2017

ANNUAL REPORT
MAYR-MELNHOF KARTON AG

Key Indicators

consolidated (in millions of EUR)	2017	2016	+/-
Consolidated sales	**2,336.8**	2,272.7	+ 2.8 %
EBITDA	**314.3**	314.0	+ 0.1 %
Operating profit	**215.0**	213.7	+ 0.6 %
Profit before tax	**205.5**	209.2	- 1.8 %
Profit for the year	**155.0**	153.4	+ 1.0 %
Cash earnings	**257.1**	256.3	+ 0.3 %
Return on equity	**12.0 %**	12.8 %	
Operating margin	**9.2 %**	9.4 %	
Return on capital employed	**15.1 %**	15.9 %	
Total equity	**1,318.6**	1,259.2	+ 4.7 %
Total assets	**2,013.4**	1,981.9	+ 1.6 %
Capital expenditures (CAPEX)	**159.1**	144.2	+ 10.3 %
Depreciation and amortization	**99.7**	99.1	+ 0.6 %
Employees	**9,856**	9,927	- 0.7 %
Earnings per share (in EUR)	**7.73**	7.67	+ 0.8 %
Dividend per share (in EUR)	**3.10**[1)]	3.00	+ 3.3 %

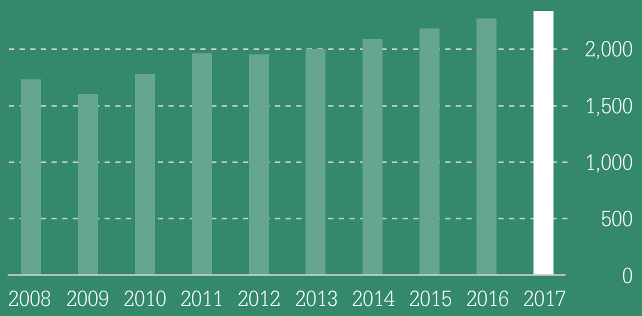
[1)] proposed

Please find the five year overview 2013 – 2017 at the end of the report.

Many reasons for MM

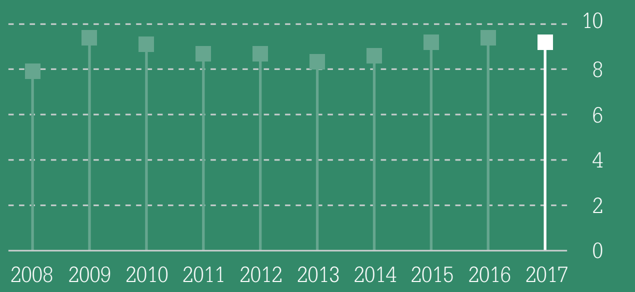
Group sales
in millions of EUR

2,336.8



Operating margin
in %

9.2 %

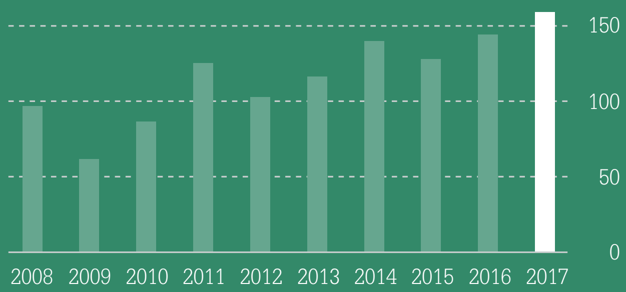


Figures

Long-term growth and high-quality results on a solid financial base

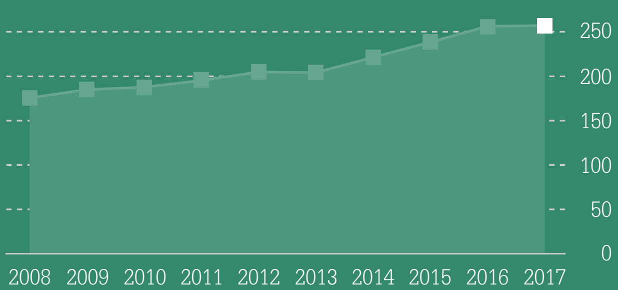
Capital expenditures
in millions of EUR

159.1

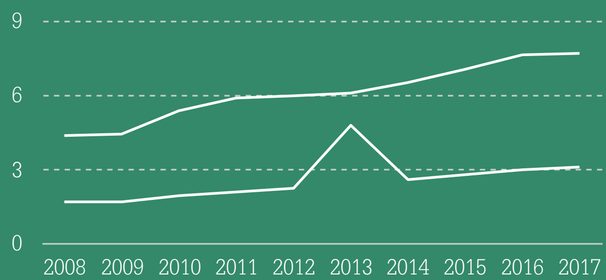


Cash earnings
in millions of EUR

257.1



Earnings and dividend per share
in EUR



7.73
Earnings

3.10
Dividend

2013: incl. anniversary bonus of EUR 2.40

Facts

Cartonboard packages for consumer staples – the focus of our business

Strategic positioning

MM focuses on sustainable market leadership in its core competence areas based on cost, technology and innovation leadership. The use of economies of scale, operational excellence, and early positioning in new markets are determining factors.

Market position

MM is the world's largest producer of coated recycled fiber-based cartonboard, an important manufacturer of virgin fiber-based cartonboard, and the largest producer of folding cartons in Europe and in a number of countries outside Europe.

Market

Cartonboard-based packaging is a sustainable market that correlates with private consumption. MM Karton sells blank cartonboard to packaging producers. MM Packaging supplies consumer goods manufacturers with printed and variously finished cartonboard packages.

Growth

MM grows organically and through acquisitions. Maximum efficiency in production, continuous investment in technology and expertise as well as collaboration with strong customers are the basis for our growth. Long-term value orientation characterizes this opportunistic expansion course.

Geographic positioning

MM's focus lies on Europe, cartonboard deliveries between continents are less important. Due to transport costs and service demands, folding cartons are defined as regional products. MM Packaging accompanies customers around the world in their expansion.

Financial targets

MM strives for a sustainably high return on capital employed (ROCE) and pursues a continuous dividend policy that aims at distribution of approximately one third of the profit for the year. Around 50 % of cash earnings are invested in the long term, focusing on cost reduction and growth.

Content

Company & Strategy

Shares & Governance

Performance 2017

Service

The focus on
our core business
proves successful.

Dear Shareholders,

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

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

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

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

In 2017, we invested around EUR 160 million in the future. One focus area was the expansion of our packaging sites outside Europe in Vietnam, Iran, and Jordan to enable further growth with international customers. In Europe, we focused primarily on technological renovation to increase the value added of our products and processes. The fact that MM Karton now generates around one fifth of its sales with products that have only been on the market for a few years is the result of the successful collaboration of our sales and engineering experts with our customers. We make use of digitalization and automation in a future-oriented way to accelerate processes in both divisions and have significantly expanded the associated expertise within the Group. A prime example of this is our new sales and service channel "MMK digital", which will go online in the second quarter of 2018. This new service will be available around the clock to provide our customers with real-time information. Lead times in cartonboard sale will be cut to a fraction.

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

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

Your Company is well-positioned for these endeavors.

Accompany us further on!

Wilhelm Hörmanseder
Chairman of the Management Board
February 28, 2018

Management Board

Andreas Blaschke
Member of the
Management Board

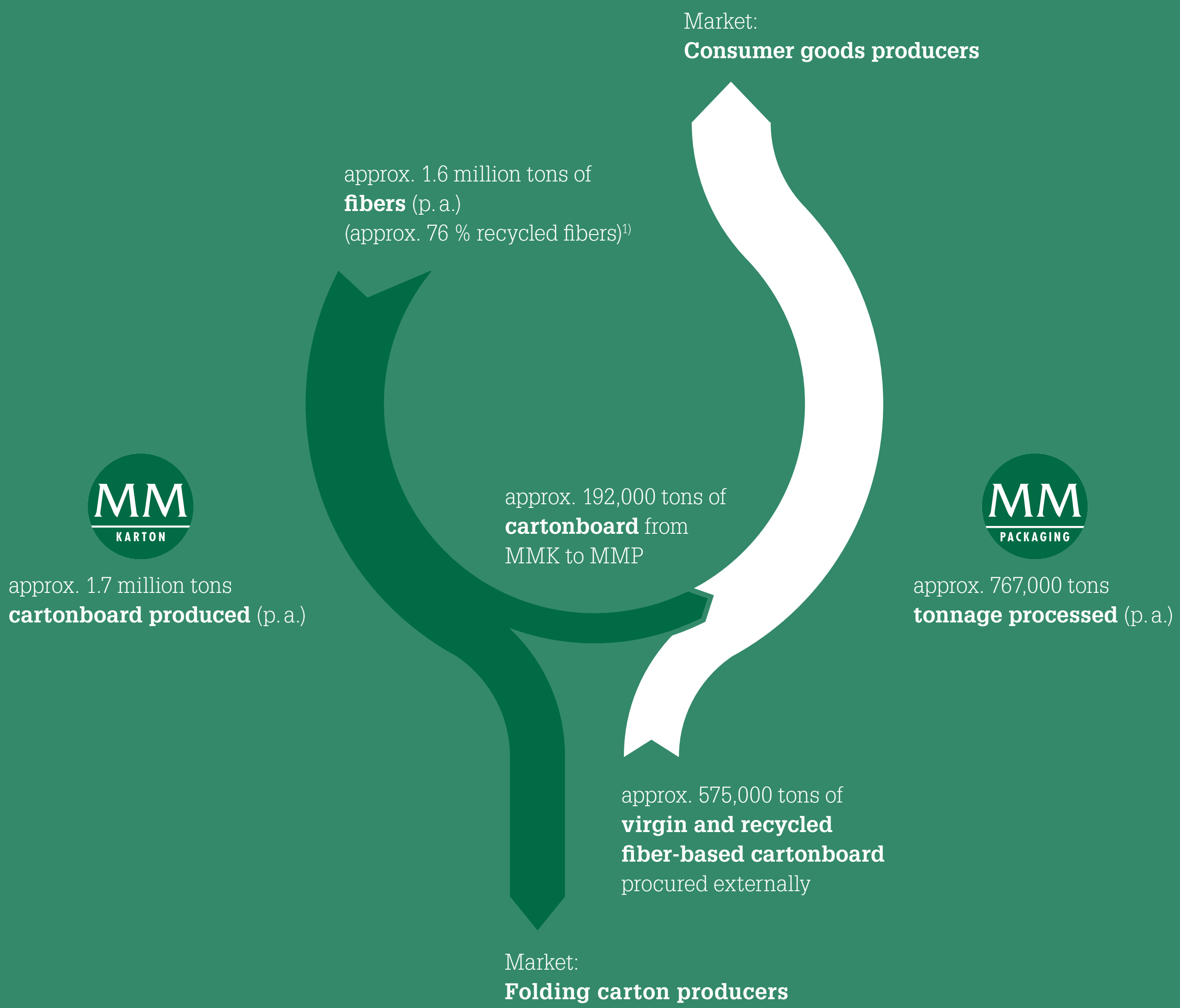
Wilhelm Hörmanseder
Chairman of the
Management Board

Franz Hiesinger
Member of the
Management Board

Franz Rappold
Member of the
Management Board

Business structure

MM Karton and MM Packaging are two independent profit centers which carry out business transactions at market conditions.



1) excl. rejects

(Values 2017)

A balanced portfolio

MM Karton

40 %
Group sales

34 %
Group operating profit

12.7 %
ROCE

MM Packaging

60 %
Group sales

66 %
Group operating profit

16.7 %
ROCE

80 %
Recycled fiber-based cartonboard

20 %
Virgin fiber-based cartonboard

78 %
Multinational customers

22 %
Local customers

(Values 2017)

We consistently focus on our core competences, the production and processing of cartonboard to produce packages for consumer staples. In doing so, we pursue an attractive and well-balanced business over the long term with reasonable cyclicality. For decades, our course has been characterized by continuous consolidation on the market and within the Company as well as by reductions in direct costs by an excellent industrial production. Creating sustainable added value, with vigor and caution, in great harmony between management and shareholders, based on expansion, unrestrained investment activity and continuous renovation is our orientation.

Focus on core competences

Excellent production

Creating added value

Long-term on track

Unique position

Balance and potential

As market leader in cartonboard production and processing, the MM Group holds a unique position in Europe. The cartonboard division focuses on recycled fiber-based cartonboard, complemented by an significant position in the field of virgin fiber-based cartonboard. MM Karton is primarily distinguished by size, a broad product portfolio, and the highest levels of competence and service quality. Due to its technological and product-specific specialization, MM Packaging is not only the leading European folding carton producer for fast-moving consumer goods (FMCG) and cigarette packages, but is also well positioned on the markets for pharmaceuticals, personal care, luxury goods, and detergents. A comprehensive portfolio with balance and potential.

Broadly

positioned

By focusing on cartonboard and packaging, we bundle our growth strength, remain predictable and create a sound basis for the integration of new business. We grow organically by developing new markets and penetrating existing markets as well as through acquisitions. Achieving growth by supporting strong customers in their expansion and assuming a leading position in new markets already at an early stage are key elements of our long-term growth strategy – always with a focus on remaining sustainably attractive and creating value added for our shareholders. Funds, resources, and expertise are available for further growth.

Sound basis

Strong customers

Sustainably attractive

Sustainable growth

We aspire to establish sustainable "best practice" in all areas of the Company. We want to maintain market leadership in our business over the long term through cost, technology and innovation leadership. We systematically exploit synergies and economies of scale in our group of companies in order to further extend MM's competitiveness. At the same time, we continuously invest in innovation and the reduction of direct costs, and we proactively address future issues concerning market and technology. We focus on an attractive share of new products, speed, specialization, and the use of state-of-the-art expertise to convince our customers and stakeholders over the long term. A current example of this is our progressive course in the areas of digitalization and automation.

Maintain market leadership over the long term

Economies of scale

Digitalization and automation

BEST
IN
BUSINESS

MM's success is based on around 9,900 people, united in a performance-oriented team with shared values and a great sense of responsibility and passion for our business.

Responsibility and passion

In a corporate culture marked by openness, subsidiarity, and personal responsibility, we attach great importance to entrepreneurial thinking in all areas and are committed to high standards of quality and efficiency.

Variety and diversity

We regard variety and diversity as an enrichment to find even better solutions for our tasks. Continuous employee development across all levels and the long-term promotion of health and vitality enable us to position ourselves as an attractive employer, thus asuring that an excellent team will be available to the Company also in the future.

Employee development

A winning team

MM Karton sells cartonboard solutions all over the world and is thus not only the leading European producer of cartonboard, but also the largest exporter of cartonboard from Europe. With production sites throughout Europe, MM Packaging offers a unique pan-European supply concept. Our presence in attractive emerging markets enables us to provide answers to the increasingly global supply demand of our multinational customers. We aim at unfailingly convincing on-site with our efficiency, quality, and competence, adequately combining the benefits of our market proximity with the performance power of the entire Group.

Unique supply concept

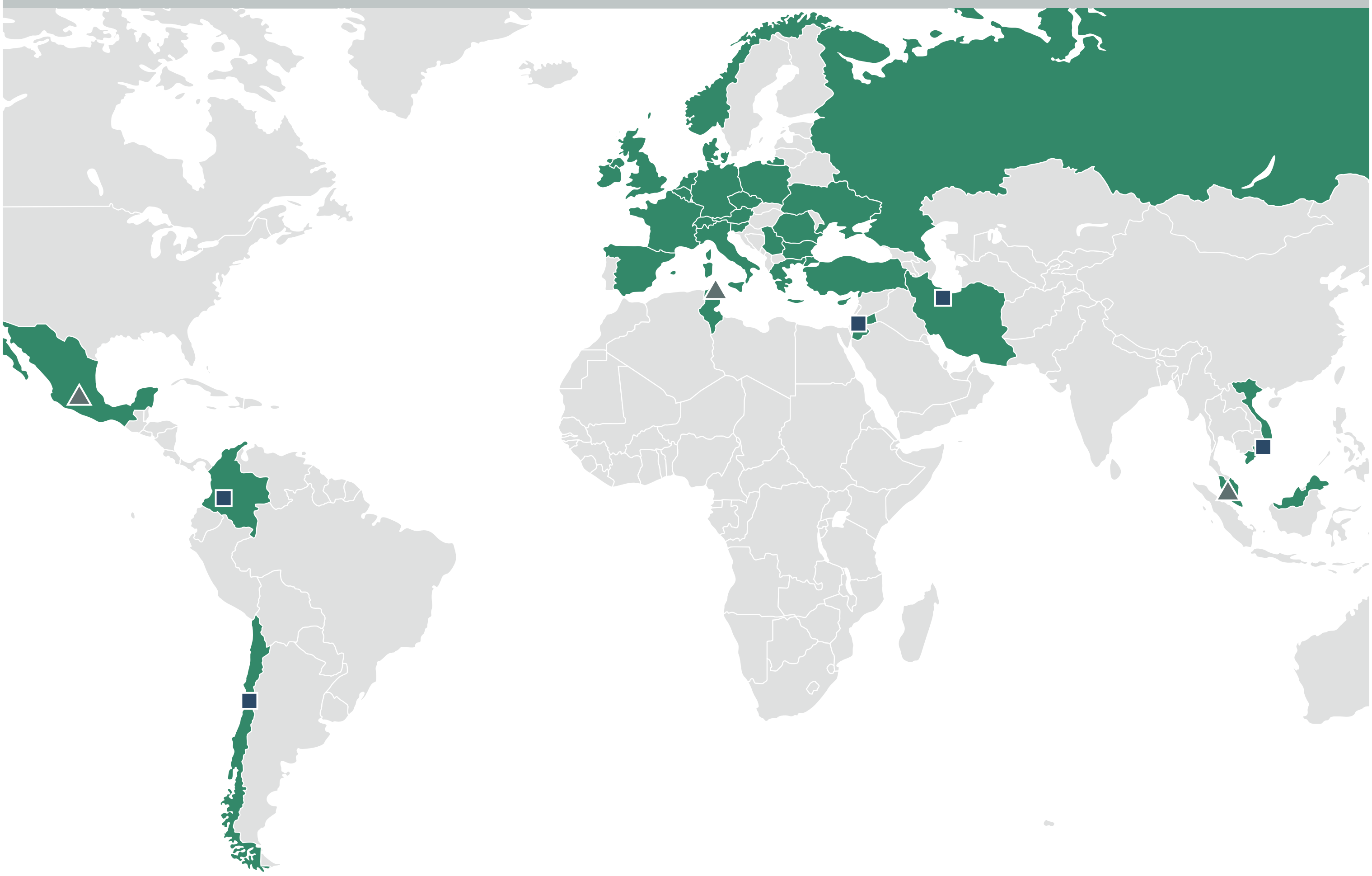
On-site with performance power of entire Group

Always close to customers

Global presence with a focus on Europe

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

85 % share of sales in Europe



44 production sites on 3 continents

37 folding carton plants

7 cartonboard mills

Sales in more than **100** countries

(Values 2017)

MM Karton

Sustainable Board Solutions

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

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

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

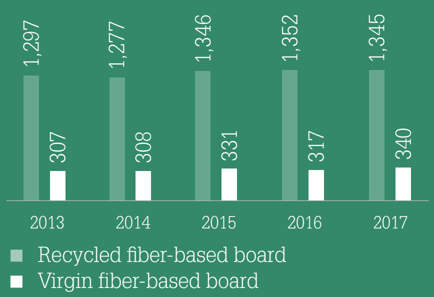
Success through cost leadership and innovation We focus consistently on a continuous reduction of unit costs and technological progress in the areas of products and service. In combination with an increasing share of new and optimized products, we want to strengthen and extend our leading position. Sustained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

MM Karton Key Indicators

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

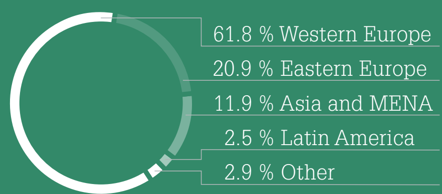
	2017	2016	+/-
Tonnage sold (in thousands of tons)	**1,675**	1,671	+ 0.2 %
Tonnage produced (in thousands of tons)	**1,685**	1,669	+ 1.0 %
Recycled fiber-based board	**1,345**	1,352	
Virgin fiber-based board	**340**	317	
Capacity utilization	**98 %**	97 %	

Tonnage produced by MM Karton



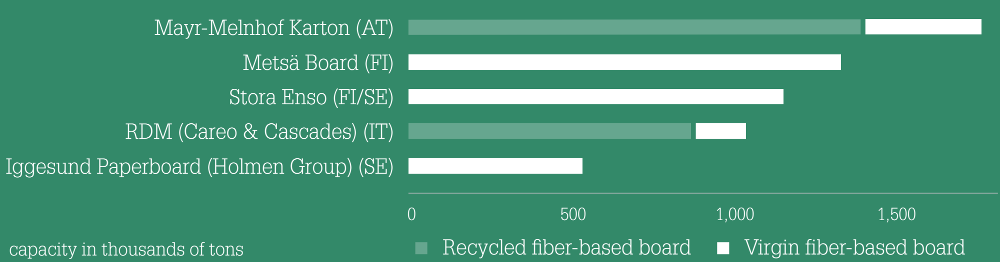
in thousands of tons

Sales by destination[1]



[1] incl. interdivisional sales

Leading European producers of coated board



capacity in thousands of tons

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

MM Packaging

Shaping the World of Cartons

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

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

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

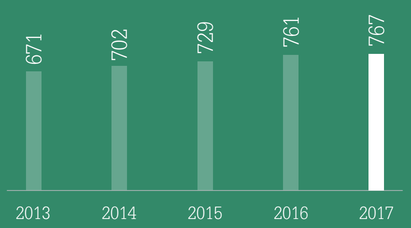
Expansion with strong customers Major international customers account for around 78 % of sales. Business with a large number of local customers constitutes another core area. Accompanying strong customers along their growth paths has been a determining factor of MM Packaging's expansion course for a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

MM Packaging Key Indicators

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

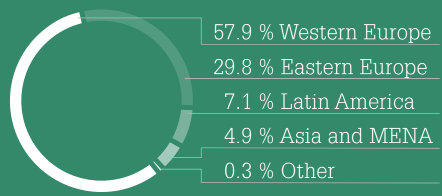
	2017	2016	+/-
Tonnage processed (in thousands of tons)	767	761	+ 0.8 %
Sheet equivalent (in millions)	2,289.9	2,240.1	+ 2.2 %

Tonnage processed by MM Packaging



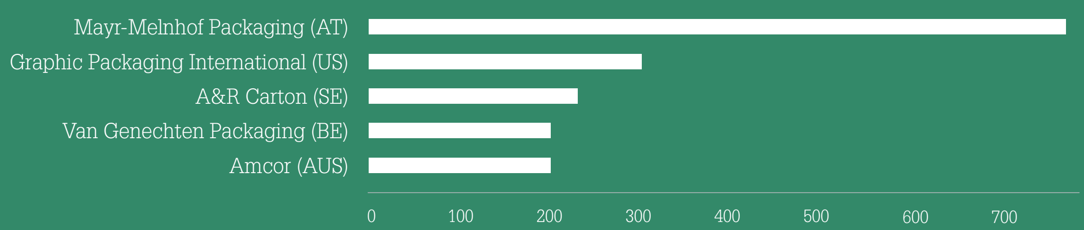
in thousands of tons

Sales by destination[1)]



1) incl. interdivisional sales

Leading folding carton producers in Europe



tonnage processed in thousands of tons

Source: MM

MM Shares

In a generally positive trading year 2017, the Mayr-Melnhof share enjoyed a strong price performance of +21.6 %. After a price of EUR 100.70 at the end of 2016 and a dividend payout of EUR 3.00 per share, the year 2017 closed with a share price of EUR 122.50. The share reached a historic high of EUR 130.95 on November 3, 2017.

Our ongoing investor relations activities have focused on positioning the MM Group as a profitable and long-term reliable market leader in cartonboard-based packaging. The sustainably attractive business model with a steady dividend policy and risk-conscious, value-oriented growth again raised the interest of many international institutional and private investors in 2017, which we met with continuous information activity. We consider the regular, constructive and frequently positive feedback on our corporate strategy and development an enrichment for our future path. In 2017, analysts again appreciated the Company's solid predictability and accompanied us through the year with positive recommendations.

The share

Since April 22, 1994, the share of Mayr-Melnhof Karton AG has been listed on the Vienna Stock Exchange. The issue price amounted to EUR 26.16. With the listing of the share in the ATX Prime for a long time, special additional requirements, such as transparency and minimum capitalization, are fulfilled.

The Company’s share capital of EUR 80 million is divided into 20 million bearer shares, with each share having the same voting rights based on the principle of "one share – one vote". Besides the listing on the Vienna Stock Exchange, there is a Sponsored Level 1 ADR (American Depository Receipt) program with the Bank of New York Mellon. ADRs are denominated in US dollars and are traded over the counter (OTC), with four ADRs equaling one share of common stock.

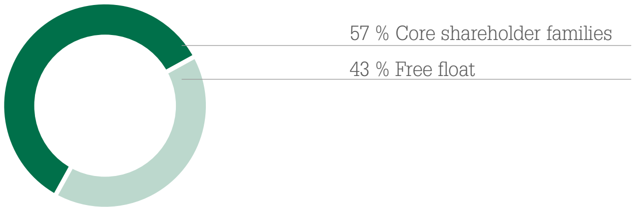
Stock markets 2017

International stock markets generally enjoyed a steady upward trend in 2017. Prices were driven in particular by more optimistic macroeconomic indicators which were reflected by corporate announcements as well as a continuously relaxed interest rates environment. Supported by a US tax reform that was welcomed by the markets, the Dow Jones Industrial (DJI) recorded a sharp increase of 25.1 %. Growth on the European stock markets was more restrained, with the EURO STOXX 50 increasing by 6.5 %. Here the main growth driver was favorable export demand for European products, which contributed to an increase in the yearly performance of the DAX by 12.5 %. Price development on the Vienna Stock Exchange with a growth of the ATX by 30.6 % was clearly above European average. The reasons for the price increase on the Vienna Stock Exchange were an economic stimulus provided by international demand and a growing domestic demand for investment.

Stable shareholder structure

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

Shareholder structure
in %



Continuous dividend policy

The Mayr-Melnhof Group's dividend policy is to distribute around one third of the profit for the year to the Company's shareholders. Following the good profit development in the result in the business year 2017, the Management Board will propose a dividend of EUR 3.10 per share to the 24th Ordinary Shareholders' Meeting on April 25, 2018, after EUR 3.00 per share in 2016. This corresponds to a dividend payment totaling EUR 62.0 million (2016: EUR 60.0 million) for the business year 2017 and a payout ratio of 40.11 % (2016: 39.14 %). Based on the average share price in 2017, a dividend yield of around 2.7 % could be achieved (2016: 3.0 %).

Investor Relations

In 2017, we maintained our great commitment to the underlying strategy of our investor relations program – a sustainably open and personal dialog with our institutional and private investors, analysts, journalists, and the interested public – which we have pursued with success for many years.

As in the past, we used a large number of roadshows and investor conferences to maintain or initiate our contact with investors. We focused on the major financial centers in Europe, such as London, Paris, Frankfurt and Zurich, and the US, with New York and Chicago. Requests for dialog from the Netherlands, Belgium and Scandinavia were also met. International as well as Austrian analysts regularly report on the Group and maintain a constant dialog with MM Investor Relations.

The approach of our investor relations work is to provide an accurate image of the Group at all times in order to facilitate an adequate valuation of the MM share.

We attach the highest priority to the principle of treating all shareholders equally. We therefore always publish share price-relevant and current information simultaneously and identically via an electronic distribution system and on the website of Mayr-Melnhof Karton AG. The Chairman of the Management Board comments on the current development of the Group on a quarterly basis in publicly accessible audio and video webcasts. In 2017, the presentation of the annual results by the entire Management Board took place as a video webcast for the first time in order to allow for maximum possible coverage and long-term availability of the presentation. All this information is regularly announced and made available on the Group's website at http://www.mayr-melnhof.com. We offer conference calls with the CEO in connection with the presentation of the yearly and half-yearly results on a regular basis.

Service for shareholders

We offer shareholders and interested parties the possibility to register for the regular receipt of the Company's reports as well as press releases on our website (https://www.mayr-melnhof.com/en/investors/order-service). Furthermore, our Investor Relations department is available to answer any questions you may have.

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

Your contact to Mayr-Melnhof Investor Relations

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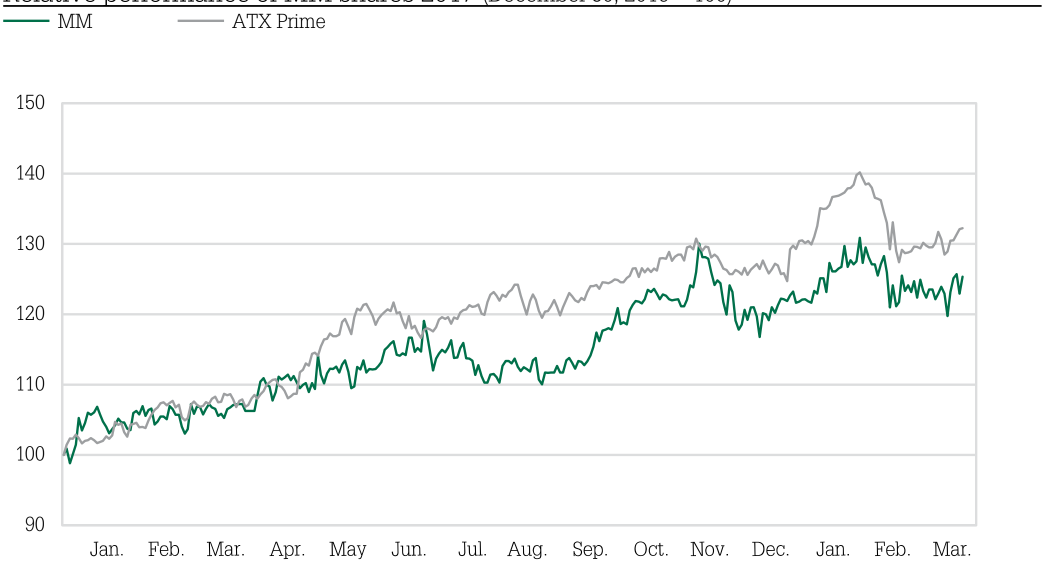
Phone: +43 1 501 36 91180
Fax: +43 1 501 36 91195
E-mail: investor.relations@mm-karton.com
Website: http://www.mayr-melnhof.com

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 2017 (December 30, 2016 = 100)



Share performance indicators

Stock price per share (in EUR)	**2015**	**2016**	**2017**
High	116.00	111.45	130.95
Low	86.49	93.34	99.50
Year-end	114.50	100.70	122.50
Stock performance (as of Dec. 31)			
- 1 month	+ 8.4 %	+ 5.9 %	+ 1.6 %
- 3 months	+ 10.8 %	+ 2.9 %	+ 0.9 %
- 9 months	+ 19.3 %	- 4.5 %	+ 12.2 %
Relative performance (year-end)			
MM Shares	+ 33.1 %	- 12.1 %	+ 21.6 %
ATX Prime	+ 12.9 %	+ 8.1 %	+ 29.9 %
Share performance indicators (in EUR)			
Earnings per share	7.08	7.67	7.73
Cash earnings per share	11.92	12.82	12.85
Total equity per share	56.78	62.62	65.81
Dividend per share	2.80[3)]	3.00	3.10[4)]
Dividend (in millions of EUR)	56.00[3)]	60.00	62.00[4)]
Dividend yield per average share price	2.8 %	3.0 %	2.7 %
Stock market data (Vienna Stock Exchange)			
Trading volume[1)] (in EUR)	1,374,802	1,002,934	1,056,260
Number of shares issued	20,000,000	20,000,000	20,000,000
Free float[2)]	8,296,720	8,296,720	8,596,720
Market capitalization[2)] (in millions of EUR)	2,290	2,014	2,450
ATX Prime weighting[2)] (in %)	2.85 %	2.26 %	1.99 %

1) daily average
2) as of Dec. 31
3) incl. EUR 1.60 interim dividend per share
4) proposed

Corporate Governance Report

A responsible management focusing on sustainable profitability has always been at the core of our business, the production of cartonboard packaging. The consistent compliance with the principles of proper Corporate Governance constitutes the basis for the trust our employees, shareholders, customers, suppliers and the public place in the management and control of the Company, pursuing the goal of long-term value creation.

COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

Since the Austrian Corporate Governance Code (Österreichischer Corporate Governance Kodex – ÖCGK) became effective in 2002, Mayr-Melnhof Karton AG has voluntarily committed to compliance with the Code in its respectively applicable version. The Code is based on the provisions of Austrian stock corporation, stock exchange and capital market laws, EU recommendations as well as the guidelines contained in the OECD Principles of Corporate Governance. In accordance with national and international developments the Code is regularly reviewed and adjusted accordingly. The applicable version of the Austrian Corporate Governance Code can be downloaded from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. Part of the Company's Corporate Governance Program is an annual internal evaluation of compliance with the Code.

The implementation and internal evaluation for the business year 2017 is based on the Code's version of January 2018. Mayr Melnhof Karton AG continues to comply with all legal provisions without any restrictions. Almost all additional C Rules and R Rules (Recommendations) contained in the Code, which do not require any explanation in case of deviations, have been complied with.

The Company gives the following explanations for deviations from C Rules in 2017:

Rule 27	Non-financial criteria are not taken into account for the variable compensation of the members of the Management Board. Explanation: Content 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 any good cause, such member shall be compensated for no more than the remaining term of the contract. The economic situation of the Company is not considered. Explanation: Content of current contracts with the members of the Management Board
Rule 30	The upper limits currently applicable for variable compensation are not stated. Explanation: Based on the ongoing external dialog we do not consider this information is material or relevant for any decisions. A cap is provided for in any case.

Rule 51	No disclosure of the compensation of each individual member of the Supervisory Board Explanation: Based on the ongoing external dialog we do not consider this information is material or relevant for any decisions.

COMPOSITION AND REMUNERATION OF THE BOARD

THE MANAGEMENT BOARD

Wilhelm HÖRMANSEDER
Chairman
Member of the Management Board
since March 9, 1994
appointed until December 31, 2019
born 1954

Franz HIESINGER
Member of the Management Board
since October 1, 2017
appointed until September 30, 2020
born 1965

Andreas BLASCHKE
Member of the Management Board
since May 14, 2002
appointed until May 14, 2020
born 1961

Franz RAPPOLD
Member of the Management Board
since May 14, 2002
appointed until May 14, 2020
born 1952

Gotthard Mayringer, born 1966, was member of the Management Board from April 1, 2015 to September 30, 2017. Franz Hiesinger followed Gotthard Mayringer into the Management Board as of October 1, 2017.

Wilhelm Hörmanseder is member of the Board of Directors of Krono Holding AG, Luzern, Switzerland. The other members of the Management Board do not hold any mandates in supervisory boards outside the Group.

THE SUPERVISORY BOARD

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

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

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

Romuald BERTL
Member of the Supervisory Board since March 2, 1994
Deputy Chairman from March 2, 1994 to April 26, 2017
born 1953
Auditor and tax consultant, Ordinary University Professor of Accounting and Auditing at the Vienna University of Economics and Business, Head of the Institute of Accounting and Auditing at the Vienna University of Economics and Business, President of the Austrian Financial Reporting and Auditing Committee (AFRAC), Management Board member of Austrian family trusts and Supervisory Board member in Austrian family-owned companies

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

Alexander LEEB
Member of the Supervisory Board since May 7, 2008
born 1959
Deputy Chairman of the Supervisory Board of Plansee Holding AG, Reutte, Supervisory Board member of Industrieliegenschaftsverwaltung AG, Vienna, Chairman of the Board of Trustees of LGT Venture Philanthropy Foundation, Vaduz, Chairman of Impact Ventures S.A., Luxembourg

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

Michael SCHWARZKOPF
Member of the Supervisory Board since April 29, 2009
born 1961
Chairman of the Supervisory Board of Plansee Holding AG, Reutte, Member of the Supervisory Board, voestalpine AG, Linz, Member of the Supervisory Board, Molibdenos y Metales S.A., Santiago, Chile

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

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

The current mandates of all members of the Supervisory Board delegated by the shareholders will expire at the 26th Ordinary Shareholders' Meeting in 2020 which will resolve on the discharge for the financial year 2019.

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

Members of the Committees of the Supervisory Board
Presidium (Committee for Management Board Issues)
Rainer ZELLNER, Chairman
Johannes GOESS-SAURAU
Nikolaus ANKERSHOFEN
Romuald BERTL until April 26, 2017

Audit Committee
Romuald BERTL, Chairman
Rainer ZELLNER
Johannes GOESS-SAURAU
Nikolaus ANKERSHOFEN
Gerhard NOVOTNY

Members of the Supervisory Board with additional Supervisory Board mandates in publicly listed companies
Michael SCHWARZKOPF
Member of the Supervisory Board, voestalpine AG, Linz, Austria
Member of the Supervisory Board, Molibdenos y Metales S.A., Santiago, Chile

Independence of the members of the Supervisory Board
The members of the Supervisory Board have orientated themselves towards the guidelines of the Austrian Corporate Governance Code for determining the criteria of their independence:

A Supervisory Board member must not maintain, or have maintained in the past year, any business relations with the Company or any of its subsidiaries with significance for the member of the Supervisory Board. This also applies to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not to the performance of institutional functions in the Group.

The approval of individual transactions by the Supervisory Board in accordance with L Rule 48 (Company Contracts with Members of the Supervisory Board outside their activity in the Supervisory Board) does not automatically qualify the person as not independent.

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

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

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

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

Representation of interests of a share > 10 % in Mayr-Melnhof Karton AG
In the Supervisory Board of Mayr-Melnhof Karton AG, there is only one independent member representing a legal entity with a shareholding of more than 10 %:

Nikolaus ANKERSHOFEN

Contracts between members of the Supervisory Board and the Company subject to approval
There are no such contracts.

Compensation of the Management Board

The compensation of the members of the Management Board is based on responsibility, personal performance, and the tasks accomplished by each member of the Management Board as well as the achievement of the Company's objectives, and the economic situation of the Company. The compensation comprises fixed and variable components. The variable compensation depends in particular on sustainable, long-term and multi-year performance criteria without giving rise to unreasonable risk-taking. Non-financial criteria are currently not taken into account.

The variable component of the compensation of the members of the Management Board, which is relatively high in relation to the fixed compensation is subject to an upper limit and depends on the annual result, cash earnings, dividend payments, 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 economic reference base.

In the business year 2017, the total amount of compensation for the members of the Management Board was thous. EUR 7,302 (2016: thous. EUR 7,199). Thereof, thous. EUR 2,342 (2016: thous. EUR 2,309) were related to fixed compensation, and thous. EUR 4,960 (2016: thous. EUR 4,890) to variable compensation. The compensations of the individual members are as follows: Wilhelm Hörmanseder accounts for a fixed compensation of thous. EUR 929 and a variable compensation of thous. EUR 1,850, Franz Rappold accounts for a fixed compensation of thous. EUR 473 and a variable compensation of thous. EUR 1,100, Andreas Blaschke accounts for a fixed compensation of thous. EUR 470 and a variable compensation of thous. EUR 1,100, Franz Hiesinger accounts for a fixed compensation of thous. EUR 119 and a variable compensation of thous. EUR 150, and Gotthard Mayringer accounts for a fixed compensation of thous. EUR 351 and a variable compensation of thous. EUR 760.

Regarding the Company pension scheme, there is an entitlement to receive a pension as of the 65th year of age depending on the qualifying period. This includes defined benefit plans and defined contribution plans, which primarily depend on the length of service and the beneficiaries' compensation.

In case of the termination of a function, statutory rights on the basis of the employment contract shall apply. Severance payments in case of early terminations 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 has taken out a D&O (Directors-and-Officers) insurance.

The compensation of senior management in the Group also comprises fixed and variable components, the variable compensations being based on the achievement of financial corporate goals and individually defined objectives.

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 paid subsequently. The Supervisory Board’s compensation for 2016 amounted to thous. EUR 475. The distribution of the total compensation among the members is the Supervisory Board’s responsibility. In addition, the members of the Supervisory Board are granted a compensation for additional expenses incurred in exercising their duties.

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

Allocation of rights and duties within the Management Board

Wilhelm HÖRMANSEDER	Chairman of the Management Board
Franz HIESINGER	Finance (since October 1, 2017)
Andreas BLASCHKE	Sales, Marketing MM Packaging
Franz RAPPOLD	Sales, Marketing MM Karton
Gotthard MAYRINGER	Finance (until September 30, 2017)

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

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

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

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

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

Focus of the Supervisory Board
The Supervisory Board convened in seven meetings in the business year 2017, with the participation of the Management Board, and fulfilled its tasks and obligations in accordance with the law and the Articles of Association. All members of the Supervisory Board attended at least six meetings.

In addition to analyzing ongoing business development, the main areas of focus were further strategic development, investment and acquisition plans, financing, risk evaluation, and topics of Corporate Governance.

The Supervisory Board carried out a self-evaluation on the basis of a questionnaire for the financial year 2017. The result of the self-evaluation shows that the activity of the Supervisory Board of Mayr-Melnhof Karton AG is assessed as efficient. The bylaws, the regular exchange of information as well as the discussion of major topics in cooperation with the Management Board and the Group Auditor contribute significantly to this.

Discussions in the Supervisory Board and Management Board meetings were characterized by openness and a high degree of constructiveness also in 2017. All participants had sufficient opportunity for questions and discussions.

Focus of the Committees of the Supervisory Board

In 2017, the Presidium (Committee for Management Board Issues) met five times. It dealt in particular with Group strategy as well as matters relating to the Management Board and prepared the meetings of the Supervisory Board. Another focus in 2017 was placed on filling the vacant position of the Chief Financial Officer. The implementation of the Governance regulations applicable to the compensation of the members of the Management Board as well as the review of the underlying compensation policy has been taken care of.

In 2017, the Audit Committee held two meetings and fulfilled its statutory duties. The focus was placed on dealing with the financial statements of the Group and the individual financial statements for 2016 as well as the preparation of the Group financial statements and the individual financial statements for 2017. In this context, legislative changes, such as the report pursuant to Article 11 of Regulation (EU) No 537/2014 and the non-financial report according to section 267 a of the Austrian Commercial Code, were discussed, details concerning the scope of non-auditing services rendered by the auditors as well as the key audit matters were determined.

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

MEASURES TO PROMOTE WOMEN AND DESCRIPTION OF THE CONCEPT OF DIVERSITY

The MM Group's concept of diversity is part of its Code of Conduct. It is stated there that we commit ourselves to creating a working environment throughout the Group that is characterized by openness and mutual respect. We consider the diversity of our employees an asset that enables us to fulfill our tasks in an even more creative and better way. We reject any form of discrimination and harassment on grounds of gender, race, skin color, religion, age, national or ethnic descent, disability, or sexual orientation. Employees and job applicants are assessed according to the principle of non-discrimination.

The Equality Act for Women and Men has to be applied to new appointments to the Supervisory Board since the beginning of 2018. The Supervisory Board currently comprises ten men, and the Management Board four.

Positions within the Management Board, the Supervisory Board as well as leading positions are primarily staffed based on professional and personal qualifications. The MM Group, however, follows the recommendation of the Equality Act to observe diversity in filling management positions within the Company and to strive to achieve a reasonable allocation according to gender, age, and expertise.

Conscious efforts have been made to find a female candidate to fill the vacant position of Chief Financial Officer; no female candidate qualified for closer selection, however.

Women have been holding leading positions within the Group for a long time, in particular in the areas of human resources, legal matters, sales, and finance.

Owing to the Group's activities in heavy industry and the shift systems, the proportion of women within the Group and in the recruitment process tends to be low. We nevertheless aspire to increase the share of women at all levels, in particular by means of appropriate development programs as well as by offering flexible working time models. Being an attractive employer for women, also in technical occupations, is one of our long-term objectives.

EXTERNAL EVALUATION

The Code (ÖCGK) requires a regular (at least every three years) external evaluation of the Company's compliance with the C rules (Comply or Explain). The latest evaluation was carried out in the course of the annual audit of the financial statements 2015 by Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The review of compliance with the rules of the Code regarding the audit was conducted by Georg Eckert, professor at Innsbruck University. As a result of this evaluation, the auditors have determined that the declaration given by Mayr-Melnhof Karton AG with regard to compliance with the Corporate Governance Code corresponds to the actual conditions. The next external evaluation is planned for the Corporate Governance report of the year 2018.

EVENTS AFTER THE BALANCE SHEET DATE

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

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p. Franz Hiesinger m. p. Franz Rappold m. p.

Report of the Supervisory Board

In the financial year 2017, the Supervisory Board fulfilled its responsibilities pursuant to statutory provisions and the Articles of Association. In addition to a continuous discussion of ongoing business development, the Supervisory Board dealt in particular with strategic development, investment and acquisition plans, financing, risk evaluation as well as issues regarding Corporate Governance and non-financial reporting.

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

In the meetings of the Supervisory Board and the Committees there was always sufficient opportunity to discuss the respective agenda items and the timely submitted documents in detail.

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

During the financial year 2017, the Supervisory Board convened in seven meetings with the participation of the Management Board. All members of the Supervisory Board attended at least six meetings. Furthermore, the Presidium (Committee for Management Board Issues) convened five times, the Audit Committee chaired by Romuald Bertl met twice.

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

The annual financial statements and the management report of Mayr-Melnhof Karton AG for the year ending December 31, 2017 including 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 pursuant to section 245 a of the Austrian Commercial Code. The audit confirmed that accounting, the annual financial statements, the management report as well as the consolidated annual financial statements and the management report for the Group comply with the legal requirements and the Articles of Association and, in all material respects, convey a fair picture of the financial position, the financial performance, and cash flows. The audit provided no reason for query, and the auditors duly issued an unqualified opinion for 2017.

The Supervisory Board concurs with the annual financial statements, management report, corporate governance report, the non-financial report according to section 267 a of the Austrian Commercial Code as well as the consolidated annual financial statements and the management report for the Group, and hereby approves the annual financial statements as well as the consolidated annual financial statements of Mayr-Melnhof Karton AG as of December 31, 2017. Thus, the 2017 annual financial statements of Mayr-Melnhof Karton AG are adopted in accordance with section 96 (4) of the Austrian Stock Corporation Act.

The Supervisory Board has considered and approved the Management Board's proposal regarding the distribution of the profit for the financial year 2017.

The members of the Supervisory Board extend their gratitude and high recognition to the Management Board and all employees of the Mayr-Melnhof Group for their high performance and great dedication during the financial year 2017.

Vienna, March 2018

Rainer ZELLNER
Chairman of the Supervisory Board

Management Report

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

GROUP

Cartonboard packaging at the core of our business

The production and sale of cartonboard and folding cartons form the core business of the Mayr-Melnhof Group, which is managed in two separate divisions, each with its own responsibility for results. The MM Karton division is the world's largest producer of coated recycled fiber-based cartonboard with a significant position in the area of virgin fiber-based cartonboard. MM Packaging is the largest producer of folding cartons in Europe with a leading market position in several countries outside Europe. Cartonboard is the most important raw material in the production of folding carton packaging. Folding cartons are, besides plastics, the most important packaging material for everyday consumer goods. Demand correlates with the development of private consumption. Due to transport costs and logistical challenges, the folding carton business has a regional character, while the cartonboard business is mainly concentrated on individual continents. Global trade plays a minor role.

Two profit centers

As independent profit centers, the two divisions carry out business with each other at arm's length. Similar to the previous year, MM Karton supplied around 11 % of its cartonboard sales to MM Packaging in 2017. The majority of its production is sold to folding carton producers outside the Group and to consumer goods manufacturers. MM Packaging buys around one quarter of the tonnage processed internally from MM Karton. The major share of the required cartonboard is purchased from external suppliers – partly due to limited internal supplies of pulp board and specifications by customers regarding particular cartonboard grades.

Focus on Europe – global growth course

The geographic center of our business is the well developed European market, where both divisions have held leading positions for a long time. Here, our growth course is determined by a further penetration of existing market segments as well as the exploitation of new sales opportunities in the area of consumer goods. Furthermore, our expansion strategy has an opportunistic, global scope with the aim of achieving a leading position also in attractive future markets at an early stage with subsequent expansion. An undistracted focus on solid value added in our core business as well as the combination of organic and acquisitive growth should allow for a sustainably profitable growth at a manageable risk.

Sustainable profitability

Cartonboard packages are a sustainably attractive market characterized by intense competition. We therefore focus on economies of scale and excellent industrial production, while continuously implementing "best practices" with the aim of maintaining our leading position based on cost, technology and innovation leadership over the long term with a high level of profitability. Thereby, we ensure a good standard at our locations, initiate timely corrective actions and constantly invest in state-of-the-art technologies and the continuous development of our employees. They form the basis for our success and high competitiveness, now and in the future.

MAYR-MELNHOF KARTON

Leading in coated recycled fiber-based cartonboard

With an annual production capacity of around 1.7 million tons, MM Karton is the world's largest producer of coated recycled fiber-based cartonboard, accounting for approx. 80 % of the annual production. Furthermore, MM Karton holds a significant position in the area of virgin fiber-based cartonboard in Europe, with a production share of approx. 20 %. Around 76 % of the fibers used are recycled fibers which are purchased from external suppliers, and about 20 % are groundwood pulp, most of which we produce ourselves in our cartonboard mills and in our Norwegian fiber mill FollaCell.

Principal use in consumer goods packaging

Most MM Karton products are used in the production of packages for everyday consumer goods. Due to the division's size and a broad portfolio of products, MM Karton, as a full-service supplier, covers a diversified spectrum of possible applications. The focus is placed on food packaging followed by packages for household and hygiene products and pharmaceuticals. The aim of constant product development and innovation activity consists in continuously improving existing solutions and processes and in exploiting new opportunities of use in order to increase customer benefits. MM Karton thus takes into account aspects from the entire value chain, thereby achieving market differentiation. In addition to a high level of product functionality, we also offer comprehensive expertise and services as well as a high degree of supply reliability due to deliveries from several cartonboard mills (multi-mill concept). In order to satisfy the specific requirements of our markets and to ensure the best possible support, MM Karton's main product groups – recycled fiber-based cartonboard, virgin fiber-based cartonboard, and liner (coated top layer for the corrugated board industry) – have been set up as separate units within the sales organization.

Plastics are the most important competitive product for cartonboard in the field of packaging with a high dependency on the price of crude oil, a different range of applications as well as a broad variety of specializations. Owing to differences in properties and functionality, the overlap between these two major packaging materials is basically limited to fringe areas.

Broad customer base – focus on Europe

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

Accordingly, Europe is MM Karton's main market, where it delivers around 80 % of its sales volume. Moreover, one fifth of the volume is sold to countries outside Europe. In addition to its leading position on the European market MM Karton thereby accounts for the largest share of exports from Europe. More than 1,000 customers are supplied worldwide. These are primarily printing businesses in the fragmented European folding carton industry characterized by medium-sized companies, although the influence of consumer goods producers and retailers on buying decisions has increased significantly. In response to this trend, MM Karton focuses on offering a broad range of products and services, size and comprehensive expertise.

"MMK digital" – innovative digital sales and service channel

With "MMK digital", MM Karton has created an innovative digital sales and service channel, scheduled to be available to customers as of the second quarter of 2018, to complement its conventional channels of communication using telephone and e-mail. For the first time, the new online platform permits all business processes – including production preview, product selection, ordering, stock call-off, delivery monitoring, etc. – to be mapped and executed within a matter of seconds.

Concentrated production – specialized machines

The production of coated cartonboard for packaging is a capital-intensive industrial process. Therefore MM Karton has for a long time focused on efficiencies of scale, concentrating production on high-performance cartonboard machines. Production is currently performed on nine cartonboard machines at seven European locations in four countries: Germany, Austria, Slovenia, and the Netherlands. Each of the machines specializes in specific recycled or virgin fiber-based cartonboard product qualities, with the exception of the machines in the Slovenian cartonboard mill which are flexibly able to produce both cartonboard qualities.

Recycled fibers as raw material – sustainably available

Fibers, in particular recovered paper and groundwood pulp, together with energy, chemicals, and logistics are the most important input factors in the production of coated recycled fiber-based cartonboard. A so-called "coating" (coating dye) made from chalk, fillers, and binders allows for high-quality printing to be performed.

MM Karton purchases recycled fibers exclusively in Europe, predominantly on the spot market. In addition, long-term supply opportunities from municipalities and waste-management companies are also used to a lesser extent. Due to high recycling quotas and existing reserves in Europe, we consider the raw material of recovered paper to be sustainably available and the supply of our cartonboard mills to be secured.

Strong competition despite high concentration of the cartonboard industry in Europe

According to our estimates, the total recorded global consumption of cartonboard amounts to about 60 million tons per year, more than half of which is accounted for by Asia and around one fifth each by America and Europe.

Concentration of the cartonboard industry in Europe is already far advanced. Thus, the five largest suppliers currently account for around three quarters of European cartonboard capacities. Of these, MM Karton is the only supplier with several locations in the production of recycled and virgin fiber-based cartonboard. The three largest Scandinavian suppliers operate exclusively in the area of virgin fiber-based cartonboard. Moreover, the MM Group is the only European supplier with an additional mainstay in folding carton production, the next step in the value added chain.

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

Lower unit costs and product development – MM Karton's growth drivers

Cartonboard has considerable potential due to its wide range of possible applications and its economic and ecological advantages. For this reason, MM Karton is focusing on continued growth in both recycled as well as virgin fiber-based cartonboard and maintaining an attractive result quality. We will pursue our path with a high degree of discipline and prioritize maintaining our prices over volume as hitherto as well as creating new capacities mainly in our existing facilities. Our production mills as well as our sales organization are very well positioned for this.

Our consistent focus on technological and operational progress is aimed at achieving a lasting reduction in unit costs and strengthening our market position based on improved and innovative products and services. Our investment activity remains continuously focused on this.

The cartonboard business is cyclical in nature, but we still aspire to remain robust in a downturn and attractive in an upturn in order to achieve long-term continuity.

MAYR-MELNHOF PACKAGING

Leading folding carton producer

Folding cartonboard packages for everyday consumer goods are the business of MM Packaging. In 2017, we processed around 767,000 tons of recycled and virgin fiber-based cartonboard into around 63 billion individual packages. MM Packaging is thus the leading producer of folding cartons in Europe and one of the largest worldwide.

The production of classic corrugated cardboard is a separate industry with fundamentally different products and markets in which we do not operate. Overlaps are mainly limited to micro-flute consumer packages, which are also produced at a few specialized MM Packaging locations.

Transport costs and service requirements clearly limit the supply radius of folding cartons, which are thus defined as regional products. With an international network of 37 production plants in 15 countries, MM Packaging, however, offers a unique pan-European supply concept and, moreover, has a leading position in individual countries in the Middle East, Latin America, and the Far East. With this broad geographical structure, we are able to offer our multinational customers increasingly more global delivery opportunities.

In line with its geographical concentration, Europe is MM Packaging's primary sales market, with a share in sales of around 88 %. A further 7 % and 5 % are accounted for by Latin America and the Middle East/Asia, respectively. The most recent projects outside Europe primarily involved the development of our locations in Jordan, Iran, and Vietnam, with the aim of continuing to support our customers in their expansion.

MM Packaging covers a wide range of sectors within the packaging market for everyday consumer goods, thus creating potential and balance. The technological facilities of the production plants and the account management are therefore aligned with the individual market and product requirements. Accordingly, our business covers the high-volume market of fast-moving consumer goods (FMCG) as well as the highly specialized markets of packages for cigarettes, pharmaceuticals, detergents, personal care and luxury products.

MM Packaging realizes around three quarters of its sales with large multinational consumer goods manufacturers. The remaining business is predominantly local. In total, MM Packaging serves more than 1,500 customers, and has been growing for a long time, both organically as well as through acquisitions.

Broad technological basis

Folding cartons are produced in a multi-step process that can be simply described as follows: cartonboard is printed, creased in the subsequent cutting process before being separated into packaging blanks which are then glued in the final step of the process. In addition, a large number of finishing processes may be applied. The packages are generally shipped in a folded state. The packages are then usually filled with consumer goods by the customers' packing systems.

MM Packaging's technological basis comprises all common state-of-the-art preprinting, printing and finishing technologies. We strive for operational and technological leadership in accordance with our aspiration for the highest levels of efficiency and quality. Thus, we constantly improve our products and processes, invest in new technologies, and create spaces for innovation, often in close cooperation with our customers. The topics of automation and digitalization therefore play an increasingly important role.

Cartonboard as essential raw material

The production of folding cartons is based on cartonboard as a raw material, constituting the most important input and cost factor. The choice of cartonboard primarily depends on the functionality of the package and the specific requirements of individual consumer goods sectors and manufacturers. In accordance with our profit-center principle, MM Packaging purchases the required recycled and virgin fiber-based cartonboard through its own procurement organization. The decision on the purchase of cartonboard for large international business operations is often taken by the customers. Long-term supply contracts with large customers generally include appropriate clauses to cover major changes in cartonboard prices.

Besides cartonboard, other important input factors include inks, varnishes, and cutting equipment. The ratio of personnel costs to sales in folding carton production is generally higher than in cartonboard production.

Focus on cost leadership

MM Packaging focuses on differentiation through industrial production in the European folding carton industry, which is largely dominated by trade businesses. The systematic use of economies of scale, due to location size and production plant networks, and the deployment of high-performance technology are major elements of this.

MM Packaging's guiding principle is the establishment of the "perfect factory". We therefore attach top priority to continuously rolling out best practices across the division. For this purpose, our basic processes have been largely standardized and are continuously improved through performance monitoring among locations to conform to the state-of-the-art. Moreover, we focus on sales-market-specific innovation and specialization initiatives – aiming at maintaining cost leadership over the long term.

This is crucial because, when compared to the cartonboard industry, the European folding carton sector has a far more fragmented structure, with the five largest suppliers accounting for one third of the market volume. Market barriers are therefore generally lower, resulting in a constantly highly competitive environment.

Sustainable growth course

As with the cartonboard market, the demand for folding carton packages correlates with private consumption. This shows continuity in our large and mature main market Europe, similarly to the end market. MM Packaging's aim here remains to grow further through market penetration while expanding and developing its position in selected markets through acquisitions.

Outside Europe, we continue to pursue a strategy of occupying a significant position in future markets at an early stage, with the aim of securing the greatest possible potential at a manageable risk. As in the past, this course is driven by opportunity. The main focus of our existing production sites outside Europe lies on generating further growth in order to optimize the size of operations.

MM Packaging strives for continuing its expansion course, in a risk-conscious way, guided by its value creation, and with the aspiration of a high return on capital employed over the long term.

2 — DEVELOPMENT IN THE YEAR 2017

GENERAL ECONOMIC SITUATION

The business year 2017 was characterized by a noticeable upturn in economic activity and global trade. Besides a continuing positive dynamic trend in the US, the economic situation especially in major European exporting countries has improved significantly. At the same time, emerging markets continued to stabilize over the course of the year due to higher raw material prices. In the euro area, disappearing uncertainty with regard to political and financial risks and an increasing demand contributed to a significantly greater optimism. Besides Germany with the strongest year of growth in a long time, other economies in Europe also experienced a clearly more positive development. High capacity utilization in manufacturing industries, declining unemployment, and continuously low interest rates in particular supported private consumption as one of the main economic pillars in addition to exports and business investments. Although energy costs have been developing without any major changes, increases in labor and raw material costs have had a considerable effect on manufacturing industries and require corresponding adjustments.

INDUSTRY DEVELOPMENT

Following a restrained start in 2017, the increasingly positive overall economic environment was also reflected by the European cartonboard and folding carton markets. Despite an improved demand, the intensity of cost and price pressures remained high throughout the year. Sharp increases in recovered paper prices in particular, triggered by new capacities for corrugated base paper together with a growing demand in Asia, constituted a major challenge in the first three quarters. Only since fall have recovered paper prices retreated slightly from their peaks, assisted by lower exports to Asia. Throughout the industry it was thus a top priority to pass on the increased fiber costs in form of higher cartonboard prices. Due to strong competition resulting from sufficient capacities in cartonboard packaging and rigorous cost-cutting programs among consumer goods manufacturers and retail, it was, however, only possible to implement this gradually with a partially high volatility in incoming orders. In contrast, the development of other input factors like energy and chemicals was, on the whole, more restrained.

Following capacity increases in the field of virgin fiber-based cartonboard in Europe in recent years, capacity growth in the European cartonboard industry was moderate in 2017, mainly focusing on "creeping capacity increase" from ongoing investment activities. Due to continuously low interest rates, the consolidation process in the European folding carton industry progressed at a very slow pace. Overall, there were no significant changes in the supplier structure.

DEVELOPMENT OF BUSINESS 2017

GROUP

Despite a restrained start, the Mayr-Melnhof Group was able to conclude the year 2017 slightly above the challenging result level of the previous year. As the second half year was stronger mainly due to prices, it was possible to successfully counter the weaker first six months affected by a significant rise in recovered paper prices. Both divisions contributed to maintaining the result quality of the Group with an overall high capacity utilization as well as consistent price and cost management. While MM Karton was able to gain ground again in terms of result and margin, MM Packaging developed at a high level with an operating margin over ten percent.

In line with the positive profit development, it will be recommended to the 24th Ordinary Shareholders' Meeting on April 25, 2018, to distribute a dividend of EUR 3.10 per share (2016: EUR 3.00) for the financial year 2017.

Consolidated income statements

Consolidated income statements (condensed version)

(in millions of EUR)	**Year ended Dec. 31, 2017**	**Year ended Dec. 31, 2016**	**+/-**
Sales	2,336.8	2,272.7	+ 2.8 %
Operating profit	215.0	213.7	+ 0.6 %
Financial result and result from investments	(9.5)	(4.5)	
Income tax expense	(50.5)	(55.8)	
Profit for the year	**155.0**	**153.4**	**+ 1.0 %**

The consolidated sales of the Group totaled EUR 2,336.8 million and were thus 2.8 % or EUR 64.1 million higher than the value for the previous year (2016: EUR 2,272.7 million). Both divisions contributed to the slight increase which is primarily price-related. The geographical distribution of sales remained largely constant, with 58.9 % attributable to Western Europe, 26.1 % to Eastern Europe, and 15.0 % to markets outside Europe (2016: 59.2 %; 25.8 %; 15.0 %). Similar to the previous year, intra-group sales totaled EUR 104.7 million (2016: EUR 102.9 million) and consisted in particular of deliveries from MM Karton to MM Packaging.

