



2017

CONSOLIDATED NON-FINANCIAL REPORT
MAYR-MELNHOF KARTON AG

Corporate Responsibility

CONSOLIDATED NON-FINANCIAL REPORT

SUSTAINABILITY MANAGEMENT IN THE MM GROUP	2
STAKEHOLDERS	5
MATERIALITY ANALYSIS	6
SUSTAINABILITY TOPICS	7
Materials and product responsibility	7
1. Renewable raw materials and procurement	
2. Product safety	
Environmental management	15
1. Energy consumption and emissions in production	
2. Water consumption in production	
3. Waste in production	
Employees	21
1. Employee education and training	
2. Employee safety and health	
3. Working conditions/environment	
Society	24
1. Local economy and community	
2. Compliance	
CHAPTERS FROM THE ANNUAL REPORT	28
Foreword	29
Locations	30
Divisions	32
Human resources	36
MEASURES IMPLEMENTED	40
NON-FINANCIAL INDICATORS	42
ABOUT THE NON-FINANCIAL REPORT	45
GRI CONTENT INDEX	46

Sustainability management in the MM Group

Foreword

This detailed report on “Corporate responsibility” in our combined annual and sustainability 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 and how we deal with them. In doing this, we are fulfilling our new statutory obligation under the Sustainability and Diversity Improvement Act (NaDiVeG) to prepare a consolidated non-financial report according to Article 267 a of the Austrian Commercial Code (UGB), and we report in detail how we are dealing with matters of economic, social, and ecological interest.

The topics described below were determined in the course of a materiality analysis in the Company. Relevant performance indicators were identified following 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 in order to be able to provide additional information. Besides the information provided here, the sections “Foreword”, “Locations”, “Divisions”, and “Human Resources” in other parts of the Annual Report also form a part of the non-financial report.

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Franz Rappold m. p.

What we stand for

Responsible use of resources

We process primarily renewable raw materials and deploy state-of-the-art high-performance technologies in order to produce high-quality cartonboard and folding carton products in a resource-friendly way. These materials can be completely recycled after use. Sustainability and the implementation of a cyclical economy have thus always been an inherent part of the Mayr-Melnhof Group's business operations. Thereby, we combine a great sense of responsibility with long-term competitiveness.

Best possible standards

As an international group of companies with production sites in 18 countries and as the market leader in Europe, we have set ourselves the goal of sustainably establishing the best possible standards in all business areas throughout the Group.

Thus, we apply a challenging performance benchmark among individual locations to ensure that "best practice" takes root throughout the Group. Our long-term pursuit of this approach enables us today to demonstrate the best figures for many specific consumption and emission values in the industry. It is our ambition to improve them further through continuous investment in technical progress.

Corporate values – our guiding principle

Responsibility, performance, and passion are the practiced core values of the MM Group which guide our actions throughout the Group in a corporate culture characterized by economic efficiency, transparency, and trust. Our business development is characterized by a long-term nature under constant prioritization of profitability and solidity.

The highest degree of integrity is at the core of our principles of conduct, a sustainable protection of the environment is an inherent part of our business model. Besides adhering to the principles of honorable business people in our business activities, we also acknowledge our long-term responsibility towards society.

MM Group Code of Conduct

The principles of conduct of the Mayr-Melnhof Group are summarized in our Code of Conduct. They include the universal principles of the United Nations Global Compact, and constitute guidelines for the responsible actions of our employees in order to conform to the ethical guiding principles from the areas of legal compliance, human rights, and labor standards throughout the Group.

Continuous communication and training courses are intended to increase detailed knowledge of this topic and to provide orientation for its implementation.

Responsible persons

The ultimate responsibility for non-financial matters lies with the Management Board and Supervisory Board, operational decisions for the relevant matters being assumed by persons in charge.

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 commissioned to conduct the materiality analysis, data collection, and reporting. The managers of the specialist departments exercise their managerial duties, with each employee making his or her contribution. Sustainability management therefore does not take place in an isolated way, but as an integral element of the organization and its processes.

Stakeholders

The MM Group is aware of its responsibility towards a large number of stakeholder groups and acts accordingly in a purposeful manner.

Individual stakeholders of the MM Group were identified in the course of an analysis along the value added chain by involving internal experts from different Company areas as follows:

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
- Residents

Stakeholder dialog

The dialog with these stakeholders takes place in a variety of ways. Information may be obtained via a number of different channels (such as website or newsletter). MM is, however, also available for a personal exchange at any time (e.g. in the form of customer meetings, supplier discussions, trade fairs) and additionally conducts customer surveys at regular intervals. Shareholders and capital market participants are in regular contact with the Investor Relations department. Employee performance reviews are generally held once a year. Company representatives are members of European (e.g. CEPI, ECMA) and national interest groups (e.g. VDP, Austropapier).

Materiality analysis

A materiality analysis was carried out in 2017. It thoroughly analyzed MM's value added chain and evaluated the impacts on and potential risks for the environment, society, and the economy. The effects were subsequently rated in terms of their significance, and their relevance for MM's various stakeholder groups was prioritized. Internal experts from all relevant specialist areas were involved in this process. In addition, an industry analysis confirmed the relevance of the identified topics in the general context of sustainability and industry-specific characteristics.

The analysis and prioritization were performed separately for the two divisions of the MM Group and were then combined to obtain a weighted Group outcome.

The following key topics for MM resulted from the two dimensions of impact and stakeholder interests:

Key topic	NaDiVeG matters	GRI topic	See chapter
Renewable raw materials and recyclability	Environmental matters	301	Materials and product responsibility
Packaging safety	Social matters	416	Materials and product responsibility
Energy consumption and emissions in cartonboard production	Environmental matters	302, 305	Environmental management
Water consumption in cartonboard production	Environmental matters	303	Environmental management
Waste from production	Environmental matters	306	Environmental management
Employee education and training	Employee matters	404	Employees
Employee safety and health	Employee matters	403	Employees
Socially acceptable working conditions for employees	Employee matters, respect for human rights	102, 408, 409	Employees, society
Local employment and income effects	Social matters	201	Society
Compliance with regulations and requirements	Social matters	419	Society
Anti-corruption and anti-competitive behavior	Fight against corruption and bribery	205, 206	Society

While customers and consumers rate the topics of "packaging safety" and "socially acceptable working conditions for employees" highly, the topics of "local employment and income effects" and "employee safety and health" are important for the stakeholder group of employees. The topics of "compliance with regulations and requirements", "anti-corruption and anti-competitive behavior", and "waste and wastewater through production" were at the center of focus for the "public bodies" group. Industry associations are interested in "socially acceptable working conditions for employees" and "compliance with regulations and requirements". Capital markets and the supplier group consider the topics of "anti-corruption and anti-competitive behavior" and "compliance with regulations and requirements" as particularly important. Residents attach top priority to "impact on local communities" and "waste and wastewater through production".

Sustainability topics

MATERIALS AND PRODUCT RESPONSIBILITY

1 — RENEWABLE RAW MATERIALS AND PROCUREMENT

As industry leader, our aim is to set market standards also for the sustainable and responsible use of resources. Our focus lies on an independent verification of raw materials procurement and proven compliance of the company's working methods with international environmental and social standards that support long-term sustainable development.

The most important resources for manufacturing cartonboard are fibers, chemicals, water, and energy. In contrast, the focus of folding carton production lies on the materials used (cartonboard, inks, finishing materials, glue). Energy and water play a subordinate role here.

The MM Group processes almost exclusively renewable materials, namely fibers at MMK and cartonboard at MMP. Non-renewable raw materials play a much subordinated role in both divisions. This is also reflected by the volumes used, which are presented on page 42. While the MM Group, as a leading producer of recycled fiber-based cartonboard, processes almost three quarters of recycled fibers in its cartonboard mills, the use of recycled and virgin fiber-based cartonboard is balanced in the folding carton plants.

a — Cartonboard as the most sustainable packaging material

The MM Group defines cartonboard for many reasons as an "ecologically intelligent packaging material" as it has the lowest environmental impact and combines additional significant advantages.

Cartonboard is

- renewable due to the use of the organically regenerative raw material wood: certification for fibers from responsibly managed forests is considered as standard in the cartonboard industry.
- climate-friendly, as forests constitute an important carbon reservoir. Cartonboard has extremely low CO₂ values within the value added chain.
- recyclable, as cartonboard can be reused several times. Used cartonboard packages have the highest recycling rate of all packaging materials and form the basis for the production of environmentally friendly packaging material – recycled fiber-based cartonboard. A cellulose fiber can be recycled five to seven times.
- compostable and represents a valuable source of energy at the end of its life cycle, all in accordance with EU Directive 94/62/EC.

Production at MM Karton, which already works very energy-efficiently, is being increasingly fueled with energy from renewable sources.

There are no limits to the development of innovative, recyclable cartonboard packages whose possible applications far exceed their original function. This allows them to match the function and quality of the relevant product that they are intended to protect and present at any time.

For all these reasons, we see cartonboard as one of the most sustainable of all packaging solutions.

b — Materials used by MM Karton

Cartonboard is a product made from organic, renewable, and recyclable fibers. A difference is generally made between reprocessed fibers in the form of recovered paper and virgin fibers in the form of pulp or groundwood pulp. Production in MM's cartonboard mills uses 76 % of recycled fibers and around 24 % of virgin fibers from responsibly managed and controlled forests.

