



2018

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Management Report

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

GROUP

Cartonboard packages for consumer goods in focus

The production and sale of cartonboard as well as the processing of cartonboard into consumer goods packages form the core business of the Mayr-Melnhof Group. Both business areas are managed as divisions that are responsible for their own results and carry out business with each other at arm's length. 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. The MM Packaging division is the largest producer of folding cartons in Europe and additionally holds a leading market position in several countries outside Europe. Cartonboard is the most important raw material used for the production of folding carton packaging. Folding cartons are, besides plastics, the most important packaging material for consumer staples. Demand for our products correlates with the development of private consumption, especially of consumer staples. Due to transport costs and logistical challenges, the folding carton business has a mainly regional character. In contrast, the cartonboard business is concentrated on the individual continents whereby global cartonboard trade accordingly plays a minor role.

Two profit centers

Similar to the previous year, MM Karton supplied in 2018 around 12 % of its cartonboard sales to MM Packaging at arm's length conditions. The majority of its production, however, is sold to folding carton producers outside the Group and directly to consumer goods manufacturers. MM Packaging buys around one quarter of the tonnage processed internally from MM Karton. However, the major share of the required cartonboard is purchased from external suppliers. Reasons are the limited internal supply of virgin fiber-based cartonboard as well as market conditions and specifications by customers concerning particular cartonboard grades.

Focus on Europe – global growth orientation

The geographic focus of our business is the developed European market, where both divisions have been market leader for a long time. Here, our growth course is driven by further penetration of existing market segments as well as the exploitation of new sales opportunities. Furthermore, we pursue an expansion and acquisition strategy at a global scope with the aim of achieving a leading position in attractive markets and to expand this further. By focusing on an attractive value added as well as the combination of organic growth and acquisitions in the areas of our core business, we strive for profitable growth at a manageable risk over the long term.

"Best practice" for sustainable profitability and development

Markets for cartonboard packages are attractive and thus face intense competition. We therefore focus on economies of scale and the continuous implementation of "best practice" with the aim of maintaining our market 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 and timely initiate corrective actions. We constantly invest in progress and strengthening the competitiveness using state-of-the-art technologies as well as in the continuous development of our employees to exploit new opportunities in time.

MAYR-MELNHOF KARTON

Leading in coated recycled fiber-based cartonboard

MM Karton produces a wide range of cartonboard products at seven European locations with a total annual production capacity of more than 1.7 million tons. Coated recycled fiber-based cartonboard accounts for approx. 80 % of the annual production, whereby MM Karton has the world's largest production in this product segment. 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 74 % of the fibers used are recycled fibers which are purchased from external suppliers. Another approx. 20 % are groundwood pulp, most of which we produce ourselves at our cartonboard mills and in the division's own fiber mill FollaCell in Norway. Pulp accounts for about 6 % of the fiber demand.

Cartonboard for consumer goods packaging

Cartonboard products of MM Karton are used in the production of packages in numerous markets. They are mainly used for packages for consumer staples. Due to the division's size and a broad range of standard and special qualities, MM Karton is a full-scale supplier and covers a diversified range of possible applications. Areas of emphasis are food packages followed by packages for household and hygiene products and pharmaceuticals. Exploiting new opportunities of use and continuously improving existing solutions and processes are at the center of constant product development and innovation activities. MM Karton thereby pursues a holistic approach and takes into account aspects from the entire value chain for differentiation on the market. A high level of quality, product functionality and safety as well as comprehensive expertise and services are the focus of our portfolio. Furthermore, MM Karton offers a high degree of supply reliability, as it is possible to deliver the same products from several cartonboard mills (multi-mill concept). In order to optimally satisfy specific requirements of individual market segments, MM Karton's main product groups – recycled fiber-based cartonboard, virgin fiber-based cartonboard, and white coated recycling-liner (high-quality printable top layer for the corrugated board industry in low grammage) – 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 and a broad variety of application specializations. Interaction between these two principal packaging materials has so far been limited to fringe areas owing to their different properties and functionality. However, in light of discussions on the substitution of plastics, increasing attention is paid to examining new possibilities for the use of cartonboard.

Main market Europe – broad customer base

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

According to the geographic base, Europe is MM Karton's main market, where it distributes around 82 % of its sales volume. Another 18 % are sold to countries outside Europe. In addition to its leading market position in Europe, MM Karton thereby accounts for the largest share of cartonboard exports from Europe. More than 1,000 customers are supplied worldwide. These are primarily printing businesses in the medium-sized and highly fragmented European folding carton industry. The influence of consumer goods producers and retailers on buying decisions for cartonboard has increased significantly for years. In response to this trend, MM Karton positions itself through a broad customized range of products and services, size as well as comprehensive expertise and solution capability.

“MMK digital” – digital sales and service channel

With “MMK digital”, MM Karton has taken a pioneering role in digitalization in the cartonboard industry, setting new standards in terms of speed and communication. For the first time, customers can perform all business processes with MM Karton in just a few seconds online and securely in real time, around the clock, seven days a week. Customers can complete all the steps themselves online at any time – from the selection of cartonboard quality and production forecast as well as ordering to call-off from the warehouse. “MMK digital” has been available to customers since the end of March 2018 and has achieved a high level of acceptance.

Concentrated production at specialized locations and machines

The production of coated cartonboard for packaging is a capital-intensive industrial process. Therefore, MM Karton has for a long time concentrated production on high-performance cartonboard machines in order to exploit efficiencies of scale. 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. The machines in the Slovenian cartonboard mill provide special features as they are flexibly producing both cartonboard qualities.

Recycled fibers – the most important raw material sustainably available

Recovered paper is the strategically most important raw material in the production of coated recycled fiber-based cartonboard. Groundwood pulp, energy, chemicals, and logistics are further significant input factors. The application of a coating made from chalk, fillers, and binders to the outer surface of cartonboard allows for high-quality printing.

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 in Europe and existing reserves, we consider the raw material of recovered paper to be sustainably available and the supply of our cartonboard mills to be secured.

High concentration of the cartonboard industry – continuing strong competition

According to our estimates, the total recorded global consumption of cartonboard amounts to approx. 62 million tons per year, more than half of which is accounted for by Asia and around one fifth each by America and Europe.

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

With regards to recycled fiber-based cartonboard, the capacity growth in Europe has been achieved through a 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.

Product development and competitive strength – MM Karton’s drivers

Cartonboard has a high attractiveness due to its wide range of possible applications and its economic and ecological advantages. For this reason, MM Karton focuses on continued growth in recycled and virgin fiber-based cartonboard while maintaining an attractive result quality. We will pursue our path with a high degree of discipline and prioritize maintaining our prices over volumes as hitherto. We will continue to create new capacities primarily in our existing mills. Our production facilities, development, technology as well as sales organization are very well positioned for this path.

We focus on achieving a reduction in unit costs and strengthening our market position by using state-of-the-art technology as well as improved and innovative products and services. Our investment activity remains continuously concentrated on this.

MAYR-MELNHOF PACKAGING

Leading folding carton producer

The core business of MM Packaging focuses on folding cartonboard packages for consumer staples. In 2018, we have processed around 766,000 tons of recycled and virgin fiber-based cartonboard and paper into more than 60 billion individual packages. MM Packaging is thus the leading producer of folding cartons in Europe and one of the largest worldwide.

The production of 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.

Growing international location network

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 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.

Europe is MM Packaging's geographical concentration and primary sales market, with a share in sales of around 89 %. Moreover 6 % are accounted for by Latin America and 5 % by the Middle East/Asia. Recent expansion projects outside Europe primarily involved the development of our plants in Jordan, Iran, and Vietnam. The aim thus consists in continuing to support our customers in their expansion with modern local production plants.

Broad sales range – balance and potential

Within the packaging market for consumer staples, MM Packaging covers a wide range of sectors, thus creating potential and balance. The technological facilities of the production plants and the account management are therefore aligned to meet the individual market and product requirements. Accordingly, MM Packaging's business covers the volume market of fast-moving consumer goods (FMCG) as well as the highly specialized markets of packages for cigarettes, pharmaceuticals, detergents, and personal care. We hold a unique position in Europe through combining a variety of end markets and company size.

Around three quarters of MM Packaging's sales are accounted for by large multinational consumer goods manufacturers. The remaining part of the business is local. In total, MM Packaging sells products to about 1,500 customers, and has been growing ever since, both organically as well as through acquisitions.

Broad technological basis

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

MM Packaging uses all common state-of-the-art preprinting, printing, and finishing technologies. In accordance with our aspiration for "best practice" in efficiency and quality, we constantly improve our products and processes and invest in new technologies. We regularly create spaces for innovation, often in close cooperation with our customers, aimed at operational and technological leadership. We therefore currently pay intensified attention to topics of automation and digitalization.

Essential raw material cartonboard

The production of folding cartons starts with cartonboard as a raw material, constituting both the most important input and cost factor at the same time. The choice of cartonboard, on the one hand, depends on the functionality of the package, and, on the other hand, on the specific requirements of individual consumer goods sectors and manufacturers. In accordance with our profit-center principle, MM Packaging procures the required recycled and virgin fiber-based cartonboard through its own purchase organization. The purchase of cartonboard for large international business operations is also decided by the customer. To cover major changes in cartonboard prices, long-term supply contracts with large customers generally include appropriate clauses which relate to reference values.

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

Focus on cost leadership

MM Packaging has for a long time pursued strategical differentiation through industrial production in the European folding carton industry, which is largely dominated by trade businesses. The use of economies of scale due to location size and production plant networks as well as the deployment of high-performance technology in production and logistics are major characteristics of this.

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

This is crucial for competition because in comparison to the cartonboard industry, the European folding carton sector is more fragmented. The five largest suppliers account here for one third of the market volume. Market barriers are generally lower, resulting in an ongoing intensive competitive environment.

Long-term growth course

As with the cartonboard market, the demand for folding carton packages correlates with private consumption. Due to the focus on packages for consumer staples, this shows a high level of continuity in the mature main market Europe. MM Packaging's aim here remains to organically grow further through market penetration while expanding and developing its position in selected markets through acquisitions.

Outside Europe, the strategy remains focused on occupying a significant position in future markets on time, with the aim of securing the greatest possible potential at a manageable risk. The main focus of existing production sites outside Europe lies on generating further growth and optimizing the size of operations.

The acquisition course remains characterized by opportunities as hitherto. MM Packaging strives for continuing its expansion course, in a risk-conscious way, guided by value creation and striving for a sustainably high quality of results.

2 — DEVELOPMENT IN THE YEAR 2018

GENERAL ECONOMIC SITUATION

A noticeable change of mood clouded from the middle of the year the positive picture of the global economy seen at the beginning of the year 2018. Besides trade conflicts, for example between the USA and China, increased crude oil prices and a slowdown in the growth rates of important emerging economies like China were decisive for this. Moreover, there were dampening effects in the Euro area resulting from uncertainties surrounding Brexit and recent sobering economic news. In the course of this, growth forecasts for Europe's economic engine, Germany, were continuously withdrawn for 2018 as well as 2019. In contrast to this, a good capacity situation and the improved situation on the labor market continued to support private consumption as an important pillar of the economy. At the same time, however, persistent inflation, particularly as a result of increases in collective wage agreements as well as in transportation and energy prices, represented a constant challenge for industries.

INDUSTRY DEVELOPMENT

In line with the overall economy, the situation on the European cartonboard and folding carton markets was characterized by high demand dynamics until the middle of the year that slowed down again in subsequent months. The second half of the year was marked by greater caution in planning especially due to a well-stocked supply chain. This led to a further increase in competitive intensity.

On the fiber markets, the decline in prices for mixed recovered paper grades as a result of lower exports from Europe to Asia was followed by a slight increase from the middle of the year driven by demand. In contrast, products based on virgin fibers like pulp were marked by a continuing strong upward trend in prices. Passing on prior cartonboard price increases constituted a challenge in cartonboard processing. Furthermore, higher costs for energy and transportation and collective wage increases particularly contributed to general cost inflation. Following capacity increases in the area of virgin fiber-based cartonboard in Europe in the recent past, capacity growth in the European cartonboard industry was restrained in 2018 and thus mainly focused on "creeping capacity increase" through ongoing investment activity. Capacity utilization therefore developed at an overall good level. The trend towards lighter packages and special solutions with particular functionality continued. The public discussion on the topic of plastics substitution drew greater attention to fiber-based packages but did not lead directly to any boost in demand. In the generally positive market environment, the consolidation process in the still very fragmented European folding carton market remained subdued. Hence there were no major changes in the supplier structure.

DEVELOPMENT OF BUSINESS 2018

GROUP

The Mayr-Melnhof Group was able to conclude the year 2018 with a further profit increase in succession. A strong development in the first three quarters contrasted with a noticeable market- and production-related decrease in volumes in the final quarter, which reduced the lead over the previous year. The company nevertheless succeeded in maintaining capacity utilization and volumes at a high level on a whole year perspective. The cartonboard division was the main driver of profit growth, in particular as a result of improved average prices. In contrast, a sharp rise in input costs, in particular for cartonboard, put pressure on the margin, as this increase could only be passed on with delay.

In line with the sound profit development, a recommendation will be made to the 25th Ordinary Shareholders' Meeting on April 24, 2019, to increase the dividend for the financial year 2018 to EUR 3.20 per share (2017: EUR 3.10).

With the acquisition of the Tann-Group, which was successfully closed on January 15, 2019, MM Packaging took an important growth step. Tann prints and finishes bought-in fine paper into cigarette filter paper (tipping paper) and is the global market leader in this field technologically related to MM Packaging. The aim is to expand value added and strengthen the profitability of MM Packaging as well as to achieve further growth.

Consolidated income statements

Consolidated income statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	+/-
Sales	2,337.7	2,336.8	+ 0.0 %
Operating profit	217.1	215.0	+ 1.0 %
Financial result and result from investments	0.8	(9.5)	
Income tax expense	(53.7)	(50.5)	
Profit for the year	164.2	155.0	+ 5.9 %

Consolidated sales of the Group totaled EUR 2,337.7 million and thus were at previous year's level (2017: EUR 2,336.8 million). A price-related increase in sales at the cartonboard division contrasts with a slight decrease at the packaging division. In the geographical distribution of sales, the shares of Western and Eastern Europe, at 59.5 % and 27.0 %, respectively, were slightly higher, while the share of business outside Europe changed to 13.5 % (2017: 58.9 %; 26.1 %; 15.0 %). Intra-group sales amounted to EUR 108.7 million (2017: EUR 104.7 million) and were mainly connected to deliveries from MM Karton to MM Packaging.

Group sales by destination

(in %)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Western Europe (excl. Austria)	57.3 %	56.6 %
Austria	2.2 %	2.3 %
Eastern Europe	27.0 %	26.1 %
Asia and MENA	7.2 %	8.2 %
Latin America	4.9 %	5.3 %
Other	1.4 %	1.5 %
Total	100.0 %	100.0 %

Cost of sales

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	+/-	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Cost of materials and purchased services	1,304.0	1,328.6	- 1.9 %	55.8 %	56.9 %
Personnel expenses	313.0	313.3	- 0.1 %	13.4 %	13.4 %
Depreciation and amortization	96.0	89.2	7.6 %	4.1 %	3.8 %
Other expenses	77.1	72.6	6.2 %	3.3 %	3.1 %
Cost of sales	1,790.1	1,803.7	- 0.8 %	76.6 %	77.2 %

Cost of sales for operating performance, at EUR 1,790.1 million, were EUR 13.6 million or 0.8 % below the comparative value of the previous year (2017: EUR 1,803.7 million). This decrease was primarily due to overall lower fiber costs. The share in sales changed analogously from 77.2 % to 76.6 %.

Selling and distribution, administrative and other operating expenses

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	+/-	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Personnel expenses	131.9	133.2	- 1.0 %	5.6 %	5.7 %
Depreciation and amortization	11.3	10.5	7.6 %	0.5 %	0.4 %
Other expenses	200.0	191.6	4.4 %	8.6 %	8.2 %
Selling and distribution, administrative and other operating expenses	343.2	335.3	2.4 %	14.7 %	14.3 %

Selling and distribution costs, administrative and other operating expenses rose to EUR 343.2 million (2017: EUR 335.3 million). Their share in sales was maintained largely constant at 14.7 % (2017: 14.3 %).

At EUR 217.1 million, an operating profit above the previous year's level was achieved (2017: EUR 215.0 million). A significant profit increase at the cartonboard division contrasted with a decrease at the packaging division. The Group's operating margin reached 9.3 % (2017: 9.2 %), the return on capital employed 15.5 % (2017: 15.1 %).

Financial income of EUR 1.3 million (2017: EUR 2.0 million) contrasted with financial expenses of EUR -6.1 million (2017: EUR -6.2 million). "Other financial result – net" went up to EUR 5.6 million (2017: EUR -5.3 million), in particular as a result of foreign currency gains, after one-time expenses due to accumulated currency translations of EUR 2.6 million had been reported in the previous year following the deconsolidation of subsidiaries.

Profit before tax increased by 6.0 % to EUR 217.9 million (2017: EUR 205.5 million). Income tax expenses totaled EUR 53.7 million (2017: EUR 50.5 million), with the effective Group tax rate for 2018 remaining constant at 24.7 % (2017: 24.6 %).

Profit for the year, earnings per share

Profit for the year rose by 5.9 % to EUR 164.2 million (2017: EUR 155.0 million). The net profit margin at 7.0 % (2017: 6.6 %) was thus slightly higher than in the previous year. Based on an unchanged total average of 20,000,000 shares outstanding and a profit for the year attributable to the shareholders of the Company amounting to EUR 163.7 million (2017: EUR 154.6 million), earnings per share were at EUR 8.18 (2017: EUR 7.73).

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, 2018	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2017
Origin:				
Sales	2,337.7		2,336.8	
Other operating income	12.7		17.2	
Change in finished goods and own work capitalized	4.6		4.5	
Financial result and result from investments	0.8		(9.5)	
Total operating revenue	2,355.8		2,349.0	
(-) Expenditures on purchased goods and services	(1,578.0)		(1,590.1)	
(-) Depreciation and amortization	(107.3)		(99.7)	
Net value added	670.5	100.0 %	659.2	100.0 %
Distribution:				
Employees	(257.4)	(38.4 %)	(260.0)	(39.4 %)
Social benefit costs	(127.3)	(19.0 %)	(127.1)	(19.3 %)
Public authorities	(121.6)	(18.1 %)	(117.0)	(17.8 %)
Non-controlling (minority) interests	(0.5)	(0.1 %)	(0.5)	(0.1 %)
Shareholders' dividend (proposed for 2018)	(64.0)	(9.5 %)	(62.0)	(9.4 %)
Company	99.7	14.9 %	92.6	14.0 %

In the financial year 2018, the Group generated a total operating revenue of EUR 2,355.8 million, which was higher than that of the previous year (2017: EUR 2,349.0 million). After deduction of expenditures on purchased goods and services as well as depreciation and amortization totaling EUR 1,685.3 million (2017: EUR 1,689.8 million), the net value added amounts to EUR 670.5 million (2017: EUR 659.2 million).

With 38.4 % or EUR 257.4 million (2017: 39.4 %; EUR 260.0 million), the major share of the net value added was again distributed to our employees. A similarly large proportion of 37.1 % or EUR 248.9 million (2017: 37.1 %; EUR 244.1 million) was paid to public authorities and social insurance. The shareholders of the Company are to receive a dividend of EUR 64.0 million or 9.5 % of the net value added (2017: EUR 62.0 million; 9.4 %) for the financial year 2018. A profit of EUR 99.7 million or 14.9 % of the net value added will be retained within the Group (2017: EUR 92.6 million; 14.0 %).

Assets, capital, and liquid funds

Consolidated balance sheets (condensed version)

(in millions of EUR)	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	1,003.8	1,013.1
Current assets	1,061.9	1,000.3
Total assets	2,065.7	2,013.4
Total equity	1,384.8	1,318.6
Non-current liabilities	307.6	327.6
Current liabilities	373.3	367.2
Total equity and liabilities	2,065.7	2,013.4

As of December 31, 2018, the Group's total assets amounted to EUR 2,065.7 million and were thus EUR 52.3 million higher than the respective figure at the end of 2017 (December 31, 2017: EUR 2,013.4 million). The Group's total equity rose from EUR 1,318.6 million to EUR 1,384.8 million, mainly as a result of profit. Total equity to total assets was therefore at 67.0 % (December 31, 2017: 65.5 %), return on equity at 12.1 % (December 31, 2017: 12.0 %).

Financial liabilities at EUR 211.7 million (December 31, 2017: EUR 212.5 million) remained almost unchanged and are primarily of a long-term character. Provisions for non-current liabilities and charges related to accruals for employee benefits decreased to EUR 115.9 million (December 31, 2017: EUR 121.4 million).

Total funds available went up to EUR 261.1 million (December 31, 2017: EUR 200.7 million), resulting in the Group reporting a net liquidity of EUR 49.4 million (December 31, 2017: net debt of EUR 11.8 million) at the end of 2018. Furthermore, credit lines totaling EUR 392.9 million (December 31, 2017: EUR 399.5 million) were available to the Group and can be used at any time.

At EUR 1,003.8 million, non-current assets were slightly below the previous year's value (December 31, 2017: EUR 1,013.1 million) as a result of lower capital expenditures and slightly higher depreciation and amortization. Current assets rose to EUR 1,061.9 million from EUR 1,000.3 million at the end of 2017, mainly due to an increase in cash and cash equivalents.

Cash flow development

Consolidated cash flow statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Net cash from operating activities	250.1	217.2
Net cash from investing activities	(119.0)	(154.4)
Net cash from financing activities	(69.3)	(114.5)
Effect of exchange rate changes	1.3	(1.5)
Net change in cash and cash equivalents (< 3 months)	63.1	(53.2)
Cash and cash equivalents (< 3 months) at the end of the year	261.0	197.9
Current and non-current securities	0.1	2.8
Total funds available to the Group	261.1	200.7

Cash flow from operating activities reached EUR 250.1 million and was thus EUR 32.9 million higher than the previous year's figure (2017: EUR 217.2 million). The profit increase and a lower growth in working capital compared to the previous year were the main contributing factors in this connection.

Cash flow from investing activities changed from EUR -154.4 million to EUR -119.0 million. This difference primarily results from lower payments for the purchase of property, plant and equipment and intangible assets amounting to EUR 130.0 million after EUR 150.8 million in 2017.

Investment expenditures at MM Karton amounting to EUR 75.8 million (2017: EUR 60.3 million) were mainly related to technical modernization and expansion with focal points on the Frohnleiten mill in Austria and the German Neuss mill as well as on the market launch of the digital sales and service channel "MMK digital".

Investment expenditures at MM Packaging totaled EUR 54.2 million (2017: EUR 90.5 million) with a particular focus on upgrades to machinery in Russia, Poland, Germany, Austria, Romania, and Turkey.

Cash flow from financing activities changed from EUR -114.5 million to EUR -69.3 million mainly due to the repayment of loans in the previous year.

Further information

In mid-October 2018, the division MM Packaging reached an agreement with the owners of the Tann-Group on the complete acquisition of the group of companies headquartered in Traun, Austria. The acquisition was successfully closed on January 15, 2019, and will be integrated into the MM Group in the first quarter of 2019. The preliminary purchase price amounts to around EUR 270 million. At the time of initial consolidation in the Group, non-cash one-off expenses from valuation effects will be accounted for, however beside the good current result of Tann.

The Tann-Group prints and finishes bought-in fine paper into cigarette filter paper (tipping paper) and is the global market leader in this field. With eight production sites in seven countries and about 1,100 employees world-wide, the group generates annual sales of around EUR 230 million.

Through this acquisition, MM Packaging extends its existing production of cigarette packages by the technologically related manufacture of tipping paper. Due to technological similarities and the existing long-standing cooperation with the same top-customers, the company strategically fits into the MM Packaging division.

Detailed information is reported in the consolidated financial statements under note 32 "Significant subsequent events".

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.

Employees

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

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 and 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, 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.

Sheet equivalent

Production volume in sheets of offset printing and running meters of gravure and flexographic printing converted into a standardized unit.

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

BUSINESS DEVELOPMENT IN THE DIVISIONS

MM Karton

Good demand characterized development on the European cartonboard markets in the first three quarters of 2018. However, this was followed by a noticeable weakening in the final quarter due to seasonal factors and the filled supply chain.

On procurement markets, a fall in prices for mixed recovered paper qualities due to reduced exports from Europe to Asia, contrasted with a sharp price increase for virgin fiber-based products, with the need to adjust prices for virgin fiber-based cartonboard.

MM Karton was able to maintain its position very well in 2018 through better prices, a sound volume development, and an optimized product portfolio and concluded the year with a significant increase in profit compared to the previous year. We continued to implement our proven strategy of a disciplined price policy while maintaining market shares.

With “MMK digital”, MM Karton provided the first digital sales and service channel in the cartonboard industry in spring 2018, which has been received with high customer acceptance on the market right from the beginning.

The average order backlog totaled 77,000 tons and was thus below the previous year's level (2017: 85,000 tons). At 97 %, capacities in the division were however still well utilized (2017: 98 %).

Cartonboard production, at 1,664,000 tons, was 1.2 % below the previous year (2017: 1,685,000 tons). 1,313,000 tons (79 %) thereof were attributable to recycled fiber-based cartonboard and 351,000 tons (21 %) to virgin fiber-based cartonboard (2017: 1,345,000 tons or 80 % and 340,000 tons or 20 %, respectively). Based on the average number of employees, 663 tons per employee were produced (2017: 664 tons). Cartonboard sold developed in line with production, totaling 1,663,000 tons (2017: 1,675,000 tons).

Sales increased, driven by prices, from EUR 1,048.7 million to EUR 1,062.2 million. With a share of around 63 % in Western Europe (2017: 62 %) and 21 % in Eastern Europe (2017: 21 %), slightly more was sold on the European markets, thus the sales share in countries outside Europe decreased to 16 % (2017: 17 %).

Operating profit increased significantly by 31.2 % or EUR 22.9 million to EUR 96.4 million compared with the previous year (2017: EUR 73.5 million) owing to better average prices and lower direct costs. The operating margin amounted to 9.1 % after 7.0 % in 2017, the return on capital employed was 16.1 % (2017: 12.7 %). Cash earnings totaled EUR 115.6 million (2017: EUR 100.3 million), with a cash earnings margin of 10.9 % (2017: 9.6 %).