Group sales by destination

(in %)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Western Europe (excl. Austria)	56.6 %	56.9 %
Austria	2.3 %	2.3 %
Eastern Europe	26.1 %	25.8 %
Asia and MENA	8.2 %	8.6 %
Latin America	5.3 %	5.2 %
Other	1.5 %	1.2 %
Total	**100.0 %**	**100.0 %**

Cost of sales

				Percentage of sales	
(in millions of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	+/-	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Cost of materials and purchased services	1,328.6	1,280.8	3.7 %	56.9 %	56.4 %
Personnel expenses	313.3	309.9	1.1 %	13.4 %	13.6 %
Depreciation and amortization	89.2	88.1	1.2 %	3.8 %	3.9 %
Other expenses	72.6	66.2	9.7 %	3.1 %	2.9 %
Cost of sales	**1,803.7**	**1,745.0**	**3.4 %**	**77.2 %**	**76.8 %**

Cost of sales for operating performance increased by EUR 58.7 million or 3.4 % to EUR 1,803.7 million compared to the previous year (2016: EUR 1,745.0 million). This rise was mainly due to higher fiber costs. The share in sales remained almost unchanged at 77.2 % (2016: 76.8 %).

Selling and distribution, administrative and other operating expenses

				Percentage of sales	
(in millions of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	+/-	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Personnel expenses	133.2	124.3	7.2 %	5.7 %	5.5 %
Depreciation and amortization	10.5	11.0	- 4.5 %	0.4 %	0.5 %
Other expenses	191.6	190.5	0.6 %	8.2 %	8.3 %
Selling and distribution, administrative and other operating expenses	**335.3**	**325.8**	**2.9 %**	**14.3 %**	**14.3 %**

Selling and distribution costs, administrative and other operating expenses rose to EUR 335.3 million (2016: EUR 325.8 million). Their share in sales was maintained constant at 14.3 % (2016: 14.3 %).

As of the financial year 2017, variable remuneration of the Management Board is accrued on the basis of the expected Group’s result, after having so far been recognized as expenses in the following year based on the approved Group financial statements. Due to the new accounting method, an additional one-time expense of EUR 5.1 million took place in 2017.

Since the net assets to be recognized from the acquired packaging site in Bydgoszcz, Poland, as of October 3, 2017, exceeded the purchase price, the initial consolidation resulted in a negative goodwill of EUR 6.5 million booked as one-off other operating income.

At EUR 215.0 million an operating profit slightly above the previous year's figure was achieved (2016: EUR 213.7 million). A clear profit growth at the cartonboard division contrasted with a slight decrease at the packaging division. The Group's operating margin reached 9.2 % (2016: 9.4 %), and return on capital employed amounted to 15.1 % (2016: 15.9 %).

In line with the continuing low interest level, financial income amounted to EUR 2.0 million (2016: EUR 3.1 million) and financial expenses to EUR -6.2 million (2016: EUR -6.1 million). As a result of the deconsolidation of the Tunisian packaging companies in the second quarter, a one-time expense of EUR 2.3 million was incurred due to accumulated currency translation, which is reported under “other financial result – net”, totaling accordingly EUR -5.3 million (2016: EUR -1.5 million).

Profit before tax at EUR 205.5 million was slightly below the previous year’s value (2016: EUR 209.2 million). Income tax expenses totaled EUR 50.5 million (2016: EUR 55.8 million), which resulted in an effective Group tax rate of 24.6 % (2016: 26.7 %).

Profit for the year, earnings per share

Profit for the year rose slightly to EUR 155.0 million (2016: EUR 153.4 million). The net profit margin remained almost unchanged at 6.6 % (2016: 6.7 %). In the reporting year, there was an unchanged total average of 20,000,000 shares outstanding, which translates into earnings per share of EUR 7.73 (2016: EUR 7.67) related to the profit for the year attributable to the shareholders of the Company totaling EUR 154.6 million (2016: EUR 153.3 million). Cash earnings generated by the Group increased to EUR 257.1 million (2016: EUR 256.3 million), whereas the cash earnings margin remained almost unchanged at 11.0 % (2016: 11.3 %).

Value added

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

Value added

(in millions of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2016
Origin:				
Sales	2,336.8		2,272.7	
Other operating income	17.2		11.8	
Change in finished goods and own work capitalized	4.5		6.1	
Financial result and result from investments	(9.5)		(4.5)	
Total operating revenue	**2,349.0**		**2,286.1**	
(-) Expenditures on purchased goods and services	(1,590.1)		(1,536.2)	
(-) Depreciation and amortization	(99.7)		(99.1)	
Net value added	**659.2**	**100.0 %**	**650.8**	**100.0 %**
Distribution:				
Employees	(260.0)	(39.4 %)	(251.6)	(38.7 %)
Social benefit costs	(127.1)	(19.3 %)	(124.3)	(19.1 %)
Public authorities	(117.0)	(17.8 %)	(121.5)	(18.7 %)
Non-controlling (minority) interests	(0.5)	(0.1 %)	(0.1)	(0.0 %)
Shareholders' dividend (proposed for 2017)	(62.0)	(9.4 %)	(60.0)	(9.2 %)
Company	92.6	14.0 %	93.3	14.3 %

In the financial year 2017, the Group generated a total operating revenue of EUR 2,349.0 million, which was higher than in the previous year (2016: EUR 2,286.1 million). After deduction of expenditures on purchased goods and services as well as depreciation and amortization totaling EUR 1,689.8 million (2016: EUR 1,635.3 million), a net value added of EUR 659.2 million was achieved (2016: EUR 650.8 million).

The major share of the net value added of 39.4 % or EUR 260.0 million (2016: 38.7 %; EUR 251.6 million) was again distributed to our employees. A similarly large share of 37.1 % or EUR 244.1 million (2016: 37.8 %; EUR 245.8 million) was paid to public authorities and social insurance. The shareholders should receive a dividend of EUR 62.0 million or 9.4 % of the net value added for the financial year 2017 (2016: EUR 60.0 million; 9.2 %). A profit of EUR 92.6 million or 14.0 % of the net value added will be retained within the Group (2016: EUR 93.3 million; 14.3 %).

Assets, capital, and liquid funds

Consolidated balance sheets (condensed version)

(in millions of EUR)	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	1,013.1	954.1
Current assets	1,000.3	1,027.8
Total assets	**2,013.4**	**1,981.9**
Total equity	1,318.6	1,259.2
Non-current liabilities	327.6	358.0
Current liabilities	367.2	364.7
Total equity and liabilities	**2,013.4**	**1,981.9**

As of December 31, 2017, the Group's total assets amounted to EUR 2,013.4 million and were thus EUR 31.5 million higher than the figure at the end of 2016 (December 31, 2016: EUR 1,981.9 million). The Group's total equity rose from EUR 1,259.2 million to EUR 1,318.6 million, mainly profit-related. Total equity to total assets was therefore 65.5 % (December 31, 2016: 63.5 %) and the return on equity stood at 12.0 % (December 31, 2016: 12.8 %).

Financial liabilities, principally of a long-term character, went down by EUR 48.4 million to EUR 212.5 million (December 31, 2016: EUR 260.9 million) as a result of loan repayments. Provisions for non-current liabilities and charges related to accruals for employee benefits decreased to EUR 121.4 million (December 31, 2016: EUR 129.3 million).

Total funds available to the Group declined to EUR 200.7 million (December 31, 2016: EUR 253.7 million) in particular due to loan repayments. At the end of 2017, net debt therefore amounted to EUR 11.8 million (December 31, 2016: EUR 7.2 million). Furthermore, credit lines of EUR 399.5 million (December 31, 2016: EUR 391.6 million) were available to the Group and can be utilized at any time.

Non-current assets went up mainly as a consequence of increased investing activities by EUR 59.0 million to EUR 1,013.1 million (December 31, 2016: EUR 954.1 million). Current assets decreased to EUR 1,000.3 million, largely due to lower cash and cash equivalents (December 31, 2016: EUR 1,027.8 million).

Cash flow development

Consolidated cash flow statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Net cash from operating activities	217.2	219.4
Net cash from investing activities	(154.4)	(144.6)
Net cash from financing activities	(114.5)	(79.8)
Effect of exchange rate changes	(1.5)	1.2
Net change in cash and cash equivalents (< 3 months)	**(53.2)**	**(3.8)**
Cash and cash equivalents (< 3 months) at the end of the year	**197.9**	**251.1**
Current and non-current securities	2.8	2.6
Total funds available to the Group	**200.7**	**253.7**

At EUR 217.2 million, cash flow from operating activities was EUR 2.2 million below the comparative value of the previous year (2016: EUR 219.4 million). A decline in net cash from profit contrasted with lower payments for income taxes.

Cash flow from investing activities changed to EUR -154.4 million after EUR -144.6 million in the previous year. Expenditures for the acquisition of property, plant and equipment and intangible assets at EUR 150.8 million were slightly below the previous year's figure (2016: EUR 152.2 million). Net payments for the acquisition in Poland totaled EUR 8.1 million.

Investment expenditures at MM Karton amounting to EUR 60.3 million (2016: EUR 89.5 million) largely focused on technological modernization in the cartonboard mills as well as on the completion of the new power station at the Frohnleiten mill in Austria as planned.

Investment expenditures at MM Packaging totaling EUR 90.5 million (2016: EUR 62.7 million) were primarily related to technological enhancements in Jordan, Iran, Vietnam, Chile, and Bydgoszcz, Poland, as well as at the German sites MM Graphia Bielefeld and MM Gravure, Trier.

Cash flow from financing activities changed from EUR -79.8 million to EUR -114.5 million primarily as a result of loan repayments and dividend payments.

Further information

In January 2017, the division MM Packaging increased its majority interest in the Vietnamese folding carton producer MM Packaging Vidon Limited Liability Company, located in Ho Chi Minh City, for a price of EUR 10.3 million from 65.10 % to 100 %.

In April 2017, the division MM Packaging incorporated 100 % of its interest in TEC MMP SARL, Sfax, Tunisia and MM Packaging Tunisie S.A.R.L, Tunis, Tunisia into the Société Tunisienne des Emballages Modernes (STEM), Tunis, Tunisia in exchange for a capital increase and an interest of 45 % in the thus created associated company.

At the beginning of October 2017, the divison MM Packaging acquired the folding carton site of ASG Poland in Bydgoszcz, Poland, in form of an asset deal for around EUR 8.1 million. The company produces packages for cosmetic and personal care products. Integration into the Group was effected in the 4th quarter of 2017.

Definition of financial indicators

Cash earnings
Sum of profit for the year before depreciation, amortization as well as impairment of property, plant and equipment and intangible assets and before 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, including liabilities from finance lease, less cash and cash equivalents as well as current and non-current securities. If the sum of cash and cash equivalents as well as securities exceeds financial liabilities, there is net liquidity.

Net profit margin
Profit for the year divided by sales.

Operating margin
Operating profit divided by sales.

Return on capital employed (ROCE)
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, including liabilities from finance lease, average provisions for non-current liabilities and charges and average obligations with regard to non-controlling (minority) shareholders according to IAS 32, less average cash and cash equivalents as well as current and non-current securities.

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

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

BUSINESS DEVELOPMENT IN THE DIVISIONS

MM Karton

Demand on the European cartonboard market was still restrained at the beginning of the year, but showed gradual improvement in the course of the year. This was also demonstrated by the increase in the average order backlog of MM Karton to 85,000 tons after 47,000 tons in the previous year. As in the past, the focus was placed on consistent price discipline, which was the highest priority due to the significant rise in recovered paper prices that lasted for the first three quarters. The positive profit development in 2017 shows that this course was successfully implemented.

Markets for recovered paper were largely influenced by strong demand from Asia during the first half-year as well as by stockpiling for new European corrugated base paper machinery and an increasingly firmer demand from Europe.

By pursuing a selective sales policy, the division succeeded in achieving an almost full capacity utilization of 98 % (2016: 97 %) and in maintaining our market shares.

At 1,685,000 tons, the cartonboard mills produced slightly more than in the previous year (2016: 1,669,000 tons). 1,345,000 tons (80 %) thereof were attributable to recycled fiber-based cartonboard and 340,000 tons (20 %) to virgin fiber-based cartonboard (2016: 1,352,000 tons or 81 % and 317,000 tons or 19 %, respectively). Based on the average number of employees, 664 tons per employee were produced (2016: 655 tons). Cartonboard sold developed in line with the production and totaled 1,675,000 tons (2016: 1,671,000 tons).

Sales rose, primarily driven by prices, from EUR 1,023.0 million to EUR 1,048.7 million. Around 62 % thereof was achieved in Western Europe (2016: 64 %) and 21 % in Eastern Europe (2016: 19 %), with the share of business in countries outside Europe remaining at the same level at 17 % (2016: 17 %). With a share of deliveries of 11 %, or 192,000 tons, MM Packaging remained MM Karton's largest customer (2016: 11 % or 190,000 tons).

Operating profit was increased by 7.9 % or EUR 5.4 million to EUR 73.5 million (2016: EUR 68.1 million), especially due to better prices and cost efficiency. The operating margin reached 7.0 % following 6.7 % in 2016, and the return on capital employed was 12.7 % (2016: 12.4 %). Cash earnings totaling EUR 100.3 million (2016: EUR 91.6 million) were achieved, resulting in a cash earnings margin of 9.6 % (2016: 9.0 %).

Divisional indicators MM Karton

(in millions of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	+/-
Sales[1)]	1,048.7	1,023.0	+ 2.5 %
Operating profit	73.5	68.1	+ 7.9 %
Operating margin (%)	7.0 %	6.7 %	
Return on capital employed (%)	12.7 %	12.4 %	
Tonnage sold (in thousands of tons)	1,675	1,671	+ 0.2 %
Tonnage produced (in thousands of tons)	1,685	1,669	+ 1.0 %

[1)] including interdivisional sales

MM Packaging

The demand situation on the European folding carton market recorded a slight upturn following a restrained start at the beginning of the year. Incoming orders at MM Packaging reflected this development, resulting in an overall improved capacity utilization despite a certain heterogeneity among the sites. As a result of high optimization and cost pressure in our consumer markets and constantly sufficient capacities for folding cartons in Europe, price competition remained intense. Furthermore, it proved necessary to pass on the price increase for recycled fiber-based cartonboard to customers.

With a systematic focus on cost efficiency and on product and market development, MM Packaging succeeded in maintaining a high level of profitability under challenging market conditions, however.

Intensified investing activities concentrated on the expansion of the technological basis for potential growth in and outside Europe and on the launch of new cost reduction initiatives.

In this context, the development of our sites in Tehran, Iran, and Ho Chi Minh City, Vietnam, continued with the technological and capacity-related enhancement of machinery focusing on a high performance and quality.

In Jordan, capacities at the site in Amman were extended and technologically enhanced to accommodate growth with international customers by providing facilities for gravure printing.

With the acquisition of a packaging site for cosmetic and personal care products in Bydgoszcz, Poland, MM Packaging continues expanding its portfolio in the high-value product segment. The aim consists in generating new growth and a potential for value creation by integrating and by increasing productivity at currently four packaging locations in Poland.

Tonnage processed, at 767,000 tons, slightly exceeded the figure of the previous year (2016: 761,000 tons). The number of printed sheets (sheet equivalent) developed in parallel to this from 2,240.1 million to 2,289.9 million sheets. The sheet equivalent per employee totaled 316 thousand (2016: 303 thousand).

Sales rose by 3.0 % to EUR 1,392.7 million (2016: EUR 1,352.6 million). The geographical distribution of sales remained constant, with 58 % and 30 % accounted for by Western and Eastern Europe, respectively, and 12 % by business outside Europe (2016: 57 %; 30 %; 13 %). MM Packaging supplies more than 1,500 customers in different consumer goods sectors. Packages for food and cigarettes were the main areas of sales also in 2017. As a consequence of a strong concentration of producers in these markets, a large share of business is traditionally generated with multinational customers. In 2017, the five largest customers accounted for around 40 % (2016: 40 %) of sales.

At EUR 141.5 million, operating profit was not quite able to reach the strong figure of the previous year (2016: EUR 145.6 million). The operating margin, however, remained solid at a high level of 10.2 % (2016: 10.8 %). Return on capital employed was at 16.7 % (2016: 18.4 %). Cash earnings amounted to EUR 156.8 million (2016: EUR 164.7 million), while the cash earnings margin was at 11.3 % (2016: 12.2 %).

Divisional indicators MM Packaging

(in millions of EUR)	**Year ended Dec. 31, 2017**	**Year ended Dec. 31, 2016**	**+/-**
Sales[1]	1,392.7	1,352.6	+ 3.0 %
Operating profit	141.5	145.6	- 2.8 %
Operating margin (%)	10.2 %	10.8 %	
Return on capital employed (%)	16.7 %	18.4 %	
Tonnage processed (in thousands of tons)	767	761	+ 0.8 %
Sheet equivalent (in millions)	2,289.9	2,240.1	+ 2.2 %

[1] including interdivisional sales

3 — HUMAN RESOURCES

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

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

Focus on corporate values

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

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

Prospective personnel development

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

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

Systematic support from the start

With our "Young Professionals" program, we offer ambitious young people at the beginning of their careers a holistic, inter-company course of training going far beyond a conventional apprenticeship. After a careful selection process, we encourage our junior staff to acquire high professional skills and to develop their personality-related soft skills as well as foreign language skills in order to prove themselves in an international environment. The guiding principle is "the apprentice as an opportunity for our Company and our Company as an opportunity for the apprentice". MM bears the Austrian quality seal "Top Company for Apprenticeships" and was awarded as "Great Place to Start" by Great Place to Work®.

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

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

In the "Ranger" program, we prepare "High Potentials" for future key positions. A special feature of this program is that "Rangers" take on responsible tasks from the very beginning. The development plan involves three different areas of responsibility at three different locations over the course of three years. We accompany "Rangers" on their paths to future management functions by providing support from experienced managers and additional opportunities for training and gaining experience. Professional qualification, high motivation, language skills, and international mobility are fundamental requirements for participation in the program. In addition to their individual tasks, "Rangers" work together on a project of topical relevance within the Group. In 2017, the focus was on "Industry 4.0" including the areas of digitalization and automation as well as dealing with demographic change.

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

MM-Academy – Fit for the Future

The "MM-Academy" is the central institution for education and advanced training for our employees at all levels within the Group. Besides teaching specialist knowledge and language skills, training focuses on communicating social and managerial skills, as well as the "MM Apprentice Academy". The key criterion for every course is the creation of added value for our Company. In our "Leadership Journey", we teach employees in managerial positions the latest management tools and promote an international exchange in accordance with our values in the framework of a multiannual program. The "MM-Academy" trains around 1,300 employees in class-based courses each year. In addition, we increased the use of online training in 2017, for example with regard to the General Data Protection Regulation.

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

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

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

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

Active personnel marketing

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

Prevention and screening at the core of health management

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

Diversity – an enrichment

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

Performance-related remuneration

A high level of personal identification with the success of the Company is firmly rooted within our corporate culture. For this reason, performance-related forms of remuneration have had a long tradition throughout the Group to ensure that individuals with high performance are able to get their share of the Company's success.

Development of number of employees

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

Employees of the Group

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

Words of thanks

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

4 —— RESEARCH AND DEVELOPMENT

Safeguarding competitiveness over the long term

The goal of the research and development activities of the Mayr-Melnhof Group consists in sustainably strengthening and safeguarding competitiveness in the two divisions cartonboard and packaging. The strategic focus on market leadership through cost and technology leadership is the underlying driving force. Our innovation activity is based on identifying market needs and future trends at an early stage and on implementing them to provide the benefits of the thus created added value for the market and the Company. Related approaches go far beyond the conventional application areas of cartonboard and folding cartons and regularly include aspects of the entire supply chain.

Innovation management – systematic collaboration within the Group

The basis of our R&D activities consists in the focused collaboration of experts from different areas of the Group, possibly involving external specialists as well as the collective knowledge base which has been gathered over many years. For this purpose, subject-related innovation functions have been set up in both divisions to accompany the process systematically from the generation of ideas until their implementation and to ensure access to the required resources. Our proactive business development also aims at bringing innovative solutions rapidly to the market in order to provide timely benefits of differentiation.

We are striving to ensure that our products and services comply with the latest requirements already at an early stage, and therefore, we cooperate closely with standardization and legislative bodies and, given the occasion, with renowned research institutions.

Efficient implementation of new requirements

In addition to ever more requirements regarding sustainability, safety, convenience and online marketing, the latest trends in packaging include customized forms, simplicity, product visualization, storytelling, the haptic experience and the "art of opening". We proactively address these issues in close collaboration with our customers, always ensuring maximum possible performance and efficiency of implementation.

Innovation activity in the MM Karton division in 2017

MM Karton's innovation activities focus on both product-related and basic development work. In the product area, primary emphasis is given to continuous improvement in cartonboard quality, in particular with regard to stiffness, visual appearance, printability, barriers, and efficiency in high-performance processing, and, at the same time, on new grades in line with market requirements and technological possibilities. Projects related to basic research are supported and coordinated by the R&D center located in the Austrian cartonboard mill at Frohnleiten and also provides services for third parties, in particular customers.

In 2017, great emphasis was again placed on further developing functional barriers (e.g. grease and migration barriers), especially those based on renewable raw materials, and on their application using state-of-the-art coating technologies. Basic research focused mainly on coating colors and multiple coatings in continuous cooperation with coating technology and optimizing the simulation of associated drying processes.

Increasing share of young products

MM Karton currently generates around one fifth of its sales with new, innovative products that have been on the market only for a few years. This is in particular due to the strongly promoted "Renovation" project which redefines products from individual mills for specific markets and applications as well as to the close cooperation of our sales and engineering teams with customers. In 2017, this involved primarily the following products:

Accurate™ Top Strong from the Eerbeek mill in the Netherlands is a lightweight, high-quality virgin fiber-based cartonboard featuring high stiffness and an excellent surface with a high degree of whiteness and smoothness for high-performance processing. Application areas are packages for food, cosmetics, pharmaceuticals, and personal care.

Excellent Top™ Kraft from the Kolicevo mill in Slovenia represents a new quality of virgin fiber-based Kraft cartonboard with superior surface characteristics whose uniform Kraft reverse side offers a natural appearance. High stiffness and thickness values ensure a strong brand image and excellent product protection. Areas of application include in particular packages for dry, chilled and frozen food as well as luxurious packages for beverages.

Excellent Top™ Brown – simply brown – is a new quality of virgin fiber-based cartonboard that is also produced at the Kolicevo mill in Slovenia and whose Kraft surface and reverse side, coupled with good printability and stiffness, provide a frequently requested natural appearance. Application areas include, among others, packages for dry, chilled and frozen food.

MM X-Liner™ HD (high definition) from the recycling cartonboard mill in Neuss, Germany, offers an exceptionally high degree of whiteness as well as smooth and homogeneous surface structures thanks to its triple pigment coating. The MM X-Liner™ lite variation features outstanding printing and processing efficiency while providing high surface smoothness. It is used in shelf-ready solutions (displays) up to highest quality grades.

MM BiB-Liner™ is MM Karton's solution for the bag-in-box market – a customized corrugated cardboard covering material (liner) used as a high-quality printed and finishing surface for packaging solutions containing liquids or paste-like foods. Due to the best BCT values (Box Compression Test) of all white-coated recycling liner qualities, MM BiB-Liner™ provides a very stable exterior.

The new FOODCART™ cartonboard made from recycled fibers is the customized answer to the fourth draft of the German Mineral Oil Regulation which requires migration of less than 0.5 mg/kg into food. On the other hand, FOODBOARD™, a barrier cartonboard with ultimate protective function allowing zero mineral oil migration (detection threshold = 0.15 mg/kg), has been in supermarket shelves in Europe since the beginning of 2016.

With FOODBOARD™ virgin fiber, MM Karton is also offering the innovative barrier protection against mineral oil and other defined unwanted substances with virgin fiber-based cartonboard for the first time worldwide. The key feature of the FOODBOARD™ product range is an innovative barrier on the food contact side of the package that prevents defined unwanted substances from reaching the food.

"MMK digital" – innovative digital sales and service channel
"MMK digital", the innovative digital sales and service channel available to our customers as of the second quarter of 2018, will allow all core processes with MM Karton to be performed transparently and securely in a few seconds online and in real time. This step into the future, which will supplement conventional telephone- and e-mail-based communication channels, was preceded by around two years of work by our specialist departments in cooperation with digitalization experts.

From the very beginning, the guiding principle for the creation of "MMK digital" was a "focus on the customer", both through new, customer-oriented business processes and through many usability tests with the goal of creating an absolutely user-friendly environment. Besides extensions to the online platform, "MMK digital" will also intensely focus its efforts on the further digitalization of existing channels in 2018.

Innovation activity in the MM Packaging division in 2017

Bundled innovative power
Under the guiding principle of "Innovation Energized", MM Packaging bundles its competence, experience and creativity from various disciplines in expert teams. Customers benefit from customized innovation services for products and processes by giving them access to the entire expertise of MMP's innovation network. MM Packaging's innovation organization has proven and comprises the following functions and institutions: the Creative Center PacProject in Hamburg, the Premium Printing Center in Trier as well as local Packaging Development Centers at individual production sites.

A technical account manager performs the management function in individual projects, both internally and in relation to the customer. As a general rule, only solutions that have been approved by the Divisional Technical Support Team as well as the involved production site will be presented to the customer.

A broad range of innovation

MM Packaging aims at offering convincing solutions in every phase of the innovation process and making a significant contribution to the success of the customers in the market. MM Packaging's "innovation toolbox" has a broad scope and accompanies customers from the generation of ideas and strategy development to custom design concepts, from consumer insights for boosting a brand to the development of optimized processes and implementing them on production machinery.

Using the latest technologies in packaging production and customer communication, we aspire to set new standards that give our customers competitive advantages and increase the value added created by MM Packaging. Considering our expertise and experience in a wide range of industries, new opportunities in a large number of markets are availabe.

Innovation partner in online business

In 2017, we again provided stimulus for future packaging solutions in e-commerce with our team of designers and packaging and marketing experts. Interactivity by connecting the information on a package with other communication channels is of great importance. MM Packaging aspires to be a strong innovation partner for our customers, also by offering attractive online business solutions.

5 — RISK MANAGEMENT

As a globally operating company with a focus on Europe, the Mayr-Melnhof Group is exposed to general as well as industry-specific risks. Due to the correlation between demand for cartonboard and folding cartons and private consumption, the current and expected economic development has a particular influence on the Group's risk position. On procurement markets, special emphasis for risk assessment is placed on the development in the areas of fibers and energy. The Group's risk situation for the financial year 2017 and at the beginning of 2018 can be classified as largely unchanged. The risks faced by the Group are manageable and the Group’s continued existence and ability to develop are secured.

Owing to a clear focus on the core business areas of cartonboard and folding cartons for years, the Mayr-Melnhof Group has a solid base to identify potential risks at an early stage and to adequately assess any possible consequences. For the Group's approach to dealing with risks, a risk management system is in place. It involves the systematic identification, assessment, control, and reporting of significant events and risks which could potentially endanger the Group's existence and influence its development. We define the term risk as a negative deviation from the Group’s corporate objectives resulting from an event that might occur in the future with a certain degree of probability. The aim of our risk management system is to limit substantial risks to an acceptable level through suitable measures and thereby safeguard the existence of the Group and its ability to create value over the long term.

For each risk that is identified and considered to be significant for the Group, individual control, steering and safeguarding measures are determined, taking into account the Group-wide risk policy, in order to manage the respective risk. These measures are continuously evaluated and developed or amended. They are intended to improve the Group’s risk position, however without restricting its potential use of opportunities.

The Group’s risk management is the responsibility of the Management Board that defines the risk policy and sets the framework for Group-wide risk management. Overall, the Group’s risk policy is characterized by a conservative approach. Risk prevention and risk reduction play an important role and are, as far as economically justifiable, achieved by appropriate control measures and supplemented by the Group’s insurance program.

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

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

In the following, the most significant areas of risks to which the Group is exposed are presented and the measures to manage these risks are described.

Sales

The demand for cartonboard packages correlates especially with the demand for everyday consumer goods. Market risks may thus arise in particular from the overall economic development as well as political and regulative conditions in the respective sales markets.

The cartonboard as well as folding carton markets have for many years been characterized by sufficiently available capacities of providers and thus by intensified competition. The Group therefore pursues a strategy of further strengthening and extending its market leadership position in both divisions over the long term through cost, competence, and innovation leadership.

In total, the Group serves several thousand customers. The cartonboard division sells unprocessed cartonboard in particular to the small and medium-sized folding carton industry in Europe and generates around 47 % of divisional sales with 20 main customers, including MM Packaging. The packaging division supplies printed folding cartons to consumer goods manufacturers and generates around three quarters of divisional sales with multinational customers. The level of dependency on individual customers is still classified as manageable.

Customers constantly evaluate their supplier base and locations network from the point of cost optimization as well as exploitation of growth opportunities. This can lead to changes in the allocation and geographical relocation of business. However, the Group's broad positioning in a great number of market segments as well as the wide geographical distribution of the market presence provide a substantial contribution to minimizing risk.

A broad range of measures has been taken to safeguard market shares and generate new business. These include constant market analyses, close customer contact, cooperation in research and development, ongoing monitoring, sustained quality and cost management, long-term investment activities, a regular participation in tenders, and a systematic expansion of our customer base.

The possibility to manufacture individual products at different sites also increases the reliability of supply for customers. Price fluctuations of strategically important input factors are taken into account by appropriate clauses in long-term agreements.

Both divisions have an innovation management across all locations and sufficient R&D capacities which are constantly extended and re-oriented. We are thus able to sustainably offer market-adequate, innovative, and safe products.

Digitalization possibilities for sales are used for the development of our innovative digital sales and service channel "MMK digital" within the cartonboard division, which is also considered for other fields. Following the trend towards lightweight packaging, MM Karton has gradually been extending its range of qualities with low grammages over the past years.

Within the framework of the Tobacco Products Directive (TPD2), national legislators have the possibility to insist on packaging units without trademark logos (plain packaging). So far, four countries have opted for plain packaging: Great Britain, Ireland, France, and Hungary. Countries outside the EU (Turkey and Russia) are also considering a switch to plain packaging. In order to assess and minimize risks, a project team has been set up that collaborates closely with cigarette producers. According to the TPD2, the EU also plans to introduce a traceability system (track & trace) as of 2019, which provides the application of a security feature on tobacco products. The actual impact of the Tobacco Products Directive, and especially of plain packaging and track & trace, on the sales development of the MM Packaging division still cannot be finally assessed from today's perspective. The broad geographical sale of cigarette packaging in various countries also outside the EU provides, however, an important contribution to minimizing risks.

Production

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

This involves an economical use of resources (especially fibers, cartonboard, energy, water, chemicals, transport, and logistics) for our production, a high solution expertise, and guaranteeing quality while maintaining a sound financial conduct. The aim consists in implementing the highest possible standards throughout the Group by constant benchmarking, innovation, and sustainable investments in the latest technology.

A high degree of the plant's technical availability (operational readiness) is crucial in both cartonboard and folding carton production. The continuous electronic monitoring of individual machines and sections of machines, revisions, maintenance and certifications as well as risk engineering in collaboration with insurance companies are among the most important preventive measures for maintaining continuous operations. Furthermore, division-wide back-up concepts secure readiness for supply even in the event of long-term interruptions of operations, as it is possible to relocate between individual production sites.

Compliance with product norms and the required quality standards is an essential precondition for the sustainable competitiveness and attractiveness of our products and services. Constant quality assurance measures across the value added chain ensure compliance with high standards and the traceability of products. Sustainable R&D activities, constant market observation, and a longstanding collaboration with national and international standardization bodies and lobbies allow us to evaluate and consider new findings and interpretations as well as future developments in a timely manner.