Recovered paper

The use of recovered fibers as part of a cascaded utilization of the renewable raw material wood is of great ecological benefit: the cycle is closed, increasing the life cycle of wood within the entire value added chain by many times.

More than 60 years ago, the Mayr-Melnhof Group recognized the economic and ecological advantage of "recovered paper" as a raw material and back then focused on the industrial production of recycled fiber-based cartonboard. Today, recycling is indispensable and is at the core of our economic activity. The paper and cartonboard industry differentiates between more than 60 grades of recovered paper.

Recovered paper is subject to strict quality standards. The different grades are precisely defined in the EN643 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 is directed to ensure the optimum verification of origin and quality as well as the highest level of supply reliability.

The raw material of recovered paper is available in sufficient quantities for our production sites. Around 60 million tons of paper are collected and reprocessed in Europe each year.

The stock preparation, i.e. breaking down individual fibers before application in the cartonboard machine, is very energy-efficiently possible for recycled fibers. In addition to the energy-saving aspect of the use of recovered paper, other ecological benefits include the protection and conservation of natural resources.

Virgin fibers

Around one quarter of the fibers used by MM Karton in cartonboard production is derived from virgin fibers (wood and pulp). The chain-of-custody certification according to PEFC™ and FSC® standards which was successfully completed in October 2009 at all cartonboard mills demonstrates that all fibers we use in cartonboard production come from responsibly managed forests and/or are inspected by independent third parties on a regular basis.

Continuous optimization of fiber use

Fibers are the most important material in the production of cartonboard. Cartonboard mills therefore work continuously on projects aimed at optimizing fiber use and application. Improvements in extracting recycled fibers are achieved primarily through progress in material processing. Constant monitoring ensures optimum use in day-to-day production.

Chemicals

Functional and process chemicals are required for the production of cartonboard. Functional chemicals are primarily inorganic pigments (calcium carbonate, kaolin), binding agents, starch, and sizing agents that aim at improving the visual, processing-related, and functional characteristics of cartonboard. Process chemicals, such as retention agents, dispersion agents, and defoaming agents, are necessary for the cartonboard production process.

All the chemicals used conform to 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 comply 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 of chemicals to humans and the environment.

Packaging

Our cartonboard products are shipped using functional transport packaging as a protection from damage or quality degradation from external influences. We always consider the relevant requirements of the means of transport and route and ensure an optimum and resource-efficient use of packaging materials, in particular of pallets and foils.

c — Materials used by MM Packaging

MM Packaging produces folding cartons in a huge range of sizes, shapes, designs and finishing techniques using a state-of-the-art machinery pool. The focus of folding carton production lies on maximum quality together with a cost-efficient and environment-friendly use of materials.

Print substrate (cartonboard and paper)

As a raw material, the print substrate is one of the main cost factors and has a decisive impact on print quality. It must have good printability properties and good operating performance in printing machines and packaging units.

MMP uses the following main types of print substrates:

- Coated cartonboard allows for brilliant color effects and thus an excellent printed image and a high gloss effect.
- Uncoated cartonboard is matt with a high-quality front made from pulp and is good for printing.
- Corrugated cardboard is a glued composite material with a corrugated paper web (corrugated medium) with at least one flat web of a different paper (liner). Liners can be, for example, Kraft liners, test liners, white top liners (white-coated liners).
- Paper is used for various packaging solutions. Coated and uncoated papers made from virgin fibers are mainly used.

Printing inks

MMP deploys a limited number of rigorously tested and certified ink systems with precisely specified pigments. Mixing equipment in our own plants allows us to satisfy even the most unusual color requirements of our customers.

Only low-migration inks and varnishes that comply with all relevant legal regulations are used for food packages. In Europe, these are, for example, Regulations (EC) No. 1935/2004 and No. 2023/2006. 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. Low-migration 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.

Varnishes

The value of printing can be significantly increased by applying a layer of varnish. Spot varnishing can be used to highlight certain pictorial elements (e.g. images of products) through matt/gloss contrasts resulting in special color effects.

Foils for blind and hot-foil embossing

Embossing is one of the most challenging and effective finishing methods. The use of different types of embossing foils (high-gloss embossing foil, metalized embossing foil, holographic embossing foil, etc.) allows for a large number of different effects to be realized with hot-foil embossing.

Glue

The quality of folding carton bonding depends on the adhesive used, the nature of the front and back of the cartonboard, and the process-related conditions in the folding carton gluing machine. The glue used for food packages thus has to fulfil high demands in terms of processability, strength of the adhesive seam, and safety for use with food, and is 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.

Printing and cutting dies (plates/cylinders)

Different methods of printing require different printing forms whose costs and production times have an influence on the suitability of a printing method. Printing forms for gravure printing are so expensive that they are only suitable for high-quality requirements with large print runs. The printing machines are required to transfer the ink as precisely as possible from the form to the print substrate with a consistent transfer quality over the whole print run.

Packaging

Packaging at MM Packaging is used in accordance with the principle of “as much as necessary, as little as possible” and also depends on customer requirements. Priority is given to sustainably manufactured materials. MM Packaging takes great care to ensure that packaging materials can be reused in the recycling process. Common materials include outer transportation packaging made from corrugated board, pallets, and foils.

d — **Procurement (supply chain)**

The main purchasing categories correspond to the materials discussed above, which are mainly obtained from European suppliers.

A significantly positive effect achieved by the MM Group with regard to the supply chain relates to the use of renewable raw materials. The reuse of recovered paper constitutes an important step for the environment and for society. On the other hand, care is always taken to obtain virgin fibers from sustainable sources. This minimizes the potential risk of interference with local communities and ecological systems.

Additional consequences for the environment, the economy, and society in MM's supply chain may result from energy and water consumption and the disposal of waste and wastewater. Strict safety regulations and measures are used to counter the risk of a chemical discharge. Local employment and income effects as well as investment activities complement the impact of the MM Group and its supply chain on the environment, the economy, and society. Since a large part of the supply chain operates in Europe, the risks of socially unacceptable working conditions, occupational accidents, and corruption in the supply chain are deemed to be low.

Business partners

We expect our business partners to comply with all legal regulations and customary industry standards within the supply chain, and we encourage them to introduce and implement similar principles of responsibility.

e — Chain of Custody (CoC)

As market leader, we see it as our obligation to set new standards for the sustainable and responsible use of resources in the market. The use of designated sustainable raw materials in production is of particular importance.

FSC® and PEFC™

In accordance with this principle, all MM cartonboard mills and some MM Packaging sites are certified according to the international forest standards systems FSC® and PEFC™.

This provides seamless evidence that all virgin fiber materials purchased and used by MM Karton come from sustainably managed and/or controlled sources, are harvested in accordance with applicable regulations, and are purchased in compliance with the principles and criteria of the relevant standards.

Moreover, MM Karton has committed itself to exclude the following origins for wood (in accordance with the currently valid FSC® “Controlled Wood Standard”):

- 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 by MM Karton and MM Packaging.

MMK mills work with a so-called credit system which records all purchased 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. The shares of FSC®- and PEFC™-certified and controlled virgin fiber use are presented on page 42.

In MM Packaging plants, FSC®- and PEFC™-certified cartonboard is stored and processed strictly separately from non-certified cartonboard. Which type of cartonboard is used in folding carton production depends on the wishes of our customers and product requirements.

2 — PRODUCT SAFETY

A key issue for the MM Group is the safety of food packages. This means that products of the MM Group are, firstly, free from any harmful substances and, secondly, migration-proof. Accordingly, no migration takes place from inks and varnishes printed onto cartonboard, nor from other materials with which cartonboard may come into contact, in quantities that might endanger human health.

Possible risks of product contamination, a potential harm for consumers' health, and possible violations of relevant regulations, legislation, and standards are minimized by applying the highest quality management standards and regular internal and external inspections.

Certifications to assure product quality

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. 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

A detailed overview of certified MM locations can be found on our divisional websites at <http://www.mm-karton.com/en> and <http://www.mm-packaging.com/en/locations>.

ISO 9001 quality management

The Mayr-Melnhof Group was one of the first companies in the cartonboard industry to be certified according to the ISO 9001 quality management system which currently covers all production sites of the cartonboard division as well as 90 % of the packaging locations.

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 of highest priority for us. 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 risk management, hygiene, product safety, and quality systems, and thereby comply with our customers' requirements regarding food safety.

Certified hygiene management in accordance with EN 15593

These requirements apply in particular to cartonboard packaging products used in the fields of food and pharmaceuticals. Here, 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 producing sites and 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 has priority in the folding carton industry. The ECMA GMP guideline was developed as an initiative of the ECMA (European Carton Makers Association). All European packaging sites comply with the requirements of this guideline.

ENVIRONMENTAL MANAGEMENT

The most important environmental impacts of the business operation of the MM Group is due to its energy and water consumption. While MM Karton requires proportionally higher volumes of energy, the consumption at MM Packaging is significantly lower. The difference is even greater with water consumption. MMP virtually does not need any water in production. In contrast, MMK needs large quantities of water for cartonboard production each year, which is why wastewater volumes in the cartonboard division are also higher than those of MMP.

One potential risk at MMK and at MMP consists in the discharge of chemicals in the course of production. This is minimized by complying with the relevant statutory regulations and moreover by specific safety measures, such as chemical storage areas equipped with retention basins, staff training, and meticulously planned incident management. Production waste is also incurred equally in both divisions.