Divisional indicators MM Karton

(in millions of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	+/-
Sales ¹⁾	1,062.2	1,048.7	+ 1.3 %
Operating profit	96.4	73.5	+ 31.2 %
Operating margin (%)	9.1 %	7.0 %	
Return on capital employed (%)	16.1 %	12.7 %	
Tonnage sold (in thousands of tons)	1,663	1,675	- 0.7 %
Tonnage produced (in thousands of tons)	1,664	1,685	- 1.2 %

¹⁾ including interdivisional sales

MM Packaging

European packaging demand for consumer goods was high from the beginning of 2018 and showed just in the fourth quarter a noticeable weakening as a result of a successive reduction in stocks along the supply chain. Competitive intensity remained very high, as capacities in the industry continued to be sufficient.

Against this background, it was largely possible to maintain plant capacity utilization at a high level. At the same time, however, the margin was under pressure due to previous cartonboard price increases and further cost rises, especially for transport and logistics, since corresponding price increases are difficult to be realized in the market or are only possible with delay. While the efficiency gains achieved in the course of rationalization programs were able to alleviate the pressure on the result, they could not fully compensate these developments.

The strategic focus of maintaining strength and exploiting growth opportunities in individual markets such as FMCG (fast-moving consumer goods), cigarette packaging, pharmaceuticals as well as personal care with dedicated locations on the basis of maximum cost efficiency and quality was pursued consistently and implemented in the course of the investment program. High priority was attributed to automation and digitalization projects.

Tonnage processed, at 766,000 tons, was close to the previous year's figure (2017: 767,000 tons). The sheet equivalent developed largely in parallel to this, with 2,270.7 million sheets in 2018 after 2,289.9 million sheets in the previous year. Based on the average number of employees, the sheet equivalent per employee increased from 316 thousand to 318 thousand and underlines the continuous increase in efficiency at MM Packaging.

At EUR 1,384.2 million, sales developed steadily compared to the previous year (2017: EUR 1,392.7 million). The geographical distribution of sales was also characterized by continuity, with 57 % and 32 % accounted for by Western and Eastern Europe, respectively, and 11 % by business outside Europe (2017: 58 %; 30 %; 12 %). MM Packaging supplies around 1,500 customers in various consumer goods sectors. Packages for food and cigarettes were the main areas of sales also in 2018. In line with the high degree of producer concentration in these markets, a great share of business is generated with multinational

customers. Accordingly, around 41 % of sales were achieved with the five largest customers in 2018 (2017: 40 %).

The decrease in operating profit by 14.7 % to EUR 120.7 million (2017: EUR 141.5 million) resulted primarily from the significant increase in direct costs.

The operating margin accordingly amounted to 8.7 % (2017: 10.2 %). The return on capital employed reached 15.1 % (2017: 16.7 %). Cash earnings totaled EUR 154.1 million (2017: EUR 156.8 million), while the cash earnings margin was 11.1 % (2017: 11.3 %).

Divisional indicators MM Packaging

(in millions of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	+/-
Sales ¹⁾	1,384.2	1,392.7	- 0.6 %
Operating profit	120.7	141.5	- 14.7 %
Operating margin (%)	8.7 %	10.2 %	
Return on capital employed (%)	15.1 %	16.7 %	
Tonnage processed (in thousands of tons)	766	767	- 0.1 %
Sheet equivalent (in millions)	2,270.7	2,289.9	- 0.8 %

¹⁾ including interdivisional sales

3 — RESEARCH AND DEVELOPMENT

The goal of the research and development activities of the Mayr-Melnhof Group consists in long-term safeguarding and strengthening competitiveness and progress in the two divisions MM Karton and MM Packaging. Our strategic direction, market leadership based on cost and technology leadership determines our path. Starting point of the innovation activity is identifying market needs and future trends at an early stage and exploiting them by using the best possible technologies to provide the benefits of the thus created added value for the market and the Company. Thereby we regularly include aspects of the entire supply chain and also examine opportunities which go beyond the conventional areas of application of our products.

Innovation management – networked collaboration within the Group

The focused collaboration of experts from different areas of the Group with access to a knowledge base built up over many years forms the basis of our R&D activities. Moreover, external specialists and research institutions are involved when appropriate. An innovation organization has been established in both divisions to accompany the process systematically from the generation of ideas to implementation with the relevant resources required. Attention is given in equal measure to product and process innovations, with the common goal of bringing innovations rapidly to market and thereby generating added value from this in a timely manner.

We aspire to ensure that our products and methods comply with the latest requirements and technical possibilities at an early stage. Therefore, we take a proactive approach that includes aspects of basic research as well as visionary concepts and ideas. Close cooperation with standardization and legislative bodies contribute to our products always being further developed in anticipation of compliance with regulations.

Efficient at implementing new requirements

Sustainability, convenience, safety and online sales are the requirements currently characterizing the packaging industry, in addition to trends towards naturalness, unconventional forms, simplicity, and plastics-free packages. Working closely together with our customers, we include these aspects in the development of individual solutions and ensure maximum performance and efficiency in their implementation.

Innovation activity in the MM Karton division in 2018

Primary emphasis of MM Karton's innovation activities in the product area is placed on continuous improvement of qualitative parameters like visual appearance, printability, stiffness, barriers, and efficiency in high-performance processing of cartonboard, and, at the same time, on new state-of-the-art grades in line with market requirements. Projects related to basic research are rendered and coordinated by the R&D center located in the Austrian cartonboard mill at Frohnleiten and also performed for third parties, in particular customers.

In 2018, special emphasis was again placed on the formulation and application of functional barriers (e.g. grease and migration barriers), especially using new raw materials and exploiting innovative application methods. In addition, a modern laboratory information system has been set up.

Young products – significant share of sales

Through close cooperation between our sales and engineering departments and customers, new, innovative products account for a share of around one fifth of the total sales volume of MM Karton. The aim is to further increase this share. This development is underpinned by the “Renovation” project which repositions the products of individual mills for specific markets and applications, with the strategy of sustainably increasing the value added and competitiveness of MM Karton through value creation. New features in 2018 related in particular to the following products:

Topcolor™ Grease 5-7 from the Frohnleiten mill is a recycled fiber-based cartonboard with an effective and environmentally friendly grease barrier that is approved for direct contact with dry and greasy foods. Through a high-quality top and reverse side the cartonboard is the customized quality for the attractive market of fast food and food service.

Excellent Top™ Freeze Quick Release is a new quality of virgin fiber-based cartonboard from the Baiersbronn mill that prevents food from adhering to the packaging material. This grade of cartonboard thereby guarantees a clean presentation of the product in connection with practical handling.

Excellent Top™ Brown (virgin fiber-based kraft cartonboard) and Browncolor (recycled fiber-based cartonboard) from the Kolicveo mill are characterized by brown color and thus represent the modern packaging material for communicating naturalness and sustainability at the point of sale.

The offset qualities MM Liner™ from the Kolicveo mill and MM Topliner™ from the mill in Neuss are made available in grammage ranges between 180 and 210 g/m², enabling MM Karton to completely satisfy a frequent market demand.

"MMK digital" – high customer acceptance

The new sales and service channel "MMK digital" has been actively used by a growing number of customers since its market launch at the end of March 2018. This innovative service offering has been accompanied by positive feedback and high interest since its inception. Additional forward-looking and helpful features are further increasing the attractiveness.

Award for FOODBOARD™ virgin fibre

FOODBOARD™ virgin fibre, the first virgin fiber-based cartonboard that offers innovative barrier protection against mineral oil and other defined unintended substances was honored with the Recyclable Packaging Award from Packaging Europe. Safety and environmental friendliness were significant criteria for this.

Innovation activity in the MM Packaging division in 2018

Bundled innovative power

“The plus in innovation” – this is the guiding principle under which MM Packaging is bundling its interdisciplinary expert teams in the newly established innovation organization Innovation[+]Plus. Innovation[+]Plus is seen as an interface to the customers and offers tailored services for products and processes with access to the entire expertise of the MMP innovation network. MM Packaging’s innovation organization comprises the following institutions: PacProject, the creative Innovation Center in Hamburg, the Premium Printing Center in Trier, the Technical Competence Center for coordinating specific client briefings, and local Packaging Development Centers of the individual production sites.

A technical account manager performs the management function in individual projects, both internally and in relation to the customer. The focus is thus placed on solutions that have been approved by the Divisional Technical Support Team and the production site involved.

Broad range of innovation

MM Packaging aims at offering relevant and convincing solutions in every phase of the innovation process, thus making a significant contribution to the success of the customers on the market. MM Packaging’s innovation team therefore has a broad scope and accompanies customers from the generation of ideas to strategic development of custom design concepts, from consumer insights for boosting a brand to process optimization and its implementation on production machinery.

It is our ambition to set new standards. Using and connecting the latest packaging technologies and in close cooperation with customer communication, we help our customers to acquire 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 available.

Innovation partner for sustainability

Sustainability is nowadays a core issue, with fiber-based packaging materials gaining relevance. With a team of designers together with packaging and marketing specialists, MM Packaging provided customers again with new ideas for future sustainable packaging solutions in 2018 in order to reduce the use of plastics. The focus here is placed on the choice of materials, life-cycle analyses, and “design for recycling”. MM Packaging’s ambition is to develop convincing solutions in this highly complex field together with the customer.

1st Carton Austria Award for MM

“Burgerista”, a new type of fast-food packaging made by Mayr-Melnhof Packaging Austria from the Topcolor™ cartonboard grade of MM Karton that unfolds to a practical serving dish when opened, was awarded the 1st Carton Austria Award. A good visual appearance, perfect functional implementation, and environmental friendliness were considered convincing arguments by the expert jury.

4 — RISK MANAGEMENT

In the course of its global activity with a focus on Europe, the Mayr-Melnhof Group is exposed to different general and industry-specific risks. Due to the correlation between demand for cartonboard packages and private consumption, especially the current and expected economic situation has a significant influence on the Group's risk position. In procurement, special emphasis for risk assessment is placed on the development of the markets for fibers and energy. The Group's risk situation for the financial year 2018 and at the beginning of 2019 can be classified as largely unchanged. The risks faced by the Group are still manageable and the Group's continued existence and ability to develop are secured.

Owing to a long-term focus on the two business areas of cartonboard and packaging, the Mayr-Melnhof Group has a solid base to identify potential risks at an early stage and to adequately assess any possible consequences thereof. For dealing with risks, a risk management system has been established. It involves the systematic identification, assessment, control, and reporting of significant events and risks which could potentially endanger the Group's existence and influence its development. We define the term risk as a negative deviation from the corporate objectives resulting from an event that might occur in the future with a certain degree of probability. The risk management system is aimed at limiting substantial risks to an acceptable level by means of suitable measures. Thereby the existence of the Group and its ability to create value should be safeguarded over the long term.

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

The Management Board is responsible for the Group's risk management and 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 are given high priority and are, as far as economically justifiable, achieved by appropriate control measures and complemented by the Group's insurance program.

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

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

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

Sales

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

Owing to sufficiently available capacities of providers, the sales markets of the cartonboard and packaging division have been characterized by intensified competition for many years. The Group therefore pursues a strategy of further asserting and extending the market leadership position of both divisions over the long term through cost, technology, and innovation leadership.

The Group has a total of several thousand customers. The cartonboard division sells unprocessed cartonboard in particular to the medium-sized European folding carton industry and generates around 48 % of divisional sales with 20 main customers, including MM Packaging. The packaging division supplies printed cartonboard packages 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 assess their supplier base and locations network by constant evaluations in order to optimize costs and exploit growth opportunities. This can lead to relocation and new allocation of business. However, the Group's broad positioning in a great number of market segments and the geographical width of market presence contribute to minimizing risk.

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

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

In both divisions, an innovation management across all locations is implemented with modern R&D capacities which are constantly extended. This allows for a sustainable offer of market-adequate, safe, and innovative products.

Digitalization opportunities receive special attention. In terms of sales, the cartonboard division increasingly exploits the potentials of the new digital sales and service channel "MMK digital". Efforts are being made towards solutions for other fields. Following the trend for lightweight cartonboard packages, MM Karton has extended its range of qualities with low grammages. The topic of substitution of plastics is proactively tackled in customer projects.

Within the framework of the Tobacco Products Directive (TPD2), national legislators have the possibility to insist on packaging units and cigarettes without trademark logos (plain packaging). Besides the outer packaging, tipping paper, tear tapes, and inner liner can also be affected by the national regulations. Introducing a traceability system (track & trace) and the application of a security feature on packages of tobacco products as of 2019 are also connected to the directive. Most of the member states have implemented TPD2; some countries have, however, exceeded the regulations of TPD2 and have resolved or already implemented the introduction of plain packaging (Great Britain, Ireland, and France). In Hungary and Slovenia this is imminent. Thus, a growing number of countries worldwide pursues the implementation of plain packaging or increased warnings on cigarette packages (Canada, Chile, Russia, South Africa, Turkey). In order to assess and minimize risks, a project team has been set up that collaborates closely with cigarette producers. The actual impact of the Tobacco Products Directive, and especially of plain packaging, 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 with the aim of creating consistent benefits for our stakeholders, in particular customers, employees, and shareholders.

This primarily involves an economical use of resources (especially of fibers, cartonboard, energy, water, chemicals, transport, and logistics) for our production, a high solution expertise, and guaranteeing quality while maintaining a sound financial conduct. We therefore focus on continuous benchmarking between the locations, innovations, and sustainable investments in the latest technology. Possibilities of further automation are actively pursued and, among others, accompanied by an own consulting company in the area of robotics and automation. The aim consists in implementing the highest possible standards throughout the Group.

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

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

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

Procurement

The performance of both divisions requires the use of certain essential raw materials and input factors which are mainly obtained 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. For procurement there is basically a risk of availability concerning quantity and quality as well as a price risk. We particularly counter the risk of availability through regular market and demand monitoring and continuous contact with a majority of suppliers. We ensure compliance with the agreed properties by incoming goods inspections, continuous quality monitoring, and visits to suppliers. Where reasonable and possible, tenders are conducted for present purchasing volumes.

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

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

Based on the profit center principle, purchase of cartonboard for the MM Packaging division is conducted by its own procurement organization with continuous screening of various 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 mainly depends on the political stability of producer and transit countries. The minimum purchase quantities are defined in various energy agreements. If the level of those is not reached due to standstills or technical faults, compensation settlements are due (take-or-pay rule). In order to manage the risk, we rely on concluding long-term framework purchase contracts, continuously monitoring price 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. Furthermore, measures aimed at reducing specific energy consumption are continuously implemented.

Basically there is a regulatory risk regarding the availability of emission rights in general and costs incurred in case (additional) emission certificates have to be purchased. The following applies based on current knowledge: Since 2013 up to and including 2020, the volume allocation of CO₂ certificates to the seven cartonboard mills located within the European Union and the fiber mill FollaCell will be largely free of charge. Accordingly, there is an overall sufficient number of CO₂ certificates available for the sites until the end of 2020. However, an examination of the allocation process for the subsequent years (2021 et seq.) by the EU is to be anticipated. This revision is to be expected only by the end of 2019. A reduction of approximately 20 % in CO₂ emissions until 2020 in comparison to the reference year 1990 has been pursued as a political objective by the European Union until now. In this context, free allocations of CO₂ have been reduced since 2013, however, the MM Group has a sufficient quantity.

Human Resources

The Group relies on qualified, motivated, and performance-oriented employees at all levels in order to achieve corporate success. With the aim of tying our employees to the Company in the long run and finding suitable top performers for vacancies, we promote sustainable collaboration through continuous 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 ensure the Group's attractiveness as an employer.

Long-term foresighted succession planning and the promotion of junior employees within the Group are managed via a central "Corporate Human Resources" department. With a wide range of development, training, and counselling programs, we systematically establish conditions under which talents can grow, and up-to-date expertise is made available to the Company over the long term.

Corporate health management 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. Furthermore, there are performance- and contribution-based severance obligations and obligations as part of statutory pre-retirement schemes. For risk monitoring and minimizing, a clearly structured process of data provisioning, plausibility checks, and verification at the level of individual companies or the Group is pursued and individual commitments are monitored by the Group's headquarter. Moreover, liquidity risk is counteracted by using qualifying insurance policies in Austria and Germany and a defined benefit pension plan in Great Britain.

Financial risks

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

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

Foreign exchange risks are monitored continuously with system support and are limited or reduced by suitable hedging measures. Hence, the focus is placed on balancing risks naturally by matching receivables and liabilities at individual subsidiaries and at Group level as well as foreign exchange forward, swap, and option contracts. Currency hedging transactions are mainly performed on a central currency trading platform. Currencies that are hedged for fluctuations of their exchange rates are in particular the British pound, the US dollar as well as the Euro for the companies with functional currencies other than the Euro. In the regions of 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 constant 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 auditors and 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 by a variety of preventive measures and checks. Risks regarding information security are countered by a wide range of security measures according to the Group-wide information security strategy and by the function of an Information Protection Officer who ensures the Group-wide establishment and continuous update of security standards. 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 (available on our website at <https://www.mayr-melnhof.com/en/about-us/responsibility/code-of-conduct/>). Furthermore, we have created the function of a Compliance Officer who can act autonomously and who is also responsible for compliance training and internal and external reporting.

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

We deal with the risk area of "Legal Compliance", which comprises all actions and measures geared towards compliance with legal regulations and contractual provisions by the function of a Legal Manager as well as by using a "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 ever stricter regulations.

The Group monitors the ongoing developments regarding Brexit (the withdrawal of the United Kingdom from the European Union) and evaluates different scenarios. Resulting risks are classified as manageable.

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

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

Composition of capital, stock categories

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

Restrictions concerning the voting rights and the transfer of shares

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

Direct or indirect participation in capital of at least 10 %

According to the information provided to the Company, there were the following minimum participations of 10 % in the capital at year-end 2018:

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG
CAMA Privatstiftung

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

There are no shares with special control rights.

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

There is no such capital participation model for employees.

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

There are no provisions of this type.

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

There are no authorizations of this type.

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

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

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

There are no agreements of this type.

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

To comply with section 267 a of the Austrian Commercial Code, the option to set up a separate consolidated non-financial report was chosen.

7 — OUTLOOK ON THE FINANCIAL YEAR 2019

This outlook reflects the assessment of the Management Board as of February 28, 2019, and does not take into consideration the effects of any possible acquisitions, disposals, or other structural changes in 2019. 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 2019, demand for cartonboard packaging has once again normalized following the weakening in the fourth quarter of last year, though without any noticeable momentum. Against this background, the plants are reporting overall good capacity utilization, however competition in the markets remains very intense.

The price increase for virgin fiber-based cartonboard announced by MM Karton as a result of higher prices for pulp and groundwood pulp took effect at the beginning of the year. In contrast, a continuous pricing policy is pursued for recycled fiber-based cartonboard due to stable recovered paper markets. The focus at MM Packaging remains on passing on increases in input factors promptly.

The aim of both divisions in 2019 is to continue to grow with the market as well as through displacement and to maintain the profit quality at a high level. Therefore, the focus on products with high value added and productivity gains in manufacture will be pursued consistently. In 2019, the largest contribution to growth will result from the acquisition of the Tann-Group, which will be integrated into the Group following the successful closing in the first quarter of 2019.

We will continue our investment activities on a long-term scale focusing on growth and cost reduction through the use of state-of-the-art technology.

After another record result was achieved in 2018, our goal is to make 2019 another year of success.

High attention will also be paid to the continuation of our acquisition course.

Vienna, February 28, 2019

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Franz Rappold m. p.

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Consolidated Balance Sheets

(all amounts in thousands of EUR)	Notes	Dec. 31, 2018	Dec. 31, 2017
ASSETS			
Property, plant and equipment	6	852,607	858,875
Intangible assets including goodwill	6	122,868	126,263
Investments in associated companies, securities and other financial assets	8	4,766	7,429
Deferred income taxes	9	23,573	20,575
Non-current assets		1,003,814	1,013,142
Inventories	10	346,860	341,041
Trade receivables	11	367,531	386,200
Income tax receivables		10,516	10,855
Prepaid expenses, securities and other current assets	12	76,002	64,258
Cash and cash equivalents	31	260,982	197,910
Current assets		1,061,891	1,000,264
TOTAL ASSETS		2,065,705	2,013,406
EQUITY AND LIABILITIES			
Share capital	13	80,000	80,000
Additional paid-in capital	13	172,658	172,658
Retained earnings	13	1,341,132	1,239,415
Other reserves	13	(211,195)	(175,892)
Equity attributable to shareholders of the Company		1,382,595	1,316,181
Non-controlling (minority) interests	13	2,164	2,409
Total equity		1,384,759	1,318,590
Financial liabilities	14	177,348	191,890
Provisions for non-current liabilities and charges	15	115,909	121,355
Deferred income taxes	9	14,397	14,374
Non-current liabilities		307,654	327,619
Financial liabilities	14	34,334	20,578
Current tax liabilities		13,974	7,031
Trade liabilities	16	205,114	218,533
Deferred income and other current liabilities	17	107,981	97,689
Provisions for current liabilities and charges	18	11,889	23,366
Current liabilities		373,292	367,197
Total liabilities		680,946	694,816
TOTAL EQUITY AND LIABILITIES		2,065,705	2,013,406

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, 2018	Year ended Dec. 31, 2017
Sales	19	2,337,658	2,336,804
Cost of sales		(1,790,059)	(1,803,709)
Gross margin		547,599	533,095
Other operating income	20	12,724	17,225
Selling and distribution expenses		(223,026)	(216,698)
Administrative expenses		(120,146)	(118,552)
Other operating expenses		(69)	(56)
Operating profit		217,082	215,014
Financial income	25	1,326	1,948
Financial expenses	26	(6,078)	(6,185)
Other financial result – net	27	5,582	(5,306)
Profit before tax		217,912	205,471
Income tax expense	9	(53,747)	(50,436)
Profit for the year		164,165	155,035
Attributable to:			
Shareholders of the Company		163,670	154,573
Non-controlling (minority) interests	13	495	462
Profit for the year		164,165	155,035
Earnings per share for profit attributable to the shareholders of the Company during the year:			
Basic and diluted average number of shares outstanding	28	20,000,000	20,000,000
Basic and diluted earnings per share	28	8.18	7.73

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, 2018	Year ended Dec. 31, 2017
Profit for the year	164,165	155,035
Other comprehensive income:		
Actuarial valuation of defined pension and severance obligations	(1,280)	3,602
Effect of income taxes	429	(927)
Total of items that will not be reclassified subsequently to the income statement	(851)	2,675
Foreign currency translations	(34,399)	(27,505)
Total of items that will be reclassified subsequently to the income statement	(34,399)	(27,505)
Other comprehensive income (net)	(35,250)	(24,830)
Total comprehensive income	128,915	130,205
Attributable to:		
Shareholders of the Company	128,367	129,956
Non-controlling (minority) interests	548	249
Total comprehensive income	128,915	130,205

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

Consolidated Statements of Changes in Equity

(all amounts in thousands of EUR) Notes	Equity attributable to shareholders of the Company							Non-controlling (minority) interests	Total equity
	Share capital	Additional paid-in capital	Retained earnings	Other comprehensive income			Total		
				Foreign currency translations	Actuarial gains and losses	Other reserves			
Balance at Jan. 1, 2017	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
Profit for the year	0	0	163,670	0	0	0	163,670	495	164,165
Other comprehensive income	0	0	0	(34,449)	(854)	(35,303)	(35,303)	53	(35,250)
Total comprehensive income	0	0	163,670	(34,449)	(854)	(35,303)	128,367	548	128,915
Transactions with shareholders:									
Dividends paid 13	0	0	(62,000)	0	0	0	(62,000)	(746)	(62,746)
Change in majority interests	0	0	47	0	0	0	47	(47)	0
Balance at Dec. 31, 2018	80,000	172,658	1,341,132	(159,784)	(51,411)	(211,195)	1,382,595	2,164	1,384,759

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, 2018	Year ended Dec. 31, 2017
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit for the year		164,165	155,035
Adjustments to reconcile profit for the year to net cash from operating activities excluding interest and taxes paid:			
Income tax expense	9	53,747	50,436
Depreciation and amortization of property, plant and equipment, and intangible assets	6	107,278	99,692
Gains (losses) from disposals of property, plant and equipment, and intangible assets	20	(202)	(899)
Negative goodwill	5	0	(6,477)
Financial income	25	(1,326)	(1,948)
Financial expenses	26	6,078	6,185
Gains (losses) from disposals of subsidiaries	5	(2,882)	0
Share of profit (loss) from other investments	27	(422)	(618)
Gains (losses) from disposals of securities and other financial assets	27	(1,143)	(79)
Other adjustments	31	(11,324)	(3,847)
Net cash from profit		313,969	297,480
Changes in working capital:			
Inventories		(14,989)	(13,882)
Trade receivables		4,371	(28,772)
Prepaid expenses, securities and other current assets		(7,733)	(18,349)
Trade liabilities		(119)	20,756
Deferred income and other current liabilities		2,080	12,991
Provisions for current liabilities and charges		(996)	(2,744)
Changes in working capital		(17,386)	(30,000)
Cash flow from operating activities excluding interest and taxes paid		296,583	267,480
Income taxes paid		(46,479)	(50,254)
Net cash from operating activities		250,104	217,226
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from disposals of property, plant and equipment, and intangible assets		2,337	2,013
Payments for acquisition of property, plant and equipment, and intangible assets (incl. payments on account)	16	(129,963)	(150,763)
Payments for acquisition of companies or other business entities, net of cash and cash equivalents acquired (2018: thous. EUR 0; 2017: thous. EUR 68)	5	0	(8,048)
Proceeds from disposal of companies or other business entities, net of cash and cash equivalents disposed (2018: thous. EUR 3,520; 2017: thous. EUR 0)	5	2,624	0
Proceeds from disposals of securities and other financial assets		4,390	738
Payments for securities and other financial assets		(195)	(848)
Dividends received	27	422	618
Interest received		1,351	1,905
Net cash from investing activities		(119,034)	(154,385)
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid		(5,954)	(6,140)
Issuances of financial liabilities	31	7,241	9,914
Repayments of financial liabilities	31	(7,807)	(57,730)
Payments to non-controlling (minority) shareholders		0	(182)
Dividends paid to the shareholders of the Company	13	(62,000)	(60,000)
Dividends paid to non-controlling (minority) shareholders	13	(746)	(359)
Net cash from financing activities		(69,266)	(114,497)
Effect of exchange rate changes on cash and cash equivalents		1,268	(1,572)
Change in cash and cash equivalents		63,072	(53,228)
Cash and cash equivalents at the beginning of the year (according to the consolidated balance sheet)		197,910	251,138
Cash and cash equivalents at the end of the year (according to the consolidated balance sheet)		260,982	197,910

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 Brahmplatz 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 based on historical acquisition or manufacturing costs, except for certain positions as, for example, certain financial instruments and defined benefit obligations.

