



2017

ANNUAL FINANCIAL REPORT
MAYR-MELNHOF KARTON AG

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Management Report

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

GROUP

Cartonboard packaging at the core of our business

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

Two profit centers

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

Focus on Europe – global growth course

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

Sustainable profitability

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

MAYR-MELNHOF KARTON

Leading in coated recycled fiber-based cartonboard

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

Principal use in consumer goods packaging

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

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

Broad customer base – focus on Europe

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

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

“MMK digital” – innovative digital sales and service channel

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

Concentrated production – specialized machines

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

Recycled fibers as raw material – sustainably available

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

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

Strong competition despite high concentration of the cartonboard industry in Europe

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

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

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

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

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

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

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

MAYR-MELNHOF PACKAGING

Leading folding carton producer

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

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

Transport costs and service requirements clearly limit the supply radius of folding cartons, which are thus defined as regional products. With an international network of 37 production plants in 15 countries, MM Packaging, however, offers a unique pan-European supply concept and, moreover, has a leading position in individual countries in the Middle East, Latin America, and the Far East. With this broad

geographical structure, we are able to offer our multinational customers increasingly more global delivery opportunities.

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

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

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

Broad technological basis

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

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

Cartonboard as essential raw material

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

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

Focus on cost leadership

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

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

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

Sustainable growth course

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

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

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

2 — DEVELOPMENT IN THE YEAR 2017

GENERAL ECONOMIC SITUATION

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

INDUSTRY DEVELOPMENT

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

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

DEVELOPMENT OF BUSINESS 2017

GROUP

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

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

Consolidated income statements

Consolidated income statements (condensed version)

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

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

Group sales by destination

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

Cost of sales

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

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

Selling and distribution, administrative and other operating expenses

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

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

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

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

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

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

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

Profit for the year, earnings per share

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

Value added

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

Value added

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

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

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

Assets, capital, and liquid funds

Consolidated balance sheets (condensed version)

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

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

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

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

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

Cash flow development

Consolidated cash flow statements (condensed version)

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

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

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

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

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

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

Further information

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

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

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

Definition of financial indicators

Cash earnings

Sum of profit for the year before depreciation, amortization as well as impairment of property, plant and equipment and intangible assets and before deferred taxes.

Cash earnings margin

Cash earnings divided by sales.

Total equity to total assets

Total equity divided by total assets.

Net debt/net liquidity

The sum of interest-bearing current and non-current financial liabilities, including liabilities from finance lease, less cash and cash equivalents as well as current and non-current securities. If the sum of cash and cash equivalents as well as securities exceeds financial liabilities, there is net liquidity.

Net profit margin

Profit for the year divided by sales.

Operating margin

Operating profit divided by sales.

Return on capital employed (ROCE)

Profit before tax, excluding net interest income/expenses and excluding the respective profit attributable to non-controlling (minority) shareholders according to IAS 32, divided by the sum of average total equity plus average current and non-current interest-bearing financial liabilities, including liabilities from finance lease, average provisions for non-current liabilities and charges and average obligations with regard to non-controlling (minority) shareholders according to IAS 32, less average cash and cash equivalents as well as current and non-current securities.

Return on equity (ROE)

Profit for the year divided by average total equity.

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

BUSINESS DEVELOPMENT IN THE DIVISIONS

MM Karton

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

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

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

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

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

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

Divisional indicators MM Karton

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

¹⁾ including interdivisional sales

MM Packaging

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

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

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

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

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

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

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

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

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

Divisional indicators MM Packaging

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

¹⁾ including interdivisional sales

3 — HUMAN RESOURCES

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

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

Focus on corporate values

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

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

Prospective personnel development

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

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

Systematic support from the start

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

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

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

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

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

MM-Academy – Fit for the Future

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

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

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

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

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

Active personnel marketing

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

Prevention and screening at the core of health management

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

Diversity – an enrichment

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

Performance-related remuneration

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

Development of number of employees

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

Employees of the Group

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

Words of thanks

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

4 — RESEARCH AND DEVELOPMENT

Safeguarding competitiveness over the long term

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

Innovation management – systematic collaboration within the Group

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

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

Efficient implementation of new requirements

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

Innovation activity in the MM Karton division in 2017

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

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

Increasing share of young products

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

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

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

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

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

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

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

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

“MMK digital” – innovative digital sales and service channel

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

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

Innovation activity in the MM Packaging division in 2017

Bundled innovative power

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

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

A broad range of innovation

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

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

Innovation partner in online business

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

5 — RISK MANAGEMENT

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

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

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

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

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

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

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

Sales

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

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

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

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

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

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

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

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

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

Production

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

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

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

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

We keep risks from investments, technical innovation, and integration of acquisitions limited by focusing on our core competences, cartonboard production and processing. Before their realization, investment plans are subjected to a standard multi-level approval process as well as clearly defined tendering pro-

