



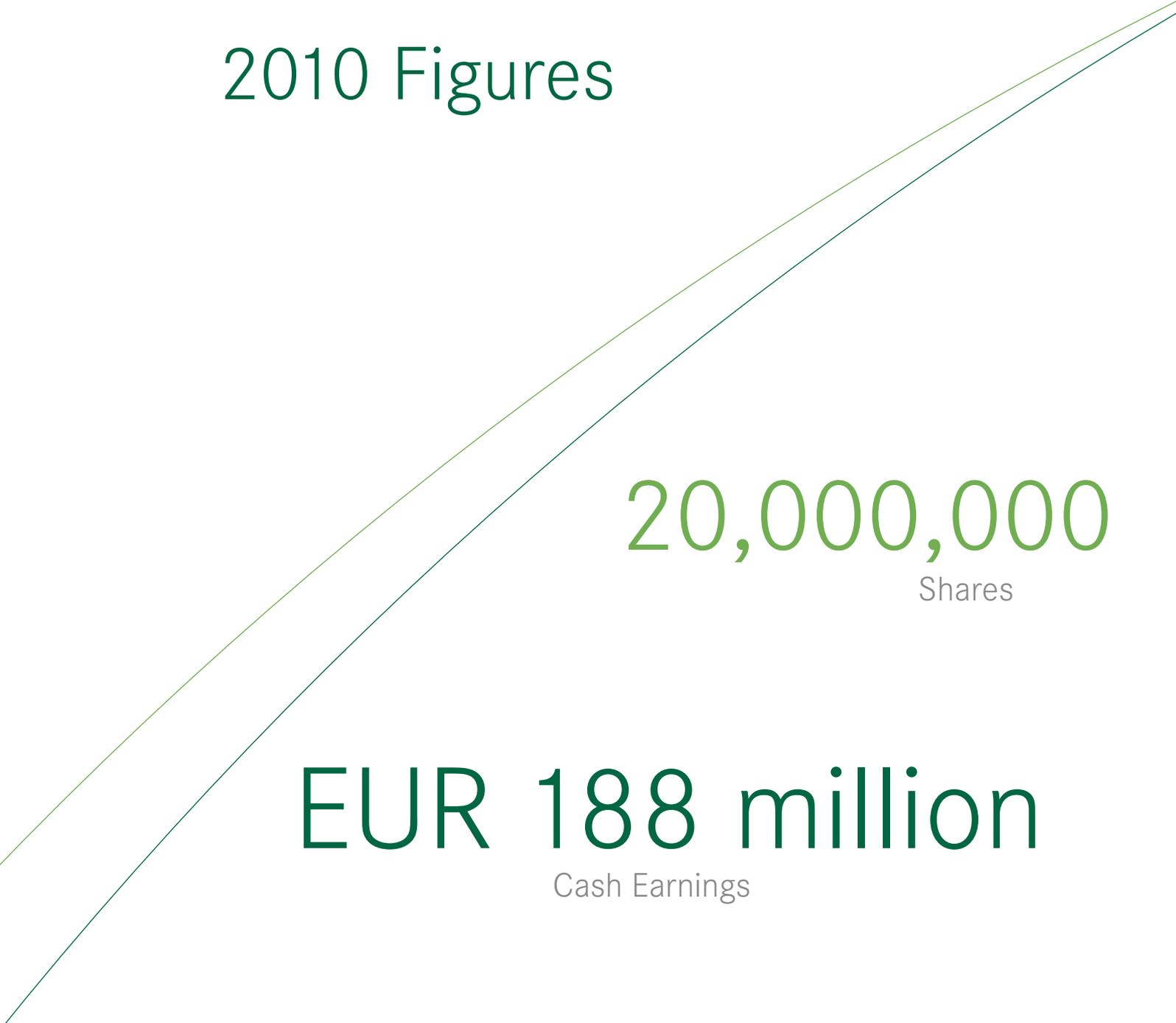
Annual Report 2010

# Overview

consolidated (in millions of EUR)	2010	2009	+/-
Consolidated sales	<b>1,778.9</b>	1,601.5	+11.1 %
EBITDA	<b>236.5</b>	229.7	+3.0 %
Operating profit	<b>162.3</b>	149.9	+8.3 %
Profit before tax	<b>151.7</b>	132.4	+14.6 %
Profit for the year	<b>110.4</b>	97.4	+13.3 %
Cash earnings	<b>187.7</b>	184.9	+1.5 %
Return on equity	<b>11.3 %</b>	10.4 %	
Operating margin	<b>9.1 %</b>	9.4 %	
Return on capital employed	<b>18.9 %</b>	16.9 %	
Total equity	<b>983.1</b>	964.3	
Total assets	<b>1,520.9</b>	1,391.8	
Capital expenditures	<b>86.6</b>	61.6	
Depreciation and amortization	<b>81.8</b>	97.8	
Employees	<b>8,679</b>	8,112	
Earnings per share (in EUR)	<b>5.39</b>	4.44	
Dividend per share (in EUR)	<b>1.95<sup>1)</sup></b>	1.70	

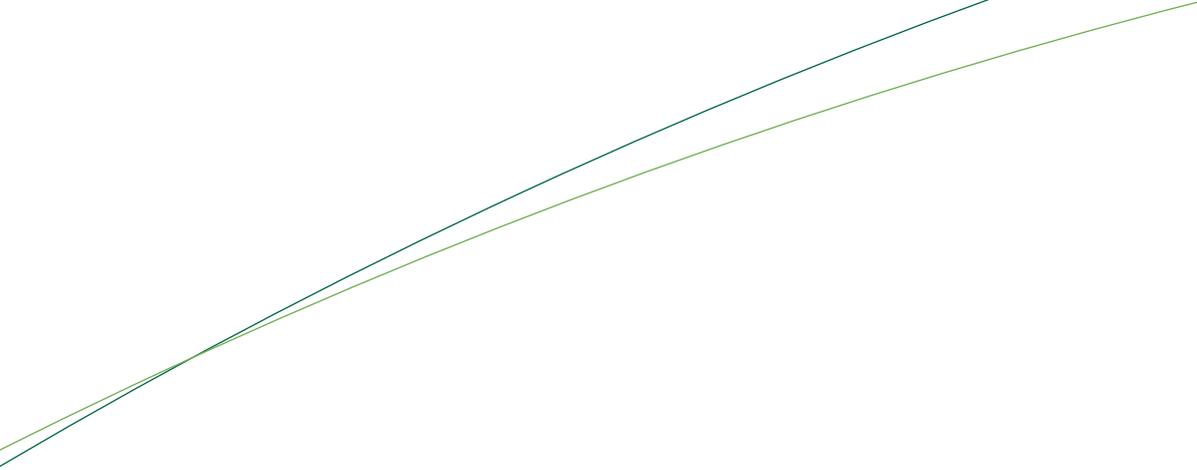
<sup>1)</sup> proposed

# 2010 Figures



20,000,000  
Shares

EUR 188 million  
Cash Earnings



18.9 %

Return on Capital Employed

EUR 1.95

Dividend / Share

+20.9 %

Annual Performance of MM Shares

+13.3 %

Growth of Group Result

# The Mayr-Melnhof Group

As the world's largest producer of coated recycled cartonboard with a rising position in virgin fiber based board as well as the leading European producer of folding cartons, we pursue a strategy of sustainable, profitable growth in our core businesses based on cost and competence leadership. On the basis of our leading market position in Europe, our goal is the expansion into attractive growth regions as well as market leadership in all the regions the Group is active in. Continuous reduction in unit costs by using economies of scale as well as the ongoing optimization of processes by applying state-of-the-art know-how is our path. The acquisition of further market shares in Europe and adjacent regions as well as in Latin America is the direction.

# Geographic Growth



37 Plants

4 Continents

Sales in more than 100 Countries

+11.1 %

Sales Growth 2010

# Dynamic Supply Chain



9

Board Machines

54 Billion

Folding Cartons

105

Printing Machines



more than **3,000** Customers

Product Excellence

# X Liner

A new cartonboard for increasing demands in gloss and printing quality in the corrugated board industry





0.000001 g/kg

We analyze our products to the smallest unit.  
parts per billion ppb ( $\mu\text{g}/\text{kg}$ ) = microgramm / kg

# Capacity Utilization

98 %

in the MM Karton segment



1,579,000 Tons  
Cartonboard Production

675,000 Tons  
processed



# Human Resources

8,679 Employees  
in 21 Countries

187 Apprentices

63 %  
Western Europe

26 %  
Eastern Europe

11 %  
Other Countries





5 years  
MM-Academy



# Responsibility

100 %

Recyclability

5-7 x  
reusable



PEFC / FSC

transparent use of virgin fibers  
from sustainably managed forests



# ISO 14001

Environmental Management Systems



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# Foreword by the Chairman of the Management Board

## Dear Shareholders,

With great pleasure and gratification I present you this report on the business year 2010. Having faced a number of coinciding challenges in both cartonboard production and cartonboard processing, your company can present very successful results, the second best year in our corporate history.

Since the beginning of the year, raw material markets have shown a daily upward trend. This fast-paced development meant that prices for recovered paper, the strategically most important raw material in our MM Karton segment, doubled within just a few months. We needed to resolutely respond to this significant cost inflation with price increases. This was supported by the dynamic demand for cartonboard due to the rapid refilling of the supply chain. We produced as much as possible at each location, whilst consolidating where necessary.

At the same time, MM Packaging successfully faced the challenge of guaranteeing customers continual supplies while continuously passing the cartonboard price increases on to the consumer.

As a result, we managed to maintain a high operating margin and healthy growth, not simply organic but also by acquiring, for the first time in Latin America, a majority share in the largest Chilean folding carton manufacturer, Marinetti S. A. Thus, our plan to expand into growing markets was continued in line with our strategy. We will pursue this path towards long-term success.

For this we have the means, the expertise, the strength and the motivation.

Both the development of our human resources with central elements such as the MM-Academy, the Group's training center, and the upgrading of our R&D resources are important foundations for ensuring our future competitiveness.

On behalf of the Management Board, I would like to thank all our employees for their great performance and motivation.

We would like to thank you, our Shareholders, for your continued confidence. Due to the positive development of results, the Management Board will propose a dividend increase to EUR 1.95 per share, compared to EUR 1.70 per share last year. This brings the dividend payout ratio to approximately 35 %, in line with the long-term dividend policy.

In the new business year 2011, the order situation tends to return to a normal level. The economic mood is still positive, although the effects of the fast-paced inflation remain to be seen. We will further pursue our established pricing policy and ambitious cost management.

The opportunities to continue our growth are looking promising.

We look forward to continuing with you on a sound course towards an ambitious future!

A handwritten signature in blue ink, appearing to read 'Hörmaseder', is positioned above the typed name.

Dr. Wilhelm Hörmaseder, Chairman of the Management Board  
Vienna, March 1, 2011

4 Board Members  
1 Goal



Andreas Blaschke  
Member of the  
Management Board



Wilhelm Hörmanseder  
Chairman and CEO

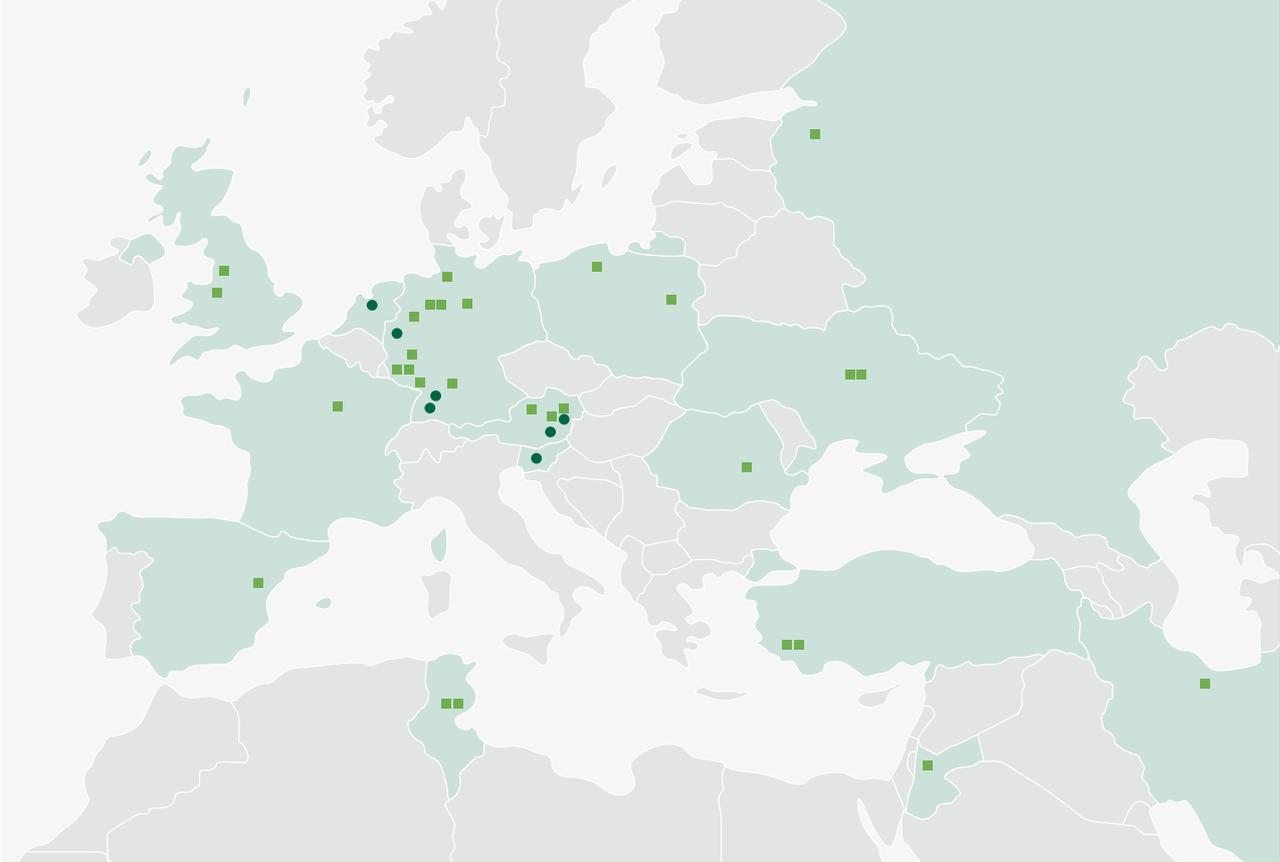


Oliver Schumy  
Member of the  
Management Board and CFO



Franz Rappold  
Member of the  
Management Board

# Production Sites



- MM Karton, 7 mills
- MM Packaging, 30 plants

# Corporate Profile

## Market Position

The MM Group is the world's largest producer of coated recycled cartonboard with a rising position in virgin fiber based board as well as the leading European producer of folding cartons. Cartonboard is the primary raw material for producing folding cartons. Folding cartons are the most important and most sustainable means of packaging consumer goods. The Group's two segments, MM Karton and MM Packaging, are run as independent profit centers.

## Market

The demand for cartonboard and folding cartons is essentially determined by private consumption and thus by general economic trends. Supply and demand are balanced out through capacity utilization. Cartonboard packaging materials are mainly used for packaging convenience goods. Europe is the Group's primary market. Exports are carried out into approximately one hundred countries worldwide.

## Geographic Positioning

While cartonboard can also be distributed across large distances worldwide, the delivery radius of the folding carton business is predominantly regional. The Group's folding carton plants are therefore always situated near customers within a network of locations that is unique in the industry and ranges over Europe, the Middle East and North Africa up to Latin America, while the cartonboard mills are located mainly in the heart of Europe with a focus on Germany and Austria.

## Customers

Each of the two Group segments serves more than one thousand customers. MM Karton's customers are folding-carton manufacturers, with the largest portion of sales going outside the Group. MM Packaging delivers packaging material to multinational manufacturers of consumer goods and regional customers. Food, cigarettes and detergents are the top-selling sales areas. The Group's dependence on individual customers is within reasonable limits.

## Strategy

MM pursues a strategy of sustainable, profitable growth in its core businesses – cartonboard and folding cartons. The goal is to secure the Group's long-term competitiveness based on cost and competence leadership by using economies of scale and establishing best practices. Depending on the maturity of markets, growth is pursued by way of acquisitions, the construction of new sites or increased market penetration.

## Financial Goals

Our goal is to achieve a return of 20 % on capital employed. The long-term perspective is to pay out one third of the annual profit as a dividend. As a rule, investments should not exceed 50 % of generated cash earnings.

Mayr-Melnhof shares have been listed on the Vienna Stock Exchange since April 21, 1994. They are part of the ATX Prime index. About 59 % of the shares are family-owned and held within a syndicate, the rest are widespread shareholdings.

# MM Karton

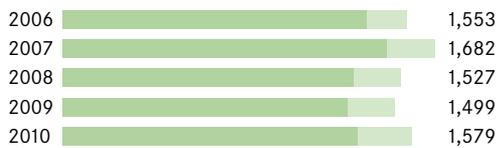
With an annual capacity of about 1.6 million tons MM Karton is the world's largest producer of coated recycled cartonboard with a rising position in virgin fiber based board.

(in millions of EUR)	2010	2009	+/-
Sales	879.7	766.0	+14.8 %
EBITDA	94.0	95.3	-1.4 %
Operating profit	65.1	51.5	+26.4 %
Cash earnings	77.5	81.0	-4.3 %
EBITDA margin (%)	10.7 %	12.4 %	
Operating margin (%)	7.4 %	6.7 %	
Cash earnings margin (%)	8.8 %	10.6 %	
Return on capital employed (%)	19.9 %	12.2 %	
Capital expenditures	31.4	33.2	
Depreciation and amortization	35.1	57.5	
Employees	2,283	2,527	

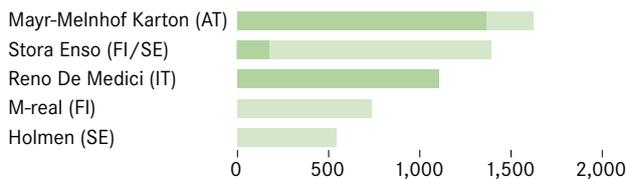
  

	2010	2009	+/-
Tonnage sold (in thousands of tons)	1,564	1,481	+5.6 %
Tonnage produced (in thousands of tons)	1,579	1,499	+5.3 %
Recycled fiber based board	1,335	1,285	
Virgin fiber based board	244	214	
Capacity utilization (%)	98 %	88 %	

Tonnage produced by MM Karton (in thousands of tons)



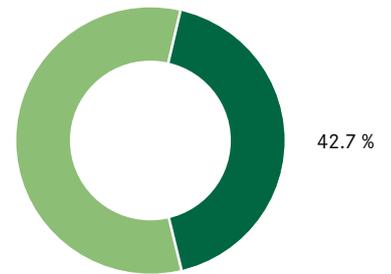
Leading European producers of coated board (capacity in thousands of tons)



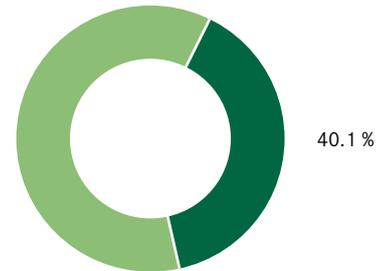
Source: MM; without GK, LPB (Stora Enso) and CNK from USA

■ Recycled fiber based board  
■ Virgin fiber based board

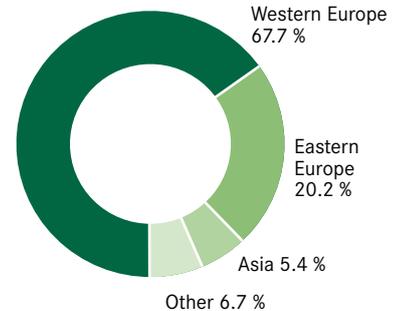
Percentage of group sales (in %)



Percentage of group operating profit (in %)



Sales by destination<sup>1)</sup> (in %)



<sup>1)</sup> including interdivisional sales

# MM Packaging

With an annual production volume of 54 billion folding cartons MM Packaging is the largest producer of packaging solutions made of cartonboard in Europe and one of the world's big folding carton producers.

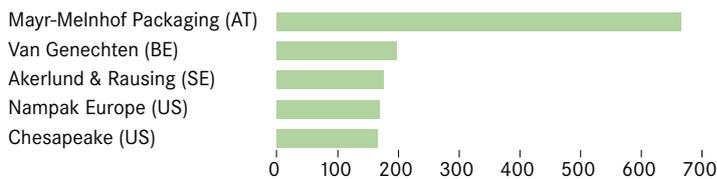
(in millions of EUR)	2010	2009	+/-
Sales	1,020.7	952.0	+7.2 %
EBITDA	142.5	134.4	+6.0 %
Operating profit	97.2	98.4	-1.2 %
Cash earnings	110.1	103.9	+6.0 %
EBITDA margin (%)	14.0 %	14.1 %	
Operating margin (%)	9.5 %	10.3 %	
Cash earnings margin (%)	10.8 %	10.9 %	
Return on capital employed (%)	18.3 %	20.0 %	
Capital expenditures	55.2	28.4	
Depreciation and amortization	46.7	40.3	
Employees	6,396	5,585	
	2010	2009	+/-
Tonnage processed (in thousands of tons)	675	630	+7.1 %

Tonnage processed by MM Packaging (in thousands of tons)



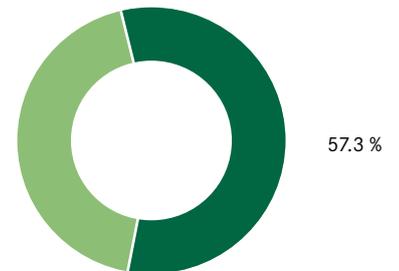
## Leading European folding carton producers

(tonnage processed in thousands of tons)

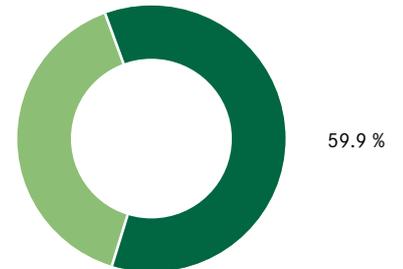


Source: MM

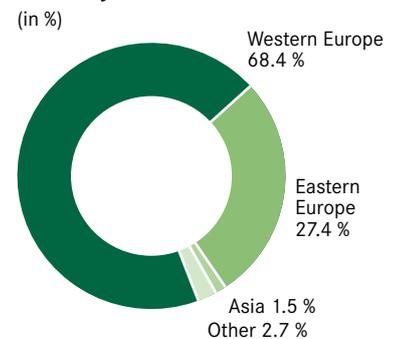
Percentage of group sales (in %)



Percentage of group operating profit (in %)



Sales by destination<sup>1)</sup>



<sup>1)</sup> including interdivisional sales

# Management Report

## 1. Positioning of the Mayr-Melnhof Group and the divisions

### Group

The Mayr-Melnhof Group is the world's largest producer of coated recycled cartonboard with a growing position in virgin fiber based cartonboard, as well as the European market leader in folding cartons. The core business activity of the Group comprises the production and sale of cartonboard and folding cartons and is managed in the segments MM Karton and MM Packaging as two individual profit centers. The deployment of resources focuses on these two divisions.

The strategic objective is a sustainable, profitable growth in the core competences as well as developing and securing long-term competitiveness through cost and market leadership. On the basis of the leading market position in Europe, the aim is to expand into attractive growth regions worldwide and become market leader in the countries and regions in which the Group already operates. We are on the right path with continuous reduction in unit costs through economies of scale and ongoing optimization of processes by using state-of-the-art technology and know-how. The expansion of market shares in Europe and the adjacent regions as well as in Latin America is our direction.

### Mayr-Melnhof Karton

MM Karton is the European market leader in the cartonboard production with an annual capacity of more than 1.6 million tons. Approximately 85 % thereof are attributable to the production of recycled cartonboard. The remaining part consists of different types of virgin fiber based cartonboard. Relying on a wide range of products, MM Karton manages to serve individual requirements within a large number of different markets. At the end of 2010, the division comprised nine cartonboard machines at seven sites in four European countries: Austria, Germany, the Netherlands and Slovenia.

Our standard cartonboard products are characterized by consistently high quality, reliability, application security and environmental friendliness and are complemented by tailor-made, innovative solutions and a diversified range of services. Cartonboard is primarily used as raw material for the production of folding cartons for the consumer goods industry. Due to a broad economic supply range, our cartonboard products are sold in more than one hundred countries worldwide. Europe represents the main market, where MM Karton maintains the market leadership position.

This position has been achieved through acquisitions and by focusing production and investments on the high performance machines. Less efficient machines have been systematically taken off the market, ensuring that MM Karton relies on a highly efficient and competitive production base.

Our sales organization is active in all important European regions and countries with its own distribution companies. The export outside of Europe is primarily effected via vendors. The majority of MM Karton's customers belong to the printing houses within Europe's highly fragmented folding carton sector.

Together with energy, chemicals and logistics, recovered paper is the strategically most important input factor for the production of recycled cartonboard. Secondary fibers of different quality standards are traded mainly on the spot market throughout Europe. In addition, we benefit from long-term agreements with municipalities and waste-management companies. From the current view, due to high and still increasing collection rates for recovered paper in Europe, we regard a long-term supply for our cartonboard mills as secured.