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

Procurement

The performance in both divisions requires the use of certain essential raw materials and input factors which are mainly obtained from outside. In the division MM Karton, these include especially fiber materials, in particular recovered paper and groundwood pulp, as well as energy, chemicals, and logistics services. With regard to the division MM Packaging, these include primarily cartonboard, paper, inks, varnishes, and tools. There is a risk for procurement of availability concerning quantity and quality as well as a price risk. We proactively counter the risk of availability through regular market and demand monitoring and continuous contact with a majority of suppliers. We ensure compliance with the agreed properties by incoming goods inspections, continuous quality monitoring, and visits to suppliers. Where reasonable and possible, tenders are conducted for present purchasing volumes.

The division MM Karton procures the strategic raw material recovered paper via its own European procurement organization mainly by monthly or spot orders as well as longer-term contracts. Long-term contracts make it possible to absorb short-term price peaks. As a result of high recycling quotas and reserves in Europe, sufficient supply of recovered paper is assured. The required groundwood pulp is mainly produced by ourselves in the cartonboard mills and in our Norwegian fiber mill FollaCell.

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

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

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

For MM Karton, trading in emission rights is subject to a risk of regulatory availability and to a price risk in case additional emission certificates have to be purchased. Based on current knowledge, the volume allocation of CO_2 certificates in the financial years 2013 up to and including 2020 to the seven cartonboard mills located within the European Union and the fiber mill FollaCell was largely free of charge. Accordingly, there is a sufficient number of CO_2 certificates available for these sites until the end of 2020. A reduction of approximately 20 % in CO_2 emissions until 2020 in comparison to the reference year 1990 is pursued as a political objective by the European Union. In this context, free allocations of CO_2 have been reduced since 2013. The EU reserves the right to revise its free CO_2 allocation in the event of changes in the carbon leakage classification of individual sectors. A shortfall or excess of CO_2 certificates can be purchased or sold on the free market.

The EU directive on energy efficiency was integrated into national legislation (EEffG). National implementation differs among individual EU states and requires i.a. the implementation of management systems or energy efficiency measures. The MM Group complies with this requirement in particular by operating energy and environment protection management systems (ISO 50001, ISO 14000, EMAS) or external audits.

Human Resources

The Group relies at all levels on qualified, motivated, and performance-oriented employees in order to achieve corporate success. With the aim to tie key personnel to the Company in the long run and find suitable top performers for vacancies, we promote long-term collaboration through systematic personnel development, education, appropriate remuneration and bonus systems as well as a practiced value and corporate culture. Targeted measures in HR marketing are implemented to increase the Group's attractiveness as an employer.

Long-term foresighted succession planning and promotion of junior employees are ensured via a central "Corporate Human Resources" department. With a wide range of internal development, training, and counselling programs, we systematically establish conditions under which talents can grow, and state-of-the-art expertise is made available to the Group over the long term. Furthermore, corporate health management takes a large number of measures with the goal of maintaining our employees' health and productivity at a high level over their entire working lives.

Pensions/severance payments/pre-retirement

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

Financial risks

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

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

Foreign exchange risks are monitored continuously with system support and are limited or reduced by suitable hedging measures. Hence, the attention is primarily placed on balancing risks naturally by matching receivables and liabilities at individual subsidiaries and at Group level as well as foreign exchange forward, swap, and option contracts. Currency hedging transactions are mainly performed on a central currency trading platform. Currencies that are hedged for fluctuations of their exchange rates are in particular the British pound, the US dollar, the Turkish lira, and the Polish zloty. In the regions Eastern Europe, South Eastern Europe, Latin America, and Asia, we pursue a policy of minimizing currency risks by currency congruence in business transactions and by price adjustment mechanisms in long-term agreements. Derivative financial instruments are neither used for trading nor for speculative purposes.

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

Accounting

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

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

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

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

Information technology

Central IT management is based on ISO 31000. The risk of a breakdown of central data processing is limited by a geographically separated backup computer center and a wide range of preventive measures and checks. Risks regarding information security are countered by a variety of security measures according to the Group-wide information security strategy and the function of an Information Protection Officer who ensures the Group-wide establishment and continuous update of security standards. A project for ISO 27001 certification (information security management system) is currently being implemented. With regard to the General Data Protection Regulation, appropriate measures have been set to meet the respective requirements in time.

Other risks

Compliance risks arising from possible non-conformity with standards, laws, ethical codes of conduct, and, where applicable, voluntary commitments, are managed especially by means of protective measures in the systems, regular, systematic compliance monitoring, the four-eyes principle as well as guidelines (for example the Code of Conduct). Furthermore, we have set up the function of a Compliance Officer who can act autonomously and who is also responsible for compliance training and internal and external reporting.

We deal with the risk field of "Legal Compliance" which comprises all actions and measures geared towards compliance with legal regulations and contractual provisions through the function of a Legal Manager as well as the use of a central "Legal Compliance System", and, if necessary, by consulting external experts. Our aim consists in preventing increasing risks of infringement of applicable laws and possible sanctions due to even stricter regulations.

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

6 —— ENVIRONMENTAL PROTECTION

Circular economy – part of our business operations

In its corporate culture, the Mayr-Melnhof Group is committed to a responsible protection of the environment and implements a circular economy as an intrinsic element of its business operations. We produce our cartonboard products efficiently and in a resource-friendly way from renewable and recyclable raw materials using state-of-the-art technologies. We convert cartonboard in highly efficient processes into consumer goods packages that can be almost entirely recycled after use. This makes cartonboard a particularly sustainable packaging solution that does not only offer product-related technical and commercial advantages, but is also convincing from an ecological perspective.

"Best practice" throughout the Group – our ambition

In accordance with our industrial aspiration for leadership, our aim is to establish the best possible standards over the long term in all areas of the business. Therefore, we promote the exchange among individual locations and pursue an approach of applying challenging benchmarks of ongoing optimization and modernization within the Group with a focus on our core competence. As a result of the long-term pursuit of this aim, we report the best industrial figures for many environment-related values, such as specific consumption and emissions. It is our ambition to further improve these figures through continuous technical innovation.

We regularly monitor and assess these indicators to ensure compliance with all regulations. In addition, we continuously undertake measures to exploit further improvement potentials for our products and processes. Our approach is holistic and also addresses upstream and downstream areas of production such as product design, procurement, logistics, reusability, and end-user consumption.

Systematic optimization process

We support the optimization process in the Group systematically through the use of certified management systems. The main areas of focus are quality, environment, energy, and hygiene management in accordance with ISO 9001, ISO 14001, EMAS, ISO 50001 and HACCP, EN 15593, BRC/IoP and ISO 22000. Furthermore, the certification of all cartonboard mills, the FollaCell fiber mill and a large part of folding carton sites according to FSC® or PEFC™ documents that we procure fibers from sustainably managed forestry.

In 2017, all cartonboard mills successfully switched from the INREKA standard to EN 15593 (hygiene standard for foodstuff packaging).

Five mills are currently undergoing the extensive transition to the new version of the ISO 9001/14001 standards for quality and environmental management. Two cartonboard mills and the FollaCell fiber mill have already successfully achieved this goal.

Reduced carbon footprint

Since 2005, the both divisions of the MM Group have participated in an initiative conducted by Pro Carton aimed at establishing a European carbon footprint for processed folding cartons. The current carbon footprint is 885 kg of CO_2 equivalent per ton of processed folding carton, indicating a further decrease after 915 kg in the last survey in 2012. The process is currently being revised using basic data from 2017 and is likely to be completed in the course of 2018. In its measurement, Pro Carton follows the requirements set out in the framework of the CEPI (Confederation of European Paper Industry). This is based on a comprehensive approach to calculating the carbon footprint, starting at the raw materials and ending at the exit gates of the folding carton producer.

"Carbon leakage" classification for MM Karton

Due to the good level, the volume allocation of CO_2 certificates to the seven cartonboard mills located within the European Union as well as to the FollaCell fiber mill for the financial years 2013 up to and including 2020 was largely free of charge. Accordingly, a sufficient number of CO_2 certificates is available for these sites until the end of 2020. The political goal of the European Union is a reduction in CO_2 emissions by around 20 % by 2020 compared to the reference year 1990. In this context, free allocations of CO_2 have been reduced since 2013. The EU reserves the right to revise its free CO_2 allocation in the event of changes in the "carbon leakage" classification of individual sectors.

Environmental aspects of MM Karton

Fibers

Fibers are the most important raw material in the production of cartonboard. Our cartonboard mills therefore work continuously on improving the application and use of fibers. We achieve optimization of fiber application particularly through the constant review and adaptation of our formulations. We achieve improvements in extracting recycled fibers mainly through further developments in stock preparation. Monitoring systems assure their continuous and compliant use in production. MM Karton uses around 1.6 million tons of fibers each year, about three quarters of which are recycled fibers and one quarter virgin fibers.

In 2017, we succeeded in reducing the use of pulp in recycled fiber-based cartonboard, particularly through product optimization.

Energy

Our cartonboard mills predominantly use natural gas as their primary source of energy. The combined heat and power generating plants that MM Karton operates at individual sites produce steam and electricity for cartonboard production in a highly efficient way.

Projects in 2017 in particular focused on improving the efficiency of energy generation through the technological optimization of existing systems and in replacement investments. The most important project was the new gas and steam power station at the Austrian site Frohnleiten, replacing the existing plant to reduce emissions of NO_x and increase efficiency. Moreover, possibilities of obtaining more electricity from hydro energy were exploited.

All measures aimed at improving energy efficiency per ton of cartonboard have been coordinated in the "e.fficiency" initiative for around a decade. Based on the significant reduction in specific energy consumption already achieved, we aim to continuously exploit new savings potentials.

Water

We keep water consumption per ton of cartonboard low by using closed circulation systems. In 2017, measures undertaken in the area of water use concerned in particular the optimization of water treatment plants, improved temperature monitoring, and technical modernization.

Exhaust air

Exhaust air emissions in the production of cartonboard result primarily from energy generation by burning natural gas. Direct exhaust air produced by cartonboard machines consists primarily of steam. Emissions in form of CO_2, NO_x, and CO are constantly monitored for compliance with legal regulations.

MM Karton regularly adopts new measures to reduce its exhaust air emissions in line with the latest technological standards. The main focus in 2017 was also placed on the new power plant at the Austrian cartonboard site Frohnleiten, which will contribute significantly to lowering NO_x emissions. A positive effect on their development is also achieved by the installation of a new gas turbine at the Eerbeek mill in the Netherlands. Furthermore, switching transport from road to rail and minimizing logistical effort, were pursued, wherever possible.

Waste

As a general rule for waste disposal, we apply the principle of "prevention before recycling before disposal". Waste management for our locations is performed according to a waste management plan that is implemented by the respective waste management officer. Waste disposal itself is performed by authorized waste collectors, recyclers, and disposal firms. We attach great importance to continuously reducing the quantity of residual material from production. The reject materials of the de-inking process that had to be disposed was eliminated in 2017 when the de-inking process at the Eerbeek mill in the Netherlands was phased out. Thermal utilization of wastewater sludge at the Hirschwang site resulted in a reduction in the volume of waste and in the use of gas. Improvements in the quality of packages and a reduction in films were achieved in transport packaging.

Environmental aspects of MM Packaging

Emphasis in the environmentally relevant area of cartonboard processing is placed primarily on avoidance, reduction, and reuse of residual materials. Our measures aimed at increasing productivity, material efficiency and achieving an optimized energy and waste management, enabling further progress in the environmental area at MM Packaging in 2017.

Areas of focus in the field of energy included the continued changeover to LED lighting, improved energy monitoring, and optimized air conditioning systems.

In 2017, waste management projects primarily involved measures aimed at further reducing waste and improvements in separation and recycling.

Chemicals management focused in particular on optimizing preventive measures, storage, recycling and examining substitute materials.

Projects aimed at reducing water consumption and minimizing wastewater were the main initiatives launched in the area of water utilization.

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

Composition of capital, stock categories

Please refer to the information provided in the consolidated financial statements under note 13 a.

Restrictions concerning the voting rights and the transfer of shares

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

Direct or indirect participation in capital of at least 10 %

According to the information provided to the Company, there were the following minimum participations of 10 % in the capital at year-end 2017:

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG
CAMA Privatstiftung

Owners of shares with special control rights and a description of these rights

There are no shares with special control rights.

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

There is no such capital participation model for employees.

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

There are no provisions of this type.

Authorization of the members of the Management Board that does not arise directly from the Act, in particular with regard to the option of issuing or repurchasing shares

There are no authorizations of this type.

All significant agreements to which the Company is a party and that take effect are modified or terminated in the event of a change of control of the Company as a result of a takeover offer as well as its effects; 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 — NON-FINANCIAL STATEMENT ACCORDING TO SECTION 267 A OF THE AUSTRIAN COMMERCIAL CODE

In order to comply with section 267 a of the Austrian Commercial Code, the option to set up a separate consolidated non-financial report was chosen (see pages 89 ff).

9 —— OUTLOOK ON THE FINANCIAL YEAR 2018

This outlook reflects the assessment of the Management Board as of February 28, 2018, and does not take into consideration the effects of any possible acquisitions, disposals, or other structural changes in 2018. Previous and subsequent forward-looking statements are subject to known as well as unknown risks and uncertainties that may result in actual events differing from the forecasts made here.

Since the beginning of the year, the general conditions on our European main markets have shown a continuation of the positive momentum of the previous year. It is, however, very difficult to predict whether this development will remain sustainable.

Accordingly, both divisions currently report a continuously robust demand and good capacity utilization. Due to sufficient supply capacities in both cartonboard production and processing, the competitive situation remains characterized by a high intensity. Nevertheless, importance is still attached to passing on the demand-related cost increases in input factors and logistics.

MM is planning to grow further in 2018, both with the market as well as through displacement. The quality of the Group's results is to be maintained at a high level in both divisions, firstly through pursuing products with higher value added and optimizing the regional sales mix and, secondly, through productivity increases and a further reduction in fixed costs. The Group is well-positioned for this.

Investment activity will remain focused on cost reduction initiatives and growth possibilities over the long term.

Despite the currently good order situation, it is not yet possible to provide a forecast for the result of 2018 owing to the short-term visibility of our business. With the new record result achieved in 2017, ambitions, but also tensions remain high for 2018.

We continue to pay great attention to the Company's further growth through acquisitions, focusing on our core business and creating sustainable added value at a manageable risk.

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p. Franz Hiesinger m. p. Franz Rappold m. p.

Corporate Responsibility

Sustainability management in the MM Group

Foreword

This detailed report on "Corporate responsibility" in our combined annual and sustainability report describes non-financial topics on which the business of the MM Group has a major impact or which are of particular interest for our stakeholders and how we deal with them. In doing this, we are fulfilling our new statutory obligation under the Sustainability and Diversity Improvement Act (NaDiVeG) to prepare a consolidated non-financial report according to Article 267 a of the Austrian Commercial Code (UGB), and we report in detail how we are dealing with matters of economic, social, and ecological interest.

The topics described below were determined in the course of a materiality analysis in the Company. Relevant performance indicators were identified following the GRI Standards, and the appropriate internal experts were involved. They also provided assistance in taking into account the interests of our stakeholders. The definition and collection of non-financial indicators were analyzed throughout the Group and are intended to be further developed for future reports in order to be able to provide additional information. Besides the information provided here, the sections "Foreword", "Locations", "Divisions", and "Human Resources" in other parts of the Annual Report also form a part of the non-financial report.

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p. Franz Hiesinger m. p. Franz Rappold m. p.

What we stand for

Responsible use of resources

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

Best possible standards

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

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

Corporate values – our guiding principle

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

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

MM Group Code of Conduct

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

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

Responsible persons

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

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

Stakeholders

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

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

Stakeholders of the MM Group

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

Stakeholder dialog

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

Materiality analysis

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

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

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

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

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

Sustainability topics

MATERIALS AND PRODUCT RESPONSIBILITY

1 — RENEWABLE RAW MATERIALS AND PROCUREMENT

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

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

The MM Group processes almost exclusively renewable materials, namely fibers at MMK and cartonboard at MMP. Non-renewable raw materials play a much subordinated role in both divisions. This is also reflected by the volumes used, which are presented on page 119. While the MM Group, as a leading producer of recycled fiber-based cartonboard, processes almost three quarters of recycled fibers in its cartonboard mills, the use of recycled and virgin fiber-based cartonboard is balanced in the folding carton plants.

a — Cartonboard as the most sustainable packaging material

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

Cartonboard is

- renewable due to the use of the organically regenerative raw material wood: certification for fibers from responsibly managed forests is considered as standard in the cartonboard industry.
- climate-friendly, as forests constitute an important carbon reservoir. Cartonboard has extremely low CO_2 values within the value added chain.
- recyclable, as cartonboard can be reused several times. Used cartonboard packages have the highest recycling rate of all packaging materials and form the basis for the production of environmentally friendly packaging material – recycled fiber-based cartonboard. A cellulose fiber can be recycled five to seven times.
- compostable and represents a valuable source of energy at the end of its life cycle, all in accordance with EU Directive 94/62/EC.

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

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

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

b —— Materials used by MM Karton

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

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

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

Recovered paper is subject to strict quality standards. The different grades are precisely defined in the EN643 standard. MM Karton obtains its raw materials exclusively from certified sources. The qualities used are subject to strict quality inspections of the quality management system implemented at MM Karton. Our procurement organization is directed to ensure the optimum verification of origin and quality as well as the highest level of supply reliability.

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

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

Virgin fibers

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

Continuous optimization of fiber use

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

Chemicals

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

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

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

Packaging

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

c — Materials used by MM Packaging

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

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

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

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

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

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

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

Glue
The quality of folding carton bonding depends on the adhesive used, the nature of the front and back of the cartonboard, and the process-related conditions in the folding carton gluing machine. The glue used for food packages thus has to fulfil high demands in terms of processability, strength of the adhesive seam, and safety for use with food, and is continuously optimized. We use only adhesives and glues which comply with Regulations (EC) No. 1935/2004 and No. 2023/2006 and which are produced in accordance with the FEICA guidance.

Printing and cutting dies (plates/cylinders)

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

Packaging

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

d — Procurement (supply chain)

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

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

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

Business partners

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

e —— Chain of Custody (CoC)

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

FSC® and PEFC™

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

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

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

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

The CoC standard is implemented differently by MM Karton and MM Packaging.

MMK mills work with a so-called credit system which records all purchased fibers and their certification status. There is no physical separation of fibers in the mill itself. They are stored and processed together. The quantity of cartonboard with FSC® or PEFC™ certification that can be sold depends on the volume of certified and creditable fibers purchased. The shares of FSC®- and PEFC™-certified and controlled virgin fiber use are presented on page 118.

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

2 —— PRODUCT SAFETY

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

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

Certifications to assure product quality

Certifications provide important evidence for customers and consumers of MM Karton and MM Packaging that our products are sustainable, socially acceptable, and do not pose any risk to health. Moreover, they serve as a proof of legal compliance in the area of product safety. At the same time, regular inspections of MM products to ensure conformity with certification criteria guarantee rigorous quality assurance that is also externally visible.

Certifications in the area of product quality and food safety have been obtained in particular in accordance with:
- ISO 9001
- BRC Packaging
- FSSC 22000 (ISO 22000)
- EN 15593
- ECMA GMP

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

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

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

BRC Packaging and FSSC 22000

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

Certified hygiene management in accordance with EN 15593

These requirements apply in particular to cartonboard packaging products used in the fields of food and pharmaceuticals. Here, it is important to meet the high demands placed on the hygienic cleanliness of products and thus on production itself. Visible proof of compliance is the certification of our relevant sites according to the EN 15593 hygiene management system standard. It covers sensitive and important parameters, such as personal hygiene, foreign-object and glass checking, cleaning cycles, pest management, and microbiology.

All MM cartonboard producing sites and 60 % of MM's packaging plants are certified according to one or more of these international hygiene management standards.

ECMA GMP

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

ENVIRONMENTAL MANAGEMENT

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

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

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

Existing environmental management systems within the MM Group have been set up in such a way that changing requirements can be incorporated and adapted easily and as quickly as possible.

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

Internal and external audits and an appraisal by the management based on the management review are performed in order to guarantee those environmental standards already achieved, to satisfy new requirements, and to monitor the effectiveness of the environmental management system. In addition, the MM Group follows the precautionary principle in its activities by taking account of anticipated developments and forecasts for all objectives and measures.

Environment-specific certifications

ISO 14001

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

EMAS

Since 1996, the cartonboard sites in Frohnleiten and Hirschwang have participated voluntarily in the EC's ecological auditing regulation. The "Eco-Management and Audit Scheme" (EMAS) is a common system for environmental management and environmental auditing. Participation supports the information policy of the Mayr-Melnhof Group in presenting its corporate culture characterized by responsible action. Together with ISO 14001 certification, EMAS forms the basis of the continuous safeguarding of an integrated environmental management system at Mayr-Melnhof.

Today, the sites in Frohnleiten, Hirschwang, Eerbeek, and the fiber mill FollaCell are certified according to ISO 14001, with Frohnleiten and Hirschwang additionally being certified according to EMAS. The cartonboard mills that are not directly certified have internal environmental protection systems for continuous improvement and use synergies from the certified sites. 18 locations in the packaging division are certified according to ISO 14001 and/or EMAS.

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

1 — ENERGY CONSUMPTION AND EMISSIONS IN PRODUCTION

ENERGY

a — Energy management

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

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

ISO 50001

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

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

b — MM Karton

Natural gas provides over 80 % of the primary energy needs in MMK mills. Each mill has its own power station in which natural gas is used to generate steam for the demands of cartonboard production and to produce electricity from the generated high-pressure steam via a turbine. In addition, electricity is also purchased from energy supply companies. Other sources of energy in the individual mills include hydroelectric power, light heating oil, diesel, and liquefied gas. Furthermore, in the Hirschwang mill, left-over materials from production (reject materials and fiber sludge) are used in a thermal process to generate energy for the production of steam. The Frohnleiten mill also uses biogas from anaerobic wastewater treatment. Increasing efficient self-supply of power is MM Karton's long-term goal. Absolute and specific energy consumption figures in cartonboard production can be seen on page 119.

c — MM Packaging

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

EMISSIONS

a — MM Karton

Exhaust air emissions that result from cartonboard production are mainly caused in energy production by burning natural gas. Emissions of CO_2, NO_x, and CO are constantly monitored and observed according to legal provisions. In contrast, direct exhaust air produced by cartonboard machines consists primarily of steam.

MM Karton constantly undertakes new measures to further reduce exhaust air emissions in line with the latest technological standards.

Low carbon footprint

Wood and cartonboard play a significant role in mitigating climate change. Trees absorb CO_2 while growing. Wood fibers from the forests that are processed into cartonboard store carbon in the finished product – the cartonboard product. Moreover, the recycling of folding cartons also keeps the carbon stored, preventing its return into the atmosphere. Cartonboard and folding carton thus play a role in the expansion of forests and in the protection of the environment.

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

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

Since October 2014, Pro Carton, the European association of the cartonboard and folding carton industry, has published the latest average CO_2 footprint of folding carton production in Europe: Due to a reduction by an additional 3 % in three years, the carbon footprint is now at 885 kg of fossil CO_2 equivalent per processed ton of folding carton and is largely offset by the storage of -730 kg of biogenic CO_2. This is the result of continuous improvement measures in the entire production process – from the use of raw materials and energy to waste reduction. The official Pro Carton method of calculating the carbon footprint for the production of folding cartons starts with the raw materials (cradle) and ends at the folding carton producer's exit gate.

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

Due to the good level, the volume allocation of CO_2 certificates to the seven cartonboard mills located within the European Union and the FollaCell fiber mill for the financial years 2013 up to and including 2020 was largely free of charge. Accordingly, a sufficient number of CO_2 certificates is available for these sites until the end of 2020. The political goal of the European Union is a reduction in CO_2 emissions by approximately 20 % by 2020 compared to the reference year 1990. In this context, free allocations of CO_2 have been reduced since 2013. The EU reserves the right to revise its free CO_2 allocation in the event of changes in the "carbon leakage" classification of individual sectors.

CO_2 emissions are determined based on a comprehensive monitoring concept adapted to each location in accordance with Regulation (EU) No. 601/2012. The absolute and specific direct CO_2 emissions in MM Karton's production can be found on page 119.

2 —— WATER CONSUMPTION IN PRODUCTION

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

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

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

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

Wastewater

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

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

Wastewater volumes are continuously recorded and evaluated by specially trained Company-internal staff and in regular external inspections. Compliance with the relevant statutory regulations is verified by the appropriate national or regional authorities.

3 — WASTE IN PRODUCTION

a — Waste management

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

b — Major types of waste

MM Karton
The largest share of waste in terms of volume in recycling mills is the residual waste from the processing of recovered paper, the so-called reject. Together with the sludge and household-waste-like commercial waste, they are either used in a thermal recovery process within the mills, or handed over to authorized disposal firms.

Hazardous waste, such as used oil, chemicals, contaminated liquids, workshop waste, and batteries, are handed over to licensed waste disposal companies for disposal in compliance with statutory regulations.

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

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

EMPLOYEES

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

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

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

High standards as the guiding principles of HR management

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

1 — EMPLOYEE EDUCATION AND TRAINING

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

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

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

2 — EMPLOYEE SAFETY AND HEALTH

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

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

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

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

3 — WORKING CONDITIONS/ENVIRONMENT

Working hours and remuneration

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

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

Relationship to employees and employees' representatives

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

Pensions/severance payments/pre-retirement

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

SOCIETY

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

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

1 — LOCAL ECONOMY AND COMMUNITY

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

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

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

2 —— COMPLIANCE

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

The risk of human rights violations or corruption is classified as very low in European countries due to statutory provisions. We also assume that the business operations of the MM Group are not the target of fraudulent actions, especially as the products manufactured are of low fungibility.

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

a —— Observance of guidelines and regulations

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

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

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

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

b — Anti-corruption and competitive behavior

Conflicts of interests, fight against corruption

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

Guideline: accepting gifts, granting benefits

Employees of the Mayr-Melnhof Group may not demand, accept, offer, or grant any direct or indirect unwarranted benefits in the course of their business activities. The sole exceptions are generally customary hospitality and occasional benefits of a verifiably low value. A strict standard must be generally applied in judging this. In any case of doubt, the Compliance Officer must be consulted, who will then issue a corresponding recommendation.

Competition, conduct in the market

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

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

Guideline: relationship with competitors, customers, associations

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

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

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

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

c — Protection of assets and sensitive information

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

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

d — Human rights

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

The MM Group undertakes to comply with human rights within its sphere of influence and rejects any form of forced labor in its organization and among its business partners. The risks of human rights violations are limited through the application of the Code of Conduct and through regular internal and external audits. The way in which fair working conditions are ensured is described in more detail in the Employees section.

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

Measures implemented

1 — FIBERS

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

2 — ENERGY

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

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

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

3 — EMISSIONS

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

4 — WATER

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

5 —— CHEMICALS

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

6 —— WASTE

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

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

7 —— EMPLOYEE EDUCATION AND TRAINING

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

8 —— EMPLOYEE SAFETY

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

9 —— CERTIFICATION

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

Non-financial indicators

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

Renewable raw materials and recyclability[1]	**2017**	**2016**
Cartonboard production[2]		
Renewable raw materials	1.6 million t	1.6 million t
Fiber use	1.6 million t	1.6 million t
Recycled fibers[3]	1.2 million t	1.2 million t
Virgin fibers[4]	0.4 million t	0.4 million t
- thereof from FSC®-certified sources	17 %	16 %
- thereof from PEFC™-certified sources	36 %	30 %
- thereof from controlled sources[5]	47 %	54 %
Non-renewable raw materials	0.3 million t	0.3 million t
Packaging production		
Renewable raw materials	0.8 million t	0.8 million t
Cartonboard and paper use	0.8 million t	0.7 million t
Recycled fiber-based cartonboard	0.4 million t	0.4 million t
Virgin fiber-based cartonboard	0.4 million t	0.3 million t
Non-renewable raw materials	0.0 million t	0.0 million t

1) including packaging materials
2) excluding MM FollaCell AS
3) excluding rejects
4) groundwood pulp equivalent
5) including FSC® Controlled Wood

Other environmental indicators	**2017**	**2016**
Energy consumption		
Energy consumption in cartonboard production[1]	3.4 TWh	3.4 TWh
Specific energy consumption	1.8 MWh/t	1.8 MWh/t
Emissions		
Direct CO_2 emissions in cartonboard production[1]	0.5 million t	0.5 million t
Specific direct CO_2 emissions	0.3 t/t	0.3 t/t
Water consumption		
Water consumption in cartonboard production[1]	24 million m^3	23 million m^3
Waste		
Non-hazardous waste in production	0.4 million t	0.4 million t
Hazardous waste in production	4 thous. t	4 thous. t

[1] including MM FollaCell AS

Social indicators	**2017**	**2016**
Employee safety and health		
Occupational accidents resulting in death	0	0
Employee education and training		
Employees trained by MM-Academy	1,067	1,417
Socially acceptable working conditions for employees		
Cases of child labor	0	0
Cases of forced labor	0	0
Anti-corruption and anti-competitive behavior		
Production sites[1] in countries with a corruption index < 30 according to Transparency International Corruption Index 2016	4 of 45	4 of 46
Number of legal actions against corruption or anti-competive behavior	0	0
Violation of guidelines and requirements		
No significant fines or sanctions due to non-compliance with laws and regulations in social and economic areas		
Safety and packaging		
Percentage of cartonboard grades for which impacts on customers' health and safety are verified	100 %	100 %
Number of production sites which are certified in the areas of food safety and/or hygiene (BRC, ISO 22000, EN 15593, ECMA GMP, HACCP)		
in cartonboard production (excl. MM FollaCell AS)	7 of 7	7 of 7
in packaging production	25 of 37	25 of 38

[1] including MM FollaCell AS

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

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

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

About the non-financial report

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

The present report was prepared taking into acoount the GRI Standards ("Core" option) published by the Global Sustainability Standards Board (GSSB). The GRI content index can be found on page 122. An external audit of the non-financial report was not intended.

