1,469	2 %
Total	**60,146**	**100 %**	**61,834**	**100 %**

All instruments in the category equity instruments and debt instruments are traded on active markets. Ratings of investments in debt instruments correspond at least of an "Investment Grade".

Plan assets market price risk

Return on plan assets is assumed in accordance with IAS 19 using the discount rate for the underlying obligation. That corresponds to the return on corporate bonds with good credit ratings. Provided that the actual return on plan assets exceeds (falls below) the discount interest rate used, net liability from the present plans decreases (increases). Due to the proportion of investments in equity in the plan assets in Great Britain, the actual return may, on the one hand, exceed the return on corporate bonds with good credit ratings in the long term and, on the other hand, result in higher plan asset volatility in the short term. Related price risk is considered as manageable by the Group, as the proportion of investments in equity in total plan assets is low. Furthermore, the obligations which reach maturity in the next years can be fulfilled using current cash flow of the Group and other components of plan assets.

The net liability from pension and severance obligations and the reconciliation to the net liability recognized are as follows:

	Dec. 31, 2020		Dec. 31, 2019	
(in thousands of EUR)	Pensions	Severance	Pensions	Severance
Defined benefit obligation	**142,106**	**37,284**	**146,887**	**44,113**
Thereof obligations covered by provisions	*57,210*	*37,284*	*61,740*	*44,113*
Thereof obligations covered by funds	*84,896*	*0*	*85,147*	*0*
Less fair value of plan assets	(60,146)	0	(61,877)	0
Net liability recognized as provision for non-current liabilities and charges	**81,960**	**37,284**	**85,010**	**44,113**

The following sensitivity analysis for pension and severance provisions presents the impact a possible change in significant actuarial assumptions might have on the obligation. If one significant assumption is changed, the other assumptions are kept constant.

	Impact on the defined benefit obligation 2020		
(in %)	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 3.6 %	Increase by 3.8 %
Salary growth rate	0.25 %	Increase by 0.8 %	Decrease by 0.7 %
Pension growth rate	0.25 %	Increase by 2.5 %	Decrease by 2.4 %

		Increase by one year in assumption	
Retirement age		Decrease by 0.8 %	
Life expectancy		Increase by 3.0 %	

	Impact on the defined benefit obligation 2019		
(in %)	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 3.6 %	Increase by 3.8 %
Salary growth rate	0.25 %	Increase by 0.9 %	Decrease by 0.8 %
Pension growth rate	0.25 %	Increase by 2.5 %	Decrease by 2.3 %

		Increase by one year in assumption	
Retirement age		Decrease by 0.8 %	
Life expectancy		Increase by 3.0 %	

The weighted average duration of the defined benefit obligation is 14.8 years as of the balance sheet date (December 31, 2019: 14.8 years).

The expected maturity analysis of defined benefit obligations for the next ten years as of December 31, 2020 and December 31, 2019 in relation to actual payments is as follows:

(in thousands of EUR)	Less than a year	Between 1 – 2 years	Between 2 – 5 years	Between 5 – 10 years	**Total**
As of Dec. 31, 2020					
Defined benefit plans	6,705	5,989	19,943	42,432	**75,069**
As of Dec. 31, 2019					
Defined benefit plans	5,256	9,620	21,782	44,276	**80,934**

16 — TRADE LIABILITIES

Current liabilities are, as a rule, stated at cost which presents the consideration to be paid.

Trade liabilities amounting to thous. EUR 220,437 (December 31, 2019: thous. EUR 219,562) as of December 31, 2020 comprise liabilities from acquisition of property, plant and equipment, and intangible assets amounting to thous. EUR 21,521 (December 31, 2019: thous. EUR 19,398) which are taken into consideration by the cash flow from investing activities as non-cash transactions as well as advances from customers in an amount of thous. EUR 2,609 (December 31, 2019: thous. EUR 1,100).

17 — DEFERRED INCOME AND OTHER CURRENT LIABILITIES

Accruals comprise the liabilities for which the exact time of utilization or amount is uncertain and which, at the same time, are definable to a high degree of certainty. Even if the amount and the exact time are occasionally only estimated, the measurement precision of accruals is significantly higher than that of provisions. Therefore they are recognized according to their origin as trade liabilities (see note 16) and other current liabilities, especially in personnel and social costs.

(in thousands of EUR)	**Dec. 31, 2020**	**Dec. 31, 2019**
Obligations for personnel and social costs	91,275	82,158
Other tax liabilities	14,339	13,290
Liabilities for customer rebates and bonuses	13,266	10,782
Deferred income	7,194	3,133
Other liabilities	14,109	13,430
Deferred income and other current liabilities	**140,183**	**122,793**
Thereof financial liabilities	12,437	11,984
Thereof non-financial liabilities	127,746	110,809

Obligations for personnel and social costs particularly include premiums and bonuses for employees, unused vacations as well as other deferred personnel-related obligations.

The calculation of liabilities for customer rebates and bonuses is based on the bonus and rebates claims of customers included in the underlying customer arrangements. Bonuses are set up in a way that customers receive a retrospective reimbursement if a certain purchase volume was reached within an invoicing period.

18 — PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

Provisions are created when the Group has a present legal or constructive obligation to a third party as a result of a past event, when it is probable that it will be settled and when the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

Provisions for large numbers of similar obligations, e. g. warranties, are measured at a probability-weighted expected value of assets reduction based on this group of obligations. A provision is also recognized under liabilities if the probability of a claim on assets is negligible within a single obligation included in this group.

In the financial year 2020, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Sales	Other provisions	**Total**
Balance at Jan. 1, 2020	**4,363**	**7,827**	**12,190**
Effect of exchange rate changes	(190)	(69)	(259)
Reclassifications	0	(2,816)	(2,816)
Utilization	(2,041)	(1,393)	(3,434)
Reversal	(132)	(268)	(400)
Increase	2,036	14,615	16,651
Balance at Dec. 31, 2020	**4,036**	**17,896**	**21,932**

In the financial year 2019, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Sales	Other provisions	**Total**
Balance at Jan. 1, 2019	**3,935**	**7,954**	**11,889**
Effect of exchange rate changes	(7)	4	(3)
Changes in consolidated companies	412	192	604
Utilization	(1,766)	(2,785)	(4,551)
Reversal	(317)	(258)	(575)
Increase	2,106	2,720	4,826
Balance at Dec. 31, 2019	**4,363**	**7,827**	**12,190**

The provisions for sales are recognized on product warranties and guarantees as well as returned goods. The provisions for product warranties and guarantees are made both on a legal and a contractual basis. Single risks, on the one hand, and the overall risk based on past experience, on the other hand, are taken into consideration by the calculation.

The position "Other provisions" primarily comprises provisions for restructuring measures in the amount of thous. EUR 11,208 (December 31, 2019: thous. EUR 15), litigations and legal costs, as well as other taxes.

In the interest of clarity, post-closure obligations for inherited liabilities are now classified as non-current and reclassified to "Non-current provisions for liabilities and charges" (see note 15).

19 — SEGMENT REPORTING INFORMATION

Mayr-Melnhof Karton AG and its subsidiaries operate in two operating areas, the production of cartonboard (division MM Karton) and the production of folding cartons and packaging (division MM Packaging). The Group is organized according to these two operating areas and is managed by the Management Board based on the financial information acquired thereon. Hence, the segments reported correspond to these two operating areas.

The division MM Karton manufactures and distributes numerous grades of cartonboard, focusing in particular on coated cartonboard made primarily from recycled fibers.