The present consolidated financial statements comprise the period from January 1 till December 31, 2018 and have been signed by the Management Board as of February 28, 2019 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, 2018 and with an effective date no later than this date, were taken into consideration:

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
Revised standards	Content	Effective
IAS 40	Transfers of Investment Property	2018
IFRS 2	Classification and Measurement of Share-Based Payment Transactions	2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	2018
	Annual Improvements to IFRSs – 2014-2016 Cycle	2018
New interpretations	Content	Effective
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2018

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. Further details to the newly applicable standards IFRS 9 and IFRS 15 are provided in the following section.

Furthermore, the following new and revised standards and interpretations were endorsed by the EU by December 31, 2018; their application is, however, not yet compulsory for the financial year 2018:

New standards	Content	Effective
IFRS 16	Leases	2019
Revised standards	Content	Effective
IFRS 9	Prepayment Features with Negative Compensation	2019
New interpretations	Content	Effective
IFRIC 23	Uncertainty over Income Tax Treatments	2019

Additionally, the following new and revised standards were published by IASB until December 31, 2018 but have not yet been endorsed by the EU:

New standards	Content	Effective
IFRS 17	Insurance Contracts	2021
Revised standards	Content	Effective
IAS 28	Long-term Interests in Associates and Joint Ventures	2019
	Annual Improvements to IFRSs – 2015-2017 Cycle	2019
IAS 19	Plan Amendment, Curtailment and Settlement	2019
	References to the Conceptual Framework in IFRS Standards	2020
IFRS 3	Definition of a Business	2020
IAS 1/IAS 8	Definition of Material	2020

IFRS 9 and IFRS 15, which were newly applicable in 2018 and IFRS 16, applicable as of January 1, 2019, are described as follows:

IFRS 9 “Financial Instruments” was applied for the first time as of January 1, 2018. IFRS 9 introduced changes for the classification and measurement of financial instruments, the impairment of financial assets, and the requirements regarding hedge accounting. Thus, IFRS 9 completely replaces accounting of financial instruments according to IAS 39.

Only minor adjustments in presentation did result from the application of IFRS 9. Financial assets are measured at amortized cost or at fair value (either through other comprehensive income or through profit or loss). Most financial assets fulfill the requirements for the valuation at amortized cost. The requirements of IFRS 9 for the classification and measurement of financial liabilities do not differ significantly from those of IAS 39.

The original classification categories according to IAS 39 as of December 31, 2017, and the new categories according to IFRS 9 at the time of their initial recognition as of January 1, 2018, and their respective carrying amounts are as follows:

Financial Instruments (all amounts in thousands of EUR)	Category		Carrying amount	
	IAS 39	IFRS 9	IAS 39 at Dec. 31, 2017	IFRS 9 at Jan. 1, 2018
Other investments (Securities and other financial assets)	Available-for-sale financial assets	At fair value through profit or loss ¹⁾	1,566	1,566
Non-current securities (Securities and other financial assets)	Held-to-maturity investments	At amortized cost	1,223	1,223
Other financial assets (Securities and other financial assets)	Loans and receivables	At amortized cost	1,333	1,333
Trade receivables	Loans and receivables	At amortized cost	386,200	386,200
Derivative assets (Other receivables and assets including derivatives)	At fair value through profit or loss	At fair value through profit or loss	2,063	2,063
Current securities (Other receivables and assets)	Held-to-maturity investments	At amortized cost	1,559	1,559
Other receivables (Other receivables and assets)	Loans and receivables	At amortized cost	12,527	12,527
Cash and cash equivalents	Loans and receivables	At amortized cost	197,910	197,910
Interest-bearing financial liabilities including liabilities from finance lease	Other financial liabilities	At amortized cost	212,468	212,468
Trade liabilities	Other financial liabilities	At amortized cost	218,533	218,533
Other liabilities	Other financial liabilities	At amortized cost	7,400	7,400
Derivative liabilities	At fair value through profit or loss	At fair value through profit or loss	995	995

¹⁾ Other investments are equity shares in unconsolidated companies. As of December 31, 2018, these total thous. EUR 1,188 (December 31, 2017: thous. EUR 1,566). Generally, they are to be measured at fair value. However, cost represents an appropriate estimate of the fair value and the amount is being of low significance for the Group.

As part of the implementation of IFRS 9, a new impairment model was introduced, which in principle affects the measurement of financial assets of the Group, in particular of trade receivables. The future-oriented expected loss model of IFRS 9 has replaced the incurred loss model used in IAS 39. The Group has implemented a framework for determination of a simplified expected credit loss from trade receivables in accordance with IFRS 9, which provides reliable results based on suitable parameters. The application of the new impairment principles of IFRS 9 does not result in additional allowances concerning trade receivables. The Group considers the other financial assets as insignificant regarding a potential impairment.

As the Group does not apply hedge accounting, there are no corresponding changes resulting from IFRS 9.

The application of IFRS 15 “Revenue from contracts with customers” has been mandatory for the first time since January 1, 2018. The newly introduced five-step model is used to assess the amount and timing respectively period for revenue recognition.

Regarding the transition options the MM Group has decided to use the modified retrospective approach for the first time adoption. Accordingly, no restatement of the comparative period 2017 was made.

The following table presents the effects resulting from existing liabilities for customer rebates and bonuses on the opening balance as of January 1, 2018 at initial adoption of IFRS 15 “Revenue from contracts with customers”:

(all amounts in thousands of EUR)	Dec. 31, 2017	Adjustments of IFRS 15	Jan. 1, 2018
TOTAL EQUITY AND LIABILITIES			
Deferred income and other current liabilities	97,689	8,904	106,593
Provisions for current liabilities and charges	23,366	(8,904)	14,462

The disaggregation of performance obligations under certain circumstances according to IFRS 15 may require a separation of performance obligations related to rendered transportation services, depending on the individual terms of delivery agreed with customers. Compared to the total sales of each division, these sales are considered insignificant, therefore sales from goods and sales from transportation services are not disclosed separately. A potential accrual resulting from this beyond the balance sheet date was not recognized due to immateriality. The amounts are monitored on a regular basis.

IFRS 16 “Leases” was issued in January 2016, replacing IAS 17, IFRIC 4, SIC-15 as well as SIC-27 and modifying the way in which leases are reported. IFRS 16 introduces a standardized reporting model according to which leases will be recognized on the lessee’s balance sheet in the future, regardless of whether an operating or finance lease is involved in accordance with the criteria of IAS 17. A lessee will recognize a right-of-use asset to the underlying asset of the lease agreement and a liability representing the lease payment obligations. The Group will use the exceptions governing short-term leases and leases relating to low-value assets and therefore these transactions will not be reported on the balance sheet but as expense as incurred. Reporting for the lessor remains almost unchanged compared to the current standard and will thus have no material impact on the consolidated financial statements for 2019. The Group applies IFRS 16 as of January 1, 2019 using the modified retrospective approach. Comparative amounts for the year prior to the first-time adoption will not be restated.

Based on the analysis which was initiated in the previous year we have performed a more detailed evaluation of each component of agreement in regard of IFRS 16 in 2018. Additionally, a Group-wide IFRS 16 transition project has begun in the first half of 2018. In a subsequent phase, the documentation for various accounting policies and relevant assumptions according to IFRS 16, as for example determination of the lease term, incremental borrowing rate as well as exercising and not exercising the extension or termination option, was prepared. In respect of the conducted analysis, the impact of the first-time adoption will mainly result from lease agreements for real estate property.

As of the balance sheet date there are undiscounted payment obligations from non-cancellable operating lease payments of thous. EUR 75,629. After taking into consideration the applied exceptions, the conducted analysis indicates that the identified existing lease agreements are expected to result in the recognition of right-of-use assets in an amount of thous. EUR 52,498 and lease liabilities in the same amount of thous. EUR 52,498 in the consolidated balance sheet as of January 1, 2019.

Due to IFRS 16, the following effects are to be expected in the consolidated income statement: The operating profit of 2019 will increase by thous. EUR 889. The rental expense will decrease by thous. EUR 8,241, the remaining rental expense mainly concerns short-term leases and leases of low-value assets. Depreciation is expected to increase by thous. EUR 7,352, while interest expense, which is reported under financial result, will rise by thous. EUR 1,512.

As a result of the application of IFRS 16, the principal portion of the lease payments together with corresponding interest will be classified in cash flow from financing activities. Therefore the Group expects an increase in the cash flow from operating activities by thous. EUR 8,241 and a decrease in the cash flow from financing activities in the same amount.

3 — ACCOUNTING PRINCIPLES

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

Consolidation principles and methods

The consolidated financial statements and notes thereto include Mayr-Melnhof Karton AG (“the Company”) and its subsidiaries. These are all companies over which the Group has control. The Group has control, when it is exposed to both, positive and negative variable returns of its involvement in the entity and has an influence on the amount of these variable returns. Generally, an ownership of more than 50 % of voting shares provides an entity with control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The criteria whether the Group has control over another entity are reviewed even if the Group holds less than 50 % of voting rights. The Group 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 deconsolidated on the date on which such control ceases to exist or a subsidiary is deemed to be insignificant by the Group.

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

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

All the 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:

Country:	Currency:	Exchange rate	Exchange rate	Annual average	Annual average
		at Dec. 31, 2018	at Dec. 31, 2017	exchange rate 2018	exchange rate 2017
		1 EUR =	1 EUR =	1 EUR =	1 EUR =
Bulgaria	BGN	1.96	1.96	1.96	1.96
Chile	CLP	796	735	755	732
China	CNY	7.88	7.80	7.81	7.62
Colombia	COP	3,715	3,583	3,501	3,345
Czech Republic	CZK	25.72	25.54	25.67	26.33
Great Britain	GBP	0.89	0.89	0.89	0.87
Jordan	JOD	0.81	0.85	0.84	0.80
Malaysia	MYR	4.73	4.85	4.76	4.85
Norway	NOK	9.95	9.84	9.64	9.34
Poland	PLN	4.30	4.17	4.26	4.26
Romania	RON	4.66	4.66	4.66	4.57
Russia	RUB	79.46	68.87	73.49	65.69
Switzerland	CHF	1.13	1.17	1.15	1.11
Tunisia	TND	3.43	2.95	3.12	2.69
Turkey	TRY	6.03	4.52	5.44	4.09
Ukraine	UAH	31.71	33.50	32.31	30.06
Vietnam	VND	26,666	27,137	27,211	25,641

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 the acquisition date. Depending on the nature and materiality of the acquisition, basically land, buildings, and machines are valued based on an independent external expert report. Intangible assets are, according to their nature and due to the complexity of identifying the fair values, measured based on 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) interests' proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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

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 concerning wear and tear, aging, technical standards, contract periods, and changes in demand. Changes in these factors may cause a reduction of the useful life of an asset. Hence, the carrying amount would be depreciated/amortized over the remaining shorter useful life, resulting in higher annual depreciation/amortization expenses.

Accounting for acquisitions

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

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 (and the follow-up regulations), the Group is obliged to redeem specified emission rights for carbon dioxide emissions incurred during cartonboard production. These emission rights have been allocated free of charge to the Group's respective production sites for the period from 2013 to 2020.

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, 2018 and 2017, the Group had sufficient emission rights available.

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

Income taxes

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

Realization of deferred tax assets

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

Provisions for pensions, severance payments, and anniversary bonuses

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

5 — CHANGES IN THE CONSOLIDATED COMPANIES

a — Changes in 2018

In March 2018, the division MM Karton sold 100 % of its interests in Firgos (Malaysia) SDN BHD for a purchase price of thous. EUR 6,144, settled in cash. The transferred cash amounts to thous. EUR 3,520. A gain of thous. EUR 2,866 resulting from deconsolidation of this company was recognized under other operating income.

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

b — 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 consists in continuing to expand the portfolio in the high-quality 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, thous. EUR 105 of which 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 the 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 on 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 no separate determination of earnings was carried out for this part.

Other changes

In April 2017, the division MM Packaging incorporated 100 % of its interests 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 based on 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).

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 and impairment. Therefore, depreciation expense is recognized applying the straight-line method over the following estimated useful lives:

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

The Group capitalizes significant renewal investments and leasehold improvements. Generally, costs resulting in a prolongation of utilization or in an increase in future utilization of assets are capitalized. Current costs of maintenance and repairs are recognized as 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 2018

(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, 2018	540,663	1,616,048	169,849	96,724	2,423,284
Effect of exchange rate changes	(5,623)	(18,731)	(1,681)	(80)	(26,115)
Changes in consolidated companies	0	0	(81)	0	(81)
Additions	4,917	65,533	12,096	32,362	114,908
Disposals	(210)	(24,120)	(5,770)	(144)	(30,244)
Reclassifications	10,507	51,658	2,395	(74,735)	(10,175)
Balance at Dec. 31, 2018	550,254	1,690,388	176,808	54,127	2,471,577
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
Balance at Jan. 1, 2018	261,143	1,174,023	129,318	(75)	1,564,409
Effect of exchange rate changes	(1,546)	(10,793)	(1,063)	2	(13,400)
Disposals	(106)	(22,652)	(5,590)	0	(28,348)
Depreciation/amortization expense for the year	13,717	76,227	11,056	0	101,000
Reclassifications	(2,105)	(2,897)	238	73	(4,691)
Balance at Dec. 31, 2018	271,103	1,213,908	133,959	0	1,618,970
NET BOOK VALUE:					
Net book value at Dec. 31, 2018	279,151	476,480	42,849	54,127	852,607
Net book value at Dec. 31, 2017	279,520	442,025	40,531	96,799	858,875

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

b — Intangible assets including goodwill

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

Development of intangible assets including goodwill 2018

(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, 2018	58,345	116,726	34,905	209,976
Effect of exchange rate changes	(155)	(1,212)	(1,261)	(2,628)
Changes in consolidated companies	0	(4)	(1,806)	(1,810)
Additions	3,318	0	0	3,318
Disposals	(660)	0	0	(660)
Reclassifications	2,050	0	0	2,050
Balance at Dec. 31, 2018	62,898	115,510	31,838	210,246
ACCUMULATED AMORTIZATION AND IMPAIRMENT:				
Balance at Jan. 1, 2018	51,726	9,049	22,938	83,713
Effect of exchange rate changes	(112)	(3)	(993)	(1,108)
Changes in consolidated companies	0	0	(1,084)	(1,084)
Disposals	(421)	0	0	(421)
Amortization expense for the year	2,893	0	3,385	6,278
Balance at Dec. 31, 2018	54,086	9,046	24,246	87,378
NET BOOK VALUE:				
Net book value at Dec. 31, 2018	8,812	106,464	7,592	122,868
Net book value at Dec. 31, 2017	6,619	107,677	11,967	126,263

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

In the financial year 2018, the depreciation and amortization expense recorded under the “Property, plant and equipment” and “Intangible assets including goodwill” amounted to thous. EUR 107,278 (2017: thous. EUR 99,692). 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, 2018	Dec. 31, 2017
Goodwill MM Karton	4,612	4,573
Goodwill MM Packaging	101,852	103,104
Goodwill Group	106,464	107,677

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) based on the following underlying assumptions (parameters):

Discount rate	The discount rate represents the weighted average cost of capital (WACC) of the Group before taxes and for the current financial year it amounts to 10.11 % (2017: 12.07 %) for the segment MM Karton and to 13.02 % (2017: 14.43 %) 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 (2017: 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. (2017: 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, based on this procedure and these underlying assumptions, the recoverable amount (value in use) is determined to be lower than the respective book value of the cash generating operating segment including the respective goodwill assigned, the difference is recorded as impairment. The fair value less cost to sell should be calculated at first in case of a shortfall.

Sensitivity of underlying assumptions

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

The respective pre-tax discount rate according to which the value in use would equal the book value as of December 31, 2018 amounts to 16.95 % (December 31, 2017: 16.67 %) for the operating segment MM Karton and to 18.30 % (December 31, 2017: 19.04 %) for the operating segment MM Packaging.

A decrease in free cash flows by 5.0 % points or in growth rate by 0.5 % points would not have led to any impairment, neither as of December 31, 2018 nor as of December 31, 2017, for both operating segments.

As of December 31, 2018, the Group's market capitalization amounted to thous. EUR 2,200,000 (December 31, 2017: thous. EUR 2,450,000), and the book value of equity amounted to thous. EUR 1,384,759 (December 31, 2017: thous. EUR 1,318,590).

The Group has conducted its annual impairment test as of December 31, 2018 and December 31, 2017. Neither in 2018 nor in 2017 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. Afterwards, the carrying amounts included in the balance sheet that correspond to the respective categories are presented. In conclusion, the income and expenses resulting from the different categories are shown.

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

Financial assets are classified and measured as follows:

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

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

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies trade accounts receivable and all other financial receivables in this category. In addition, all liquid funds, such as fixed deposits and cash items, are classified in this measurement category. In general, securities in the Group are measured at amortized cost based on the business model and the fact that the cash flows are solely payments of principal and interest.

A debt instrument that meets the following two conditions is measured at fair value through other comprehensive income (with recycling):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group holds debt instruments solely in order to collect contractual cash flows (payments of principal and interest). They are measured at amortized cost.

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

Investments in equity instruments (shareholdings) are basically measured at fair value through profit or loss, if, at their initial recognition, they are not irrevocably designated as at fair value through other comprehensive income, provided that they are not held for trading. However, in limited circumstances, cost may be an appropriate estimate of fair value for (non-listed) equity instruments. This may be the case if insufficient current information is available to measure fair value or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. In the Group, there are equity investments in unconsolidated companies that are of low significance and are thus measured at cost.

In the Group, derivative financial assets are classified as at fair value through profit or loss. For financial instruments which are measured at amortized cost, there is an option to designate them as at fair value. For investments in equity instruments which are measured at fair value through profit or loss, there is an option to measure them at fair value through other comprehensive income. The Group does not make use of these two options.

Recognition and derecognition

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

Measurement

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

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

Impairment

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

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

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

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

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

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

(in thousands of EUR)	At fair value through profit and loss	At amortized cost ²⁾	Total
	Carrying amount at Dec. 31, 2018		
Securities and other financial assets ¹⁾	1,188	1,442	2,630
Trade receivables	0	367,531	367,531
Other receivables and assets including derivatives	717	9,119	9,836
Cash and cash equivalents	0	260,982	260,982
Total	1,905	639,074	640,979

¹⁾ For measurement of "other financial assets" classified as "at fair value through profit and loss", see note 7e.

²⁾ The reported amounts regarding financial assets measured at amortized cost represent a proper approximation to the fair value.

(in thousands of EUR)	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 cost²⁾		
Carrying amount at Dec. 31, 2017					
Securities and other financial assets ¹⁾	0	1,566	1,223	1,333	4,122
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	1,566	2,782	597,970	604,381

¹⁾ For measurement of "other financial assets" classified as "available-for-sale financial assets", see note 7f of the annual report 2017.

²⁾ The reported amounts regarding financial assets measured at amortized cost represent a proper approximation to the fair value.

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

	At fair value through profit and loss	At amortized cost	Total
(in thousands of EUR)	Carrying amount at Dec. 31, 2018		
Interest-bearing financial liabilities incl. finance lease	0	211,682	211,682
Trade liabilities	0	205,114	205,114
Other liabilities including derivatives	963	18,480	19,443
Total	963	435,276	436,239

	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

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

(in thousands of EUR)	At fair value through profit and loss	At amortized cost	Total
	Income and expense 2018		
In profit for the year	219	1,068	1,287
Interest/Dividends received	422	1,326	1,748
Fair value/Carrying amount changes	(1,346)	(258)	(1,604)
<i>Thereof impairment</i>	<i>0</i>	<i>(258)</i>	<i>(258)</i>
Gains/losses from disposals	1,143	0	1,143
In other comprehensive income	0	0	0
Change in fair value	0	0	0
Net profit/loss	219	1,068	1,287

All income and expenses are recognized in the income statement.

(in thousands of EUR)	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		
Income and expense 2017					
In profit for the year	1,567	617	35	2,302	4,521
Interest/Dividends received	0	618	35	1,913	2,566
Fair value/Carrying amount changes	1,567	(1)	0	389	1,955
<i>Thereof impairment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>389</i>	<i>389</i>
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

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

	At fair value through profit and loss	At amortized cost	Total
(in thousands of EUR)	Income and expense 2018		
In profit for the year	32	(6,078)	(6,046)
Interest	0	(6,078)	(6,078)
Fair value/Carrying amount changes	32	0	32
Net profit/loss	32	(6,078)	(6,046)

	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)
Interest	0	(6,185)	(6,185)
Fair value/Carrying amount changes	(34)	0	(34)
Net profit/loss	(34)	(6,185)	(6,219)

b — Derivatives

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

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

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

As of December 31, 2018, the Group had concluded foreign exchange forward, swap and option contracts with a nominal value of receivables of thous. EUR 174,282 (December 31, 2017: thous. EUR 170,504) and liabilities of thous. EUR 174,443 (December 31, 2017: thous. EUR 169,264) with a negative total market value of thous. EUR 246 (December 31, 2017: positive total market value of thous. EUR 1,068).

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 717 (December 31, 2017: thous. EUR 2,063) and under "Deferred income and other current liabilities" as current liabilities in the amount of thous. EUR 963 (December 31, 2017: thous. EUR 995).

As there is no hedge accounting in the MM Group, the corresponding rules in accordance with IFRS 9 are not applied.

c — Financial Risk Management

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

Credit and default risk

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

Credit and default risks are continuously monitored; existing and identifiable risks are provided for by recording appropriate allowances or provisions. For the assessment of the overall risk, existing insurance coverage, possible guarantees, and letters of credit are taken into consideration. Financial instruments which may cause a concentration of financial risks within the Group in certain cases comprise primarily cash and cash equivalents 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 loss of the total volume of receivables. 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, respectively at Group level the expected credit loss model according to IFRS 9 is applied. The impairment model is based on the premise of providing for expected losses. The Group has implemented a framework for determining simplified expected credit losses from trade receivables in accordance with IFRS 9, which provides reliable results by using suitable parameters. For the measurement, the Group applies a simplified approach using an allowance matrix which considers probability-weighted total credit loss ("lifetime expected credit loss model"). The calculation of estimated expected credit losses is based on actual credit loss experiences over the past four years separately for the regions Europe, 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. The application of the new impairment principles of IFRS 9 does not result in additional allowances concerning trade receivables. The Group considers the other financial assets as insignificant in view of a potential impairment.

As a result of the broad and diversified customer base and the existing credit insurance contracts, there is no concentrated risk of default. There are mainly trade receivables against customers with credit insurance and customers with very good creditworthiness; accordingly, bad debt losses were insignificant in the past.

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

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

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

Liquidity risk

The liquidity risk is referred to as the risk of having to raise the required funds at any time in order to settle the amounts payable in due course. The Group's financing policy is oriented towards long-term financial planning and is managed centrally and monitored constantly. Based on well-timed liquidity management, sufficient liquidity of all the Group's subsidiaries is provided for by the availability of adequate cash and cash equivalents as well as 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 financial liabilities arising from interest-bearing financial liabilities including finance lease, trade liabilities and payment obligations and payment entitlements arising from derivative financial instruments as well as interest 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 up to 1 year	1 – 2 years	2 – 5 years	Over 5 years
Balance at Dec. 31, 2018					
Interest-bearing financial liabilities incl. finance lease	23,041	11,293	6,410	20,938	150,000
Interest for interest-bearing financial liabilities incl. finance lease	267	3,386	3,398	9,293	5,745
Trade liabilities	204,786	328	0	0	0
Payment obligations from derivative financial instruments	157,784	16,659	0	0	0
Payment entitlements for derivative financial instruments	(158,103)	(16,179)	0	0	0
Balance at Dec. 31, 2017					
Interest-bearing financial liabilities incl. finance lease	3,996	16,582	20,785	21,105	150,000
Interest 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

Currency risk

Currency risk is 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, 2018 (December 31, 2017) 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.

Currency	Volatility	Impact on profit for the year and equity in thousands of EUR	
		2018	2017
EUR ¹⁾	+/- 5 %	-/+ 340	-/+ 85
GBP	+/- 5 %	+/- 101	+/- 80
USD	+/- 5 %	-/+ 59	-/+ 83

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

Interest rate risk

The interest rate risk is referred to as the risk arising from changes in market interest rates, which can result in a fluctuation of the values of balance sheet items or a fluctuation in cash flows. For balance sheet items with fixed interest, the risk consists mainly in fluctuations in value (price risk); when the market interest rate changes, the (present) value of financial instruments with fixed interest payments will also change. Due to these value fluctuations, profit or loss can arise; these are particularly realized when the financial instrument is sold before maturity. For balance sheet items with a variable interest rate, there is mainly the risk of fluctuating cash flows. In case the market interest rate changes, the amount of interest receivable or payable from financial instruments with variable interest payments will also change. Such changes would alter the ongoing interest payments and thus also interest income and expense. As of December 31, 2018, 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, 2018 (December 31, 2017) 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	
		2018	2017
Financial assets with variable interest	+/- 0.1 %	+/-20	+/-48
Financial liabilities with variable interest	+/- 0.1 %	-/+100	-/+100

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, 2018 and December 31, 2017 amounted to:

(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Total equity	1,384,759	1,318,590
Total assets	2,065,705	2,013,406
Total equity to total assets	67.0 %	65.5 %

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. 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:

(in thousands of EUR)	Level 2	
	Dec. 31, 2018	Dec. 31, 2017
Financial assets:		
Derivative financial instruments	717	2,063
Financial liabilities:		
Derivative financial instruments	963	995

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 these measurement methods would be applicable in the Group.