According to our estimates, the worldwide cartonboard capacities of around 45 million tons per year comprise around 35 million tons of packaging cartonboard and approximately 10 million tons of other cartonboard products (e.g. liquid packaging board and plasterboard). The most important competitive product within the packaging market is plastic. The development of cartonboard demand is in close correlation with private consumption and the economy as a whole. As a result, markets in Asia and Latin America are currently showing the highest growth rates in terms of consumption and capacity.

In contrast to other paper products, the production of cartonboard is very customer-specific with a wide range of types and formats and is characterized by high logistic requirements for delivery to the customer. As a consequence, European folding carton producers are almost exclusively supplied from within Europe. Trade between the continents is thus of only minor importance.

As a result of MM Karton's leading activity, the concentration in the European cartonboard industry has already reached high levels. Following the significant consolidation activities in recent years, the five largest producers now account for almost 70 % of the European cartonboard capacities. Despite the fact that no new cartonboard machine has been built in the last two decades, there is a strong competition between producers due to ongoing technological capacity expansion.

## Mayr-Melnhof Packaging

With an annual production volume of more than 54 billion folding cartons, MM Packaging is the European market leader and one of the world's largest folding carton producers. Business operations focus on supplying both multinational and local customers from the consumer goods industry within a continuously expanding international network of sites. MM Packaging currently comprises 30 production sites on four continents within the regions Europe, North Africa, Near and Middle East and Latin America. In 2010, around 675,000 tons of recycled and virgin fiber based cartonboard as well as paper were processed into high-quality packaging that is mainly used in the sectors of food, cigarettes, confectionery, detergents and sanitary products.

MM Packaging's production line relies on a broad technological base and includes all standard preprint, printing and refining technologies which are state-of-the-art. Our wide network of sites ensures a highly reliable delivery to our customers due to corresponding back-up capacities. The production of folding cartons is primarily structured in a multi-step process: cartonboard is printed, cut, glued, refined by a variety of processes and finally delivered to the customers' packaging units. In line with the profit center principle, cartonboard is purchased at market conditions from MM Karton, which supplies around one third of the cartonboard demand. With the focus on industrial production of large volumes and the continuous pursuit of cost leadership, MM Packaging has been emphasizing for years on an ambitious performance benchmarking as well as on high standardization of processes for an ongoing optimization. The achieved efficiency and knowledge are therefore seen as the basis for further expansion and for securing the earning power and market shares.

Similarly to cartonboard, the development of the demand for folding cartons is closely linked to the dynamics of the overall economy and private consumption. Folding cartons are mostly used for convenience goods packaging. Over the years, growth in Europe has been assured mainly through displacement. Outside of Europe, emerging markets and newly industrialized markets with growing populations show a high potential.

Unlike the cartonboard industry, the European folding carton industry is considerably much more fragmented. According to our estimates, the five largest producers supply around one third of the market, in which MM Packaging holds the leadership position. The large majority of suppliers are medium-sized companies and trade enterprises. In contrast, on the customer side there is a high concentration of consumer goods producers and in the retail sector.

Since the Group's IPO in 1994, MM Packaging has continuously expanded its market leadership position and has increased its business volume sevenfold. This growth is based on the continuous alignment with the requirements of our predominantly multinational customers through efficiency and quality improvements, as well as acquisitions and the building of new sites. Our highly specialized key account management ensures the support and ongoing development of our strategic customer segments. Opportunities to gain new business are arising in particular from purchasing packaging in a concentrated and cross-regional manner and expansion into new markets, in which we accompany our customers. The economic transport radius of the individual production sites is generally restricted to the respective regional market.

The business with key accounts offers opportunities for growth but is also marked by consistent pressure to reduce costs. By concentrating on high performance technology, continuous investment in state-of-the-art know-how and competitive service and innovation activities, we are able to ensure future-oriented, long-term cooperative partnerships.

## 2. Development in the year 2010

### General economic situation

Similarly to the previous year, the economic situation at the beginning of 2010 was marked by a high degree of uncertainty. Rising unemployment figures, a budget deficit that was getting out of hand and a prospective reduction in transfer payments caused concern over a forthcoming loss of consumer confidence. As a result, for many consumer goods producers the beginning of the year was characterized by ongoing cautious disposition behavior. Over the following months, the recovery of the worldwide economic situation, together with a revival of global trade and the refilling of the supply chain, provided a positive impetus to our main market Europe. Above all, the surprisingly strong German economy appeared as the catalyst of the economic recovery in Europe, which impacted the countries in a different manner and only normalized towards the end of the year. On the raw material markets, the economic boom in the emerging countries of Asia and Latin America, together with the surprisingly high demand in Europe, led to a massive price increase. Furthermore, temporary supply bottlenecks arose, particularly in areas in which capacities had been cut back during the recession. Passing on the high price increases of input factors was one of the greatest challenges for the producing sector in 2010, however this was supported by the attractive order situation.

### Industry development

Against the background of the overall economic recovery, the positive indicators also affected the European cartonboard industry during the first six months of 2010. While until the end of the first quarter the buying behavior was marked by high caution and resistance to the announced cartonboard price increases, market demand changed basically until midyear: In light of increased consumer confidence and refilling of stocks, order books within the cartonboard industry reached an all time high, and particularly European cartonboard capacities were reduced by several hundred thousand of tons due to recent discontinuation of production. At the same time, raw material prices, in particular those for fibers, were characterized by a rapid increase. Prices for recovered paper doubled in just a few months. Logistics and chemicals were also af-

affected by sensitive price increases, thus passing on these costs to the customer became an important focus throughout the industry in 2010. Supported by a good order situation, cartonboard producers largely succeeded in this domain in the course of the year. Analogously to cartonboard production, European producers of folding cartons also took advantage from the regained confidence in the consumer goods industry. Temporary bottlenecks in the procurement of cartonboard as well as passing on the numerous price increases, meant that folding carton producers faced difficult challenges that could only be overcome gradually and time-delayed. Although merger and takeover activities continued within the European folding carton industry in 2010, these had no great effect on the overall degree of consolidation within the industry.

## Development of business 2010

### Group

The Mayr-Melnhof Group was able to take advantage of the economic upturn in Europe in 2010 and finish the business year with a significant increase in sales and profit. In light of strong demand and full capacity utilization in cartonboard production, MM Karton succeeded in efficiently passing on the massive rise in raw material costs, particularly those of fiber, and ensured a noticeable recovery of the margin. MM Packaging also recorded good growth in terms of profit and volume, ensuring a high level of earnings again, which was slightly lower than the previous year due to the delayed transfer of the significant cartonboard price increases. In line with strategy, expansion into new markets continued with the acquisition of the largest Chilean folding carton manufacturer, Marinetti. Due to the positive results the dividend is intended to be increased to EUR 1.95 per share (2009: EUR 1.70 per share).

### Consolidated income statement

#### Consolidated income statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009	+/-
Sales	1,778.9	1,601.5	+11.1 %
Operating profit	162.3	149.9	+8.3 %
Result from disposal of businesses	(6.9)	0.0	
Impairment expenses	0.0	(14.2)	
Financial result and result from investments	(3.7)	(3.3)	
Income tax expense	(41.3)	(35.0)	
<b>Profit for the year</b>	<b>110.4</b>	<b>97.4</b>	<b>+13.3 %</b>

The Group's consolidated sales reached EUR 1,778.9 million and are 11.1 % or EUR 177.4 million above last year's level. This increase is mainly attributable to higher quantities in both divisions, and also to increased cartonboard prices. The regional sales distribution remained essentially unchanged. 67.1 % or 24.6 % of sales were generated in the Group's markets of Western and Eastern Europe (2009: 69.2 % or 23.0 %), and 8.3 % in markets outside Europe (2009: 7.8 %). The intra-group sales between the divisions amounted to EUR 121.7 million (2009: EUR 116.5 million) and consisted mainly of cartonboard deliveries from MM Karton to MM Packaging.

#### Group sales by destination

(in %)	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Western Europe (excl. Austria)	62.5 %	64.2 %
Austria	4.6 %	5.0 %
Eastern Europe	24.6 %	23.0 %
Asia	3.5 %	3.5 %
Other	4.8 %	4.3 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

## Cost of sales

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009	+/-	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Cost of materials and purchased services	1,042.7	888.2	17.4 %	58.6 %	55.5 %
Personnel expenses	248.0	240.6	3.1 %	13.9 %	15.0 %
Depreciation and amortization	75.0	76.7	-2.2 %	4.2 %	4.8 %
Other expenses	31.5	48.6	-35.2 %	1.8 %	3.0 %
<b>Cost of sales</b>	<b>1,397.2</b>	<b>1,254.1</b>	<b>11.4 %</b>	<b>78.5 %</b>	<b>78.3 %</b>

Costs of sales for operating performance increased by EUR 143.1 million to EUR 1,397.2 million. This rise results from the significant increase in costs for materials and purchased services, together with a higher business volume. The share of costs of sales in the company sales remained nearly unchanged and represented 78.5 % (2009: 78.3 %).

Selling and distribution,  
administrative and other operating expenses

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009	+/-	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Personnel expenses	92.2	89.4	3.1 %	5.2 %	5.6 %
Depreciation and amortization	7.4	6.9	7.2 %	0.4 %	0.4 %
Other expenses	131.4	119.6	9.9 %	7.4 %	7.5 %
<b>Selling and distribution, administrative and other operating expenses</b>	<b>231.0</b>	<b>215.9</b>	<b>7.0 %</b>	<b>13.0 %</b>	<b>13.5 %</b>

The share of selling and distribution, administrative and other operating expenses in sales was slightly down at 13.0 % compared to previous year (2009: 13.5 %).

Operating profit reached EUR 162.3 million, up 8.3 % or EUR 12.4 million in comparison to last year (2009: EUR 149.9 million). This increase results from the significant growth in profit in cartonboard production. The decrease of other operating income to EUR 11.6 million (2009: EUR 18.4 million) can primarily be attributed to the shortfall of insurance benefits for a fire damage at the Hirschwang mill in the previous year. As a result, the Group's operating margin of 9.1 % was slightly lower than in the last year (2009: 9.4 %). The return on capital employed amounted to 18.9 % (2009: 16.9 %).

Non-recurring expenses from the disposal of participations amounted to EUR 6.9 million and resulted mainly from the discontinuation of cartonboard production and sale of Karton Deisswil AG, Switzerland, in the second quarter, after impairment expenses for tangible fixed assets of the mill were recorded already in 2009 in the amount of EUR 14.2 million.

Due to lower interest rates, both financial income decreased from EUR 7.1 million to EUR 2.5 million, and financial expenses were reduced from EUR -4.6 million to EUR -2.9 million.

The change in the position "Other income (expenses) - net" to EUR -3.3 million (2009: EUR -5.8 million) is particularly attributable to fluctuations in exchange rates.

Profit before tax improved by 14.6 % and reached EUR 151.7 million (2009: EUR 132.4 million).

Income tax expense was paid in 23 countries and amounted to EUR 41.3 million (2009: EUR 35.0 million). The effective Group tax rate of 27.2 % was slightly higher than in the previous year (2009: 26.4 %).

#### **Profit for the year, earnings per share**

The profit for the year of the Mayr-Melnhof Group significantly increased by 13.3 % to EUR 110.4 million (2009: EUR 97.4 million). The net profit margin reached 6.2 % (2009: 6.1 %).

In the business year 2010, a basic weighted average of 20,067,589 shares was outstanding, with earnings per share of EUR 5.39 (2009: EUR 4.44).

## Value added

The Group's value added is the difference between total operating revenue and the services provided from third parties. In the statement of distribution, the share of all contributors to the value added is shown.

### Value added

(in millions of EUR)	Year ended Dec. 31, 2010	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009	Year ended Dec. 31, 2009
<b>Origin:</b>				
Sales	1,778.9		1,601.5	
Other operating income	11.0		18.4	
Change in finished goods and own work capitalized	14.9		(0.2)	
Result from disposal of businesses	(6.9)		0.0	
Financial result and result from investments	(3.7)		(3.3)	
<b>Total operating revenue</b>	<b>1,794.2</b>		<b>1,616.4</b>	
(-) Expenditures on purchased goods and services	(1,216.7)		(1,052.4)	
(-) Depreciation and amortization <sup>1)</sup>	(81.8)		(97.8)	
<b>Net value added</b>	<b>495.7</b>	<b>100.0 %</b>	<b>466.2</b>	<b>100.0 %</b>
<b>Distribution:</b>				
Employees	(199.7)	(40.2 %)	(196.0)	(42.1 %)
Social benefit costs	(95.0)	(19.2 %)	(95.3)	(20.4 %)
Public authorities	(90.6)	(18.3 %)	(77.5)	(16.6 %)
Non-controlling (minority) interests	(2.3)	(0.5 %)	(3.2)	(0.7 %)
Shareholders (proposed dividend 2010)	(39.0)	(7.9 %)	(35.9)	(7.7 %)
Company	69.1	13.9 %	58.3	12.5 %

<sup>1)</sup> The figure for 2010 includes EUR 2.5 million of impairment expenses (2009: EUR 14.2 million).

The Group generated a total operating revenue of EUR 1,794.2 million in the business year 2010 (2009: EUR 1,616.4 million). After deduction of expenditures on purchased goods and services as well as the depreciation and amortization in the amount of EUR 1,298.5 million, the net value added amounted to EUR 495.7 million (2009: EUR 466.2 million), a plus of EUR 29.5 million, or 6.3 %.

In 2010 again the major part of the net value added at 40.2 % or EUR 199.7 million went to the Group's employees (2009: 42.1 %; EUR 196.0 million). Upon recommendation of the Management Board, the shareholders of Mayr-Melnhof Karton AG will receive a dividend of EUR 39.0 million, or 7.9 % of the net value added (2009: EUR 35.9 million; 7.7 %). A profit of EUR 69.1 million or 13.9 % will be retained in the Group (2009: EUR 58.3 million; 12.5 %).

## Assets, capital and liquid funds

## Consolidated balance sheets (condensed version)

(in millions of EUR)	Dec. 31, 2010	Dec. 31, 2009
Non-current assets	664.2	602.9
Current assets	856.7	785.7
<b>Total assets</b>	<b>1,520.9</b>	<b>1,388.6</b>
Total equity	983.1	964.3
Non-current liabilities	163.3	142.0
Current liabilities	374.5	282.3
<b>Total equity and liabilities</b>	<b>1,520.9</b>	<b>1,388.6</b>

The Group's total assets as of December 31, 2010 amounted to EUR 1,520.9 million, which is EUR 132.3 million higher than in the previous year (December 31, 2009: EUR 1,388.6 million). Total equity increased in comparison to the year-end 2009 (EUR 964.3 million) by EUR 18.8 million to EUR 983.1 million. This difference mainly results from the profit for the period, which is offset by the dividend payment for 2009 and share repurchases during the current year as deductible items. Total equity to total assets amounted to 64.6 % (December 31, 2009: 69.3 %). The return on equity was 11.3 % (December 31, 2009: 10.4 %).

The Group's financial liabilities, which are of current and non-current nature almost in equal proportion, increased from EUR 67.8 million to EUR 129.7 million, particularly due to the raising of low interest-rate loans and acquisition-related operations.

The provisions for other non-current liabilities of EUR 72.0 million are slightly below previous year's level (December 31, 2009: EUR 72.7 million) and are related to accruals for employee benefits.

Total funds available to the Group, mainly consisting of fixed deposits, decreased by EUR 21.3 million to EUR 332.3 million (December 31, 2009: EUR 353.6 million). They exceed the interest-bearing liabilities by EUR 202.6 million (December 31, 2009: EUR 285.8 million), which means that the Group still shows a net liquidity. Furthermore, at the end of 2010, credit facilities of EUR 279.0 million were available to the Group. Thereof, EUR 250.0 million (December 31, 2009: EUR 250.0 million) can be classified as non-current, and EUR 29.0 million (December 31, 2009: EUR 5.1 million) as current.

## Cash Flow development

### Consolidated cash flow statements (condensed version)

(in millions of EUR)	<b>Year ended Dec. 31, 2010</b>	Year ended Dec. 31, 2009
Net cash provided by operating activities	144.6	200.5
Net cash provided by/used in investing activities	(111.6)	102.3
Net cash used in financing activities	(56.7)	(139.1)
Effect of exchange rate changes	2.4	(0.3)
<b>Net change in cash and cash equivalents (&lt; 3 months)</b>	<b>(21.3)</b>	<b>163.5</b>
<b>Cash and cash equivalents (&lt; 3 months) at the end of the year</b>	<b>332.0</b>	<b>353.3</b>
Current and non-current available-for-sale financial assets	0.3	0.3
<b>Total funds available to the Group</b>	<b>332.3</b>	<b>353.6</b>

Cash flow from operating activities was EUR 144.6 million, compared to EUR 200.5 million in the previous year. This difference primarily results from increased inventories, due to the rise of business volume and price increases.

Cash flow from investing activities was EUR -111.6 million, compared to EUR 102.3 million in the equivalent period of 2009. Thereby comprehensive securities redemptions in the previous year face higher net payments for the acquisition of fixed assets and a participation in the current year. The net payments for investments in tangible and intangible fixed assets amounted to EUR -84.4 million (2009: EUR -57.7 million), whereas those for acquisitions were at EUR -32.8 million (2009: EUR -2.7 million).

The investment expenditures of MM Karton amounted to EUR -31.4 million (2009: EUR -33.2 million) and predominantly concern the technological modernization with the aim of improving quality and efficiency, together with the upgrading of the R&D facilities.

The investment expenditures of MM Packaging were EUR -55.2 million (2009: EUR -28.4 million) and particularly focused on the implementation of high performance technology, together with the construction and the extension of existing buildings.

The cash flow of financing activities changed from EUR -139.1 million to EUR -56.7 million. In this case, higher expenditures for the acquisition of own shares are offset by the raising of low-interest loans.

### **Share repurchase program / cancellation of treasury shares**

The Group's share repurchase program was terminated according to schedule. In January 2010 1,120,000 shares were repurchased. Therefore the Group held 2,015,260 own shares before cancellation of 2 million treasury shares, which was approved at the 16<sup>th</sup> Ordinary Shareholders' Meeting held on April 28, 2010.

As decided at the Ordinary Shareholders' Meeting, the share capital of the Mayr-Melnhof Karton AG was reduced from EUR 88.0 million to EUR 80.0 million by means of a simplified capital reduction involving the cancellation of 2 million treasury shares. The entry in the company register has been affected on June 10, 2010, the cancellation of treasury shares on June 17, 2010. As a result, the Group still holds 15,260 own shares as of December 31, 2010, which is equivalent to 0.08 % of the capital stock.

### **Further information**

At the end of May 2010, MM Karton sold all shares in Karton Deisswil AG, Stettlen, to a regional Swiss investor group. The cartonboard production remains permanently discontinued.

At the end of September 2010, MM Packaging acquired a participation of 70 % in the largest Chilean folding carton manufacturer, Marinetti S.A., which is located in Santiago de Chile. The inclusion in the income statement was effected from the fourth quarter 2010 onwards.

## Definition of financial indicators

### Cash earnings

Sum of profit for the year before depreciation and amortization and before deferred taxes.

### Cash earnings margin

Cash earnings divided by sales.

### Total equity to total assets

Total equity divided by total assets.

### Net debt/net liquidity

The sum of interest-bearing current and non-current financial liabilities subtracted by cash and current and non-current available-for-sale financial assets. In case that the sum of cash and available-for-sale financial assets exceeds the financial liabilities, a net liquidity exists.

### Net profit margin

Profit for the year divided by sales.

### Operating margin

Operating profit divided by sales.

### Return on capital employed (ROCE)

Profit before tax excluding net interest income/expenses and excluding the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 divided by the sum of average total equity plus average current and non-current interest-bearing financial liabilities, average provisions for other non-current liabilities and charges and average obligations with regard to non-controlling (minority) shareholders according to IAS 32 subtracted by average cash and current and non-current available-for-sale financial assets.

### Return on equity (ROE)

Profit for the year divided by average total equity.

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

## Business development 2010 in the divisions

### MM Karton

In line with the unexpected, strong economic recovery of the global economy in connection with the refilling of the supply chain, the cartonboard market within Europe was marked by a pleasant dynamic upturn in 2010. Against the background of recent shut-downs of capacity in the industry, cartonboard was temporarily considered a scarce commodity. As a result of these conditions, MM Karton was producing at almost full capacity throughout the year. 98 % of the capacities were utilized compared to 88 % in the previous year. MM Karton's average order backlog, representing 169,000 tons, was significantly higher than the value for the comparison period (2009: 56,000 tons).

Due to strong demand, the prices on the procurement market also showed a massive upsurge. In particular, prices for recovered paper and pulp increased significantly and stabilized at a high level from the third quarter onwards. In addition, chemicals and logistics were also characterized by a rise in prices. However, due to full capacity utilization and scarce availability, we were able to implement the planned cartonboard price increases in good time and reached an improved margin.

Following the discontinuation of cartonboard production at the Swiss mill Deisswil at the beginning of April 2010, moveable products were, to a large extent, transferred to other mills.

Approximately 1,579,000 tons of cartonboard were produced. This represents an increase of 5.3 % compared to the previous year (2009: 1,499,000 tons). With reference to the average number of employees, 850 tons per employee were produced (2009: 589 tons). In line with production, cartonboard sales increased by 5.6 % to 1,564,000 tons. As a result of a remarkable increase in average prices, sales rose at a greater rate than quantity, by 14.8 % to EUR 879.7 million. (2009: EUR 766.0 million). Approximately 68 % thereof were generated in Western Europe, 20 % in Eastern Europe and 12 % in non-European markets (2009: 70 %, 17 %, 13 %). With a constant share of 222,000 tons delivered (2009: 222,000 tons), MM Packaging remained MM Karton's largest customer in 2010. More than 1,000 customers are supplied worldwide.

Operating profit increased by 26.4 % or EUR 13.6 million to EUR 65.1 million. The operating margin reached 7.4 %, compared to 6.7 % in the previous year. The return on capital employed rose to 19.9 % (2009: 12.2 %). With EUR 77.5 million, cash earnings were lower than in the previous year (2009: EUR 81.0 million). This can be explained by the non-recurring expenses from the disposal of participations in 2010. The cash earnings margin was at 8.8 % (2009: 10.6 %).

## MM Packaging

The economic recovery and the regain of consumer confidence in 2010 had a positive, long-term effect on demand for folding cartons within Europe. As a result of these conditions, MM Packaging production sites have experienced constantly high capacity utilization throughout the whole year. Market shares were maintained within Europe, whilst further market shares were acquired outside of Europe. Long delivery periods and bottlenecks in cartonboard procurement presented a large challenge in terms of ensuring a continuous supply for our customers.

Passing on the rapid and significant cartonboard price increases to our customers remained a top priority. As the market is characterized by relentlessly strong competition, this could only be achieved gradually, however the strong market demand had a supportive effect.

With the construction and startup of MMP Tehran, together with the acquisition of the leading Chilean folding carton producer, Marinetti S.A., located in Santiago de Chile, we managed to continue our expansion path into new markets in line with strategy.

The main focus of our operations continued to concentrate on measures to increase productivity and maximize cost efficiency.

Within a generally positive market environment, we were able to increase the tonnage processed from 630,000 tons to 675,000 tons. This equates to an increase of 7.1 %, or 45,000 tons, compared to the previous year. The average tonnage processed per year and employee in the amount of 128.8 tons was higher than in the year before (2009: 112.3 tons).

Analogously with the increase in quantity, sales amounted to EUR 1,020.7 million, a plus of 7.2 % compared to the previous year (EUR 952.0 million). To a large extent, the regional distribution remained constant with 69 % for Western Europe, 27 % for Eastern Europe and 4 % for non-European markets (2009: 70 %, 27 %, 3 %).

MM Packaging's customer base includes more than 2,000 customers in various consumer goods markets. Folding cartons for food and cigarettes remained the largest sales areas in 2010. About three quarters of business are generated with multinational consumer goods producers. The top five customers represent approximately 42 % of sales (2009: 40 %).

With EUR 97.2 million, operating profit managed to remain close to the level of the previous year (2009: EUR 98.4 million). However, as a result of delayed passing on the high cartonboard price increases, operating margin of 9.5 % was lower than in the previous year (2009: 10.3 %). The return on capital employed amounted to 18.3 % (2009: 20.0 %). With EUR 110.1 million, cash earnings were above last year's level, whereby an almost constant cash earnings margin of 10.8 % was achieved (2009: EUR 103.9 million; 10.9 %).

### 3. Human Resources

As of December 31, 2010, 8,679 staff members in 21 countries were employed with the Mayr-Melnhof Group. Their professional know-how, their performance and motivation are essential pillars of our company's long-term success. Our human resources programs therefore focus both on systematically securing framework conditions that enable our employees to develop their talents in the best manner and on providing the company with the best management and expert staff in the long term. For this purpose, we intensified and professionalized our human resources activities in the past few years, from recruiting to personnel and performance management, career and succession planning as well as advanced training management. The management of these processes is effected centrally by the function Corporate Human Resources, however, they are implemented via our local structures.