The division MM Packaging converts cartonboard into printed folding cartons purchased by customers in a variety of industries including food and consumer goods (e. g., packaging for cereals, dried foods, sugar, confectionary and baked goods, cosmetics and toiletries, detergents, domestic appliances, toys, tobacco products, pharmaceutical packaging, and high-grade confectionary).

Data provided by the management information system on which segment reporting is based is in accordance with the accounting and recognition principles applied to the consolidated financial statements. Central operations are completely allocated to the operating segments by an allocation system in analogy with the procedures in the management information system. Results from intersegment transactions have already been eliminated in the segment results.

The Group measures the performance of its operating segments by assessing operating profit and profit for the year as presented in the Group's income statement.

Intersegment sales are carried out on an arm's length basis.

Revenues are allocated based on the shipment destinations of finished goods, whereas non-current assets are allocated according to the location of the respective units.

Capital expenditures and depreciation/amortization and impairment refer to the acquisition or depreciation/amortization and impairment of property, plant and equipment as well as intangible assets including goodwill (see note 6).

Revenue recognition

Revenues comprise all income generated by the typical business activities of the Mayr-Melnhof Group and include income from the sale of numerous grades of cartonboard and folding cartons. The disaggregation of performance obligations under certain circumstances may result in a separation of performance obligations related to rendered transportation services, depending on the individual terms of delivery agreed with customers. These transportation services are, however, of low significance for the Group. Apart from this, no further material multiple-component contracts covering, for example, the performance of services besides the delivery of goods were identified. Tools, such as die cutting tools and engravings, are not to be considered as individual service obligations, because they are necessary for the fulfilment of contracts.

The transaction price to which the Group is entitled in exchange for the transfer of goods consists of the price for the transferred goods and any variable element in the form of customer rebates and bonuses and is to be paid on credit. Due to the agreed terms of payment, there is no financial component. The variable component is considered as "liability for customer rebates and bonuses". The amount of this liability depends on the probable claim of a customer and is regularly evaluated and adjusted, if necessary.

Revenues from manufacturing and selling cartonboard and folding cartons are recognized at a point in time based on the agreed individual terms of delivery.

The segment reporting information concerning the Group’s operating segments can be illustrated as follows:

	2020			
(in thousands of EUR)	MM Karton	MM Packaging	Eliminations	**Consolidated**
Sales to external customers	934,501	1,593,898	0	2,528,399
Intersegment sales	116,251	318	(116,569)	0
Total sales	**1,050,752**	**1,594,216**	**(116,569)**	**2,528,399**
Operating profit	86,695	144,685	0	231,380
Financial income	421	1,593	(302)	1,712
Financial expenses	(3,158)	(5,007)	302	(7,863)
Profit before tax	83,346	138,728	0	222,074
Income tax expense	(24,987)	(34,857)	0	(59,844)
Profit for the year	58,359	103,871	0	162,230
Capital expenditures	95,022	62,617	0	157,639
Depreciation and amortization[1]	(54,262)	(81,702)	0	(135,964)
Impairments[1]	(23,735)	(7,782)	0	(31,517)
Segment assets	1,218,682	1,421,188	(240,300)	2,399,570
Segment liabilities	378,009	714,763	(240,300)	852,472
Employees as of December 31	2,417	7,521		9,938

[1] for property, plant and equipment, and intangible assets

(in thousands of EUR)	2019 MM Karton	MM Packaging	Eliminations	**Consolidated**
Sales to external customers	967,219	1,577,190	0	2,544,409
Intersegment sales	111,078	765	(111,843)	0
Total sales	**1,078,297**	**1,577,955**	**(111,843)**	**2,544,409**
Operating profit	110,436	144,835	0	255,271
Financial income	421	1,363	(319)	1,465
Financial expenses	(3,079)	(5,634)	319	(8,394)
Profit before tax	106,317	144,812	0	251,129
Income tax expense	(27,449)	(33,461)	0	(60,910)
Profit for the year	78,868	111,351	0	190,219
Capital expenditures	84,757	66,243	0	151,000
Depreciation and amortization[1]	(51,750)	(82,579)	0	(134,329)
Impairments[1]	0	0	0	0
Segment assets	1,195,247	1,486,206	(258,800)	2,422,653
Segment liabilities	380,896	792,248	(258,800)	914,344
Employees as of December 31	2,516	7,498		10,014

[1] for property, plant and equipment, and intangible assets

The following table shows a country-by-country breakdown of net sales based on shipment destinations as well as a summary of non-current assets and capital expenditures based on locations:

	2020			2019		
(in thousands of EUR)	**Net sales**	**Non-current assets**	**Capital expenditures**	**Net sales**	**Non-current assets**	**Capital expenditures**
Austria	47,387	488,216	44,551	52,686	511,304	34,200
Germany	428,202	316,134	42,619	435,898	312,984	51,426
France	273,938	74,546	8,033	273,151	79,128	8,330
Great Britain	231,991	15,237	3,652	222,443	14,239	6,700
Other Western European countries	415,486	78,885	12,915	405,505	75,311	11,042
Eastern Europe (including Turkey)	715,985	231,644	35,959	726,173	244,263	27,558
Asia and MENA	256,693	100,649	7,224	258,885	112,165	8,085
The Americas	123,859	37,508	2,686	134,515	44,073	3,659
Other	34,858	0	0	35,153	0	0
Consolidated total	**2,528,399**	**1,342,819**	**157,639**	**2,544,409**	**1,393,467**	**151,000**

Non-current assets and capital expenditures comprise property, plant and equipment as well as intangible assets including goodwill (see note 6) as well as payments on account of property, plant and equipment (see note 12).

20 — OTHER OPERATING INCOME

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Insurance claims	6,645	2,982
Rental income	1,641	1,409
Gains and losses from disposal of property, plant and equipment, and intangible assets – net	625	623
Other income – net	10,897	6,868
Other operating income	**19,808**	**11,882**

Insurance claims include an insurance compensation in connection with the fire in Hirschwang, which has been netted with the causal expenses to the extent permissible (see note 5).

Other income – net includes income from compensation for damages in an amount of thous. EUR 2,090 (2019: thous. EUR 2,692), government grants in the amount of thous. EUR 1,356 (2019: thous. EUR 427), energy efficiency refunds in the amount of thous. EUR 2,479 (2019: thous. EUR 846) and a variety of individual items.

21 — EXPENSES BY NATURE

The consolidated income statements are prepared using the presentation of expenses by function. The following tables comprise a breakdown of expenses by nature for the financial years 2020 and 2019:

(in thousands of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Cost of materials and purchased services	1,317,888	1,362,118
Personnel expenses	526,548	496,774
Depreciation and amortization[1]	135,964	134,329
Impairments[1]	31,517	0
Other expenses	304,910	307,799
Total cost of sales, selling and distribution, administrative and other operating expenses	**2,316,827**	**2,301,020**

[1] for property, plant and equipment, and intangible assets

(in thousands of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Cost of materials and purchased services	1,317,888	1,362,118
Personnel expenses	363,329	350,236
Depreciation and amortization[1]	114,716	112,502
Impairments[1]	29,237	0
Other expenses	88,709	92,668
Cost of sales	**1,913,879**	**1,917,524**

[1] for property, plant and equipment, and intangible assets

(in thousands of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Personnel expenses	163,219	146,538
Depreciation and amortization[1]	21,248	21,827
Impairments[1]	2,280	0
Other expenses	216,201	215,131
Total selling and distribution, administrative and other operating expenses	**402,948**	**383,496**