As of December 31, 2018, other financial assets classified as “at fair value through profit or loss” include investments in unconsolidated companies in the amount of thous. EUR 1,188 (December 31, 2017: thous. EUR 1,566). In general, these must be measured at fair value. However, cost represents an appropriate estimate of fair value and the amount is of low significance for the Group.

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 %. Additionally, the Group also has investments in associated companies which are not measured using the equity method but at their acquisition cost because of immateriality.

Securities

The Group measures its securities at amortized cost. Premiums and accretions of discount of debt securities are allocated over their maturity period and are included in the income statement under the positions “financial income” or “financial expenses”.

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

Other financial assets

Other financial assets comprise other investments, loans, and other financial investments. Other investments are defined as part of the category “at fair value through profit and loss”, however, cost represents an appropriate estimate of the fair value and the amount is of low significance for the Group.

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

(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Investments in associated companies	2,136	3,307
Liability insurance not pledged to beneficiaries	1,281	1,333
Other investments	1,188	1,566
Non-current securities	161	1,223
Investments in associated companies, securities and other financial assets	4,766	7,429

As of December 31, 2018, the Group held only non-current fixed-interest-bearing securities in the amount of thous. EUR 161. In the previous year, current and non-current securities of the Group comprised bonds and other fixed-interest-bearing securities with a book value of thous. EUR 2,782.

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, 2018	Dec. 31, 2017
Share of result for the year	(347)	(453)
Share of other comprehensive income ¹⁾	(824)	0
Share of total comprehensive income	(1,171)	(453)

¹⁾ Share of foreign currency translations in the consolidated comprehensive income statement

9 — INCOME TAXES

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

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

Deferred tax assets and liabilities are recognized for all temporary differences between tax and the consolidated balance sheet. Deferred taxes are evaluated using the tax rates which are already in force on the balance sheet date or which have essentially been legally adopted and which are expected to be valid at the time of realization of the deferred tax asset or the settlement of deferred tax liability. Deferred tax assets are recognized only if there is a probability that sufficient taxable profit will be available for 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, 2018	Dec. 31, 2017
Intangible assets	1,943	2,532
Property, plant and equipment	9,389	8,308
Inventories	6,247	6,007
Defined benefit plans and other liabilities and charges	21,166	21,337
Loans receivable, investments and financial assets	1,615	1,298
Loss carryforwards	13,908	14,311
Other	3,740	2,921
Gross deferred tax assets	58,008	56,714
Unrecognized deferred tax assets	(12,362)	(10,758)
Net deferred tax assets	45,646	45,956
Offset	(22,073)	(25,381)
Deferred tax assets in the balance sheet	23,573	20,575
Intangible assets	(3,271)	(4,710)
Property, plant and equipment	(10,873)	(12,213)
Inventories	(901)	(1,184)
Defined benefit plans and other liabilities and charges	(11,515)	(9,716)
Loans receivable, investments and financial assets	(3,485)	(4,129)
Other	(6,425)	(7,803)
Net deferred tax liabilities	(36,470)	(39,755)
Offset	22,073	25,381
Deferred tax liabilities in the balance sheet	(14,397)	(14,374)

The unrecognized deferred tax assets in the amount of thous. EUR 12,362 (December 31, 2017: thous. EUR 10,758) comprise thous. EUR 10,834 (December 31, 2017: thous. EUR 9,121) of unrecognized loss carryforwards.

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

(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Deferred tax assets, realized within 12 months	11,543	12,492
Deferred tax assets, realized after 12 months	34,103	33,464
Deferred tax assets	45,646	45,956
Deferred tax liabilities, realized within 12 months	(8,339)	(6,055)
Deferred tax liabilities, realized after 12 months	(28,131)	(33,700)
Deferred tax liabilities	(36,470)	(39,755)

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 and investments in associated companies, 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 872,229 at December 31, 2018 (December 31, 2017: thous. EUR 815,198). 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, 2018	Dec. 31, 2017
Loss carryforwards with expiration	28,557	19,910
Loss carryforwards with no expiration	27,455	38,433
Loss carryforwards	56,012	58,343
(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Recognized loss carryforwards	12,288	20,577
Unrecognized loss carryforwards	43,724	37,766
Loss carryforwards	56,012	58,343

The loss carryforwards limited in time will expire between 2019 and 2024 unless they are utilized before these dates.

The assessment of the recognition of loss carryforwards showed that for thous. EUR 12,288 (December 31, 2017: thous. EUR 20,577), deferred tax assets amounting to thous. EUR 3,074 (December 31, 2017: thous. EUR 5,190) were recognized. For the remaining amount of thous. EUR 43,724 (December 31, 2017: thous. EUR 37,766), deferred tax assets amounting to thous. EUR 10,834 (December 31, 2017: thous. EUR 9,121) 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, 2018	Year ended Dec. 31, 2017
1 year	810	0
2 years	1,189	1,221
3 years	4,377	3,386
4 years	9,855	7,039
5 years	8,621	3,405
After 5 years	784	2,504
No expiration	18,088	20,211
Total	43,724	37,766

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, 2018	Year ended Dec. 31, 2017
Current taxes:		
Current period	55,816	48,622
Due to utilization of previously unrecognized loss carryforwards	(15)	(49)
Prior periods	(346)	(487)
Deferred taxes:		
Due to temporary differences	(3,536)	111
Due to tax loss carryforwards of the current period	(182)	(312)
Due to utilization of recognized loss carryforwards	2,259	2,520
Due to change of allowances	(31)	(60)
Due to tax rate changes	(218)	91
Income tax expense	53,747	50,436

d — Tax effects on “Other comprehensive income”

The amount of income taxes directly recognized in other comprehensive income is based on actuarial losses from defined benefit plans booked in 2018 amounting to thous. EUR 1,280 (2017: gains amounting to thous. EUR 3,602). Thereon deferred taxes amounting to thous. EUR 429 (2017: negative amount of thous. EUR 927), were recognized for the financial year 2018. As a result, actuarial losses from defined benefit plans after tax amounted to thous. EUR 851 (2017: gains of thous. EUR 2,675).

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, 2018	Year ended Dec. 31, 2017
Applicable tax rate	24.56 %	23.83 %
Non-deductible expenses and tax-free income	(2.17 %)	(1.36 %)
Tax effect from unrecognized loss carryforwards of the financial year	1.51 %	1.62 %
Tax effect from utilization of unrecognized loss carryforwards	(0.01 %)	0.00 %
Tax effect from change of deferred tax assets allowances	0.09 %	0.00 %
Tax effect from capital gains and withholding tax	1.56 %	1.13 %
Tax effect from tax rate changes	(0.10 %)	0.04 %
Non-periodic income tax expense or revenue (current and deferred)	(0.82 %)	(0.80 %)
Other effects	0.04 %	0.09 %
Effective tax rate	24.66 %	24.55 %

10 — INVENTORIES

Inventories are valued at the lower of acquisition or manufacturing costs and the net realizable value. The net realizable value is based on expected selling prices and takes into consideration remaining costs of completion as well as estimated selling and distribution expenses. In order to determine purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale, a weighted average price method, taking into consideration the sales market, is primarily applied in the cartonboard division. In the packaging division, the purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale are basically recognized using the actual sequence of consumption (specific identification method). The value of raw materials, manufacturing and operating supplies recognized in the balance sheet is based on data from physical 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, 2018	Dec. 31, 2017
Raw materials, manufacturing and operating supplies	191,653	186,788
Work in process	26,412	28,150
Finished goods and goods for resale	158,108	154,396
Total	376,173	369,334
Write-downs	(29,313)	(28,293)
Inventories – net	346,860	341,041

In the financial year 2018, write-downs of inventories recognized as an expense amounted to thous. EUR 8,249 (2017: thous. EUR 9,825), the reversal of write-downs as a result of changes in prices of inventories recognized as income amounted to thous. EUR 1,450 (2017: thous. EUR 747), both under cost of goods sold. The carrying amount of inventories carried at net realizable value amounted to thous. EUR 13,782 (2017: thous. EUR 16,661).

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, 2018	Year ended Dec. 31, 2017
Cost of materials	1,264,210	1,291,694
Cost of purchased services	39,753	36,954
Total	1,303,963	1,328,648

11 — TRADE RECEIVABLES

Receivables are accounted for at amortized cost, i.e. at par value less allowances.

(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	368,918	387,392
Allowances	(1,387)	(1,192)
Trade receivables – net	367,531	386,200

As of December 31, 2018, the aging of trade receivables overdue but not impaired is as follows:

(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Up to 30 days overdue	5,779	6,222
31 – 60 days overdue	2,386	1,924
61 – 365 days overdue	2,614	2,429
More than 365 days overdue	102	41
Total of trade receivables overdue but not impaired	10,881	10,616

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)	2018	2017
Allowances at the beginning of the year	1,192	1,614
Effect of exchange rate changes	(14)	(21)
Changes in consolidated companies	0	105
Utilization	(49)	(117)
Reversal	(322)	(752)
Increase	580	363
Allowances at the end of the year	1,387	1,192

12 — PREPAID EXPENSES, SECURITIES, AND OTHER CURRENT ASSETS

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

(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Value-added tax receivables	22,614	21,644
Other tax receivables	17,898	14,383
Payments on account	7,405	1,271
Other receivables and other assets	18,085	18,437
Prepaid expenses	10,000	8,523
Prepaid expenses, securities and other current assets	76,002	64,258
Thereof financial assets	9,836	16,149
Thereof non-financial assets	66,166	48,109

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 47 was recognized directly in equity in the financial year 2018, which increased the retained earnings (2017: decrease of retained earnings by thous. EUR 6,153).

Under the Austrian Stock Corporation Act, the amount of dividend available for distribution to shareholders is based on the unappropriated retained earnings from the annual financial statements of Mayr-Melnhof Karton AG, determined in accordance with the Austrian Commercial Code. As of December 31, 2018, the distributable unappropriated retained earnings amounted to thous. EUR 65,000 (December 31, 2017: thous. EUR 66,000).

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

(in thousands of EUR)	2018	2017
Unappropriated retained earnings at Jan. 1	66,000	72,000
Net profit of the Company for the year ended Dec. 31	56,945	53,879
Changes in reserves	4,055	121
Dividend paid	(62,000)	(60,000)
Unappropriated retained earnings at Dec. 31	65,000	66,000

For the year ended December 31, 2018, the Management Board of the Company has proposed a dividend of EUR 3.20 per voting share after EUR 3.10 for 2017, resulting in a dividend of thous. EUR 64,000 as of the balance sheet date of 2018. The dividend for 2017, amounting to thous. EUR 62,000, was paid out on schedule on May 9, 2018 (see consolidated statement of changes in equity).

c — Non-controlling (minority) interests

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

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

(in thousands EUR)	Dec. 31, 2018		Dec. 31, 2017	
	MM Karton	MM Packaging	MM Karton	MM Packaging
Non-current assets	377	36,712	378	42,559
Current assets	3,131	29,547	2,816	27,027
Non-current liabilities	569	22,059	531	30,292
Current liabilities	1,163	12,121	1,066	12,977
Net assets	1,776	32,079	1,597	26,317
Carrying amount of the non-controlling (minority) interests	715	1,449	633	1,776
	Year ended Dec. 31, 2018		Year ended Dec. 31, 2017	
Sales	5,802	41,654	5,097	49,371
Profit for the year	1,121	6,880	882	3,341
Thereof attributable to non-controlling (minority) interests	375	120	286	176
Total comprehensive income	1,504	7,553	1,169	1,564
Thereof attributable to non-controlling (minority) interests	379	169	290	(41)
Dividend paid to non-controlling (minority) interests	297	449	200	159
Net change in cash and cash equivalents	0	5,600	0	(813)

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 2018, profit and loss recognized in other comprehensive income consisted of foreign currency translations with a negative amount of thous. EUR 34,399 (2017: negative amount of thous. EUR 27,505) as well as actuarial losses in the amount of thous. EUR 1,280 (2017: gains of thous. EUR 3,602). Thereon deferred taxes in the amount of thous. EUR 429 (2017: negative amount of thous. EUR 927), were recognized for the financial year 2018.

14 — FINANCIAL LIABILITIES AND LEASES

Financial liabilities comprise interest-bearing financial liabilities including finance lease liabilities and are recognized at amortized cost. This amount is calculated as initially paid out nominal value less redemptions plus accrued interest.

a — Interest-bearing financial liabilities

As of December 31, 2018 and December 31, 2017, 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, 2018
0.697 % EUR loan(s) due 2019	30,000
8.333 % JOD loan(s) due 2019	924
2.500 % EUR loan(s) due 2020	5,000
8.333 % JOD loan(s) due 2020	923
8.500 % JOD loan(s) due 2021	616
0.781 % EUR loan(s) due 2022	20,000
1.869 % EUR loan(s) due 2024	80,000
0.781 % EUR loan(s) due 2025	20,000
2.673 % EUR loan(s) due 2026	50,000
Used loan facilities	2,918
Interest-bearing financial liabilities	210,381
Thereof current interest-bearing financial liabilities	33,842
Thereof non-current interest-bearing financial liabilities	176,539

(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 loan facilities	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

As of December 31, 2018, the weighted average interest rate for these financial liabilities was 1.869 % (December 31, 2017: 2.140 %).

As of December 31, 2018, the Group had current interest-bearing loan facilities available in the amount of thous. EUR 2,918 (December 31, 2017: thous. EUR 9,506), of which thous. EUR 2,918 (December 31, 2017: thous. EUR 9,506) were used as of the balance sheet date. As of December 31, 2018, the weighted average interest rate of these current loans, used by subsidiaries outside the Euro participating countries, was 8.500 % (December 31, 2017: 11.475 %). These loans are subject to common banking terms and conditions.

Of the interest-bearing financial liabilities, loans in the amount of thous. EUR 110,000 (December 31, 2017: thous. EUR 110,000) are subject to a fixed interest rate, whose fair value amounts to thous. EUR 113,203 as of December 31, 2018 (December 31, 2017: thous. EUR 113,531). The calculation is based on the present value of future cash flows discounted by the currently observable yield curve (Level 2).

No collaterals were provided in order to secure the financial liabilities described above. As of December 31, 2018, the Group had unused credit lines available in the amount of thous. EUR 390,000 (December 31, 2017: thous. EUR 390,000).

As of December 31, 2018, the current revolving bank credits in an amount of thous. EUR 10,000 (December 31, 2017: thous. EUR 10,000) are included in the interest-bearing financial liabilities.

b — Leases

The Group is predominantly lessee in lease transactions which are accounted for according to IAS 17 until the end of 2018. If the Group substantially bears all the risks and rewards incidental to the ownership of an asset, thus being considered as beneficial owner ("Finance Lease"), the asset is recognized under non-current assets at fair value or at the lower 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 lease 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:

(in thousands of EUR)	Dec. 31, 2018			Dec. 31, 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	521	29	492	884	106	778
Between one and five years	827	18	809	1,424	123	1,301
Total future minimum lease payments	1,348	47	1,301	2,308	229	2,079

At December 31, 2018, the Group had capitalized assets from finance lease agreements with the following book values: land and buildings thous. EUR 3,066 (December 31, 2017: thous. EUR 3,161) as well as technical equipment and machines thous. EUR 2,473 (December 31, 2017: thous. EUR 3,187).

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, 2018	Dec. 31, 2017
Less than one year	10,506	10,296
Between one and five years	28,856	29,831
More than five years	36,267	21,471
Total future minimum lease payments	75,629	61,598

The Group mainly rents and leases buildings, land, warehouses, offices, and other facilities. In the financial year 2018, the expenses relating to operating lease agreements amounted to thous. EUR 15,455 (2017: thous. EUR 14,850), thereof thous. EUR 4,952 (2017: thous. EUR 4,775) 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.

Regarding the impact of the new IFRS 16, which will be applied as of January 1, 2019, please refer to note 2.

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 2018, 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, 2018	77,634	33,122	9,608	562	429	121,355
Effect of exchange rate changes	(104)	(508)	0	0	0	(612)
Utilization	(4,132)	(2,728)	(509)	(397)	(4)	(7,770)
Increase	3,607	2,264	1,547	194	3	7,615
IAS 19 remeasurements through other comprehensive income	1,980	(704)	0	0	0	1,276
Benefit payments from and contributions to plan assets	(6,059)	104	0	0	0	(5,955)
Balance at Dec. 31, 2018	72,926	31,550	10,646	359	428	115,909

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

As of December 31, 2018, securities with a fair value of thous. EUR 1,303 (December 31, 2017: thous. EUR 1,332) had been provided as security for provisions for pre-retirement programs within the scope of the respective legal commitments. At December 31, 2018 and December 31, 2017, 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 5,168 in the financial year 2018 (2017: thous. EUR 5,117).

Defined benefit obligations in the Group consist of pensions and severance payments. 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 the risk of longevity and inflation due to pension adjustments to the full extent.

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 an employee. These payments significantly depend on the number of years of service and the cause of termination.

Defined benefit pension and other benefit plans are measured and recognized applying the internationally common projected unit credit method according to IAS 19. 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:

(in %)	Dec. 31, 2018		Dec. 31, 2017	
	Pensions	Severance	Pensions	Severance
Discount rate	2.10 %	2.64 %	1.88 %	2.38 %
Salary growth rate	2.50 %	3.03 %	2.50 %	2.96 %
Pension growth rate	2.26 %	-	2.28 %	-

Valuation of life expectancy was performed based on local mortality tables. These are in particular for Austria: AVÖ 2018-P "Angestellte" or "Gemischt" (2017: AVÖ 2008-P "Angestellte" or "Gemischt" - Pagler & Pagler), for Germany: Heubeck-Richttafeln 2018 G (2017: 2005 G), for Great Britain: Post Retirement and Pre Retirement: S2PA CMI_2017_M/F [1.25 %] (2017: S2PA CMI_2016_M/F [1.25 %]). As a rule, the retirement age corresponds to the respective country-specific legal regulations.

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

(in thousands of EUR)	2018		2017	
	Pensions	Severance	Pensions	Severance
Service cost	1,395	1,599	1,553	1,816
Net interest on the net defined benefit liability	1,331	722	1,484	703
Past service costs	0	(57)	0	40
Effects due to plan changes	749	0	0	115
Administration costs	132	0	159	0
Net periodic benefit cost	3,607	2,264	3,196	2,674

The defined benefit obligation and plan assets developed as follows:

(in thousands of EUR)	2018		2017	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation at the beginning of the year	125,507	33,223	130,726	33,274
Effect of exchange rate changes	(294)	(508)	(1,380)	(436)
Changes in consolidated companies	0	0	0	118
Service cost	1,395	1,599	1,553	1,816
Interest cost	2,328	724	2,435	707
Past service costs	0	(57)	0	40
Remeasurements	547	(703)	(3,768)	158
<i>Thereof (gains)/losses from change in demographic assumptions (e.g. life expectancy, retirement age)</i>	<i>1,658</i>	<i>(579)</i>	<i>(591)</i>	<i>48</i>
<i>Thereof (gains)/losses from change in financial assumptions (e.g. discount rate, salary growth rate, pension growth rate)</i>	<i>(4,388)</i>	<i>(999)</i>	<i>(375)</i>	<i>(101)</i>
<i>Thereof experience (gains)/losses (deviation between actual value and planned value)</i>	<i>3,277</i>	<i>875</i>	<i>(2,802)</i>	<i>211</i>
Benefit payments	(4,132)	(2,728)	(4,059)	(2,569)
Effects due to plan changes	749	0	0	115
Defined benefit obligation at the end of the year	126,100	31,550	125,507	33,223

(in thousands of EUR)	2018		2017	
	Pensions	Severance	Pensions	Severance
Fair value of plan assets at the beginning of the year	47,873	101	45,539	255
Effect of exchange rate changes	(190)	0	(761)	0
Interest income	997	2	951	4
Administrative expense	(132)	0	(159)	0
Remeasurements	(1,433)	1	(33)	0
<i>Thereof return on plan assets excluding amounts included in interest income - net</i>	<i>(1,433)</i>	<i>1</i>	<i>(33)</i>	<i>0</i>
Employer contributions	7,583	0	3,855	(111)
Benefit payments from plan	(1,524)	(104)	(1,519)	(47)
Fair value of plan assets at the end of the year	53,174	0	47,873	101

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 2018 and 2017 is represented as follows:

(in thousands of EUR)	2018							
	MM Karton				MM Packaging			
	Germany	Austria	Other countries ¹⁾	Total	Germany	Austria	Other countries	Total
Net periodic benefit cost	517	1,583	1,198	3,298	964	644	965	2,573
Defined benefit obligation at the end of the year	22,696	44,402	37,017	104,115	32,072	14,410	7,053	53,535
Fair value of plan assets at the end of the year	937	25,791	22,753	49,481	657	3,036	0	3,693

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

(in thousands of EUR)	2017							
	MM Karton				MM Packaging			
	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.

The employers' contributions to plan assets for the year 2019 are expected to amount to thous. EUR 4,281. This includes a contribution for increasing plan assets and for other expenses in Great Britain in the amount of thous. EUR 838.

The structure of plan assets

There are plan assets for pension obligations in Austria and Germany in the form of qualifying insurance policies which are pledged to 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, 2018 and of December 31, 2017:

(in thousands of EUR)	Dec. 31, 2018	in %	Dec. 31, 2017	in %
Equity instruments:				
– developed markets	6,094		6,597	
– emerging markets	1,187		494	
Total	7,281	14 %	7,091	15 %
Debt instruments:				
– Corporate bonds	11,956		7,985	
– Government bonds	521		3,666	
Total	12,477	23 %	11,651	24 %
Qualifying insurance policy pledged to beneficiaries	30,422	57 %	27,011	56 %
Money market investment/Bank deposit	2,995	6 %	2,221	5 %
Total	53,175	100 %	47,974	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 ratings. Provided that the actual return on plan assets exceeds (falls below) the discount interest rate used, net liability from the present plans decreases (increases). Due to the proportion of investments in equity in the plan assets in Great Britain, the actual return may, on the one hand, exceed the return on corporate bonds with good credit ratings in the long term and, on the other hand, result in higher plan asset volatility in the short term. Related price risk is considered as manageable by the Group, as the proportion of investments in equity in total plan assets is low. Furthermore, the obligations which 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:

(in thousands of EUR)	Dec. 31, 2018		Dec. 31, 2017	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation	126,100	31,550	125,507	33,223
<i>Thereof obligations covered by provisions</i>	<i>53,927</i>	<i>30,034</i>	<i>55,520</i>	<i>31,561</i>
<i>Thereof obligations covered by funds</i>	<i>72,173</i>	<i>1,516</i>	<i>69,987</i>	<i>1,662</i>
Less fair value of plan assets	(53,174)	0	(47,873)	(101)
Net liability recognized as provision for non-current liabilities and charges	72,926	31,550	77,634	33,122

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.

(in %)	Impact on the defined benefit obligation 2018		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 3.5 %	Increase by 3.7 %
Salary growth rate	0.25 %	Increase by 0.8 %	Decrease by 0.8 %
Pension growth rate	0.25 %	Increase by 2.3 %	Decrease by 2.6 %
		Increase by one year in assumption	
Retirement age		Decrease by 1.2 %	
Life expectancy		Increase by 2.7 %	

(in %)	Impact on the defined benefit obligation 2017		
	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 %	

The weighted average duration of the defined benefit obligation is 14.6 years as of the balance sheet date (December 31, 2017: 15.1 years).

The expected maturity analysis of defined benefit obligations for the next ten years as of December 31, 2018 and December 31, 2017 in relation to actual payments is as follows:

(in thousands of EUR)	Less than a year	Between 1 – 2 years	Between 2 – 5 years	Between 5 – 10 years	Total
As of Dec. 31, 2018					
Defined benefit plans	4,591	4,806	22,389	38,398	70,184
As of Dec. 31, 2017					
Defined benefit plans	5,195	7,096	19,306	38,386	69,983

16 — TRADE LIABILITIES

Current liabilities are, as a rule, stated at cost which presents the consideration to be paid.

Trade liabilities in an amount of thous. EUR 205,114 (December 31, 2017: thous. EUR 218,533) as of December 31, 2018 contain liabilities from acquisition of property, plant and equipment, and intangible assets amounting to thous. EUR 9,572 (December 31, 2017: thous. EUR 15,156) 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 796 (December 31, 2017: thous. EUR 1,226).

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, 2018	Dec. 31, 2017
Obligations for personnel and social costs	74,254	73,693
Liabilities for customer rebates and bonuses	10,823	0
Other tax liabilities	10,335	11,466
Deferred income	2,678	3,012
Other liabilities	9,891	9,518
Deferred income and other current liabilities	107,981	97,689
Thereof financial liabilities	19,443	8,395
Thereof non-financial liabilities	88,538	89,294

Obligations for personnel and social costs particularly include premiums and bonuses for employees, unused vacations as well as other deferred personnel-related obligations.

Bonuses are set up in a way that customers receive a retrospective reimbursement if a certain purchase volume was reached within an invoicing period. The previous provisions for customer rebates and bonuses are now reported as “liabilities for customer rebates and bonuses” under “deferred income and other current liabilities” because of the new IFRS 15 provisions. The calculation is based on the bonus and rebates claims of customers included in the underlying customer arrangements.

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 2018, 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, 2018	8,904	4,169	10,293	23,366
Adjustment due to IFRS 15	(8,904)	0	0	(8,904)
Adjusted balance at Jan. 1, 2018	0	4,169	10,293	14,462
Effect of exchange rate changes	0	(120)	(19)	(139)
Changes in consolidated companies	0	0	(20)	(20)
Utilization	0	(1,834)	(3,729)	(5,563)
Reversal	0	(147)	(692)	(839)
Increase	0	1,867	2,121	3,988
Balance at Dec. 31, 2018	0	3,935	7,954	11,889

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

The previous provisions for customer rebates and bonuses are now shown as “liabilities for customer rebates and bonuses” under “deferred income and other current liabilities” because of the new IFRS 15 provisions (see note 17).