cedures involving the specialist departments concerned. Furthermore, investment projects are accompanied by a continuous control of qualitative as well as quantitative aspects. Product and process innovation is subjected to extensive test phases and generally assessed in pilot projects before being rolled out.

Procurement

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

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

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

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

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

For MM Karton, trading in emission rights is subject to a risk of regulatory availability and to a price risk in case additional emission certificates have to be purchased. Based on current knowledge, the volume allocation of CO₂ certificates in the financial years 2013 up to and including 2020 to the seven cartonboard mills located within the European Union and the fiber mill FollaCell was largely free of charge. Accordingly, there is a sufficient number of CO₂ certificates available for these sites until the end of 2020. A reduction of approximately 20 % in CO₂ emissions until 2020 in comparison to the reference year 1990 is pursued as a political objective by the European Union. In this context, free allocations of CO₂ have been reduced since 2013. The EU reserves the right to revise its free CO₂ allocation in the event of changes in the carbon leakage classification of individual sectors. A shortfall or excess of CO₂ certificates can be purchased or sold on the free market.

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

Human Resources

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

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

Pensions/severance payments/pre-retirement

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

Financial risks

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

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

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

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

Accounting

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

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

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

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

Information technology

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

Other risks

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

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

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

6 — ENVIRONMENTAL PROTECTION

Circular economy – part of our business operations

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

“Best practice” throughout the Group – our ambition

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

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

Systematic optimization process

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

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

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

Reduced carbon footprint

Since 2005, the both divisions of the MM Group have participated in an initiative conducted by Pro Carton aimed at establishing a European carbon footprint for processed folding cartons. The current carbon footprint is 885 kg of CO₂ equivalent per ton of processed folding carton, indicating a further decrease after 915 kg in the last survey in 2012. The process is currently being revised using basic data from 2017 and is likely to be completed in the course of 2018. In its measurement, Pro Carton follows the requirements set out in the framework of the CEPI (Confederation of European Paper Industry). This is based on a comprehensive approach to calculating the carbon footprint, starting at the raw materials and ending at the exit gates of the folding carton producer.

"Carbon leakage" classification for MM Karton

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

Environmental aspects of MM Karton

Fibers

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

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

Energy

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

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

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

Water

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

Exhaust air

Exhaust air emissions in the production of cartonboard result primarily from energy generation by burning natural gas. Direct exhaust air produced by cartonboard machines consists primarily of steam. Emissions in form of CO₂, NO_x, and CO are constantly monitored for compliance with legal regulations.

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

Waste

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

Environmental aspects of MM Packaging

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

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

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

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

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

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

Composition of capital, stock categories

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

Restrictions concerning the voting rights and the transfer of shares

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

Direct or indirect participation in capital of at least 10 %

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

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG
CAMA Privatstiftung

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

There are no shares with special control rights.

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

There is no such capital participation model for employees.

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

There are no provisions of this type.

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

There are no authorizations of this type.

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

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

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

There are no agreements of this type.

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

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

9 — OUTLOOK ON THE FINANCIAL YEAR 2018

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

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

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

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

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

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

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

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Franz Rappold m. p.