[1] for property, plant and equipment, and intangible assets

22 — PERSONNEL EXPENSES

Personnel expenses from all Group areas can be broken down as follows:

(in thousands of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Gross wages	224,767	222,030
Gross salaries	176,034	167,879
Severance expenses	25,540	3,928
Pension expenses	7,116	7,577
Expenses for statutory social security as well as payroll-related taxes and compulsory contributions	82,917	82,473
Other welfare expenses	10,174	12,887
Total	**526,548**	**496,774**

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Factory workers	7,689	7,857
Office staff	2,287	2,315
Total	**9,976**	**10,172**

Remuneration of the management

The key management of the Group includes the Management Board and the Supervisory Board. The remuneration of the management is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Salaries and other short-term employee benefits (incl. remuneration of the Supervisory Board)	10,196	10,698
Post-employment benefits	575	5,546
Termination benefits	6,716	763
Total	**17,487**	**17,007**

The remuneration of the members of the Management Board is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Fixed remuneration	3,500	2,756
Variable remuneration	5,999	7,445
Total	**9,499**	**10,201**

The provision for variable compensations that has not yet been paid out amounted to thous. EUR 7,376 as of December 31, 2020 (December 31, 2019: thous. EUR 8,101).

In the financial year 2020, a company pension was paid to former board members and their surviving dependents, amounting to thous. EUR 328 (2019: thous. EUR 97).

The remuneration of the members of the Supervisory Board elected by the shareholders for the financial year 2020 amounted to thous. EUR 697 (2019: thous. EUR 497).

23 — EXPENSES FOR THE GROUP AUDITOR

The 26th Ordinary Shareholders' Meeting on April 29, 2020 appointed PwC Wirtschaftsprüfung GmbH as auditor for the consolidated and individual financial statements of Mayr-Melnhof Karton AG. Furthermore, they audited the individual financial statements of all material Austrian subsidiaries. In 2020, expenses for services rendered by PwC Wirtschaftsprüfung GmbH in Austria amounted to thous. EUR 461 (2019: thous. EUR 397), of which thous. EUR 405 (2019: thous. EUR 376) were related to auditing and other assurance services and thous. EUR 56 (2019: thous. EUR 21) were related to other services.

24 — RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are recognized as expenses as incurred. Neither as of December 31, 2020 nor as of December 31, 2019 have any development costs been capitalized.

Research and development costs recognized as expenses in the income statement amounted to thous. EUR 2,777 in the financial year 2020 (2019: thous. EUR 2,997).

25 — FINANCIAL INCOME

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Interest from bank deposits	1,592	1,359
Other financial income	120	106
Total financial income	**1,712**	**1,465**

26 — FINANCIAL EXPENSES

(in thousands of EUR)	**Year ended Dec. 31, 2020**	**Year ended Dec. 31, 2019**
Interest expense related to financial liabilities	(4,786)	(5,301)
Interest expense on lease liabilities	(1,585)	(1,673)
Other financial expenses	(1,492)	(1,420)
Total financial expenses	**(7,863)**	**(8,394)**

Other financial expenses comprise commitment fees for unused credit lines.

27 — OTHER FINANCIAL RESULT – NET

(in thousands of EUR)	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Foreign currency exchange rate gains (losses) – net	(2,758)	5,226
Net interest cost from benefit obligation	(1,499)	(2,605)
Dividend income	344	283
Interest effect from other non-current provisions	305	0
Result from investments accounted for using the equity method	284	(294)
Other financial income	169	177
Other financial result – net	**(3,155)**	**2,787**

28 — EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 "Earnings per Share". The standard requires the calculation and disclosure of two key figures: basic and diluted earnings per share. Basic earnings per share are calculated by dividing profit or loss attributable to the shareholders of the Company by the weighted average number of shares outstanding during the financial year. As there were no dilutive stock options neither as of December 31, 2020 nor as of December 31, 2019, it was not necessary to calculate the diluted earnings per share which thus correspond to the basic earnings per share.

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Profit attributable to ordinary shareholders of the parent company (in thousands of EUR)	161,188	189,743
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic earnings per share attributable to ordinary shareholders of the parent company (in EUR)	8.06	9.49

As in the previous year, the number of shares issued as of December 31, 2020 amounted to 20,000,000 shares.

29 — COMMITMENTS AND CONTINGENT LIABILITIES

Commitments from legal proceedings and similar claims

The Group is subject to various claims and legal proceedings that have arisen in the ordinary course of business. Based on all the facts available to the Management, the Group believes that the ultimate resolution of these claims and legal proceedings will be unlikely to have a material adverse effect on its financial position or the results of its operations, although no assurance can be given with respect to the outcome of such claims or litigations.

Commitments from environmental matters

The Group is also subject to various environmental legislations and regulations in the countries in which it operates. Expenditures for environmental matters which relate to existing conditions caused by past operations and have no significant future benefit are expensed as incurred. If an expense is probable and the respective amount can be reliably estimated, the Group recognizes provisions for environmental risks and post-closure obligations (see note 15).

Other contingent liabilities

At December 31, 2020, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 169,987 (December 31, 2019: thous. EUR 36,059). This development is mainly due to planned Group-wide investment programs focusing on expansion and renewal.

In addition, the Group has entered into an agreement (see note 32) to acquire Kotkamills Group Oyj ("Kotkamills").

30 — DISCLOSURES ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 5,919 were purchased from other related companies in 2020 (2019: thous. EUR 7,268). As of December 31, 2020, trade liabilities with other related companies amounted to thous. EUR 810 (December 31, 2019: thous. EUR 1,100).

In 2020, sales from transactions with associated companies amounted to thous. EUR 949 (2019: thous. EUR 1,549). As of December 31, 2020, trade and other receivables with associated companies amounted to thous. EUR 312 (December 31, 2019: thous. EUR 468), while trade liabilities with associated companies amounted to thous. EUR 0 (December 31, 2019: thous. EUR 311).

Raw materials amounting to thous. EUR 1,048 were purchased from joint ventures in 2020 (2019: thous. EUR 409). As of December 31, 2020, trade liabilities with joint ventures amounted to thous. EUR 0 (December 31, 2019: thous. EUR 297).

Transactions with these companies are carried out on an arm’s length basis.

Key management personnel of the Group (active Management Board and Supervisory Board members of Mayr-Melnhof Karton AG) and their close relatives are considered as related parties. For information regarding management remuneration please refer to note 22.

Expenses for consulting services rendered by two members of the Supervisory Board amounted to thous. EUR 120 (2019: thous. EUR 30). As of December 31, 2020, liabilities of thous. EUR 41 (December 31, 2019: thous. EUR 0) were recognized in this context. Standard market rates were charged for these consulting services.

For information about contributions to the pension benefit plan in Great Britain please refer to note 15.

31 — NOTES ON THE CONSOLIDATED CASH FLOW STATEMENTS

Cash and cash equivalents

Cash and cash equivalents comprise cash, checks, and short-term demand deposits at financial institutions with expiration dates within three months. Cash and cash equivalents denominated in foreign currencies are translated into Euro using the exchange rates at the balance sheet date. For the purpose of the statement of cash flows, the above defined cash and cash equivalents comprise the following:

(in thousands of EUR)	Dec. 31, 2020	Dec. 31, 2019
Fixed deposits	38,857	24,447
Unrestricted bank deposits and cash	107,330	102,292
Other restricted bank deposits	54	68
Cash and cash equivalents	**146,241**	**126,807**

Cash flow from operating activities is derived from the consolidated financial statements using the indirect method, while cash flows from investing and financing activities are calculated directly on the basis of cash inflows and outflows.