The provisions for sales are recognized on product warranties and guarantees as well as returned goods. The provisions for product warranties and guarantees are made both on a legal and a contractual basis. Single risks, on the one hand, and the overall risk based on past experience, on the other hand, are taken into consideration by the calculation.

The position “Other provisions” primarily comprises provisions for litigations and legal costs, environmental matters as well as other taxes.

19 — SEGMENT REPORTING INFORMATION

Mayr-Melnhof Karton AG and its subsidiaries operate in two operating areas, the production of cartonboard (division MM Karton) and the production of folding cartons and packaging (division MM Packaging). The Group is organized according to these two operating areas and is managed by the Management Board based on the financial information acquired thereon. Hence, the segments reported correspond to these two operating areas.

The division MM Karton manufactures and distributes numerous grades of cartonboard, focusing in particular on coated cartonboard made primarily from recycled fibers.

The division MM Packaging converts cartonboard into printed folding cartons purchased by customers in a variety of industries including food and consumer goods (e.g. packaging for cereals, dried foods, sugar, confectionary and baked goods, cosmetics and toiletries, detergents, domestic appliances, toys, 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 intersegment 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 include income from the sale of numerous grades of cartonboard and folding cartons. The disaggregation of performance obligations under certain circumstances may result in a separation of performance obligations related to rendered transportation services, depending on the individual terms of delivery agreed with customers. These transportation services are, however, of low significance for the Group. Apart from this, no further material multiple-component contracts covering, for example, the performance of services besides the delivery of goods were identified. Tools, such as die cutting tools and engravings, are not to be considered as individual service obligations, because they are necessary for the fulfilment of contracts.

The transaction price to which the Group is entitled in exchange for the transfer of goods consists of the price for the transferred goods and any variable element in the form of customer rebates and bonuses and is to be paid on credit. Due to agreed terms of payment, a financial component does not exist. The variable component is considered as "liability for customer rebates and bonuses". The amount of this liability depends on the probable claim of a customer and is regularly evaluated and adjusted, if necessary.

Revenues from manufacturing and selling cartonboard and folding cartons are recognized at a point in time based on the agreed individual terms of delivery.

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

(in thousands of EUR)	2018			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	954,127	1,383,531	0	2,337,658
Intersegment sales	108,043	683	(108,726)	0
Total sales	1,062,170	1,384,214	(108,726)	2,337,658
Operating profit	96,386	120,696	0	217,082
Financial income	367	1,252	(293)	1,326
Financial expenses	(1,960)	(4,411)	293	(6,078)
Profit before tax	94,889	123,023	0	217,912
Income tax expense	(22,787)	(30,960)	0	(53,747)
Profit for the year	72,102	92,063	0	164,165
Capital expenditures	70,564	53,840	0	124,404
Depreciation and amortization	(45,306)	(61,972)	0	(107,278)
Segment assets	1,091,208	1,051,896	(77,399)	2,065,705
Segment liabilities	318,632	439,713	(77,399)	680,946
Employees per segment as of December 31	2,501	6,944		9,445

(in thousands of EUR)	2017			
	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

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:

(in thousands of EUR)	2018			2017		
	Net sales	Non-current assets	Capital expenditures	Net sales	Non-current assets	Capital expenditures
Austria	51,439	203,075	29,294	53,090	195,286	27,116
Germany	444,529	266,720	39,165	452,228	258,655	39,956
France	284,138	78,644	4,398	279,188	83,186	3,167
Great Britain	207,864	4,151	1,711	197,706	3,956	2,837
Other Western European countries	402,766	69,218	9,279	393,289	66,097	19,611
Eastern Europe (including Turkey)	629,980	226,006	32,490	609,884	234,051	24,587
Asia and MENA	168,829	84,150	6,798	192,698	91,084	33,593
Latin America	114,887	43,511	1,269	123,391	52,823	8,234
Other	33,226	0	0	35,330	0	0
Consolidated total	2,337,658	975,475	124,404	2,336,804	985,138	159,101

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 of property, plant and equipment (see note 12).

20 — OTHER OPERATING INCOME

(in thousands of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Insurance claims	3,307	2,472
Result of deconsolidations ¹⁾	2,882	90
Rental income	1,147	1,467
Gains and losses from disposal of property, plant and equipment, and intangible assets – net	202	899
Negative goodwill ¹⁾	0	6,477
Other income – net	5,186	5,820
Other operating income	12,724	17,225

¹⁾ see Note 5

Other income – net includes income from compensation for damages in an amount of thous. EUR 1,917 (2017: thous. EUR 1,036) and diverse other negligible income, such as canteen 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 2018 and 2017:

(in thousands of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Cost of materials and purchased services	1,303,963	1,328,648
Personnel expenses	444,937	446,484
Depreciation	107,278	99,692
Other expenses	277,122	264,191
Total of cost of sales, selling and distribution, administrative and other operating expenses	2,133,300	2,139,015

22 — PERSONNEL EXPENSES

Personnel expenses from all Group areas can be broken down as follows:

(in thousands of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Gross wages	197,691	198,156
Gross salaries	151,148	153,713
Severance expenses	5,555	5,258
Pension expenses	6,573	5,933
Expenses for statutory social security as well as payroll-related taxes and compulsory contributions	73,581	73,761
Other welfare expenses	10,389	9,663
Total	444,937	446,484

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Factory workers	7,509	7,584
Office staff	2,138	2,213
Total	9,647	9,797

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, 2018	Year ended Dec. 31, 2017
Salaries and other short-term employee benefits (incl. remuneration of the Supervisory Board)	9,492	7,777
Post-employment benefits	4,464	1,146
	13,956	8,923
Reconciliation to salaries and other short-term employee benefits accounted for in personnel expenses	(128) ¹⁾	5,063 ²⁾
Total	13,828	13,986

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

(in thousands of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Fixed remuneration	2,668	2,342
Variable remuneration	6,349	4,960
	9,017	7,302
Reconciliation to salaries and other short-term employee benefits accounted for in personnel expenses	(128) ¹⁾	5,063 ²⁾
Total	8,889	12,365

¹⁾ Reversal of previous year

²⁾ Until 2016 the variable remuneration for the members of the Management Board was recognized as expense in the following year based on the approved Group financial statements. From the financial year 2017 onwards the variable remuneration was accrued on the basis of the expected Group result. Therefore, an additional one-time expense of thous. EUR 5,063 occurred in 2017 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 2018 amounted to thous. EUR 475 (2017: thous. EUR 475).

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 24th Ordinary Shareholders' Meeting on April 25, 2018 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 all material Austrian subsidiaries. With effect from February 26, 2019, the audit services of Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft have been split off by way of universal succession to Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. In 2018, expenses for services rendered by Grant Thornton in Austria amounted to thous. EUR 283 (2017: thous. EUR 334), of which thous. EUR 281 (2017: thous. EUR 267) were related to auditing and other assurance services and thous. EUR 2 (2017: thous. EUR 67) were related to other services.

24 — RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are recognized as expense as incurred. Neither as of December 31, 2018 nor as of December 31, 2017 have any development costs been capitalized.

Research and development costs recognized as expenses in the income statement amounted to thous. EUR 2,986 in the financial year 2018 (2017: thous. EUR 2,980).

25 — FINANCIAL INCOME

(in thousands of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Interest from bank deposits	1,233	1,857
Other financial income	93	91
Total financial income	1,326	1,948

26 — FINANCIAL EXPENSES

(in thousands of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Interest expense related to financial liabilities	(4,790)	(4,775)
Other financial expenses	(1,288)	(1,410)
Total financial expenses	(6,078)	(6,185)

Other financial expenses comprise commitment fees for unused credit lines.

27 — OTHER FINANCIAL RESULT – NET

(in thousands of EUR)	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Foreign currency exchange rate gains (losses) – net	6,568	(621)
Net interest cost from benefit obligation	(2,204)	(2,325)
Gains from disposal of other investments	1,143	79
Dividend income	422	618
Result from associated companies	(347)	(453)
Recycling of foreign currency translations ¹⁾	0	(2,604)
Other financial result – net	5,582	(5,306)

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, 2018 nor as of December 31, 2017, it was not necessary to calculate the diluted earnings per share which thus correspond to the basic earnings per share.

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017
Profit attributable to ordinary shareholders of the parent company (in thousands of EUR)	163,670	154,573
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic earnings per share attributable to ordinary shareholders of the parent company (in EUR)	8.18	7.73

As in the previous year, the number of shares issued as of December 31, 2018 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, 2018 and 2017.

Other contingent liabilities

At December 31, 2018, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 47,103 (December 31, 2017: thous. EUR 31,521).

30 — DISCLOSURES ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 7,677 were purchased from other related companies in 2018 (2017: thous. EUR 6,664). As of December 31, 2018, trade liabilities with other related companies amounted to thous. EUR 954 (December 31, 2017: thous. EUR 950).

In 2018, sales from transactions with associated companies amounted to thous. EUR 607 (2017: thous. EUR 452). As of December 31, 2018, trade receivables with associated companies amounted to thous. EUR 148 (December 31, 2017: thous. EUR 440), while trade liabilities with associated companies amounted to thous. EUR 160 (December 31, 2017: thous. EUR 9).

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 please refer to note 15.

31 — NOTES ON THE CONSOLIDATED CASH FLOW STATEMENTS

Cash and cash equivalents

Cash and cash equivalents comprise cash, checks, and short-term demand deposits at financial institutions with expiration dates within three months. Cash and cash equivalents denominated in foreign currencies are translated into Euro using the exchange rates at the balance sheet date. For the purpose of the statement of cash flows, the above defined cash and cash equivalents comprise the following:

(in thousands of EUR)	Dec. 31, 2018	Dec. 31, 2017
Fixed deposits	19,680	47,732
Unrestricted bank deposits and cash	241,271	150,141
Other restricted bank deposits	31	37
Cash and cash equivalents	260,982	197,910

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 went up from thous. EUR 217,226 to thous. EUR 250,104. The profit increase and a lower build-up in working capital substantially contributed to this.

In 2018, other adjustments in net cash from profit result in particular from the changes in long-term provisions and effects from exchange rate changes.

Cash flow from investing activities changed from thous. EUR -154,385 to thous. EUR -119,034. This difference mainly results from lower payments for the acquisition of property, plant and equipment.

Cash flow from financing activities changed from thous. EUR -114,497 to thous. EUR -69,266 especially due to loan repayments in the previous year.

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, 2018	191,890	20,578	212,468
Issuances of financial liabilities	5,746	1,495	7,241
Repayments of financial liabilities	(31)	(7,776)	(7,807)
Total cash changes	5,715	(6,281)	(566)
Effect of exchange rates	203	(423)	(220)
Other non-cash changes	(20,460)	20,460	0
Total non-cash changes	(20,257)	20,037	(220)
Balance at Dec. 31, 2018	177,348	34,334	211,682

(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 — SIGNIFICANT SUBSEQUENT EVENTS

In January 2019, the division MM Packaging acquired 100 % of the shares in Eurasia Invest Holding AG including its subsidiaries, i.e. the Tann-Group. The Tann-Group, headquartered in Traun, Austria, finishes within a gravure printing process externally sourced fine paper to produce cigarette filter paper (tipping paper) and is a global market leader in this field. With eight production plants in seven countries and around 1,100 employees worldwide, the Group achieves sales of around EUR 230 million per year (according to the Austrian Commercial Code).

Through the acquisition, MM Packaging expands the existing production of cigarette packaging by the technologically related production of tipping paper. Based on technological similarities and long-standing cooperation with the same top-customers, the acquisition fits strategically well into the division MM Packaging. The aim is to strengthen the profitability of the division through extended value added. Additionally, the development of the plants should be used to exploit new potential.

The closing of the acquisition was effected on January 15, 2019. The cash-paid preliminary purchase price amounts to thous. EUR 270,091 and was financed by own funds and using available credit lines in an amount of thous. EUR 120,000. The calculation was derived from net financial liabilities and net working capital, both preliminarily determined according to the Austrian Commercial Code. The contract parties are bound to final settlement based on final net financial liabilities and final net working capital which could lead to changes of the purchase price.

The inclusion of the acquisition into the Group will be effected in the first quarter of 2019. The impact of the consolidation on the presentation of the financial situation and profitability of the Group will basically depend on the results of the purchase price allocation and the included fair values of the acquired assets and liabilities of the Tann-Group. The purchase price allocation has not been finalized yet, as the preparation and assessment of the underlying financial information is just in its initial phase. The fair value measurement focuses on property, plant and equipment, inventory and provisions as well as the identification of intangible assets; in this connection, the recognition of a customer relationship is probable from today's point of view. Based on the above mentioned synergies, the transaction is expected to result in the recognition of a goodwill. The transition to IFRS is currently in progress as the financial reporting had been prepared according to the Austrian Commercial Code until now. Due to this transition and the still ongoing process of purchase price allocation, we are from today's point of view not able to fulfill especially the quantitative requirements of IFRS 3 with sufficient certainty.

33 — TABLE OF AFFILIATED AND ASSOCIATED COMPANIES

2018					2017				
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 AG, Vaduz (LIE)	EUR	50	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	7,500	100.00 %	FC ⁽¹⁾
Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE ⁽²⁾	Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE ⁽²⁾
Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC ⁽¹⁾	Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC ⁽¹⁾
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC ⁽¹⁾	Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC ⁽¹⁾
MM Karton FollaCell AS, 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⁾

2018					2017				
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⁾
-	-	-	-	-	Figos (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 Cartonboard UK Limited, Theale-Reading (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 Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Benelux B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Nederland B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ⁽¹⁾
Mayr-Melnhof & Wilfried Heinzl Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NE ⁽²⁾	Mayr-Melnhof & Wilfried Heinzl 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 %	NC ⁽⁴⁾	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, trgovina s kartonom d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC ⁽¹⁾	MM Prodaja Kartona, trgovina s kartonom d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC ⁽¹⁾
Varsity Packaging Limited, Theale-Reading (GBR)	GBP	300	100.00 %	FC ⁽¹⁾	Varsity Packaging Limited, Reading-Berkshire (GBR)	GBP	300	100.00 %	FC ⁽¹⁾

2018					2017				
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	86.94 %	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	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 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	514,800,000	99.56 %	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⁾

CONSOLIDATED FINANCIAL STATEMENTS

2018					2017				
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 Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC ¹⁾	MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC ¹⁾
MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC ¹⁾	MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC ¹⁾
MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC ¹⁾	MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC ¹⁾
MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC ¹⁾	MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC ¹⁾
MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC ¹⁾	MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC ¹⁾
MMP Neupack Polska Sp.z o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ¹⁾	MMP Neupack Polska Sp.z o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ¹⁾
MM Packaging Polska Sp. z o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC ¹⁾	MM Packaging Polska Sp. z o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC ¹⁾
MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC ¹⁾	MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC ¹⁾
MMP Premium Polska Sp. z o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC ¹⁾	MMP Premium Polska Sp. z o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC ¹⁾
MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC ¹⁾	MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC ¹⁾
MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC ¹⁾	MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC ¹⁾
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⁾
Private 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⁾	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	52,000	100.00 %	FC ¹⁾
Ultimatec Engineering GmbH, Vienna (AUT)	EUR	35	60.00 %	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

⁴⁾ NC ... not consolidated due to immateriality

34 — BOARD MEMBERS

During the financial year 2018, 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)
 Franz RAPPOLD (Member of the Management Board)

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 (Employee Representative)
 Gerhard NOVOTNY (Employee Representative)

Vienna, February 28, 2019

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, 2018, 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, 2018 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 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 based on market conditions for the determination of the fair value in the valuation reports from external experts.

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. Future events or conditions may, however, 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.

Based on 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 of 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

Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was elected as auditor by the Ordinary Shareholders' Meeting on April 25, 2018 and subsequently appointed by the Supervisory Board. With effect as of February 26, 2019, the audit services of Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft have been split off by way of universal succession to Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and its legal predecessors 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, 2019

Grant Thornton Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christoph ZIMMEL m. p.

Christian PAJER m. p.

Austrian Certified Public Accountants

This report is a translation of the original German report 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 modified versions.

Lagebericht

gem. § 243 UGB der Mayr-Melnhof Karton Aktiengesellschaft
über das Geschäftsjahr 1. Jänner 2018 bis 31. Dezember 2018

Die Mayr-Melnhof Karton Aktiengesellschaft ist die geschäftsleitende Holdinggesellschaft des Mayr-Melnhof Konzerns, der in zwei operativen Segmenten geführt wird: Mayr-Melnhof Karton („MM Karton“) und Mayr-Melnhof Packaging („MM Packaging“). MM Karton produziert und vermarktet eine vielfältige Palette an Kartonsorten, hauptsächlich gestrichenen Faltschachtelkarton auf Basis von Recycling- und Frischfasern. MM Packaging verarbeitet Karton zu Faltschachteln hauptsächlich für die Nahrungsmittel-, Zigaretten- und sonstige Konsumgüterindustrie. Die von der Gesellschaft wahrgenommenen Führungs- und Steuerungsaufgaben umfassen die Bereiche Strategie, Investitionen, Rechnungswesen, Controlling, Steuern, Finanz- und Risikomanagement, Investor Relations, Qualitätswesen, Einkauf, Informationstechnologie und Human Resources.

1 — GESCHÄFTSVERLAUF UND WIRTSCHAFTLICHE LAGE IN 2018

a — Allgemeine Wirtschaftslage

Ein deutlicher Stimmungswechsel hat das positive Bild der Weltkonjunktur zu Beginn des Jahres 2018 ab der Jahresmitte zunehmend eingetrübt. Neben den handelspolitischen Konfrontationen, etwa zwischen den USA und China, waren steigende Rohölpreise sowie eine Verlangsamung der Wachstumsraten wichtiger Schwellenländer wie China dafür ausschlaggebend. Im Euroraum wirkten darüber hinaus Unsicherheiten rund um den Brexit sowie zuletzt ernüchternde Konjunkturnachrichten dämpfend. Im Zuge dessen wurden auch die Wachstumsprognosen für Europas Konjunkturlokomotive Deutschland sowohl für 2018 als auch 2019 laufend zurückgenommen. Demgegenüber begünstigten die gute Auslastungssituation und die verbesserte Lage auf dem Arbeitsmarkt weiter den Privatkonsum als wichtige Konjunkturstütze. Gleichzeitig stellte jedoch die anhaltende Teuerung, insbesondere durch Tarif-, Transport- und Energiepreissteigerungen, eine laufende Herausforderung für die Industrien dar.

b — Branchenentwicklung

Im Gleichklang mit der Gesamtwirtschaft war die Lage auf den europäischen Karton- und Faltschachtelmärkten bis Jahresmitte durch hohe Nachfragedynamik gekennzeichnet, die sich in den Folgemonaten wieder verlangsamte. Vor allem aufgrund einer gut bevorrateten Supply Chain wurde in der zweiten Jahreshälfte zurückhaltender disponiert. Im Zuge dessen hat auch die Wettbewerbsintensität wieder zugenommen.

Auf den Faserstoffmärkten ist dem Preisrückgang für gemischte Altpapierqualitäten infolge niedrigerer Exporte aus Europa nach Asien ab Mitte des Jahres nachfragegetrieben ein leichter Anstieg gefolgt. Demgegenüber waren frischfaserbasierte Produkte wie Zellstoff von durchgehend starkem Preisauftrieb geprägt. In der Kartonverarbeitung stellte vor allem die Weitergabe zuvor gestiegener Kartonpreise eine Herausforderung dar. Darüber hinaus trugen insbesondere höhere Transport- und Energiekosten sowie Tarifsteigerungen zur allgemeinen Kosteninflation bei. Nach Kapazitätserhöhungen im europäischen Frischfaserkartonbereich in der jüngeren Vergangenheit fiel das Kapazitätswachstum der europäischen Kartonindustrie in 2018 verhalten aus und konzentrierte sich vor allem auf den „creeping capacity increase“ durch laufende Investitionstätigkeit. Die Auslastung der Kapazitäten entwickelte sich dadurch insgesamt auf gutem Niveau. Der Trend zu leichteren Verpackungen und Speziallösungen mit besonderer Funktionalität hielt weiter an. Die öffentliche Diskussion zum Thema „Plastiksubstitution“ hat das Augenmerk auf faserbasierte Verpackungen verstärkt, jedoch ohne unmittelbare Nachfrageimpulse. Im allgemein positiven Marktumfeld blieb der Konsolidierungsprozess in der nach wie vor stark fragmentierten europäischen Faltschachtelindustrie verhalten. Somit verzeichnete die Anbieterstruktur keine wesentlichen Veränderungen.

c — Geschäftsverlauf 2018 in den Divisionen

MM Karton

Gute Nachfrage prägte die Entwicklung auf den europäischen Kartonmärkten in den ersten drei Quartalen 2018, der im Schlussquartal saisonal und infolge der gefüllten Supply Chain jedoch eine spürbare Abschwächung folgte.

Auf den Beschaffungsmärkten stand einem Rückgang der Preise für gemischte Altpapierqualitäten infolge niedrigerer Exporte aus Europa nach Asien ein starker Preisanstieg bei frischfaserbasierten Produkten gegenüber, mit der Notwendigkeit, die Frischfaserkartonpreise anzupassen.

MM Karton konnte sich durch bessere Preise, solide Mengenentwicklung und ein optimiertes Produktportfolio in 2018 sehr gut behaupten und mit einem deutlichen Ergebniszuwachs gegenüber dem Vorjahr abschließen. Die bewährte Strategie, disziplinierte Preispolitik unter Behauptung der Marktanteile, wurde konsequent weiter umgesetzt.

Mit „MMK digital“ stellt MM Karton seit Frühjahr 2018 den ersten digitalen Verkaufs- und Service-Kanal in der Kartonindustrie zur Verfügung, welcher von Beginn an mit hoher Kundenakzeptanz im Markt aufgenommen wurde.

Der durchschnittliche Auftragsstand belief sich auf 77.000 Tonnen und lag dadurch unter dem Vorjahresniveau (2017: 85.000 Tonnen). Mit 97 % waren die Kapazitäten der Division weiterhin aber gut ausgelastet (2017: 98 %).

Die Kartonproduktion lag mit 1.664.000 Tonnen um 1,2 % unter dem Vorjahr (2017: 1.685.000 Tonnen). Hiervon entfielen 1.313.000 Tonnen (79 %) auf Recyclingkarton und 351.000 Tonnen (21 %) auf Frischfaserkarton (2017: 1.345.000 Tonnen bzw. 80 % und 340.000 Tonnen bzw. 20 %). Bezogen auf den durchschnittlichen Mitarbeiterstand wurden 663 Tonnen (2017: 664 Tonnen) pro Mitarbeiter erzeugt. Der Kartonabsatz entwickelte sich mit 1.663.000 Tonnen (2017: 1.675.000 Tonnen) analog zur Produktion.

Die Umsatzerlöse erhöhten sich preisbedingt von 1.048,7 Mio. EUR auf 1.062,2 Mio. EUR. Mit einem Anteil von rund 63 % in Westeuropa (2017: 62 %) und 21 % in Osteuropa (2017: 21 %) wurde leicht mehr auf den europäischen Märkten abgesetzt, sodass der Verkaufsanteil in Länder außerhalb Europas auf 16 % (2017: 17 %) zurückging.

Das betriebliche Ergebnis konnte aufgrund besserer Durchschnittspreise sowie niedrigerer direkter Kosten um 31,2 % bzw. 22,9 Mio. EUR auf 96,4 Mio. EUR deutlich gegenüber dem Vorjahr gesteigert werden (2017: 73,5 Mio. EUR). Die Operating Margin belief sich auf 9,1 % nach 7,0 % in 2017, der Return on Capital Employed auf 16,1 % (2017: 12,7 %). Die Cash Earnings betrugen 115,6 Mio. EUR (2017: 100,3 Mio. EUR), wodurch eine Cash Earnings Margin in Höhe von 10,9 % (2017: 9,6 %) erreicht wurde.

MM Packaging

Die europäische Verpackungsnachfrage für Konsumgüter war vom Jahresbeginn 2018 an hoch und zeigte erst im vierten Quartal eine spürbare Abschwächung infolge eines sukzessiven Abbaus der Lager entlang der Supply Chain. Aufgrund anhaltend ausreichender Kapazitäten in der Branche blieb die Wettbewerbsintensität weiter sehr hoch.

Vor diesem Hintergrund gelang es, die Auslastung der Werke im Jahresverlauf überwiegend hoch zu halten. Gleichzeitig stand jedoch die Marge aufgrund vorausgegangener Kartonpreiserhöhungen und neuerlicher Kostensteigerungen, insbesondere für Transport und Logistik, weiter unter Druck, da entsprechende Preiserhöhungen nur schwer bzw. zeitverzögert im Markt umgesetzt werden können. Durch die im Zuge von Rationalisierungsprogrammen erzielten Effizienzgewinne konnte die Ergebnisbelastung zwar abgefedert, aber nicht zur Gänze kompensiert werden.

Der strategische Fokus, in einzelnen Märkten wie FMCG (Fast Moving Consumer Goods), Zigarettenverpackung, Pharma sowie Personal Care mit dedizierten Standorten auf Basis von höchster Kosteneffizienz und Qualität Stärke zu behaupten und Wachstumschancen zu nutzen, wurde konsequent fortgeführt und im Rahmen des Investitionsprogrammes umgesetzt. Projekten der Automatisierung und Digitalisierung wird dabei hoher Stellenwert beigemessen.

Die verarbeitete Tonnage lag mit 766.000 Tonnen nahe am Vorjahreswert (2017: 767.000 Tonnen). Das Bogenäquivalent entwickelte sich weitgehend parallel dazu mit 2.270,7 Millionen Bögen in 2018 nach 2.289,9 Millionen im Jahr zuvor. Bezogen auf den durchschnittlichen Mitarbeiterstand erhöhte sich das Bogenäquivalent je Mitarbeiter von 316 Tausend auf 318 Tausend und unterstreicht die kontinuierliche Effizienzsteigerung von MM Packaging.