After use, MM products are generally disposed of by end customers and consumers. The environmental impacts of the thus incurred packaging waste are low, as the materials used are environmentally friendly (compostable cartonboard, mineral-oil-free inks). Furthermore, the quantity of waste and hence its impact on the environment are reduced by MM's business model of reusing recovered paper.

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.

Each year, environmental objectives are defined at all levels concerned and for each relevant area. 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 the environmental performance and further planned measures as part of the management review.

Internal and external audits 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. In addition, the MM Group follows the precautionary principle in its activities by taking account of anticipated developments and forecasts for all objectives and measures.

Environment-specific certifications

ISO 14001

The systematic incorporation of environmental protection into management considerations already started back in 1996 with the certification of the cartonboard mill in Frohnleiten according to the globally applicable standard for environmental management systems, ISO 14001. Since then, regular internal and external audits have safeguarded the high environmental standard and supported us in meeting new requirements.

EMAS

Since 1996, the cartonboard sites in Frohnleiten and Hirschwang have participated voluntarily in the EC's ecological auditing regulation. 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 ISO 14001 certification, EMAS forms the basis of the continuous safeguarding of an integrated environmental management system at Mayr-Melnhof.

Today, the sites in Frohnleiten, Hirschwang, Eerbeek, and the fiber mill FollaCell are certified according to ISO 14001, with Frohnleiten and Hirschwang 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 from the certified sites. 18 locations in the packaging division are certified according to ISO 14001 and/or EMAS.

A detailed overview of our certified locations can be found on our divisional websites at <http://www.mm-karton.com/en> and <http://www.mm-packaging.com/en/locations>.

1 — ENERGY CONSUMPTION AND EMISSIONS IN PRODUCTION

ENERGY

a — Energy management

Resource-efficient operations not only pay off for us but also for our environment. The responsible management of our energy consumption has been of great importance to us since the Company was founded over 100 years ago. With every new construction project within the Group, care is taken to integrate the highest standards and systematically upgrade existing facilities.

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

ISO 50001

The MM Group always strives to increase energy efficiency and reduce specific costs. For this reason, production facilities – especially in the energy-intensive cartonboard division – are being increasingly aligned with the provisions of ISO 50001 certification. Five sites in the cartonboard division and five packaging sites are currently certified according to this standard.

Systematic energy management using a set of key performance indicators (KPIs) already resulted in a significant reduction in energy costs, greenhouse gas emissions, and other emissions in the past and is continued and systematically optimized. The success of projects performed in this context is also documented in detail, enabling everyone to clearly see their influence on saving energy.

b — MM Karton

Natural gas provides over 80 % of the primary energy needs 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 sources of energy in the individual mills include hydroelectric power, light heating oil, diesel, and liquefied gas. Furthermore, in the Hirschwang mill, left-over materials from production (reject materials and fiber sludge) are used in a thermal process to generate energy for the production of steam. The Frohnleiten mill also uses biogas from anaerobic wastewater treatment. Increasing efficient self-supply of power is MM Karton's long-term goal. Absolute and specific energy consumption figures in cartonboard production can be seen on page 43.

c — MM Packaging

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 of machinery and lighting are also implemented in the packaging division. Waste heat from the extensive pool of machinery is used, for example, to pre-heat other premises.

*EMISSIONS***a — MM Karton**

Exhaust air emissions that result from cartonboard production are mainly caused in energy production by burning natural gas. Emissions of CO₂, 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.

Low carbon footprint

Wood and cartonboard play a significant role in mitigating climate change. Trees absorb CO₂ while growing. Wood fibers from the forests that are processed into cartonboard store carbon in the finished product – the cartonboard product. Moreover, the recycling of folding cartons also keeps the carbon stored, preventing its return into the atmosphere. Cartonboard and folding carton thus play a role in the expansion of forests and in the protection of the environment.

In the light of climate change and climate protection, a disclosure of the carbon footprint is a way of helping consumers to compare and assess the environmental impact of the production process through to the finished product.

In accordance with the agreement of the European paper, cartonboard and packaging producers, MM Karton, along with other manufacturers, applies the calculation method of the NASCI framework (National Council for Air and Stream Improvement) which was defined by the CEPI (Confederation of European Paper Industries), and is scientifically sound and independently audited.

Since October 2014, Pro Carton, the European association of the cartonboard and folding carton industry, has published the latest average CO₂ footprint of folding carton production in Europe: Due to a reduction by an additional 3 % in three years, the carbon footprint is now at 885 kg of fossil CO₂ equivalent per processed ton of folding carton and is largely offset by the storage of -730 kg of biogenic CO₂. This is the result of continuous improvement measures in the entire production process – from the use of raw materials and energy to waste reduction. The official Pro Carton method of calculating the carbon footprint for the production of folding cartons starts with the raw materials (cradle) and ends at the folding carton producer's exit gate.

Emission certificates ("carbon leakage" classification for MM Karton)

Due to the good level, the volume allocation of CO₂ certificates to the seven cartonboard mills located within the European Union and the FollaCell fiber mill for the financial years 2013 up to and including 2020 was largely free of charge. Accordingly, a sufficient number of CO₂ certificates is available for these sites until the end of 2020. The political goal of the European Union is a reduction in CO₂ emissions by approximately 20 % by 2020 compared to the reference year 1990. In this context, free allocations of CO₂ have been reduced since 2013. The EU reserves the right to revise its free CO₂ allocation in the event of changes in the "carbon leakage" classification of individual sectors.

CO₂ emissions are determined based on a comprehensive monitoring concept adapted to each location in accordance with Regulation (EU) No. 601/2012. The absolute and specific direct CO₂ emissions in MM Karton's production can be found on page 43.

2 — WATER CONSUMPTION IN PRODUCTION

Water is an essential operating resource in the cartonboard production process. It is used in large quantities over the entire course of production – from the stock preparation of recovered paper through processing fibers to its use as a coolant and for the production of steam to generate power.

Hereby it is important to clearly emphasize the difference between water use and water consumption. 90 % of the water is only used temporarily in production (e.g. as cooling water) before being treated and returned. Only about 10 % of the water used is not actually returned, but remains either in the product as residual moisture or evaporates. A residual moisture content in cartonboard is mandatory for further processing.

The fresh water used is taken from nearby rivers and from the ground or supplied by surrounding communities. By using the latest technologies, the water is reused efficiently a number of times within the mills.

MM Karton's aim is a sustainable reduction in the use of water by continuously optimizing production processes. Specific water consumption is kept very low and is further reduced through recirculation switching and increases in efficiency.

Wastewater

At MM Karton, the extracted ground and surface water is generally used a number of times, first as cooling water and then in several stages as process water. 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 specially trained Company-internal staff and in regular external inspections. Compliance with the relevant statutory regulations is verified by the appropriate national or regional authorities.

3 — WASTE IN PRODUCTION

a — Waste management

With regard to waste disposal we generally apply the principle of "prevention before recycling before disposal". Disposal itself is carried out by authorized waste collectors, recyclers, and disposal firms in accordance with the relevant statutory provisions, depending on the type of waste. We aim at combining economic and ecological benefits, in particular by constantly minimizing residual materials.

b — Major types of waste

MM Karton

The largest share of waste in terms of volume in recycling mills is the residual waste from the processing of recovered paper, 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, workshop waste, and batteries, are handed over to licensed waste disposal companies for disposal in compliance with statutory regulations.

MM Packaging

In the folding carton production, the largest share of waste is by far accounted for 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 total waste volume, and which is handed over to authorized waste disposal firms in compliance with statutory regulations.

EMPLOYEES

The Mayr-Melnhof Group is a reliable and attractive employer for almost 10,000 people, around 89 % of them in Europe and 11 % in Latin America, the Middle East, and Asia. We see their cultural diversity and differing ranges of experience as an enrichment for our international business activity.

We are proud of our employees. Without them our success would not be possible. Since we think sustainably, we want to help our highly qualified colleagues to develop over the long term within the Company. We train young people, enable them to gather international experience, and guide them to assuming responsibility in key positions. We also fill top positions from our own ranks and systematically prepare talents for these challenges. We value experience and encourage long-time employees to pass on their great expertise to younger colleagues. We rely on mutual trust, respect, and recognition.

Due to the fact that we are a manufacturing business, MM places great emphasis on safety. Safety sheets and trainings are used to reduce any possible adverse effects of working with chemicals, the risk of occupational injuries, and psychological stress. Besides a largely stable employment, the extensive development of knowledge and expertise in numerous training courses has a positive effect on our employees.

High standards as the guiding principles of HR management

The Code of Conduct covers the fundamental needs of our employees. This standard applies to all employees around the world. The Code of Conduct of the Mayr-Melnhof Group 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 it.

1 — EMPLOYEE EDUCATION AND TRAINING

Lifelong learning

Against the backdrop of demographic development and an increasing lack of qualified experts, the focus of our personnel development lies on ensuring the general conditions in which our employees can fully develop their talents over the long term and, with growing skills, take on increasingly more responsible tasks in an international setting. We actively promote career paths and international deployment within the Company.