Responsibility, sustainability, integrity and peak performance have always been the distinguishing values in our corporate culture, which is characterized by trust. Open-mindedness and subsidiarity are the essential principles of our organization, which is marked by a high degree of individual responsibility. This enables us to secure the swiftness, flexibility and efficiency required for sustainably high competitive strength.

Continuity and the ambition to induce constant change in due time are pegged down securely in the development of our human resources.

As already practiced for long, we strive to fill vacant positions with and assign new spheres of responsibility to our own staff members to the extent possible. This way we create attractive career opportunities and at the same time ensure that know-how remains within our Group. Within the framework of the High Potential Program, we proactively support our staff members in the preparation for future executive functions and key positions within the Group. The basic requirements are a special qualification, dedication and willingness for mobility.

Within a corporate structure characterized by continual internationalization and mutual respect we consider the cultural variety and diversity of our staff members as a gain for our Group.

We face the expected shortage of qualified staff members based on the demographic development with foresight. Within our “Young Professional Program”, we established a training program for young people in our Group which by far exceeds the boundaries of a conventional apprenticeship. Upon a specific selection, we support our young junior staff members in the development of professional competencies, personality development and proving themselves in an international environment. As of the end of 2010, the Group had 187 apprentices (2009: 192).

Furthermore, we maintain the know-how and experience of older staff members within the Group in the form of select projects. In this manner, we support the transfer of developed know-how to the younger generations and facilitate a temporary monitoring by mentors.

As market leader, we have the ambition to ensure that our employees’ know-how at all sites is always up-to-date and that they are prepared for future challenges. Moreover, we have been focusing on determined benchmarking between the sites for a long time, usually in the form of internal competitions as well as on regular international employee exchanges and a highly modern idea management system, which is available in all locations due to state-of-the-art technology.

For five years now, the MM-Academy has been the central training institution for all employees of our Group. The training focuses both on further education of expert know-how and foreign languages as well as further development of social and leadership competence. Here, we pay special attention to the effective implementation of the knowledge and skills acquired in the Group's day-to-day activities. In 2010, approximately 1,950 staff members were trained on 800 training days.

We believe that health and vitality of our employees is of utmost importance and we offer regular preventive medical check-up programs, professional care by company physicians as well as training sessions on work safety and health.

The identification of our employees with the success of the Group is an important element of our corporate culture. Therefore, performance-related remuneration systems in the form of individual agreements and/or location-specific bonus programs have been a tradition within our Group. This way we ensure that the individual employee is rewarded for excellent performance and success.

### Development of the number of employees

The development of the number of employees in the business year 2010 was above all affected by ceasing cartonboard production at the Deisswil mill, Switzerland, and by the expansion of folding carton production to Latin America.

As of December 31, 2010, 8,679 staff members were employed with the Mayr-Melnhof Group (December 31, 2009: 8,112). 2,283 thereof were employed with the division MM Karton (December 31, 2009: 2,527). As of December 31, 2010, MM Packaging employed 6,396 staff members, compared to 5,585 at year-end 2009. The share of employees outside of Austria was 81.0 % (December 31, 2009: 80.4 %). Eastern Europe, the Middle East, North Africa and Latin America accounted for 36.8 % of the employees (December 31, 2009: 30.4 %).

Employees Group	Dec. 31, 2010	Dec. 31, 2009
(in %)		
Western Europe (excl. Austria)	44.2 %	50.0 %
Austria	19.0 %	19.6 %
Eastern Europe	25.6 %	27.0 %
Other	11.2 %	3.4 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

The Management Board would like to thank all staff members for their excellent performance, their dedication and flexibility, which enabled us to complete the business year 2010 with great success. We would like to thank the employee representation for their trustful and constructive cooperation.

## 4. Research and Development

In the past few years, the Mayr-Melnhof Group renewed the structures of innovation management and processes and made them significantly more comprehensive. Various instruments for the activation, promotion and implementation of the innovative strength have now become every-day routine and shape the corporate culture. Our focus is above all on permanent further development and optimization of products and processes. In line with our ambition of cost and technology leadership, the aim of our research and development activities is the continued improvement of the customer benefit by way of innovative solutions as well as the increase of the Group's competitiveness in the long run.

Research and development plays a significant role in our growth strategy and is centralized, whereas the implementation is effected mostly in a decentralized manner in close cooperation between experts from different divisions.

We established a systematic internal innovation process as a methodical pre-condition for the generation and implementation of innovations involving all employees. We believe that long-term continuous innovation and renewal can only be effected and secured from within. State-of-the-art information technologies and specific management know-how focuses on using existing potential and seizing opportunities in due time. In this context, the generation of ideas and innovation projects within the framework of the programs "unliMMited Innovation" of MM Karton and "Think and Win" of MM Packaging was very dynamic in 2010. We focused both on product innovations and process-relevant technological innovations.

In the course of the comprehensive expansion of the R&D Center of Competence at the Austrian mill Frohnleiten in the past year, MM Karton has expanded its technical infrastructure and scientific staff in a forward-looking way. The Center of Competence essentially focuses on three areas: research and development, product safety and analytical chemistry. Due to the state-of-the-art instruments, our analyses are able to determine even minimal quantities of substances in a sensitive and reliable manner. Traditionally, R&D pays special attention to the improvement of cartonboard properties, whereas the current focus concentrates on the development of functional surfaces. Other optimizations in 2010 pertain to the opacity and flatness of the cartonboard as well as to the further development of the quality of our liner grades in accordance with the increasing demands of our customers from the corrugated board industry regarding gloss and printing quality.

In June 2010, a technological milestone was achieved in the Frohnleiten mill - the worldwide first integration of a curtain coater into a cartonboard machine. A step which has a favorable impact on the product quality and energy balance of the mill: Improved values of covering power and opacity increase the product quality. Energy saving potentials are unlocked due to a lower water content of the coating color and thus lower energy consumption in drying.

Regarding product safety, we continued our comprehensive studies on migration patterns of cartonboard ingredients based on stricter requirements for food packaging. It can be stated that all cartonboard qualities offered by MM Karton are in compliance with the applicable regulations such as EC regulation no. 1935/2004 of the European Parliament and of the Council of October 27, 2004 and the recommendation no. XXXVI of the Federal Institute for Risk Assessment as amended, provided they are used as intended (specifications of the manufacturer about the suitability of the corresponding cartonboard quality for packaging certain foods). Therefore, they are legally safe materials for food packaging. Further optimization measures implemented recently in fiber furnish and printing ink use have a positive impact with regards to the minimization imperative.

MM Packaging's innovation activities are generally effected via the linked cooperation of interdisciplinary expert teams composed of market, technology and design experts. From an organizational point of view, the innovation activities are essentially based on three pillars: PacProject is the creative center of MM Packaging, located in Hamburg, accompanying our customers from generating ideas to product launch on the market. The technical sales and development teams support mostly multinational customers in packaging development and technical implementation. Furthermore, the packaging development centers within individual plants provide location-specific know-how.

MM Packaging pursues a wide innovational approach, covering all conventional printing and finishing processes as well as the upstream and downstream areas within the supply chain. Our goal is to provide our customers with a competitive edge and differentiation opportunities on the market by innovative, customized packaging solutions.

We continually analyze the newest development in packaging as well as within our customer industries in order to be able to provide adequate solutions. Currently, there is a strong trend towards providing the consumers with detailed information about packaging and towards including consumer goods in digital communication by attaching codes or electronic labels. Furthermore, packaging is more and more expected to meet requirements of proven and tested sustainability, whereas in cartonboard packaging the origin of the fibers from sustainable forestry is decisive. Cartonboard packaging manages to meet the requirements of the trend towards a new generation of products combining high quality with a sense of responsibility both due to its recyclability of 100 % and its almost unlimited graphic and haptic adaptability of the surface.

Taking this into account, MM Packaging's innovations in 2010 focused mostly on new forms and finishing as well as complying with stricter sustainability criteria.

## 5. Risk Management

Due to its business activities, the Mayr-Melnhof Group faces various risks, both general in nature and industry-specific. Generally, we interpret the term “risk” as the possibility of a negative deviation from the business goals of our Group, caused by an event which will occur with a certain probability in the future.

In order to detect and control risks at an early stage, we have a Group-wide risk management in place. The objective of our risk management is the systematic identification and evaluation of risks and to take adequate measures in order to keep them within an acceptable range.

For every identified risk deemed to be material for the Group, individual control, surveillance and safeguarding measures for risk control are determined taking into consideration the Group-wide risk management policy. These measures are being evaluated and improved on an ongoing basis or, in case that new risks occur, amended. They aim to enhance the Group’s risk situation, however, without forgoing opportunities as a whole.

The Group’s risk policy is generally conservative. Risk prevention and risk reduction are our top priority and - to the extent economically justifiable - are complemented by suitable management instruments as well as by the Group’s insurance program.

The Management Board is responsible for the Group’s risk management and determines the risk policy and the framework conditions for the Group-wide risk management. The Management Board established the staff unit Risk Management Compliance, which ensures that risk management is implemented and effected in accordance with the provisions required by the Board. A risk officer with expert know-how is assigned to each risk field deemed to be material. The risk officer is thus responsible for the analysis, evaluation, control and monitoring of the respective risk.

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

Summing up, the Group has a solid basis for detecting potential risks early and to adequately assess possible consequences due to its enduring focus on the core business.

Hereinafter the material risks and uncertainties the Group faces are described.

### Sales

The demand for cartonboard and folding cartons significantly correlates with the overall economic demand, in particular with private consumption. Market risks could therefore result above all from the cyclical development and the economic and political framework conditions applicable to the sales markets of the Group. Due to sufficient capacities, the competition between both cartonboard and folding carton manufacturers remains fierce.

The Group's two divisions supply several thousand customers. MM Karton generates approximately 30 % of the division's sales with 20 top customers. For MM Packaging, approximately 75 % of the division's sales are attributable to multinational customers. Nevertheless, the dependency on individual customers is to be classified as manageable.

Regular customer contact, continual monitoring, sustainable quality and cost management as well as regular participation in tenders and permanent development of our customer base are the essential elements in our effort to secure and increase market shares. For long-term agreements, price fluctuations of material input factors are taken into consideration.

Cartonboard and folding cartons are industrial mass products and subject to permanent price pressure. Thus, the Mayr-Melnhof Group follows the strategy of securing its leading market position in both divisions based on cost, competence and innovation leadership with its high competitive strength in the long term and by seizing new market opportunities as best possible. We continue to pursue our objective of accompanying international customers in the course of their expansion and of ensuring our presence on future growth markets at an early stage.

### Production

Our production structures aim at sustainable economic activity, taking into account economic, ecological and social aspects with the goal of creating long-term benefits for our customers, shareholders and employees. This means, the economical use of resources (in particular primary and secondary fibers, cartonboard, energy, water, chemicals, transport and logistics) in the production of need-based products, while at the same time pursuing a solid financial performance and orientation towards permanent development of our employees.

A high degree of technical availability (operational readiness) is decisive both in cartonboard and in folding carton production. The most essential measures to secure continuous operations include the systematic electronic monitoring of the individual production steps, ongoing revisions and maintenance work as well as the continuous risk engineering in close cooperation with insurance companies and division-wide back-up concepts regulating the relocation of capacities between individual sites in case of long-term production stoppages.

Compliance with laws, product standards and meeting the highest possible quality standards is essential for the long-term attractiveness and competitiveness of our products. Through permanent R&D activities as well as long-standing involvement in national and European bodies of special interest groups and standardization we intend to be able to assess new developments, findings and interpretations early and take them into account. Guaranteeing the safety of our products, in particular in the sensitive food sector, is a top priority and a focus of ongoing R&D activities. Emphasis is currently placed on a continuous monitoring and analysis of interactions between packaging and filling material as well as continuous optimizations in this context.

The focus on the core business, sufficient test phases for innovations in products and processes as well as the Group-wide know-how transfer keep risks in technical innovations and the integration of acquisitions at bay.

The implementation of investment plans is filtered through a multi-step approval process and a clearly defined tendering procedure with the involvement of the suitable experts. As a basic principle, for each investment, a project is set up, with clear responsibilities and an accompanying Controlling function in order to guarantee both the technical and the economic efficiency.

Energy in the form of natural gas and electricity is of particular strategic significance for the MM Karton division. The relevant factors for risk assessment are in particular purchase prices, availability and sales opportunities (take-or-pay regulation). Mostly, we face the related risks by concluding long-term framework purchase contracts, by continuously monitoring price development and existing hedging contracts as well as by maintaining a close link between production and sales planning and energy acquisition. Furthermore, targeted projects are realized in order to reduce specific energy needs.

For the business years 2008 to 2012 the seven cartonboard mills within the EU received CO<sub>2</sub> certificates free of charge; the number is expected to be sufficient until the end of 2012. A follow-up regulation for the period 2013 to 2020 is expected to be adopted by the European Parliament in 2011. The award of CO<sub>2</sub> certificates is likely to decrease starting with 2013; consequently, the factor energy costs is expected to go up.

## Procurement

In addition to recovered paper, other fibers and energy, chemicals and logistics services are the most essential input factors in cartonboard production. MM Packaging's input factors focus above all on cartonboard and paper as well as on inks and varnishes. We meet the risk of availability mostly by spreading the demand to several suppliers taking into account stipulated quality requirements and keeping regular contact with the suppliers on the market. We purchase recovered paper mostly on the spot market via our purchasing organization. Additionally, we maintain strategic inventories and purchase a part of our required quantities via long-term supply contracts, thus setting off short-term peaks in prices. Due to the high recycling rates within Europe, there should be sufficient recovered paper available. Continuous monitoring of existing purchasing contracts as well as of the requirements and the market development are the core of our ongoing securing and control measures in procurement. Adjustments of formulations and opportunities of substitution are evaluated on a regular basis. To the extent reasonable and possible, purchase volumes are tendered.

## Financial risks

Corporate planning is based on estimates, assumptions and forecasts regarding the future economic and financial development of the Group and its subsidiaries. The risk of false estimations is minimized through the close cooperation of the mills with the specialist departments of the Group within a standardized and clearly structured planning process.

A centralized state-of-the-art cash and credit management ensures sufficient liquidity and financing for the Group and its subsidiaries in an optimized manner.

Interest and foreign exchange risks are systematically limited or eliminated by suitable hedging instruments. We mainly focus on natural risk settlement by creating a balance between accounts receivable and accounts payable at subsidiary level and within the Group, as well as forward exchange transactions and interest swap agreements. The most important currencies with exchange rate fluctuations to be hedged are the British pound, the US dollar and the Polish zloty. In Eastern and South East Europe as well as in Latin America, we minimize the foreign exchange risk to the extent possible by ensuring currency congruence during business transactions and by including price adjustment mechanisms into long-term agreements. Derivative financial instruments are neither used for trading nor for speculation purposes.

A centralized Working Capital Management and Corporate Receivables Management help to minimize the impairment risks for the inventories and losses in customer receivables.

The risk of default relating to outstanding payments from customers is kept at a low level by customer credit insurances and an ongoing credit assessment.

### Accounting

The internal control system (ICS) for the accounting process and financial reporting guarantees the accuracy, reliability and traceability of financial information. Moreover, the usefulness and efficiency of the processes as well as compliance with statutory, contractual and internal provisions are guaranteed.

The accounting process comprises all material steps guaranteeing that the accounting-relevant information is recorded and processed completely, accurately and in due time, and that the financial reporting is presented in accordance with the applicable accounting standards.

The structural and operational organizations stipulate clear and unambiguous responsibilities regarding the subsidiaries and the Group. The central functions “Corporate Accounting” and “Reporting and Planning” are responsible for designing uniform Group-wide guidelines as well as the organization and the control of financial reporting within the Group.

Reporting to the Supervisory Board and the Management Board is effected on a regular basis, comprehensively and in due time.

Compliance with Group guidelines and procedures for the recording, recognition and accounting of transactions is controlled on an ongoing basis. Material pre-defined control measures must be documented and reported immediately. The data processing systems used are specifically developed and optimized on an ongoing basis.

The accounting process and financial reporting are systematically reviewed as to all types of risks and evaluated by the Group’s risk management on a regular basis. Improvement measures are introduced expeditiously and implemented accordingly.

### Other risks

The compliance risk arising from a possible non-conformity with standards, laws and ethic behavioral rules is covered particularly by regular systematic compliance monitoring, a comprehensive internal control system, guidelines and process instructions as well as ongoing training and communication.

The failure risk of central data processing is reduced by a geographically separated back-up computer center as well as a comprehensive range of preventive and review measures.

Our Group might face other risks in addition to those mentioned herein. At this time, we are not aware of any such risks or consider them to be negligible.

From a current point of view, the assessment of the overall risk situation does not reveal any risks which could endanger the going concern of the Group.

## 6. Environmental Protection

The responsible and environmentally friendly use of resources has always been an immanent part of the business activities of the Mayr-Melnhof Group. Our cartonboard products are made mainly from renewable and recyclable raw materials. Cartonboard is used to produce folding carton products for the consumer goods industry, which are almost fully recyclable after use. The use of most modern high-performance technology and continuous optimization measures from decades of focusing on our core business secure a highly efficient and state-of-the-art manufacturing process also from an environmental point of view.

The use of cartonboard in the packaging world thus offers aside to product-related technical and economic advantages an ecological packaging solution characterized by utmost sustainability.

Our goal of establishing the best possible sustainable standards throughout the Group as market and cost leader is comprehensive. Consequently our approach to environmental protection is broad and ambitious.

Due to our objective of improving the environmental friendliness of our products, we continuously monitor the impacts of our activities on the environment and review and evaluate the potential effects new products and processes may have. Hence we comply with the required environmental provisions and create the potential for new improvements. Our activities towards environmental protection are multi-dimensional and include production downstream and upstream areas, such as purchasing, transport and logistics.

As a consequence of our continuous optimization work, the Mayr-Melnhof cartonboard mills have been ranking among the top performers in Europe for several years now, regarding a number of specific consumption and emission values. Thus, further improvements are often hardly possible and are subject to technical innovations.

Currently, optimization measures specifically focus on reductions in raw materials and energy consumption. By implementing systematic division-wide initiatives, we manage to share the best practice know-how with all sites on a regular basis. Furthermore, many of our locations have environmental management systems in place, supporting the optimization process with a high degree of systematization.

Environmental management systems for roughly half of the cartonboard production as well as four folding carton production sites were certified according to ISO 14001 as of the end of 2010. Permanent improvements in the company's quality management are effected throughout the entire Group via ISO 9001 audits. Furthermore, all cartonboard mills and folding carton production sites serving the food industry are certified in accordance with the hygiene management standard HACCP, at the same time complying with the new European standard EN 15593.

Already in 2009 we have complied with the requirement of transparent use of virgin fibers from sustainably managed forest through the certification of all MM cartonboard mills in accordance with FSC and PEFC (international forest certification systems „Forest Steward Council“ and „Program for Endorsement of Forest Certification Schemes“). According to plan, the number of FSC and PEFC certified MM Packaging productions sites was significantly increased from three to ten, in line with the traceability throughout the entire value added chain (Chain-of-Custody certification).

The mills within the EU received the carbon dioxide emission certificates with regard to the use of fossil energy for the period until 2012. As was the case in the years before, there was no shortage as of December 31, 2010.

## Environmental protection measures in 2010

### MM Karton

#### Energy

In 2007, we initiated the implementation of projects for a significant reduction in specific energy consumption, all according to the motto "efficiency". The objective of the initiative was to considerably reduce energy consumption per ton of cartonboard produced, starting in the basis year 2007. The specific quantitative target was achieved in 2010, upon realization of a number of individual projects. The focus was mostly on measures in waste heat recovery and insulation as well as technological modernizations of machines and processes.

#### Air / Noise

In the course of a project for hall ventilation with waste heat recovery, we managed to considerably reduce both exhaust air temperature and noise.

### Water

MM Karton pursues the objective of sustainably reducing the water used in the production process by continuously optimizing the entire water consumption. In order to minimize the fresh water added, the water is being efficiently re-used within the mills several times by using state-of-the-art technologies. In 2010, we focused particularly on water treatment.

### Waste

A central grease lubrication system was installed in Frohnleiten, which led to a considerable reduction in grease consumption and waste. Another measure focused on the reduction of rejects.

### MM Packaging

In 2010, the optimization measures of MM Packaging centered above all on improvements in productivity and material efficiency. Savings refer to the entire raw materials and energy consumption. In the environmentally sensitive areas a focal point is concentrated on the realization of recycling possibilities for resources and energy. The use of odorless and low migration inks increased.

## 7. Disclosures according to Article 243a of the Austrian Commercial Code

### Composition of capital, stock categories

Please refer to the information provided in the consolidated financial statements under note 12 a).

### Restrictions concerning the voting rights and the transfer of shares

Approximately 59 % of the shares are held by the core shareholder families in a syndicate. A syndicate agreement exists, which regulates the transferability of shares within the syndicate and to outside parties. Issues that concern the annual general meeting are decided by the syndicate with 65 % of voting rights. Modifications of the syndicate agreement require 90 % of voting rights.

### Direct or indirect participation in capital of at least 10 %

According to the information provided by the Company, minimum participations of 10 % in the capital at year-end 2010 were as follows:

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG  
CAMA Privatstiftung

### The owners of shares with special control rights and a description of these rights

There are no shares with special control rights.

### The type of voting rights control for capital participation by employees, if they do not directly exercise the right to vote

There is no such capital participation model for employees.

### The provisions for appointment and revocation of members of the Management Board and the Supervisory Board and regarding alteration of the Articles of Association of the Company that do not arise directly from the Act

There are no provisions of this type.

### The authorizations of the members of the Management Board that do not arise directly from the Act, in particular with regard to the option of issuing or repurchasing shares

Please refer to the information provided in the consolidated financial statements under note 12 a).

All significant agreements to which the Company is party and that take effect are modified or terminated in the event of a change of control of the Company as a result of a takeover offer as well as their effects; excepted are agreements which would significantly damage the Company if made public, unless the Company is obligated to make such information public as a result of other statutory provisions

The protective clause with regard to the disclosure of this information is invoked. The scope of the business in question is considered reasonable.

Existence and significant contents of compensation agreements between the Company and the members of its Management and Supervisory Boards or employees in the event of a public takeover offer

There are no agreements of this type.

## 8. Subsequent Events

There have been no subsequent events after the balance sheet date.

## 9. Outlook on the Financial Year 2011

This forecast reflects the opinions of the Management Board as of March 1, 2011 and does not take into consideration the effect of any acquisitions, disposals or any other structural changes that may take place during 2011. By their prospective nature, the preceding and subsequent statements are subject to both known and unknown risks and uncertainties, which could imply that the actual results achieved could vary from the opinions expressed within this document.

The dynamics of the economy in our main market, Western Europe, are returning to a normal level after the strong upturn of the previous year. It can be concluded from the current quite stable employment situation that the positive impetus for private consumption will be maintained in the forthcoming months, in the same way as carton-board and folding carton demand. Reservations include the slowing down of the global economy and the lack of consolidation of the public budget.

In light of these conditions, our order books have remained full since the beginning of the year and we have been able to maintain the high capacity utilization of the previous quarter in both divisions. It is not yet certain how sustainable this situation will be throughout 2011.

As expected, the cartonboard production industry, however, has been hit again by cost increases for recovered paper, chemicals and transportation. A selective realignment of cartonboard prices has therefore been planned for the remaining course of the year. In cartonboard processing, progress has been made in passing on the recent cartonboard price increases, although the impact will only become noticeable gradually due to delayed effectiveness.

Forthcoming planned investments in cartonboard production will particularly concentrate on measures to reduce direct costs and optimize the product range. In cartonboard processing, a central focus area will be the provision of necessary capacities to enable the continuation of our growth plans.

It remains our goal to use our attained funds to extend market leadership in both core business divisions, through high cost efficiency, leadership in expertise and continuous expansion. Other growth steps are in the planning phase and will be implemented in a risk-sensitive manner.

As a result of the limited forecasting abilities, it is not possible to provide a projected result for the financial year 2011 at the current time.

Vienna, March 1, 2011

The Management Board

Wilhelm Hörmanseder m.p.

Andreas Blaschke m.p.

Franz Rappold m.p.

Oliver Schumy m.p.

# Corporate Governance Report

The assurance of long-term profitable business activities in the core competence areas cartonboard and folding carton production is the central strategy of the Mayr-Melnhof Group. Here, the consistent compliance with the principles of diligent Corporate Governance has been the basis of our goal for a long time, with high transparency and protection of the interests of our stakeholders, thus generating management and control of the Company for long-term high value added. In this context, the equal treatment of all our shareholders has a high significance. Ever since the Code became effective, Mayr-Melnhof Karton AG has voluntarily committed itself to complying with the Code, with the goal of always fulfilling up-to-date international standards of responsible Corporate Governance.

The Code is based on the provisions of Austrian stock corporation, stock exchange and capital market laws, EU recommendations as well as the guidelines contained in the OECD Principles of Corporate Governance. On a regular basis, the Code is checked against national and international developments and adjusted accordingly. The applicable version of the Code can be found online at [www.corporate-governance.at](http://www.corporate-governance.at).