Cash flow from operating activities decreased from thous. EUR 331,421 to thous. EUR 318,184. This change is due to a lower cash-effective result and higher income tax payments.

In 2020, other adjustments in net cash from profit result in particular from the changes in non-current provisions and from effects of exchange rate changes.

Cash flow from investing activities changed from thous. EUR -380,554 to thous. EUR -142,860. This difference mainly results from the purchase price payment for the acquisition of the Tann-Group last year. In the financial year 2020, higher payments for the acquisition of property, plant and equipment, and intangible assets contrasted with a cash inflow from the provision of government grants in the amount of thous. EUR 6,150.

Cash flow from financing activities changed from thous. EUR -87,141 to thous. EUR -150,803, which is mainly due to loan repayments in 2020.

The following table shows a reconciliation of financial liabilities from cash and non-cash changes:

(in thousands of EUR)	Non-current interest- bearing financial liabilities	Current interest-bearing financial liabilities	**Total**
Balance at Jan. 1, 2020	**232,540**	**112,843**	**345,383**
Issuances of financial liabilities	514	128	642
Repayments of financial liabilities	0	(78,256)	(78,256)
Total cash changes	**514**	**(78,128)**	**(77,614)**
Effect of exchange rates	(576)	(331)	(907)
Other non-cash changes	(16,967)	18,531	1,564
Total non-cash changes	**(17,543)**	**18,200**	**657**
Balance at Dec. 31, 2020	**215,511**	**52,915**	**268,426**

Other non-cash changes mainly include additions to lease liabilities which contrasted with the acquisition of assets at the same amount.

(in thousands of EUR)	Non-current interest-bearing financial liabilities	Current interest-bearing financial liabilities	**Total**
Balance at Jan. 1, 2019	**177,348**	**34,334**	**211,682**
Issuances of financial liabilities	870	188,149	189,019
Repayments of financial liabilities	(943)	(202,027)	(202,970)
Total cash changes	**(73)**	**(13,878)**	**(13,951)**
Acquisition of subsidiaries	32,040	58,575	90,615
Effect of exchange rates	127	77	204
Initial application of IFRS 16	46,155	6,800	52,955
Other non-cash changes	(23,057)	26,935	3,878
Total non-cash changes	**55,265**	**92,387**	**147,652**
Balance at Dec. 31, 2019	**232,540**	**112,843**	**345,383**

32 — SIGNIFICANT SUBSEQUENT EVENTS AND FURTHER INFORMATION

With the agreement concluded in December 2020 between the Mayr-Melnhof Group and the previous owners of Kotkamills Group Oyj ("Kotkamills"), the Group acquires their shares at an enterprise value of approximately EUR 425 million less net debt to be taken over. The addition of Kotkamills will expand MM Karton's position in the attractive virgin fiber-based cartonboard (FBB) and Food Service Board (FSB) market, complementing its established position in recycled fiber-based cartonboard.

Kotkamills operates two board/paper machines at its integrated mill in Kotka (Southern Finland) and is a globally leading company, especially with its Saturated Kraft paper machine. Kotkamills employs about 500 people and most recently generated an EBITDA of around EUR 55 million with sales amounting to approx. EUR 380 million.

The transaction is subject to customary closing conditions and the approval of regulatory authorities. Closing of the transaction and inclusion of the business combination in the consolidated financial statements are expected by mid-2021.

On February 12, 2021, the Mayr-Melnhof Group has agreed to acquire International Paper (Poland) Holding sp. z o. o. ("Kwidzyn") from International Paper for a debt-and cash-free amount of around EUR 670 million and additionally assuming lease liabilities of around EUR 33 million. The acquisition of Kwidzyn is part of the Group's strategy to grow in the high-quality virgin fiber-based cartonboard sector (FBB) with innovative, sustainable and cost effective grades and creates an attractive growth potential. The planned transaction will have an immediate impact on earnings. At its integrated pulp and paper site in Poland, Kwidzyn operates a pulp mill with four integrated cartonboard/paper machines. About 2,300 employees work at the mill. In 2020, an adjusted EBITDA of approx. EUR 92 million was generated with sales amounting to approx. EUR 510 million.

The transaction is subject to customary closing conditions. Closing of the transaction is expected for the third quarter of 2021.

Both acquisitions will be integrated into the division MM Karton. The effects of both business combinations on the financial situation and profitability of the Group depend, subject to closing, on the results of the purchase price allocation and the related fair value measurement of the assets and liabilities and cannot be estimated at this point in time.

In order to finance the acquisitions, Mayr-Melnhof Karton AG raised loans in the form of Schuldscheinen and Namensschuldverschreibungen in the amount of EUR 1,000 million in February 2021. The durations of the loans, subject to interest at market conditions, are between 5 and 15 years.

Besides this, there have been no subsequent events after the balance sheet date with material effect on the consolidated financial statements of the Group.

33 — TABLE OF AFFILIATED AND ASSOCIATED COMPANIES

2020					2019				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC[1]	Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC[1]
Mayr-Melnhof Service GmbH, Vienna (AUT)	EUR	35	100.00 %	FC[1]	Ultimatec Engineering GmbH, Vienna (AUT)	EUR	35	100.00 %	FC[1]
MM KARTON					**MM KARTON**				
Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC[1]	Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC[1]
-	-	-	-	-	CartPrint AG i. l., Vaduz (LIE)	EUR	50	100.00 %	FC[1]
CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC[1]	CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC[1]
free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC[1]	free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC[1]
FS-Karton GmbH, Baiersbronn (DEU)	EUR	7,500	100.00 %	FC[1]	FS-Karton GmbH, Baiersbronn (DEU)	EUR	7,500	100.00 %	FC[1]
Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE[2]	Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE[2]
Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC[1]	Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC[1]
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC[1]	Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC[1]
Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]	Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]
Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC[1]	Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC[1]
Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC[1]	Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC[1]
Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC[1]	Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC[1]
MM Karton FollaCell AS, Follafoss (NOR)	NOK	10,000	100.00 %	FC[1]	MM Karton FollaCell AS, Verran (NOR)	NOK	10,000	100.00 %	FC[1]
MM Karton Turkey Ticaret Limited Sirketi i. l., Istanbul (TUR)	TRY	10	100.00 %	FC[1]	MM Karton Turkey Ticaret Limited Sirketi, Istanbul (TUR)	TRY	10	100.00 %	FC[1]
Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE[2]	Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE[2]

2020					2019				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Trading companies & sales offices of MM Karton					**Trading companies & sales offices of MM Karton**				
Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC[1]	Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC[1]
Keminer Remmers Spiehs Kartonhandels GmbH, Gernsbach (DEU)	EUR	1,280	100.00 %	FC[1]	Keminer Remmers Spiehs Kartonhandels GmbH, Gernsbach (DEU)	EUR	1,280	100.00 %	FC[1]
Mayr-Melnhof Cartonboard UK Limited, Theale-Reading (GBR)	GBP	1,000	100.00 %	FC[1]	Mayr-Melnhof Cartonboard UK Limited, Theale-Reading (GBR)	GBP	1,000	100.00 %	FC[1]
Mayr-Melnhof France SARL, Paris (FRA)	EUR	8	100.00 %	FC[1]	Mayr-Melnhof France SARL, Paris (FRA)	EUR	8	100.00 %	FC[1]
Mayr-Melnhof Italia S.R.L., Milan (ITA)	EUR	51	75.00 %	FC[1]	Mayr-Melnhof Italia S.R.L., Milan (ITA)	EUR	51	75.00 %	FC[1]
Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC[1]	Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC[1]
Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC[1]	Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC[1]
Mayr-Melnhof Benelux B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC[1]	Mayr-Melnhof Benelux B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC[1]
Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NE[2]	Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NE[2]
MM Guang Zhou Yue Ran Paper Co., Ltd. i. l., Guangzhou (CHN)	CNY	1,500	100.00 %	NC[4]	MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	NC[4]
MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC[1]	MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC[1]
MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC[1]	MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC[1]
MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC[1]	MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC[1]
MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC[1]	MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC[1]
MM Prodaja Kartona, trgovina s kartonom d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC[1]	MM Prodaja Kartona, trgovina s kartonom d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC[1]
Varsity Packaging Limited, Theale-Reading (GBR)	GBP	300	100.00 %	FC[1]	Varsity Packaging Limited, Theale-Reading (GBR)	GBP	300	100.00 %	FC[1]