Forward-looking personnel development

Our approach is to sustainably retain talents and knowledge within the Group. The basis for this is the prospective further development and qualification of our employees, which we encourage at all levels, at individual locations as well as through mobility within the Group to enable them to grow with MM. For this purpose, numerous programs have been firmly established within the Group which are continuously optimized and systematically accompany employees along their career paths with the Mayr-Melnhof Group. When defining programs particular emphasis is placed on designing them to offer challenging tasks and contents and provide an active contribution to the Company.

A detailed description of the personnel programs of the MM Group can be found in the management report.

2 — EMPLOYEE SAFETY AND HEALTH

Prevention and screening at the core of health management

Our health management policy aims at preserving the health and vitality of our employees at a high level throughout their entire working lives. Prevention and screening are given the highest priority and are primarily provided by continuous care from company doctors, regular preventive check-ups, and health and occupational safety training courses. Since recently, resilience and resource mobilization trainings help employees to deal with stress and strain in order to achieve balance with simple means.

Responsibility for health management lies at the local level in the factories with the respective general managers and their safety officers, as they best know the needs within their facilities and of how to comply with country-specific regulations.

Individual standards for safety and health in the workplace are observed. Ongoing measures, such as a regular evaluation and trainings are geared to continuously improving health and safety in the workplace.

Our goals in the area of occupational safety include a continued reduction in the rate of accidents, the promotion of safety awareness through continuous trainings and timely information of our employees, as well as the insistence on safety-assured services from our suppliers based on safety certifications. The management wants all employees to leave their workplace in a healthy state.

3 — WORKING CONDITIONS/ENVIRONMENT

Working hours and remuneration

We observe the effective regulations concerning working time in all Group companies. We acknowledge the entitlement of our employees to appropriate remuneration, and we comply with the statutory provisions of the relevant countries.

As in most industrial companies, production operations in the MM Group run in shifts. This means that appropriate compensatory measures are offered to the employees.

Relationship to employees and employees' representatives

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.

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. In addition, there are performance- and contribution-based severance obligations and obligations as part of statutory pre-retirement schemes.

SOCIETY

Companies are required not just to assume responsibility for their employees and the environment, but also to be aware of their responsibility for society as a whole. Related issues include, among others, the direct and indirect local impacts of their own business activities and the supply chain. Furthermore, topics such as the observance of human rights and the fight against corruption and bribery are generally becoming increasingly relevant.

MM's impacts on society are estimated to be predominantly positive, for example as a result of local effects on employment and income, the know-how development of employees and the associated higher purchasing power. There are hardly any negative effects of MM production sites on local societies. Potential risks resulting from the business activities of the MM Group for society consist in corruption, anti-competitive behavior, and violations of human rights. These issues are addressed by the Code of Conduct and complementary measures (see below).

1 — LOCAL ECONOMY AND COMMUNITY

The impacts of businesses on the local economy and communities – especially in the case of production companies – are not to be neglected. In case of the MM Group, care is taken to ensure that there are as few negative effects on neighboring communities as possible and to reinforce the positive effects. For example, events are held to engage in an active dialog with consumers and residents, and stakeholder groups are encouraged to get into contact with representatives of the MM Group.

The local economy in which MM locations are embedded benefits, on the one hand, from employment and income effects of the MM businesses and, on the other hand, from the further development of skills and qualifications of MM employees.

Residents always have the possibility to express their concerns to the local management of the sites or to the central Corporate Communications/Investor Relations department of the MM Group.

2 — COMPLIANCE

The MM Karton division generates 83 % of its sales in Europe and 17 % in countries outside Europe. Cartonboard mills are located in Germany, Austria, the Netherlands, and Slovenia. The MM Packaging division has 37 production sites in 15 countries on 3 continents. 88 % of sales are generated in European countries. MMP's production outside Europe takes place in Columbia, Chile, Vietnam, Jordan, and Iran.

The risk of human rights violations or 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.

Protection against active fraud is provided in particular by organizational structures and their application in the systems. The Management Board is, for example, obliged to report on the fight against corruption to the Supervisory Board once a year.

a — Observance of guidelines and regulations

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 cited in previous sections.

Compliance comprising all those actions and measures aimed at observing laws, codes of conduct, and other standards, is a key task of the Management Board in the Mayr-Melnhof Group and is accompanied by a compliance program subject to continuous further development.

The compliance risk arising from a potential failure to adhere to standards, laws, rules of conduct and, possibly, voluntary declarations of commitment, is countered in particular by protective measures in systems, regular and systematic compliance monitoring, the principle of dual control, and guidelines (such as the Code of Conduct). Furthermore, we have set up the function of an independent Compliance Officer who is responsible for compliance training as well as internal and external reporting.

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.

b — Anti-corruption and competitive behavior

Conflicts of interests, fight against corruption

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 interest. No bribes or any other form of unlawful payments or benefits may be accepted, offered, or paid.

Guideline: accepting gifts, granting benefits

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. The sole exceptions are generally customary hospitality and occasional benefits of a verifiably low value. A strict standard must be generally applied in judging this. In any case of doubt, the Compliance Officer must be consulted, who will then issue a corresponding recommendation.

Competition, conduct in the market

We fully commit 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.

The Group's rejection of cartel violations is expressed in antitrust compliance guidelines that also describe appropriate conduct in dealing with competitors.

Guideline: relationship with competitors, customers, associations

Agreements with competitors and coordinated practices that aim at or result in a restriction or prevention of competition are prohibited. As a principle, great care must be taken in dealing with competitors to ensure that no information that allows for any conclusions on current or future market behavior to be drawn is passed on, received, or exchanged.

No employee of the Mayr-Melnhof Group may in any way restrict customers in the free arrangement of their supply relationships and pricing.

Collaboration in associations and participation in their events only take place for legitimate reasons. Any arrangement with competitors or any exchange of information is in strict accordance with the applicable legislation.

Should employees of the Mayr-Melnhof Group find themselves in questionable circumstances from an anti-trust law perspective, it is imperative that any discussions are broken off immediately, the relevant locality is left immediately, and the Compliance Officer is informed.

c — Protection of assets and sensitive information

Employees of the Mayr-Melnhof Group are responsible for protecting tangible and intangible assets of the Company within their fields of activity.

The area of capital market compliance is covered by a binding internal compliance policy applicable for all persons concerned in order to prevent insider dealings.

d — Human rights

Even if a large part of MM facilities are located in European countries, the MM Group may be exposed to risks regarding human rights in countries outside Europe. There are, for example, risks of forced labor, child labor, and the violation of labor standards and equal opportunities. Those risks are, however, deemed to be low for the industry, and strict compliance with standards is a way of actively counteracting such risks.

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 through regular internal and external audits. The way in which fair working conditions are ensured is described in more detail in the Employees section.

We also reject child labor, irrespective of local legislation, throughout our Company and in the companies of our business partners. Throughout our Group we comply with 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.

Chapters from the Annual Report

Dear Shareholders,

I am pleased to inform you that your Company was able to remain on the course for success in the financial year 2017. The general conditions were challenging. Not only did we succeed in compensating a significant increase in recovered paper prices in a highly competitive market, but also in achieving in 2017 an even better result than the record result of the previous year. A consistent price policy, systematic cost management, and an excellent performance of the entire MM team have made this possible.

I would like to thank everyone for their high level of commitment.

The focus on our core business, cartonboard production and processing, and adherence to our principle of maintaining market leadership through cost, technology and innovation leadership have proven successful. A return on capital employed of around 15 % again and solid cash earnings amounting to 11 % of sales underline the Group's continuing solid financial performance.

The generated funds give us the strength to improve our competitive position through investments in state-of-the-art technology and cost reduction, to expand further, and to distribute attractive dividends over the long term.

In 2017, we invested around EUR 160 million in the future. One focus area was the expansion of our packaging sites outside Europe in Vietnam, Iran, and Jordan to enable further growth with international customers. In Europe, we focused primarily on technological renovation to increase the value added of our products and processes. The fact that MM Karton now generates around one fifth of its sales with products that have only been on the market for a few years is the result of the successful collaboration of our sales and engineering

experts with our customers. We make use of digitalization and automation in a future-oriented way to accelerate processes in both divisions and have significantly expanded the associated expertise within the Group. A prime example of this is our new sales and service channel "MMK digital", which will go online in the second quarter of 2018. This new service will be available around the clock to provide our customers with real-time information. Lead times in cartonboard sale will be cut to a fraction.

For the first time, we present a combined annual and sustainability report which also discusses non-financial topics. The Company's long-term, responsibility-oriented policy of implementing a circular economy business model shows that we are also creating sustainable benefits for our stakeholders and society as a whole by adopting a holistic approach.

The success achieved in 2017 has further raised our ambitions as well as the level of tension. The economic situation still remains favorable, at the same time competitive and cost pressure requires new productivity and cost reduction initiatives. Our aim remains to maintain a high quality of results and to pursue our course of long-term growth.

Your Company is well-positioned for these endeavors.

Accompany us further on!