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	103-2 The management approach and its components	115
	103-3 Evaluation of the management approach	115
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	119

Customer Health and Safety		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	94, 101
	103-2 The management approach and its components	101, 117
	103-3 Evaluation of the management approach	101
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	119

Socioeconomic Compliance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	94, 113-114
	103-2 The management approach and its components	113-114
	103-3 Evaluation of the management approach	113
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	119

Consolidated Financial Statements

Consolidated Balance Sheets

(all amounts in thousands of EUR)	Notes	Dec. 31, 2017	Dec. 31, 2016
ASSETS			
Property, plant and equipment	6	858,875	792,650
Intangible assets including goodwill	6	126,263	129,207
Investments in associated companies, securities and other financial assets	8	7,429	5,085
Deferred income taxes	9	20,575	27,203
Non-current assets		**1,013,142**	**954,145**
Inventories	10	341,041	332,134
Trade receivables	11	386,200	362,410
Income tax receivables		10,855	8,247
Prepaid expenses, securities and other current assets	12	64,258	73,823
Cash and cash equivalents	31	197,910	251,138
Current assets		**1,000,264**	**1,027,752**
TOTAL ASSETS		**2,013,406**	**1,981,897**
EQUITY AND LIABILITIES			
Share capital	13	80,000	80,000
Additional paid-in capital	13	172,658	172,658
Retained earnings	13	1,239,415	1,150,995
Other reserves	13	(175,892)	(151,275)
Equity attributable to shareholders of the Company		**1,316,181**	**1,252,378**
Non-controlling (minority) interests	13	2,409	6,784
Total equity		**1,318,590**	**1,259,162**
Financial liabilities	14	191,890	211,997
Provisions for non-current liabilities and charges	15	121,355	129,318
Deferred income taxes	9	14,374	16,739
Non-current liabilities		**327,619**	**358,054**
Financial liabilities	14	20,578	48,903
Current tax liabilities		7,031	8,532
Trade liabilities	16	218,533	192,648
Deferred income and other current liabilities	17	97,689	88,830
Provisions for current liabilities and charges	18	23,366	25,768
Current liabilities		**367,197**	**364,681**
Total liabilities		**694,816**	**722,735**
TOTAL EQUITY AND LIABILITIES		**2,013,406**	**1,981,897**

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, 2017	Year ended Dec. 31, 2016
Sales	19	2,336,804	2,272,734
Cost of sales		(1,803,709)	(1,744,996)
Gross margin		**533,095**	**527,738**
Other operating income	20	17,225	11,757
Selling and distribution expenses		(216,698)	(214,884)
Administrative expenses		(118,552)	(110,895)
Other operating expenses		(56)	(62)
Operating profit		**215,014**	**213,654**
Financial income	25	1,948	3,083
Financial expenses	26	(6,185)	(6,124)
Other financial result – net	27	(5,306)	(1,426)
Profit before tax		**205,471**	**209,187**
Income tax expense	9	(50,436)	(55,799)
Profit for the year		**155,035**	**153,388**
Attributable to:			
Shareholders of the Company		154,573	153,307
Non-controlling (minority) interests	13	462	81
Profit for the year		**155,035**	**153,388**
Earnings per share for profit attributable to the shareholders of the Company during the year:			
Basic and diluted average number of shares outstanding	28	20,000,000	20,000,000
Basic and diluted earnings per share	28	**7.73**	**7.67**

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, 2017	Year ended Dec. 31, 2016
Profit for the year	**155,035**	**153,388**
Other comprehensive income:		
Actuarial valuation of defined benefit pension and severance obligations	3,602	(16,424)
Effect of income taxes	(927)	2,514
Total of items that will not be reclassified subsequently to the income statement	**2,675**	**(13,910)**
Foreign currency translations	(27,505)	126
Total of items that will be reclassified subsequently to the income statement	**(27,505)**	**126**
Other comprehensive income (net)	**(24,830)**	**(13,784)**
Total comprehensive income	**130,205**	**139,604**
Attributable to:		
Shareholders of the Company	129,956	139,582
Non-controlling (minority) interests	249	22
Total comprehensive income	**130,205**	**139,604**

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

Consolidated Statements of Changes in Equity

		Equity attributable to shareholders of the Company								
					Other comprehensive income					
(all amounts in thousands of EUR)	Notes	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translations	Acturial gains and losses	**Other reserves**	**Total**	Non-controlling (minority) interests	**Total equity**
Balance at Jan. 1, 2016		**80,000**	**172,658**	**1,020,442**	**(98,220)**	**(39,330)**	**(137,550)**	**1,135,550**	**8,605**	**1,144,155**
Profit for the year		0	0	153,307	0	0	0	153,307	81	153,388
Other comprehensive income		0	0	0	180	(13,905)	(13,725)	(13,725)	(59)	(13,784)
Total comprehensive income		**0**	**0**	**153,307**	**180**	**(13,905)**	**(13,725)**	**139,582**	**22**	**139,604**
Transactions with shareholders:										
Dividends paid	13	0	0	(24,000)	0	0	0	(24,000)	(501)	(24,501)
Change in majority interests	5	0	0	1,246	0	0	0	1,246	(1,342)	(96)
Balance at Dec. 31, 2016		**80,000**	**172,658**	**1,150,995**	**(98,040)**	**(53,235)**	**(151,275)**	**1,252,378**	**6,784**	**1,259,162**
Profit for the year		0	0	154,573	0	0	0	154,573	462	155,035
Other comprehensive income		0	0	0	(27,295)	2,678	(24,617)	(24,617)	(213)	(24,830)
Total comprehensive income		**0**	**0**	**154,573**	**(27,295)**	**2,678**	**(24,617)**	**129,956**	**249**	**130,205**
Transactions with shareholders:										
Dividends paid	13	0	0	(60,000)	0	0	0	(60,000)	(359)	(60,359)
Change in majority interests	5	0	0	(6,153)	0	0	0	(6,153)	(4,265)	(10,418)
Balance at Dec. 31, 2017		**80,000**	**172,658**	**1,239,415**	**(125,335)**	**(50,557)**	**(175,892)**	**1,316,181**	**2,409**	**1,318,590**

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, 2017	Year ended Dec. 31, 2016
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit for the year		155,035	153,388
Adjustments to reconcile profit for the year to net cash from operating activities excluding interest and taxes paid:			
Income tax expense	9	50,436	55,799
Depreciation and amortization of property, plant and equipment, and intangible assets	6	99,692	99,065
Gains (losses) from disposals of property, plant and equipment, and intangible assets	20	(899)	(821)
Negative goodwill	5	(6,477)	0
Financial income	25	(1,948)	(3,083)
Financial expenses	26	6,185	6,124
Share of profit (loss) of associated companies and other investments		(618)	(741)
Gains (losses) from disposals of securities and other financial assets		(79)	0
Other adjustments		(3,847)	(2,173)
Net cash from profit		**297,480**	**307,558**
Changes in working capital:			
Inventories		(13,882)	(14,850)
Trade receivables		(28,772)	(28,201)
Prepaid expenses, securities and other current assets		(18,349)	(4,091)
Trade liabilities		20,756	15,258
Deferred income and other current liabilities		12,991	(1,735)
Provisions for current liabilities and charges		(2,744)	5,310
Changes in working capital		**(30,000)**	**(28,309)**
Cash flow from operating activities excluding interest and taxes paid		**267,480**	**279,249**
Income taxes paid		(50,254)	(59,854)
Net cash from operating activities		**217,226**	**219,395**
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from disposals of property, plant and equipment, and intangible assets		2,013	3,422
Acquisition of property, plant and equipment, and intangible assets (incl. payments on account)	16	(150,763)	(152,206)
Acquisitions of companies or other business entities, net of cash and cash equivalents acquired (2017: thous. EUR 68; 2016: thous. EUR 0)	5	(8,048)	(635)
Proceeds from disposals of securities and other financial assets		738	904
Purchases of securities and other financial assets		(848)	(46)
Dividends received		618	741
Interest received		1,905	3,176
Net cash from investing activities		**(154,385)**	**(144,644)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid		(6,140)	(6,105)
Issuances of financial liabilities	31	9,914	0
Repayments of financial liabilities	31	(57,730)	(31,922)
Payments to non-controlling (minority) shareholders		(182)	(17,278)
Dividends paid to the shareholders of the Company	13	(60,000)	(24,000)
Dividends paid to non-controlling (minority) shareholders	13	(359)	(501)
Net cash from financing activities		**(114,497)**	**(79,806)**
Effect of exchange rate changes on cash and cash equivalents		(1,572)	1,240
Changes in cash and cash equivalents		**(53,228)**	**(3,815)**
Cash and cash equivalents at the beginning of the year (according to the consolidated balance sheet)		**251,138**	**254,953**
Cash and cash equivalents at the end of the year (according to the consolidated balance sheet)		**197,910**	**251,138**

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

Notes to the Consolidated Financial Statements

1 — BASIC INFORMATION

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

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

2 — PRINCIPLES OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements are prepared according to historical acquisition or manufacturing cost, except for certain positions as, for example, derivative financial instruments and defined benefit obligations.

The present consolidated financial statements comprise the period from January 1 till December 31, 2017 and have been prepared by the Management Board as of February 28, 2018 and will be presented to the Supervisory Board for review and approval.

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

Application of new and revised standards

During the preparation of the consolidated financial statements and notes thereto, relevant amendments to existing IAS, IFRS and interpretations as well as newly enacted standards and interpretations, as published in the Official Journal of the European Union no later than December 31, 2017 and with an effective date no later than this date, were taken into consideration:

Revised standards	Content	Effective
IAS 7	Disclosure Initiative	2017
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	2017

If applicable, the effective regulations were applied in the present consolidated financial statements without any significant impact on the presentation of the financial situation and profitability.

Furthermore, the following new and revised standards were endorsed by the EU by December 31, 2017; their application is, however, not yet compulsory for the financial year 2017:

New standards	Content	Effective
IFRS 9	Financial Instruments	2018
IFRS 15	Revenue from contracts with customers incl. amendments to IFRS 15: effective date	2018
IFRS 15	Revenues from contracts with customers – Clarifications	2018
IFRS 16	Leases	2019
Revised standards	**Content**	
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	2018

Additionally, the following new and revised standards and interpretations were published by IASB by December 31, 2017 but have not yet been endorsed by the EU:

New standards	Content	Effective
IFRS 17	Insurance Contracts	2021
Revised standards	**Content**	
IAS 28	Long-term Interests in Associates and Joint Ventures	2019
IAS 40	Transfers of Investment Property	2018
	Annual Improvements to IFRSs – 2014-2016 Cycle	2017/2018
	Annual Improvements to IFRSs – 2015-2017 Cycle	2019
IFRS 2	Classification and Measurement of Share-Based Payment Transactions	2018
IFRS 9	Prepayment Features with Negative Compensation	2019
New interpretations	**Content**	
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2018
IFRIC 23	Uncertainty over Income Tax Treatments	2019

The newly applicable standards IFRS 9, IFRS 15, and IFRS 16 are described as follows:

IFRS 9 "Financial Instruments" contains provisions for recognition, valuation, derecognition, and hedge accounting and is to be applied to all types of financial instruments. Thus, IFRS 9 completely replaces accounting of financial instruments according to IAS 39. The first mandatory application of IFRS 9 is planned for financial years starting on or after January 1, 2018.

The application of IFRS 9 will change classification and valuation of financial instruments. Only minor changes in presentation are expected as a consequence of this change as the basic valuation methods within the Group will not change substantially. Financial assets are now classified in the categories of debt instruments, derivatives, and equity instruments and are measured at amortized cost or at fair value (either through other comprehensive income or through profit or loss). The Group's assessment has indicated that most of the financial assets fulfill the requirements for the valuation at amortized cost. Furthermore, there are insignificant equity instruments for which no impacts are expected.

As a result of the new impairment model, which is based on expected credit losses, there are impacts on the valuation of financial assets of the Group, in particular on the trade receivables. The future-oriented expected loss model of IFRS 9 will replace the incurred loss model used in IAS 39.

The applicable impairment methods in accordance with IFRS 9 have now been finally determined within the Group and the estimated effects have been assessed. The Group has prepared a framework for determination of expected credit losses from trade receivables, which will provide reliable results by using suitable parameters. For the measurement, we apply the simplified approach by using an allowance matrix which considers probability-weighted total credit losses ("lifetime expected credit loss model"). The calculation of the estimated expected credit losses is based on actual credit loss experiences over the past four years separately for the regions Europe, Latin America, and Asia-MENA. The inclusion of forward-looking information in the determination is taken into account by using CDS spreads for the calculation, as they reflect the future default risk. It is assumed that bad debt allowances for financial assets will increase only slightly. In the MM Group there is no concentration of default risks owing to the broad and diversified structure of the customer base, as existing credit insurances, and the fact that trade receivables only exist with customers with good and very good credit worthiness.

In consideration of the data related to the financial year 2017, the allowance according to the new impairment method would be thous. EUR 132, which is lower than the booked bad debt allowances. Therefore, the application of impairment provisions of IFRS 9 does not result in additional allowances concerning trade receivables.

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

IFRS 15 "Revenue from Contracts with Customers" replaces existing provisions for the recognition of sales, including IAS 18 "Revenue", IAS 11 "Construction Contracts", and IFRIC 13 "Customer Loyalty Programs". The core principle of IFRS 15 is that a company is to recognize sales in the amount in which goods or services are expected in return for the performance obligation(s) accepted, i.e. the delivery of goods or the performance of services. The newly introduced 5-step model is used to assess the amount and timing respectively period for the revenue recognition. The application of the standard in the Group is mandatory for reporting periods starting on or after January 1, 2018. In 2016, a Group-wide project was launched for the introduction of the standard in order to determine required adjustments. During the initial phase, various possible scenarios were identified in both divisions, and individual elements of contracts with major customers were analyzed. The subsequent second phase of the project in 2017 was primarily concerned with a quantitative analysis and the implementation of the required adjustments that had been determined.

The following issues were identified based on the analysis of IFRS 15 conducted in the financial years 2016 and 2017: The disaggregation of performance obligations under certain circumstances according to IFRS 15 results, for the whole financial year 2017, depending on the individual terms of delivery agreed with customers, in a separation of performance obligations related to rendered transportation services in an amount of thous. EUR 43,046 for the division MM Karton and thous. EUR 994 for the division MM Packaging. A potential accrual resulting from this beyond the balance sheet date was not recognized due to immateriality. The analysis of the diverse master contracts and arrangements as well as general applicable legal provisions resulted, for both divisions, in revenues to be recognized at a point in time. Apart from this, no further material multiple-component contracts covering, for example, the performance of services besides delivery of goods were identified.

The Group has not made use of the option of an earlier adoption before the start of 2018. The adjustments arising from IFRS 15 are considered to be minor and are therefore not expected to have any general effects on the Group's assets, financial situation, or profitability. This will just result in a reclassification of the provision for customer rebates and bonuses to current liabilities. Therefore, the MM Group has decided to use the modified retrospective approach when applying the standard for the first time.

In addition, IFRS 16 "Leases" was issued in January 2016, replacing IAS 17 and modifying the way leases are reported. IFRS 16 introduces a standardized reporting model according to which leases will be recognized in future on the lessee's balance sheet regardless of whether an operating or finance lease in accordance with the criteria of IAS 17 is involved. A lessee will recognize a right-of-use to the underlying asset and a liability representing the leasing payment obligations. There are exceptions governing short-term leases and leases relating to low-value assets. Reporting for the lessor remains almost unchanged compared to the current standard.

In an initial Group-wide analysis phase in 2017, information, especially on the type and scope of leasing agreements, has been collected centrally and parameters relevant for valuation have been updated. In the next phase, a system solution that will, on the one hand, manage agreements on a Group-wide basis and, on the other hand, provide system-supported valuation of the agreements has been looked for.

In the initial phase, undiscounted payment obligations from non-cancellable operating lease commitments of thous. EUR 61,598 (see note 14b) were determined as of December 31, 2017. These operating leases mainly relate to buildings and technical equipment that under IFRS 16 most likely will lead to accounting of right-of-use assets and lease liabilities in the MM Group unless exceptions for short-term leases and low-value assets will be applicable. There will be no major changes in the way finance leases are reported.

The Group has not yet completed the final assessment of possible effects on its consolidated financial statements. The actual effect on the consolidated financial statements after the adoption of IFRS 16 will depend on future economic conditions, for example the Group's incremental borrowing rate as of January 1, 2019, the composition of the Group's lease portfolio at that date, the Group's assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical exceptions and recognition exemptions.

The Group plans the first application of IFRS 16 as of January 1, 2019 using the modified retrospective approach. The cumulative impact from applying IFRS 16 for the first time will result in an adjustment of the opening balance of retained earnings at January 1, 2019. Comparative amounts for the year prior to first adoption will not be restated.

3 — ACCOUNTING PRINCIPLES

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

Consolidation principles and methods

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

The subsidiaries are consolidated as of the date on which control is transferred to the Group. They are de-consolidated on the date on which such control ceases to exist.

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

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

All effects of intercompany transactions are entirely eliminated.

Foreign currency translation

Assets and liabilities of foreign subsidiaries with a functional currency other than the Euro are translated into Euro using the average exchange rates as of the balance sheet date. Revenues and expenses are translated using average exchange rates for the year. Differences arising from the translation of assets and liabilities in comparison with the previous periods are recognized as a separate component of equity. Gains and losses resulting from foreign currency transactions are recognized in the income statement as incurred.

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

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

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

		Exchange rate at Dec. 31, 2017	**Exchange rate at Dec. 31, 2016**	**Annual average exchange rate 2017**	**Annual average exchange rate 2016**
Country:	**Currency:**	**1 EUR =**	**1 EUR =**	**1 EUR =**	**1 EUR =**
Bulgaria	BGN	1.96	1.96	1.96	1.96
Chile	CLP	735	699	732	744
China	CNY	7.80	7.32	7.62	7.32
Colombia	COP	3,583	3,165	3,345	3,358
Czech Republic	CZK	25.54	27.02	26.33	27.04
Great Britain	GBP	0.89	0.86	0.87	0.81
Jordan	JOD	0.85	0.74	0.80	0.78
Malaysia	MYR	4.85	4.73	4.85	4.57
Norway	NOK	9.84	9.09	9.34	9.28
Poland	PLN	4.17	4.42	4.26	4.37
Romania	RON	4.66	4.54	4.57	4.50
Russia	RUB	68.87	63.81	65.69	73.34
Switzerland	CHF	1.17	1.07	1.11	1.09
Tunisia	TND	2.95	2.42	2.69	2.34
Turkey	TRY	4.52	3.71	4.09	3.32
Ukraine	UAH	33.50	28.42	30.06	28.11
Vietnam	VND	27,137	24,044	25,641	24,272

Business Combinations

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

The acquisition costs of the transaction correspond to the fair values of the assets transferred and liabilities received or taken over on the acquisition date.

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

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

Any remaining excess of the acquisition costs over the Group's share in the fair value of identifiable net assets shall be capitalized as goodwill. After repeated assessment, negative goodwill shall be recognized directly in the income statement.

4 — DISCRETIONARY DECISIONS, ASSUMPTIONS, AND ESTIMATES

The consolidated financial statements and the notes thereto are prepared in accordance with generally accepted accounting and recognition standards of IFRS using estimates and assumptions for certain items which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. In the end, actual amounts may differ from these assumptions and estimates. Assumptions and estimates are constantly monitored and any changes are prospectively recognized.

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

Useful life of non-current assets
Property, plant and equipment, and acquired intangible assets are recognized at acquisition and manufacturing costs and are depreciated/amortized on a straight-line basis over their estimated useful lives. The estimation of useful lives is based on assumptions 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 an asset. Hence, the carrying amount would be depreciated/amortized over the remaining shorter useful life, resulting in higher annual depreciation/amortization expenses.

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

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

Other intangible assets

In the course of the implementation of the Kyoto Protocol, Directive 2003/87/EC came into force in the European Union on January 1, 2005. Based on this Directive, the Group is obliged to redeem specified emission rights for carbon dioxide emissions incurred during cartonboard production. These emission rights have been allocated free of charge to the Group's respective production sites for the period from 2013 to 2020.

As IFRIC 3 "Emission Rights" has been withdrawn by the IASB, there are no definite regulations concerning the accounting treatment of emission rights. Therefore these emission rights are recognized in accordance with IAS 38 "Intangible Assets" as intangible assets in "prepaid expenses, securities and other current assets", measured at cost amounting to zero, if the rights have been allocated free of charge. If actual carbon dioxide emissions exceed the number of existing emission rights during the reporting period at the balance sheet date, a provision for these missing emission rights in the amount of their market value has to be accounted for. As of December 31, 2017 and 2016, 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.

Income taxes

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

Realization of deferred tax assets

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

Provisions for pensions, severance payments, and anniversary bonuses

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

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

Legal risks
The Group is subject to various claims and legal proceedings that have arisen in the ordinary course of business. The Management analyzes the latest information on a regular basis and recognizes provisions for probable obligation arising from any legal expenses, if necessary. Based on all the facts available to the Management, the Group believes that the ultimate resolution of these claims and legal proceedings will be unlikely to have any material adverse effect on its financial position or the results of its operations, although no assurance can be given with respect to the outcome of such claims or litigations.

5 — SIGNIFICANT CHANGES IN THE CONSOLIDATED COMPANIES

a — Changes in 2017

Acquisitions (of shares)
In January 2017, the division MM Packaging increased its majority interest in the Vietnamese folding carton producer MM Packaging Vidon Limited Liability Company, located in Ho Chi Minh City, at a price of thous. EUR 10,344 from 65.10 % to 100 %. The related payment was already effected in the financial year 2016.

In October 2017, the division MM Packaging acquired a part of the business from ASG Poland S.A., Bydgoszcz, Poland, in the form of an asset deal. The company produces folding cartons for cosmetic and personal care products. The aim of the acquisition is to continue expanding the portfolio in the high-grade product segment as well as to exploit synergy effects through the strategic proximity of existing sites.

The acquisition costs for the purchase amounted to thous. EUR 8,116 and were completely paid in cash. Inclusion into the Group and division was effected on October 3, 2017.

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

Fair values according to IFRS

(in thousands of EUR)	**Oct. 3, 2017**
Property, plant and equipment	7,932
Intangible assets	3,958
Deferred tax assets	116
Inventories	2,888
Trade receivables	3,948
Prepaid expenses and other current assets	69
Cash and cash equivalents	68
Deferred tax liabilities	(1,595)
Other non-current provisions	(118)
Trade liabilities	(2,141)
Other current provisions and liabilities	(532)
Net assets	**14,593**

The trade receivables comprise gross contractual receivables amounting to thous. EUR 4,053, of which thous. EUR 105 are estimated as presumably irrecoverable, resulting in a fair value of thous. EUR 3,948. In case of other receivables the fair value of thous. EUR 69 corresponds to the gross amount.

The negative goodwill was recognized as a result of the acquisition as follows:

(in thousands of EUR)	**Oct. 3, 2017**
Consideration transferred	8,116
Fair value of identifiable net assets	(14,593)
Negative goodwill	**(6,477)**

The negative goodwill was reported under other income in the consolidated income statement and mainly results from the fact that the acquired part of the business operation was already in structural difficulties that could not be resolved by the seller. Accordingly, the pressure to sell was high and MM Group had a good negotiation position. Because of these circumstances, a purchase price below the fair values was possible.

The acquisition-related costs of thous. EUR 361 were recorded as expense in the financial year and reported under administrative expenses in the consolidated income statement.

Sales and profit before tax for the time the business belonged to the Group and division in the financial year 2017 amounted to thous. EUR 3,920 and thous. EUR -1,699. Profit before tax was burdened by a non-recurring effect amounting to thous. EUR 475, which results from the valuation of inventory performed in the course of the purchase price allocation and was recognized in the fourth quarter as cost of sales. The pro forma disclosures in respect of the contribution of the business to the Group's sales and the Group's profit before tax if the acquisition would have occurred at January 1, 2017 cannot be reliably determined as the acquired part of the business was an integral part of a local group of companies and for this part no separate determination of earnings was carried out.

Other changes

In April 2017, the division MM Packaging incorporated 100 % of its interest in TEC MMP SARL, Sfax, Tunisia and MM Packaging Tunisie S.A.R.L., Tunis, Tunisia into the Société Tunisienne des Emballages Modernes (STEM), Tunis, Tunisia in exchange for a capital increase and an interest of 45 % in a thus created associated company. The deconsolidation of the two entities results in a loss of thous. EUR 2,283 that derives from the reclassification of accumulated foreign currency translation from other comprehensive income to the income statement recorded under "other financial result – net". The addition of the participation in STEM in the amount of thous. EUR 3,628 exceeds the disposed net assets and results in an income of thous. EUR 90 that is accounted for in "other operating income". STEM represents an associated company and is accounted for using the equity method. As of December 31, 2017, STEM is reported under "Investments in associated companies, securities and other financial assets" with an amount of thous. EUR 3,175.

In December 2017, MM Packaging Malaysia SDN. BHD., Kuala Lumpur, Malaysia was deconsolidated in the course of the liquidation process. The deconsolidation results in a loss of thous. EUR 321 that derives from the reclassification of accumulated foreign currency translation from other comprehensive income to the income statement recorded under "other financial result – net".

Additionally, there were further insignificant changes in individual subsidiaries (see note 33).

b —— Changes in 2016

In May 2016, the division MM Karton increased its majority interest in the Malaysian cartonboard trader Firgos (Malaysia) SND BHD, located in Kuala Lumpur, to 100 % for a price of thous. EUR 6,921, for which a purchase price liability in amount of thous. EUR 6,859 was recognized. As a consequence, an expense amounting to thous. EUR 62 was recognized in "other financial result – net". A difference of thous. EUR 1,266 resulting from this transaction was reported in equity.

6 — DEVELOPMENT OF FIXED ASSETS

a — Property, plant and equipment

Property, plant and equipment
Property, plant and equipment are recognized at acquisition or manufacturing 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	3 – 20 years
Other equipment, fixtures and fittings	3 – 20 years

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

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

Development of property, plant and equipment 2017

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	Construction in progress	**Property, plant and equipment**
ACQUISITION OR MANUFACTURING COSTS:					
Balance at Jan. 1, 2017	**524,917**	**1,543,945**	**161,212**	**68,303**	**2,298,377**
Effect of exchange rate changes	(5,855)	(16,044)	(1,552)	(1,142)	(24,593)
Changes in consolidated companies	3,387	4,505	40	0	7,932
Additions	10,551	61,343	10,113	84,617	166,624
Disposals	(376)	(22,190)	(2,460)	0	(25,026)
Reclassifications	8,039	44,489	2,496	(55,054)	(30)
Balance at Dec. 31, 2017	**540,663**	**1,616,048**	**169,849**	**96,724**	**2,423,284**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
Balance at Jan. 1, 2017	**248,340**	**1,135,800**	**121,670**	**(83)**	**1,505,727**
Effect of exchange rate changes	(1,509)	(8,294)	(980)	1	(10,782)
Disposals	(125)	(21,647)	(2,140)	0	(23,912)
Depreciation/amortization expense for the year	13,628	69,045	10,945	0	93,618
Reclassifications	809	(881)	(177)	7	(242)
Balance at Dec. 31, 2017	**261,143**	**1,174,023**	**129,318**	**(75)**	**1,564,409**
NET BOOK VALUE:					
Net book value at Dec. 31, 2017	**279,520**	**442,025**	**40,531**	**96,799**	**858,875**
Net book value at Dec. 31, 2016	**276,577**	**408,145**	**39,542**	**68,386**	**792,650**

Development of property, plant and equipment 2016

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	Construction in progress	**Property, plant and equipment**
ACQUISITION OR MANUFACTURING COSTS:					
Balance at Jan. 1, 2016	**522,947**	**1,498,075**	**157,541**	**33,175**	**2,211,738**
Effect of exchange rate changes	1,248	(4,569)	864	(356)	(2,813)
Additions	3,809	29,777	7,486	90,892	131,964
Disposals	(2,556)	(22,112)	(6,951)	(30)	(31,649)
Reclassifications	(531)	42,774	2,272	(55,378)	(10,863)
Balance at Dec. 31, 2016	**524,917**	**1,543,945**	**161,212**	**68,303**	**2,298,377**
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
Balance at Jan. 1, 2016	**237,595**	**1,097,457**	**117,125**	**(79)**	**1,452,098**
Effect of exchange rate changes	276	(3,836)	570	(3)	(2,993)
Disposals	(1,132)	(21,146)	(6,770)	0	(29,048)
Depreciation/amortization expense for the year	13,581	68,080	11,005	0	92,666
Reclassifications	(1,980)	(4,755)	(260)	(1)	(6,996)
Balance at Dec. 31, 2016	**248,340**	**1,135,800**	**121,670**	**(83)**	**1,505,727**
NET BOOK VALUE:					
Net book value at Dec. 31, 2016	**276,577**	**408,145**	**39,542**	**68,386**	**792,650**
Net book value at Dec. 31, 2015	**285,352**	**400,618**	**40,416**	**33,254**	**759,640**

b — Intangible assets including goodwill

Acquired intangible assets which are determined to have a finite useful life are capitalized at acquisition cost and amortized on a straight-line basis over their estimated useful lives ranging from five to ten years. Amortization of intangible assets is recognized based on the nature of intangible assets in cost of sales, selling and distribution as well as administrative expenses.

Development of intangible assets including goodwill 2017

(in thousands of EUR)	Concessions, licenses and similar rights	Goodwill	Other intangible assets	**Intangible assets including goodwill**
ACQUISITION OR MANUFACTURING COSTS:				
Balance at Jan. 1, 2017	**56,326**	**118,981**	**32,966**	**208,273**
Effect of exchange rate changes	(50)	(2,255)	(1,457)	(3,762)
Changes in consolidated companies	562	0	3,396	3,958
Additions	1,459	0	0	1,459
Disposals	(125)	0	0	(125)
Reclassifications	173	0	0	173
Balance at Dec. 31, 2017	**58,345**	**116,726**	**34,905**	**209,976**
ACCUMULATED AMORTIZATION AND IMPAIRMENT:				
Balance at Jan. 1, 2017	**48,927**	**9,044**	**21,095**	**79,066**
Effect of exchange rate changes	(44)	5	(1,326)	(1,365)
Disposals	(125)	0	0	(125)
Amortization expense for the year	2,905	0	3,169	6,074
Reclassifications	63	0	0	63
Balance at Dec. 31, 2017	**51,726**	**9,049**	**22,938**	**83,713**
NET BOOK VALUE:				
Net book value at Dec. 31, 2017	**6,619**	**107,677**	**11,967**	**126,263**
Net book value at Dec. 31, 2016	**7,399**	**109,937**	**11,871**	**129,207**

Development of intangible assets including goodwill 2016

(in thousands of EUR)	Concessions, licenses and similar rights	Goodwill	Other intangible assets	**Intangible assets including goodwill**
ACQUISITION OR MANUFACTURING COSTS:				
Balance at Jan. 1, 2016	**55,941**	**118,339**	**31,827**	**206,107**
Effect of exchange rate changes	(21)	912	1,139	2,030
Additions	2,991	0	0	2,991
Disposals	(2,607)	0	0	(2,607)
Reclassifications	22	(270)	0	(248)
Balance at Dec. 31, 2016	**56,326**	**118,981**	**32,966**	**208,273**
ACCUMULATED AMORTIZATION AND IMPAIRMENT:				
Balance at Jan. 1, 2016	**48,242**	**9,048**	**17,429**	**74,719**
Effect of exchange rate changes	(13)	(4)	650	633
Disposals	(2,607)	0	0	(2,607)
Amortization expense for the year	3,383	0	3,016	6,399
Reclassifications	(78)	0	0	(78)
Balance at Dec. 31, 2016	**48,927**	**9,044**	**21,095**	**79,066**
NET BOOK VALUE:				
Net book value at Dec. 31, 2016	**7,399**	**109,937**	**11,871**	**129,207**
Net book value at Dec. 31, 2015	**7,699**	**109,291**	**14,398**	**131,388**

In the financial year 2017, the depreciation and amortization expense recorded on "Property, plant and equipment" and "Intangible assets including goodwill" amounted to thous. EUR 99,692 (2016: thous. EUR 99,065). The amortization of the position "Intangible assets" is recorded mainly for assets related to customer relationships, and is included in selling and distribution expenses as well as for software licences which are recognized in cost of sales, selling and distribution as well as administration expenses.

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

c — Recoverability of non-current assets

A recoverability evaluation of non-current assets is performed as soon as events have occurred or circumstances have changed, indicating that the carrying amount of an asset or a group of assets could exceed its recoverable amount. In such a case, the carrying amount of the asset or the group of assets is compared to the higher of fair value less costs to sell or its present value of estimated future cash flows from use of the asset. If the reason for an impairment no longer exists, a reversal has to be conducted.