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Consolidated Balance Sheets

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

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

Consolidated Income Statements

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

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

Consolidated Comprehensive Income Statements

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

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

Consolidated Statements of Changes in Equity

(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, 2016	80,000	172,658	1,020,442	(98,220)	(39,330)	(137,550)	1,135,550	8,605	1,144,155
Profit for the year	0	0	153,307	0	0	0	153,307	81	153,388
Other comprehensive income	0	0	0	180	(13,905)	(13,725)	(13,725)	(59)	(13,784)
Total comprehensive income	0	0	153,307	180	(13,905)	(13,725)	139,582	22	139,604
Transactions with shareholders:									
Dividends paid 13	0	0	(24,000)	0	0	0	(24,000)	(501)	(24,501)
Change in majority interests 5	0	0	1,246	0	0	0	1,246	(1,342)	(96)
Balance at Dec. 31, 2016	80,000	172,658	1,150,995	(98,040)	(53,235)	(151,275)	1,252,378	6,784	1,259,162
Profit for the year	0	0	154,573	0	0	0	154,573	462	155,035
Other comprehensive income	0	0	0	(27,295)	2,678	(24,617)	(24,617)	(213)	(24,830)
Total comprehensive income	0	0	154,573	(27,295)	2,678	(24,617)	129,956	249	130,205
Transactions with shareholders:									
Dividends paid 13	0	0	(60,000)	0	0	0	(60,000)	(359)	(60,359)
Change in majority interests 5	0	0	(6,153)	0	0	0	(6,153)	(4,265)	(10,418)
Balance at Dec. 31, 2017	80,000	172,658	1,239,415	(125,335)	(50,557)	(175,892)	1,316,181	2,409	1,318,590

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

Consolidated Cash Flow Statements

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

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

Notes to the Consolidated Financial Statements

1 — BASIC INFORMATION

The Mayr-Melnhof Group

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

Segment information

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

2 — PRINCIPLES OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Basic accounting principles and declaration of compliance

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

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

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

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

Application of new and revised standards

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

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

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

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

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

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

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

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

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

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

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

The applicable impairment methods in accordance with IFRS 9 have now been finally determined within the Group and the estimated effects have been assessed. The Group has prepared a framework for determination of expected credit losses from trade receivables, which will provide reliable results by using suitable parameters. For the measurement, we apply the simplified approach by using an allowance matrix which considers probability-weighted total credit losses (“lifetime expected credit loss model”). The calculation of the estimated expected credit losses is based on actual credit loss experiences over the past four years separately for the regions Europe, Latin America, and Asia-MENA. The inclusion of forward-looking information in the determination is taken into account by using CDS spreads for the

calculation, as they reflect the future default risk. It is assumed that bad debt allowances for financial assets will increase only slightly. In the MM Group there is no concentration of default risks owing to the broad and diversified structure of the customer base, as existing credit insurances, and the fact that trade receivables only exist with customers with good and very good credit worthiness.

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

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

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

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

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

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

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

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

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

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

3 — ACCOUNTING PRINCIPLES

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

Consolidation principles and methods

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

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

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

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

All effects of intercompany transactions are entirely eliminated.

Foreign currency translation

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

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

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

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

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

Business Combinations

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

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

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

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

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

4 — DISCRETIONARY DECISIONS, ASSUMPTIONS, AND ESTIMATES

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

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

Useful life of non-current assets

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

Accounting for acquisitions

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

Impairment of assets

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

Other intangible assets

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

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

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

Income taxes

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

Realization of deferred tax assets

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

Provisions for pensions, severance payments, and anniversary bonuses

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

Other provisions

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

Legal risks

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

5 — SIGNIFICANT CHANGES IN THE CONSOLIDATED COMPANIES

a — Changes in 2017

Acquisitions (of shares)

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

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

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

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

Fair values according to IFRS

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

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

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

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

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

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

Sales and profit before tax for the time the business belonged to the Group and division in the financial year 2017 amounted to thous. EUR 3,920 and thous. EUR -1,699. Profit before tax was burdened by a

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

Other changes

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

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

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

b — Changes in 2016

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

6 — DEVELOPMENT OF FIXED ASSETS

a — Property, plant and equipment

Property, plant and equipment

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

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

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

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

Development of property, plant and equipment 2017

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

Development of property, plant and equipment 2016

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

b — Intangible assets including goodwill

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

Development of intangible assets including goodwill 2017

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

Development of intangible assets including goodwill 2016

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

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

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

c — Recoverability of non-current assets

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

Goodwill

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

Goodwill allocation

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

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

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

Calculation of value in use

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

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

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

Underlying assumptions sensitivity

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

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

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

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

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

7 — FINANCIAL INSTRUMENTS DISCLOSURES

a — Classification and measurement of financial instruments

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

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

Financial assets are classified and measured as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities are classified and measured as follows:

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

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

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

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

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

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

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

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

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

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

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

b — Derivatives

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

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

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

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

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

c — Financial Risk Management

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

Credit and default risk

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

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

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

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

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

Liquidity risk

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

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

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

Currency risk

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

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

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

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

Interest rate risk

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

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

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

d — Capital management

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

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

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

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

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

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

e — Measurement at fair value

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

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

Measurement methods

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

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

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

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

f — Measurement at amortized cost

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

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

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

Investments in associated companies

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

Securities

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

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

Other financial assets

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

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

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

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

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

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

9 — INCOME TAXES

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

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

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

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

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

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

a — Deferred taxes recognized in the balance sheet

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

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

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

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

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

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

b — Tax loss carryforwards

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

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

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

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

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

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

c — “Income tax expense” recognized in the income statement

The position “income tax expense” is comprised as follows:

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

d — Tax effects on “Other comprehensive income”

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

e — Group tax rate

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

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

10 — INVENTORIES

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

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

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

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

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

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

11 — TRADE RECEIVABLES

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

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

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

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

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

Allowances for trade receivables developed as follows:

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

12 — PREPAID EXPENSES, SECURITIES, AND OTHER CURRENT ASSETS

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

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

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

13 — EQUITY

a — Share capital/additional paid-in capital

Ordinary shares are classified as equity.

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

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

b — Retained earnings/dividend

Retained earnings comprise accumulated results from previous years.

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

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

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

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

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

c — Non-controlling (minority) interests

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

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

(in thousands EUR)	Dec. 31, 2017		Dec. 31, 2016	
	MM Karton	MM Packaging	MM Karton	MM Packaging
Non-current assets	378	42,559	367	57,483
Current assets	2,816	27,027	2,475	41,575
Non-current liabilities	531	30,292	487	31,000
Current liabilities	1,066	12,977	1,025	20,794
Net assets	1,597	26,317	1,330	47,264
Carrying amount of the non-controlling (minority) interests	633	1,776	543	6,241
	Year ended Dec. 31, 2017		Year ended Dec. 31, 2016	
Sales	5,097	49,371	36,688	58,870
Profit for the year	882	3,341	2,324	5,057
Thereof attributable to non-controlling (minority) interests	286	176	421	(340)
Total comprehensive income	1,169	1,564	2,224	3,243
Thereof attributable to non-controlling (minority) interests	290	(41)	418	(396)
Dividend paid to non-controlling (minority) interests	200	159	274	227
Net change in cash and cash equivalents	0	(813)	(1,216)	(4,353)

d — Other comprehensive income of the consolidated comprehensive income statement

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

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

14 — FINANCIAL LIABILITIES AND LEASES

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

a — Interest-bearing financial liabilities

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

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

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

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

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

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

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

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

b — Leases

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

Finance leases liabilities

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

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

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

Operating lease

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

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

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

15 — PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

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

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

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

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

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

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

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

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

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

b — Provisions for pensions and severance payments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The defined benefit obligation and plan assets developed as follows:

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

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

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

(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.

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

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

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

The structure of plan assets

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

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

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

(in thousands of EUR)	Dec. 31, 2017	in %	Dec. 31, 2016	in %
Equity instruments:				
– developed markets	6,597		5,099	
– emerging markets	494		452	
– other	0		0	
Total	7,091	15 %	5,551	12 %
Debt instruments:				
– Corporate bonds	7,985		10,282	
– Government bonds	3,666		2,941	
Total	11,651	24 %	13,223	29 %
Qualifying insurance policy pledged to beneficiaries	27,011	56 %	24,073	53 %
Money market investment/bank deposit	2,221	5 %	2,946	6 %
Total	47,974	100 %	45,793	100 %

All instruments in the category equity instruments and debt instruments are traded on active markets. Ratings of investments in debt instruments correspond at least to a rating of “BBB”.

Plan assets market price risk

Return on plan assets is assumed in accordance with IAS 19 using the discount rate for the underlying obligation. That corresponds to the return on corporate bonds with good credit rating. Provided that the actual return on plan assets exceeds (falls below) the discount interest rate used, net liability from the present plans decreases (increases). Due to the proportion of investments in equity in the plan assets in Great Britain, the actual return, on the one hand, may exceed the return on corporate bonds with good credit rating in the long term and, on the other hand, result in higher plan asset volatility in the short term. Related price risk is considered as manageable by the Group, as the proportion of investments in equity in total plan assets is low. Furthermore, the obligations which come to maturity in the upcoming years can be fulfilled from current cash flow of the Group and from remaining components of plan assets.