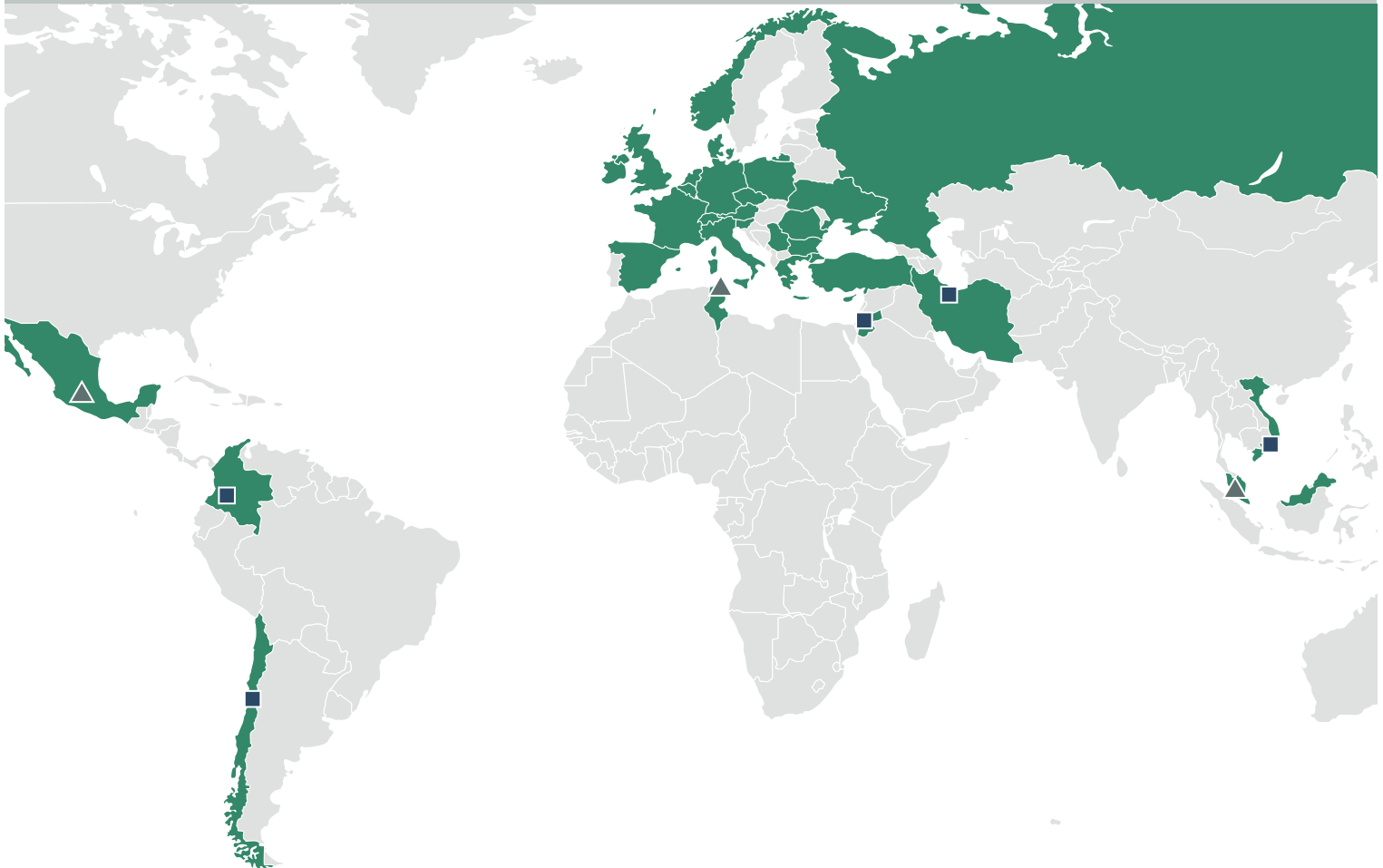


Wilhelm Hörmanseder
Chairman of the Management Board
February 28, 2018

Global presence with a focus on Europe

Products from our European cartonboard mills are sold worldwide. The business of individual folding carton sites is in particular focused on the respective regional market due to the limited economic delivery radius.

85 % share of sales in Europe

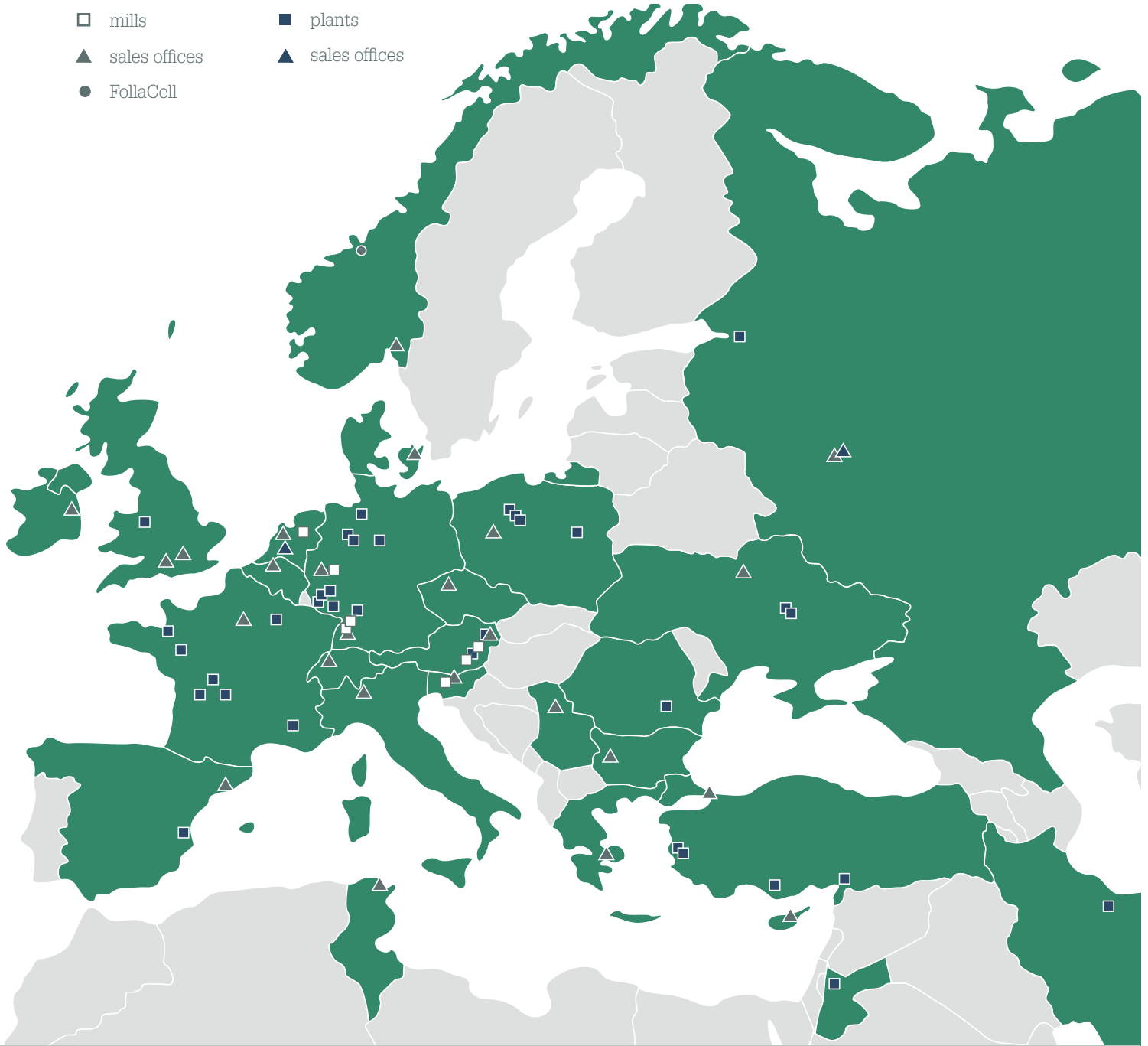


MM Karton

- mills
- ▲ sales offices
- FollaCell

MM Packaging

- plants
- ▲ sales offices



(Values 2017)

44 production sites
on 3 continents

37 folding carton plants

7 cartonboard mills

Sales in more than **100** countries

MM Karton

Sustainable Board Solutions

Market leader MM Karton is the world's largest producer of coated recycled fiber-based cartonboard with a significant position in virgin fiber-based cartonboard. With an annual production capacity exceeding 1.7 million tons, approx. 80 % being accounted for by recycled fiber-based cartonboard and approx. 20 % by virgin fiber-based cartonboard.

Sustainable market The products of MM Karton are used predominantly for the production of cartonboard-based packaging for consumer staples. The main sales focus lies on food packaging as well as packaging for household and hygiene products and pharmaceuticals. MM Karton's customers are mainly folding carton producers of the still highly fragmented European folding carton industry. The influence of consumer goods manufacturers continues to increase. MM Packaging is the largest customer of MM Karton, with a share in deliveries of approx. 11 %, purchasing as a profit center at market conditions.

Global sales – main market Europe The seven European cartonboard mills of MM Karton sell their cartonboard products worldwide. Europe is the main market with a share of 80 % – a solid and mature market. Owing to the high level of specific finishing of cartonboard in individual formats and high logistical demands regarding short-term product delivery to customers, the European cartonboard market is primarily supplied from Europe. Trade between the continents plays a minor role, particularly for recycled fiber-based cartonboard. The European cartonboard industry is highly concentrated, with the five largest suppliers accounting for more than three-quarters of the capacities.

Success through cost leadership and innovation We focus consistently on a continuous reduction of unit costs and technological progress in the areas of products and service. In combination with an increasing share of new and optimized products, we want to strengthen and extend our leading position. Sustained investments in our facilities are primarily aimed at lowering specific costs, especially fiber and energy costs. The current digitalization initiative, "MMK digital", is intended to set us apart from our competition, particularly in the service field.