Goodwill

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

Goodwill allocation

Goodwill within the Group is monitored for internal management purposes at the level of the operating segments MM Karton and MM Packaging. Therefore the impairment test is carried out at this organizational level. Goodwill is allocated to the segments as follows:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Goodwill MM Karton	4,573	4,630
Goodwill MM Packaging	103,104	105,307
Goodwill Group	**107,677**	**109,937**

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

Calculation of value in use

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

Discount rate	The discount rate represents the weighted average cost of capital (WACC) of the Group before taxes and for the current financial year it equals 12.07 % (2016: 8.47 %) for the segment MM Karton and 14.43 % (2016: 10.87 %) for the segment MM Packaging. Cost of equity is derived from a general risk premium for which the Group's specific risk premium is taken into consideration by applying the beta factor as well as country-specific risk indicators. The beta factor and cost of debt are derived from Peer-Group capital market information.
The detailed forecast period	The detailed forecast period is five years (2016: five years). The last planned year is also used for the cash flow calculation hereafter and modified using further assumptions for the terminal value.
Growth rate	For the Free Cash Flows after the five year detailed forecast period a continuous growth rate of 1.5 % p. a. (2016: 1.5 % p. a.) is considered.
Gross margin/Cost development	Based on the expectation of the Company, a stable gross margin and fixed cost development is assumed.

If, using this procedure and these underlying assumptions, it is determined that the recoverable amount (value in use) is lower than the respective book value of the cash generating operating segment including the respective goodwill assigned, the difference is recorded as impairment. The fair value less cost to sell should be calculated at first in case of impairment.

Underlying assumptions sensitivity

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

The respective pre-tax discount rate according to which the value in use would equal the book value as of December 31, 2017 is 16.67 % (December 31, 2016: 12.86 %) for the operating segment MM Karton and 19.04 % (December 31, 2016: 20.10 %) for the operating segment MM Packaging.

A decrease in free cash flows by 5.0 % points or in growth rate by 0.5 % points would not have led to any impairment either as of December 31, 2017 or as of December 31, 2016 for both operating segments.

As of December 31, 2017, the Group's market capitalization amounted to thous. EUR 2,450,000 (December 31, 2016: thous. EUR 2,014,000), and the book value of equity amounted to thous. EUR 1,318,590 (December 31, 2016: thous. EUR 1,259,162).

The Group has conducted its annual impairment test as of December 31, 2017 and December 31, 2016. Neither in 2017 nor in 2016 an impairment on goodwill was recognized on this basis.

7 — FINANCIAL INSTRUMENTS DISCLOSURES

a — Classification and measurement of financial instruments

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

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

Financial assets are classified and measured as follows:

Category	Measurement
At fair value through profit or loss, e.g. derivatives	At fair value through profit or loss
Held-to-maturity investments, e.g. bonds	At amortized cost
Available-for-sale financial assets, e.g. available-for-sale securities	At fair value through other comprehensive income
Loans and receivables, e.g. trade receivables, loans	At amortized cost

Assets measured at their fair value through profit and loss are financial assets held for trading. A financial asset will be classified in this category if it is purchased with the intention to be sold in the short-term. Derivative financial instruments are also included in this category, unless they are used as hedging instruments.

Financial assets are classified as held-to-maturity investments if they feature fixed maturity dates and repayment is not at risk and if the Group is able and intends to hold them to maturity.

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in an active market.

Financial assets that do not fulfill the requirements for classification as assets measured at fair value through profit and loss nor as held-to-maturity nor as loans and receivables are classified as available-for-sale financial assets.

Financial assets not classified as "at fair value through profit and loss" are initially measured at their fair value plus transaction costs. Financial assets classified in this category are at first measured at their fair value; associated transaction costs are directly recognized in profit and loss. These financial assets are derecognized when all the rights for payment are transferred or expired and the Group has transferred considerable risks and rewards associated with ownership.

Financial assets are assessed at the end of each reporting period to determine whether there is an objective evidence of impairment. A financial asset or a group of financial assets should be impaired only as a consequence of one or more events which have occurred after the initial recognition of the assets ("loss event"), if objective evidence of impairment exists and if this loss event (or events) has (or have) a reliably measurable impact on the future expected cash flows related to these financial assets or group of financial assets.

Objective events are, for example, significant financial difficulties of the debtor or issuer, breach of agreement, such as default or a past-due event, or the disappearance of an active market. In case of equity instruments classified as available-for-sale financial assets, a material or continuous fall of their fair value below their acquisition costs is an indicator of impairment.

In the category "loans and receivables", credit loss will be measured as a difference between the carrying amount of an asset and the present value of the expected future cash flows (excluding future credit losses that have not been incurred) discounted with the original effective interest rate of the financial asset. The carrying amount of the asset will be reduced and the loss will be recognized through profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases due to an event occurring after the impairment was initially recognized (for example better rating), the impairment loss is reversed through profit or loss.

If there is objective evidence of impairment of "available-for-sale" instruments, the cumulative loss measured as difference between amortized costs and current fair value less the amount of the previous impairment loss relating to this financial asset will be derecognized from equity and recognized through profit or loss. Once the impairment of available-for-sale equity instruments is recognized through profit and loss, it cannot be reversed through profit or loss anymore. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale financial asset increases due to an event occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through profit or loss.

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

Financial liabilities are classified and measured as follows:

Category	**Measurement**
At fair value through profit or loss, e. g. derivatives	At fair value through profit or loss
Other financial liabilities, e. g. financial liabilities, trade liabilities	At amortized cost

Financial liabilities measured at fair value through profit and loss are at first recorded at their fair value; transaction costs are directly recognized in profit and loss. Other financial liabilities are recorded at their fair value net of transaction costs. Subsequently, financial liabilities are evaluated in subsequent periods either at amortized costs, using the effective interest method, or at their fair value in profit and loss.

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

	Financial assets measured at fair value through profit and loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	**Total**
	At fair value	**At cost**	**At amortized cost**		
(in thousands of EUR)	**Carrying amount at Dec. 31, 2017**				
Securities and other financial assets[1)]	0	1,698	1,223	1,333	4,254
Trade receivables	0	0	0	386,200	386,200
Other receivables and assets, including derivatives	2,063	0	1,559	12,527	16,149
Cash and cash equivalents	0	0	0	197,910	197,910
Total	**2,063**	**1,698**	**2,782**	**597,970**	**604,513**
	Carrying amount at Dec. 31, 2016				
Securities and other financial assets[1)]	0	1,699	1,989	1,397	5,085
Trade receivables	0	0	0	362,410	362,410
Other receivables and assets, including derivatives	496	0	550	8,482	9,528
Cash and cash equivalents	0	0	0	251,138	251,138
Total	**496**	**1,699**	**2,539**	**623,427**	**628,161**

[1)] For measurement of "other financial assets" classified as "available-for-sale financial assets", see note 7f.

The following table presents in which category the financial liabilities included in the balance sheet are recognized and by which method these financial instruments are measured:

	Financial liabilities measured at fair value through profit and loss	Other financial liabilities	**Total**
	At fair value	**At amortized cost**	
(in thousands of EUR)	**Carrying amount at Dec. 31, 2017**		
Interest-bearing financial liabilities incl. finance lease	0	212,468	212,468
Trade liabilities	0	218,533	218,533
Other liabilities, including derivatives	995	7,400	8,395
Total	**995**	**438,401**	**439,396**
	Carrying amount at Dec. 31, 2016		
Interest-bearing financial liabilities incl. finance lease	0	260,900	260,900
Trade liabilities	0	192,648	192,648
Other liabilities, including derivatives	961	6,780	7,741
Total	**961**	**460,328**	**461,289**

The following table presents the types of income and expenses from financial assets assigned to categories and measurement methods:

	Financial assets measured at fair value through profit and loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	**Total**
	At fair value	**At cost**	**At amortized cost**		
(in thousands of EUR)	**Income and expense 2017**				
In profit for the year	**1,567**	**617**	**35**	**2,302**	**4,521**
Interests/Dividends received	0	618	35	1,913	2,566
Fair value/Carrying amount changes	1,567	(1)	0	389	1,955
Thereof impairment	*0*	*0*	*0*	*389*	*389*
In other comprehensive income	**0**	**0**	**0**	**0**	**0**
Change in fair value	0	0	0	0	0
Net profit/loss	**1,567**	**617**	**35**	**2,302**	**4,521**
	Income and expense 2016				
In profit for the year	**(829)**	**741**	**41**	**3,116**	**3,069**
Interests/Dividends received	0	741	41	3,042	3,824
Fair value/Carrying amount changes	(829)	0	0	74	(755)
Thereof impairment	*0*	*0*	*0*	*74*	*74*
In other comprehensive income	**0**	**0**	**0**	**0**	**0**
Change in fair value	0	0	0	0	0
Net profit/loss	**(829)**	**741**	**41**	**3,116**	**3,069**

The following table presents the types of income and expenses from financial liabilities assigned to categories and measurement methods:

	Financial liabilities measured at fair value through profit and loss	Other financial liabilities	**Total**
	At fair value	**At amortized cost**	
(in thousands of EUR)	**Income and expense 2017**		
In profit for the year	**(34)**	**(6,185)**	**(6,219)**
Interests	0	(6,185)	(6,185)
Fair value/Carrying amount changes	(34)	0	(34)
Net profit/loss	**(34)**	**(6,185)**	**(6,219)**
	Income and expense 2016		
In profit for the year	**139**	**(6,202)**	**(6,063)**
Interests	0	(6,123)	(6,123)
Fair value/Carrying amount changes	139	(79)	60
Net profit/loss	**139**	**(6,202)**	**(6,063)**

b — Derivatives

The Group recognizes derivative financial instruments as financial assets or liabilities measured at their fair value. These hedging relationships established to secure cash flows or fair values related to single underlying transactions reduce the currency risk in the Group.

Thereby foreign exchange forward, swap and option contracts are used in order to mitigate the short-term effects of exchange rate fluctuations.

The most important foreign currencies for which the Group protects itself against fluctuation effects are the British Pound, the US Dollar as well as the Euro for the companies with functional currencies other than the Euro. The changes in fair values of these derivatives are recognized in "Foreign currency exchange rate gains (losses) – net" (see note 27). The settlement of these transactions and the trade are generally effected by Corporate Treasury.

As of December 31, 2017, the Group had concluded foreign exchange forward, swap and option contracts with a nominal value of receivables of thous. EUR 170,504 (December 31, 2016: thous. EUR 151,121) and liabilities of thous. EUR 169,264 (December 31, 2016: thous. EUR 151,673) with a positive total market value of thous. EUR 1,068 (December 31, 2016: negative total market value of thous. EUR 465).

The derivative financial instruments are recorded in the consolidated balance sheet under "Prepaid expenses, securities and other current assets" as current assets in the amount of thous. EUR 2,063 (December 31, 2016: thous. EUR 496) and under "Deferred income and other current liabilities" as current liabilities in the amount of thous. EUR 995 (December 31, 2016: thous. EUR 961).

c — Financial Risk Management

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

Credit and default 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 in the Group by credit risk insurance as well as by bank guarantees and letters of credit. The criteria to be applied for credit ratings are based on contractual agreements with credit insurance institutions and are defined by internal guidelines.

The credit and default risks are continuously monitored; existing and identifiable risks are provided for by recording appropriate allowances or provisions. For the assessment of the overall risk, existing insurance coverage, possible guarantees, and letters of credit are taken into consideration. Financial instruments which may cause a concentration of financial risks within the Group in certain cases comprise primarily cash and cash equivalents, securities, and trade receivables. Trade receivables derive from a broad and diversified group of customers with different credit ratings. The financial risk arising from customers is monitored by ongoing credit rating assessments. Additionally, the Group concludes credit insurance contracts in order to cover certain potentially non-collectible receivables. Furthermore, the Group forms allowances based on the expected collectability of the total receivables volume. If trade accounts receivables are insured against default and if an allowance becomes necessary, only the amount not covered by insurance is to be recognized. The Group reports single or lump-sum allowances. The latter is only permissible when the need for allowance can be proven, for example, by experience from the past. As a result of the broad and diversified customer base and the existing credit insurance contracts, there is no concentrated risk of default. There are mainly trade receivables against customers with credit insurance and customers with very good creditworthiness; accordingly, bad debt losses were insignificant in the past.

The Group also uses foreign exchange forward, swap and option contracts. All the respective contract partners are renowned international financial institutions with which the Group has ongoing business relations. Therefore, the Group considers the risk of non-fulfillment by a contract partner and the related risk of loss as low.

Money market investments are concluded with corporate banks with investment-grade ratings.

The carrying amounts of financial assets reflect the theoretical maximum default risk.

Liquidity risk

The liquidity risk is referred to as the risk of having to raise the required funds at any time in order to settle the amounts payable in due course. The Group's financing policy is oriented towards long-term financial planning and is managed centrally and monitored constantly. Based on well-timed liquidity management, sufficient liquidity of all the Group's subsidiaries is provided for by the availability of adequate cash and cash equivalents as well as credit lines. The companies of the MM Group are financed mostly internally. Consequently, inter-company credit lines and a cash-pooling system with financial limits are available. Liquidity risk is thus assessed as low.

The following table shows the financial liabilities arising from interest-bearing financial liabilities including finance lease, trade liabilities and liabilities arising from derivative financial instruments and interests for interest-bearing financial liabilities including finance lease based on the remaining maturity as of the balance sheet date or referred to the contractually agreed maturity.

(in thousands of EUR)	Up to 3 months	3 months to 1 year	1-2 years	2-5 years	More than 5 years
Balance at Dec. 31, 2017					
Interest-bearing financial liabilities incl. finance lease	3,996	16,582	20,785	21,105	150,000
Interests for interest-bearing financial liabilities incl. finance lease	207	3,331	3,280	9,439	8,731
Trade liabilities	217,672	861	0	0	0
Payment obligations from derivative financial instruments	130,962	38,302	0	0	0
Payment entitlements for derivative financial instruments	(132,291)	(38,213)	0	0	0
Balance at Dec. 31, 2016					
Interest-bearing financial liabilities incl. finance lease	1,708	47,195	20,770	21,227	170,000
Interests for interest-bearing financial liabilities incl. finance lease	309	3,599	3,599	9,623	11,779
Trade liabilities	188,588	4,060	0	0	0
Payment obligations from derivative financial instruments	141,519	10,154	0	0	0
Payment entitlements for derivative financial instruments	(141,221)	(9,900)	0	0	0

Currency risk

The currency risk represents the risk arising from changes in the value of financial instruments due to exchange rates fluctuations. This risk exists when business transactions are processed in currencies other than the functional (local) currency of the Company. This is particularly the case for business relations to customers and suppliers in the British Pound, the US Dollar and the Euro, from the perspective of companies which do not have the Euro as their functional currency. The respective currency risks are, as far as possible, reduced by matching business transactions in similar currencies and by price adjustment mechanisms in longer-term agreements as well as foreign exchange forward, swap and option contracts.

Provided that currencies related to current and non-current financial receivables and financial liabilities as of December 31, 2017 (December 31, 2016) stated below changed by the below-stated percentage ("Volatility"), assuming that all other variables remained constant, the profit for the year and hence equity would have increased or decreased by the following values.

		Impact on profit for the year and equity in thousands of EUR	
Currency	**Volatility**	**2017**	**2016**
EUR[1]	+/- 5 %	-/+ 85	-/+ 81
GBP	+/- 5 %	+/- 80	+/- 184
USD	+/- 5 %	-/+ 83	+/- 207

[1] From the perspective of companies which do not have the Euro as functional currency.

Interest rate risk

The interest rate risk is referred to as the risk arising from changes in the market interest rates, which can result in value fluctuation of balance sheet items or fluctuation in cash flows. For balance sheet items with fixed interest the risk consists mainly in fluctuations in value (price risk); when the market interest rate changes, the (present) value of financial instruments with fixed interest payments changes as well. Due to these value fluctuations, profit or loss can arise; these are particularly realized when the financial instrument is sold before maturity. For balance sheet items with a variable interest rate, there is mainly the risk of fluctuating cash flows. In case the market interest rate changes, the amount of interest receivable or payable from financial instruments with variable interest payments changes as well. Such changes would alter the ongoing interest payments and thus also interest income and expense. As of December 31, 2017, the Group is financed via financial liabilities with variable as well as fixed interest rates and holds almost only financial assets with variable interest rates.

If the interest rates as of December 31, 2017 (December 31, 2016) had been higher or lower by ten basis points (i. e. 0.1 %), assuming that all other variables remained constant, the profit for the year and hence equity would have increased or decreased for the whole year as follows:

	Change in interest rate	Impact on profit for the year and equity in thousands of EUR	
		2017	2016
Financial assets with variable interest	+/- 0.1 %	+/- 48	+/- 111
Financial liabilities with variable interest	+/- 0.1 %	-/+ 100	-/+ 147

d — Capital management

Capital employed includes the equity of the Group and interest-bearing financial liabilities less cash and cash equivalents.

Capital management aims at ensuring an equity to total assets ratio that is appropriate for the long-term economic development of the Group, taking into consideration a continuous dividend policy.

Equity and total assets as of December 31, 2017 and December 31, 2016 amounted to:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Total equity	1,318,590	1,259,162
Total assets	2,013,406	1,981,897
Total equity to total assets	65.5 %	63.5 %

The aim of capital management to achieve a total equity to total assets ratio ranging from 50 % to 70 % remains unchanged in comparison to the previous year. The Company fulfills legal and statutory minimum capital requirements. The Mayr-Melnhof Karton AG is subject to the minimum capital requirements of the Austrian Stock Corporation Act. The Articles of Association do not stipulate capital requirements.

There are financial covenants partly agreed on with lenders for the interest-bearing financial liabilities. The financial covenants are mainly related to the total equity to total assets ratio and the net debt to EBITDA ratio. All of these clauses were complied with in the financial year.

e — Measurement at fair value

The amounts of financial assets and financial liabilities which are recognized at fair value are as follows:

	Level 2	
(in thousands of EUR)	**Dec. 31, 2017**	**Dec. 31, 2016**
Financial assets:		
Derivative financial instruments	2,063	496
Financial liabilities:		
Derivative financial instruments	995	961

Measurement methods

The Group applies the following hierarchy to determine the measurement method and to identify the fair value of financial instruments, depending on the availability of information about market prices:

Availability of information, sorted by level	Measurement method used
Level 2 – Quoted market prices for identical instruments are not available, but all necessary measurement inputs can be derived from active markets	Measurement based on measurement method using directly or indirectly observable market data

The fair value of derivative financial instruments (Level 2 measurement) is mostly determined on the basis of spot prices as of the balance sheet date, taking into account forward premiums or discounts with relevant maturity.

In general, there are also financial instruments measured at fair value based on the prices quoted on active markets (Level 1 measurement) or using parameters for which no observable market data exist (Level 3 measurement). There are currently no financial instruments for which this measurement method would be applicable in the Group.

f — Measurement at amortized cost

The amounts reported in the consolidated balance sheets for trade receivables, held-to-maturity securities measured at amortized cost, cash and cash equivalents as well as financial liabilities, except for fixed-interest-bearing financial liabilities, represent a proper approximation to the fair value. The fair value of fixed-interest-bearing financial liabilities totals thous. EUR 113,531 as of December 31, 2017 (December 31, 2016: thous. EUR 115,975). The calculation is based on the present value of future cash flows discounted by the currently observable interest curve (Level 2).

As of December 31, 2017, other financial assets classified as "available-for-sale financial assets" include investments in unconsolidated companies in the amount of thous. EUR 1,698 (December 31, 2016: thous. EUR 1,699). There is no active market for these investments. As the related future cash flows cannot be reliably determined, the market value based on valuation models is not measurable. The investments in the respective companies are thus recognized at amortized cost. In general, there is no intention to sell these equity shares. No significant derecognition or valuation results were recorded.

8 — INVESTMENTS IN ASSOCIATED COMPANIES, SECURITIES, AND OTHER FINANCIAL ASSETS

Investments in associated companies

Investments in companies in which the Group has the ability to exercise significant influence, but no dominant control over its operating and financial policy are accounted for using the equity method and are primarily recognized at their acquisition costs. This is generally the case when the voting interest is between 20 % and 50 %. All other investments which are not measured using the equity method are accounted for at their fair value. If there is no active market for these investments and the fair value cannot be reliably determined at reasonable effort, they are assessed at their acquisition costs less impairment.

Securities

The Group classifies its securities as "held-to-maturity investments". These are recognized by applying the effective interest rate method at amortized cost. Premiums and accretions of discount of debt securities are allocated over their maturity period and are included in the income statement in the positions "financial income" or "financial expenses".

Securities are to be classified as non-current if they are not going to be sold or not intended to be sold within 12 months of the balance sheet date. Otherwise, they must be classified as current.

Other financial assets

Other financial assets comprise other investments, loans and other financial investments. Other investments are defined as part of the category "available-for-sale financial assets", but, in general, these investments are recognized at amortized cost net of allowances, as no active market exists for these investments and the respective fair values cannot be reliably measured undertaking an economically justifiable effort. If there is an indication of lower fair value, such value is recorded.

The carrying amounts of investments in associated companies, long-term securities and other financial assets consist of:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Investments in associated companies	3,307	132
Long-term securities	1,223	1,989
Other investments	1,566	1,567
Liability insurance not pledged to beneficiaries	1,333	1,397
Investments in associated companies, securities and other financial assets	**7,429**	**5,085**

The short-term and long-term securities of the Group comprise debt securities and other fixed-interest-bearing securities with a book value of thous. EUR 2,782 (December 31, 2016: thous. EUR 2,539).

The Group holds shares in Société Tunisienne des Emballages Modernes (STEM), Tunis, Tunisia (see notes 5 and 33). The shares in this company represent an individually immaterial associated company that is accounted for using the equity method. The following table summarizes the financial information:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Share of profit for the year (= total comprehensive income)	453	0

9 —— INCOME TAXES

Income taxes are recognized in profit and loss unless they are associated with positions directly recognized in equity or other comprehensive income of total comprehensive income. In this case, income taxes are also recorded in equity or other comprehensive income of total comprehensive income.

Current tax expense of the period comprises current and deferred taxes and is recognized according to the tax regulations of the countries in which the subsidiaries are active and obtain their taxable income.

Deferred tax assets and liabilities are recognized for all temporary differences between tax and the consolidated balance sheet. Deferred taxes are evaluated using the tax rates which are already in force on the balance sheet date or which have essentially been legally adopted and which are expected to be valid at the time of realization of the deferred tax asset or the settlement of deferred tax liability. Deferred tax assets are recognized only if there is a probability that sufficient taxable profit will be available for utilization of the deductible temporary differences. Unrecognized deferred tax entitlements are reassessed on each balance sheet date. If losses are incurred in the current period or have been incurred in the previous period, deferred taxes are only recognized in case of objective evidence of a future taxable result, as, for example, following an internal reorganization of subsidiaries.

Deferred tax liabilities arising from temporary differences related to investments in subsidiaries and associated companies are recognized unless the Group is able to control the date of reversal and it is probable that these temporary differences will not be reversed in the foreseeable future due to this influence. This is the case for dividends within the Group, for example.

Deferred tax assets will be offset with deferred tax liabilities only if the entity has the legal right to settle on a net basis, if they are related to income taxes and if they are levied by the same tax authority on the same taxable entity or different taxable entities that intend to realize the asset and settle the liability at the same time.

The effect of tax rate changes on deferred tax assets and liabilities is recognized as income tax expense or in the consolidated comprehensive income statement in the period of a tax rate change. In case of a distribution of retained earnings of certain subsidiaries, the tax burden may increase under applicable country-specific tax laws and existing double-taxation treaties, for which in some cases a deferred tax liability will be formed.

a — Deferred taxes recognized in the balance sheet

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

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	2,532	3,425
Property, plant and equipment	8,308	7,025
Inventories	6,007	5,525
Defined benefit plans and other liabilities and charges	21,337	22,789
Loans receivable, investments and financial assets	1,298	1,642
Loss carryforwards	14,311	16,962
Other	2,921	3,259
Gross deferred tax assets	**56,714**	**60,627**
Unrecognized deferred tax assets	(10,758)	(11,372)
Net deferred tax assets	**45,956**	**49,255**
Offset	(25,381)	(22,052)
Deferred tax assets in the balance sheet	**20,575**	**27,203**
Intangible assets	(4,710)	(5,608)
Property, plant and equipment	(12,213)	(12,898)
Inventories	(1,184)	(1,129)
Defined benefit plans and other liabilities and charges	(9,716)	(5,686)
Loans receivable, investments and financial assets	(4,129)	(3,703)
Other	(7,803)	(9,767)
Net deferred tax liabilities	**(39,755)**	**(38,791)**
Offset	25,381	22,052
Deferred tax liabilities in the balance sheet	**(14,374)**	**(16,739)**

The unrecognized deferred tax assets in the amount of thous. EUR 10,758 (December 31, 2016: thous. EUR 11,372) comprise thous. EUR 9,121 (December 31, 2016: thous. EUR 9,287) of unrecognized loss carryforwards.

The following table shows the expected realization of deferred tax assets and liabilities:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Deferred tax assets, realized within 12 months	12,492	9,450
Deferred tax assets, realized after 12 months	33,464	39,805
Deferred tax assets	**45,956**	**49,255**
Deferred tax liabilities, realized within 12 months	(6,055)	(5,602)
Deferred tax liabilities, realized after 12 months	(33,700)	(33,189)
Deferred tax liabilities	**(39,755)**	**(38,791)**

Deferred tax liabilities which result from the difference between the tax carrying amount of investments in subsidiaries and pro-rata equity (Outside-Basis-Differences) were not recognized for certain subsidiaries, as a distribution of these retained earnings is not intended because the respective profits will be reinvested or remain tax-free in the foreseeable future. These retained earnings amounted to thous. EUR 815,198 at December 31, 2017 (December 31, 2016: thous. EUR 827,164). For retained earnings which are intended for distribution, the valuation of deferred tax liabilities was adjusted according to the applicable capital gains and withholding taxes on profit distribution.

b — Tax loss carryforwards

An overview of the Group's tax loss carryforwards as of the respective balance sheet dates is presented below:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Loss carryforwards with expiration	19,910	7,032
Loss carryforwards with no expiration	38,433	61,979
Loss carryforwards	**58,343**	**69,011**

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Recognized loss carryforwards	20,577	30,038
Unrecognized loss carryforwards	37,766	38,973
Loss carryforwards	**58,343**	**69,011**

The loss carryforwards limited in time will expire between 2019 and 2023 unless they are utilized before that.

The assessment of the recognition of loss carryforwards showed that for thous. EUR 20,577 (December 31, 2016: thous. EUR 30,038), deferred tax assets amounting to thous. EUR 5,190 (December 31, 2016: thous. EUR 7,675) were recognized. For the remaining amount of thous. EUR 37,766 (December 31, 2016: thous. EUR 38,973), deferred tax assets amounting to thous. EUR 9,121 (December 31, 2016: thous. EUR 9,287) were not recorded in the balance sheet. The expiry dates of this unrecognized loss carryforwards are as follows:

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
1 year	0	0
2 years	1,221	31
3 years	3,386	1,648
4 years	7,039	3,871
5 years	3,405	3
After 5 years	2,504	59
No expiration	20,211	33,361
Unrecognized loss carryforwards	**37,766**	**38,973**

c — "Income tax expense" recognized in the income statement

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

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Current taxes:		
Current period	48,622	51,479
Due to utilization of previously unrecognized loss carryforwards	(49)	(56)
Prior periods	(487)	483
Deferred taxes:		
Due to temporary differences	111	3,429
Due to tax loss carryforwards of the current period	(312)	0
Due to utilization of recognized loss carryforwards	2,520	800
Due to tax loss carryforwards of previous periods	0	(1,485)
Due to change of allowances	(60)	1,128
Due to tax rate changes	91	21
Income tax expense	**50,436**	**55,799**

d — Tax effects on "Other comprehensive income"

The amount of income taxes directly recognized in other comprehensive income is based on actuarial gains from defined benefit plans booked in 2017 amounting to thous. EUR 3,602 (2016: losses amounting to thous. EUR 16,424). Thereon deferred taxes amounting to thous. EUR 927 (2016: positive amount of thous. EUR 2,514) were recognized for the financial year 2017. As a result, actuarial gains from defined benefit plans after tax amounted to thous. EUR 2,675 (2016: losses of thous. EUR 13,910).

e — Group tax rate

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

(in %)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Applicable tax rate	**23.83 %**	**24.29 %**
Non-deductible expenses and tax-free income	(1.36 %)	(0.24 %)
Tax effect from unrecognized loss carryforwards of the financial year	1.62 %	1.31 %
Tax effect from the recognition of loss carryforwards of previous years	0.00 %	(0.85 %)
Tax effect from utilization of unrecognized loss carryforwards	0.00 %	(0.03 %)
Tax effect from change of deferred tax assets allowances	0.00 %	0.54 %
Tax effect from capital gains and withholding tax	1.13 %	0.67 %
Tax effect from tax rate changes	0.04 %	0.01 %
Non-periodic income tax expense or revenue (current and deferred)	(0.80 %)	1.04 %
Other effects	0.09 %	(0.07 %)
Effective tax rate	**24.55 %**	**26.67 %**

10 — INVENTORIES

Inventories are valued at the lower of acquisition or manufacturing costs and the net realizable value. The net realizable value is based on expected selling prices and takes into consideration remaining costs of completion as well as estimated selling and distribution expenses. In order to determine purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale, a weighted average price method, taking into consideration the sales market, is applied in the cartonboard division. In the packaging division, the purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale are basically recognized using the actual sequence of consumption (specific identification method). The value of raw materials, manufacturing and operating supplies recognized in the balance sheet is based on data from physical stocktaking or from the inventory management system. The devaluation of raw materials, manufacturing and operating supplies depends on each individual case.

Work in process and finished goods consist of direct costs, such as material and labor costs, and material and production overheads as well as administrative costs. Write-downs for slow moving and obsolete inventories are recognized considering the storage period and sales situation.

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Raw materials, manufacturing and operating supplies	186,788	177,604
Work in process	28,150	29,613
Finished goods and goods for resale	154,396	149,240
Total	**369,334**	**356,457**
Write-downs	(28,293)	(24,323)
Inventories – net	**341,041**	**332,134**

In the financial year 2017, write-downs of inventories recognized as an expense amounted to thous. EUR 9,825 (2016: thous. EUR 7,889), the reversal of write-downs as a result of changes in prices of inventories recognized as income amounted to thous. EUR 747 (2016: thous. EUR 328), both under cost of goods sold. The carrying amount of inventories carried at net realizable value amounted to thous. EUR 16,661 (2016: thous. EUR 17,588).

Cost of materials and purchased services recognized in cost of goods sold can be broken down as follows:

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Cost of materials	1,291,694	1,251,447
Cost of purchased services	36,954	29,391
Total	**1,328,648**	**1,280,838**

11 — TRADE RECEIVABLES

Receivables are accounted for at amortized cost, i.e. at par value less allowances, and are classified under the category "loans and receivables".

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Trade receivables	387,392	364,024
Allowances	(1,192)	(1,614)
Trade receivables – net	**386,200**	**362,410**

At December 31, 2017, the aging of trade receivables overdue but not impaired is as follows:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
up to 30 days overdue	6,222	6,396
31–60 days overdue	1,924	2,211
61–365 days overdue	2,429	2,474
more than 365 days overdue	41	32
Total of trade receivables overdue but not impaired	**10,616**	**11,113**

For an explanation of the criteria which were considered for the determination of the allowances please refer to the remarks on credit and default risk (see note 7).