2020

Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM PACKAGING				
Al-Ekbal Printing & Packaging Co. i. l., Amman (JOR)	JOD	3,500	86.94 %	FC[1]
Beaucrest Limited, Hong Kong (HKG)	HKD	1	100.00 %	NC[4]
C.P. Schmidt GmbH, Kaiserslautern (DEU)	EUR	3,000	100.00 %	FC[1]
C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, Kaiserslautern (DEU)	EUR	180	100.00 %	FC[1]
Danubia International, Kiev (UKR)	UAH	1	100.00 %	NC[4]
Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC[1]
Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC[1]
Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC[1]
Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC[1]
Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging International GmbH/Jordan PSC, Amman (JOR)	JOD	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC[1]
Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC[1]
Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	514,800,000	99.56 %	FC[1]
MM Graphia Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	5,538	100.00 %	FC[1]
MM Graphia Bielefeld GmbH, Bielefeld (DEU)	EUR	526	100.00 %	FC[1]
MM Graphia GmbH, Bielefeld (DEU)	EUR	25	100.00 %	FC[1]
MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]
MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC[1]

2019

Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM PACKAGING				
Al-Ekbal Printing & Packaging Co. i. l., Amman (JOR)	JOD	3,500	86.94 %	FC[1]
Beaucrest Limited, Hong Kong (HKG)	HKD	1	100.00 %	NC[4]
C.P. Schmidt GmbH, Kaiserslautern (DEU)	EUR	3,000	100.00 %	FC[1]
C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, Kaiserslautern (DEU)	EUR	180	100.00 %	FC[1]
Danubia International, Kiev (UKR)	UAH	1	100.00 %	NC[4]
Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC[1]
Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC[1]
Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC[1]
Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC[1]
Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging International GmbH / Jordan PSC, Amman (JOR)	JOD	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC[1]
Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC[1]
Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	514,800,000	99.56 %	FC[1]
MM Graphia Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	5,538	100.00 %	FC[1]
MM Graphia Bielefeld GmbH, Bielefeld (DEU)	EUR	526	100.00 %	FC[1]
MM Graphia GmbH, Bielefeld (DEU)	EUR	25	100.00 %	FC[1]
MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]
MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC[1]

2020					2019				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC[1]	MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC[1]
MM Packaging Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]	MM Packaging Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]
MM Packaging Caesar GmbH, Traben-Trarbach (DEU)	EUR	3,000	100.00 %	FC[1]	MM Packaging Caesar GmbH, Traben-Trarbach (DEU)	EUR	3,000	100.00 %	FC[1]
MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	84,000,000	100.00 %	FC[1]	MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	97,000,000	100.00 %	FC[1]
MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC[1]	MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC[1]
MM Packaging GmbH, Bielefeld (DEU)	EUR	26	100.00 %	FC[1]	MM Packaging GmbH, Bielefeld (DEU)	EUR	26	100.00 %	FC[1]
MM Packaging Polska Sp. z o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC[1]	MM Packaging Polska Sp. z o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC[1]
MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC[1]	MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC[1]
MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC[1]	MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC[1]
MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC[1]	MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC[1]
MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC[1]	MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC[1]
MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC[1]	MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC[1]
MMP Neupack Polska Sp.z o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC[1]	MMP Neupack Polska Sp.z.o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC[1]
MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC[1]	MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC[1]
MMP Premium Polska Sp. z o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC[1]	MMP Premium Polska Sp. z o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC[1]
MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC[1]	MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC[1]
MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC[1]	MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC[1]
MPC Besitzgesellschaft mbH, Traun (AUT)	EUR	3,700	100.00 %	FC[1]	MPC Besitzgesellschaft mbH, Traun (AUT)	EUR	3,700	100.00 %	FC[1]
Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC[1]	Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC[1]
OOO TANN Nevskiy, Pskov (RUS)	RUB	230,000	100.00 %	FC[1]	OOO TANN Nevskiy, Pskov (RUS)	RUB	230,000	100.00 %	FC[1]
PacProject GmbH, Hamburg (DEU)	EUR	26	100.00 %	FC[1]	PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC[1]
Private Joint Stock Company "Graphia Ukraina", Cherkassy (UKR)	UAH	5,880	94.78 %	FC[1]	Private Joint Stock Company "Graphia Ukraina", Cherkassy (UKR)	UAH	5,880	94.78 %	FC[1]
R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC[1]	R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC[1]
Société Tunisienne des Emballages Modernes, Tunis (TUN)	TND	9,640	45.00 %	EC[3]	Société Tunisienne des Emballages Modernes, Tunis (TUN)	TND	9,640	45.00 %	EC[3]
Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	116,331	100.00 %	FC[1]	Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	116,331	100.00 %	FC[1]

2020					2019				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
TANN ARGENTINA S.A., Buenos Aires (ARG)	ARS	12	100.00 %	NC[4]	TANN ARGENTINA S.A., Buenos Aires (ARG)	ARS	12	100.00 %	NC[4]
Tann Beteiligungs GmbH, Traun (AUT)	EUR	35	100.00 %	FC[1]	sigmavista it consulting gmbh, Traun (AUT)	EUR	35	100.00 %	FC[1]
TANN Colombiana S.A.S., La Ceja/Medellin (COL)	COP	351,000	100.00 %	FC[1]	TANN Colombiana S.A.S., La Ceja/Medellin (COL)	COP	351,000	100.00 %	FC[1]
TANN GERMANY GmbH, Glinde (DEU)	EUR	512	100.00 %	FC[1]	TANN GERMANY GmbH, Glinde (DEU)	EUR	512	100.00 %	FC[1]
TANN Holding GmbH, Traun (AUT)	EUR	70	100.00 %	FC[1]	TANN Holding GmbH, Traun (AUT)	EUR	70	100.00 %	FC[1]
TANN Invest GmbH, Traun (AUT)	EUR	35	100.00 %	FC[1]	TANN Invest GmbH, Traun (AUT)	EUR	35	100.00 %	FC[1]
TANN Longyou Ltd., Longyou (Zhejiang) (CHN)	CNY	97,245	95.69 %	FC[1]	TANN Longyou Ltd., Longyou (Zhejiang) (CHN)	CNY	97,245	95.69 %	FC[1]
TANN PAPER Limited, Woodstock (New Brunswick) (CAN)	CAD	600	100.00 %	FC[1]	TANN PAPER Limited, Woodstock (New Brunswick) (CAN)	CAD	600	100.00 %	FC[1]
TANN Philippines, Inc., Santo Tomas (Batangas) (PHL)	PHP	470,000	100.00 %	FC[1]	TANN Philippines, Inc., Santo Tomas (Batangas) (PHL)	PHP	470,000	100.00 %	FC[1]
TANN Service GmbH, Traun (AUT)	EUR	35	100.00 %	FC[1]	TANN Service GmbH, Traun (AUT)	EUR	35	100.00 %	FC[1]
TANN Shanghai Co., Ltd., Shanghai (CHN)	CNY	31,522	51.00 %	FC[1]	TANN Shanghai Co., Ltd., Shanghai (CHN)	CNY	31,522	51.00 %	FC[1]
TANNPAPIER GmbH, Traun (AUT)	EUR	1,000	100.00 %	FC[1]	TANNPAPIER GmbH, Traun (AUT)	EUR	1,000	100.00 %	FC[1]
TBG Development Philippines, Inc., Makati City (Metro Manila) (PHL)	PHP	53,320	100.00 %	FC[1]	TBG Development Philippines, Inc., Makati City (Metro Manila) (PHL)	PHP	53,320	100.00 %	FC[1]
VTV Verpackungstechnische Verfahren GmbH, Kaiserslautern (DEU)	EUR	200	100.00 %	FC[1]	VTV Verpackungstechnische Verfahren GmbH, Kaiserslautern (DEU)	EUR	200	100.00 %	FC[1]
Zhejiang TF Special Papers Co., Ltd., Quzhou (CHN)	CNY	50,000	40.00 %	EC[3]	Zhejiang TF Special Papers Co., Ltd., Quzhou (CHN)	CNY	50,000	40.00 %	EC[3]