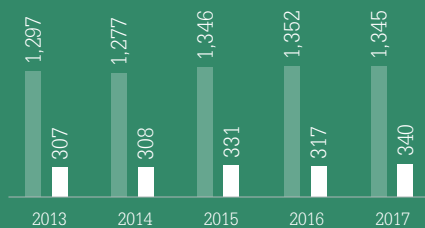
MM Karton Key Indicators

Consolidated non-financial Report

(in millions of EUR)	2017	2016	+/-
Sales	1,048.7	1,023.0	+ 2.5 %
EBITDA	115.9	109.0	+ 6.3 %
Operating profit	73.5	68.1	+ 7.9 %
Cash earnings	100.3	91.6	+ 9.5 %
EBITDA margin	11.1 %	10.7 %	
Operating margin	7.0 %	6.7 %	
Cash earnings margin	9.6 %	9.0 %	
Return on capital employed	12.7 %	12.4 %	
Capital expenditures (CAPEX)	65.9	83.7	- 21.3 %
Depreciation and amortization	42.4	40.6	+ 4.4 %
Employees	2,524	2,554	- 1.2 %

	2017	2016	+/-
Tonnage sold (in thousands of tons)	1,675	1,671	+ 0.2 %
Tonnage produced (in thousands of tons)	1,685	1,669	+ 1.0 %
Recycled fiber-based board	1,345	1,352	
Virgin fiber-based board	340	317	
Capacity utilization	98 %	97 %	

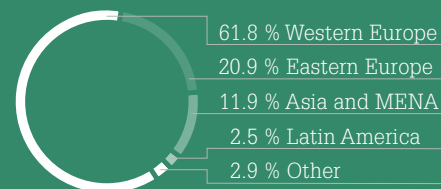
Tonnage produced by MM Karton



■ Recycled fiber-based board
■ Virgin fiber-based board

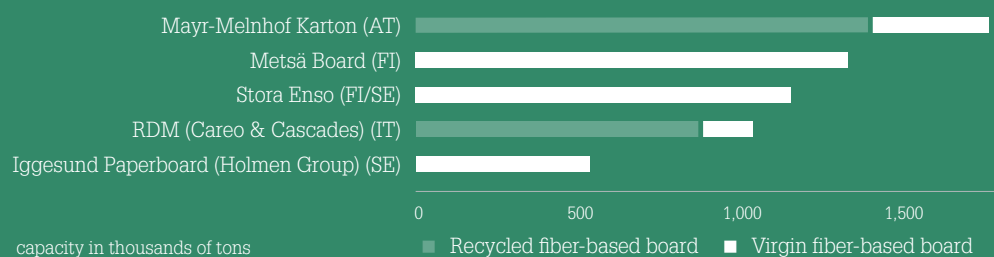
in thousands of tons

Sales by destination¹⁾



¹⁾ incl. interdivisional sales

Leading European producers of coated board



capacity in thousands of tons

■ Recycled fiber-based board ■ Virgin fiber-based board

Source: MM, excl GK, LPB (Stora Enso) and CNK from USA

MM Packaging

Shaping the World of Cartons

Market leader in Europe and beyond In 2017, MM Packaging processed around 767,000 tons of recycled and virgin fiber-based cartonboard into around 63 billion consumer goods packages. MM Packaging is thus the leading producer of folding cartons in Europe and one of the largest producers worldwide. Folding cartons are defined as a regional product as the supply radius is significantly limited by transport costs and service demands. With an international network of 37 sites in 15 countries, MM Packaging does not only offer a unique, pan-European supply concept, but also holds a leading position in individual countries in the Middle East, Latin America, and the Far East.

Volume business and high-end packaging Cartonboard packages for consumer staples are the main sales area of MM Packaging. Due to a broad technological base and market expertise, our business covers the high-volume market of fast-moving consumer goods (FMCG) and the highly specialized markets of packages for cigarettes, pharmaceuticals, detergents, personal care, and luxury products.

Focus on highly efficient industrial production MM Packaging focuses on differentiation through industrial production within the European folding carton industry which is largely structured by trade businesses. The systematic exploitation of economies of scale due to location size and production plant networks and the use of high-performance technology characterize our position. MM Packaging's guiding principle is the creation of the "perfect factory" – with the aim of maintaining sustainable market leadership based on cost leadership.

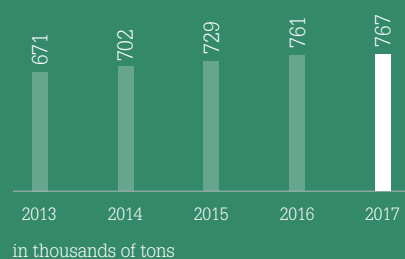
Expansion with strong customers Major international customers account for around 78 % of sales. Business with a large number of local customers constitutes another core area. Accompanying strong customers along their growth paths has been a determining factor of MM Packaging's expansion course for a long time. We thus focus on both organic growth and acquisitions in order to continuously expand our position in both young and mature markets.

MM Packaging Key Indicators

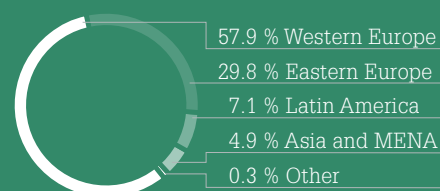
Consolidated non-financial Report

(in millions of EUR)	2017	2016	+/-
Sales	1,392.7	1,352.6	+ 3.0 %
EBITDA	198.4	205.0	- 3.2 %
Operating profit	141.5	145.6	- 2.8 %
Cash earnings	156.8	164.7	- 4.8 %
EBITDA margin	14.2 %	15.2 %	
Operating margin	10.2 %	10.8 %	
Cash earnings margin	11.3 %	12.2 %	
Return on capital employed	16.7 %	18.4 %	
Capital expenditures (CAPEX)	93.2	60.5	+ 54.0 %
Depreciation and amortization	57.3	58.5	- 2.1 %
Employees	7,332	7,373	- 0.6 %
	2017	2016	+/-
Tonnage processed (in thousands of tons)	767	761	+ 0.8 %
Sheet equivalent (in millions)	2,289.9	2,240.1	+ 2.2 %

Tonnage processed by MM Packaging

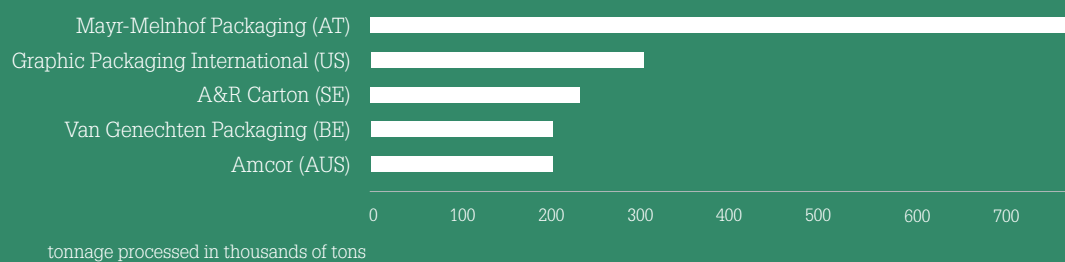


Sales by destination¹⁾



¹⁾ incl. interdivisional sales

Leading folding carton producers in Europe



Source: MM

HUMAN RESOURCES

At the end of 2017, the Mayr-Melnhof Group employed a total of 9,856 people in 26 countries. Their expertise, their sense of responsibility, and their achievements are the basis of the Company's success. The goal of our human resources program is to guarantee conditions in the long term in which our employees can optimally implement the Group's strategy in a dynamic international environment. Great care is taken to ensure that the best qualified specialists and managers are available to the Mayr-Melnhof Group in the long term in order to secure the leading position and continued course of growth.

For this reason, we constantly evaluate our human resources program and adapt it to current requirements. The focus lies on strategic personnel planning, recruitment and employee development, education and advanced training as well as the systematic preservation of knowledge within the Group. The "Corporate Human Resources" function manages the program centrally for the Group, its implementation being performed locally at the individual sites.

Focus on corporate values

Responsibility, performance, and passion are our corporate values. We align our actions with them in a corporate culture characterized by mutual trust, respect, and great loyalty. As a performance-oriented team with shared values, we strive to ensure that "best practice" can take root throughout the Group, and we demonstrate real-life examples of this on a regular basis.

A high degree of personal responsibility and individual entrepreneurship characterize our organization, in which we collaborate in accordance with the guiding principles of openness and subsidiarity. This enables us to ensure the efficiency, speed, and flexibility necessary to continue enhancing our competitive strength.

Prospective personnel development

We aspire to retain knowledge and talents within the Company over the long term by offering attractive career opportunities in the Mayr-Melnhof Group. This is why we fill new areas of responsibility and vacant positions internally wherever possible. This requires a proactive development and qualification of our employees, which we encourage at all levels at individual locations as well as through mobility within the Group.

For this purpose, we have established several programs that for years have successfully guided employees very systematically through their careers at the Mayr-Melnhof Group. Particular emphasis is placed on continuously optimizing the programs and offering challenging tasks that are regularly based on current requirements, allowing participants to make an active contribution to the Company.