For the business year 2010 adherence to Corporate Governance was evaluated on the basis of the most recent version of the Code of January 2010. Just as it has been the case so far, Mayr-Melnhof Karton AG continues to comply with all legal provisions without any restrictions. Additional recommendations or suggestions contained in the Code, which do not require any explanation in case of deviations, have been implemented almost entirely.

The Company deviates from the following C Rules (“comply or explain”) of the Code and explains as follows:

- Rule 27 Non-financial criteria are not taken into account for the variable compensation of the members of the Management Board.  
Explanation: Contents of current contracts with the members of the Management Board.
  
- Rule 27a In case of an early termination of a member of the Management Board without good cause, such member shall be compensated for no more than the remaining term of contract. The economic situation of the company shall not be taken into account.  
Explanation: Contents of current contracts with the members of the Management Board.
  
- Rule 30 The upper limits currently applicable to variable compensation shall not be stated.  
Explanation: We do not believe this information is material or relevant for any decisions. A cap is designated by all means.
  
- Rule 31 Disclosure of the compensation of each individual member of the Management Board  
Explanation: We do not believe this information is material or relevant for any decisions.
  
- Rule 51 Disclosure of the compensation of each individual member of the Supervisory Board  
Explanation: We do not believe this information is material or relevant for any decisions.

## Board members

### The Management Board

Wilhelm HÖRMANSEDER

Chairman

Member of the Management Board

since March 9, 1994

appointed until December 31, 2014

born 1954

Andreas BLASCHKE

Member of the Management Board

since May 14, 2002

appointed until May 14, 2015

born 1961

Franz RAPPOLD

Member of the Management Board

since May 14, 2002

appointed until May 14, 2015

born 1952

Oliver SCHUMY

Member of the Management Board

since June 1, 2008

appointed until May 14, 2015

born 1971

The members of the Management Board do not hold any mandates in Group-external supervisory boards.

### The Supervisory Board

Michael GRÖLLER

Chairman since June 8, 2002

born 1941

Romuald BERTL

Deputy Chairman since March 2, 1994

born 1953

Johannes GOESS-SAURAU

Deputy Chairman since May 7, 2008

Member of the Board since May 18, 2005

born 1955

Nikolaus ANKERSHOFEN

Member of the Board since April 28, 2010

born 1969

Gerhard GLINZERER

Member of the Board from June 17, 1997

until April 28, 2010

born 1954

Guido HELD

Member of the Board since May 7, 2008

born 1944

Alexander LEEB

Member of the Board since May 7, 2008

born 1959

Georg MAYR-MELNHOF

Member of the Board since May 7, 2008

born 1968

Michael SCHWARZKOPF

Member of the Board since April 29, 2009

born 1961

Hubert ESSER

Member of the Board since May 10, 1995

born 1959

Delegate of the European Staff Council of  
MM Karton

Andreas HEMMER

Member of the Board since October 20, 2009

born 1968

Delegate of the European Staff Council of  
MM Karton

Gerhard NOVOTNY

Member of the Board since May 10, 1995

born 1963

Divisional representative of MM Packaging

The current mandate of all members of the Supervisory Board elected by the shareholders will expire with the 21<sup>st</sup> Ordinary Shareholders' Meeting in 2015 on the financial year 2014.

All mandates of the Supervisory Board members delegated by the employee representation bodies are for an indefinite period of time.

#### Members in the committees of the Supervisory Board

##### *Committee for Management Board Issues*

Michael GRÖLLER, Chairman  
Romuald BERTL  
Johannes GOESS-SAURAU

##### *Audit Committee*

Romuald BERTL, Chairman  
Johannes GOESS-SAURAU  
Michael GRÖLLER  
Gerhard NOVOTNY

#### Members of the Supervisory Board with additional supervisory board mandates within publicly listed companies

Michael GRÖLLER  
Deputy Chairman of the Supervisory Board, RHI AG, Vienna, Austria

Gerhard GLINZERER

Member of the Supervisory Board, S.C. Armatura S.A., Cluj-Napoca, Romania, during his mandate in the Supervisory Board of Mayr-Melnhof Karton AG until April 28, 2010

Michael SCHWARZKOPF

Member of the Supervisory Board, voestalpine AG, Linz, Austria

#### Independence of the members of the Supervisory Board

The guidelines of the Austrian Corporate Governance Code formed the basis for the determination of the independence criteria for the members of the Supervisory Board. The criteria are published on the Company's website at <http://www.mayr-melnhof.com/en/about-mm/governance/independence-supervisory-board.html>.

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

Contracts between members of the Supervisory Board and the Company subject to approval

There are no such contracts.

Share owners or representation of interests of a share > 10 % in Mayr-Melnhof Karton AG

No member of the Supervisory Board holds a share in Mayr-Melnhof Karton AG exceeding 10 % or represents a legal entity with a shareholding beyond 10 %.

### Information on the procedures of the Management Board and the Supervisory Board

Allocation of rights and duties within the Management Board

Wilhelm HÖRMANSEDER	CEO
Oliver SCHUMY	CFO
Andreas BLASCHKE	Sales, Marketing MM Packaging
Franz RAPPOLD	Sales, Marketing MM Karton

Type and decision-making power of the committees of the Supervisory Board

#### *Committee for Management Board Issues*

This committee decides on issues concerning the Management Board in accordance with statutory provisions and also fulfills the appointment and compensation committees' functions. The quality of the committee's work is guaranteed by its long time experience and know-how in compensation policy.

#### *Audit Committee*

The decision-making power derives from statutory provisions. The quality of the committee's work is guaranteed by its long time experience and know-how in finance and accounting as well as reporting.

#### Focuses of the Supervisory Board

The Supervisory Board held six meetings in the fiscal year 2010, with the participation of the Management Board, and fulfilled its tasks and obligations in accordance with the law and the articles of association. In addition to the discussion on the current business development, the Supervisory Board above all addressed the implementation of the strategy within the individual segments, acquisition projects, planned investments and financing activities. The efficiency of the activities of the Supervisory Board was ensured by its organization and regular exchange of information.

#### Focuses of the committees of the Supervisory Board

The Committee for Management Board Issues met three times in 2010. Matters concerning the Management Board were addressed and Supervisory Board meetings were prepared. The committee was responsible for the implementation of the regulations applicable to the compensation of the members of the Management Board as well as for the review of the underlying compensation policy.

In 2010, the Audit Committee held two meetings and fulfilled its statutory duties.

#### Advancement of women as members of the Management Board or Supervisory Board and in leading positions

All positions in the Management Board, the Supervisory Board as well as all leading positions are exclusively staffed in accordance with professional and personal qualifications.

#### Compensation of the Management Board

The compensation of the members of the Management Board depends on the responsibility, personal performance and on the tasks covered by each member of the Management Board as well as on the achievement of the Company's objectives and the economic situation of the Company. Such compensation is comprised of fixed and variable components. The variable compensation depends above all on sustainable, long-term and multi-year performance criteria without giving reasons for taking unreasonable risks. Non-financial criteria are not being taken into account at this time.

The variable component of the compensation of the members of the Management Board, which is proportionally high in comparison to the fixed compensation, is subject to an upper limit and is based on the annual result, cash earnings and the return on capital employed. The variable compensation of the members of the Management Board is paid on the basis of the data audited by the auditor in the year following the year of their economic reference base.

In the business year 2010, the total amount of compensation of the members of the Management Board was thous. EUR 3,701. Thereof thous. EUR 1,527 were allocable to fixed compensation and thous. EUR 2,174 to variable compensation.

The members of the Management Board participate in the company pension scheme and are entitled to receive a portion of the fixed pension amount upon retirement depending on the qualifying period.

In case the function is terminated, statutory rights on the basis of the employment contract shall apply. Severance payments in case of early termination shall not exceed the compensation of the member of the Management Board for the remaining term of the member's contract and take into account the circumstances of such termination of the respective member of the Management Board.

The Company took out a D&O (Directors-and-Officers) insurance.

### Compensation of the Supervisory Board

The compensation of the Supervisory Board for the current business year will be determined by the Shareholders' Meeting in the following year and is paid subsequently (Supervisory Board's compensation in 2009 amounted to thous. EUR 195). The allocation of the total compensation among the members shall be the Supervisory Board's responsibility. The members of the Supervisory Board were not granted any additional compensation.

Information on Corporate Governance is regularly carried out on the Group's website at <http://www.mayr-melnhof.com/en/about-mm/governance.html>.

Vienna, March 1, 2011

The Management Board

Wilhelm Hörmanseder m.p.

Andreas Blaschke m.p.

Franz Rappold m.p.

Oliver Schumy m.p.

# Report of the Supervisory Board

In the 2010 financial year, the Supervisory Board discharged its responsibilities under statute and the articles of the Company.

During the financial year, the Supervisory Board convened in six meetings with the participation of the Management Board. Each mandate holder attended at least five meetings. The Committee for Management Board Issues convened three times. The Audit Committee held two meetings. The Supervisory Board meetings offered sufficient opportunity to discuss the issues on the respective agendas and the documents submitted on time.

Furthermore, the Management Board provided the Supervisory Board on a regular basis with written and verbal reports on the business development and the condition of the Company and of the subsidiaries within the Group. The Chairman of the Supervisory Board also maintained regular contact with the Chairman of the Management Board outside Supervisory Board meetings in order to discuss the business development, strategy and risk situation of the Company.

In addition to discussing the current business, the Supervisory Board was particularly concerned with the implementation of the strategy in the segments, acquisition, investment, and financing projects.

The cooperation of the capital and employee representatives was characterized by cooperative interaction of all participants.

The annual financial statements and the management report of Mayr-Melnhof Karton AG for the year ending December 31, 2010 including the accounting were audited by Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The same applies to the consolidated annual financial statements, which were prepared in accordance with IFRS and supplemented by the management report for the Group and further notes under the terms of section 245a of the Austrian Commercial Code. The audit confirmed that the accounting, the annual financial statements, the management report as well as the consolidated annual financial statements and the management report for the Group conform with the legal requirements and the Articles of Association and present fairly, in all material respects, the financial position, its financial performance and cash flows. The audit provided no reason for query, and the auditors duly issued an unqualified opinion for 2010.

The Supervisory Board concurs with the annual financial statements, management report, corporate governance report, the consolidated annual financial statements as well as the management report for the Group, and hereby approves the annual financial statements of Mayr-Melnhof Karton AG as of December 31, 2010. Thus, the 2010 annual financial statements of Mayr-Melnhof Karton AG are adopted in accordance with section 96 (4) of the Austrian Companies Act.

The Supervisory Board has considered and approved the Management Board's proposal regarding the appropriation of profit for the financial year 2010.

The members of the Supervisory Board extend their recognition and thanks to the Management Board and all employees of the Mayr-Melnhof Group for their high achievements and dedicated efforts during the financial year 2010.

Vienna, March 2011

**Michael GRÖLLER**

Chairman of the Supervisory Board

## MM Shares

The shares of Mayr-Melnhof Karton AG have been listed on the Vienna Stock Exchange since April 21, 1994 and are traded in the ATX Prime. Furthermore, since 1998, there exists a Sponsored Level 1 ADR (American Depositary Receipt)-program with the Bank of New York. ADRs, denominated in US dollars with four ADRs equaling one ordinary share, are traded OTC (over-the-counter) in the USA. Mayr-Melnhof stock options are traded at the Austrian Futures and Options Exchange.

### Stock markets in 2010

The development of the stock prices in the year 2010 was characterized by a significant heterogeneity both between markets and industry sectors. The general recovery of the market, that had started in 2009, could therefore be continued only selectively. The surprisingly significant recovery of the economic situation together with the improved profitability of businesses and the continued policy of low interest rates resulted in a positive effect on the stock market. However, this development has been foiled by the debt crisis in several Euro-countries and high price increases of raw materials.

In the first three quarters, the trend of market prices at the Vienna Stock Exchange was marked by high volatility. As of September, a continuing upward movement took place, which resulted in a final value of 2,904.47 points and an increase of the index of 16.4 % for the whole year. Therewith, the development of indexes in most of the international stock exchanges could be outperformed. The Euro Stoxx 50 reached at year-end a value of 2,792.82 points and was thereby 5.8 % lower than the final value of 2009. In contrast, the DAX rose by 16.1 % and the Dow Jones Industrial by 11.0 %.

### The MM share performance

With an annual performance of 20.9 % the MM share closed disproportionately to the Austrian comparative index. After a decline in the share price at the beginning of the year analogously to the overall market and a year low of EUR 66.50 on March 4, 2010, the further development of the MM share was marked by a significant upward trend until the end of the year. The annual high of EUR 88.79 was reached on December 29, 2010. The average daily sales amounted to EUR 1.8 million (2009: EUR 2.3 million) The weighting in the ATX was at roughly 2.2 % at the end of the year (Year-end 2009: 2.2 %).

### Share repurchase program / cancellation of treasury shares

In line with the share repurchase program that had started on November 27, 2007 and ended according to schedule on November 7, 2010, the repurchase of own shares has been continued in the year 2010 with 1,120,000 treasury shares being repurchased at the end of January 2010.

On April 28, 2010 the 16<sup>th</sup> Ordinary Shareholder's Meeting of Mayr-Melnhof Karton AG has resolved on a simplified reduction of the Company's share capital by cancellation of 2 million treasury shares with the pro rata amount of EUR 8 million, from EUR 88 million to EUR 80 million. On June 10, 2010 the entry into the company register

at the commercial court in Vienna has been affected. The cancellation of 2 million treasury shares took place on June 17, 2010. Subsequently the Company's share capital amounts to EUR 80 million and is divided into 20,000,000 no-par bearer shares.

At the end of 2010, the Group held 15,260 shares which corresponds to 0.08 % of the capital stock. The book value per share remained constant to the previous year at EUR 59.2. All transactions are published on the Internet at [www.mayr-melnhof.com](http://www.mayr-melnhof.com).

### Shareholder structure

In 2010, the shareholder structure of the Mayr-Melnhof Group was once again characterized by continuity. Approximately 59 % of the 20 million bearer ordinary shares are held by the core shareholder families in a syndicate. Other shareholdings are widespread and are mostly held by institutional investors in Great Britain, Germany, Austria, France, Scandinavia and Switzerland.

### Long-term dividend policy

The long-term dividend policy of the Mayr-Melnhof Group pursues the distribution of a third of the consolidated profit for the year. Due to successful results in the business year 2010, the Management Board will propose a dividend increase of EUR 0.25 to EUR 1.95 per share in the course of the 17<sup>th</sup> Ordinary Shareholders' Meeting on April 27, 2011. This corresponds to a total amount paid out of EUR 39.0 million (2009: EUR 35.9 million) and a payout ratio of 35.3 % (2009: 36.8 %). Based on the average share price for the year 2010, a dividend yield of 2.6 % could be achieved.

### Investor Relations

The guiding idea of the investor relations program of the Mayr-Melnhof Group is the concentration on a continuous, open and personal communication with our institutional and private investors, analysts, economic journalists and the interested public. Our top priority is to provide all members of the financial community with a true image of our Company in order to facilitate an adequate valuation for the Mayr-Melnhof share.

The transmission of information is characterized by the principle of equal treatment of all shareholders. Therefore, all current and price-relevant data are simultaneously and identically published via an electronic distribution system and on our website.

The year 2010 was characterized by continuously high interest in the Mayr-Melnhof share. Accordingly, we had a high number of personal meetings as well as presentations with investors and analysts on the strategy and current development of the Group. Several analysts from international banks cover the Company on a regular basis.

### Shareholders' Club

The Shareholders' Club is a free-of-charge service provided by MM. All shareholders registered in our Shareholders' Club and interested investors regularly receive company reports of Mayr-Melnhof Karton AG via postal mail. Furthermore, press releases are sent via e-mail. Our investor relations department will be happy to accept your registrations.

It is our objective to continuously improve our investor relations activities. Therefore we are always grateful for improvement suggestions.

### Your contact to Mayr-Melnhof Investor Relations

Phone: +43 1 50136 91180

Fax: +43 1 50136 91195

E-mail: [investor.relations@mm-karton.com](mailto:investor.relations@mm-karton.com)

Website: <http://www.mayr-melnhof.com>

### Information about Mayr-Melnhof shares

ISIN securities identification number: AT0000938204

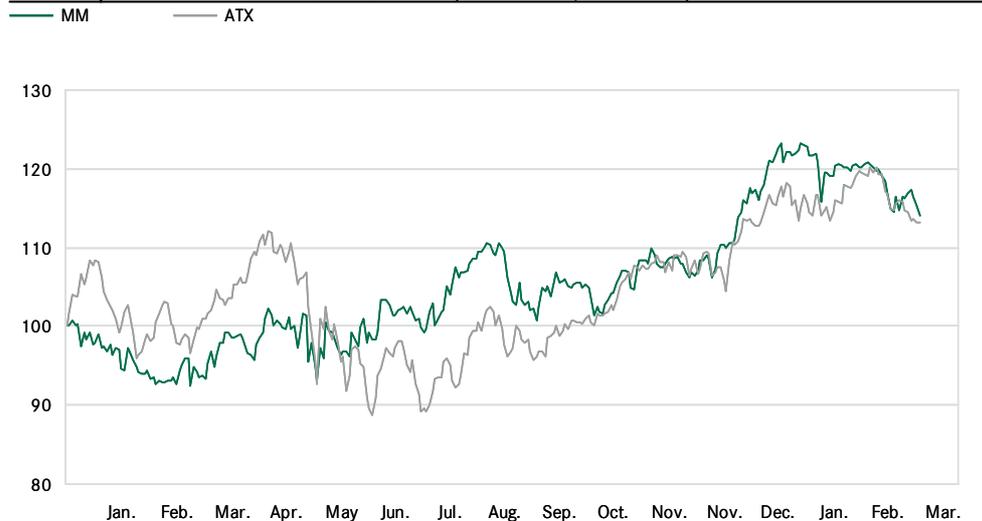
ADR Level 1: MNHFY

Reuters: MMKV.VI

Bloomberg: MMK:AV

### Share price chart

**Relative performance of MM shares 2010** (December 30, 2009 = 100)



## Share performance indicators

Stock price per share (in EUR)	2008	2009	2010
High	76.40	73.60	88.79
Low	45.93	48.10	66.50
Year-end	50.73	72.00	87.06
<b>Stock performance (as of Dec. 31)</b>			
-1 month	+5.4 %	+7.9 %	+9.2 %
-3 months	-6.2 %	+3.8 %	+14.5 %
-9 months	-26.0 %	+26.4 %	+19.6 %
<b>Relative performance (year-end)</b>			
MM Shares	-31.6 %	+4.9 %	+20.9 %
ATX	-61.2 %	+42.5 %	+16.4 %
<b>Share performance indicators (in EUR)</b>			
Earnings per share <sup>1)</sup>	4.38	4.44	5.39
Cash earnings per share <sup>1)</sup>	8.12	8.71	9.35
Total equity per share <sup>2)</sup>	41.95	44.62	47.92
Dividend per share	1.70	1.70	1.95 <sup>5)</sup>
Dividend <sup>2)</sup> (in millions of EUR)	36.10	35.88	38.97 <sup>5)</sup>
Dividend yield per average share price	2.9 %	2.8 %	2.6 %
<b>Trading volume</b>			
Vienna Stock Exchange <sup>3)</sup> (in EUR)	3,086,165	2,252,154	1,831,852
Number of shares issued	22,000,000	22,000,000	20,000,000
Own shares <sup>4)</sup>	740,368	895,260	15,260
Free float <sup>4)</sup>	7,179,632	7,232,582	8,281,460
Market capitalization <sup>4)</sup> (in millions of EUR)	1,079	1,520	1,740
ATX weighting <sup>4)</sup> (in %)	2.30 %	2.19 %	2.23 %

<sup>1)</sup> average shares outstanding

<sup>2)</sup> shares issued as of Dec. 31

<sup>3)</sup> daily average

<sup>4)</sup> as of Dec. 31

<sup>5)</sup> proposed

# Corporate Responsibility

Mayr-Melnhof Karton AG and its subsidiaries pursue a responsible management guided by the principles of integrity, honesty and transparency. Mutual trust as the principal concept offers the basis for joint, constructive cooperation within the company and with business associates. In order to meet the exacting demands in the best possible way, the Mayr-Melnhof Group places high demands in terms of responsible conduct and integrity on its employees, customers, suppliers, service providers and other contractual partners. The following principles of the Mayr-Melnhof Group, which are also composed in the corporate Code of Conduct of the Group, are based on the fundamental values of the Group which also comprise the universal principles of the UN Global Compact. They conduce both as a framework and a guideline for sustainably responsible action within the Group. With this code, MM documents its orientation to the principles of Corporate Social Responsibility in the meaning of sustainable Corporate Citizenship as well as its pursuance of responsible management geared to long-term sustainability.

## **Compliance with laws**

We comply with all applicable laws and regulations of the countries where we do business and observe their social norms.

## **Human rights**

We commit ourselves to observing the human rights within our sphere of influence and reject any form of forced labour in our companies and the companies of our business partners.

## **Child labour**

We reject child labour, irrespective of local legislation, throughout our company and in the companies of our business partners.

Throughout our Group we follow the international standards (ILO Conventions C 138 and C 182) and we keep records that show that all members of our workforce are of the minimum age required by law.

## **Mutual respect, non-discrimination, promotion of diversity**

We commit ourselves to creating a working environment throughout our group of companies that is characterized by honesty and mutual respect. We see the diversity of our employees as an asset that enables us to fulfill our tasks in an even more creative and better way. We reject any discrimination and harassment for reasons of gender, race, skin, religion, age, national/ethnic descent, disability or sexual orientation. Employees and job applicants are assessed following the principle of non-discrimination.

**Employee development**

We develop the potential of our workforce systematically for the future of our company. In doing so, we pay attention to the development of the technical as well as social and methodological skills of our employees.

**Relationship to employees and employees' representatives**

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

**Working hours and remuneration**

In all the companies of the Group, we comply with the effective regulations concerning working time. We acknowledge the entitlement of our workforce to adequate remuneration and observe the legal stipulations of the individual countries.

**Health and safety**

We promote the vitality and safety of our employees by ensuring a healthy, safe and humane working environment. The individual standards for safety and health at the workplace are observed. Appropriately suitable measures, such as continued evaluation and training, are geared to continuously improve health and safety at the workplace.

**Conflicts of interests, fight against corruption**

We always act in the best interest of the Mayr-Melnhof Group and separate the interests of the company strictly from private interests. We aim to avoid even the mere appearance of conflicts of interests. We take decisions based on reasonable business aspects in line with laws and standards. In our business relations, we always act perfectly in line with the respective regulations against corruption, bribing, fraud and money laundering.

**Competition, conduct on the market**

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

#### **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.

#### **Financial integrity**

To preserve the high degree of trust that shareholders, employees, business associates and the public place in us, the reporting of the Mayr-Melnhof Group shall be correct and truthful at all times and has to comply with the applicable legislation. Accounts and records are kept in accordance with the legal, official and fiscal provisions and regulations and in line with internationally recognized standards of accounting.

#### **Responsibility for our environment**

The Mayr-Melnhof Group effects its performance taking into account the environment at all steps of production as well as within downstream and upstream activities. We have opted for foresight, the use of environmentally friendly technologies and continuous, systematic enhancement of the environmental efficiency of our company. Observing applicable environmental legislation and regulations is a minimum requirement. We strive for close cooperation with our business partners in our perception of ecological responsibility and we promote initiatives for higher responsibility towards our environment.

#### **Business associates**

We expect our business associates to meet all legal provisions and industry standards in their cooperation with the Mayr-Melnhof Group at all times and encourage them to introduce and implement similar principles of responsibility at their companies wherever possible.

The preceding principles represent a basic attitude of the Mayr-Melnhof Group. They cannot be regarded, however, as the basis for demanding a specific line of conduct from the Mayr-Melnhof Group, nor for substantiating contractual claims against the company.