The voting rights are equal to the ownership interests. The parent company does not hold any preferred interests in the subsidiary.
[1] FC ... fully consolidated company
[2] NE ... joint venture or associated company, but not consolidated at equity due to immateriality
[3] EC … consolidated at equity
[4] NC… not consolidated due to immateriality

34 — BOARD MEMBERS

During the financial year 2020, the Board Members were as follows:

Management Board
Peter OSWALD (Chairman, since April 1, 2020)
Andreas BLASCHKE (Member of the Management Board)
Franz HIESINGER (Member of the Management Board)
Wilhelm HÖRMANSEDER (Chairman, until March 31, 2020)

Supervisory Board
Rainer ZELLNER (Chairman)
Johannes GOESS-SAURAU (1st Deputy Chairman)
Nikolaus ANKERSHOFEN (2nd Deputy Chairman)
Romuald BERTL (Member of the Supervisory Board, until April 29, 2020)
Guido HELD (Member of the Supervisory Board, until April 29, 2020)
Alexander LEEB (Member of the Supervisory Board)
Georg MAYR-MELNHOF (Member of the Supervisory Board)
Ferdinand MAYR-MELNHOF-SAURAU (Member of the Supervisory Board, since April 29, 2020)
Klaus RABEL (Member of the Supervisory Board, since April 29, 2020)
Franz RAPPOLD (Member of the Supervisory Board, since April 29, 2020)
Andreas HEMMER (Employee Representative)
Gerhard NOVOTNY (Employee Representative)

Vienna, March 15, 2021

The Management Board

Peter Oswald m. p.

Andreas Blaschke m. p. Franz Hiesinger m. p.

Auditor's Report

Report on the Consolidated Financial Statements

Audit opinion

We have audited the consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2020, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2020, and of its financial performance and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under section 245 a of the Austrian Commercial Code.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

1. Restructuring measures in Austria and Germany in 2020

Description

The fundamental decision on closing individual locations and business lines made by the Management Board and approved by the Supervisory Board resulted in restructuring measures for both divisions of the Group in the financial year 2020.

In the cartonboard division, the production of Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten, Austria, was discontinued at the location in Hirschwang, Austria, at the beginning of November. The closure of the cartonboard mill in Hirschwang resulted in the need for impairment of the location's property, plant and equipment and inventories. Due to the necessary reduction of workforce, a social plan was agreed with the Works Council. Moreover, provisions for post-closure obligations were set up for the inherited liabilities existing at the location. The expenses for the financial year incurred in the course of closing the mill in Hirschwang amount to thous. EUR 23,486.

In the packaging division, it was announced that the gravure printing business line of MM Graphia Bielefeld GmbH, Bielefeld, Germany, would be closed and that the production of R+S Stanzformen GmbH, Niederdorfelden, Germany, would be discontinued and the location would also be closed. In addition to the impairment losses for property, plant and equipment and inventories, this also resulted in a reduction of workforce at these two locations. The expenses for the discontinuation of the gravure printing business line at MM Graphia Bielefeld GmbH resulting from the impairment of property, plant and equipment and inventories, and from setting up a restructuring provision for costs arising from a social plan that is still to be negotiated amount to thous. EUR 6,702, and to thous. EUR 5,871 for R+S Stanzformen GmbH.

For the consolidated financial statements, there is the risk that the impairment recognized for property, plant and equipment and inventories is not complete or not appropriate in amount, and that the costs estimated by management for the provisions recognized at the balance sheet date, in particular the provisions for the social plans in Germany that have not yet been negotiated, are not reasonable.

Audit approach and key observations

For the purposes of understanding the restructuring measures resolved on in the financial year, we read the corresponding resolutions of the Company's Management Board and Supervisory Board and gained an understanding of the measures resolved on. Based thereon, we received detailed documentation from management and checked the impact of the decisions made by the Management Board on the assets to be allocated to the respective locations and the provisions to be set up.

With regard to the examination of impairment of property, plant and equipment and inventories made by the Management Board, we ascertained the completeness of the assets affected at the locations and checked the assumed values serving as basis for the impairment losses. Property, plant and equipment still reporting a fair value also after the discontinuation was impaired to the respective fair value less cost to sell. In this respect, the Management Board consulted individual external independent experts who, as requested, determined the lower fair values less cost to sell. We critically assessed the expertise, skills and objectivity of the engaged experts. We partially involved our internal measurement experts when assessing whether the significant assumptions and input parameters used are appropriate as well as whether the measurement is adequate. We examined the measurement methods applied to determine whether they are in accordance with the relevant measurement principles for the consolidated balance sheet.

With respect to the restructuring provisions for the social plans, we gained an understanding of the structure of the employees that have been laid off or are to be laid off, and, in addition to examining whether all affected persons were included in the social plan, we examined management's significant assumptions regarding the expected payments to be made to the employees.

We examined the basis and amount of the provision for post-closure obligations for inherited liabilities set up for the Hirschwang location in the financial year. Together with external experts, we checked the Management Board's significant assumptions as to their completeness, plausibility and appropriateness. Moreover, we critically assessed the expertise, skills and objectivity of the engaged experts.

Finally, we evaluated whether the disclosures on the restructuring in the notes to the consolidated financial statements as of December 31, 2020 are complete and adequate.

The approach serving as a basis for determining the impairment of property, plant and equipment and inventories is adequate and complies with the accounting principles that are to be applied. The significant assumptions made by management for determining the impairment as well as for determining the provisions to be set up for the social plans and post-closure obligations are reasonable. The recognized impairment and expenses for costs resulting from the social plans are complete. The disclosures on the restructuring measures in Austria and in Germany in the notes to the consolidated financial statements as of December 31, 2020 comply with the provisions set forth in the IFRSs and are appropriate in relation to the impact on the Group's financial situation and profitability.

Reference to related disclosures

Related disclosures with regard to this key audit matter are to be found in the notes to the consolidated financial statements as of December 31, 2020 under note 5 – "Changes in the consolidated companies and other significant events" in subsection c – "Other significant events in 2020" as well as in notes 6, 15 and 18.