Systematic support from the start

With our “Young Professionals” program, we offer ambitious young people 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 guiding principle is “the apprentice as an opportunity for our Company and our Company as an opportunity for the apprentice”. MM bears the Austrian quality seal “Top Company for Apprenticeships” and was awarded as “Great Place to Start” by Great Place to Work®.

At the end of 2017, 186 apprentices (December 31, 2016: 211) were in training within the Group, with a focus on industrial and technical professions. We are pleased that, as a result of encouraging diversity, around one fifth of our apprentices are women.

With the support of mentors, the “Young Professionals ++” program leads to the targeted transfer of technical and managerial responsibility a few years after completion of an apprenticeship.

In the “Ranger” program, we prepare “High Potentials” for future key positions. A special feature of this program is that “Rangers” take on 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 support from experienced managers and additional opportunities for training and gaining experience. Professional qualification, high motivation, language skills, and international mobility are fundamental requirements for participation in the program. In addition to their individual tasks, “Rangers” work together on a project of topical relevance within the Group. In 2017, the focus was on “Industry 4.0” including the areas of digitalization and automation as well as dealing with demographic change.

In our “Explorer” programs, we offer young university graduates with a few years of professional experience attractive career paths in Key Account Management, Controlling, or Engineering (production, automation). Personal mentoring and technical upskilling provide support in an exciting hands-on position.

MM-Academy – Fit for the Future

The “MM-Academy” is the central institution for education and advanced training for our employees at all levels within the Group. Besides teaching specialist knowledge and language skills, training focuses on communicating social and managerial skills, as well as the “MM Apprentice Academy”. The key criterion for every course 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 values in the framework of a multiannual program. The “MM-Academy” trains around 1,300 employees in class-based courses each year. In addition, we increased the use of online training in 2017, for example with regard to the General Data Protection Regulation.

MM Human Resources – well prepared for the General Data Protection Regulation

Corporate Human Resources is well prepared for the increased responsibility involved in handling personal data pursuant to the General Data Protection Regulation, which is due to take effect in May 2018, and is closely involved in the Group's current project aimed at implementing the new regulation. Employees have been and are being communicated the necessary information via different channels and are receiving awareness training to deal with personal data on a daily basis. Working together with the Group's Data Protection Officer, Human Resources ensures that the new requirements with regard to formal duties, the legal basis for data processing and technical data protection are complied with.

Proactive against demographic change – safeguarding the expert knowledge of older employees

We have been addressing the expected shortage of specialists resulting from demographic change with foresight for many years. Besides apprenticeships and employee recruitment, we especially promote projects that tie the long working experience and expert knowledge of older employees to the Group ("Methusalems" program). This enables us to successfully combine time-proven practice with innovation and to fundamentally safeguard complex projects. The exchange of ideas between young and old is a valued, inherent element of our "Ranger" and "Explorer" programs.

Active personnel marketing

We offer prospective employees a wide range of options of being introduced to the Group and getting in touch with us before they start a career with us. Continuous collaboration with schools, universities, and colleges as well as our regular participation in career fairs allow us to position the MM Group as an attractive employer and to get into contact with young people at an early stage. In this context we have, among other things, been cooperating with the degree program "Industrial Packaging Technology" at the University of Applied Sciences, "FH Campus Wien", for a number of years.

Prevention and screening at the core of health management

Our health management policy aims at preserving the health and vitality of our employees at a high level throughout their working lives. Prevention and screening are given top priority and are provided by continuous care from company doctors, a range of regular preventive check-ups, and health and occupational safety training courses. Regular information and new ideas are intended to raise awareness for our health program. In this connection, resilience and resource mobilization training, which was introduced several years ago, and which helps employees to deal with stress and strain, continues to prove very popular.

Diversity – an enrichment

As a company with a broad geographic base, we appreciate the cultural variety and diversity of our employees as an enrichment enabling us to achieve our aim of establishing "best practice" throughout the Group in the long term. We systematically identify new potential in ambitious, ongoing performance benchmarking between locations and support implementation within the Group. Great importance is attached to the exchange of specialists and specific expertise among locations.

Performance-related remuneration

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 individuals with high performance are able to get their share of the Company's success.

Development of number of employees

A high level of continuity characterized the development of the number of employees in 2017. As of December 31, 2017, 9,856 people were employed by the Group (December 31, 2016: 9,927). 2,524 of these were employed in the MM Karton division (December 31, 2016: 2,554), 7,332 in the MM Packaging division (December 31, 2016: 7,373). The share of employees in Europe totaled 88.6 % (December 31, 2016: 86.4 %), meaning that 11.4 % were accounted for by non-European countries (December 31, 2016: 13.6 %). The number of employees in Austria amounted to 1,499 (December 31, 2016: 1,478).

Employees of the Group

	Dec. 31, 2017		Dec. 31, 2016	
	Number	%	Number	%
Western Europe (excl. Austria)	4,476	45.4 %	4,520	45.5 %
Austria	1,499	15.2 %	1,478	14.9 %
Eastern Europe	2,759	28.0 %	2,574	26.0 %
Asia and MENA	561	5.7 %	708	7.1 %
Latin America	561	5.7 %	647	6.5 %
Total	9,856	100.0 %	9,927	100.0 %

Words of thanks

The Management Board and the Supervisory Board thank all employees for their high performance and great commitment that made the financial year 2017 another year of success. We express our gratitude and appreciation to the employee representatives for their trustful and constructive cooperation.

Measures implemented

1 — FIBERS

We achieve optimization of fiber use in particular by a continuous further development of our products and formulations. In 2017, we succeeded above all in reducing the use of pulp in recycled fiber-based cartonboard through the improved use of recycled fibers.

2 — ENERGY

Measures implemented by MM Karton focused in particular on improving the efficiency of energy generation through technological optimization of existing systems and on replacement investments. The most important project was the completion of a new gas and steam power station at the Frohnleiten site in Austria, replacing the existing plant to reduce NO_x emissions and increase efficiency. Moreover, possibilities for obtaining greater quantities of hydroelectricity were exploited.

All measures aimed at improving energy efficiency per ton of cartonboard have been coordinated in the “e.ffiiciency” initiative for around a decade. Based on the significant reduction in specific energy consumption already achieved, we aim to continuously exploit new savings potentials. These projects involve all areas of cartonboard production, from material preparation and operation of the cartonboard machine to equipment and our own power stations and wastewater purification systems.

Optimization measures at MM Packaging in 2017 focused on climate systems and improvements in energy monitoring. In addition, the switch to LED lighting was continued.

3 — EMISSIONS

The power station at the cartonboard production site in Frohnleiten, which was completed in 2017, will make a significant contribution to reducing NO_x emissions from 2018 onwards. The installation of a new gas turbine at the Eerbeek mill in the Netherlands also has a positive effect on the development of NO_x emissions. Furthermore, switching transport from road to rail wherever possible has been pursued.

4 — WATER

In the area of water usage, MM Karton focused on optimizing its water treatment plants, improving temperature monitoring, and technical modernization in 2017. MM Packaging primarily implemented projects aimed at reducing water consumption and minimizing wastewater.

5 — CHEMICALS

Chemicals management focused on optimizing preventive measures, storage, transportation, recycling, and the examination of substitute materials.

6 — WASTE

In the cartonboard division, phasing out the de-inking process at the Eerbeek mill in the Netherlands in 2017 eliminated the resulting reject material and the need for its disposal. Thermal utilization of the wastewater sludge at the Hirschwang mill led to a reduction in the volume of waste and in gas consumption. With regard to transport packaging, improvements in the quality of packaged items and a reduction in foils were achieved.

At MM Packaging, the topics of reducing waste and optimizing the use of materials are of central importance to maintain cost leadership and contribute significantly to the conservation of resources. Projects with this focus were also continued in 2017 and focused in particular on measures to further reduce waste and on improvements in separation and recycling.

7 — EMPLOYEE EDUCATION AND TRAINING

A focus was placed on the continuation of the broad range of systematic development programs within the Group and on training courses provided by our central institution for education and advanced training, the "MM-Academy". Moreover, cross-divisional and subject-specific conventions and seminars offered many opportunities for consolidating and expanding knowledge.

8 — EMPLOYEE SAFETY

Safety management initiatives focused primarily on improving operational infrastructure, optimizing protective equipment, face-to-face and online training, as well as evaluating specific workloads. In addition, the deployment of specialists for occupational safety was extended at individual sites.

9 — CERTIFICATION

In 2017, all cartonboard mills successfully switched from the INREKA standard to EN 15593 (hygiene standard for foodstuff packaging). Five mills are currently undergoing the extensive transition to the new version of the ISO 9001/14001 standards for quality and environmental management. Two cartonboard mills and the FollaCell fiber mill have already successfully implemented them. Certification and recertification, in particular according to ISO 9001, were performed in the packaging division.