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# Consolidated Balance Sheets

(all amounts in thousands of EUR)	Notes	Dec. 31, 2010	Dec. 31, 2009
<b>ASSETS</b>			
Property, plant and equipment	5	564,039	524,948
Intangible assets including goodwill	5	85,415	62,691
Available-for-sale and other financial assets	6	5,447	5,361
Deferred income taxes	8	9,284	9,941
<b>Non-current assets</b>		<b>664,185</b>	<b>602,941</b>
Inventories	9	257,792	209,398
Trade receivables	10	227,700	185,281
Income tax receivables		9,098	12,135
Prepaid expenses and other current assets	11	30,167	25,657
Cash and cash equivalents		332,004	353,252
<b>Current assets</b>		<b>856,761</b>	<b>785,723</b>
<b>TOTAL ASSETS</b>		<b>1,520,946</b>	<b>1,388,664</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	12	80,000	88,000
Additional paid-in capital	12	176,453	168,453
Treasury shares	12	(904)	(53,042)
Retained earnings	12	721,873	766,221
Other reserves	12	(19,659)	(28,028)
<b>Equity attributable to shareholders of the Company</b>		<b>957,763</b>	<b>941,604</b>
Non-controlling (minority) interests		25,356	22,741
<b>Total equity</b>		<b>983,119</b>	<b>964,345</b>
Interest-bearing financial liabilities	13	62,973	43,058
Financial lease liabilities	13	4,314	0
Provisions for other non-current liabilities and charges	14	72,030	72,743
Deferred income taxes	8	24,009	26,235
<b>Non-current liabilities</b>		<b>163,326</b>	<b>142,036</b>
Interest-bearing financial liabilities	13	61,257	24,768
Financial lease liabilities	13	1,178	0
Liabilities and provisions for income tax	15	9,052	11,773
Trade liabilities	16	168,115	129,112
Deferred income and other current liabilities	17	59,289	39,123
Provisions for other current liabilities and charges	18	75,610	77,507
<b>Current liabilities</b>		<b>374,501</b>	<b>282,283</b>
<b>Total liabilities</b>		<b>537,827</b>	<b>424,319</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,520,946</b>	<b>1,388,664</b>

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

# Consolidated Income Statements

(all amounts in thousands of EUR except share and per share data)	Notes	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Sales		1,778,889	1,601,487
Cost of sales		(1,397,213)	(1,254,088)
<b>Gross margin</b>		<b>381,676</b>	<b>347,399</b>
Other operating income	19	11,591	18,422
Selling and distribution expenses		(155,386)	(142,416)
Administrative expenses		(75,240)	(73,135)
Other operating expenses		(367)	(320)
<b>Operating profit</b>		<b>162,274</b>	<b>149,950</b>
Result from disposal of businesses	4	(6,876)	0
Impairment expenses	5	0	(14,221)
Financial income		2,499	7,137
Financial expenses		(2,877)	(4,633)
Other income (expenses) - net	20	(3,337)	(5,856)
<b>Profit before tax</b>		<b>151,683</b>	<b>132,377</b>
Income tax expense	8	(41,254)	(34,994)
<b>Profit for the year</b>		<b>110,429</b>	<b>97,383</b>
<b>Attributable to:</b>			
Shareholders of the Company		108,101	94,157
Non-controlling (minority) interests		2,328	3,226
<b>Profit for the year</b>		<b>110,429</b>	<b>97,383</b>
<b>Earnings per share for profit attributable to the shareholders of the Company during the year:</b>			
Basic and diluted average number of shares outstanding		20,067,589	21,225,122
<b>Basic and diluted earnings per share</b>		<b>5.39</b>	<b>4.44</b>

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

# Consolidated Comprehensive Income Statements

(all amounts in thousands of EUR)	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
<b>Profit for the year<sup>1)</sup></b>	<b>110,429</b>	<b>97,383</b>
<b>Profit (loss) directly recognized in equity:</b>		
Valuation of available-for-sale financial assets	(12)	(779)
Foreign currency translations	10,190	591
<b>Total profit (loss) directly recognized in equity (net)<sup>1)</sup></b>	<b>10,178</b>	<b>(188)</b>
<b>Total profit for the year</b>	<b>120,607</b>	<b>97,195</b>
<b>Attributable to:</b>		
Shareholders of the Company	116,470	95,455
Non-controlling (minority) interests	4,137	1,740
<b>Total profit for the year</b>	<b>120,607</b>	<b>97,195</b>

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

<sup>1)</sup> In the financial year 2010 an amount of thous. EUR 898 was reclassified from total profit (loss) directly recognized in equity to the profit for the year.

# Consolidated Statements of Changes in Equity

(all amounts in thousands of EUR)	Notes	Equity attributable to shareholders of the Company									
		Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Profit (loss) directly recognized in equity			Total	Non-controlling (minority) interests	Total equity
						Valuation of available-for-sale financial assets	Foreign currency translations	Other reserves			
<b>Balance at Jan. 1, 2009</b>		<b>88,000</b>	<b>168,453</b>	<b>(43,509)</b>	<b>708,225</b>	<b>797</b>	<b>(30,123)</b>	<b>(29,326)</b>	<b>891,843</b>	<b>21,806</b>	<b>913,649</b>
Total profit for the year					94,157	(785)	2,083	1,298	95,455	1,740	97,195
Dividends paid					(36,133)			0	(36,133)	(1,017)	(37,150)
Capital contribution by non-controlling (minority) interests					(28)			0	(28)	212	184
Purchase of treasury shares at cost				(9,533)				0	(9,533)		(9,533)
<b>Balance at Dec. 31, 2009</b>		<b>88,000</b>	<b>168,453</b>	<b>(53,042)</b>	<b>766,221</b>	<b>12</b>	<b>(28,040)</b>	<b>(28,028)</b>	<b>941,604</b>	<b>22,741</b>	<b>964,345</b>
Total profit for the year					108,101	(12)	8,381	8,369	116,470	4,137	120,607
Dividends paid	12				(33,973)			0	(33,973)	(841)	(34,814)
Disposal of businesses								0	0	(681)	(681)
Purchase of treasury shares at cost				(66,338)				0	(66,338)		(66,338)
Cancellation of treasury shares		(8,000)	8,000	118,476	(118,476)			0	0		0
<b>Balance at Dec. 31, 2010</b>		<b>80,000</b>	<b>176,453</b>	<b>(904)</b>	<b>721,873</b>	<b>0</b>	<b>(19,659)</b>	<b>(19,659)</b>	<b>957,763</b>	<b>25,356</b>	<b>983,119</b>

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

# Consolidated Cash Flow Statements

(all amounts in thousands of EUR)	Notes	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit for the year		110,429	97,383
<b>Adjustments to reconcile profit for the year to net cash provided by operating activities:</b>			
Income tax expense	8	41,254	34,994
Depreciation and amortization of property, plant and equipment, and intangible assets <sup>1)</sup>	5	81,796	97,773
Gains (losses) from disposals of property, plant and equipment, and intangible assets	19	(527)	(1,539)
Result from disposal of businesses	4	6,876	0
Interest income		(2,499)	(7,032)
Interest expense		2,877	4,562
Share of profit (loss) of associated companies		(294)	(386)
Other		(765)	(1,125)
<b>Net cash provided by profit</b>		<b>239,147</b>	<b>224,630</b>
<b>Changes in working capital:</b>			
Inventories		(47,141)	4,348
Trade receivables		(31,968)	(3,100)
Prepaid expenses and other current assets		(6,993)	5,204
Trade liabilities		31,985	16,110
Deferred income and other short-term liabilities		5,544	(4,089)
Provisions for other short-term liabilities and charges		(42)	5,266
<b>Changes in working capital</b>		<b>(48,615)</b>	<b>23,739</b>
<b>Cash flow provided by operating activities excluding interest and taxes paid</b>		<b>190,532</b>	<b>248,369</b>
Income taxes paid		(45,923)	(47,900)
<b>Net cash provided by operating activities</b>		<b>144,609</b>	<b>200,469</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Proceeds from disposals of property, plant and equipment, and intangible assets		2,221	3,909
Purchases of property, plant and equipment, and intangible assets		(86,637)	(61,624)
Acquisitions of companies or businesses, net of cash and cash equivalents acquired (2010: thous. EUR 1,925; 2009: thous. EUR 84)	4	(30,914)	(2,636)
Proceeds from disposal of companies or businesses, net of cash and cash equivalents disposed (2010: thous. EUR 3,755)	4	850	0
Disposals and purchases of available-for-sale and other financial assets		259	152,154
Dividends received		294	386
Interest received		2,362	10,147
<b>Net cash provided by/used in investing activities</b>		<b>(111,565)</b>	<b>102,336</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Interest paid		(3,778)	(3,612)
Issuances of interest-bearing financial liabilities		98,170	2,914
Repayments of interest-bearing financial and financial lease liabilities		(49,945)	(91,920)
Treasury shares	12	(66,338)	(9,533)
Dividends paid to the shareholders of the Company	12	(33,973)	(36,133)
Dividends paid to non-controlling (minority) interests		(841)	(1,017)
Capital contribution by non-controlling (minority) interests		0	212
<b>Net cash used in financing activities</b>		<b>(56,705)</b>	<b>(139,089)</b>
Effect of exchange rate changes on cash and cash equivalents		2,413	(250)
<b>Net increase in cash and cash equivalents</b>		<b>(21,248)</b>	<b>163,466</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>353,252</b>	<b>189,786</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>332,004</b>	<b>353,252</b>

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

<sup>1)</sup> The figure for 2010 includes thous. EUR 2,518 of impairment expenses (2009: thous. EUR 14,221).

# Notes to the Consolidated Financial Statements

## (1) Summary of significant accounting policies

### a) General explanations

#### The Mayr-Melnhof Group

Mayr-Melnhof Karton AG and its subsidiaries (“the Group”) are primarily engaged in manufacturing and selling cartonboard and folding cartons within Europe. The Group is divided into two operating segments (see note 23): Mayr-Melnhof Cartonboard (“MM Karton”) and Mayr-Melnhof Packaging (“MM Packaging”). MM Karton manufactures and markets numerous grades of cartonboard, concentrating on coated cartonboard produced predominantly from recovered paper. MM Packaging converts cartonboard into industrial-printed folding cartons mainly for food (e.g. cereals, dried foods, sugar, confectionary and baked products), other consumer goods (e.g. cosmetics and toiletries, detergents, household articles and toys), and into cigarette packaging as well as high-grade confectionary packaging.

The parent company of the Group is Mayr-Melnhof Karton AG, located at Brahmplatz 6, 1041 Vienna, Austria.

#### Basic accounting principles

The consolidated financial statements and notes thereto of Mayr-Melnhof Karton AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS” and “IAS”) as adopted by the International Accounting Standards Board (“IASB”) and the respective interpretations as adopted by the Standing Interpretations Committee (“SIC”) and by the International Financial Reporting Interpretations Committee (“IFRIC”) as to be applied within the European Union. The present consolidated financial statements have been prepared by the Management Board as of March 1, 2011 and will be presented to the Supervisory Board for review and approval.

There are no further liabilities or claims with regard to third parties other than those which have been recorded in the consolidated financial statements and notes thereto.

The preparation of the consolidated financial statements and the notes thereto in accordance with generally accepted accounting and recognition standards of IFRS is performed by making estimates and assumptions for certain items, which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from those estimates and assumptions.

All amounts herein, except share data and per share amounts, are specified in thousands of Euro unless otherwise stated.

## b) Consolidation principles and consolidation methods

The consolidated financial statements and notes thereto include the accounts of Mayr-Melnhof Karton AG (“the Company”) and all wholly and majority-owned subsidiaries, except where control is temporary or does not reside within the Group. Non-controlling (minority) interest represents the non-controlling (minority) shareholders’ proportionate share of the equity and profit in several majority-owned subsidiaries of the Company. Investments in companies in which Mayr-Melnhof Karton AG has the ability to exercise significant influence over its operating and financial policies, generally when the Group holds at least 20 % but not more than a 50 % voting interest, are accounted for under the equity method. Investments in companies in which less than a significant influence is maintained are accounted for at cost or fair value as appropriate. All effects of intercompany transactions have been eliminated.

According to IFRS 3 “Business Combinations”, all acquisitions of companies and businesses shall be accounted for using the purchase method. Thereby, the cost of the acquired interest is offset against the acquirer’s interest in equity at the acquisition date. Any difference between the cost of acquisition and the acquirer’s interest in equity shall be allocated to the respective identifiable assets and liabilities of the acquired company or business up to its fair values irrespective of the percentage of the interest acquired. Accordingly, the non-controlling (minority) interest of the remaining shareholders shall be recognized at fair value of their interest in equity. A remaining excess of the purchase price over the fair value of the equity interest acquired shall be capitalized as goodwill. Negative goodwill shall be recognized immediately in the income statement.

### c) Accounting and recognition principles

During the preparation of the consolidated financial statements and notes, relevant amendments to existing IAS, IFRS and interpretations as well as newly enacted IFRS and IFRIC interpretations, as published in the Official Journal of the European Union and put into effect no later than December 31, 2010, were taken into consideration.

In this context amendments to IAS 27 “Consolidated and Separate Financial Statements” and IFRS 3 “Business Combinations” which both have been revised comprehensively, were concerned. The amendments of IFRS 3, which amongst others concern accounting of transaction costs, the recognition and subsequent measurement of contingent considerations and the business combination achieved in stages, cause influences on business combinations starting with the financial year 2010. The revision of IAS 27 also stipulates rules for the change of a parent’s ownership interest in a subsidiary and for the distribution of losses between the shareholders of the parent company and the owners of non-controlling interests. A change of IAS 39 introduces additional rules regarding hedges of one-sided risks by options and rules concerning the hedging of inflation risks. The changes of IFRS 2 “share-based payment” concern the accounting of cash-settled share-based payment transactions within the Group. In the course of the annual improvement project “Improvements to IFRSs (2009)” mainly editorial and minor adjustments of the content were made in several standards. As a new interpretation, IFRIC 17 “Distributions of Non-Cash Assets to Owners” had to be applied for the first time in 2010. This new standard contains guidance regarding the presentation of distributions of non-cash assets to the owners in the balance sheet. These above mentioned regulations, as far as applicable, were implemented in the financial statements and notes.

Until December 31, 2010, the following standards and interpretations were changed. These changes were not effective for the financial year 2010. IAS 24 “Related Party Disclosures” contains a more detailed definition of the term “related party” and reliefs for companies which are associated with public authorities. According to IAS 32 warrants in a foreign currency can under certain circumstances meet the requirements to be accounted as equity instruments. In 2010 amended interpretations regarding IFRIC 14 “Prepayments of a Minimum Funding Requirement” and IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” were published. The mentioned changes or amendments are not expected to have significant impact on the presentation of the Group’s financial statements and financial position. The possibility of earlier application of the mentioned regulations was not used.

### Foreign currency translation

The assets and liabilities of foreign subsidiaries, where the functional currency is other than the Euro, are translated into Euro using exchange rates in effect at the balance sheet date. Revenues and expenses are translated using average exchange rates for the year. Differences arising from the translation of assets and liabilities in comparison with the previous periods are included as a separate part of shareholders' equity.

Exchange differences arising on monetary items that form part of a net investment in a foreign operation are recognized initially in accordance with IAS 21.32 as a separate component of equity and recognized in profit or loss upon repayment or disposal of the net investment.

Profit and loss resulting from foreign currency transactions are included in the results from operations as incurred.

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

Currency:		<b>Exchange rate at Dec. 31, 2010</b> 1 EUR =	Exchange rate at Dec. 31, 2009 1 EUR =	<b>Annual average exchange rate 2010</b> 1 EUR =	Annual average exchange rate 2009 1 EUR =
Bulgaria	BGN	1.96	1.96	1.96	1.96
Chile	CLP	628	-	678	-
Czech Republic	CZK	25.06	26.47	25.34	26.50
Denmark	DKK	7.45	7.44	7.45	7.45
Great Britain	GBP	0.86	0.89	0.86	0.89
Iran	IRR	13,701	-	13,481	-
Jordan	JOD	0.94	1.01	0.94	0.99
Poland	PLN	3.96	4.10	4.01	4.32
Romania	RON	4.28	4.24	4.22	4.22
Russia	RUB	40.33	43.15	40.35	44.04
Switzerland	CHF	1.25	1.48	1.37	1.51
Tunisia	TND	1.92	1.89	1.90	1.88
Turkey	TRY	2.06	2.15	2.00	2.17
Ukraine	UAH	10.57	11.45	10.52	10.85

### **Revenue recognition**

The Group recognizes revenue when convincing evidence of an arrangement exists, products are shipped to customers, the price of the transaction is fixed and determinable, and payment is reasonably assured. Revenues are recorded net of discounts, such as sales incentives, customer bonuses and rebates granted. Provisions for estimated costs related to product warranty and returns are made at the time the related sale is recorded. Shipping and handling costs are recorded as selling expenses.

### **Earnings per share**

Earnings per share is calculated in accordance with IAS 33 “Earnings per Share”. The standard requires the calculation and disclosure of two key figures, basic and diluted earnings per share. Basic earnings per share is calculated by dividing profit or loss attributable to the shareholders of the Company by the weighted average number of shares outstanding during the financial year. Diluted earnings per share is calculated by adjusting outstanding shares, assuming conversion of all potentially dilutive stock options. Neither as of December 31, 2010, nor as of December 31, 2009, existed these kind of options.

### **Research and development costs**

Research costs are recognized as expense as incurred. Development costs are capitalized only after the following criteria can be verified and are met cumulatively: it has to be possible among other criteria to use or sell internally generated intangible assets and, additionally, future economic benefits for the Group have to be achieved. Neither as of December 31, 2010, nor as of December 31, 2009, have development costs been capitalized.

### **Intangible assets including goodwill**

Acquired intangible assets which are determined to have a finite useful life including licenses, patents, concessions, trademarks and assets regarding customer relationships are capitalized at cost and amortized on a straight-line basis over their estimated useful lives ranging from 5 to 10 years. Acquired intangible assets which are determined to have an indefinite useful life are not amortized but tested for impairment on an annual basis.

According to IFRS 3 “Business Combinations”, goodwill is not amortized but tested for impairment on an annual basis. The recoverability evaluation of goodwill is performed at least annually or when it is evident that an impairment exists. Such impairment test is conducted on the operating segment level. In this context, the value in use of the segment is compared to the carrying amounts of non-current assets, comprising property, plant and equipment and intangible assets including goodwill. A segment’s value in use is determined by the present value of the estimated future cash flows before tax in accordance with a discounted cash flow calculation (DCF). The discount rate used is based on weighted average cost of capital (WACC) before tax. If the fair value of the operating segment is less than these carrying amounts, the difference is recognized as an impairment loss.

Neither in 2010 nor in 2009 had goodwill to be amortized as a result of an impairment.

**Property, plant and equipment**

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

Buildings	10–50 years
Technical equipment and machines	8– 15 years
Other equipment, fixtures and fittings	4– 10 years

It is the policy of the Group to capitalize renewal investments and leasehold improvements. Generally, costs resulting in a prolongation of utilization or in an increase in future utilization of assets are capitalized. Current cost of maintenance and repairs is recognized as expense as incurred.

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

### **Leases**

The Group is exclusively lessee in lease transactions. As far as the Group substantially bears all the risks and rewards incidental to the ownership of the asset, thereby being considered as beneficial owner (“Financial lease”), the asset is recognized under noncurrent assets at the present value of the non-cancelable minimum lease payments, recording a corresponding lease obligation as liability. For all remaining lease transactions (“Operating lease”), the lease-related payments are recognized as expense as incurred.

### **Impairment of non-current-assets**

A recoverability evaluation of non-current assets is performed as soon as events that have occurred and circumstances that have changed indicate that the carrying amount of an asset or a group of assets exceeds its recoverable amount. In such a case, the carrying amount of the asset or the group of assets is compared with the higher of the fair value less costs to sell or its present value of estimated future cash flows. In case that the reasons for an impairment no longer exist, a revaluation has to be conducted.

### **Investments in associated companies**

Material investments in which the Company has a significant influence are accounted for using the equity method. In general, the accounting principles as stated in this section are also applied for investments in associated companies.

### **Securities**

Securities are classified under measurement category “available-for-sale”. The fair value is calculated in reference to an active market. The corresponding unrealized profit and loss, if it does not represent a permanent loss, is directly recognized in equity, net of deferred income taxes. Premiums and accretion of discount of debt securities are allocated over the maturity and are included in “Financial income” or “Financial expenses”. Realized profit and loss from sale of available-for-sale financial assets that are determined using the specific identification method and declines in value classified to be other than temporary are included in “Financial income” or “Financial expenses”.

**Other financial assets**

Other financial assets comprise investments in non-consolidated subsidiaries, other investments, loans to third parties and other financial investments. Investments in non-consolidated subsidiaries and other investments are in fact held as available-for-sale, but in general these investments are recognized at cost, as no active market exists for these investments and the respective fair values cannot be reliably measured within an economically justifiable period of time. In case of an indicated lower fair value, this value is recorded. Loans to third parties are classified under measurement category "Financial assets" measured at cost less accumulated depreciation, whereas non-interest and low-interest-bearing loans are recognized at present value. All remaining other investments are impaired in case of a permanent reduction in value. In case that the reasons for impairment no longer exist, a revaluation has to be conducted.

**Deferred taxes**

Deferred tax assets and liabilities are accounted for in accordance with IAS 12 "Income Taxes" for all temporary differences between the tax bases of existing assets and liabilities and their value in the financial statements. In this context, those enacted statutory tax rates have to be applied which are applicable in future periods in which these differences will be reversed. Permanent differences are not included in the calculation of deferred taxes. Furthermore, deferred tax assets are recorded for those tax loss carryforwards which can be utilized. If the realization of deferred tax assets becomes improbable, a valuation allowance will be recorded. Deferred tax assets will be offset with deferred tax liabilities if they relate to income taxes levied by the same tax jurisdiction, the same tax period and if there is the right to set off tax assets against tax liabilities. The effect of tax rate changes on deferred tax assets and liabilities is recognized in income tax expense in the period of a tax rate change. In case of a distribution of retained earnings of certain subsidiaries an increase of the tax burden can occur under current tax jurisdictions within the Group and existing tax treaties, for which a deferred tax liability will be formed.

### **Inventories**

Inventories are valued at the lower of cost or market, with cost determined on an average basis. In order to determine purchase costs of raw materials, manufacturing and operation supplies and goods for resale, a weighted average price method taking into consideration the sales market is applied. Work in process and finished goods are recorded including material, labor and manufacturing overhead costs. Allowances for slow moving and obsolete inventories are recognized considering the storage period and sales situation. Operating supplies and spare parts for technical equipment and machines are valued at cost and adjusted for time-based discounts.

### **Receivables and other assets**

Receivables and other assets are accounted for at par value less bonuses, discounts and allowances and are classified under the measurement category "Financial assets".

### **Emission rights**

In the course of the implementation of the Kyoto Protocol, Directive 2003/87/EC came into force within the European Union as of January 1, 2005. Based on this Directive, the Group is obliged to redeem specified emission rights for carbon dioxide emissions incurred during cartonboard production. These emission rights have been allocated to the Group's respective production sites for the period from January 1, 2008 to December 31, 2012 free of charge.

As IFRIC 3 "Emission Rights" has been withdrawn by the IASB, definite regulations concerning the accounting treatment of emission rights are missing. Therefore these emission rights are recognized in accordance with IAS 38 "Intangible Assets" as intangible assets in "Prepaid expenses and other current assets", measured at cost amounting to zero as the rights have been allocated free of charge. If effective carbon dioxide emissions exceed the number of existing emission rights during the reporting period at the balance sheet date, a provision for these missing emission rights in the amount of their market value has to be accounted for. As of December 31, 2010 and 2009, the Group had sufficient emission rights available.

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

### Cash and cash equivalents

Cash and cash equivalents include cash, checks and short-term deposits at financial institutions. Cash and cash equivalents denominated in foreign currencies are translated into Euro using the exchange rate in effect at the balance sheet date. The cash and cash equivalents defined in this way are the basis for the cash flow statement.

### Financial instruments

On the debit side, the Group's financial instruments consist of derivative financial instruments, financial assets comprising cash and cash equivalents, loans, trade receivables including allowances, the position "Prepaid expenses and other current assets" less tax receivables and prepaid expenses (see note 11) as well as available-for-sale financial assets. On the credit side, financial instruments include derivative financial instruments, financial liabilities, comprising interest-bearing financial liabilities, trade liabilities less advances from customers and the position "Deferred income and other current liabilities" less deferred income, tax liabilities and obligations for personnel and social costs (see note 17).

### Derivative financial instruments

Derivative financial instruments are recognized in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" whereby all derivative financial instruments are recognized at market value as assets or liabilities. The market value corresponds to prices which are determined in active markets for identical assets or liabilities. Profit and loss resulting from changes in the fair value of derivative instruments is either recognized in profit or loss in the income statement or in profit or loss directly recognized in equity, depending on the intended use of the derivative and the compliance with certain requirements. In case of a Fair Value Hedge, the change in fair value is recognized in profit or loss as incurred by compensating the effect on profit or loss with a corresponding measurement of the underlying transaction. In case of a Cash Flow Hedge, the effective portion of the change in fair value is recognized directly in equity. Inefficiencies, classified as a non-complete hedge of the underlying instrument by the derivative instrument, were of insignificant importance to derivative instruments classified as Fair Value Hedge both in 2010 and 2009.

### **Concentration of financial risks**

Financial instruments, which may cause a concentration of financial risks in certain cases, comprise primarily cash and cash equivalents, securities and trade receivables. The Group's trade receivables derive from a broad and diversified group of customers. The financial risk arising from customer bad debt is monitored by ongoing credit rating assessments. Additionally, the Group concludes credit insurance contracts in order to cover certain potentially uncollectible receivables. Furthermore, the Group makes allowances for losses based upon the expected collectible trade receivables.

### **Other non-current provisions**

Defined benefit pension obligations and other benefits related to severance obligations are valued in accordance with IAS 19 "Employee benefits" using the projected unit credit method. The present value of defined benefit obligations is calculated based on the years of service, the anticipated development of the employee's compensation as well as the enacted contractual and statutory pension revaluation requirements. Actuarial gains and losses are recognized in profit or loss in accordance with IAS 19 using the corridor approach. Surpluses from pension funds were recorded in other non-current assets if the economic benefit can be determined with sufficient certainty.

Provisions for anniversary bonuses are accrued for non-current obligations against employees related to the number of years of their service based on collective or plant bargaining agreements.

Provisions for pre-retirement programs are accrued upon conclusion of individual contractual as well as for probable pre-retirement agreements in the future if employees have the right to participate in pre-retirement programs based on plant bargaining agreements or collective agreements. Statutory deposits of securities for covering of pre-retirement programs are netted with the provisions for pre-retirement programs.