Allowances for trade receivables developed as follows:

(in thousands of EUR)	2017	2016
Allowances at the beginning of the year	**1,614**	**1,972**
Effect of exchange rate changes	(21)	(38)
Changes in consolidated companies	105	0
Utilization	(117)	(245)
Reversal	(752)	(159)
Increase	363	84
Allowances at the end of the year	**1,192**	**1,614**

12 — PREPAID EXPENSES, SECURITIES, AND OTHER CURRENT ASSETS

Prepaid expenses, securities and other current assets are as follows:

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Value-added tax receivables	21,644	16,635
Other tax receivables	14,383	6,489
Payments on account	1,271	10,713
Escrow account for share acquisition[1]	0	10,344
Other receivables and other assets	18,437	22,913
Prepaid expenses	8,523	6,729
Prepaid expenses, securities and other current assets	**64,258**	**73,823**
Thereof financial assets	16,149	9,528
Thereof non-financial assets	48,109	64,295

[1] 2016: Payment of purchase price to an escrow account for the acquisition of the remaining share of 34.90 % of MM Packaging Vidon Limited Liability Company

13 — EQUITY

a — Share capital/additional paid-in capital

Ordinary shares are classified as equity.

As in the previous year, the fully-paid share capital of the Company amounts to thous. EUR 80,000 and comprises 20,000,000 approved and issued no-par value shares. One no-par value share grants a calculated share of EUR 4.00 in share capital. Each share participates equally in equity and grants the same rights and responsibilities, especially the entitlement to resolved dividends and the voting right at the Ordinary Shareholder's Meeting. There are neither any different share classes nor shares with special control rights.

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

b — Retained earnings/dividend

Retained earnings comprise accumulated results from previous years.

Due to the change of majority interests, a residual amount of thous. EUR 6,153 was recognized directly in equity in the financial year 2017, which decreased the retained earnings (2016: increase of retained earnings by thous. EUR 1,246).

Under Austrian Stock Corporation Act, the amount of dividend available for distribution to shareholders is based on the unappropriated retained earnings from the annual financial statements of Mayr-Melnhof Karton AG, determined in accordance with the Austrian Commercial Code. At December 31, 2017, the distributable unappropriated retained earnings amounted to thous. EUR 66,000 (December 31, 2016: thous. EUR 72,000).

Extract from the individual financial statements of Mayr-Melnhof Karton AG

(in thousands of EUR)	2017	2016
Unappropriated retained earnings at Jan. 1	**72,000**	**28,000**
Net profit of the Company for the year ended Dec. 31	53,879	68,701
Changes in reserves	121	(701)
Dividend paid	(60,000)	(24,000)
Unappropriated retained earnings at Dec. 31	**66,000**	**72,000**

For the year ended December 31, 2017, the Management Board of the Company has proposed a dividend of EUR 3.10 per voting share after EUR 3.00 for 2016, resulting in a dividend of thous. EUR 62,000 as of the balance sheet date 2017. The total dividend for 2016 amounting to thous. EUR 60,000 was paid out on schedule on May 9, 2017 (see consolidated statement of changes in equity).

c — Non-controlling (minority) interests

Non-controlling (minority) interests comprise the interest in equity and total profit for the year attributable to non-group shareholders' investments in subsidiaries of Mayr-Melnhof Karton AG. The non-controlling (minority) interests as of the acquisition date are presented as part of net assets (equity) of the respective entity or businesses and are adjusted in the following period taking into consideration profit or loss attributable to the shareholders, dividend paid as well as paid-in or paid-out capital.

The summarized information about the subsidiaries in which the Group holds non-controlling (minority) interests is stated below. The disclosures correspond to the amounts before intra-group eliminations. Further information about these subsidiaries can be found in note 33.

	Dec. 31, 2017		**Dec. 31, 2016**	
(in thousands EUR)	**MM Karton**	**MM Packaging**	**MM Karton**	**MM Packaging**
Non-current assets	378	42,559	367	57,483
Current assets	2,816	27,027	2,475	41,575
Non-current liabilities	531	30,292	487	31,000
Current liabilities	1,066	12,977	1,025	20,794
Net assets	**1,597**	**26,317**	**1,330**	**47,264**
Carrying amount of the non-controlling (minority) interests	**633**	**1,776**	**543**	**6,241**

	Year ended Dec. 31, 2017		**Year ended Dec. 31, 2016**	
Sales	5,097	49,371	36,688	58,870
Profit for the year	882	3,341	2,324	5,057
Thereof attributable to non-controlling (minority) interests	**286**	**176**	**421**	**(340)**
Total comprehensive income	1,169	1,564	2,224	3,243
Thereof attributable to non-controlling (minority) interests	**290**	**(41)**	**418**	**(396)**
Dividend paid to non-controlling (minority) interests	200	159	274	227
Net change in cash and cash equivalents	**0**	**(813)**	**(1,216)**	**(4,353)**

d — Other comprehensive income of the consolidated comprehensive income statement

Other reserves comprise certain changes directly recognized in equity. These are in particular differences arising from foreign currency translation as well as actuarial gains and losses arising from the defined benefit pension and severance obligations, the latter after considering deferred income taxes.

In 2017, profit and loss recognized in other comprehensive income consisted of foreign currency translations with a negative amount of thous. EUR 27,505 (2016: positive amount of thous. EUR 126) as well as actuarial gains in the amount of thous. EUR 3,602 (2016: losses of thous. EUR 16,424). Thereon deferred taxes in the amount of thous. EUR 927 (2016: positive amount of thous. EUR 2,514) were recognized for the financial year 2017.

14 — FINANCIAL LIABILITIES AND LEASES

Financial liabilities comprise interest-bearing financial liabilities including financial lease liabilities and are recognized at amortized cost under the category "other financial liabilities". This amount is calculated as initially paid out nominal value less redemption plus accrued interest.

a — Interest-bearing financial liabilities

At December 31, 2017, the Group had current interest-bearing loan facilities available in the amount of thous. EUR 9,506 (December 31, 2016: thous. EUR 1,598), of which thous. EUR 9,506 (December 31, 2016: thous. EUR 1,598) were used as of the balance sheet date. At December 31, 2017, the weighted average interest rates of these current credit lines used by subsidiaries outside the Euro participating countries was 11.475 % (December 31, 2016: 8.406 %). These credit line facilities are subject to normal banking terms and conditions.

At December 31, 2017 and December 31, 2016, interest-bearing financial liabilities comprised liabilities against banks and insurance companies. These financial liabilities at current interest rates can be summarized as follows:

(in thousands of EUR)	**Dec. 31, 2017**
0.530 % EUR loan(s) due 2018	10,000
8.500 % JOD loan(s) due 2018	294
0.761 % EUR loan(s) due 2019	20,000
8.500 % JOD loan(s) due 2019	294
8.500 % JOD loan(s) due 2020	295
0.761 % EUR loan(s) due 2022	20,000
1.864 % EUR loan(s) due 2024	80,000
0.761 % EUR loan(s) due 2025	20,000
2.673 % EUR loan(s) due 2026	50,000
Used credit lines	9,506
Interest-bearing financial liabilities	**210,389**
Thereof current interest-bearing financial liabilities	19,800
Thereof non-current interest-bearing financial liabilities	190,589

(in thousands of EUR)	**Dec. 31, 2016**
0.507 % EUR loan(s) due 2017	45,450
1.181 % EUR loan(s) due 2018	20,000
0.771 % EUR loan(s) due 2019	20,000
0.771 % EUR loan(s) due 2022	20,000
1.866 % EUR loan(s) due 2024	80,000
0.771 % EUR loan(s) due 2025	20,000
2.673 % EUR loan(s) due 2026	50,000
10.140 % COP loan(s) due 2017	79
Used credit lines	1,598
Interest-bearing financial liabilities	**257,127**
Thereof current interest-bearing financial liabilities	47,127
Thereof non-current interest-bearing financial liabilities	210,000

At December 31, 2017, the weighted average interest rate for these financial liabilities was 2.140 % (December 31, 2016: 1.517 %).

Of the interest-bearing financial liabilities, loans in the amount of thous. EUR 110,000 (December 31, 2016: thous. EUR 110,079) are subject to a fixed interest rate.

No collateral was provided in order to secure the financial liabilities described above. At December 31, 2017, the Group had unused credit lines available in the amount of thous. EUR 390,000 (December 31, 2016: thous. EUR 390,000).

As of December 31, 2017, the short-term revolving bank credits in an amount of thous. EUR 10,000 (December 31, 2016: thous. EUR 45,450) are included in the interest-bearing financial liabilities.

b — Leases

The Group is predominantly the lessee in lease transactions. If the Group substantially bears all the risks and rewards incidental to the ownership of an asset, thereby being considered as beneficial owner (“Finance Lease”), the asset is recognized under non-current assets at fair value or at the present value of the non-cancellable minimum lease payments and a lease liability is accrued in the respective amount. For all remaining lease transactions (“Operating Lease”), the lease-related payments are recognized as expenses over the relevant term of the lease.

Finance leases liabilities

At the balance sheet dates, the future minimum lease payments under non-cancellable finance lease obligations, due on December 31 of the following years, were as follows:

	Dec. 31, 2017			Dec. 31, 2016		
(in thousands of EUR)	Future minimum lease payments	Interests	Present value of minimum lease payments	Future minimum lease payments	Interests	Present value of minimum lease payments
Less than one year	884	106	778	1,912	127	1,785
Between one and five years	1,424	123	1,301	2,211	223	1,988
Total future minimum lease payments	**2,308**	**229**	**2,079**	**4,123**	**350**	**3,773**

At December 31, 2017, the Group had capitalized assets from finance lease agreements with the following book values: land and buildings thous. EUR 3,161 (December 31, 2016: thous. EUR 3,255) as well as technical equipment and machines thous. EUR 3,187 (December 31, 2016: thous. EUR 3,833).

Operating lease

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

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Less than one year	10,296	11,685
Between one and five years	29,831	33,144
More than five years	21,471	22,187
Total future minimum lease payments	**61,598**	**67,016**

The Group mainly rents and leases buildings, land, warehouses, offices, and other facilities. In the financial year 2017, the expenses relating to operating lease agreements amounted to thous. EUR 14,850 (2016: thous. EUR 11,025), thous. EUR 4,775 (2016: thous. EUR 2,229) thereof being attributable to contingent lease and rental payments. Contingent lease and rental payments mainly concern storage area that is leased depending on the amount of inventories to be stored.

15 — PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

Defined benefit pension obligations and other benefits related to severance obligations are valued actuarially in accordance with IAS 19 "Employee benefits" using the projected unit credit method. The present value of defined benefit obligations is calculated based on the years of service, the anticipated development of the employee's compensation as well as the enacted contractual and statutory pension revaluation requirements. The service cost is recognized in personnel cost; the net interest cost for the provisions is recognized in "other financial result - net". Actuarial gains and losses as well as gains from plan assets, excluding the amounts which are already included in the net interest on net liability, are recognized in other comprehensive income in the statement of comprehensive income in accordance with IAS 19.

Provisions for anniversary bonuses are valued actuarially for non-current obligations against employees related to the number of years of their service based on collective or plant bargaining agreements using the projected unit credit method. The service cost is recognized in personnel cost; the net interest cost for the provisions is recognized in "other financial result - net". Actuarial gains and losses are recognized in the income statement in accordance with IAS 19.

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

a — Development of provisions for non-current liabilities and charges

In 2017, provisions for non-current liabilities and charges developed as follows:

(in thousands of EUR)	Pensions	Severance	Anniversary bonuses	Pre-retirement programs	Other	**Total**
Balance at Jan. 1, 2017	**85,187**	**33,019**	**9,596**	**1,087**	**429**	**129,318**
Effect of exchange rate changes	(619)	(436)	0	0	0	(1,055)
Changes in consolidated companies	0	118	0	0	0	118
Utilization	(4,059)	(2,569)	(1,261)	(373)	0	(8,262)
Reversal	0	0	0	(360)	0	(360)
Increase	3,196	2,674	1,273	208	0	7,351
IAS 19 remeasurements through other comprehensive income	(3,735)	158	0	0	0	(3,577)
Benefit payments from and contributions to plan assets	(2,336)	158	0	0	0	(2,178)
Balance at Dec. 31, 2017	**77,634**	**33,122**	**9,608**	**562**	**429**	**121,355**

In 2016, provisions for non-current liabilities and charges developed as follows:

(in thousands of EUR)	Pensions	Severance	Anniversary bonuses	Pre-retirement programs	Other	**Total**
Balance at Jan. 1, 2016	**76,884**	**30,491**	**8,975**	**1,316**	**428**	**118,094**
Effect of exchange rate changes	(2,235)	(242)	0	0	0	(2,477)
Utilization	(3,853)	(2,675)	(617)	(359)	0	(7,504)
Reversal	0	0	0	(281)	0	(281)
Increase	3,332	2,608	1,238	411	1	7,590
IAS 19 remeasurements through other comprehensive income	13,589	2,835	0	0	0	16,424
Benefit payments from and contributions to plan assets	(2,530)	59	0	0	0	(2,471)
Reclassifications	0	(57)	0	0	0	(57)
Balance at Dec. 31, 2016	**85,187**	**33,019**	**9,596**	**1,087**	**429**	**129,318**

As of December 31, 2017, securities with a fair value of thous. EUR 1,332 (December 31, 2016: thous. EUR 1,311) had been provided as security for provisions for pre-retirement programs within the scope of the respective legal commitments. At December 31, 2017 and December 31, 2016, those securities were deducted from the underlying obligations.

b — Provisions for pensions and severance payments

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

Under the defined contribution plans, the Group makes fixed payments to external pension funds. Once the contributions are made, the Group does not have any further payment obligations towards the employees. These periodical contribution payments are recognized as part of the annual pension and severance costs and amounted to thous. EUR 5,117 in the financial year 2017 (2016: thous. EUR 4,939).

Defined benefit obligations in the Group consist of pensions and severances. These obligations exist in several countries where the Group has employees, particularly in Germany, Austria and Great Britain.

The pension obligations cover the arrangement of a pension program for active employees and, after fulfillment of the vesting period, for former employees, including their surviving dependants. Essentially, these are managers and also employees for whom a corresponding commitment originating from a time before the acquisition of the respective subsidiary was assumed by the Group. Therefore, obligations exist both towards employees in existing employment relationships and also towards employees who have left or retired.

Expected payments under the pension plan may depend on the salary received by the employee in the last year of service or on the average of several years and, as a rule, are based on the length of service. Pension benefits are granted as a non-recurring payment or as monthly retirement payments. In case of retirement payments, the Group bears to the full extent the risk of longevity and inflation due to pension adjustments.

The Group operates a defined benefit pension plan in Great Britain which is governed by a board of trustees composed of representatives of the Company and plan participants. The responsibility for investment decisions and contribution schedules lies jointly with the Company and the board of trustees.

Obligations arising from the severance of employees cover legal and contractual claims for non-recurring severance payments made by the Group to employees due to certain reasons, such as termination, dissolution of an employment relationship by mutual agreement, retirement, or death of the employee. These payments significantly depend on the number of years of service and the cause of termination.

Defined benefit pension and other benefit plans are measured and recognized applying the internationally common projected unit credit method according to IAS 19. Under this method, the actuarial calculation of future obligations is based on the proportionate obligations as of the balance sheet date. The valuation was conducted based on assumptions and assessments as of the balance sheet date. Significant influencing factors were discount interest rate, estimated life expectancy, expected salary growth rate, expected pension growth rate as well as retirement age.

Actuarial gains and losses which result from changes in the number of plan participants and from differences between actual trends and estimates that are the basis for calculation are recognized in other comprehensive income in the consolidated comprehensive income statement according to IAS 19.

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

	Dec. 31, 2017		Dec. 31, 2016	
(in %)	**Pensions**	**Severance**	**Pensions**	**Severance**
Discount rate	1.88 %	2.38 %	1.90 %	2.21 %
Salary growth rate	2.50 %	2.96 %	2.50 %	2.86 %
Pension growth rate	2.28 %	-	2.35 %	-

Valuation of life expectancy was performed based on local mortality tables. These are in particular for Austria: AVÖ 2008-P “Angestellte“ or “Gemischt” (Pagler & Pagler), for Germany: Richttafeln 2005 G (Prof. Dr. Klaus Heubeck), for Great Britain: Post Retirement and Pre Retirement: S2PA CMI_2016_M/F [1.25 %] (yob). As a rule, the retirement age corresponds to the respective country-specific legal regulations.

The following expenses were recorded for defined benefit pension and severance commitments:

	2017		2016	
(in thousands of EUR)	**Pensions**	**Severance**	**Pensions**	**Severance**
Service cost	1,553	1,816	1,447	1,700
Net interest on the net defined benefit liability	1,484	703	1,746	775
Past service costs	0	40	0	99
Effects due to plan changes	0	115	0	34
Administration costs	159	0	139	0
Net periodic benefit cost	**3,196**	**2,674**	**3,332**	**2,608**

The defined benefit obligation and plan assets developed as follows:

	2017		2016	
(in thousands of EUR)	**Pensions**	**Severance**	**Pensions**	**Severance**
Defined benefit obligation at the beginning of the year	**130,726**	**33,274**	**121,917**	**30,799**
Effect of exchange rate changes	(1,380)	(436)	(5,782)	(242)
Changes in consolidated companies	0	118	0	0
Service cost	1,553	1,816	1,447	1,700
Interest cost	2,435	707	3,026	782
Past service costs	0	40	0	99
Remeasurements	(3,768)	158	13,971	2,834
Thereof (gains)/losses from change in demographic assumptions (e.g. life expectancy, retirement age)	*(591)*	*48*	*(523)*	*(3)*
Thereof (gains)/losses from change in financial assumptions (e.g. discount rate, salary growth rate, pension growth rate)	*(375)*	*(101)*	*15,951*	*1,813*
Thereof experience (gains)/losses (deviation between actual value and planned value)	*(2,802)*	*211*	*(1,457)*	*1,024*
Benefit payments	(4,059)	(2,569)	(3,853)	(2,675)
Reclassifications	0	0	0	(57)
Effects due to plan changes	0	115	0	34
Defined benefit obligation at the end of the year	**125,507**	**33,223**	**130,726**	**33,274**

	2017		2016	
(in thousands of EUR)	**Pensions**	**Severance**	**Pensions**	**Severance**
Fair value of plan assets at the beginning of the year	**45,539**	**255**	**45,033**	**308**
Effect of exchange rate changes	(761)	0	(3,547)	0
Interest income	951	4	1,280	7
Administrative expense	(159)	0	(139)	0
Remeasurements	(33)	0	382	(1)
Thereof return on plan assets excluding amounts included in interest income – net	*(33)*	*0*	*382*	*(1)*
Employer contributions	3,855	(111)	3,963	0
Benefit payments from plan	(1,519)	(47)	(1,433)	(59)
Fair value of plan assets at the end of the year	**47,873**	**101**	**45,539**	**255**

An overview of the geographic and divisional allocation of net periodic benefit costs for defined benefit pensions and severance, defined benefit obligation, and the fair value of plan assets for the financial years 2017 and 2016 is represented as follows:

	2017							
	MM Karton				MM Packaging			
(in thousands of EUR)	Germany	Austria	Other countries[1)]	Total	Germany	Austria	Other countries	Total
Net periodic benefit cost	530	1,779	699	3,008	998	644	1,220	2,862
Defined benefit obligation at the end of the year	23,618	40,758	38,722	103,098	32,677	14,258	8,697	55,632
Fair value of plan assets at the end of the year	921	22,582	20,963	44,466	601	2,806	101	3,508

1) This primarily includes the pension plan in Great Britain.

	2016							
	MM Karton				MM Packaging			
(in thousands of EUR)	Germany	Austria	Other countries[1)]	Total	Germany	Austria	Other countries	Total
Net periodic benefit cost	632	1,799	654	3,085	1,104	633	1,118	2,855
Defined benefit obligation at the end of the year	25,232	41,674	40,564	107,470	34,181	14,102	8,247	56,530
Fair value of plan assets at the end of the year	889	19,762	21,720	42,371	550	2,618	255	3,423

1) This primarily includes the pension plan in Great Britain.

The employers' contributions to plan assets for the year 2018 are expected to amount to thous. EUR 7,328. This includes a contribution for increasing plan assets and for other expenses in Great Britain in the amount of thous. EUR 4,227.

The structure of plan assets

There are plan assets for pension obligations in Austria and Germany and plan assets for severance obligations in France in the form of qualifying insurance policies which are pledged to respective beneficiaries. The Group contributes to qualifying insurance policies as required.

Further plan assets include a pension plan in Great Britain which is assessed by external asset management according to directives of the responsible board of trustees. Current directives allow for a proportionate investment of 30 % in equity instruments and of 70 % in debt instruments; minimum diversification is prescribed to diversify the default risk, by which the single investment value is limited to 2 % of the portfolio and the total value of all investments in one company is limited to 4 % of the portfolio. Investments in Private Equity Funds and Hedge Funds are forbidden. The objective of asset management is to maximize the return at an adequate level of risk; index-based benchmarks are given to asset management to measure the achievement of objectives. The Group is obliged to provide regular contributions to the plan assets in Great Britain based on a contribution plan over several years.

The portfolio structure of plan assets as of December 31, 2017 and of December 31, 2016:

(in thousands of EUR)	Dec. 31, 2017	in %	Dec. 31, 2016	in %
Equity instruments:				
– developed markets	6,597		5,099	
– emerging markets	494		452	
– other	0		0	
Total	**7,091**	**15 %**	**5,551**	**12 %**
Debt instruments:				
– Corporate bonds	7,985		10,282	
– Government bonds	3,666		2,941	
Total	**11,651**	**24 %**	**13,223**	**29 %**
Qualifying insurance policy pledged to beneficiaries	27,011	56 %	24,073	53 %
Money market investment/bank deposit	2,221	5 %	2,946	6 %
Total	**47,974**	**100 %**	**45,793**	**100 %**

All instruments in the category equity instruments and debt instruments are traded on active markets. Ratings of investments in debt instruments correspond at least to a rating of "BBB".

Plan assets market price risk

Return on plan assets is assumed in accordance with IAS 19 using the discount rate for the underlying obligation. That corresponds to the return on corporate bonds with good credit rating. Provided that the actual return on plan assets exceeds (falls below) the discount interest rate used, net liability from the present plans decreases (increases). Due to the proportion of investments in equity in the plan assets in Great Britain, the actual return, on the one hand, may exceed the return on corporate bonds with good credit rating in the long term and, on the other hand, result in higher plan asset volatility in the short term. Related price risk is considered as manageable by the Group, as the proportion of investments in equity in total plan assets is low. Furthermore, the obligations which come to maturity in the upcoming years can be fulfilled from current cash flow of the Group and from remaining components of plan assets.

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

	Dec. 31, 2017		Dec. 31, 2016	
(in thousands of EUR)	**Pensions**	**Severance**	**Pensions**	**Severance**
Defined benefit obligation	**125,507**	**33,223**	**130,726**	**33,274**
Thereof obligations covered by provisions	*55,520*	*31,561*	*58,664*	*31,557*
Thereof obligations covered by funds	*69,987*	*1,662*	*72,062*	*1,717*
Less fair value of plan assets	(47,873)	(101)	(45,539)	(255)
Net liability recognized as provision for non-current liabilities and charges	**77,634**	**33,122**	**85,187**	**33,019**

The following sensitivity analysis for pension and severance provisions presents the impact a possible change in significant actuarial assumptions might have on the obligation. If one significant assumption is changed, the remaining assumptions are kept constant.

	Impact on the defined benefit obligation 2017		
(in %)	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25 %	Decrease by 3.6 %	Increase by 3.8 %
Salary growth rate	0.25 %	Increase by 0.8 %	Decrease by 0.7 %
Pension growth rate	0.25 %	Increase by 2.5 %	Decrease by 2.3 %

		Increase by one year in assumption	
Retirement age		Decrease by 1.3 %	
Life expectancy		Increase by 3.6 %	

	Impact on the defined benefit obligation 2016		
(in %)	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25 %	Decrease by 3.7 %	Increase by 3.9 %
Salary growth rate	0.25 %	Increase by 0.8 %	Decrease by 0.8 %
Pension growth rate	0.25 %	Increase by 2.6 %	Decrease by 2.5 %

		Increase by one year in assumption	
Retirement age		Decrease by 1.2 %	
Life expectancy		Increase by 3.5 %	

The weighted average duration of the defined benefit obligation is 15.1 years as of the balance sheet date (December 31, 2016: 15.7 years).

The expected maturity analysis of defined benefit obligations for the next ten years as of December 31, 2017 and December 31, 2016 in relation to actual payments is as follows:

(in thousands of EUR)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Between 5 and 10 years**	**Total**
As of Dec. 31, 2017					
Defined benefit plans	5,195	7,096	19,306	38,386	69,983
As of Dec. 31, 2016					
Defined benefit plans	4,982	5,321	20,460	38,355	69,118

16 — TRADE LIABILITIES

Current liabilities are, as a rule, stated at cost which is the consideration to be paid.

Trade liabilities in an amount of thous. EUR 218,533 (December 31, 2016: thous. EUR 192,648) as of December 31, 2017 contain liabilities from acquisition of property, plant and equipment, and intangible assets amounting to thous. EUR 15,156 (December 31, 2016: thous. EUR 8,567) which are taken into consideration by the cash flow from investing activities as non-cash transactions as well as advances from customers in an amount of thous. EUR 1,226 (December 31, 2016: thous. EUR 715).

17 — DEFERRED INCOME AND OTHER CURRENT LIABILITIES

Accruals comprise the liabilities for which the exact time of utilization or amount is uncertain and which, at the same time, are definable to a high degree of certainty. Even if the amount and the exact time are occasionally only estimated, the measurement precision of accruals is significantly higher than that of provisions. Therefore they are recognized according to their origin as trade liabilities (see note 16) and other current liabilities, especially in personnel and social costs.

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Obligations for personnel and social costs	73,693	64,452
Other tax liabilities	11,466	10,185
Deferred income	3,012	2,229
Other liabilities	9,518	11,964
Deferred income and other current liabilities	**97,689**	**88,830**
Thereof financial liabilities	8,395	7,741
Thereof non-financial liabilities	89,294	81,089

Obligations for personnel and social costs particularly include premiums and bonuses for employees, unused vacations as well as other deferred personnel-related obligations.

18 — PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

Provisions are created when the Group has a present legal or constructive obligation to a third party as a result of a past event, when it is probable that it will be settled and when the amount of obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the interest effect is considerable, the provision is discounted with a market interest rate.

Provisions for large numbers of similar obligations, e. g. warranties, are measured at a probability-weighted expected value of assets reduction based on this group of obligations. A provision is also recognized under liabilities, if the probability of a claim on assets is negligible within a single obligation included in this group.

In the financial year 2017, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Customer rebates and bonuses	Sales	Other provisions	**Total**
Balance at Jan. 1, 2017	**10,495**	**4,251**	**11,022**	**25,768**
Effect of exchange rate changes	(87)	(102)	(27)	(216)
Changes in consolidated companies	88	0	0	88
Utilization	(5,682)	(2,729)	(3,474)	(11,885)
Reversal	(2,965)	(799)	(2,299)	(6,063)
Increase	7,055	3,548	5,071	15,674
Balance at Dec. 31, 2017	**8,904**	**4,169**	**10,293**	**23,366**

In the financial year 2016, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Customer rebates and bonuses	Sales	Other provisions	**Total**
Balance at Jan. 1, 2016	**7,621**	**3,974**	**9,724**	**21,319**
Effect of exchange rate changes	(51)	12	(142)	(181)
Utilization	(4,464)	(2,623)	(2,906)	(9,993)
Reversal	(2,131)	(500)	(1,679)	(4,310)
Increase	9,520	3,395	6,875	19,790
Reclassifications	0	(7)	(850)	(857)
Balance at Dec. 31, 2016	**10,495**	**4,251**	**11,022**	**25,768**

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

The provisions for sales are recognized on product warranties and guarantees as well as returned goods. The provisions for product warranties and guarantees are made both on legal and contractual base. Single risks, on the one hand, and the overall risk based on past experience, on the other hand, are taken into consideration by the calculation.

The position "Other provisions" primarily comprises provisions for litigations and legal costs, other taxes, and environmental matters.

19 — SEGMENT REPORTING INFORMATION

Mayr-Melnhof Karton AG and its subsidiaries operate in two operating areas, the production of cartonboard (Division MM Karton) and the production of folding cartons and packaging (Division MM Packaging). The Group is organized according to these two operating areas and is managed by the Management Board based on the financial information acquired thereon. Hence, the segments reported correspond to these two operating areas.

The division MM Karton manufactures and distributes numerous grades of cartonboard, focusing in particular on coated cartonboard made primarily from recycled fiber.

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

Data provided by the management information system on which the segment reporting is based is in accordance with the accounting and recognition principles applied to the consolidated financial statements. Central operations are completely allocated to the operating segments by an allocation system in analogy with the procedures in the management information system. Results from inter segment transactions are already eliminated in the segment results.

The Group measures the performance of its operating segments by assessing operating profit and profit for the year as they are presented in the Group's income statement.

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

Revenues are allocated based on the shipment destinations of finished goods, whereas non-current assets are allocated according to the location of the respective units.

Capital expenditures and depreciation/amortization and impairment refer to the acquisition or depreciation/amortization and impairment of property, plant and equipment as well as intangible assets including goodwill (see note 6).

Revenue recognition
Revenues comprise all income generated by the typical business activities of the Mayr-Melnhof Group and includes income from the sale of numerous grades of cartonboard and folding cartons less reductions such as bonuses, discounts and rebates as well as value-added tax. The Group recognizes revenues based on the agreed delivery conditions (incoterms) after the transfer of significant risk and rewards to the customer when the revenue is contractually agreed or can be measured reliably and it is sufficiently probable that the economic benefit associated with the transaction will flow to the Group.

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

	2017			
(in thousands of EUR)	MM Karton	MM Packaging	Eliminations	**Consolidated**
Sales to external customers	945,231	1,391,573	0	2,336,804
Intersegment sales	103,506	1,172	(104,678)	0
Total sales	**1,048,737**	**1,392,745**	**(104,678)**	**2,336,804**
Operating profit	73,555	141,459	0	215,014
Financial income	344	1,924	(320)	1,948
Financial expenses	(2,108)	(4,397)	320	(6,185)
Profit before tax	70,517	134,954	0	205,471
Income tax expense	(18,352)	(32,084)	0	(50,436)
Profit for the year	52,165	102,870	0	155,035
Capital expenditures	65,942	93,159	0	159,101
Depreciation and amortization	(42,352)	(57,340)	0	(99,692)
Segment assets	1,003,562	1,091,080	(81,236)	2,013,406
Segment liabilities	275,370	500,682	(81,236)	694,816
Employees per segment as of December 31	2,524	7,332		9,856

	2016			
(in thousands of EUR)	MM Karton	MM Packaging	Eliminations	**Consolidated**
Sales to external customers	920,769	1,351,965	0	2,272,734
Intersegment sales	102,187	672	(102,859)	0
Total sales	**1,022,956**	**1,352,637**	**(102,859)**	**2,272,734**
Operating profit	68,010	145,644	0	213,654
Financial income	416	2,989	(322)	3,083
Financial expenses	(2,458)	(3,988)	322	(6,124)
Profit before tax	64,916	144,271	0	209,187
Income tax expense	(14,344)	(41,455)	0	(55,799)
Profit for the year	50,572	102,816	0	153,388
Capital expenditures	83,744	60,441	0	144,185
Depreciation and amortization	(40,538)	(58,527)	0	(99,065)
Segment assets	1,012,229	1,049,562	(79,894)	1,981,897
Segment liabilities	310,293	492,336	(79,894)	722,735
Employees per segment as of December 31	2,554	7,373		9,927

The following table shows a country-by-country breakdown of net sales based on shipment destinations as well as a summary of non-current assets and capital expenditures based on locations:

	2017			2016		
(in thousands of EUR)	**Net sales**	**Non-current assets**	**Capital expenditures**	**Net sales**	**Non-current assets**	**Capital expenditures**
Austria	53,090	195,286	27,116	53,091	190,328	46,211
Germany	452,228	258,655	39,956	446,583	245,277	32,706
France	279,188	83,186	3,167	261,837	89,259	6,662
Great Britain	197,706	3,956	2,837	200,945	1,831	39
Other Western European countries	393,289	66,097	19,611	383,066	52,757	10,566
Eastern Europe (including Turkey)	609,884	234,051	24,587	586,669	227,113	20,802
Asia and MENA	192,698	91,084	33,593	196,814	60,810	25,322
Latin America	123,391	52,823	8,234	117,049	54,482	1,877
Other	35,330	0	0	26,680	0	0
Consolidated total	**2,336,804**	**985,138**	**159,101**	**2,272,734**	**921,857**	**144,185**

Non-current assets and capital expenditures comprise property, plant and equipment, and intangible assets including goodwill (see note 6) as well as payments on account for property, plant and equipment (see note 12).