2. Impairment of assets – Recoverability of property, plant and equipment, and the carrying amounts of the cash generating units

Description

The consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft, Vienna, include property, plant and equipment in the amount of thous. EUR 996,472 as of December 31, 2020 (prior year: thous. EUR 1,034,471). In case of any indications in this regard pursuant to IAS 36, the Management Board evaluates whether property, plant and equipment or the carrying amounts of a cash generating unit may be impaired.

An impairment loss is recognized to the extent that the carrying amount of the asset, the group of assets or the cash generating unit exceeds the recoverable amount. The recoverable amount of an asset, a group of assets or a cash generating unit is the higher of the value in use or the fair value less cost to sell. When evaluating whether there are any indications for impairment, external and internal sources of information are to be taken into account. The Group determines the value in use by means of a discounted cash flow method (DCF method). In addition to forecasts of future cash flows (Free Cash Flows) before tax, particularly the capitalization rate (WACC) is also to be classified as such that it requires significant discretionary decisions. As already slight changes in the capitalization rate may have a significant impact on the recoverable amount, there are major estimation uncertainties with regard to determining the value in use and thus the recoverability of property, plant and equipment, the group of assets or the carrying amount of the cash generating units. In case there are any indications for a potential need for impairment and the value in use is below the carrying amounts of the asset, a group of assets or a cash generating unit, the management determines the fair value less cost to sell of the asset, the group of assets or the cash generating unit together with external independent experts, not impairing the individual assets to an amount that is lower than their respective fair value less cost to sell. In the financial year 2020, an impairment in the amount of thous. EUR 31,517 (prior year: thous. EUR 0) was recognized.

Measurement of the recoverable amount is complex, requires relevant expertise and depends on significant assumptions and discretionary decisions to a considerable extent. For the consolidated financial statements, there is the risk that the measurement assumptions serving as a basis for the impairment test – in case the recoverable amounts of the assets, the group of assets or the cash generating unit are not determined appropriately – may result in an unidentified impairment not recognized in the consolidated balance sheet.

Audit approach and key observations

We examined the indications for a possible impairment observed by the Management Board and checked whether there were any indications that the cash generating units exposed to risk and identified in this process may be impaired. Moreover, we evaluated whether all relevant internal and external sources of information were taken into account by management. We evaluated the impairment recognized by the Management Board in the financial year as to whether the distribution of the determined impairment limited to the lower of carrying amount and fair value less cost to sell of the (impaired) assets was adequately carried out.

We partially involved our measurement experts when examining the appropriateness of the significant assumptions and input parameters as well as the measurement of the values in use and, where relevant, the fair values less cost to sell. In doing so, we particularly ascertained the appropriateness of the assumptions made with regard to the planned development of future cash flows before tax. We assessed the capitalization rates being applied and how they were derived, both with regard to the individual assumptions and parameters based on available market data and against the backdrop of a critical overall evaluation in comparison with similar companies in the packaging industry. We verified the assumptions made by management with regard to the amount of the fair values less cost to sell of the assets to be tested and reconciled them with the information made available by the external expert. We checked the measurement methods applied to determine whether they are in accordance with the measurement principles set forth in the provisions of the IFRSs.

Finally, we evaluated whether the disclosures in the notes to the consolidated financial statements on the recoverability of property, plant and equipment of the cash generating units are complete and adequate. The carrying amounts of the property, plant and equipment or the cash generating units that were identified by management for impairment testing are complete and adequate. The significant assumptions and discretionary decisions made in this context are plausible and within a reasonable range. The impairment recognized in the financial year was carried out adequately as to its basis and amount. The disclosures in the notes to the consolidated financial statements as of December 31, 2020 with regard to the recoverability of property, plant and equipment and the carrying amounts of the cash generating units are complete and proper.

Reference to related disclosures

Related disclosures with regard to this key audit matter are to be found in the notes to the consolidated financial statements as of December 31, 2020 under note 6 – "Development of fixed assets" in in subsection a – "Property, plant and equipment including leases", subsection b "Intangible assets including goodwill" and in subsection c – "Recoverability of non-current assets".

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional regulations of section 245a of the Austrian Commercial Code, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

In addition, the following applies:
We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to the Austrian Commercial Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243 a of the Austrian Commercial Code and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional information in accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the Ordinary Shareholders' Meeting dated April 29, 2020. We were appointed by the Supervisory Board on July 29, 2020. We have audited the Company for an uninterrupted period since 2019.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 paragraph 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner
Responsible for the proper performance of the engagement is Frédéric VILAIN, Austrian Certified Public Accountant.

Vienna, March 15, 2021

PwC Wirtschaftsprüfung GmbH

Frédéric VILAIN m. p.
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.
Publication and sharing with third parties of the Group consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of section 281 paragraph 2 of the Austrian Commercial Code (UGB) apply.

We draw attention to the fact that the English translation of this auditor's report according to section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Statement of the Management Board

according to Section 124 of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties the Group faces.

Vienna, March 15, 2021

The Management Board

Peter Oswald m. p.
Chairman of the Management Board

Andreas Blaschke m. p.
Member of the
Management Board

Franz Hiesinger m. p.
Member of the
Management Board

Development in the 4th Quarter 2020

QUARTERLY OVERVIEW

Mayr-Melnhof Group (IFRS, unaudited)

(consolidated, in millions of EUR)	1st Quarter 2020	2nd Quarter 2020	3rd Quarter 2020	4th Quarter 2020	4th Quarter 2019	+/-
Sales	646.6	619.9	637.0	624.9	620.1	+ 0.8 %
EBITDA	98.9	112.8	95.4	91.8	92.4	- 0.7 %
Operating profit	64.6	57.9	46.8	62.1	59.7	+ 4.0 %
Operating margin (%)	10.0 %	9.3 %	7.3 %	9.9 %	9.6 %	
Profit before tax	62.8	54.9	42.9	61.5	56.9	+ 8.1 %
Income tax expense	(17.7)	(15.1)	(11.5)	(15.6)	(13.0)	
Profit for the period	45.1	39.8	31.4	45.9	43.9	+ 4.6 %
Net profit margin (%)	7.0 %	6.4 %	4.9 %	7.4 %	7.1 %	
Basic and diluted earnings per share (in EUR)	2.25	1.98	1.55	2.28	2.20	
Cash flow from operating activities	84.5	38.1	101.1	94.5	108.8	

In the fourth quarter of 2020, market dynamics in the cartonboard business traditionally slowed down, while demand in the folding carton business continued to be significantly higher than the previous year's level, in particular for fast moving consumer goods and e-commerce.

MM Karton recorded a capacity utilization of 96 % after 95 % in the fourth quarter of the previous year. The operating profit of the division amounted to EUR 18.3 million after EUR 23.1 million. Rising prices for paper for recycling under ongoing Covid measures as well as lower volumes and the increase of the one-off effect from the shut-down of Hirschwang Karton by EUR 2.5 million weighed on profit. The operating margin amounted to 7.2 % (4th quarter 2019: 8.7 %).

With a good volume development, the operating profit of MM Packaging of EUR 43.8 million was above the previous year's level (4th quarter 2019: EUR 36.6 million). The operating margin amounted to 11.0 % (4th quarter 2019: 9.5 %).

Consolidated sales of EUR 624.9 million were slightly above last year's period (4th quarter 2019: EUR 620.1 million) as a result of volume growth at MM Packaging.

The Group's operating profit and operating margin were slightly above the previous year's level at EUR 62.1 million and 9.9 %, respectively (4th quarter 2019: EUR 59.7 million; 9.6 %).