### **Other provisions**

Other provisions are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 19 "Employee Benefits". A provision is recognized when the Group has a present legal or factual obligation as a result of a past event and its settlement is expected to result in an outflow of resources embodying economic benefits.

For the calculation of other provisions, particularly for warranty costs and losses from uncompleted contracts, the Group accounts for all cost components which are used for the calculation of inventories.

Provisions for restructuring costs are recognized when a detailed formal plan for the restructuring process has been approved and the management has either started its implementation or its public announcement.

### **Liabilities**

Non-current liabilities including financial liabilities are classified under measurement category “Financial liabilities” and measured at amortized cost unless they are designated as the underlying item in a Fair Value Hedge. Current liabilities are stated at cost, which is the consideration to be paid.

### **Non-controlling (minority) interests**

Non-controlling (minority) interests represent non-controlling (minority) shareholders’ investments in Group companies or business units other than Mayr-Melnhof Karton AG. At the date of first-time consolidation, these are recorded as proportionate share of equity in the respective company or business unit and are carried forward considering the share of profit or loss, paid dividends as well as contributions to and returns of capital.

According to IAS 32, non-controlling (minority) interests are to be presented as liability in case of interests in partnerships with non-controlling (minority) shareholders being entitled to resign or in such cases where this shareholder holds a put option for his share, provided these are reliably appraisable. In the consolidated balance sheet, these shares in equity are presented as liabilities under “Deferred income and other current liabilities”. In the consolidated income statement, the corresponding results are presented under “Other financial income - net”.

## (2) Key assumptions entailing a considerable risk of a change in value

The consolidated financial statements and notes thereto include the following material items for which the determination of their carrying amounts is highly dependent on the underlying assumptions and estimations:

### Provisions for pensions and severance payments

The actuarial calculation of pension and severance obligations is based on assumptions about discount rates used, expected return on plan assets, future increases in salaries and life expectancies. Actual outcomes can be different from these assumptions due to changes in the economic environment and market conditions.

### Impairment of non-current assets

Goodwill is reviewed for impairment annually. In the course of these impairment reviews, the evaluation of non-current assets is also based on budget assessments of market or company-specific discount rates, expected annual growth rates and foreign exchange rates. The assumptions involved in these calculations may change and cause an impairment loss in future periods.

### Provisions for litigations

The outcome of litigations in progress cannot be anticipated with certainty. The Group recognizes adequate provisions if reasonable assessments can be made. The actual outcomes of litigations may differ from these assessments.

### Provisions for restructuring costs

The calculation of provisions for restructuring costs is based on assumptions about the termination of contracts, staff redundancies or pension payments. The actual amounts to be considered may deviate from these assumptions.

### Realization of deferred tax assets

Deferred taxes are calculated by applying enacted statutory tax rates applicable for future years to temporary differences as well as by evaluating the capacity of future taxable income. Potential tax rate changes or future taxable income which differs from the assumptions may result in the fact that the realization of deferred tax assets becomes improbable and consequently a valuation allowance of the respective assets has to be recorded.

#### Useful life of non-current assets

Property, plant and equipment, and acquired intangible assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives. The estimation of the useful lives is based on assumptions about wear and tear, aging, technical standards, contract periods and changes in demand. Changes in these factors may cause a reduction of the useful life of the asset. Hence, the carrying amount would be depreciated/amortized over the remaining shorter useful life, resulting in higher annual depreciation/amortization expenses.

### (3) Financial risk management

The Group is subject to various financial risks arising from its operating activities and the structure of its financing. These financial risks primarily comprise the credit risk, liquidity risk, currency risk and the risk of interest rate changes. These risks are mitigated using a centralized risk management, which is applied throughout the Group. The identification, analysis and evaluation of the financial risks as well as the decisions concerning the application of financial instruments in order to manage these risks are taken by the Group's headquarters.

#### Credit risk

The credit risk represents the risk arising from non-fulfillment of contractual obligations by business partners which may result in losses. The immanent risk of default of business partners resulting from the underlying transaction is widely hedged by credit risk insurance as well as by bank guarantees and letters of credit. The definition criteria to be applied for credit ratings are based on contractual agreements with credit insurance institutions and are stipulated by internal guidelines.

The credit and default risks are continuously monitored, incidental and identifiable risks are provided for by recording appropriate allowances or provisions. For the assessment of the overall risk, existing insurance coverage, possible guarantees and letters of credit are taken into consideration. As a result of the broad and diversified customer base, a concentrated risk of default does not exist.

### Liquidity risk

The liquidity risk is referred to as the risk to raise the required funds at any time in order to settle the amounts payable in due course. Based on well-timed liquidity management, sufficient cash and cash equivalents as well as current and non-current credit lines are available to the Group's subsidiaries. Consequently, liquidity risk is categorized as low.

### Currency risk

The currency risk represents the risk arising from changes in the value of financial instruments due to fluctuations in exchange rates. This risk especially exists if business transactions are denominated and settled in currencies other than the Euro and these currencies do not correspond with the functional (local) currency of the company. This is particularly the case for business relations to customers and suppliers in British Pound, US Dollar, Polish Zloty, Russian Rouble, Turkish Lira and Ukrainian Hryvnia. The respective currency risks are as far as possible reduced by matching business transactions in similar currencies and by price adjustment mechanism in longer-term agreements as well as foreign exchange forward contracts (see note 7).

At December 31, 2010, if the exchange rate of the Euro had strengthened (weakened) 1.0 % against these currencies, the foreign currency exchange result including the performance of foreign exchange forward contracts would have been thous. EUR 24 higher (lower).

As of the balance sheet date, the interest-bearing financial liabilities are predominantly denominated in Euro. Therefore, no significant currency risk concerning these liabilities exists.

### Interest rate risk

The interest rate risk is referred to as the risk arising from changes in the value of financial instruments due to fluctuations of market interest rates. It comprises the interest-rate related price risk for fixed interest-bearing financial instruments and the settlement risk of variable interest-bearing financial instruments. At December 31, 2010 the Group was predominately financed by variable interest-bearing financial liabilities.

At December 31, 2010 and December 31, 2009, the Group showed a net liquidity. Therefore, a change in the market interest rate does not represent an interest expense risk.

### Derivative financial instruments

The Group mainly applies derivative financial instruments to mitigate the risks from exchange rate and interest rate changes. In this context, the Group uses foreign exchange forward contracts in order to mitigate the effects of current exchange rate fluctuations and possibly interest rate swap agreements in order to mitigate the current market interest rate risk. All counterparties in these transactions are reputable financial institutions with whom the Group conducts business on a regular basis. Accordingly, the Group considers the corresponding risk of default and related losses as being remote.

### Hedge of a net investment

As of December 31, 2010, an option liability of thous. EUR 16,356 quoted in Chilean Peso existed, which has been designated as the hedge of a net investment in the Chilean subsidiary Marinetti S.A. and is being used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the translation of this option liability are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness regarding this hedge in the year ending December 31, 2010.

### Fair values

In the consolidated balance sheet, the amounts recorded for trade and other receivables, current liabilities as well as cash and cash equivalents approximate substantially their fair values due to the short-term nature of these items. The amounts recorded for interest-bearing financial liabilities basically correspond to their present values.

## (4) Significant changes in the consolidated companies

### a) Acquisitions, disposals and formations in 2010

#### Acquisitions

In September 2010, the division MM Packaging acquired an interest of 70 % in Marinetti S.A., located in Santiago de Chile, Chile. The company produces folding cartons for the Chilean consumer goods packaging market. Acquisition costs amounted to thous. EUR 32,839. Sales and profit before tax for the period since inclusion into the Group and the division in the financial year 2010 amounted to thous. EUR 14,041 and thous. EUR 791.

Inclusion into the Group and division was effected on September 30, 2010. Fair values of assets and liabilities according to IFRS at this date were presented as follows:

**Fair values according to IFRS**

(in thousands of EUR)	<b>Sep. 30, 2010</b>
Property, plant and equipment	33,302
Intangible assets and financial assets	14,215
Other current assets	21,327
Cash and cash equivalents	1,925
Non-current liabilities	(9,739)
Current liabilities	(18,689)
Deferred income taxes	(3,709)
Option liability	(15,597)
Goodwill	9,804
<b>Net assets</b>	<b>32,839</b>

The remaining goodwill reflects the company's market position on the Chilean packaging market. Concerning the acquisition of the remaining non-controlling (minority) interest of 30 %, both the division MM Packaging and the non-controlling (minority) shareholder have an irrevocable option being generally exercisable in January 2015 at the earliest. The option right of MM Packaging can be exercised ahead of time under certain circumstances. The option liability is consequently recorded as current liability (see note 17).

**Disposals**

In May 2010 the division MM Karton sold its 100 % stake in Karton Deisswil AG, Switzerland. The production of cartonboard remains discontinued. Furthermore, the majority interest of 66.67 % in WÜRO Papierverwertung GmbH & Co KG, Germany, a company in the business of recovered paper collection, was sold. These disposals of businesses result in total expenses before tax amounting to thous. EUR 6,876.

**Formations**

In June 2010, the division MM Karton formed the sales company Mayr-Melnhof Karton Schweiz GmbH, located in Worb, Switzerland.

In July 2010, the division MM Packaging formed the holding company Mayr-Melnhof Packaging Chile Limitada, located in Santiago de Chile, Chile.

**b) Acquisitions and Formations in 2009**

**Acquisitions**

In December 2009, the division MM Packaging acquired an interest of 100 % in R + S Stanzformen GmbH, located in Frankfurt am Main, Germany, for thous. EUR 2,720. The company produces die cutting tools for the production of folding cartons. In this context, an intangible asset for the acquired know-how in the amount of thous. EUR 3,784 was recorded.

**Formations**

In January 2009, the division MM Packaging formed MM Printing and Packaging Tehran Company, Private Joint Stock, located in Tehran, Iran.

## (5) Development of fixed assets

### a) Property, plant and equipment

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	Payments on account and construction in progress	<b>Property, plant and equipment</b>
<b>ACQUISITION OR MANUFACTURING COSTS:</b>					
<b>Balance at Jan. 1, 2010</b>	<b>440,506</b>	<b>1,317,260</b>	<b>124,973</b>	<b>18,156</b>	<b>1,900,895</b>
Effect of exchange rate changes	11,897	24,863	1,535	169	38,464
Changes in consolidated companies	(42,225)	(102,614)	(5,468)	2,215	(148,092)
Additions	6,170	23,771	9,249	46,278	85,468
Disposals	(264)	(15,084)	(4,116)	(4)	(19,468)
Reclassifications	6,888	30,435	2,024	(38,761)	586
<b>Balance at Dec. 31, 2010</b>	<b>422,972</b>	<b>1,278,631</b>	<b>128,197</b>	<b>28,053</b>	<b>1,857,853</b>
<b>DEPRECIATION/AMORTIZATION:</b>					
<b>Balance at Jan. 1, 2010</b>	<b>219,151</b>	<b>1,060,420</b>	<b>96,331</b>	<b>45</b>	<b>1,375,947</b>
Effect of exchange rate changes	7,668	22,006	1,249	4	30,927
Changes in consolidated companies	(47,048)	(119,385)	(6,969)	0	(173,402)
Disposals	(6)	(14,474)	(3,868)	0	(18,348)
Depreciation/amortization expense for the year	10,458	59,346	8,882	0	78,686
Reclassifications	457	(1,080)	627	0	4
<b>Balance at Dec. 31, 2010</b>	<b>190,680</b>	<b>1,006,833</b>	<b>96,252</b>	<b>49</b>	<b>1,293,814</b>
<b>NET BOOK VALUE:</b>					
<b>Net book value at Dec. 31, 2010</b>	<b>232,292</b>	<b>271,798</b>	<b>31,945</b>	<b>28,004</b>	<b>564,039</b>
<b>Net book value at Dec. 31, 2009</b>	<b>221,355</b>	<b>256,840</b>	<b>28,642</b>	<b>18,111</b>	<b>524,948</b>

## b) Intangible assets including goodwill

(in thousands of EUR)	Concessions, licenses and similar rights, and payments on account	Goodwill	Other intangible assets	Intangible assets including goodwill
<b>ACQUISITION OR MANUFACTURING COSTS:</b>				
<b>Balance at Jan. 1, 2010</b>	<b>43,164</b>	<b>62,026</b>	<b>8,207</b>	<b>113,397</b>
Effect of exchange rate changes	129	768	569	1,466
Changes in consolidated companies	367	9,804	12,996	23,167
Additions	1,170	0	0	1,170
Disposals	(676)	0	(151)	(827)
Reclassifications	76	0	0	76
<b>Balance at Dec. 31, 2010</b>	<b>44,230</b>	<b>72,598</b>	<b>21,621</b>	<b>138,449</b>
<b>DEPRECIATION/AMORTIZATION:</b>				
<b>Balance at Jan. 1, 2010</b>	<b>39,950</b>	<b>9,048</b>	<b>1,708</b>	<b>50,706</b>
Effect of exchange rate changes	106	4	37	147
Changes in consolidated companies	(102)	0	0	(102)
Disposals	(676)	0	(151)	(827)
Depreciation/amortization expense for the year	1,533	0	1,577	3,110
<b>Balance at Dec. 31, 2010</b>	<b>40,811</b>	<b>9,052</b>	<b>3,171</b>	<b>53,034</b>
<b>NET BOOK VALUE:</b>				
<b>Net book value at Dec. 31, 2010</b>	<b>3,419</b>	<b>63,546</b>	<b>18,450</b>	<b>85,415</b>
<b>Net book value at Dec. 31, 2009</b>	<b>3,214</b>	<b>52,978</b>	<b>6,499</b>	<b>62,691</b>

In 2010, the depreciation and amortization expense recorded in "Property, plant and equipment" and "Intangible assets including goodwill" amounted to thous. EUR 81,796 (2009: thous. EUR 97,773).

The figure for 2010 includes thous. EUR 2,518 of impairment expenses concerning the property, plant and equipment of the Tunisian folding carton producer TEC MMP SARL, the figure for 2009 includes thous. EUR 14,221 of impairment expenses concerning the property, plant and equipment of the former cartonboard mill Deisswil, Switzerland. In 2010 the cartonboard production was shut down completely and the existing property, plant and equipment was transferred in the course of the disposal of all shares of Karton Deisswil AG, Switzerland (see note 4).

## (6) Available-for-sale and other financial assets

The carrying amounts of available-for-sale and other financial assets consist of:

(in Tausend EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Liability insurance not pledged to beneficiaries	2.364	2.142
Investments in associated as well as unconsolidated subsidiaries and other investments	2.208	2.012
Other loans receivable	538	866
Available-for-sale financial assets	337	341
<b>Available-for-sale and other financial assets</b>	<b>5.447</b>	<b>5.361</b>

At December 31, 2010 and December 31, 2009, the Group exclusively held available-for-sale financial assets. These securities are carried at fair values based on quoted market prices.

Securities of the Group comprise of debt securities and debt based funds with a book value of thous. EUR 337 (December 31, 2009: thous. EUR 341).

In 2010, proceeds from sales of available-for-sale financial assets amounted to thous. EUR 39 (2009: thous. EUR 153,012). The resulting realized profit or loss amounted to thous. EUR 105 and thous. EUR 71 in 2009.

Detailed information concerning the Group's investments with an ownership percentage of more than 20 % is contained in the table of affiliated and associated companies (see note 25).

As at December 31, 2010, other loans receivable included loans to affiliated companies amounting to thous. EUR 124 (December 31, 2009: thous. EUR 217).

## (7) Financial instruments

### a) Financial instruments

The carrying amounts of financial instruments in accordance with measurement categories consist of:

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Derivative financial instruments	209	(567)
Financial receivables	567,488	544,134
Available-for-sale financial assets	337	341
Financial liabilities	332,223	211,623

The amounts on financial instruments presented in the Group's income statement by measurement categories are as follows:

(in thousands of EUR)	<b>Year ended Dec. 31, 2010</b>		Year ended Dec. 31, 2009	
	<b>Profit/loss</b>	<b>Interest</b>	Profit/loss	Interest
Derivative financial instruments	776		(3,512)	
Financial receivables	(159)	2,393	(210)	4,410
Available-for-sale financial assets	0	0	34	2,788
Financial liabilities		(5,571)		(6,682)

### b) Derivative financial instruments

Derivative financial instruments are valued at the amounts by which the respective contracts could be settled. The fair value of foreign exchange forward contracts is based on the spot foreign currency rates as of the balance sheet date, adjusted for time-related charges or discounts for the respective remaining term of the contract and compared with the contracted forward rate.

#### Foreign exchange forward contracts

Foreign exchange forward contracts are principally used to protect the Group against exchange rate changes of the British Pound, the US Dollar and the Polish Zloty. The changes in fair values of these derivatives are recognized in "Foreign currency exchange rate gains (losses) – net" (see note 20).

At December 31, 2010 the Group closed foreign exchange forward contracts with a nominal value of thous. EUR 52,302 (December 31, 2009: 39,511) and a positive market value of thous. EUR 209 (December 31, 2009: negative market value of thous. EUR 567).

The derivative financial instruments are recorded in the consolidated balance sheet under "Prepaid expenses and other current assets" in the amount of thous. EUR 452 (2009: thous. EUR 41) and under "Deferred income and other current liabilities" in the amount of thous. EUR 243 (2009: thous. EUR 608).

## (8) Income taxes

### Group tax rate

A reconciliation from the applicable tax rate, which results from the geographical allocation of income and the current nominal tax rates of the respective tax jurisdictions, to the effective tax rate, which burdens the profit before tax, is as follows:

(in %)	<b>Year ended Dec. 31, 2010</b>	Year ended Dec. 31, 2009
<b>Applicable tax rate</b>	<b>28.49 %</b>	<b>27.21 %</b>
Non-taxable expenses (income) – net	(0.11 %)	0.45 %
Valuation allowance and restructurings	(1.18 %)	(1.22 %)
<b>Effective tax rate</b>	<b>27.20 %</b>	<b>26.44 %</b>

The item "Non-taxable expenses (income) – net" includes certain, due to country-specific regulations, non-taxable expenses and income. The item "Valuation allowance and restructurings" includes improvements in the Group's tax structure, restructurings and the valuation of tax loss carryforwards.

### Income tax expense recognized in income statement

The position "Income tax expense" is comprised as follows:

(in thousands of EUR)	<b>Year ended Dec. 31, 2010</b>	Year ended Dec. 31, 2009
<b>Current taxes:</b>		
for the actual period	45,823	44,929
for prior periods	(11)	334
<b>Deferred taxes:</b>		
due to temporary differences	(6,217)	(10,452)
of operating loss carryforwards	1,547	127
due to tax rate changes	112	56
<b>Income tax expense</b>	<b>41,254</b>	<b>34,994</b>

### Deferred taxes recognized in the balance sheet

Deferred taxes due to temporary differences and tax loss carryforwards recognized in the balance sheet as at the balance sheet dates are as follows:

(in thousands of EUR)	Dec. 31, 2010	Dec. 31, 2009
Intangible assets	0	396
Inventories	3,497	2,565
Benefit plans and other liabilities and charges	7,454	8,986
Operating loss carryforwards	2,873	7,401
Other	444	1,162
<b>Gross deferred tax assets</b>	<b>14,268</b>	<b>20,510</b>
Valuation allowance	(1,762)	(4,745)
<b>Net deferred tax assets</b>	<b>12,506</b>	<b>15,765</b>
Offset	(3,222)	(5,824)
<b>Deferred tax assets in the balance sheet</b>	<b>9,284</b>	<b>9,941</b>
Intangible assets	(2,347)	0
Property, plant and equipment	(11,217)	(11,312)
Loans receivable, investments and financial assets	(11,582)	(20,328)
Other	(2,085)	(419)
<b>Net deferred tax liabilities</b>	<b>(27,231)</b>	<b>(32,059)</b>
Offset	3,222	5,824
<b>Deferred tax liabilities in the balance sheet</b>	<b>(24,009)</b>	<b>(26,235)</b>

### Tax loss carryforwards

An overview of the Group's tax loss carryforwards as at the respective balance sheet date is as follows:

(in thousands of EUR)	Dec. 31, 2010	Dec. 31, 2009
Operating loss carryforwards with expiration	9,797	30,094
Operating loss carryforwards with no expiration	3,803	3,914
<b>Operating loss carryforwards</b>	<b>13,600</b>	<b>34,008</b>

In case that the limited operating loss carryforwards could not be utilized between 2011 and 2022, they will expire. In 2010, the Group consumed tax losses amounting to thous. EUR 4,756 (2009: thous. EUR 7,150) for which a valuation allowance for the deferred tax assets relating to these tax loss carryforwards was recorded in previous periods.

At December 31, 2010, the Group believed that certain corporate and trade tax loss carryforwards will be utilized and hence recorded a deferred tax asset of thous. EUR 1,131 (December 31, 2009: thous. EUR 2,677). Valuation allowances on tax loss carryforwards amounting to thous. EUR 1,742 (December 31, 2009: thous. EUR 4,724) have been provided at December 31, 2010. Tax loss carryforwards underlying these allowances amounted to thous. EUR 8,390 (December 31, 2009: thous. EUR 23,314).

## (9) Inventories

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Raw materials, manufacturing and operating supplies	139,850	108,935
Work in process	19,616	17,484
Finished goods and goods for resale	113,970	100,364
<b>Total</b>	<b>273,436</b>	<b>226,783</b>
Allowances	(15,644)	(17,385)
<b>Inventories – net</b>	<b>257,792</b>	<b>209,398</b>

As of December 31, 2010 and December 31, 2009, the allowance recorded on inventories is caused by the methodology of recording of usage concerning operating supplies and spare parts for technical equipment and machines in terms of time-based discounts.

In 2010, write-down of inventories recognized as an expense amounted to thous. EUR 7,250 (2009: thous. EUR 8,706). The reversal of write-down of inventories recognized as income amounted to thous. EUR 419 (2009: thous. EUR 230). The carrying amount of inventories carried at fair value less cost to sell amounted to thous. EUR 18,218 (2009: thous. EUR 15,982).

A breakdown of cost of materials and purchased services is as follows:

(in thousands of EUR)	<b>Year ended Dec. 31, 2010</b>	Year ended Dec. 31, 2009
Cost of materials	1,026,437	872,921
Cost of purchased services	16,324	15,300
<b>Total</b>	<b>1,042,761</b>	<b>888,221</b>

## (10) Trade receivables

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Trade receivables	229,512	186,816
Trade receivables from affiliated companies	327	0
Allowances	(2,139)	(1,535)
<b>Trade receivables – net</b>	<b>227,700</b>	<b>185,281</b>

At December 31, 2010, trade receivables in the amount of thous. EUR 4,399 (December 31, 2009: thous. EUR 3,187) were overdue more than 60 days, thereof thous. EUR 2,251 (December 31, 2009: thous. EUR 1,665) have been impaired.

Allowances for trade receivables developed as follows:

(in thousands of EUR)	<b>2010</b>	2009
<b>Allowances at the beginning of the year</b>	<b>1,535</b>	<b>1,327</b>
Effect of exchange rate changes	38	(1)
Changes in consolidated companies	407	0
Utilization	(230)	(437)
Reversal	(148)	(105)
Increase	537	751
<b>Allowances at the end of the year</b>	<b>2,139</b>	<b>1,535</b>

## (11) Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Value-added tax receivables	11,405	11,600
Other tax receivables	7,173	5,797
Other receivables and other assets	7,698	4,776
Prepaid expenses	3,891	3,484
<b>Prepaid expenses and other current assets</b>	<b>30,167</b>	<b>25,657</b>

## (12) Equity

### a) Share capital/additional paid-in capital/treasury shares

The share capital of the Company amounts to thous. EUR 80,000 and comprises 20 million approved and issued no-par value shares.

Additional paid-in capital mainly derives from the share premium raised at the capital increase in the course of the initial public offer in 1994 and the cancelation of treasury shares, less the increase of the share capital by conversion of additional paid-in capital in 2008 and 2010.

The 14<sup>th</sup> Ordinary Shareholders' Meeting of May 7, 2008 authorized the Management Board to repurchase treasury shares on and outside the stock exchange up to and including November 7, 2010. This share repurchase program was terminated according to schedule.

In 2010 the Company repurchased 1,120,000 treasury shares for thous. EUR 66,338 and in 2009 154,892 treasury shares for thous. EUR 9,533 including fees. Therefore, the Group held 2,015,260 treasury shares before cancellation which was equivalent to 9.16 % of the capital stock. The 16<sup>th</sup> Ordinary Shareholders' Meeting of Mayr-Melnhof Karton AG held on April 28, 2010 has resolved on a simplified reduction of the Company's share capital from thous. EUR 88,000 to thous. EUR 80,000 by cancellation of 2,000,000 treasury shares in the pro rata amount of thous. EUR 8,000 of the share capital. On June 10, 2010 the entry into the company register at the commercial court in Vienna has been affected. On June 17, 2010 the cancellation of 2,000,000 treasury shares took place.