Non-financial indicators

Material local employment effects	Dec. 31, 2017	Dec. 31, 2016
<i>Number of employees per country</i>		
Germany	2,854	2,868
Austria	1,499	1,478
France	937	972
Poland	811	560
Turkey	612	656
Russia	492	501
Slovenia	389	374
Chile	336	385
Iran	263	242
Great Britain	232	212
Ukraine	229	247
Colombia	224	261
Romania	218	228
Netherlands	207	215
Spain	163	170
Vietnam	146	148
Jordan	139	122
Norway	61	60
Others	44	228

Renewable raw materials and recyclability¹⁾	2017	2016
<i>Cartonboard production²⁾</i>		
Renewable raw materials	1.6 million t	1.6 million t
Fiber use	1.6 million t	1.6 million t
Recycled fibers ³⁾	1.2 million t	1.2 million t
Virgin fibers ⁴⁾	0.4 million t	0.4 million t
- thereof from FSC®-certified sources	17 %	16 %
- thereof from PEFC™-certified sources	36 %	30 %
- thereof from controlled sources ⁵⁾	47 %	54 %
Non-renewable raw materials	0.3 million t	0.3 million t
<i>Packaging production</i>		
Renewable raw materials	0.8 million t	0.8 million t
Cartonboard and paper use	0.8 million t	0.7 million t
Recycled fiber-based cartonboard	0.4 million t	0.4 million t
Virgin fiber-based cartonboard	0.4 million t	0.3 million t
Non-renewable raw materials	0.0 million t	0.0 million t

¹⁾ including packaging materials

²⁾ excluding MM FollaCell AS

³⁾ excluding rejects

⁴⁾ groundwood pulp equivalent

⁵⁾ including FSC® Controlled Wood

Other environmental indicators	2017	2016
<i>Energy consumption</i>		
Energy consumption in cartonboard production ¹⁾	3.4 TWh	3.4 TWh
Specific energy consumption	1.8 MWh/t	1.8 MWh/t
<i>Emissions</i>		
Direct CO ₂ emissions in cartonboard production ¹⁾	0.5 million t	0.5 million t
Specific direct CO ₂ emissions	0.3 t/t	0.3 t/t
<i>Water consumption</i>		
Water consumption in cartonboard production ¹⁾	24 million m ³	23 million m ³
<i>Waste</i>		
Non-hazardous waste in production	0.4 million t	0.4 million t
Hazardous waste in production	4 thous. t	4 thous. t
¹⁾ including MM FollaCell AS		
Social indicators	2017	2016
<i>Employee safety and health</i>		
Occupational accidents resulting in death	0	0
<i>Employee education and training</i>		
Employees trained by MM-Academy	1,067	1,417
<i>Socially acceptable working conditions for employees</i>		
Cases of child labor	0	0
Cases of forced labor	0	0
<i>Anti-corruption and anti-competitive behavior</i>		
Production sites ¹⁾ in countries with a corruption index < 30 according to Transparency International Corruption Index 2016	4 of 45	4 of 46
Number of legal actions against corruption or anti-competitive behavior	0	0
<i>Violation of guidelines and requirements</i>		
No significant fines or sanctions due to non-compliance with laws and regulations in social and economic areas		
<i>Safety and packaging</i>		
Percentage of cartonboard grades for which impacts on customers' health and safety are verified	100 %	100 %
Number of production sites which are certified in the areas of food safety and/or hygiene (BRC, ISO 22000, EN 15593, ECMA GMP, HACCP)		
in cartonboard production (excl. MM FollaCell AS)	7 of 7	7 of 7
in packaging production	25 of 37	25 of 38
¹⁾ including MM FollaCell AS		

CONTEXT OF NON-FINANCIAL INDICATORS WITH THE INFORMATION IN THE ANNUAL REPORT

In 2017, the business development of the Mayr-Melnhof Group was characterized by a high level of continuity over the course of the year as well as in comparison to the previous year.

The impacts of non-financial topics together with related key performance indicators (KPIs) on the annual financial statements showed no significant changes or noticeable issues. In an overall consideration of non-financial and financial aspects, we regard the measures undertaken as part of sustainability management to be effective in terms of minimizing risk and optimizing opportunity in the Group.

About the non-financial report

This sustainability report records Group-wide activities and indicators of the MM Group in accordance with the reporting scope and reporting period of the Annual Report 2017. This is the first sustainability and non-financial report prepared by the MM Group, and the combined annual and non-financial report will now be published on an annual basis.

The present report was prepared taking into account the GRI Standards ("Core" option) published by the Global Sustainability Standards Board (GSSB). The GRI content index can be found on page 46. An external audit of the non-financial report was not intended.

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GRI CONTENT INDEX

GRI Standard	Disclosure	Page
<i>GRI 102: General Disclosure</i>	102-1 Name of the organization	Front page, 1
	102-2 Activities, brands, products, and services	32-35
	102-3 Location of headquarters	2
	102-4 Location of operations	30-31
	102-5 Ownership and legal form	Annual Report page 32
	102-6 Markets served	30-31
	102-7 Scale of the organization	39, Annual Report pages 2 and 34
	102-8 Information on employees and other workers	39, 42
	102-9 Supply chain	11-12
	102-10 Significant changes to the organization and its supply chain	29
	102-11 Precautionary Principle or approach	3
	102-12 External initiatives	3, 13, 16
	102-13 Membership of associations	5
	102-14 Statement from senior decision-maker	2, 29
	102-16 Values, principles, standards, and norms of behavior	3
	102-18 Governance structure	3, 4, Annual Report pages 36-38
	102-40 List of stakeholder groups	5
	102-41 Collective bargaining agreements	23
	102-42 Identifying and selecting stakeholders	5
	102-43 Approach to stakeholder engagement	5
	102-44 Key topics and concerns raised	6
	102-45 Entities included in the consolidated financial statements	Annual Report pages 135, 200-204
	102-46 Defining report content and topic Boundaries	6
	102-47 List of material topics	6
	102-48 Restatement of information	n/a
	102-49 Changes in reporting	n/a
	102-50 Reporting period	45
102-51 Date of most recent report	29	
102-52 Reporting cycle	45	
102-53 Contact point for questions regarding the report	45	
102-54 Claims of reporting in accordance with the GRI Standards	45	
102-55 GRI content index	46-48	
102-56 External assurance	45	
Anti-Corruption		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6, 25-26
	103-2 The management approach and its components	25-26
	103-3 Evaluation of the management approach	25-26
<i>GRI 205: Anti-Corruption</i>	205-3 Confirmed incidents of corruption and actions taken	43

Anti-Competitive Behavior		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6, 25-26
	103-2 The management approach and its components	25-26
	103-3 Evaluation of the management approach	25-26
<i>GRI 206: Anti-Competitive Behavior</i>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	43
Materials		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6-11
	103-2 The management approach and its components	7, 40-41
	103-3 Evaluation of the management approach	7
<i>GRI 301: Materials</i>	301-1 Materials used by weight or volume	42
Energy		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6, 15-17
	103-2 The management approach and its components	15, 40
	103-3 Evaluation of the management approach	15
<i>GRI 302: Energy</i>	302-1 Energy consumption within the organization	43
	302-3 Energy intensity	43
Water		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6, 15, 19
	103-2 The management approach and its components	15, 40
	103-3 Evaluation of the management approach	15
<i>GRI 303: Water</i>	303-1 Water withdrawal by source	43
Emissions		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6, 15, 17
	103-2 The management approach and its components	15, 40
	103-3 Evaluation of the management approach	15
<i>GRI 305: Emissions</i>	305-1 Direct (Scope 1) GHG emissions	43
	305-4 GHG emissions intensity	43
Effluents and Waste		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6, 15, 19-20
	103-2 The management approach and its components	15, 19, 20, 40, 41
	103-3 Evaluation of the management approach	15
<i>GRI 306: Effluents and Waste</i>	306-2 Waste by type and disposal method	43
Occupational Health and Safety		
<i>GRI 103: Management Approach</i>	103-1 Explanation of the material topic and its Boundary	6, 22
	103-2 The management approach and its components	22, 41
	103-3 Evaluation of the management approach	22
<i>GRI 403: Occupational Health and Safety</i>	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	43

Training and Education		
<i>GRI 103:</i>	103-1 Explanation of the material topic and its Boundary	6, 22, 36
<i>Management Approach</i>	103-2 The management approach and its components	36, 41
	103-3 Evaluation of the management approach	36
<i>GRI 404:</i>		
<i>Training and Education</i>	404-2 Programs for upgrading employee skills and transition assistance programs	22, 36-39, 43
Child Labor		
<i>GRI 103:</i>	103-1 Explanation of the material topic and its Boundary	6, 25, 27
<i>Management Approach</i>	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	27
<i>GRI 408:</i>		
<i>Child Labor</i>	408-1 Operations and suppliers at significant risk for incidents of child labor	43
Forced or Compulsory Labor		
<i>GRI 103:</i>	103-1 Explanation of the material topic and its Boundary	6, 25, 27
<i>Management Approach</i>	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	27
<i>GRI 409:</i>		
<i>Forced or Compulsory Labor</i>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	43
Customer Health and Safety		
<i>GRI 103:</i>	103-1 Explanation of the material topic and its Boundary	6, 13
<i>Management Approach</i>	103-2 The management approach and its components	13, 41
	103-3 Evaluation of the management approach	13
<i>GRI 416:</i>		
<i>Customer Health and Safety</i>	416-1 Assessment of the health and safety impacts of product and service categories	43
Socioeconomic Compliance		
<i>GRI 103:</i>	103-1 Explanation of the material topic and its Boundary	6, 25-26
<i>Management Approach</i>	103-2 The management approach and its components	25-26
	103-3 Evaluation of the management approach	25
<i>GRI 419:</i>		
<i>Socioeconomic Compliance</i>	419-1 Non-compliance with laws and regulations in the social and economic area	43