Die Umsatzerlöse entwickelten sich mit 1.384,2 Mio. EUR stabil zum Vorjahr (2017: 1.392,7 Mio. EUR). Kontinuität kennzeichnete auch die geografische Verteilung der Umsatzerlöse mit 57 % und 32 % auf West- und Osteuropa sowie 11 % auf außereuropäisches Geschäft (2017: 58 %; 30 %; 12 %). MM Packaging beliefert in unterschiedlichen Konsumgüterbranchen insgesamt rund 1.500 Kunden. Hauptabsatzmärkte waren auch in 2018 Verpackungen für Lebensmittel und Zigaretten. Entsprechend der starken Herstellerkonzentration in diesen Märkten entfällt seit Langem ein hoher Anteil des Geschäftes auf multinationale Kunden. So wurden in 2018 mit den fünf größten Kunden rund 41 % (2017: 40 %) der Umsatzerlöse erzielt.

Der Rückgang beim betrieblichen Ergebnis um 14,7 % auf 120,7 Mio. EUR (2017: 141,5 Mio. EUR) resultiert vor allem aus dem deutlichen Anstieg direkter Kosten.

Die Operating Margin betrug demnach 8,7 % (2017: 10,2 %). Der Return on Capital Employed erreichte 15,1 % (2017: 16,7 %). Die Cash Earnings beliefen sich auf 154,1 Mio. EUR (2017: 156,8 Mio. EUR), womit die Cash Earnings Margin bei 11,1 % (2017: 11,3 %) lag.

d — Geschäftsverlauf der Gesellschaft im Jahr 2018

Im Geschäftsjahr 2018 verzeichnete die Gesellschaft verglichen zum Vorjahr gestiegene Beteiligungserträge, denen die Dividendenzahlung für 2017 gegenüberstand.

Der Geschäftsverlauf der Gesellschaft war vor allem durch die Ausübung der Holdingfunktionen sowie der Verwaltung der Anteile an verbundenen Unternehmen gekennzeichnet.

e — Finanzielle Leistungsindikatoren

Vermögenslage

(in EUR)					Veränderung	
	31.12.2018	in %	31.12.2017	in %	in EUR	in %
Immaterielle Vermögensgegenstände und Sachanlagen	1.885.270,20	0,36 %	1.990.515,01	0,38 %	-105.244,81	-5,29 %
Finanzanlagen	293.563.579,66	55,97 %	292.927.027,68	55,99 %	636.551,98	0,22 %
Sonstiges Umlaufvermögen und Rechnungsabgrenzungsposten	228.379.386,17	43,55 %	226.796.640,36	43,35 %	1.582.745,81	0,70 %
Aktive latente Steuern	628.453,55	0,12 %	1.491.457,25	0,28 %	-863.003,70	-57,86 %
Gesamtvermögen	524.456.689,58	100,00 %	523.205.640,30	100,00 %	1.251.049,28	0,24 %
Eigenkapital	498.337.281,83	95,02 %	503.391.860,00	96,21 %	-5.054.578,17	-1,00 %
Rückstellungen	25.609.261,51	4,88 %	18.962.082,31	3,63 %	6.647.179,20	35,06 %
Verbindlichkeiten und Rechnungsabgrenzungsposten	510.146,24	0,10 %	851.697,99	0,16 %	-341.551,75	-40,10 %
Gesamtkapital	524.456.689,58	100,00 %	523.205.640,30	100,00 %	1.251.049,28	0,24 %

Die Veränderung des Postens „Sonstiges Umlaufvermögen und Rechnungsabgrenzungsposten“ von EUR 226.796.640,36 auf EUR 228.379.386,17 resultiert im Wesentlichen aus der konzerninternen Cash Pool-Verrechnung sowie einer höheren Steuerforderung im Vergleich zum Vorjahr.

Das Eigenkapital veränderte sich von EUR 503.391.860,00 per 31. Dezember 2017 auf EUR 498.337.281,83 zum Jahresende 2018.

Die Veränderung der Rückstellungen von EUR 18.962.082,31 auf EUR 25.609.261,51 ist vor allem auf eine Erhöhung der Steuerrückstellung zurückzuführen.

Der Posten „Verbindlichkeiten und Rechnungsabgrenzungsposten“ belief sich per 31. Dezember 2018 auf EUR 510.146,24 nach EUR 851.697,99 zum Jahresende 2017. Dieser Rückgang ist im Wesentlichen bedingt durch die Verbindlichkeiten für konzerninterne Verrechnungen, Verbindlichkeiten für Rechts- und Beratungsaufwand sowie übrige Verbindlichkeiten im Personalbereich.

Die Kennzahlen zur Vermögenslage berechnen sich wie folgt:

$$\text{Eigenkapitalausstattung} = \frac{\text{Eigenkapital}}{\text{Gesamtkapital}} = \frac{498.337.281,83}{524.456.689,58} = \begin{array}{cc} \mathbf{2018} & \mathbf{2017} \\ \mathbf{95,02 \%} & 96,21 \% \end{array}$$

Finanzlage

Geldflussrechnung

(in EUR)	2018	2017
1. Netto-Geldfluss aus laufender Geschäftstätigkeit		
Ergebnis vor Steuern	55.429.360,87	49.855.799,85
+ / + Abschreibungen auf Vermögensgegenstände des Investitionsbereiches	79.688,24	90.122,71
- / - Verluste aus dem Abgang von Anlagevermögen (ohne Finanzanlagen)	0,14	0,00
- / - Sonstige zahlungsunwirksame Erträge	(128.508,38)	(106.615,48)
Geldfluss aus dem Ergebnis	55.380.540,87	49.839.307,08
+ / - Veränderung der Forderungen sowie anderer Aktiva	(1.777.465,11)	599.343,33
+ / - Veränderung von Rückstellungen	1.153.254,80	6.367.348,26
- / + Veränderung der Verbindlichkeiten sowie anderer Passiva	(341.551,75)	700.646,37
Netto-Geldzufluss aus dem Ergebnis vor Steuern	54.414.778,81	57.506.645,04
- / + Zahlungen für Ertragsteuern	8.467.748,44	3.688.034,78
Netto-Geldzufluss aus laufender Geschäftstätigkeit	62.882.527,25	61.194.679,82
2. Netto-Geldfluss aus der Investitionstätigkeit		
+ / + Einzahlungen aus Anlagenabgang (ohne Finanzanlagen)	30.092,13	0,00
+ / + Einzahlungen aus Finanzanlagenabgang und sonstigen Finanzinvestitionen	77.524,28	77.524,28
- / - Auszahlungen für Anlagenzugang (ohne Finanzanlagen)	(4.535,70)	(44.161,90)
- / - Auszahlungen für Finanzanlagenzugang und sonstige Finanzinvestitionen	(585.567,88)	(201.162,69)
Netto-Geldabfluss aus der Investitionstätigkeit	(482.487,17)	(167.800,31)
3. Netto-Geldfluss aus der Finanzierungstätigkeit		
- / - Auszahlungen für Dividenden	(62.000.000,00)	(60.000.000,00)
- / + Veränderung Cash Pool	22.613.127,88	(61.709.484,73)
Netto-Geldabfluss aus der Finanzierungstätigkeit	(39.386.872,12)	(121.709.484,73)
Zahlungswirksame Veränderung des Finanzmittelbestandes (Z 1.+2.+3.)	23.013.167,96	(60.682.605,22)
+ / + Finanzmittelbestand am Beginn der Periode	57.145.578,68	117.828.183,90
4. Finanzmittelbestand am Ende der Periode	80.158.746,64	57.145.578,68

Der Netto-Geldzufluss aus laufender Geschäftstätigkeit erhöhte sich von EUR 61.194.679,82 in 2017 auf EUR 62.882.527,25 im aktuellen Jahr. Der Anstieg resultiert im Wesentlichen aus dem höheren Ergebnis vor Steuern.

Der Netto-Geldabfluss aus der Investitionstätigkeit veränderte sich auf EUR 482.487,17 in 2018 nach einem Netto-Geldabfluss in Höhe von EUR 167.800,31 in 2017. Die Differenz betrifft im Wesentlichen gestiegene Prämienzahlungen für Rückdeckungsversicherungen.

Der Netto-Geldabfluss aus der Finanzierungstätigkeit belief sich auf EUR 39.386.872,12 nach EUR 121.709.484,73 im Vorjahr. Diese Veränderung resultiert aus Abflüssen aus der konzerninternen Cash Pool-Verrechnung in 2017, denen in 2018 Zuflüsse gegenüberstanden.

Ertragslage

(in EUR)	2018	in % des Finanzer- gebnisses	2017	in % des Finanzer- gebnisses	Veränderung	
					in EUR	in %
Finanzergebnis	62.287.069,47	100,00 %	61.095.682,85	100,00 %	1.191.386,62	1,95 %
Umsatzerlöse	33.799.542,08	54,26 %	35.354.010,98	57,87 %	-1.554.468,90	-4,40 %
Sonstige betriebliche Erträge	1.129.329,58	1,80 %	1.409.369,05	2,30 %	-280.039,47	-19,87 %
Verwaltungsaufwand	(41.786.580,26)	(67,09 %)	(48.003.263,03)	(78,57 %)	6.216.682,77	-12,95 %
Betriebsergebnis	(6.857.708,60)	(11,01 %)	(11.239.883,00)	(18,40 %)	4.382.174,40	-38,99 %
Ergebnis vor Steuern	55.429.360,87	88,99 %	49.855.799,85	81,60 %	5.573.561,02	11,18 %
Jahresüberschuss	56.945.421,83	91,42 %	53.878.745,62	88,19 %	3.066.676,21	5,69 %

Das Finanzergebnis veränderte sich bedingt durch höhere Beteiligungserträge im Jahr 2018 auf EUR 62.287.069,47 (2017: EUR 61.095.682,85). Diese resultieren im Wesentlichen aus den Dividenden der Mayr-Melnhof Cartonboard International GmbH in Höhe von EUR 22.000.000,00 (2017: EUR 39.000.000,00) und Mayr-Melnhof Packaging International GmbH in Höhe von EUR 40.000.000,00 (2017: EUR 21.800.000,00).

Die Umsatzerlöse veränderten sich von EUR 35.354.010,98 auf EUR 33.799.542,08 aufgrund von Verrechnungen mit Gesellschaften des Konzerns.

Der Verwaltungsaufwand belief sich auf EUR 41.786.580,26 in 2018 nach EUR 48.003.263,03 im Geschäftsjahr 2017. Der Rückgang resultiert im Wesentlichen aus dem Wegfall des Einmaleffektes der erstmaligen Abgrenzung des Prämienaufwandes im Vorjahr.

Die Kennzahlen zur Ertragslage berechnen sich wie folgt:

				2018	2017
	Jahresüberschuss+	56.945.421,83			
Cash Earnings	= Abschreibungen (auf Sachanlagen und immaterielle Vermögensgegenstände)+	= 79.688,24	=	57.888.113,77	53.950.920,83
	latente Steuern	863.003,70			
Eigenkapitalrentabilität nach Steuern	= Jahresüberschuss	= 56.945.421,83	=	11,37 %	10,64 %
	Durchschnittliches Eigenkapital	500.864.570,92			

f — Nichtfinanzielle Leistungsindikatoren

Personal

Die Gesellschaft beschäftigt keine Arbeitnehmer.

Umweltbelange

Die Mayr-Melnhof Gruppe bekennt sich in ihrer Unternehmenspolitik zum verantwortungsvollen Schutz der Umwelt und setzt Kreislaufwirtschaft als immanenten Bestandteil der Geschäftstätigkeit um. Unsere Kartonprodukte erzeugen wir effizient und ressourcenschonend unter Einsatz modernster Technologien überwiegend aus nachwachsenden und wiederverwertbaren Rohstoffen. Karton verarbeiten wir in hocheffizienten Prozessen zu Verpackungen für Konsumgüter, welche nach Gebrauch nahezu vollständig wiederverwertet werden können. Kartonverpackungen sind dadurch eine besonders nachhaltige Verpackungslösung, die neben produkttechnischen und ökonomischen Vorteilen auch in ökologischer Hinsicht überzeugen kann.

Entsprechend unserem industriellen Führungsanspruch ist es Zielsetzung, bestmögliche Standards in allen Unternehmensbereichen nachhaltig zu etablieren. Dazu fördern wir den Austausch zwischen den einzelnen Standorten und setzen auf einen herausfordernden Leistungsabgleich zur laufenden Optimierung und Erneuerung im Konzern mit Fokus auf unsere Kernkompetenz. Infolge der langjährigen Umsetzung dieses Ansatzes verzeichnen wir bei vielen umweltrelevanten Werten, wie spezifischen Verbräuchen oder Emissionen, industrielle Spitzenwerte mit der Ambition, diese durch kontinuierlichen technischen Fortschritt weiter zu verbessern.

Regelmäßig überprüfen und beurteilen wir diese Indikatoren, um allen Anforderungen zu entsprechen. Darüber hinaus setzen wir kontinuierlich Maßnahmen, um weiteres Verbesserungspotential für unsere Produkte und Prozesse zu nutzen. Unser Ansatz ist dabei ganzheitlich und umfasst auch der Produktion vor- und nachgelagerte Bereiche wie Produktgestaltung, Einkauf, Logistik sowie die Wiederverwertbarkeit nach dem Verbrauch beim Konsumenten.

g — Zweigniederlassungen

Die Gesellschaft betreibt keine Zweigniederlassungen.

2 — DIE VORAUSSICHTLICHE ENTWICKLUNG UND DIE RISIKEN DES UNTERNEHMENS

a — Voraussichtliche Entwicklung des Unternehmens in 2019

Dieser Ausblick entspricht den Einschätzungen des Vorstandes zum 28. Februar 2019 und berücksichtigt keine Auswirkungen von möglichen Akquisitionen, Veräußerungen oder anderen strukturellen Änderungen innerhalb des Jahres 2019. Die vorangegangenen und nachfolgenden voraussichtlichen Aussagen unterliegen sowohl bekannten als auch unbekanntem Risiken und Unsicherheiten, die dazu führen können, dass die tatsächlichen Ereignisse von den hier getroffenen Aussagen abweichen können.

Die Nachfrage bei Kartonverpackung hat sich nach der Abschwächung im vierten Quartal des Vorjahres mit Beginn 2019 wieder normalisiert, jedoch ohne erkennbare Dynamik. Die Werke verzeichnen vor diesem Hintergrund eine insgesamt gute Auslastung, bei jedoch anhaltend hoher Wettbewerbsintensität auf den Märkten.

Die von MM Karton aufgrund gestiegener Zellstoff- und Holzschliffpreise angekündigte Preiserhöhung bei Frischfaserkarton ist seit Jahresbeginn wirksam. Demgegenüber wird bei Recyclingkarton infolge stabiler Altpapiermärkte eine kontinuierliche Preisentwicklung verfolgt. Bei MM Packaging bleibt das Augenmerk darauf gerichtet, Erhöhungen bei Inputfaktoren zeitnah weiterzugeben.

In beiden Divisionen ist es Ziel, in 2019 sowohl mit dem Markt als auch durch Verdrängung weiter zu wachsen und die Ergebnisqualität auf hohem Niveau zu behaupten. Entsprechend wird der Fokus auf Produkte mit hoher Wertschöpfung sowie Produktivitätsgewinne in der Fertigung konsequent fortgeführt. Größter Wachstumsträger 2019 wird die Akquisition der Tann-Gruppe sein, die nach dem erfolgreichen Closing im ersten Quartal 2019 in den Konzern einbezogen wird.

Unsere Investitionstätigkeit werden wir im langfristigen Ausmaß mit Fokus auf Wachstum und Kostensenkung durch Einsatz modernster Technologie fortsetzen.

Unser Ziel nach dem in 2018 erneut erreichten Rekordergebnis ist es, 2019 zu einem weiteren Jahr des Erfolges zu machen.

Hohe Aufmerksamkeit bleibt auf die Fortsetzung unseres Akquisitionskurses gerichtet.

Aus heutiger Sicht rechnet die Gesellschaft mit höheren Beteiligungserträgen als im Geschäftsjahr 2018.

b — Wesentliche Risiken und Ungewissheiten

Die Gesellschaft ist als geschäftsleitende Holding mit einer Anzahl von Risiken konfrontiert, die ein systematisches und kontinuierliches Risikomanagement erforderlich machen. Zu den Finanzinstrumenten, die in der Gesellschaft in bestimmten Fällen eine Konzentration des Finanzrisikos verursachen können, zählen vor allem liquide Mittel, Wertpapiere und Forderungen aus Beteiligungserträgen. Die Risiken und ihre potenziellen Auswirkungen werden im Rahmen des Risikomanagements erhoben, analysiert und auf Basis der definierten Risikopolitik bewältigt. Ziel ist es, die im Rahmen unserer Tätigkeit entstehenden potenziellen Risiken frühzeitig zu identifizieren, zu bewerten, ihre Folgen abzuschätzen und geeignete Vorsorge- und Sicherungsmaßnahmen einzuleiten.

Finanzinstrumente sind auf Vertrag basierende wirtschaftliche Vorgänge, die einen Anspruch auf Zahlungsmittel beinhalten. Dabei unterscheidet man einerseits originäre Finanzinstrumente wie liquide Mittel, Wertpapiere, Forderungen und Verbindlichkeiten aus Lieferungen und Leistungen oder auch Finanzforderungen und Finanzverbindlichkeiten. Andererseits gehören hierzu auch die derivativen Finanzinstrumente, die als Sicherungsgeschäfte zur Absicherung gegen Risiken aus Änderungen von Währungskursen eingesetzt werden.

Ein aktives Cash- und Credit-Management stellt sicher, dass ausreichend Liquidität (eigene Mittel bzw. jederzeit ausnutzbare Kreditlinien) verfügbar ist, um eingegangene Verbindlichkeiten zu begleichen.

Die Forderungen aus Lieferungen und Leistungen bestehen ausschließlich gegenüber verbundenen Unternehmen. Für diese wurden daher keine Kundenkreditversicherungen abgeschlossen.

Die sonstigen Forderungen bestehen im Wesentlichen gegenüber verbundenen Unternehmen und resultieren großteils aus konzerninternen Cash Pool-Vereinbarungen. Im Hinblick auf die wirtschaftliche Situation wird das Risiko als gering angesehen, da sich die verbundenen Unternehmen jederzeit am Markt refinanzieren können.

Die Gesellschaft verfolgt die laufenden Entwicklungen zum Brexit (Austritt des Vereinigten Königreichs aus der Europäischen Union) und evaluiert verschiedene Szenarien. Die Risiken hieraus werden als überschaubar gewertet.

Für unser Geschäft können zusätzlich zu den aufgeführten Risiken weitere Risiken bestehen. Zum gegenwärtigen Zeitpunkt sind solche Risiken nicht bekannt oder werden diese von uns für vernachlässigbar gehalten.

Die Gesamteinschätzung der Risikosituation der Gesellschaft weist keine bestandsgefährdenden Elemente auf. Derartige Risiken sind auch im kommenden Geschäftsjahr nicht zu erwarten.

3 — FORSCHUNG UND ENTWICKLUNG

Zielsetzung der Forschungs- und Entwicklungstätigkeiten des Mayr-Melnhof Konzerns ist die langfristige Sicherung und Stärkung von Wettbewerbsfähigkeit und Fortschritt in den beiden Divisionen MM Karton und MM Packaging. Unsere strategische Ausrichtung, Marktführerschaft auf Basis von Kosten- und Technologieführerschaft, gibt dabei den Weg vor. Ansatzpunkt der Innovationstätigkeit ist es, Marktbedürfnisse und Zukunftstrends zeitgerecht zu erkennen und diese unter Einsatz bestmöglicher Technologien mit Mehrwert für den Markt und das Unternehmen zu nutzen. Regelmäßig schließen wir dabei Aspekte der gesamten Supply Chain mit ein und prüfen auch Möglichkeiten, die über die gängigen Anwendungsgebiete unserer Produkte hinausgehen.

Die zielgerichtete Zusammenarbeit von Experten aus verschiedenen Bereichen des Konzerns unter Rückgriff auf die langfristig aggregierte Wissensbasis ist Grundlage unserer F&E-Aktivitäten. Darüber hinaus werden je nach Anlass externe Spezialisten und Forschungseinrichtungen miteinbezogen. In beiden Divisionen ist eine Innovationsorganisation eingerichtet, die den Prozess von der Ideenfindung bis zur Umsetzung systematisch mit den jeweils notwendigen Ressourcen begleitet. Produkt- und Prozessinnovationen gilt im gleichen Maße die Aufmerksamkeit mit dem gemeinsamen Ziel, Neuerungen zügig in den Markt zu bringen und daraus zeitnah Mehrwert zu generieren.

Wir haben den Anspruch, dass unsere Produkte und Methoden bereits frühzeitig neuesten Anforderungen und technischen Möglichkeiten entsprechen. Dazu verfolgen wir einen proaktiven Ansatz, der sowohl Aspekte der Grundlagenforschung als auch visionäre Konzepte und Ideen miteinbezieht. Die enge Zusammenarbeit mit den Gremien der Normung und Gesetzgebung trägt dazu bei, dass sich unsere Produkte mit Vorausblick stets regelkonform weiterentwickeln.

Nachhaltigkeit, Convenience, Sicherheit und Onlinevertrieb sind aktuell prägende Anforderungen in der Verpackungsbranche, neben Trends zu Natürlichkeit, unkonventionellen Formen, Simplizität und plastikfreien Verpackungen. In engem Zusammenwirken mit unseren Kunden nehmen wir diese in die Entwicklung individueller Lösungen auf und achten auf höchstmögliche Performance und Effizienz bei der Umsetzung.

a — Innovationstätigkeit 2018 in der Division MM Karton

Die Schwerpunkte der Innovationsleistung von MM Karton liegen im Produktbereich zum einen auf der kontinuierlichen Verbesserung qualitativer Parameter wie Optik, Bedruckbarkeit, Festigkeit, Barriere und Performance in der Hochleistungsverarbeitung von Karton, zum anderen auf neuen Sorten entsprechend den Marktanforderungen und dem Stand der Technik. Grundlagenbezogene Projekte werden durch das in der österreichischen Kartonfabrik Frohnleiten eingerichtete F&E-Zentrum erbracht bzw. koordiniert und auch für Dritte, insbesondere Kunden, durchgeführt. Ein besonderer Schwerpunkt lag auch 2018 auf Formulierungen und Applizierungen funktioneller Barrieren (z. B. Fett- und Migrationsbarrieren), insbesondere unter Verwendung neuer Rohstoffe und Nutzung innovativer Aufbringungsmethoden. Ferner wurde ein modernes Laborinformationssystem eingerichtet.

Durch enges Zusammenwirken zwischen Verkauf, Technik und Kunden nimmt der Anteil neuer, innovativer Produkte bereits rund ein Fünftel des Gesamtabsatzes von MM Karton ein. Ziel ist es, diesen Anteil weiter zu steigern. Dahinter steht das Projekt „Renovation“, welches die Produkte einzelner Werke für spezifische Märkte und Anwendungen neu positioniert, mit der Strategie, durch Mehrwert die Wertschöpfung und Wettbewerbskraft von MM Karton nachhaltig zu erhöhen. Neuerungen in 2018 betrafen insbesondere folgende Produkte:

Topcolor™ Grease 5-7 aus dem Kartonwerk Frohnleiten ist ein Recyclingkarton mit effektiver und umweltfreundlicher Fettbarriere, der für den direkten Kontakt mit trockenen und fettenden Lebensmitteln zugelassen ist. Durch eine gleichzeitig hochwertige Vorder- und Rückseite ist der Karton die maßgeschneiderte Qualität für den attraktiven Markt von Fast Food und Food Service.

Excellent Top™ Freeze Quick Release ist eine neue Frischfaserkartonqualität aus dem Werk Baiersbrunn, welche ein Anhaften von Lebensmitteln am Verpackungsmaterial verhindert. Die Kartonsorte garantiert somit eine saubere Produktpräsentation und praktisches Handling.

Excellent Top™ Brown (Frischfaser-Kraft-Karton) und Browncolor (Recyclingkarton) aus dem Werk Količevo sind durch die braune Farbgebung das trendgemäße Verpackungsmaterial für die Kommunikation von Natürlichkeit und Nachhaltigkeit am Point of Sale.

Die Offset-Qualitäten MM Liner™ aus dem Werk Količevo sowie MM Topliner™ aus dem Werk Neuss wurden in Grammaturen zwischen 180 und 210 g/m² verfügbar gemacht, wodurch MM Karton eine häufige Marktanforderung gesamthaft abdeckt.

Der neue Verkaufs- und Service-Kanal „MMK digital“ wird seit der Markteinführung Ende März 2018 von einer wachsenden Anzahl an Kunden aktiv genutzt. Positives Feedback und hohes Interesse begleiten dieses innovative Serviceangebot von Beginn an. Zusätzliche zukunftsgerichtete und hilfreiche Möglichkeiten erhöhen weiter die Attraktivität.

Foodboard™ virgin fibre, der erstmals bei Frischfaserkarton einen innovativen Barrierschutz vor Mineralölen und anderen definierten unerwünschten Substanzen bietet, wurde mit dem Recyclable Packaging Award von Packaging Europe ausgezeichnet. Sicherheit und Umweltfreundlichkeit waren dafür wesentliche Kriterien.

b — Innovationstätigkeit 2018 in der Division MM Packaging

„Das Plus in Innovation“ – unter diesem Leitgedanken bündelt MM Packaging in der neu aufgestellten Innovationsorganisation Innovation[+]Plus seine interdisziplinären Expertenteams. Innovation[+]Plus versteht sich als Schnittstelle zum Kunden und bietet maßgeschneiderte Leistungen bei Produkten und Prozessen unter Zugriff auf das gesamte Know-how des MMP Innovationsnetzwerkes. Die Innovationsorganisation von MM Packaging setzt sich aus folgenden Institutionen zusammen: PacProject, dem kreativen Innovationszentrum in Hamburg, dem Premium Printing Center in Trier, dem Technical Competence Center zur Koordination gezielter Kundenbriefings sowie den lokalen Packaging-Development-Centern der einzelnen Werke.

Ein Technical Account Manager nimmt im Rahmen einzelner Projekte sowohl die interne als auch die zum Kunden gerichtete Leitungsfunktion wahr. Der Fokus liegt somit auf Lösungen, welche sowohl die Freigabe durch das Divisional Technical Support Team als auch durch die jeweiligen Produktionsstandorte erhalten.