At December 31, 2010, the details of the Group's treasury shares were as follows:

Number of shares acquired	Share of share capital (in thousands of EUR)	Share of share capital (in %)
15,260	904	0.0763 %

Treasury shares are accounted for under the cost method and reported as a deduction from total equity (see "Consolidated Statements of Changes in Equity").

b) Retained earnings/dividend

Retained earnings comprise accumulated results from prior years.

Under Austrian Corporate Law the amount of dividend available for distribution to shareholders is based upon the unappropriated retained earnings of Mayr-Melnhof Karton AG, determined in accordance with the Austrian Commercial Code. At December 31, 2010, the distributable unappropriated retained earnings amounted to thous. EUR 50,000 (December 31, 2009: thous. EUR 50,000).

(in thousands of EUR)	2010	2009
<b>Unappropriated retained earnings at Jan. 1</b>	<b>50,000</b>	<b>70,000</b>
Net profit of the Company for the year ended Dec. 31	89,423	118,392
Changes in reserves	(55,450)	(102,259)
Dividend paid	(33,973)	(36,133)
<b>Unappropriated retained earnings at Dec. 31</b>	<b>50,000</b>	<b>50,000</b>

For the year ended December 31, 2010, the Management Board of the Company has proposed a dividend of EUR 1.95 (December 31, 2009: EUR 1.70) per voting share, as of the balance sheet date amounting to thous. EUR 38,970 (December 31, 2009: thous. EUR 35,878).

c) Profit and loss directly recognized in equity, net of tax

The other reserves comprise the following changes directly recognized in equity. There are differences from foreign currency translation and unrealized profit and loss from fair value changes of securities, after considering deferred income taxes.

In 2010 profit and loss directly recognized in equity consist of the fair value changes of securities with a negative amount of thous. EUR 12 (2009: thous. EUR 785) and foreign currency translations with a positive amount of thous. EUR 8,381 (2009: thous. EUR 2,083). In 2009, an amount of thous. EUR 259 is attributable to deferred taxes.

#### d) Capital management

The capital invested comprises the Group's total equity and interest-bearing financial liabilities less liquid assets. At December 31, 2010 and 2009 the Group held a net liquidity.

Capital management is designed to ensure a sound equity ratio that is adequate for the long-term economic development of the Group considering a continued dividend policy and shareholders' capital activities.

As of December 31, 2010 and 2009, total equity and total assets were as follows:

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
Total equity	983,119	964,345
Total assets	1,520,946	1,388,664
Total equity to total assets	64.6 %	69.3 %

Capital management's aims are unchanged in comparison to last year. The Company meets the legal and statutory minimum capital requirements.

## (13) Financial liabilities

### A) Interest-bearing financial liabilities

At December 31, 2010, the Group had current interest-bearing credit lines available in the amount of thous. EUR 28,763 (December 31, 2009: thous. EUR 10,719), of which thous. EUR 13,475 (December 31, 2009: thous. EUR 5,644) were outstanding as of the balance sheet date. At December 31, 2010, the weighted average interest rate of these current credit lines, used by subsidiaries outside the Euro participating countries, was at 5.738 % (December 31, 2009: 9.937 %). These credit line facilities are subject to normal banking terms and conditions.

At December 31, 2010 and December 31, 2009, non-current interest-bearing financial liabilities exclusively comprised bank liabilities. A summary of these non-current financial liabilities at current interest rates is as follows:

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
2,016 % EUR bank loan due 2015	52,660	
1,625 % EUR bank loan due 2011	23,700	
2,724 % EUR bank loan due 2012	15,000	15,000
1,550 % EUR bank loan due 2011	11,451	
1,025 % EUR bank loan due 2011	2,900	
6,400 % CLP bank loan due 2012	2,721	
Other	2,323	47,182
<b>Non-current financial liabilities</b>	<b>110,755</b>	<b>62,162</b>

At December 31, 2010, the weighted average interest rate for these non-current financial liabilities was 2.068 % (December 31, 2009: 0.985 %).

The maturity of current and non-current interest-bearing financial liabilities, beginning from the balance sheet dates December 31, 2010 and December 31, 2009, is as follows:

(in thousands of EUR)	Dec. 31, 2010		
	Interest-bearing financial liabilities		
	Current	Non-current	Total
Maturity:			
2011	13,475	47,782	61,257
2012		9,812	9,812
2013		501	501
2014		2,287	2,287
2015		50,373	50,373
<b>Total</b>	<b>13,475</b>	<b>110,755</b>	<b>124,230</b>

(in thousands of EUR)	Dec. 31, 2009		
	Interest-bearing financial liabilities		
	Current	Non-current	Total
Maturity:			
2010	5,644	19,124	24,768
2011		38,039	38,039
2012		5,019	5,019
<b>Total</b>	<b>5,644</b>	<b>62,182</b>	<b>67,826</b>

At December 31, 2010, the Group has current revolving bank liabilities available amounting to thous. EUR 38,051. These liabilities are classified as non-current liabilities as the Group has the intent and ability to use this funding on a non-current basis. Correspondingly, at December 31, 2010, these liabilities were included in the non-current interest-bearing financial liabilities under “Maturity 2011”.

At December 31, 2010, the Group has unused financing arrangements available in the amount of thous. EUR 250,000.

## b) Operating lease

At the balance sheet dates, the future minimum lease payments under operating non-redeemable lease obligations were as follows, due in the following years ending December 31:

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
2011 (2010)	9,864	10,076
2012 (2011)	8,970	9,033
2013 (2012)	8,385	8,475
2014 (2013)	6,962	7,641
2015 (2014)	6,790	6,395
Thereafter	17,463	17,968
<b>Total minimum lease payments</b>	<b>58,434</b>	<b>59,588</b>

Expenses relating to operating lease agreements amounted to thous. EUR 10,742 and thous. EUR 10,653 for the years ended December 31, 2010 and 2009, respectively.

## c) Financial lease

At the balance sheet dates, the future minimum lease payments under financial non-redeemable lease obligations were as follows, due in the following years ending December 31:

(in thousands of EUR)	<b>Dec. 31, 2010</b>	Dec. 31, 2009
2011 (2010)	1,178	0
2012 (2011)	1,066	0
2013 (2012)	1,095	0
2014 (2013)	1,017	0
2015 (2014)	569	0
Thereafter	991	0
<b>Total minimum lease payments</b>	<b>5,916</b>	<b>0</b>
Less amount representing interest	424	0
<b>Present value of minimum lease payments</b>	<b>5,492</b>	<b>0</b>
Less current maturities of financial lease liabilities	1,178	0
<b>Non-current financial lease liabilities</b>	<b>4,314</b>	<b>0</b>

At December 31, 2010, the Group had financial lease agreements capitalized in tangible assets with a book value of thous. EUR 7,071 and acquisition costs of thous. EUR 7,198. These tangible assets and mentioned financial lease liabilities were taken over in the course of the acquisition of the Chilean folding carton producer Marinetti S. A. (see note 4).

## (14) Provisions for other non-current liabilities and charges

### a) Development of provisions for other non-current liabilities and charges

In 2010, the provisions for other non-current liabilities and charges developed as follows:

(in thousands of EUR)	Pensions	Severance	Anniversary bonuses	Pre-retirement programs	Other	Total
<b>Balance at Jan. 1, 2010</b>	<b>45,968</b>	<b>16,187</b>	<b>6,821</b>	<b>3,066</b>	<b>701</b>	<b>72,743</b>
Effect of exchange rate changes	40	21	45	0	0	106
Changes in consolidated companies	0	176	(587)	0	(4)	(415)
Utilization	(4,119)	(1,508)	(408)	(1,451)	(14)	(7,500)
Reversal	0	(144)	(112)	(43)	0	(299)
Increase	3,505	1,873	804	1,054	159	7,395
<b>Balance at Dec. 31, 2010</b>	<b>45,394</b>	<b>16,605</b>	<b>6,563</b>	<b>2,626</b>	<b>842</b>	<b>72,030</b>

As of December 31, 2010, securities with an estimated fair value of thous. EUR 3,018 (December 31, 2009: thous. EUR 2,863) have been given as security for provisions for pre-retirement programs within the scope of the respective legal commitments. At December 31, 2010 and 2009, those securities were deducted from the underlying obligation.

In particular, the position "Other" includes the part of provisions for benefits due to the termination of employment which will be due after one year.

### b) Provisions for pensions and severance payments

The majority of the Group's employees is covered by government-sponsored pension and welfare programs whereas the Group makes periodic payments to various government agencies, which are expensed as incurred. In addition, the Group provides to certain employees additional retirement benefits through the sponsorship of defined contribution and defined benefit plans. The benefits provided by the Group depend on the legal, fiscal and economic circumstances of each particular country and are primarily based on the length of service and the employee's compensation. Furthermore, the Group holds a pension benefit plan in the United Kingdom.

Under the defined contribution plans, the Group makes fixed payments to external pension funds. Once the contributions are made, the Group does not incur any further payment obligations towards the employees. These periodical contribution payments are recognized as part of the annual pension costs and amounted to thous. EUR 3,294 in 2010 (2009: thous. EUR 3,038).

Furthermore, in some countries the Group is obligated to make severance payments upon retirement and partly also in case of termination due to legal or contractual regulations. These obligations are dependent on the length of service and the compensation of the employee.

Defined benefit pension and other benefit plans are assessed and recognized according to the internationally common projected unit credit method by applying IAS 19. Under this method, the actuarial calculation of the future obligations is based on the proportionate obligations as of the balance sheet date.

Actuarial gains and losses, which result from changes in the number of plan participants and from differences between actual trends and estimates that are the basis for calculation, are recognized in profit or loss using the corridor method in accordance with IAS 19. Thus, actuarial gains and losses are recognized as income or expense over the expected remaining working life of the employee only if the amount exceeds either 10 % of the defined benefit obligation or 10 % of the plan assets as of the valuation date.

The calculation of pension and other benefit obligations is based on the following actuarial assumptions:

(in %)	Dec. 31, 2010		Dec. 31, 2009	
	Pensions	Severance	Pensions	Severance
Discount rate	4.5 %	4.5 %	4.4 %	5.4 %
Expected return on plan assets	4.0 %	-	3.6 %	-
Rate of compensation increase	2.5 %	2.7 %	1.5 %	2.6 %

Assumptions regarding the expected rate of return are based upon both actually realized non-current portfolio returns and forecasts on the development of all categories of securities included in these portfolios.

The components of net periodic benefit costs are as follows:

(in thousands of EUR)	Year ended Dec. 31, 2010		Year ended Dec. 31, 2009	
	Pensions	Severance	Pensions	Severance
Service cost	915	961	1,294	941
Interest cost	3,891	928	6,096	974
Expected return on plan assets	(1,264)	0	(3,746)	0
Actuarial gains and losses - net	(37)	21	1,910	4
Past Service Costs	0	(195)	0	0
Effects due to plan changes	0	14	0	27
Effects due to off-balance sheet surplus	0	0	(1,641)	0
<b>Net periodic benefit cost</b>	<b>3,505</b>	<b>1,729</b>	<b>3,913</b>	<b>1,946</b>

The defined benefit obligation and plan assets have developed as follows:

(in thousands of EUR)	2010		2009	
	Pensions	Severance	Pensions	Severance
<b>Defined benefit obligation at the beginning of the year</b>	<b>136,564</b>	<b>17,357</b>	<b>127,238</b>	<b>17,020</b>
Effect of exchange rate changes	699	15	1,504	0
Changes in consolidated companies	(62,743)	176	334	0
Service cost	915	961	1,294	941
Interest cost	3,891	928	6,096	974
Past Service Costs	0	(195)	0	0
Plan participants contributions	0	0	815	0
Actuarial gains and losses – net	9,741	2,934	6,895	250
Benefit payments	(3,588)	(1,508)	(7,325)	(1,851)
Transfers	0	0	(287)	0
Effects due to plan changes	0	11	0	23
<b>Defined benefit obligation at the end of the year</b>	<b>85,479</b>	<b>20,679</b>	<b>136,564</b>	<b>17,357</b>

(in thousands of EUR)	2010		2009	
	Pensions	Severance	Pensions	Severance
<b>Fair value of plan assets at the beginning of the year</b>	<b>101,469</b>	<b>0</b>	<b>98,492</b>	<b>0</b>
Effect of exchange rate changes	580	0	1,345	0
Changes in consolidated companies	(73,364)	0	0	0
Expected return on plan assets	1,264	0	3,746	0
Actuarial gains and losses – net	(127)	0	(205)	0
Employer contributions	1,642	0	2,379	0
Plan participants contributions	0	0	815	0
Benefit payments	(1,111)	0	(4,816)	0
Transfers	0	0	(287)	0
<b>Fair value of plan assets at the end of the year</b>	<b>30,353</b>	<b>0</b>	<b>101,469</b>	<b>0</b>

In 2010 the Swiss defined pension benefit plan was eliminated from the Group in the course of disposal of all shares of Karton Deisswil AG, Switzerland (see note 4). The impacts of this change are recognized in the development of the defined benefit obligation and the fair value of plan assets under “Changes in consolidated companies”.

The structure of plan assets as at the balance sheet dates December 31, 2010 and December 31, 2009, is as follows:

(in %)	Dec. 31, 2010	Dec. 31, 2009
Debt securities	46.0 %	35.0 %
Liability insurance pledged to beneficiaries	36.0 %	10.0 %
Equity securities	17.0 %	4.0 %
Money market investments, bank deposits	1.0 %	31.0 %
Real estate	0.0 %	20.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

The employers' contributions to plan assets for the year 2011 are expected to amount to thous. EUR 1,641.

The net liability from pension and severance obligations, and the reconciliation to the net liability recognized are as follows:

(in thousands of EUR)	Dec. 31, 2010		Dec. 31, 2009	
	Pensions	Severance	Pensions	Severance
<b>Defined benefit obligation</b>	<b>85,479</b>	<b>20,679</b>	<b>136,564</b>	<b>17,357</b>
Thereof obligations not covered by funds	29,619	20,679	25,927	17,357
Thereof obligations covered by funds	55,860	0	110,637	0
<b>Fair value of plan assets</b>	<b>30,353</b>	<b>0</b>	<b>101,469</b>	<b>0</b>
<b>Net liability</b>	<b>55,126</b>	<b>20,679</b>	<b>35,095</b>	<b>17,357</b>
Unrecognized actuarial gains and losses – net	(9,732)	(4,074)	252	(1,170)
Not recognized as asset	0	0	10,621	0
<b>Net liability recognized</b>	<b>45,394</b>	<b>16,605</b>	<b>45,968</b>	<b>16,187</b>
Thereof provisions for other non-current liabilities and charges	45,394	16,605	45,968	16,187

In the years 2006 to 2010, defined benefit obligations, fair value of plan assets, net liability and actuarial gains and losses, based upon deviations between the underlying assumptions and actual trends, were as follows:

(in thousands of EUR)	2010	2009	2008	2007	2006
<b>Pensions:</b>					
Defined benefit obligation	85,479	136,564	127,238	171,680	185,017
Adjustment in defined benefit obligation <sup>1)</sup>	(36)	1,231	1,805	(18)	2,712
Fair value of plan assets	30,353	101,469	98,492	134,781	141,064
Adjustment in fair value of plan assets <sup>1)</sup>	(127)	(205)	(11,431)	(4,866)	(1,416)
Net liability	55,126	35,095	28,745	36,899	43,952

<sup>1)</sup> Gain/(loss)

(in thousands of EUR)	2010	2009	2008	2007	2006
<b>Severance:</b>					
Defined benefit obligation	20,679	17,357	17,020	18,686	19,866
Adjustment in defined benefit obligation <sup>1)</sup>	(695)	640	(296)	23	(56)
Net liability	20,679	17,357	17,020	18,686	19,866

<sup>1)</sup> Gain/(loss)

## (15) Liabilities and provisions for income taxes

(in thousands of EUR)	Dec. 31, 2010	Dec. 31, 2009
Provisions for income taxes	6,668	8,691
Income tax liabilities	2,384	3,082
<b>Liabilities and provisions for income taxes</b>	<b>9,052</b>	<b>11,773</b>

## (16) Trade liabilities

(in thousands of EUR)	Dec. 31, 2010	Dec. 31, 2009
Trade liabilities	166,460	127,785
Advances from customers	1,655	1,327
<b>Trade liabilities</b>	<b>168,115</b>	<b>129,112</b>

## (17) Deferred income and other current liabilities

(in thousands of EUR)	Dec. 31, 2010	Dec. 31, 2009
Option liabilities	19,891	3,535
Obligations for personnel and social costs	12,714	11,747
Other tax liabilities	8,759	8,631
Deferred income	1,532	2,125
Other liabilities	16,393	13,085
<b>Deferred income and other current liabilities</b>	<b>59,289</b>	<b>39,123</b>

The mentioned option liabilities fully relate to obligations arising from put options regarding interests in subsidiaries of non-controlling (minority) shareholders.

## (18) Provisions for other current liabilities and charges

In 2010, the provisions for other current liabilities and charges developed as follows:

(in thousands of EUR)	Personnel	Procurement	Customer rebates and bonuses	Sales	Other	Total
<b>Balance at Jan. 1, 2010</b>	<b>30,579</b>	<b>20,037</b>	<b>11,670</b>	<b>3,183</b>	<b>12,038</b>	<b>77,507</b>
Effect of exchange rate changes	385	303	130	8	401	1,227
Changes in consolidated companies	532	(1,961)	(753)	(30)	(1,681)	(3,893)
Utilization	(21,974)	(18,431)	(9,538)	(1,289)	(6,349)	(57,581)
Reversal	(1,463)	(470)	(1,035)	(640)	(1,678)	(5,286)
Increase	24,771	22,053	9,893	1,451	5,468	63,636
<b>Balance at Dec. 31, 2010</b>	<b>32,830</b>	<b>21,531</b>	<b>10,367</b>	<b>2,683</b>	<b>8,199</b>	<b>75,610</b>

In particular, provisions for personnel comprise payroll obligations, social security charges, premiums and bonuses, provisions for unused vacations as well as the part of provisions for benefits due to the termination of employment which will be due within one year.

Provisions for procurement are related to obligations for the delivery of products or services already supplied or rendered, but not yet invoiced.

Provisions for premiums and bonuses to customers include premium and bonus claims of customers calculated on the basis of the underlying customer arrangements.

Sales-related provisions concern product guarantee agreements and warranty costs, re-consignments, losses from uncompleted contracts and provisions related to sales staff commissions.

The position "Other" primarily contains provisions for litigation, legal advice, audit and consulting as well as obligations for other taxes and environmental matters.

## (19) Other operating income

(in thousands of EUR)	<b>Year ended Dec. 31, 2010</b>	Year ended Dec. 31, 2009
Gains and losses from disposal of property, plant and equipment, and intangible assets - net	527	1,539
Insurance claims	2,841	5,184
Rental income	754	1,266
Other income - net	7,469	10,433
<b>Other operating income</b>	<b>11,591</b>	<b>18,422</b>

## (20) Other income (expenses) - net

(in thousands of EUR)	<b>Year ended Dec. 31, 2010</b>	Year ended Dec. 31, 2009
Foreign currency exchange rate gains (losses) - net	(942)	(4,122)
Other financial income - net	(2,395)	(1,734)
<b>Other income (expenses) - net</b>	<b>(3,337)</b>	<b>(5,856)</b>

## (21) Commitments and contingent liabilities

### **Commitments from legal proceedings and similar claims**

The Group is subject to various claims and legal proceedings that arise in the ordinary course of business. Based on all of the facts available to the Management, the Group believes that the ultimate resolution of these claims and legal proceedings will not likely have a material adverse effect on the financial position or the results of its operations, although no assurances can be given with respect to the outcome of such claims or litigation.

### **Commitments from environmental matters**

The Group is also subject to various environmental legislations and regulations in the countries in which it operates. Expenditures for environmental matters which relate to existing conditions caused by past operations and have no significant future benefit are expensed as incurred. The Group records an accrual for environmental matters when an expense is probable and can be reasonably estimated. Costs of assessment and remediation of environmental matters to be accrued are based on estimates by the Management. It is possible that the final assessment of some of these matters may require the Group to make expenditures in excess of the amounts currently provided. However, the Management believes that such additional amounts will not have a material effect on the Group's financial position or results of operations.

Expenses related to environmental matters were not material for the years ended December 31, 2010 and 2009.

### **Commitments and contingent liabilities**

At December 31, 2010, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 21,536 (December 31, 2009: thous. EUR 16,856).

Concerning the non-controlling (minority) interests of 49.97 % in MM Polygrafoformlenie Limited, Cyprus, in December 2010 a contractual put option was exercised which was exercisable in May 2010 at the earliest. The relating financial transaction details are to be defined.

The non-controlling (minority) shareholder of TEC MMP SARL has exercised the put option concerning the 49 %-interest. Regarding the determination of the transaction price an arbitration is pending. The Group does not expect liabilities that are higher than the non-controlling (minority) interest shown in the balance sheet as of December 31, 2010 from this case.

At December 31, 2010, there are no further commitments and contingencies (December 31, 2009: thous. EUR 145).

### **(22) Subsequent events**

There have been no subsequent events after the balance sheet date.

### (23) Segment reporting information

Mayr-Melnhof Karton AG and its subsidiaries operate in two operating areas (production of cartonboard and production of folding cartons). The Group is organized in line with these two operating areas and is controlled by financial information generated thereon. Hence, the segments reported are congruent with these two operating areas:

This division manufactures and markets numerous grades of cartonboard, concentrating particularly on coated cartonboard primarily from recycled fiber.

This division converts cartonboard into printed folding cartons purchased by customers in a variety of industries including food and other consumer goods (e.g. cereals, dried foods, sugar, confectionary and baked goods, cosmetics and toiletries, detergents, domestic appliances, toys, cigarette packaging and high-grade confectionary packaging).

Data of the management information system, on which the segment reporting is based, are in accordance with the accounting and recognition principles applied to the consolidated financial statements. Therefore reconciliation is not necessary. The Group measures the performance of its operating segments through the assessment of "Operating profit".

Intersegment sales are carried out on an arm's length basis.

Revenues are allocated based on the shipment destination countries of finished goods, whereas long-lived assets are allocated according to the location of the respective units.

Capital expenditures and depreciation/amortization relate to property, plant and equipment and intangible assets including goodwill (see note 5).

The "Result of disposal of businesses" in 2010 (see note 4) relates to MM Karton. The "Impairment expenses" (see note 5) of 2010 relate to MM Packaging, those of 2009 to MM Karton.

The segment reporting information concerning the Group's operating segments can be illustrated as follows:

(in thousands of EUR)	2010			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	759,169	1,019,720	0	1,778,889
Intersegment sales	120,515	1,189	(121,704)	0
<b>Total sales</b>	<b>879,684</b>	<b>1,020,909</b>	<b>(121,704)</b>	<b>1,778,889</b>
Operating profit	65,098	97,176	0	162,274
Financial income	2,663	541	(705)	2,499
Financial expenses	(1,288)	(2,294)	705	(2,877)
Profit before tax	60,262	91,421	0	151,683
Income tax expense	(13,812)	(27,442)	0	(41,254)
Profit for the year	46,450	63,979	0	110,429
Capital expenditures	31,449	55,189	0	86,638
Depreciation and amortization	(35,130)	(46,666)	0	(81,796)
Segment assets	821,029	766,528	(66,611)	1,520,946
Segment liabilities	248,213	356,225	(66,611)	537,827
Employees per segment as of December 31	2,283	6,396		8,679

(in thousands of EUR)	2009			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	651,070	950,417	0	1,601,487
Intersegment sales	115,009	1,526	(116,535)	0
<b>Total sales</b>	<b>766,079</b>	<b>951,943</b>	<b>(116,535)</b>	<b>1,601,487</b>
Operating profit	51,523	98,427	0	149,950
Financial income	6,804	816	(483)	7,137
Financial expenses	(1,762)	(3,354)	483	(4,633)
Profit before tax	42,811	89,565	0	132,376
Income tax expense	(11,164)	(23,830)	0	(34,994)
Profit for the year	31,647	65,735	0	97,382
Capital expenditures	33,245	28,380	0	61,625
Depreciation and amortization	(57,515)	(40,258)	0	(97,773)
Segment assets	805,551	655,045	(71,932)	1,388,664
Segment liabilities	229,405	266,845	(71,932)	424,318
Employees per segment as of December 31	2,527	5,585		8,112

The following is a country-by-country breakdown of net sales based upon shipment destination as well as a summary of non-current assets and capital expenditures based upon location:

(in thousands of EUR)	2010			2009		
	Net sales	Non-current assets	Capital expenditures	Net sales	Non-current assets	Capital expenditures
Austria	82,071	89,218	20,811	79,794	83,117	14,806
Germany	434,002	240,674	32,145	421,177	242,168	24,359
United Kingdom	205,227	9,839	1,860	185,398	9,921	3,287
France	140,803	15,443	4,321	129,037	12,693	667
Other Western European countries	330,765	37,039	1,687	293,142	47,801	3,278
Eastern European countries	438,093	180,190	16,677	367,834	177,004	12,101
Asia	62,842	0	0	56,416	0	0
Other	85,086	77,051	9,137	68,689	14,935	3,127
<b>Consolidated total</b>	<b>1,778,889</b>	<b>649,454</b>	<b>86,638</b>	<b>1,601,487</b>	<b>587,639</b>	<b>61,625</b>

Non-current assets and capital expenditures comprise property, plant and equipment and intangible assets including goodwill (see note 5).