Profit before tax amounted to EUR 61.5 million (4th quarter 2019: EUR 56.9 million), while profit for the period was at EUR 45.9 million (4th quarter 2019: EUR 43.9 million).

Glossary

DEFINITION OF FINANCIAL INDICATORS

Cash earnings
Sum of profit for the year before depreciation, amortization as well as impairment of property, plant and equipment, and intangible assets and before non-cash-effective and deferred taxes.

Cash earnings margin
Cash earnings divided by sales.

EBITDA (Earnings before interest, income taxes, depreciation and amortization)
Operating profit plus depreciation, amortization and impairment of property, plant and equipment, and intangible assets.

EBITDA margin
EBITDA divided by sales.

Employees
Employees at the end of the year, including apprentices and part-time employees on a pro-rata basis.

Total equity and non-current liabilities to PPE
The sum of total equity and non-current liabilities divided by property, plant and equipment.

Equity ratio
Total equity divided by total assets.

Market capitalization
Number of shares outstanding multiplied with the closing share price as of the balance sheet date.

Net debt/Net liquidity
The sum of current and non-current interest-bearing financial liabilities including lease liabilities according to IFRS 16 less cash and cash equivalents.

In case the sum of cash and cash equivalents exceeds financial liabilities, there is net liquidity.

Net debt/EBITDA
Net debt/net liquidity divided by EBITDA.

Net profit margin
Profit for the year divided by sales.

Operating margin
Operating profit divided by sales.

Property, plant and equipment to total assets
Property, plant and equipment divided by total assets.

Return on assets (ROA)
The sum of profit for the year, excluding interest expense, and the respective profit or loss attributable to non-controlling (minority) shareholders according to IAS 32 divided by average total assets.

Return on capital employed (ROCE)
Operating profit divided by the sum of average total equity, average current and non-current interest-bearing financial liabilities including lease liabilities according to IFRS 16, average provisions for non-current liabilities and charges (excluding personnel provisions) and average obligations with regard to non-controlling (minority) shareholders according to IAS 32 less average cash and cash equivalents.

Return on equity (ROE)
Profit for the year divided by average total equity.

Return on investment (ROI)
The sum of profit for the year, excluding interest expenses and the respective profit or loss attributable to non-controlling (minority) shareholders according to IAS 32 divided by the sum of average total equity plus average current and non-current interest-bearing financial liabilities including lease liabilities according to IFRS 16.

Working capital
Total current assets less total current liabilities (excluding revolving bank credits).

Group Key Indicators

	2016	2017	2018	2019	2020
Development of sales (in millions of EUR)					
Total sales	2,659.5	2,751.9	2,788.1	2,976.9	**2,941.6**
less intersegment sales between the divisions	(102.9)	(104.7)	(108.7)	(111.8)	**(116.6)**
less intersegment sales in the divisions	(283.9)	(310.4)	(341.7)	(320.7)	**(296.6)**
Consolidated sales	2,272.7	2,336.8	2,337.7	2,544.4	**2,528.4**
Earnings data (in millions of EUR)					
Net value added	650.8	659.2	670.5	756.1	**756.5**
EBITDA	312.7[3]	314.7[3]	324.4[3]	389.6	**398.9**
Operating profit	213.7	215.0	217.1	255.3	**231.4**
Profit for the year	153.4	155.0	164.2	190.2	**162.2**
Cash flow from operating activities	219.4	217.2	250.1	331.4	**318.2**
Cash earnings	256.3	257.1	269.7	310.4	**325.4**
Depreciation/capital expenditures (in millions of EUR)					
Depreciation and amortization[1]	99.1	99.7	107.3	134.3	**167.5**
Capital expenditures (CAPEX)	144.2	159.1	124.4	151.0	**157.6**
Employees	9,927	9,856	9,445	10,014	**9,938**
Profitability indicators					
Return on equity	12.8 %	12.0 %	12.1 %	13.1 %	**10.6 %**
Return on assets	8.4 %	8.3 %	8.5 %	9.0 %	**7.1 %**
Net profit margin	6.7 %	6.6 %	7.0 %	7.5 %	**6.4 %**
EBITDA margin	13.8 %	13.5 %	13.9 %[3]	15.3 %	**15.8 %**
Operating margin	9.4 %	9.2 %	9.3 %	10.0 %	**9.2 %**
Cash earnings margin	11.3 %	11.0 %	11.5 %	12.2 %	**12.9 %**
Return on capital employed	17.4 %[3]	16.6 %[3]	16.2 %[3]	15.4 %	**13.7 %**
Return on investment	11.0 %	10.9 %	11.0 %	11.7 %	**9.4 %**
Balance sheet indicators					
Equity ratio	63.5 %	65.5 %	67.0 %	62.3 %	**64.5 %**
Property, plant and equipment to total assets	40.0 %	42.7 %	41.3 %	42.7 %	**41.5 %**
Total equity and non-current liabilities to property, plant and equipment	2.0	1.9	2.0	1.9	**2.0**
Working capital (in millions of EUR)	710.5	644.3	698.8	523.9	**584.4**
Financial indicators					
Net debt (-)/Net liquidity (+) (in millions of EUR)	- 7.2	- 11.8	49.4	- 218.6	**- 122.2**
Net debt/EBITDA	0.0	0.0	- 0.2	0.6	**0.3**
Share performance indicators (in EUR)					
Market capitalization[2] (in millions of EUR)	2,014	2,450	2,200	2,392	**3,300**
Basic and diluted earnings per share	7.67	7.73	8.18	9.49	**8.06**
Dividend per share	3.00	3.10	3.20	3.20	**3.20[4]**

[1] incl. impairment of property, plant and equipment and intangible assets
[2] per ultimo
[3] adjusted according to definition (see Glossary)
[4] proposed for 2020

The key indicators from the financial year 2019 onwards are not fully comparable with the previous years due to initial application of IFRS 16.

FINANCIAL CALENDAR 2021

April 18, 2021	Record date "Ordinary Shareholders' Meeting"
April 28, 2021	27th Ordinary Shareholders' Meeting – Vienna
May 5, 2021	Ex-dividend day
May 6, 2021	Record date "Dividends"
May 12, 2021	Dividend payment date
May 18, 2021	Results for the 1st quarter of 2021
August 19, 2021	Results for the 1st half-year of 2021
November 16, 2021	Results for the first three quarters of 2021

The English version of this annual report is a translation of the original German text. In case of doubt, the German version takes precedence.
The annual reports and interim reports can be requested from the Company and are also available on the Internet.
The financial statements of Mayr-Melnhof Karton AG prepared in accordance with Austrian Financial Reporting Standards were audited together with the management report by PwC Wirtschaftsprüfung GmbH, Vienna, and were approved without qualification. The financial statements have been submitted to the registrar of companies at the Vienna Commercial Court under registration number 81906a and will be published in the "Amtsblatt zur Wiener Zeitung" (Official Federal Gazette) as well as on the website of the Company.

We have prepared this report and reviewed the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids. This report also contains forward-looking estimates and statements based on the information currently available to us. Please note that a wide variety of factors could cause actual circumstances – and hence actual results – to deviate from the expectations contained in this report.

The determination of key indicators, which cannot be reconciled directly from the annual report, can be found on our website under section "For Investors/Key Indicators".

Statements referring to people are valid for both men and women.

Website: https://www.mayr-melnhof.com

Produced internally with firesys GmbH

Cover: Silvawhite, 275g/m^2, Mayr-Melnhof Eerbeek B.V., Netherlands

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