Ziel von MM Packaging ist es, in jeder Phase des Innovationsprozesses relevante und überzeugende Lösungen zu bieten und so für den Erfolg des Kunden in seinem Markt einen entscheidenden Beitrag zu leisten. Das Innovationsteam von MM Packaging ist dazu breit angelegt und begleitet Kunden von der Ideengenerierung zur strategischen Entwicklung von individuellen Designkonzepten, von Consumer Insights zur Beschleunigung der Marke – bis hin zur Prozessoptimierung und deren Implementierung auf den Produktionsmaschinen.

Neue Standards zu setzen ist unsere Ambition. Durch die Nutzung und Vernetzung modernster Verpackungstechnologien sowie enge Zusammenarbeit in der Kundenkommunikation helfen wir dem Kunden, Wettbewerbsvorteile zu erlangen, und erhöhen die Wertschöpfung von MM Packaging. Unter Rückgriff auf das Know-how und die Erfahrung in einem breiten Branchenspektrum eröffnen sich Chancen in vielen Märkten.

Nachhaltigkeit ist heute ein zentrales Thema, wodurch faserbasierte Verpackungsmaterialien an Relevanz gewinnen. Mit einem Team aus Designern, Verpackungs- und Marktspezialisten lieferte MM Packaging auch 2018 Kundenimpulse für künftige nachhaltige Verpackungslösungen zur Kunststoffreduktion. Materialwahl, Life-Circle-Analysen sowie „Design for Recycling“ stehen dabei im Vordergrund. In diesem hochkomplexen Feld gemeinsam mit dem Kunden überzeugende Lösungen zu entwickeln, ist die Ambition von MM Packaging.

„Burgerista“, eine von Mayr-Melnhof Packaging Austria aus der Kartonsorte Topcolor™ von MM Karton gefertigte, neuartige Fast-Food-Verpackung, welche sich beim Öffnen zu einer praktischen Servierschale entfaltet, konnte den 1. Carton Austria Award für sich entscheiden. Gute optische Wirkung, perfekte funktionale Umsetzung und Umweltfreundlichkeit konnten die Fachjury überzeugen.

4 — DIE WESENTLICHEN MERKMALE DES INTERNEN KONTROLL- UND DES RISIKOMANAGEMENTSYSTEMS IM HINBLICK AUF DEN RECHNUNGSLEGUNGSPROZESS

Der Vorstand ist für die Einrichtung und Ausgestaltung eines angemessenen internen Kontroll- und Risikomanagementsystems im Hinblick auf den Rechnungslegungsprozess sowie die Finanzberichterstattung und die Aufstellung des Konzernabschlusses verantwortlich. Dieses gewährleistet die Vollständigkeit, Zuverlässigkeit und Nachvollziehbarkeit von Finanzinformationen. Darüber hinaus werden die Zweckmäßigkeit und Wirtschaftlichkeit der Prozesse sowie die Einhaltung der gesetzlichen, vertraglichen und internen Regelungen sichergestellt.

Der Rechnungslegungsprozess umfasst dabei alle wesentlichen Arbeitsschritte, die gewährleisten, dass die rechnungslegungsrelevanten Informationen vollständig, richtig und zeitgerecht erfasst und verarbeitet werden und die Abbildung in der Finanzberichterstattung den jeweils anzuwendenden Rechnungslegungsstandards entspricht.

In der Aufbau- und Ablauforganisation sind klare und eindeutige Verantwortungen bezogen auf die Einzelgesellschaften und den Konzern vorgegeben. Den zentralen Funktionsbereichen „Corporate Accounting“ sowie „Planning and Reporting“ obliegt dabei die Ausgestaltung einheitlicher Konzernrichtlinien auf dem neuesten fachlichen Stand sowie die Organisation und Kontrolle der Finanzberichterstattung im Konzern.

Die Berichterstattung an Vorstand und Aufsichtsrat erfolgt regelmäßig, umfassend und zeitnah. Die Übereinstimmung mit konzerninternen Richtlinien und Verfahren für die Erfassung, Verbuchung und Bilanzierung von Geschäftsfällen wird kontinuierlich kontrolliert. Die eingesetzten Datenverarbeitungssysteme werden gezielt weiterentwickelt und laufend optimiert. Der Rechnungslegungsprozess und die Finanzberichterstattung werden regelmäßig systematisch auf mögliche Risiken geprüft. Verbesserungsmaßnahmen werden schnellstmöglich eingeleitet und rasch umgesetzt.

5 — ANGABEN ZU KAPITAL-, ANTEILS-, STIMM- UND KONTROLLRECHTEN UND DAMIT VERBUNDENEN VERPFLICHTUNGEN

Zusammensetzung des Kapitals, Aktiengattungen

Es wird auf die Anhangangabe 3e verwiesen.

Beschränkungen hinsichtlich der Stimmrechte bzw. der Übertragung von Aktien

Rund 57 % der Aktien werden von den Kernaktionärsfamilien in einem Syndikat gehalten. Es besteht ein Syndikatsvertrag, welcher die Übertragbarkeit der Aktien innerhalb des Syndikates und nach außen regelt. Angelegenheiten, die die Hauptversammlung betreffen, beschließt das Syndikat mit 65 % der Stimmen. Änderungen des Syndikatsvertrages bedürfen 90 % der Stimmen.

Direkte oder indirekte Beteiligungen am Kapital, die zumindest 10 vom Hundert betragen

Nach den der Gesellschaft bekannt gegebenen Informationen bestanden per Jahresende 2018 folgende Beteiligungen von mindestens 10 Prozent am Kapital:

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG
CAMA Privatstiftung

Die Inhaber von Aktien mit besonderen Kontrollrechten und eine Beschreibung dieser Rechte

Es bestehen keine Aktien mit besonderen Kontrollrechten.

Die Art der Stimmrechtskontrolle bei einer Kapitalbeteiligung der Arbeitnehmer, wenn sie das Stimmrecht nicht unmittelbar ausüben

Es besteht kein derartiges Kapitalbeteiligungsmodell für Mitarbeiter.

Die sich nicht unmittelbar aus dem Gesetz ergebenden Bestimmungen über die Ernennung und Abberufung der Mitglieder des Vorstandes und des Aufsichtsrates und über die Änderung der Satzung der Gesellschaft

Es bestehen keine Bestimmungen dieser Art.

Die sich nicht unmittelbar aus dem Gesetz ergebenden Befugnisse der Mitglieder des Vorstandes, insbesondere hinsichtlich der Möglichkeit, Aktien auszugeben oder zurückzukaufen

Es bestehen keine Befugnisse dieser Art.

Alle bedeutenden Vereinbarungen, an denen die Gesellschaft beteiligt ist und die bei einem Kontrollwechsel in der Gesellschaft infolge eines Übernahmeangebotes wirksam werden, sich ändern oder enden, sowie ihre Wirkungen; ausgenommen hiervon sind Vereinbarungen, deren Bekanntmachung der Gesellschaft erheblich schaden würde, es sei denn, die Gesellschaft ist zur Bekanntgabe derartiger Informationen aufgrund anderer Rechtsvorschriften ausdrücklich verpflichtet

Es wird von der Schutzklausel hinsichtlich der Bekanntgabe Gebrauch gemacht. Die Größenordnung des betroffenen Geschäftes ist als überschaubar einzustufen.

Bestand und wesentlicher Inhalt von Entschädigungsvereinbarungen zwischen der Gesellschaft und ihren Vorstands- und Aufsichtsratsmitgliedern oder Arbeitnehmern für den Fall eines öffentlichen Übernahmeangebotes

Es bestehen keine Vereinbarungen dieser Art.

Wien, am 28. Februar 2019

Der Vorstand

Mayr-Melnhof Karton Aktiengesellschaft

Dr. Wilhelm HÖRMANSEDER e.h.

Dr. Andreas BLASCHKE e.h.

Mag. Franz HIESINGER e.h.

Ing. Franz RAPPOLD e.h.

Bilanz

AKTIVA (in EUR)	Stand 31. Dez. 2018	Stand 31. Dez. 2017	PASSIVA (in EUR)	Stand 31. Dez. 2018	Stand 31. Dez. 2017
A. ANLAGEVERMÖGEN			A. EIGENKAPITAL		
I. Sachanlagen			I. Eingefordertes und einbezahltes Grundkapital	80.000.000,00	80.000.000,00
1. Grundstücke, grundstücksgleiche Rechte und Bauten, einschließlich der Bauten auf fremdem Grund	1.848.816,32	1.911.018,01			
2. Andere Anlagen, Betriebs- und Geschäftsausstattung	36.453,88	79.497,00	II. Kapitalrücklagen		
	1.885.270,20	1.990.515,01	1. Gebundene Kapitalrücklagen	172.658.448,08	172.658.448,08
II. Finanzanlagen			III. Gewinnrücklagen		
1. Anteile an verbundenen Unternehmen	284.036.939,31	284.036.939,31	1. Andere Rücklagen (freie Rücklagen)	180.678.833,75	184.733.411,92
2. Beteiligungen	494.917,78	494.917,78			
3. Wertpapiere (Wertrechte) des Anlagevermögens	9.031.722,57	8.395.170,59	IV. Bilanzgewinn	65.000.000,00	66.000.000,00
	293.563.579,66	292.927.027,68	<i>davon Gewinnvortrag EUR 4.000.000,00 (2017: EUR 12.000.000,00)</i>		
	295.448.849,86	294.917.542,69		498.337.281,83	503.391.860,00
B. UMLAUFVERMÖGEN			B. RÜCKSTELLUNGEN		
I. Forderungen und sonstige Vermögensgegenstände			1. Rückstellungen für Abfertigungen	1.485.200,00	1.325.654,00
1. Forderungen gegenüber verbundenen Unternehmen	146.869.625,34	168.656.756,52	2. Rückstellungen für Pensionen	9.583.317,87	9.413.637,00
<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2017: EUR 0,00)</i>			3. Steuerrückstellungen	6.852.466,47	1.358.542,07
2. Sonstige Forderungen und Vermögensgegenstände	1.189.367,51	841.042,83	4. Sonstige Rückstellungen	7.688.277,17	6.864.249,24
<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2017: EUR 0,00)</i>				25.609.261,51	18.962.082,31
	148.058.992,85	169.497.799,35	C. VERBINDLICHKEITEN		
II. Kassenbestand und Guthaben bei Kreditinstituten	80.158.746,64	57.145.578,68	<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 510.146,24 (2017: EUR 851.697,99)</i>		
	228.217.739,49	226.643.378,03	<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2017: EUR 0,00)</i>		
C. RECHNUNGSABGRENZUNGSPOSTEN	161.646,68	153.262,33	1. Verbindlichkeiten aus Leistungen	154.874,03	282.065,16
D. AKTIVE LATENTE STEUERN	628.453,55	1.491.457,25	<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 154.874,03 (2017: EUR 282.065,16)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2017: EUR 0,00)</i>		
			2. Verbindlichkeiten gegenüber verbundenen Unternehmen	328.636,00	187.016,00
			<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 328.636,00 (2017: EUR 187.016,00)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2017: EUR 0,00)</i>		
			3. Sonstige Verbindlichkeiten		
			<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 26.636,21 (2017: EUR 382.616,83)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2017: EUR 0,00)</i>		
			a) Steuern	11.833,84	14.932,21
			b) Soziale Sicherheit	11.088,74	11.107,06
			c) Übrige	3.713,63	356.577,56
				26.636,21	382.616,83
				510.146,24	851.697,99
SUMME AKTIVA	524.456.689,58	523.205.640,30	SUMME PASSIVA	524.456.689,58	523.205.640,30

Gewinn- und Verlustrechnung

(in EUR)	2018	2017
1. Erträge aus Beteiligungen		
a) Verbundene Unternehmen	62.000.000,00	60.800.000,00
b) Übrige	331.380,00	465.080,00
	62.331.380,00	61.265.080,00
2. Sonstige Zinsen und ähnliche Erträge		
a) Übrige	0,24	215,55
	0,24	215,55
3. Zinsen und ähnliche Aufwendungen		
a) Verbundene Unternehmen	0,00	(4.235,62)
b) Übrige	(44.310,77)	(165.377,08)
	(44.310,77)	(169.612,70)
4. Zwischensumme aus Z 1 bis 3 (Finanzergebnis)	62.287.069,47	61.095.682,85
5. Umsatzerlöse	33.799.542,08	35.354.010,98
6. Sonstige betriebliche Erträge		
a) Erträge aus dem Abgang vom und der Zuschreibung zum Anlagevermögen mit Ausnahme der Finanzanlagen	(0,14)	0,00
b) Übrige	1.129.329,72	1.409.369,05
	1.129.329,58	1.409.369,05
7. Aufwendungen für Material und sonstige bezogene Herstellungsleistungen		
a) Aufwendungen für bezogene Leistungen	(28.707.418,00)	(29.457.097,04)
	(28.707.418,00)	(29.457.097,04)
8. Personalaufwand		
a) Gehälter	(7.137.504,27)	(12.291.959,51)
b) Soziale Aufwendungen	(1.312.641,48)	(1.220.108,11)
<i>davon Aufwendungen für Altersversorgung</i>	<i>(119.324,09)</i>	<i>45.088,92</i>
<i>aa) Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeiterversorgungskassen</i>	<i>(210.080,81)</i>	<i>(350.945,06)</i>
<i>bb) Aufwendungen für gesetzlich vorgeschriebene Sozialabgaben sowie vom Entgelt abhängige Abgaben und Pflichtbeiträge</i>	<i>(983.236,58)</i>	<i>(914.251,97)</i>
	(8.450.145,75)	(13.512.067,62)
9. Abschreibungen		
a) auf Sachanlagen	(79.688,24)	(90.122,71)
	(79.688,24)	(90.122,71)
10. Sonstige betriebliche Aufwendungen		
a) Steuern, soweit sie nicht unter Steuern vom Einkommen und vom Ertrag fallen	(1.714,35)	(1.714,35)
b) Übrige	(4.547.613,92)	(4.942.261,31)
	(4.549.328,27)	(4.943.975,66)
11. Zwischensumme aus Z 5 bis 10 (Betriebsergebnis)	(6.857.708,60)	(11.239.883,00)
12. Ergebnis vor Steuern (Zwischensumme aus Z 4 und Z 11)	55.429.360,87	49.855.799,85
13. Steuern vom Einkommen und vom Ertrag	1.516.060,96	4.022.945,77
<i>davon latente Steuern EUR -863.003,70 (2017: EUR 17.947,50)</i>		
14. Jahresüberschuss	56.945.421,83	53.878.745,62
15. Auflösung von Gewinnrücklagen	4.054.578,17	121.254,38
16. Jahresgewinn	61.000.000,00	54.000.000,00
17. Gewinnvortrag aus dem Vorjahr	4.000.000,00	12.000.000,00
18. Bilanzgewinn	65.000.000,00	66.000.000,00

Anhang

der Mayr-Melnhof Karton Aktiengesellschaft für das Geschäftsjahr 1. Jänner 2018 bis 31. Dezember 2018

1 — ALLGEMEINE ERLÄUTERUNGEN

Der vorliegende Jahresabschluss wurde unter Beachtung der Grundsätze ordnungsmäßiger Buchführung und der Generalnorm, ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Unternehmens zu vermitteln, aufgestellt. Die Bestimmungen des Unternehmensgesetzbuches in der zum Bilanzstichtag geltenden Fassung stellen die Grundlage dieses Jahresabschlusses dar.

Ab dem Geschäftsjahr 2018 werden die Zinserträge der Wertrechte, anstelle wie bisher unter Personalaufwand, nunmehr im Finanzergebnis ausgewiesen.

Im Übrigen sind die im vorjährigen Jahresabschluss angewandten Bilanzierungs- und Bewertungsmethoden sowie der Ausweis gegenüber dem Vorjahr unverändert geblieben.

Die Gesellschaft ist Mutterunternehmen gemäß § 189a Z 6 UGB des Mayr-Melnhof Konzerns.

Der Grundsatz der Vollständigkeit wurde bei der Erstellung des Jahresabschlusses eingehalten.

Bei der Bewertung der einzelnen Vermögensgegenstände und Schulden wurde der Grundsatz der Einzelbewertung beachtet und eine Fortführung des Unternehmens unterstellt.

Dem Vorsichtsprinzip wurde dadurch Rechnung getragen, dass nur die am Abschlussstichtag verwirklichten Gewinne ausgewiesen wurden. Alle erkennbaren Risiken und drohenden Verluste wurden berücksichtigt.

Die Gliederung der Gewinn- und Verlustrechnung wird nach dem Gesamtkostenverfahren aufgestellt und entsprechend der Holdingfunktion der Mayr-Melnhof Karton Aktiengesellschaft so dargestellt, dass der Finanzerfolg an den Anfang der Gewinn- und Verlustrechnung gestellt wird.

2 — BILANZIERUNGS- UND BEWERTUNGSMETHODEN

a — Anlagevermögen

Sachanlagen

Das Sachanlagevermögen ist mit Anschaffungs- zuzüglich Anschaffungsnebenkosten bewertet. Zinsen für Fremdkapital zur Finanzierung der Herstellung von Gegenständen des Anlagevermögens werden nicht aktiviert.

Die Ermittlung der planmäßigen Abschreibung erfolgt linear unter Anwendung folgender Nutzungsdauern:

Gebäude	10 - 40 Jahre
Andere Anlagen, Betriebs- und Geschäftsausstattung	3 - 7 Jahre

Geringwertige Vermögensgegenstände werden gem. § 204 Abs. 1a UGB im Jahr ihrer Anschaffung oder Herstellung voll abgeschrieben.

Bei voraussichtlich dauernder Wertminderung werden Gegenstände des Anlagevermögens außerplanmäßig auf den niedrigeren beizulegenden Wert am Abschlussstichtag abgeschrieben. Sofern die dafür maßgeblichen Gründe nicht mehr bestehen, gilt die Verpflichtung, den Betrag der außerplanmäßigen Abschreibung im Umfang der Werterhöhung unter Berücksichtigung der Abschreibungen, die inzwischen vorzunehmen gewesen wären, zuzuschreiben. Im vorliegenden Jahresabschluss sind keine Beträge aus solchen Zuschreibungen enthalten.

Finanzanlagen

Die Anteile an verbundenen Unternehmen und die Beteiligungen sind zu Anschaffungskosten bewertet. Voraussichtlich dauerhafte und wesentliche Wertminderungen werden durch außerplanmäßige Abschreibungen berücksichtigt.

Als verbundene Unternehmen werden alle Tochterunternehmen bezeichnet, die von der Mayr-Melnhof Karton Aktiengesellschaft unmittelbar oder mittelbar beherrscht werden (§ 189 Z 7 und 8 UGB).

Die Wertpapiere (Wertrechte) des Anlagevermögens (Rückdeckungsversicherungen) sind mit dem Deckungswert bewertet.

Bei Finanzanlagen, die keine Beteiligungen sind, erfolgt die Abschreibung auf den niedrigeren beizulegenden (Zeit-) Wert. Bei Finanzanlagen dürfen solche Abschreibungen auch vorgenommen werden, wenn die Wertminderung voraussichtlich nicht von Dauer ist. Sofern die Gründe für die außerplanmäßige Abschreibung nicht mehr bestehen, gilt die Verpflichtung, den Betrag der außerplanmäßigen Abschreibung im Umfang der Werterhöhung unter Berücksichtigung der Abschreibungen, die inzwischen vorzunehmen gewesen wären, zuzuschreiben. Im vorliegenden Jahresabschluss sind keine Beträge aus solchen Zuschreibungen enthalten.

b — Umlaufvermögen

Bei Gegenständen des Umlaufvermögens erfolgt gegebenenfalls eine Abschreibung, um sie mit dem niedrigeren beizulegenden Wert zum Abschlussstichtag anzusetzen. Sofern die Gründe für die Abschreibung nicht mehr bestehen, gilt die Verpflichtung, den Betrag der Abschreibung im Umfang der Werterhöhung zuzuschreiben. Im vorliegenden Jahresabschluss sind keine Beträge aus solchen Zuschreibungen enthalten.

Forderungen und sonstige Vermögensgegenstände

Forderungen und sonstige Vermögensgegenstände sind mit dem Nennwert angesetzt. Erkennbare Einzelrisiken werden durch Wertberichtigungen berücksichtigt.

c — Rückstellungen

Rückstellungen werden nach dem Grundsatz der unternehmerischen Vorsicht in Höhe des voraussichtlichen Erfüllungsbetrages gebildet.

Die Pensions- und Abfertigungsrückstellungen werden gemäß der Stellungnahme 27 des Austrian Financial Reporting and Auditing Committee (AFRAC) „Personalrückstellungen (UGB)“, Stand März 2018, bilanziert. Bei der Berechnung, die nach dem Anwartschaftsbarwertverfahren ("Projected Unit Credit Method") erfolgt, werden zukünftige Lohn- und Gehaltssteigerungen in Form einer langfristigen Prognose berücksichtigt. Der Zinssatz wird nach dem aktuellen langfristigen Zinssatz am Kapitalmarkt zum Bilanzstichtag bemessen.

Der Berechnung der Pensions- und Abfertigungsrückstellungen werden das frühest mögliche Anfallsalter für die (vorzeitige) Alterspension gemäß Pensionsreform 2004 (Budgetbegleitgesetz 2003) unter Berücksichtigung der Übergangsregelungen sowie die biometrischen Richttafeln AVÖ 2018-P „Angestellte“ bzw. „Gemischt“ (2017: AVÖ 2008-P „Angestellte“ bzw. „Gemischt“ - Pagler & Pagler) zugrunde gelegt. Für Vorstandsmitglieder wird ausschließlich auf die Dauer des Vorstandsmandats abgestellt. Der Unterschiedsbetrag in Höhe von EUR 331.037,00 aufgrund der neuen Sterbetafeln wurde vollständig im Jahr 2018 berücksichtigt.

Pensionszusagen, die durch verpfändete Rückdeckungsversicherungen zur Gänze gedeckt sind und für die die Gesellschaft wirtschaftlich somit kein Risiko trägt, werden in Höhe des Deckungswertes der Rückdeckungsversicherung bewertet.

d — Verbindlichkeiten

Die Verbindlichkeiten sind mit ihrem Erfüllungsbetrag angesetzt.

e — Währungsumrechnung

Fremdwährungsforderungen sowie die Zahlungsmittel in Fremdwährungen sind mit dem Anschaffungskurs bzw. dem niedrigeren Devisenkurs zum Bilanzstichtag bewertet worden.

Die Fremdwährungsverbindlichkeiten sind mit dem Anschaffungskurs bzw. dem höheren Devisenkurs zum Bilanzstichtag bewertet worden.

3 — ERLÄUTERUNGEN ZU EINZELNEN POSTEN DER BILANZ UND GEWINN- UND VERLUSTRECHNUNG

BILANZ

a — Anlagenspiegel gemäß § 226 UGB

(in EUR)	Anschaffungs- bzw. Herstellungskosten				Kumulierte Abschreibungen				Buchwert 31.12.2018	Buchwert 31.12.2017
	Stand	Zugänge	Abgänge	Stand	Stand	Zugänge	Abgänge	Stand		
	01.01.2018	2018	2018	31.12.2018	01.01.2018	2018	2018	31.12.2018		
I. Sachanlagen										
1. Grundstücke und Bauten										
a) Grundwert	577.352,82	0,00	0,00	577.352,82	0,00	0,00	0,00	0,00	577.352,82	577.352,82
b) Gebäudewert	2.641.168,05	0,00	0,00	2.641.168,05	1.307.502,86	62.201,69	0,00	1.369.704,55	1.271.463,50	1.333.665,19
2. Andere Anlagen, Betriebs- und Geschäftsausstattung	157.524,70	4.535,70	61.549,65	100.510,75	78.027,70	17.486,55	31.457,38	64.056,87	36.453,88	79.497,00
Summe I	3.376.045,57	4.535,70	61.549,65	3.319.031,62	1.385.530,56	79.688,24	31.457,38	1.433.761,42	1.885.270,20	1.990.515,01
II. Finanzanlagen										
1. Anteile an verbundenen Unternehmen	284.036.939,31	0,00	0,00	284.036.939,31	0,00	0,00	0,00	0,00	284.036.939,31	284.036.939,31
2. Beteiligungen	494.917,78	0,00	0,00	494.917,78	0,00	0,00	0,00	0,00	494.917,78	494.917,78
3. Wertpapiere (Wertrechte) des Anlagevermögens	8.395.170,59	714.076,26	77.524,28	9.031.722,57	0,00	0,00	0,00	0,00	9.031.722,57	8.395.170,59
Summe II	292.927.027,68	714.076,26	77.524,28	293.563.579,66	0,00	0,00	0,00	0,00	293.563.579,66	292.927.027,68
Gesamt	296.303.073,25	718.611,96	139.073,93	296.882.611,28	1.385.530,56	79.688,24	31.457,38	1.433.761,42	295.448.849,86	294.917.542,69

b — Aufgliederung der Anteile an verbundenen Unternehmen

(in EUR)	31.12.2018	Geschäftsjahr 2017	
	Anteil in %	Eigenkapital	Jahresergebnis
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT) ¹⁾	100,00	2.712.844,41	k. A
Mayr-Melnhof Cartonboard International GmbH, Wien (AUT) ¹⁾	100,00	210.633.439,41	k. A
Mayr-Melnhof Packaging International GmbH, Wien (AUT) ¹⁾	100,00	392.264.654,03	k. A

¹⁾ Hinsichtlich der Angabe der Jahresergebnisse wird von der Schutzklausel gemäß § 242 Abs. 2 UGB Gebrauch gemacht.

c — Wertpapiere (Wertrechte) des Anlagevermögens

Unter Wertpapiere (Wertrechte) sind die Rückdeckungsversicherungen zu den Pensionsverpflichtungen ausgewiesen. Diese sind zugunsten der Pensionsberechtigten verpfändet.

d — Forderungen

Zum 31. Dezember gliedern sich die Forderungen wie folgt:

(in EUR)	31.12.2018	31.12.2017
1. Forderungen gegenüber verbundenen Unternehmen		
a) aus Lieferungen und Leistungen	6.217.197,95	4.081.081,80
b) aus sonstigen Forderungen	140.652.427,39	164.575.674,72
	146.869.625,34	168.656.756,52
2. Sonstige Forderungen und Vermögensgegenstände	1.189.367,51	841.042,83
Gesamt	148.058.992,85	169.497.799,35

Aufgrund des saldierten Ausweises von Forderungen und Verbindlichkeiten einzelner Konzerngesellschaften sind in den Forderungen gegenüber verbundenen Unternehmen auch Verbindlichkeiten gegenüber verbundenen Unternehmen in Höhe von EUR 1.179.268,61 (31. Dezember 2017: EUR 1.554.457,60) enthalten.