## (24) Disclosure on transactions with related parties

In the financial year 2010 sales with related companies in terms of transportation services of thous. EUR 430 (2009: thous EUR 349) were achieved. Raw materials for the production of cartonboard amounting to thous. EUR 5,586 were purchased from related companies in 2010 (2009: thous. EUR 3,311).

At December 31, 2010, trade accounts receivable from related companies amounted to thous. EUR 86 (December 31, 2009: thous. EUR 65), and trade liabilities from related companies amounted to thous. EUR 699 (December 31, 2009: thous. EUR 428).

Transactions with these companies are carried out on an arm's length basis.

(25) Supplementary disclosures to the notes in accordance with section 245a of the Austrian Commercial Code

a) Additional disclosures to the notes

Additional disclosures related to the application of the costs-of-goods-sold method

A breakdown of personnel expenses is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Gross wages	166,896	162,249
Gross salaries	103,455	97,748
Severance expense	2,920	5,952
Pension expense	6,742	7,110
Expenses for statutory social security as well as payroll-related taxes and other contributions	54,488	52,045
Other welfare expenses	5,655	4,918
<b>Total</b>	<b>340,156</b>	<b>330,022</b>

Other information

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Factory workers	6,218	6,163
Office staff	1,950	2,013
<b>Total</b>	<b>8,168</b>	<b>8,176</b>

The remuneration of the members of the Management Board is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2010	Year ended Dec. 31, 2009
Base salary	1,527	1,499
Variable compensation	2,174	2,221
<b>Total</b>	<b>3,701</b>	<b>3,720</b>

The remuneration of the members of the Supervisory Board for the financial year 2010 amounted to thous. EUR 195 (2009: thous. EUR 203).

Concerning the remuneration of former members of the Management and Supervisory Boards, the clause on non-disclosure these remunerations by referring to the section of 241 paragraph 4 in conjunction with 266 figure 7 last sentence of the Austrian Commercial Code was applied.

The 16<sup>th</sup> Ordinary Shareholders' Meeting on April 28, 2010 appointed unitreu Wirtschaftsprüfungs- und Steuerberatungs GmbH as the auditor of the consolidated and individual financial statements of Mayr-Melnhof Karton AG. Furthermore, they audit the individual financial statements of the Austrian subsidiaries. In the meantime the company name was changed to Grant Thornton Unitreu Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. In 2010, expenses for services rendered by Grant Thornton Unitreu amounted to thous. EUR 417, thereof thous. EUR 414 related to audit and other assurance services and thous. EUR 3 to tax advisory and other services.

## b) Table of affiliated and associated companies

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Mayr-Melnhof Karton Aktiengesellschaft	Vienna	AUT	Holding/Consulting	EUR	80,000	-	FC <sup>1)</sup>
<b>MM KARTON</b>							
Baiersbronn Frischfaser Karton GmbH	Baiersbronn	DEU	Cartonboard production	EUR	2,050	100.00 %	FC <sup>1)</sup>
CartPrint Insurance AG	Vaduz	LIE	Insurance company	EUR	3,000	100.00 %	FC <sup>1)</sup>
CP (CartPrint) International Trading AG	Worb	CHE	Sourcing	CHF	50	100.00 %	FC <sup>1)</sup>
FS-Karton GmbH	Baiersbronn	DEU	Cartonboard production	EUR	51,641	100.00 %	FC <sup>1)</sup>
Industriewater Eerbeek B.V.	Eerbeek	NLD	Waste water purification	EUR	143	37.50 %	EC <sup>2)</sup>
Kolicevo Karton Proizvodnja kartona, d.o.o.	Domzale	SVN	Cartonboard production	EUR	12,828	100.00 %	FC <sup>1)</sup>
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H.	Reichenau/Rax	AUT	Railway transport	ATS	2,500	100.00 %	NC <sup>3)</sup>
Management Transport & Logistik GmbH	Frohnleiten	AUT	Logistics company	EUR	37	70.00 %	FC <sup>1)</sup>
Mayr-Melnhof Cartonboard International GmbH	Vienna	AUT	Holding company	EUR	450	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Eerbeek B.V.	Eerbeek	NLD	Cartonboard production	EUR	7,300	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Gernsbach GmbH	Gernsbach	DEU	Cartonboard production	EUR	9,205	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Holdings B.V.	Eerbeek	NLD	Holding/Consulting	EUR	67,254	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Karton Gesellschaft m.b.H.	Frohnleiten	AUT	Cartonboard production	ATS	100,000	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Nikopol A.D. i.l.	Pleven	BGR	Cartonboard production	BGN	9,180	99.98 %	NC <sup>3)</sup>
MM Holding UK Limited	Lincolnshire	GBR	Holding company	GBP	5,170	100.00 %	FC <sup>1)</sup>
Stort Doonweg B.V.	Eerbeek	NLD	Waste dumping	EUR	18	50.00 %	NC <sup>3)</sup>

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units		Shareholding in %	Type of consolidation
<b>Trading companies &amp; sales offices of MM Karton</b>								
Austria Carton SA	Barcelona	ESP	Sales office	EUR	60	75.00 %	FC <sup>1)</sup>	
Keminer Remmers Spiehs Kartonhandels GmbH	Gernsbach	DEU	Cartonboard trading	DEM	2,500	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof Belgium N.V.	Zaventem	BEL	Sales office	EUR	62	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof Cartonboard UK Limited	Lincolnshire	GBR	Sales office	GBP	1,000	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof France SARL	Paris	FRA	Sales office	EUR	8	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof Italia SRL	Milano	ITA	Sales office	EUR	51	75.00 %	FC <sup>1)</sup>	
Mayr-Melnhof Karton Polska Sp. z o.o.	Poznan	POL	Sales office	PLN	50	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof Karton Schweiz GmbH	Worb	CHE	Sales office	CHF	20	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof Mediterra SARL	Tunis	TUN	Sales office	TND	80	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof Nederland B.V.	Amstelveen	NLD	Sales office	EUR	91	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof UK Limited	Lincolnshire	GBR	Sales office	GBP	100	100.00 %	FC <sup>1)</sup>	
Mayr-Melnhof & Wilfried Heinzl Tehran Co.	Tehran	IRN	Sales office	IRR	100,000	36.00 %	NC <sup>3)</sup>	
MM Karton Bulgaria EOOD	Sofia	BGR	Sales office	BGN	5	100.00 %	FC <sup>1)</sup>	
MM Karton Praha s.r.o.	Prague	CZE	Sales office	CZK	820	100.00 %	FC <sup>1)</sup>	
MM Karton Russia LLC	Moscow	RUS	Sales office	RUB	14,290	100.00 %	FC <sup>1)</sup>	
MM Kartonvertrieb GmbH	Neuss	DEU	Sales office	DEM	50	100.00 %	FC <sup>1)</sup>	
MM Prodaja Kartona d.o.o.	Domzale	SVN	Sales office	EUR	30	75.00 %	FC <sup>1)</sup>	
Varsity Packaging Limited	Lincolnshire	GBR	Cartonboard trading	GBP	300	100.00 %	FC <sup>1)</sup>	

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
<b>MM PACKAGING</b>							
Al-Ekbal Printing & Packaging Co.	Amman	JOR	Production of packaging	JOD	5,000	52.57 %	FC <sup>1)</sup>
Al-Ekbal Paper Trading & Logistic Services Ltd. Co.	Amman	JOR	Trading	JOD	30	52.57 %	NC <sup>3)</sup>
C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH	Kaiserslautern	DEU	General partner	EUR	180	75.00 %	FC <sup>1)</sup>
C.P. Schmidt Verpackungs-Werk GmbH & Co. KG <sup>4)</sup>	Kaiserslautern	DEU	Production of packaging	EUR	4,000	75.00 %	FC <sup>1)</sup>
Empaques Industriales Limitada	Santiago de Chile	CHL	Production of packaging	CLP	300,000	100.00 %	NC <sup>3)</sup>
Ernst Schausberger & Co. Gesellschaft m.b.H.	Gunskirchen	AUT	Production of packaging	EUR	2,910	100.00 %	FC <sup>1)</sup>
Graphia Gundlach Beteiligungsgesellschaft mbH	Bielefeld	DEU	Holding company	DEM	100	100.00 %	NC <sup>3)</sup>
Herakles LLC	St. Petersburg	RUS	Owning company	RUB	33,000	50.03 %	FC <sup>1)</sup>
Marinetti S.A.	Santiago de Chile	CHL	Production of packaging	CLP	17,715,009	70.00 %	FC <sup>1)</sup>
Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi	Izmir	TUR	Production of packaging	TRY	24,613	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Gravure GmbH	Trier	DEU	Production of packaging	EUR	7,000	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Packaging Austria GmbH	Vienna	AUT	Production of packaging	EUR	3,050	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Packaging Chile Limitada	Santiago de Chile	CHL	Holding company	CLP	5,000	100.00 %	NC <sup>3)</sup>
Mayr-Melnhof Packaging GmbH	Kaiserslautern	DEU	Holding/Consulting	DEM	8,000	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Packaging Iberica SL	Valencia	ESP	Production of packaging	EUR	7,500	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Packaging International GmbH	Vienna	AUT	Holding/Consulting	EUR	3,500	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Packaging Romania S.R.L.	Blejoi	ROU	Production of packaging	RON	5,504	100.00 %	FC <sup>1)</sup>
Mayr-Melnhof Packaging UK Limited	Lincolnshire	GBR	Production of packaging	GBP	9,700	100.00 %	FC <sup>1)</sup>
MM Graphia Beteiligungs- und Verwaltungs GmbH	Baiersbronn	DEU	Holding/Consulting	EUR	5,538	100.00 %	FC <sup>1)</sup>
MM Graphia Bielefeld GmbH	Bielefeld	DEU	Production of packaging	EUR	526	100.00 %	FC <sup>1)</sup>
MM Graphia Dortmund GmbH	Dortmund	DEU	Production of packaging	EUR	100	100.00 %	FC <sup>1)</sup>
MM Graphia Innovaprint GmbH & Co. KG <sup>4)</sup>	Bielefeld	DEU	Production of packaging	EUR	500	100.00 %	FC <sup>1)</sup>
MM Graphia Trier GmbH	Trier	DEU	Production of packaging	EUR	3,500	100.00 %	FC <sup>1)</sup>
MM Innovaprint Verwaltungs GmbH	Bielefeld	DEU	Limited partner	DEM	50	100.00 %	FC <sup>1)</sup>
MM Packaging Behrens GmbH & Co KG <sup>4)</sup>	Alfeld (Leine)	DEU	Production of packaging	EUR	1,790	100.00 %	FC <sup>1)</sup>
MM Packaging Behrens Verwaltungs GmbH	Alfeld (Leine)	DEU	General partner	EUR	26	100.00 %	FC <sup>1)</sup>
MM Packaging Caesar GmbH & Co KG <sup>4)</sup>	Traben-Trarbach	DEU	Production of packaging	EUR	5,120	100.00 %	FC <sup>1)</sup>

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM Packaging Caesar Verwaltungs GmbH	Traben-Trarbach	DEU	General partner	EUR	26	100.00 %	FC <sup>1)</sup>
MM PACKAGING France S.A.S.	Moneteau	FRA	Production of packaging	EUR	7,289	100.00 %	FC <sup>1)</sup>
MMP Neupack Polska Sp. z o.o.	Bydgoszcz	POL	Production of packaging	PLN	28,700	100.00 %	FC <sup>1)</sup>
MM Packaging Schilling GmbH	Heilbronn	DEU	Production of packaging	EUR	2,500	100.00 %	FC <sup>1)</sup>
MM Packaging St. Petersburg LLC	St. Petersburg	RUS	Production of packaging	RUB	43,929	100.00 %	FC <sup>1)</sup>
MM Packaging Ukraine LLC	Cherkassy	UKR	Production of packaging	UAH	56,896	100.00 %	FC <sup>1)</sup>
MM Polygrafoformlenie Limited	Nicosia	CYP	Holding company	EUR	7	50.03 %	FC <sup>1)</sup>
MM Polygrafoformlenie Packaging LLC	St. Petersburg	RUS	Production of packaging	RUB	565,851	50.03 %	FC <sup>1)</sup>
MM Printing and Packaging Tehran Company, Private Joint Stock	Tehran	IRN	Production of packaging	IRR	65,366,000	86.51 %	FC <sup>1)</sup>
Neupack Gesellschaft m.b.H.	Reichenau/Rax	AUT	Production of packaging	ATS	25,000	100.00 %	FC <sup>1)</sup>
PacProject GmbH	Hamburg	DEU	Development of packaging	EUR	26	69.77 %	FC <sup>1)</sup>
R + S Stanzformen GmbH	Frankfurt/Main	DEU	Production of cutting dies	DEM	500	100.00 %	FC <sup>1)</sup>
Superpak Ambalaj sanayi ve ticaret anonim sirketi	Izmir	TUR	Production of packaging	TRY	3,150	60.01 %	FC <sup>1)</sup>
TEC MMP SARL	Sfax	TUN	Production of packaging	TND	21,400	51.00 %	FC <sup>1)</sup>
Ukrainisch-Deutsche geschlossene Aktiengesellschaft "Graphia Ukraina"	Cherkassy	UKR	Production of packaging	UAH	5,880	94.78 %	FC <sup>1)</sup>
VTV Verpackungstechnische Verfahren GmbH	Kaiserslautern	DEU	Development of packaging	EUR	200	75.00 %	FC <sup>1)</sup>
<b>OTHER</b>							
free-com internet services GmbH	Vienna	AUT	IT services	EUR	35	36.00 %	FC <sup>1)</sup>
Syn-Group Unternehmensberatung GmbH	Vienna	AUT	Consulting	EUR	37	38.00 %	FC <sup>1)</sup>

<sup>1)</sup> FC ... fully consolidated

<sup>2)</sup> EC ... consolidated at equity

<sup>3)</sup> NC ... non-consolidated

<sup>4)</sup> These consolidated financial statements represent an exemption for these partnerships according to section 264b of the German Commercial Code.

During the financial year 2010, the Board Members were as follows:

**Management Board**

Wilhelm HÖRMANSEDER, Purkersdorf (Chairman)

Andreas BLASCHKE, Perchtoldsdorf (Member of the Management Board)

Franz RAPPOLD, Laab im Walde (Member of the Management Board)

Oliver SCHUMY, Vienna (Member of the Management Board)

**Supervisory Board**

Michael GRÖLLER, Vienna (Chairman)

Romuald BERTL, Graz (Deputy Chairman)

Johannes GOESS-SAURAU, Neumarkt/Raab (Deputy Chairman)

Gerhard GLINZERER, Vienna (until April 28, 2010)

Guido HELD, Graz

Alexander LEEB, Frohnleiten

Georg MAYR-MELNHOF, Wals/Viehhausen

Michael SCHWARZKOPF, Reutte

Nikolaus ANKERSHOFEN, Vienna (since April 28, 2010)

Hubert ESSER, Neuss (Staff Council Representative, MM Karton)

Andreas HEMMER, Frohnleiten (Staff Council Representative MM Karton)

Gerhard NOVOTNY, Vienna (Staff Council Representative MM Packaging)

Vienna, March 1, 2011

The Management Board

Wilhelm Hörmanseder m.p.

Andreas Blaschke m.p.

Franz Rappold m.p.

Oliver Schumy m.p.

# Auditor's Report

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mayr-Melnhof Karton AG, Vienna, for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2010, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010, and the notes.

## Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

### **Opinion**

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

### **Comments on the management report for the Group**

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 1, 2011

**Grant Thornton Unitreu GmbH**  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christian PAJER

Werner LEITER

Austrian Chartered Accountants

# Statement of the Management Board according to section 82 (4) of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, March 1, 2011

The Management Board

Wilhelm Hörmanseder m.p.  
Chairman of the Management Board

Andreas Blaschke m.p.  
Member of the  
Management Board

Franz Rappold m.p.  
Member of the  
Management Board

Oliver Schumy m.p.  
Member of the  
Management Board

# Development in the 4<sup>th</sup> Quarter 2010

## Quarterly overview

### Mayr-Melnhof Group (IFRS, unaudited)

(consolidated, in millions of EUR)	1 <sup>st</sup> Quarter 2010	2 <sup>nd</sup> Quarter 2010	3 <sup>rd</sup> Quarter 2010	4 <sup>th</sup> Quarter 2010	4 <sup>th</sup> Quarter 2009	+/-
Sales	439.2	423.8	452.7	<b>463.2</b>	415.0	+11.6 %
Operating profit	40.2	37.4	45.7	<b>39.0</b>	39.8	-2.0 %
Operating margin (%)	9.2 %	8.8 %	10.1 %	<b>8.4 %</b>	9.6 %	
Profit before tax	39.0	28.5	46.4	<b>37.8</b>	22.2	+70.3 %
Income tax expense	(11.2)	(7.4)	(12.1)	<b>(10.6)</b>	(5.1)	
Profit for the period	27.8	21.1	34.3	<b>27.2</b>	17.1	+59.1 %
Net profit margin (%)	6.3 %	5.0 %	7.6 %	<b>5.9 %</b>	4.1 %	
Basic and diluted earnings per share (in EUR)	1.33	1.04	1.67	<b>1.35</b>	0.75	

In the fourth quarter of 2010 the Mayr-Melnhof Group recorded a similarly good utilization as in the previous quarter, whereat the purchasing behavior of customers seasonally slowed down in December. The average MM Karton capacity utilization during this quarter was at 98 % (3<sup>rd</sup> quarter 2010: 99 %; 4<sup>th</sup> quarter 2009: 93 %).

As a result of the persisting price increase in input factors, in particular logistics and chemicals, the cartonboard prices have been adjusted to the increased cost level at the beginning of the fourth quarter. Thus we managed to maintain the operating margin of MM Karton with 8.8 % at the level of the third quarter (3<sup>rd</sup> quarter 2010: 8.8 %; 4<sup>th</sup> quarter 2009: 5.7 %). Due to the delayed effectiveness of passing on the higher cartonboard prices to customers, the operating margin of MM Packaging declined to 7.1 % (3<sup>rd</sup> quarter 2010: 9.9 %; 4<sup>th</sup> quarter 2009: 11.8 %).

The consolidated sales increased by 11.6 % to EUR 463.2 million (4<sup>th</sup> quarter 2009: EUR 415.0 million), whereat this growth resulted from increased volumes as well as from better average prices. The operating profit of EUR 39.0 million remained almost unchanged compared to the fourth quarter of the previous year (EUR 39.8 million). Thus, the operating margin was 8.4 % (4<sup>th</sup> quarter 2009: 9.6 %).

Due to the shortfall of impairment expenses of the previous year for the former mill Karton Deiswill AG, Switzerland, the profit for the year of EUR 27.2 million was significantly above the comparative value of the previous year (4<sup>th</sup> quarter 2009: EUR 17.1 million).

# Glossary

## Definition of financial indicators

### Cash earnings

Sum of profit for the year before depreciation and amortization and before deferred taxes.

### Cash earnings margin

Cash earnings divided by sales.

### EBITDA (Earnings before interest, income taxes, depreciation and amortization)

Profit before tax excluding net interest income/expenses, the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 as well as depreciation and amortization.

### EBITDA margin

EBITDA divided by sales.

### Employees

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

### Enterprise value

The sum of market capitalization, non-controlling (minority) interests and net debt (see definition net debt/net liquidity).

### Total equity and non-current liabilities to PPE

The sum of total equity and non-current liabilities divided by property, plant and equipment.

### Total equity to total assets

Total equity divided by total assets.

### Net debt/net liquidity

The sum of interest-bearing current and non-current financial liabilities subtracted by cash and current and non-current available-for-sale financial assets.

In case that the sum of cash and available-for-sale financial assets exceeds the financial liabilities, a net liquidity exists. An existing net liquidity is not considered for the calculation of the enterprise value.

**Net debt/net liquidity to total equity**

Net debt/net liquidity divided by total equity.

**Net profit margin**

Profit for the year divided by sales.

**Operating margin**

Operating profit divided by sales.

**Property, plant and equipment to total assets**

Property, plant and equipment divided by total assets.

**Return on assets (ROA)**

The sum of profit for the year, interest expense and the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 divided by average total assets.

**Return on capital employed (ROCE)**

Profit before tax, excluding net interest income/expenses and excluding the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 divided by the sum of average total equity plus average current and non-current interest-bearing financial liabilities, average provisions for other non-current liabilities and charges and average obligations with regard to non-controlling (minority) shareholders according to IAS 32, subtracted by average cash and current and non-current available-for-sale financial assets.

**Return on equity (ROE)**

Profit for the year divided by average total equity.

**Return on investment (ROI)**

The sum of profit for the year, interest expenses and the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 divided by the sum of average total equity plus average current and non-current interest-bearing financial liabilities.

**Working capital**

The sum of total current assets and non-current available-for-sale financial assets subtracted by total current liabilities (excluding revolving bank debt).

## Financial calendar 2011

April 27, 2011	17 <sup>th</sup> Ordinary Shareholders' Meeting – Vienna
May 2, 2011	Ex-dividend day
May 9, 2011	Dividend payment date
May 12, 2011	Results for the 1 <sup>st</sup> quarter of 2011
August 17, 2011	Results for the 1 <sup>st</sup> half-year of 2011
November 15, 2011	Results for the first three quarters of 2011

## Published and edited by

Mayr-Melnhof Karton AG  
Brahmsplatz 6  
A-1041 Vienna

## For further information, please contact

Stephan Sweerts-Sporck  
Investor Relations  
Phone: +43 1 50136 91180  
Fax: +43 1 50136 91195  
e-mail: investor.relations@mm-karton.com

The English version of this annual report is a translation of the original German text.

The annual reports and interim reports can be requested from the Company and are also available on the Internet.

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# Mayr-Melnhof Group

## Key Indicators

	2006	2007	2008	2009	2010
<b>Development of sales</b> (in millions of EUR)					
Total sales	1,790.2	2,066.0	2,026.3	1,865.9	<b>2,102.2</b>
less intersegment sales	(277.7)	(329.0)	(295.1)	(264.4)	<b>(323.3)</b>
Consolidated sales	1,512.5	1,737.0	1,731.2	1,601.5	<b>1,778.9</b>
<b>Earnings data</b> (in millions of EUR)					
Net value added	474.6	506.9	468.4	466.2	<b>495.7</b>
EBITDA	238.8	256.0	216.3	229.7	<b>236.5</b>
Operating profit	158.6	169.4	136.9	149.9	<b>162.3</b>
Profit for the year	107.3	116.6	96.9	97.4	<b>110.4</b>
Cash earnings	191.4	206.7	175.6	184.9	<b>187.7</b>
<b>Depreciation / capital expenditures</b> (in millions of EUR)					
Depreciation and amortization	81.7	89.2	83.5	97.8	<b>81.8</b>
Capital expenditures	111.1	95.7	96.7	61.6	<b>86.6</b>
<b>Employees</b>	<b>7,969</b>	<b>8,657</b>	<b>8,240</b>	<b>8,112</b>	<b>8,679</b>
<b>Profitability indicators</b>					
Return on equity	13.3 %	13.1 %	10.5 %	10.4 %	<b>11.3 %</b>
Return on assets	8.1 %	8.4 %	7.2 %	7.4 %	<b>8.0 %</b>
Net profit margin	7.1 %	6.7 %	5.6 %	6.1 %	<b>6.2 %</b>
EBITDA margin	15.8 %	14.7 %	12.5 %	14.3 %	<b>13.3 %</b>
Operating margin	10.5 %	9.8 %	7.9 %	9.4 %	<b>9.1 %</b>
Cash earnings margin	12.7 %	11.9 %	10.1 %	11.5 %	<b>10.6 %</b>
Return on capital employed	21.1 %	20.4 %	16.1 %	16.9 %	<b>18.9 %</b>
Return on investment	11.4 %	11.5 %	9.7 %	9.9 %	<b>10.8 %</b>
<b>Balance sheet indicators</b>					
Total equity to total assets	56.9 %	60.9 %	64.1 %	69.3 %	<b>64.6 %</b>
Property, plant and equipment to total assets	39.3 %	39.0 %	39.5 %	37.7 %	<b>37.1 %</b>
Total equity and non-current liabilities to property, plant and equipment	1.9	2.0	1.9	2.1	<b>2.0</b>
Working capital (in millions of EUR)	459.3	533.1	496.2	506.6	<b>520.6</b>
<b>Financial indicators</b>					
Net liquidity (in millions of EUR)	149.9	172.5	189.4	288.7	<b>202.6</b>
Net liquidity to total equity	17.6 %	18.5 %	20.7 %	29.9 %	<b>20.6 %</b>
<b>Share performance indicators</b> (in EUR)					
Enterprise value (in millions of EUR)	1,586.7	1,658.3	1,100.3	1,542.2	<b>1,765.3</b>
Basic and diluted earnings per share	4.79 <sup>1)</sup>	5.22	4.38	4.44	<b>5.39</b>
Dividend per share	1.40 <sup>1)</sup>	1.70	1.70	1.70	<b>1.95<sup>2)</sup></b>

<sup>1)</sup> adapted to number of shares after share split 1:2

<sup>2)</sup> proposed