20 — OTHER OPERATING INCOME

(in thousands of EUR)	**Year ended Dec. 31, 2017**	**Year ended Dec. 31, 2016**
Negative goodwill[1)]	6,477	0
Insurance claims	2,472	3,322
Rental income	1,467	1,528
Gains and losses from disposal of property, plant and equipment, and intangible assets – net	899	821
Other income – net	5,910	6,086
Other operating income	**17,225**	**11,757**

1) see note 5

Other income – net includes income from compensation for damages in an amount of thous. EUR 1,036 (2016: thous. EUR 1,006) as well as other income, for example scrap sales, canteen income, and other diverse negligible income.

21 — EXPENSES BY NATURE

The consolidated income statements are prepared using the presentation of expenses by function. The following overview comprises a breakdown of expenses by nature for the financial years 2017 and 2016:

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Cost of materials and purchased services	1,328,648	1,280,838
Personnel expenses	446,484	434,229
Depreciation	99,692	99,065
Other expenses	264,191	256,705
Total of cost of sales, selling and distribution, administrative and other operating expenses	**2,139,015**	**2,070,837**

22 — PERSONNEL EXPENSES

Personnel expenses from all Group areas can be broken down as follows:

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Gross wages	198,156	198,731
Gross salaries	153,713	144,556
Severance expenses	5,258	4,422
Pension expenses	5,933	5,931
Expenses for statutory social security as well as payroll-related taxes and other contributions	73,761	71,803
Other welfare expenses	9,663	8,786
Total	**446,484**	**434,229**

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Factory workers	7,584	7,688
Office staff	2,213	2,245
Total	**9,797**	**9,933**

Remuneration of the management

The key management of the Group includes the Management Board and the Supervisory Board. The remuneration of the management is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Salaries and other short-term employee benefits (incl. remuneration of the Supervisory Board)	7,777	7,642
Post-employment benefits	1,146	2,923
	8,923	**10,565**
Reconciliation to salaries and other short-term employee benefits accounted for in personnel expenses[1)]	5,063	0
Total	**13,986**	**10,565**

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

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Fixed remuneration	2,342	2,309
Variable remuneration	4,960	4,890
	7,302	**7,199**
Reconciliation to salaries and other short-term employee benefits accounted for in personnel expenses[1)]	5,063	0
Total	**12,365**	**7,199**

[1)] The variable remuneration for the members of the Management Board was recognized as expenses in the following year based on the approved Group financial statements. From the financial year 2017 onwards the variable remuneration is accrued on the basis of the expected Group result. Therefore, an additional one-time expense of thous. EUR 5,063 occurs which would have been incurred already in 2016 if the currently chosen accounting method had been applied then.

The remuneration of the members of the Supervisory Board elected by the shareholders for the financial year 2017 amounted to thous. EUR 475 (2016: thous. EUR 444).

Concerning the remuneration of former members of the Management and Supervisory Boards, the provision on non-disclosure of such remuneration was applied by referring to section 266 figure 2 third sentence in conjunction with section 242 paragraph 4 of the Austrian Commercial Code.

23 — EXPENSES FOR THE GROUP AUDITOR

The 23rd Ordinary Shareholders' Meeting on April 26, 2017 appointed Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the consolidated and individual financial statements of Mayr-Melnhof Karton AG. Furthermore, they audited the individual financial statements of the Austrian subsidiaries. In 2017, expenses for services rendered by Grant Thornton Unitreu amounted to thous. EUR 334 (2016: thous. EUR 389) of which thous. EUR 267 (2016: thous. EUR 383) related to auditing and other assurance services and thous. EUR 67 (2016: thous. EUR 6) to other services.

24 — RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are recognized as expense as incurred. Neither as of December 31, 2017 nor as of December 31, 2016 have development costs been capitalized.

Research and development costs recognized as expenses in the income statement amounted to thous. EUR 2,980 in the financial year 2017 (2016: thous. EUR 3,246).

25 — FINANCIAL INCOME

(in thousands of EUR)	**Year ended Dec. 31, 2017**	**Year ended Dec. 31, 2016**
Interest from bank deposits	1,857	2,973
Other financial income	91	110
Total financial income	**1,948**	**3,083**

26 — FINANCIAL EXPENSES

(in thousands of EUR)	**Year ended Dec. 31, 2017**	**Year ended Dec. 31, 2016**
Interest expense related to financial liabilities	(4,775)	(4,779)
Other financial expenses	(1,410)	(1,345)
Total financial expenses	**(6,185)**	**(6,124)**

Other financial expenses comprise commitment fees for unused credit lines.

27 — OTHER FINANCIAL RESULT – NET

(in thousands of EUR)	**Year ended Dec. 31, 2017**	**Year ended Dec. 31, 2016**
Foreign currency exchange rate gains (losses) – net	(621)	586
Net interest cost from benefit obligation	(2,325)	(2,691)
Recycling of foreign currency translations[1)]	(2,604)	0
Result from associated companies	(453)	0
Dividend income	618	741
Valuation of (contingent) share purchase price and option liabilities	0	(62)
Other financial result	79	0
Other financial result – net	**(5,306)**	**(1,426)**

[1)] see note 5

28 — EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 "Earnings per Share". The standard requires the calculation and disclosure of two key figures: basic and diluted earnings per share. Basic earnings per share are calculated by dividing profit or loss attributable to the shareholders of the Company by the weighted average number of shares outstanding during the financial year. As there were no dilutive stock options neither as of December 31, 2017 nor as of December 31, 2016, it was not necessary to calculate the diluted earnings per share which thus correspond corresponds to the basic earnings per share.

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

	Year ended Dec. 31, 2017	**Year ended Dec. 31, 2016**
Profit attributable to ordinary shareholders of the parent company (in thousands of EUR)	154,573	153,307
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic earnings per share attributable to ordinary shareholders of the parent company (in EUR)	7.73	7.67

As in the previous year, the number of shares issued as of December 31, 2017 amounted to 20,000,000 shares.

29 — COMMITMENTS AND CONTINGENT LIABILITIES

Commitments from legal proceedings and similar claims

The Group is subject to various claims and legal proceedings that have arisen in the ordinary course of business. Based on all the facts available to the Management, the Group believes that the ultimate resolution of these claims and legal proceedings will be unlikely to have a material adverse effect on its financial position or the results of its operations, although no assurance can be given with respect to the outcome of such claims or litigations.

Commitments from environmental matters

The Group is also subject to various environmental legislations and regulations in the countries in which it operates. Expenditures for environmental matters which relate to existing conditions caused by past operations and have no significant future benefit are expensed as incurred. The Group records an accrual for environmental matters when an expense is probable and may be reasonably estimated. For the assessment of the amount of accruals, estimates have to be used to a certain extent. 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 for. The Management believes, however, 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, 2017 and 2016.

Other contingent liabilities

At December 31, 2017, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 31,521 (December 31, 2016: thous. EUR 61,010).

30 — DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 6,664 were purchased from other related companies in 2017 (2016: thous. EUR 5,903). At December 31, 2017, trade liabilities with other related companies amounted to thous. EUR 950 (December 31, 2016: thous. EUR 1,037).

In 2017 sales from transactions with associated companies amounted to thous. EUR 452 (2016: thous. EUR 0). At December 31, 2017, trade receivables with associated companies amounted to thous. EUR 440 (December 31, 2016: thous. EUR 0), trade liabilities with associated companies amounted to thous. EUR 9 (December 31, 2016: thous. EUR 0).

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

Key management personnel of the Group (active Management Board and Supervisory Board members of Mayr-Melnhof Karton AG) and their close relatives are considered as related parties. For information regarding management remuneration please refer to note 22.

For information about contributions to the pension benefit plan in Great Britain refer to note 15.

31 — NOTES ON THE CONSOLIDATED CASH FLOW STATEMENTS

Cash and cash equivalents

Cash and cash equivalents comprise cash, checks, and short-term demand deposits at financial institutions with expiration dates within three months. Cash and cash equivalents denominated in foreign currencies are translated into Euro using the exchange rates at the balance sheet date. For the purpose of the statement of cash flows, the above defined cash and cash equivalents comprise the following:

(in thousands of EUR)	**Dec. 31, 2017**	**Dec. 31, 2016**
Fixed deposits	47,732	110,706
Unrestricted bank deposits and cash	150,141	140,417
Other restricted bank deposits	37	15
Cash and cash equivalents	**197,910**	**251,138**

Cash flow from operating activities is derived from the consolidated financial statements using the indirect method, while cash flows from investing and financing activities are calculated directly on the basis of cash inflows and outflows.

Cash flow from operating activities decreased from thous. EUR 219,395 to thous. EUR 217,226. A reduction in net cash from profit was contrasted by lower income tax payments.

Cash flow from investing activities changed from thous. EUR -144,644 to thous. EUR -154,385. This difference mainly results from the payments for the acquisition of the business in Poland (see note 5).

Cash flow from financing activities changed from thous. EUR -79,806 to thous. EUR -114,497. The main effects in 2017 were higher loan repayments as well as the dividend payment for the financial year 2016.

The following table shows a reconciliation of financial liabilities from cash and non-cash changes:

(in thousands of EUR)	Non-current interest-bearing financial liabilities	Current interest-bearing financial liabilities	Total
Balance at Jan. 1, 2017	**211,997**	**48,903**	**260,900**
Issuances of financial liabilities	938	8,976	9,914
Repayments of financial liabilities	(20,115)	(37,615)	(57,730)
Total cash changes	**(19,177)**	**(28,639)**	**(47,816)**
Effect of exchange rates	(39)	(779)	(818)
Other non-cash changes	(891)	1,093	202
Total non-cash changes	**(930)**	**314**	**(616)**
Balance at Dec. 31, 2017	**191,890**	**20,578**	**212,468**

32 — SUBSEQUENT EVENTS

There have been no subsequent events after the balance sheet date with any material effect on the consolidated financial statements of the Group.

33 — TABLE OF AFFILIATED AND ASSOCIATED COMPANIES

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC[1]	Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC[1]
MM KARTON					**MM KARTON**				
Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC[1]	Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC[1]
CartPrint Insurance AG, Vaduz (LIE)	EUR	3,000	100.00 %	FC[1]	CartPrint Insurance AG, Vaduz (LIE)	EUR	3,000	100.00 %	FC[1]
CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC[1]	CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC[1]
free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC[1]	free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC[1]
FS-Karton GmbH, Baiersbronn (DEU)	EUR	7,500	100.00 %	FC[1]	FS-Karton GmbH, Baiersbronn (DEU)	EUR	51,641	100.00 %	FC[1]
Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE[2]	Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE[2]
Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC[1]	Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC[1]
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC[1]	Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC[1]
Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]	Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]
Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC[1]	Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC[1]
Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC[1]	Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC[1]
Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC[1]	Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC[1]
MM Karton FollaCell AS, Verran (NOR)	NOK	10,000	100.00 %	FC[1]	MM Karton FollaCell AS, Verran (NOR)	NOK	10,000	100.00 %	FC[1]
MM Karton Turkey Ticaret Limited Sirketi, Istanbul (TUR)	TRY	10	100.00 %	FC[1]	MM Karton Turkey Ticaret Limited Sirketi, Istanbul (TUR)	TRY	10	100.00 %	FC[1]
Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE[2]	Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE[2]

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Trading companies & sales offices of MM Karton					**Trading companies & sales offices of MM Karton**				
Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC[1]	Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC[1]
Firgos (Malaysia) SDN BHD, Kuala Lumpur (MYS)	MYR	500	100.00 %	FC[1]	Firgos (Malaysia) SDN BHD, Kuala Lumpur (MYS)	MYR	500	100.00 %	FC[1]
Keminer Remmers Spiehs Kartonhandels GmbH, Gernsbach (DEU)	EUR	1,280	100.00 %	FC[1]	Keminer Remmers Spiehs Kartonhandels GmbH, Gernsbach (DEU)	EUR	1,280	100.00 %	FC[1]
Mayr-Melnhof Belgium N.V., Sint-Katelijne-Waver (BEL)	EUR	62	100.00 %	FC[1]	Mayr-Melnhof Belgium N.V., Sint-Katelijne-Waver (BEL)	EUR	62	100.00 %	FC[1]
Mayr-Melnhof Cartonboard UK Limited, Reading-Berkshire (GBR)	GBP	1,000	100.00 %	FC[1]	Mayr-Melnhof Cartonboard UK Limited, Reading-Berkshire (GBR)	GBP	1,000	100.00 %	FC[1]
Mayr-Melnhof France SARL, Paris (FRA)	EUR	8	100.00 %	FC[1]	Mayr-Melnhof France SARL, Paris (FRA)	EUR	8	100.00 %	FC[1]
Mayr-Melnhof Italia S.R.L., Milan (ITA)	EUR	51	75.00 %	FC[1]	Mayr-Melnhof Italia S.R.L., Milan (ITA)	EUR	51	75.00 %	FC[1]
Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC[1]	Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC[1]
Mayr-Melnhof Karton Schweiz GmbH, Worb (CHE)	CHF	20	100.00 %	FC[1]	Mayr-Melnhof Karton Schweiz GmbH, Worb (CHE)	CHF	20	100.00 %	FC[1]
Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC[1]	Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC[1]
Mayr-Melnhof Nederland B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC[1]	Mayr-Melnhof Nederland B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC[1]
Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NE[2]	Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NE[2]
MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	FC[1]	MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	FC[1]
MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC[1]	MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC[1]
MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC[1]	MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC[1]
MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC[1]	MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC[1]
MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC[1]	MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC[1]
MM Prodaja Kartona d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC[1]	MM Prodaja Kartona d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC[1]
Varsity Packaging Limited, Reading-Berkshire (GBR)	GBP	300	100.00 %	FC[1]	Varsity Packaging Limited, Reading-Berkshire (GBR)	GBP	300	100.00 %	FC[1]

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM PACKAGING					**MM PACKAGING**				
Al-Ekbal Printing & Packaging Co., Amman (JOR)	JOD	3,500	86.94 %	FC[1]	Al-Ekbal Printing & Packaging Co., Amman (JOR)	JOD	3,500	86.80 %	FC[1]
C.P. Schmidt GmbH, Kaiserslautern (DEU)	EUR	3,000	100.00 %	FC[1]	C.P. Schmidt GmbH, Kaiserslautern (DEU)	EUR	3,000	100.00 %	FC[1]
C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, Kaiserslautern (DEU)	EUR	180	100.00 %	FC[1]	C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, Kaiserslautern (DEU)	EUR	180	100.00 %	FC[1]
Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC[1]	Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC[1]
Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC[1]	Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC[1]
Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC[1]	Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC[1]	Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC[1]
Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC[1]	Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC[1]
Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]	Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging International GmbH/Jordan PSC, Amman (JOR)	JOD	5,000	100.00 %	FC[1]	Mayr-Melnhof Packaging International GmbH / Jordan PSC, Amman (JOR)	JOD	500	100.00 %	FC[1]
Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC[1]	Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC[1]
Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC[1]	Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC[1]
Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC[1]	Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC[1]
Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	321,496,000	99.29 %	FC[1]	Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	321,496,000	99.29 %	FC[1]
MM Graphia Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	5,538	100.00 %	FC[1]	MM Graphia Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	5,538	100.00 %	FC[1]
MM Graphia Bielefeld GmbH, Bielefeld (DEU)	EUR	526	100.00 %	FC[1]	MM Graphia Bielefeld GmbH, Bielefeld (DEU)	EUR	526	100.00 %	FC[1]
MM Graphia GmbH, Bielefeld (DEU)	EUR	25	100.00 %	FC[1]	MM Graphia GmbH, Bielefeld (DEU)	EUR	25	100.00 %	FC[1]
MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]	MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]
MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC[1]	MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC[1]
MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC[1]	MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC[1]
MM Packaging Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]	MM Packaging Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC[1]

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM Packaging Caesar GmbH, Traben-Trarbach (DEU)	EUR	3,000	100.00 %	FC[1]	MM Packaging Caesar GmbH, Traben-Trarbach (DEU)	EUR	3,000	100.00 %	FC[1]
MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	75,000,000	100.00 %	FC[1]	MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	75,000,000	100.00 %	FC[1]
MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC[1]	MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC[1]
MM Packaging GmbH, Bielefeld (DEU)	EUR	26	100.00 %	FC[1]	MM Packaging GmbH, Bielefeld (DEU)	EUR	26	100.00 %	FC[1]
-	-	-	-	-	MM Packaging Malaysia SDN. BHD., Kuala Lumpur (MYS), i.l.	MYR	16,500	100.00 %	FC[1]
MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC[1]	MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC[1]
-	-	-	-	-	MM Packaging Tunisie S.A.R.L, Tunis (TUN)	TND	6,587	100.00 %	FC[1]
MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC[1]	MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC[1]
MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC[1]	MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	65.10 %	FC[1]
MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC[1]	MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC[1]
MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC[1]	MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC[1]
MMP Neupack Polska Sp.z.o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC[1]	MMP Neupack Polska Sp.z.o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC[1]
MM Packaging Polska Sp. z.o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC[1]	-	-	-	-	-
MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC[1]	MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC[1]
MMP Premium Polska Sp. z o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC[1]	-	-	-	-	-
MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC[1]	MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC[1]
MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC[1]	MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC[1]
Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC[1]	Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC[1]
PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC[1]	PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC[1]
Public Joint Stock Company „Graphia Ukraina“, Cherkassy (UKR)	UAH	5,880	94.78 %	FC[1]	Public Joint Stock Company „Graphia Ukraina“, Cherkassy (UKR)	UAH	5,880	94.78 %	FC[1]
R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC[1]	R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC[1]
Société Tunisienne des Emballages Modernes, Tunis (TUN)	TND	9,640	45.00 %	EC[3]	-	-	-	-	-
Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	52,000	100.00 %	FC[1]	Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	7,000	100.00 %	FC[1]

-	-	-	-	-	TEC MMP SARL, Sfax (TUN)	TND	11,021	100.00 %	FC[1]
Ultimatec Engineering GmbH, Vienna (AUT)	EUR	35	60.00 %	FC[1]	-	-	-	-	-
VTV Verpackungstechnische Verfahren GmbH, Kaiserslautern (DEU)	EUR	200	100.00 %	FC[1]	VTV Verpackungstechnische Verfahren GmbH, Kaiserslautern (DEU)	EUR	200	100.00 %	FC[1]

The voting rights are equal to the ownership interests. The parent company does not hold any preferred interests in the subsidiary.
[1] FC ... fully consolidated company
[2] NE ... joint venture or associated company, but not consolidated at equity due to immateriality
[3] EC … consolidated at equity

34 — BOARD MEMBERS

During the financial year 2017, the Board Members were as follows:

Management Board
Wilhelm HÖRMANSEDER (Chairman)
Andreas BLASCHKE (Member of the Management Board)
Franz HIESINGER (Member of the Management Board since October 1, 2017)
Franz RAPPOLD (Member of the Management Board)
Gotthard MAYRINGER (Member of the Management Board until September 30, 2017)

Supervisory Board
Rainer ZELLNER (Chairman)
Johannes GOESS-SAURAU (1st Deputy Chairman)
Nikolaus ANKERSHOFEN (2nd Deputy Chairman)
Romuald BERTL (Member of the Supervisory Board)
Guido HELD (Member of the Supervisory Board)
Alexander LEEB (Member of the Supervisory Board)
Georg MAYR-MELNHOF (Member of the Supervisory Board)
Michael SCHWARZKOPF (Member of the Supervisory Board)
Andreas HEMMER (Works Council Representative)
Gerhard NOVOTNY (Works Council Representative)

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p. Franz Hiesinger m. p. Franz Rappold m. p.

Auditor’s Report

Report on the consolidated financial statements

Audit opinion

We have audited the consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft, Vienna, and of its subsidiaries (the Group) comprising the consolidated balance sheet as of December 31, 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2017 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of section 245 a of the Austrian Commercial Code.

Basis for opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor’s Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of property, plant and equipment

The line item “Property, plant and equipment” in the consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft includes tangible assets whose carrying amounts are, in case that there is an indication of impairment, reviewed by the management board (cf. Notes, section 6c). For this purpose, impairment tests are performed based on recoverable amount, which is determined as value in use or fair value less cost to sell. In order to perform the analyses, the Management Board has to make estimates about future earnings developments and to derive complex calculation parameters, which is why the results of the impairment test are subject to some uncertainties and estimation flexibility.

In the course of the audit, we have:

- assessed if there are any indications of an impairment or reversal of an impairment;
- compared the budgets, on which the impairment test is based, with the total budget approved by the Supervisory Board, validated the development of the significant parameters (sales, EBIT margin), and discussed with the Management Board their expectations of the local business and market development;
- assessed the methodology used in the calculation models;
- reviewed if the Management Board's assumptions are in appropriate range in comparison to market and externally available data, such as interest rates, inflation, market growth;
- reviewed if the qualification of the experts and suitability of the valuation method as well as the applied assumptions and selected parameters are appropriate for the determination of the fair value in the valuation reports from external experts.

Valuation of deferred tax assets

Deferred tax assets totaling (net) EUR 20.6 million have been recognized in the consolidated balance sheet of Mayr-Melnhof Karton Aktiengesellschaft (of which EUR 5.2 million from tax loss carry-forwards). Deferred taxes are recognized as an asset if it is probable that there will be future taxable profits available against which the deductible temporary differences or unused tax loss carry-forwards can be utilized. The amounts to be recognized are based on the Management Board's assumptions of future developments and taxable results, which are subject to some uncertainties and estimation flexibility.

In the course of the audit, we have:

- assessed the concept and the structure of internal review of the deferred tax accounting process;
- verified the applied differences between the carrying amounts according to consolidated financial statements and local tax law, derived from the reporting packages approved by the local auditor;
- assessed the significant assumptions for the tax planning by relevant subsidiaries and compared them with the budget approved by the Supervisory Board;
- assessed the probability of reaching the future taxable results and examined if there are substantial indications in this regard.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of section 245 a of the Austrian Commercial Code, for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

Moreover the following principles apply:

We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

Opinion

In our opinion, the management report for the group was prepared in accordance with the valid legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to section 243 a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional information in accordance with article 10 of the EU regulation

We were elected as auditor by the general meeting on April 26, 2017. We were appointed by the Supervisory Board on December 14, 2017. We have been auditors without cease since the appointment by the first general meeting on April 27, 1995.

We confirm that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor's report is Christoph ZIMMEL, Austrian Certified Public Accountant.

Vienna, February 28, 2018

Grant Thornton Unitreu GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christoph ZIMMEL m. p. Eginhard KARL m. p.

Austrian Certified Public Accountants

This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the Group financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies to alternated versions.

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, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.
Chairman of the Management Board

Andreas Blaschke m. p. Member of the Management Board	Franz Hiesinger m. p. Member of the Management Board	Franz Rappold m. p. Member of the Management Board

Development in the 4th Quarter 2017

QUARTERLY OVERVIEW

Mayr-Melnhof Group (IFRS, unaudited)

(consolidated, in millions of EUR)	1st Quarter 2017	2nd Quarter 2017	3rd Quarter 2017	4th Quarter 2017	4th Quarter 2016	+/-
Sales	584.5	565.8	598.8	587.7	558.9	+ 5.2 %
Operating profit	50.6	51.5	56.8	56.1	53.5	+ 4.9 %
Operating margin (%)	8.7 %	9.1 %	9.5 %	9.5 %	9.6 %	
Profit before tax	49.2	47.8	54.9	53.6	53.3	+ 0.6 %
Income tax expense	(12.3)	(12.8)	(13.5)	(11.9)	(15.4)	
Profit for the period	36.9	35.0	41.4	41.7	37.9	+ 10.0 %
Net profit margin (%)	6.3 %	6.2 %	6.9 %	7.1 %	6.8 %	
Basic and diluted earnings per share (in EUR)	1.84	1.74	2.07	2.08	1.91	

In the fourth quarter the Group was able to continue the solid development of the previous quarters.

The capacity utilization at MM Karton of 99 % was close to the level of the comparative period of the previous year (4th quarter 2016: 97 %). The division's operating margin amounted to 7.3 % (4th quarter 2016: 5.6 %).

MM Packaging achieved an operating margin of 10.5 % after 11.7 % in the fourth quarter of the previous year.

Consolidated sales at EUR 587.7 million were by around 5.2 % higher than in the previous year's period (4th quarter 2016: EUR 558.9 million). Both divisions contributed to this increase.

The Group's operating profit totaled EUR 56.1 million (4th quarter 2016: EUR 53.5 million), resulting in an operating margin of 9.5 % (4th quarter 2016: 9.6 %).

Profit before tax at EUR 53.6 million remained close to the value of the final quarter of 2016 (4th quarter 2016: EUR 53.3 million). Profit for the period rose to EUR 41.7 million (4th quarter 2016: EUR 37.9 million).

Glossary

DEFINITION OF FINANCIAL INDICATORS

Cash earnings
Sum of profit for the year before depreciation, amortization as well as impairment of property, plant and equipment and intangible assets and before 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 or loss attributable to non-controlling (minority) shareholders according to IAS 32 as well as depreciation, amortization and impairment of property, plant and equipment and intangible assets.

EBITDA margin
EBITDA divided by sales.

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

Enterprise value
The sum of market capitalization and non-controlling (minority) interests subtracted by 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 current and non-current interest-bearing financial liabilities including liabilities from finance lease less cash and cash equivalents as well as current and non-current securities.

In case the sum of cash and cash equivalents as well as securities exceeds financial liabilities, there is net liquidity. An existing net liquidity is not taken into account for the calculation of the enterprise value.

Net profit margin
Profit for the year divided by sales.

Operating margin
Operating profit divided by sales.

Property, plant and equipment to total assets
Property, plant and equipment divided by total assets.

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

Return on capital employed (ROCE)
Profit before tax, excluding net interest income/expenses and excluding the respective profit or loss attributable to non-controlling (minority) shareholders according to IAS 32, divided by the sum of average total equity, average current and non-current interest-bearing financial liabilities including liabilities from finance lease, average provisions for non-current liabilities and charges and average obligations with regard to non-controlling (minority) shareholders according to IAS 32, less average cash and cash equivalents as well as current and non-current securities.

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

Return on investment (ROI)
The sum of profit for the year, excluding interest expenses and the respective profit or loss attributable to non-controlling (minority) shareholders according to IAS 32, divided by the sum of average total equity plus average current and non-current interest-bearing financial liabilities including liabilities from finance lease.

Sheet equivalent
Production volume in sheets of offset printing and running meters of gravure and flexographic printing converted into a standardized unit.

Working capital
The sum of total current assets and non-current securities less total current liabilities (excluding revolving bank credits).

Group Key Indicators

	2013	2014	2015	2016	2017
Development of sales (in millions of EUR)					
Total sales	2,343.3	2,455.6	2,567.7	2,659.5	**2,751.9**
less intersegment sales between the divisions	(104.0)	(103.2)	(102.5)	(102.9)	**(104.7)**
less intersegment sales in the divisions	(239.9)	(265.0)	(283.7)	(283.9)	**(310.4)**
Consolidated sales	1,999.4	2,087.4	2,181.5	2,272.7	**2,336.8**
Earnings data (in millions of EUR)					
Net value added	536.6	564.8	601.6	650.8	**659.2**
EBITDA	252.3	270.6[3]	298.7	314.0	**314.3**
Operating profit	165.4	180.2	199.9	213.7	**215.0**
Profit for the year	122.9	131.6	142.1	153.4	**155.0**
Cash earnings	204.1	221.3[3]	238.4	256.3	**257.1**
Depreciation/capital expenditures (in millions of EUR)					
Depreciation and amortization[1]	89.6	93.9	99.6	99.1	**99.7**
Capital expenditures (CAPEX)	116.2	139.8	128.0	144.2	**159.1**
Employees	9,477	9,399	9,938	9,927	**9,856**
Profitability indicators					
Return on equity	11.3 %	11.9 %	12.7 %	12.8 %	**12.0 %**
Return on assets	7.8 %	7.9 %	8.3 %	8.4 %	**8.3 %**
Net profit margin	6.1 %	6.3 %	6.5 %	6.7 %	**6.6 %**
EBITDA margin	12.6 %	13.0 %[3]	13.7 %	13.8 %	**13.5 %**
Operating margin	8.3 %	8.6 %	9.2 %	9.4 %	**9.2 %**
Cash earnings margin	10.2 %	10.6 %[3]	10.9 %	11.3 %	**11.0 %**
Return on capital employed	15.4 %	15.5 %	16.1 %	15.9 %	**15.1 %**
Return on investment	10.4 %	10.5 %	10.9 %	11.0 %	**10.9 %**
Balance sheet indicators					
Total equity to total assets	65.3 %	61.7 %	60.2 %	63.5 %	**65.5 %**
Property, plant and equipment to total assets	39.0 %	39.0 %	40.0 %	40.0 %	**42.7 %**
Total equity and non-current liabilities to property, plant and equipment	2.0	2.0	2.0	2.0	**1.9**
Working capital (in millions of EUR)	586.6	614.6	615.7	710.5	**644.3**
Financial indicators (in millions of EUR)					
Net debt (-)/net liquidity (+)	133.9	58.3	- 35.0	- 7.2	**- 11.8**
Share performance indicators (in EUR)					
Enterprise value (in millions of EUR)	1,810.1	1,730.6	2,263.6	2,013.6	**2,440.6**
Basic and diluted earnings per share	6.11	6.54	7.08	7.67	**7.73**
Dividend per share	4.80[2]	2.60	2.80[4]	3.00	**3.10[5]**

[1] incl. impairment of property, plant and equipment and intangible assets
[2] incl. anniversary bonus of EUR 2.40
[3] adjusted according to definition (see glossary)
[4] thereof EUR 1.60 interim dividend per share
[5] proposed for 2017

FINANCIAL CALENDAR 2018

April 15, 2018	Record date "Ordinary Shareholders' Meeting"
April 25, 2018	24th Ordinary Shareholders' Meeting – Vienna
May 2, 2018	Ex-dividend day
May 3, 2018	Record date "Dividends"
May 9, 2018	Dividend payment date
May 17, 2018	Results for the 1st quarter of 2018
August 14, 2018	Results for the 1st half-year of 2018
November 15, 2018	Results for the first three quarters of 2018

The English version of this annual report is a translation of the original German text. In case of doubt, the German version takes precedence.
The annual reports and interim reports can be requested from the Company and are also available on the Internet.
The financial statements of Mayr-Melnhof Karton AG prepared in accordance with Austrian Financial Reporting Standards were audited together with the management report by Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and were approved without qualification. The financial statements have been submitted to the registrar of companies at the Vienna Commercial Court under registration number 81906 a and will be published in the "Amtsblatt zur Wiener Zeitung" (Official Federal Gazette) as well as on the website of the Company.

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