Wie im Vorjahr sind in den sonstigen Forderungen und Vermögensgegenständen Erträge von unwesentlicher Höhe enthalten, welche erst nach dem Bilanzstichtag zahlungswirksam werden.

e — Eigenkapital

Grundkapital

Das Grundkapital in Höhe von EUR 80.000.000,00 ist in 20.000.000 Stück nennbetragslose Stückaktien eingeteilt, von denen jede am Grundkapital in gleichem Umfang beteiligt ist.

f — Rückstellungen

Abfertigungs- und Pensionsverpflichtungen

Die Rechenparameter zu den jeweiligen Stichtagen stellen sich wie folgt dar:

(in %)	31.12.2018		31.12.2017	
	Abfertigungen	Pensionen	Abfertigungen	Pensionen
Abzinsungsfaktor	1,90 %	1,90 %	1,70 %	1,70 %
Langfristige Gehaltssteigerungsraten	2,50 %	2,50 %	2,50 %	2,50 %
Langfristige Rentensteigerungsraten	-	2,00 %	-	2,00 %

Versicherungsmathematische Gewinne bzw. Verluste, die sich aufgrund von Änderungen im Bestand der Versorgungsberechtigten und Abweichungen der tatsächlichen Entwicklung gegenüber den der Berechnung zugrunde gelegten Annahmen ergeben, werden zur Gänze erfolgswirksam erfasst.

Die Pensionsrückstellungen zu leistungsorientierten Zusagen wurden nicht mit den zu ihrer Deckung bestimmten Vermögenswerten saldiert.

Die Verpflichtung aus einer direkten Pensionszusage, die mit den künftigen Auszahlungen aus einer gleichzeitig abgeschlossenen Rückdeckungsversicherung mit dem Deckungswert begrenzt ist, wurde sowohl unter den Rückstellungen als auch unter dem Posten Wertpapiere (Wertrechte) des Anlagevermögens jeweils in Höhe von EUR 84.698,87 (31.Dezember 2017: EUR 0,00) ausgewiesen.

Die Anwartschaftsbarwerte betreffend Abfertigungs- bzw. Pensionsverpflichtungen sowie die Überleitungen zum bilanzierten Rückstellungsbetrag stellen sich wie folgt dar:

(in EUR)	Abfertigungen	Pensionen
Bilanzierte langfristige Rückstellung 31.12.2017	1.325.654,00	9.413.637,00
Zuführung Dienstzeitaufwand 2018	48.196,00	322.975,87
Zuführung Zinsaufwand 2018	20.705,00	159.253,00
Auszahlungen 2018	0,00	(93.120,00)
Versicherungsmathematische Verluste bzw. (Gewinne) 2018	90.645,00	(219.428,00)
Bilanzierte langfristige Rückstellung 31.12.2018	1.485.200,00	9.583.317,87

Der Zinsaufwand ist unter dem Posten „Zinsen und ähnliche Aufwendungen“ im Finanzergebnis ausgewiesen.

Sonstige Rückstellungen

Neben der Rückstellung für die variablen Vorstandsbezüge des laufenden Jahres enthalten die sonstigen Rückstellungen im Wesentlichen Rückstellungen für Rechts-, Prüfungs- und Beratungsaufwand und die Vergütung für die Aufsichtsratsstätigkeit.

g — Verbindlichkeiten

Zum 31. Dezember gliedern sich die Verbindlichkeiten wie folgt:

(in EUR)	31.12.2018	Davon Restlaufzeit über 5 Jahre	31.12.2017	Davon Restlaufzeit über 5 Jahre
1. Verbindlichkeiten aus Leistungen	154.874,03	0,00	282.065,16	0,00
2. Verbindlichkeiten gegenüber verbundenen Unternehmen				
a) aus Lieferungen und Leistungen	328.636,00	0,00	187.016,00	0,00
	328.636,00	0,00	187.016,00	0,00
3. Sonstige Verbindlichkeiten				
a) Steuern	11.833,84	0,00	14.932,21	0,00
b) Soziale Sicherheit	11.088,74	0,00	11.107,06	0,00
c) Übrige	3.713,63	0,00	356.577,56	0,00
	26.636,21	0,00	382.616,83	0,00
Gesamt	510.146,24	0,00	851.697,99	0,00

In den sonstigen Verbindlichkeiten sind Aufwendungen von unwesentlicher Höhe enthalten, welche erst nach dem Bilanzstichtag zahlungswirksam werden. Im Vorjahr betragen diese Aufwendungen, welche erst nach dem Bilanzstichtag zahlungswirksam werden, EUR 264.595,15.

GEWINN- UND VERLUSTRECHNUNG

a — Nettoerlöse nach geografischen Märkten

(in EUR)	2018	2017
Verbundene Unternehmen		
Österreich	6.657.960,08	7.021.082,92
Andere EU-Länder	20.911.884,00	22.421.316,00
Nicht EU-Länder	6.229.698,00	5.911.612,06
Gesamt	33.799.542,08	35.354.010,98

b — Personalaufwand

Die unter den Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervorsorgekassen enthaltenen Beiträge an die Mitarbeitervorsorgekasse betragen EUR 71.239,81 (2017: EUR 153.030,06).

Der Gesamtbetrag der Aufwendungen für Abfertigungen inklusive Zinsergebnis und Altersversorgung für den Vorstand gliedert sich wie folgt:

(in EUR)	2018	2017
Anpassung der Abfertigungsrückstellung	159.546,00	214.421,00
Anpassung der Pensionsrückstellung	169.680,87	65.942,00

c — Sonstige betriebliche Aufwendungen

Zu den Aufwendungen, die im Geschäftsjahr auf die Tätigkeit des Abschlussprüfers entfallen, wird auf die Angaben im Konzernabschluss zum 31. Dezember 2018 der Mayr-Melnhof Karton Aktiengesellschaft verwiesen.

d — Steuern vom Einkommen und vom Ertrag

Im Dezember 2005 hat die Gesellschaft als Gruppenträger einen Antrag auf Feststellung einer Unternehmensgruppe gemäß § 9 Abs. 8 KStG 1988 mit nachfolgend angeführten verbundenen Unternehmen als Gruppenmitglieder zum Zwecke der Gruppenbesteuerung ab dem Veranlagungsjahr 2005 eingebracht. Es wurde ein Steuerumlagevertrag abgeschlossen, der die Belastungsmethode vorsieht.

Die Gruppenmitglieder sind:

Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten
 Mayr-Melnhof Cartonboard International GmbH, Wien
 Mayr-Melnhof Packaging International GmbH, Wien
 Neupack Gesellschaft m.b.H., Reichenau an der Rax
 Mayr-Melnhof Packaging Austria GmbH, Wien
 free-com solutions GmbH, Wien

Aufgrund des Umlagevertrages zwischen den inländischen Gesellschaften wurden im Geschäftsjahr 2018 EUR 7.888.224,26 (2017: EUR 4.929.595,51) an die Gruppenmitglieder weiterverrechnet.

Die Steuern vom Einkommen und vom Ertrag weisen in 2018 einen Ertrag von EUR 2.379.064,66 auf (2017: Ertrag EUR 4.004.998,27).

Latente Steuern

Der latente Steueranspruch aus dem Saldo der aktiven und passiven latenten Steuern beträgt zum 31. Dezember 2018 EUR 628.453,55 (31. Dezember 2017: EUR 1.491.457,25).

Die aktiven latenten Steuern wurden auf Unterschiede zwischen dem steuerlichen und unternehmensrechtlichen Wertansatz zum Bilanzstichtag, unter Zugrundelegung eines Körperschaftsteuersatzes von 25 %, für folgende Posten gebildet:

	2018		2017	
	Aktive latente Steuern	Passive latente Steuern	Aktive latente Steuern	Passive latente Steuern
Rückstellungen für Abfertigungen	X		X	
Rückstellungen für Pensionen	X		X	
Sonstige Rückstellungen		X		

Die aktiven latenten Steuern entwickelten sich wie folgt:

(in EUR)	2018	2017
Aktive latente Steuern 01.01.	1.491.457,25	1.473.509,75
Auflösung	(863.003,70)	0,00
Zuführung	0,00	17.947,50
Aktive latente Steuern 31.12.	628.453,55	1.491.457,25

e — Ergebnisverwendung

Der Vorstand schlägt vor, aus dem Bilanzgewinn in Höhe von EUR 65.000.000,00 eine Dividende von EUR 3,20 je Aktie auszuschütten.

4 — SONSTIGE ANGABEN

a — Angaben über Organe und Mitglieder

Die Gesellschaft beschäftigt keine Arbeitnehmer.

Die Organbezüge gliedern sich wie folgt:

Bezüge des Vorstandes

(in EUR)	2018	2017
a) von der Gesellschaft	7.787.273,74	11.436.124,91
b) von verbundenen Unternehmen	1.229.410,65	928.444,88
Gesamt	9.016.684,39	12.364.569,79
Davon		
a) fixe Bezüge	2.667.684,39	2.341.693,73
b) variable Vergütung	6.349.000,00	4.959.789,04
	9.016.684,39	7.301.482,77
c) Überleitung auf die im Personalaufwand der Gruppe erfassten Gehälter und sonstige kurzfristige Leistungen	(127.613,04) ¹⁾	5.063.087,02 ²⁾
Gesamt	8.889.071,35	12.364.569,79

¹⁾ Auflösung aus dem Vorjahr

²⁾ Die variablen Bezüge der Vorstände wurden bis 2016 auf Basis des festgestellten Konzernabschlusses im Folgejahr aufwandsmäßig erfasst. Ab dem Geschäftsjahr 2017 wurden die variablen Bezüge auf Basis des erwarteten Konzernergebnisses rückgestellt. Dadurch kam es im Geschäftsjahr 2017 einmalig zu einem zusätzlichen Aufwand in der Höhe von EUR 5.063.087,02, der bei Anwendung der nunmehr gewählten Bilanzierungsmethode bereits im Geschäftsjahr 2016 angefallen wäre.

Bezüge des Aufsichtsrates

(in EUR)	2018	2017
von der Gesellschaft	475.000,00	475.000,00
Gesamt	475.000,00	475.000,00

Hinsichtlich der Bezüge an ehemalige Organmitglieder wird von der Schutzklausel des § 242 Abs. 4 UGB Gebrauch gemacht.

Die Organe der Gesellschaft setzten sich im abgelaufenen Geschäftsjahr wie folgt zusammen:

Vorstand

Dr. Wilhelm HÖRMANSEDER (Vorsitzender)
Dr. Andreas BLASCHKE (Mitglied des Vorstandes)
Mag. Franz HIESINGER (Mitglied des Vorstandes)
Ing. Franz RAPPOLD (Mitglied des Vorstandes)

Aufsichtsrat

Dipl.-Ing. Rainer ZELLNER (Vorsitzender)
Mag. Johannes GOESS-SAURAU (1. Stellvertretender Vorsitzender)
Dr. Nikolaus ANKERSHOFEN (2. Stellvertretender Vorsitzender)
o. Univ.-Prof. Dr. Romuald BERGL (Mitglied des Aufsichtsrates)
Dr. Guido HELD (Mitglied des Aufsichtsrates)
Dr. Alexander LEEB (Mitglied des Aufsichtsrates)
MMMag. Georg MAYR-MELNHOF (Mitglied des Aufsichtsrates)
Dipl.-Ing. Dr. Michael SCHWARZKOPF (Mitglied des Aufsichtsrates)
Andreas HEMMER (Arbeitnehmervertreter)
Gerhard NOVOTNY (Arbeitnehmervertreter)

b — Ereignisse nach dem Abschlussstichtag

Nach dem Bilanzstichtag sind keine wesentlichen Ereignisse eingetreten, die weder in der Gewinn- und Verlustrechnung noch in der Bilanz berücksichtigt sind.

Wien, am 28. Februar 2019

Der Vorstand

Mayr-Melnhof Karton Aktiengesellschaft

Dr. Wilhelm HÖRMANSEDER e.h.

Dr. Andreas BLASCHKE e.h.

Mag. Franz HIESINGER e.h.

Ing. Franz RAPPOLD e.h.

Bestätigungsvermerk

Bericht zum Jahresabschluss

Prüfungsurteil

Wir haben den Jahresabschluss der

**Mayr-Melnhof Karton Aktiengesellschaft,
Wien,**

bestehend aus der Bilanz zum 31. Dezember 2018, der Gewinn- und Verlustrechnung für das an diesem Stichtag endende Geschäftsjahr und dem Anhang, geprüft.

Nach unserer Beurteilung entspricht der beigefügte Jahresabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage zum 31. Dezember 2018 sowie der Ertragslage der Gesellschaft für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Grundlage für das Prüfungsurteil

Wir haben unsere Abschlussprüfung in Übereinstimmung mit der EU-Verordnung Nr. 537/2014 (im Folgenden EU-VO) und mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der International Standards on Auditing (ISA). Unsere Verantwortlichkeiten nach diesen Vorschriften und Standards sind im Abschnitt „Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses“ unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von der Gesellschaft unabhängig in Übereinstimmung mit den österreichischen unternehmensrechtlichen und berufsrechtlichen Vorschriften, und wir haben unsere sonstigen beruflichen Pflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

Besonders wichtige Prüfungssachverhalte

Besonders wichtige Prüfungssachverhalte sind solche Sachverhalte, die nach unserem pflichtgemäßen Ermessen am bedeutsamsten für unsere Prüfung des Jahresabschlusses des Geschäftsjahres waren. Diese Sachverhalte wurden im Zusammenhang mit unserer Prüfung des Jahresabschlusses und bei der Bildung unseres Prüfungsurteils hierzu berücksichtigt und wir geben kein gesondertes Prüfungsurteil zu diesen Sachverhalten ab.

Leistungen an Arbeitnehmer – Bewertung von Abfertigungs- und Pensionsverpflichtungen:

Im Jahresabschluss der Mayr-Melnhof Karton Aktiengesellschaft werden Rückstellungen für Abfertigungen und Pensionen in Höhe von EUR 11 Mio. ausgewiesen. Die Bewertung der Abfertigungs- und Pensionsrückstellungen beinhaltet wesentliche Einschätzungen und Ermessensentscheidungen und erfordert fachliche Expertise zur Festlegung angemessener versicherungsmathematischer Annahmen wie z.B. Sterbewahrscheinlichkeit, Gehaltstrend und Diskontierungszinssatz. Änderungen dieser Parameter können wesentliche Auswirkungen auf den Jahresabschluss haben. Die entsprechenden Angaben zu diesen Verpflichtungen finden sich im Anhang in Abschnitt 2 „Bilanzierungs- und Bewertungsmethoden“ sowie Abschnitt 3 „Erläuterungen zu einzelnen Posten der Bilanz und Gewinn- und Verlustrechnung“.

Im Rahmen der Abschlussprüfung haben wir

- überprüft, ob es Änderungen bei den Pensions- und Abfertigungszusagen gibt und deren Auswirkungen auf die Verpflichtungen beurteilt;
- lückenlos die an den Aktuar gemeldeten Bemessungsgrundlagen überprüft;
- die wesentlichen versicherungsmathematischen Annahmen für die Berechnungen (Zinssätze, Änderung der Sterbetafeln) verifiziert.
- Bestand, Bewertung und Ausweis der Rückdeckungsversicherungen überprüft;
- die Angemessenheit und Vollständigkeit der Angaben im Anhang zu den Rückstellungen für Pensionen und Abfertigungen beurteilt.

Verantwortlichkeiten der gesetzlichen Vertreter und des Prüfungsausschusses für den Jahresabschluss

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses und dafür, dass dieser in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen - beabsichtigten oder unbeabsichtigten - falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit - sofern einschlägig - anzugeben, sowie dafür, den Rechnungslegungsgrundsatz der Fortführung der Unternehmenstätigkeit anzuwenden, es sei denn, die gesetzlichen Vertreter beabsichtigen, entweder die Gesellschaft zu liquidieren oder die Unternehmenstätigkeit einzustellen oder haben keine realistische Alternative dazu.

Der Prüfungsausschuss ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft.

Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses

Unsere Ziele sind, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen - beabsichtigten oder unbeabsichtigten - falschen Darstellungen ist, und einen Bestätigungsvermerk zu erteilen, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit der EU-VO und mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieses Jahresabschlusses getroffenen wirtschaftlichen Entscheidungen von Nutzern beeinflussen.

Als Teil einer Abschlussprüfung in Übereinstimmung mit der EU-VO und mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, üben wir während der gesamten Abschlussprüfung pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung.

Darüber hinaus gilt:

Wir identifizieren und beurteilen die Risiken wesentlicher - beabsichtigter oder unbeabsichtigter - falscher Darstellungen im Abschluss, planen Prüfungshandlungen als Reaktion auf diese Risiken, führen sie durch und erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als ein aus Irrtümern resultierendes, da dolose Handlungen betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen oder das Außerkraftsetzen interner Kontrollen beinhalten können.

Wir gewinnen ein Verständnis von dem für die Abschlussprüfung relevanten internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Gesellschaft abzugeben.

Wir beurteilen die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängende Angaben.

Wir ziehen Schlussfolgerungen über die Angemessenheit der Anwendung des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit durch die gesetzlichen Vertreter sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die erhebliche Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen kann. Falls wir die Schlussfolgerung ziehen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, in unserem Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten

Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch die Abkehr der Gesellschaft von der Fortführung der Unternehmenstätigkeit zur Folge haben.

Wir beurteilen die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, dass ein möglichst getreues Bild erreicht wird.

Wir tauschen uns mit dem Prüfungsausschuss unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Abschlussprüfung sowie über bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Abschlussprüfung erkennen, aus.

Wir geben dem Prüfungsausschuss auch eine Erklärung ab, dass wir die relevanten beruflichen Verhaltensanforderungen zur Unabhängigkeit eingehalten haben, und tauschen uns mit ihm über alle Beziehungen und sonstigen Sachverhalte aus, von denen vernünftigerweise angenommen werden kann, dass sie sich auf unsere Unabhängigkeit und - sofern einschlägig - damit zusammenhängende Schutzmaßnahmen auswirken.

Wir bestimmen von den Sachverhalten, über die wir uns mit dem Prüfungsausschuss ausgetauscht haben, diejenigen Sachverhalte, die am bedeutsamsten für die Prüfung des Jahresabschlusses des Geschäftsjahres waren und daher die besonders wichtigen Prüfungssachverhalte sind. Wir beschreiben diese Sachverhalte in unserem Bestätigungsvermerk, es sei denn, Gesetze oder andere Rechtsvorschriften schließen die öffentliche Angabe des Sachverhalts aus oder wir bestimmen in äußerst seltenen Fällen, dass ein Sachverhalt nicht in unserem Bestätigungsvermerk mitgeteilt werden sollte, weil vernünftigerweise erwartet wird, dass die negativen Folgen einer solchen Mitteilung deren Vorteile für das öffentliche Interesse übersteigen würden.

Bericht zum Lagebericht

Der Lagebericht ist auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob er nach den geltenden rechtlichen Anforderungen aufgestellt wurde.

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Lageberichts in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Lageberichts durchgeführt.

Urteil

Nach unserer Beurteilung ist der Lagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden, enthält zutreffende Angaben nach § 243a UGB und steht in Einklang mit dem Jahresabschluss.

Erklärung

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld wurden wesentliche fehlerhafte Angaben im Lagebericht nicht festgestellt.

Zusätzliche Angaben nach Artikel 10 der EU-VO

Die Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft wurde von der ordentlichen Hauptversammlung am 25. April 2018 als Abschlussprüfer gewählt und in der Folge vom Aufsichtsrat beauftragt. Mit Wirkung vom 26. Februar 2019 wurde der Prüfungsbetrieb der Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft im Wege der Gesamtrechtsnachfolge in die Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft abgespalten. Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft und ihre Rechtsvorgänger sind seit der Wahl durch die 1. Hauptversammlung am 27. April 1995 ununterbrochen Abschlussprüfer.

Wir erklären, dass das Prüfungsurteil im Abschnitt „Bericht zum Jahresabschluss“ mit dem zusätzlichen Bericht an den Prüfungsausschuss nach Artikel 11 der EU-VO in Einklang steht.

Wir erklären, dass wir keine verbotenen Nichtprüfungsleistungen (Artikel 5 Abs 1 der EU-VO) erbracht haben und dass wir bei der Durchführung der Abschlussprüfung unsere Unabhängigkeit von der geprüften Gesellschaft gewahrt haben.

Auftragsverantwortlicher Wirtschaftsprüfer

Der für die Abschlussprüfung auftragsverantwortliche Wirtschaftsprüfer ist MMag Christoph ZIMMEL.

Wien, am 28. Februar 2019

Grant Thornton Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

MMag Christoph ZIMMEL eh
Wirtschaftsprüfer

Mag Christian PAJER eh
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Jahresabschluss samt Lagebericht. Für abweichende Fassungen sind die Vorschriften des § 281 Abs 2 UGB zu beachten.

Corporate Governance Report

The Mayr-Melnhof Group pursues a responsible business activity focusing on sustainable profitability in both segments, MM Karton and MM Packaging. In order to ensure this, we pay attention to a consistent compliance with the principles of proper Corporate Governance. They are 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 itself to compliance with the Code in its respectively applicable version. The Code is based on the provisions of Austrian stock corporation, stock exchange and capital market laws, EU recommendations as well as the guidelines contained in the OECD Principles of Corporate Governance. 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. The Company's compliance with the Corporate Governance Code is subject to an annual internal evaluation. Furthermore, every three years an external evaluation of compliance with C rules is carried out, which was performed for 2018 again in order to rotation.

The implementation and evaluation for the business year 2018 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 2018:

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 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 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 June 30, 2021
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

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

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 at 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 of voestalpine AG, Linz (until August 1, 2018), Member of the Supervisory Board of Molibdenos y Metales S.A., Santiago, Chile (until April 17, 2018)

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.

The mandates of the employees' representatives are awarded for an indefinite period of time.

Members of the Committees of the Supervisory Board

Presidium (Committee for Management Board Issues)

Rainer ZELLNER, Chairman
 Johannes GOESS-SAURAU
 Nikolaus ANKERSHOFEN

Audit Committee

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 (until August 1, 2018)
 Member of the Supervisory Board, Molibdenos y Metales S.A., Santiago, Chile (until April 17, 2018)

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 employees in leading positions, the auditor, or employees of the auditing company.

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

Representation of interests of a share > 10 % in Mayr-Melnhof Karton AG

In the Supervisory Board of Mayr-Melnhof Karton AG, there 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 2018, the total amount of compensation for the members of the Management Board was thous. EUR 9,017 (2017: thous. EUR 7,302). Thereof, thous. EUR 2,668 (2017: thous. EUR 2,342) were related to fixed compensation and thous. EUR 6,349 (2017: thous. EUR 4,960) to variable compensation. The compensations of the individual members are as follows: Wilhelm Hörmanseder accounts for a fixed compensation of thous. EUR 1,230 and a variable compensation of thous. EUR 2,890, Franz Rappold accounts for a fixed compensation of thous. EUR 482 and a variable compensation of thous. EUR 1,153, Andreas Blaschke accounts for a fixed compensation of thous. EUR 479 and a variable compensation of thous. EUR 1,153, Franz Hiesinger accounts for a fixed compensation of thous. EUR 477 and a variable compensation of thous. EUR 1,153.

The Company pension scheme entitles employees 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 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 2017 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
Andreas BLASCHKE	Sales, Marketing MM Packaging
Franz RAPPOLD	Sales, Marketing MM Karton

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 six meetings in the business year 2018, with the participation of the Management Board, and fulfilled its tasks and obligations in accordance with the law and the Articles of Association. All the members of the Supervisory Board attended at least five meetings.

In addition to analyzing ongoing business development, the main areas of focus were Group strategy, investment and acquisition plans – in particular the acquisition of the Tann-Group –, financing, risk evaluation as well as topics of Corporate Governance, compliance and succession planning. Further core topics were the non-financial report, cyber security, digitalization, and the implementation of the Data Protection Directive. As in previous years, the Supervisory Board has again visited one of the Group's production facilities in 2018.

The Supervisory Board carried out a self-evaluation for the financial year 2018 in regular individual interviews between the chairman of the Supervisory Board and the Supervisory Board members, with the result that the activity of the Supervisory Board was assessed to have been generally efficient. The by-laws, 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 2018. All participants had sufficient opportunity for questions and discussions.

Focus of the Committees of the Supervisory Board

In 2018, the Presidium (Committee for Management Board Issues) met eight times. It dealt in particular with Group strategy, acquisitions as well as matters relating to the Management Board, and prepared the meetings of the Supervisory Board. The implementation of the Governance regulations applicable to the compensation of the members of the Management Board and the review of the underlying compensation policy have been taken care of.

In 2018, the Audit Committee held four meetings and fulfilled its statutory duties. One focus was placed on dealing with the Group financial statements and the individual financial statements for 2017 as well as the preparation of the Group financial statements and the individual financial statements for 2018. 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. Another focus was placed on the selection process for assigning the audit of the annual financial statements of 2019 for the whole Group.

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 laid down in the 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. The diversity of our employees is considered as an asset, enabling 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 based on the principle of non-discrimination.

The Equality Act for Women and Men has been 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 in the Management Board, the Supervisory Board and leading positions are primarily staffed based on professional and personal qualifications. The MM Group, however, follows the recommendations of the Equality Act to observe diversity when filling management positions within the Company and to strive to achieve a reasonable allocation according to gender, age, and expertise.

Women have been holding leading positions within the Group for a long time, particularly 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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

Vienna, February 28, 2019

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Franz Rappold m. p.

Statement of the Management Board

according to Section 124 of the Austrian Stock
Exchange Act

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

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

Vienna, February 28, 2019

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