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

(in thousands of EUR)	Dec. 31, 2017		Dec. 31, 2016	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation	125,507	33,223	130,726	33,274
<i>Thereof obligations covered by provisions</i>	55,520	31,561	58,664	31,557
<i>Thereof obligations covered by funds</i>	69,987	1,662	72,062	1,717
Less fair value of plan assets	(47,873)	(101)	(45,539)	(255)
Net liability recognized as provision for non-current liabilities and charges	77,634	33,122	85,187	33,019

The following sensitivity analysis for pension and severance provisions presents the impact a possible change in significant actuarial assumptions might have on the obligation. If one significant assumption is changed, the remaining assumptions are kept constant.

(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 %	

(in %)	Impact on the defined benefit obligation 2016		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 3.7 %	Increase by 3.9 %
Salary growth rate	0.25 %	Increase by 0.8 %	Decrease by 0.8 %
Pension growth rate	0.25 %	Increase by 2.6 %	Decrease by 2.5 %
		Increase by one year in assumption	
Retirement age		Decrease by 1.2 %	
Life expectancy		Increase by 3.5 %	

The weighted average duration of the defined benefit obligation is 15.1 years as of the balance sheet date (December 31, 2016: 15.7 years).

The expected maturity analysis of defined benefit obligations for the next ten years as of December 31, 2017 and December 31, 2016 in relation to actual payments is as follows:

(in thousands of EUR)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years	Total
As of Dec. 31, 2017					
Defined benefit plans	5,195	7,096	19,306	38,386	69,983
As of Dec. 31, 2016					
Defined benefit plans	4,982	5,321	20,460	38,355	69,118

16 — TRADE LIABILITIES

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

Trade liabilities in an amount of thous. EUR 218,533 (December 31, 2016: thous. EUR 192,648) as of December 31, 2017 contain liabilities from acquisition of property, plant and equipment, and intangible assets amounting to thous. EUR 15,156 (December 31, 2016: thous. EUR 8,567) which are taken into consideration by the cash flow from investing activities as non-cash transactions as well as advances from customers in an amount of thous. EUR 1,226 (December 31, 2016: thous. EUR 715).

17 — DEFERRED INCOME AND OTHER CURRENT LIABILITIES

Accruals comprise the liabilities for which the exact time of utilization or amount is uncertain and which, at the same time, are definable to a high degree of certainty. Even if the amount and the exact time are occasionally only estimated, the measurement precision of accruals is significantly higher than that of provisions. Therefore they are recognized according to their origin as trade liabilities (see note 16) and other current liabilities, especially in personnel and social costs.

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Obligations for personnel and social costs	73,693	64,452
Other tax liabilities	11,466	10,185
Deferred income	3,012	2,229
Other liabilities	9,518	11,964
Deferred income and other current liabilities	97,689	88,830
Thereof financial liabilities	8,395	7,741
Thereof non-financial liabilities	89,294	81,089

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

18 — PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

Provisions are created when the Group has a present legal or constructive obligation to a third party as a result of a past event, when it is probable that it will be settled and when the amount of obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the interest effect is considerable, the provision is discounted with a market interest rate.

Provisions for large numbers of similar obligations, e. g. warranties, are measured at a probability-weighted expected value of assets reduction based on this group of obligations. A provision is also recognized under liabilities, if the probability of a claim on assets is negligible within a single obligation included in this group.

In the financial year 2017, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Customer rebates and bonuses	Sales	Other provisions	Total
Balance at Jan. 1, 2017	10,495	4,251	11,022	25,768
Effect of exchange rate changes	(87)	(102)	(27)	(216)
Changes in consolidated companies	88	0	0	88
Utilization	(5,682)	(2,729)	(3,474)	(11,885)
Reversal	(2,965)	(799)	(2,299)	(6,063)
Increase	7,055	3,548	5,071	15,674
Balance at Dec. 31, 2017	8,904	4,169	10,293	23,366

In the financial year 2016, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Customer rebates and bonuses	Sales	Other provisions	Total
Balance at Jan. 1, 2016	7,621	3,974	9,724	21,319
Effect of exchange rate changes	(51)	12	(142)	(181)
Utilization	(4,464)	(2,623)	(2,906)	(9,993)
Reversal	(2,131)	(500)	(1,679)	(4,310)
Increase	9,520	3,395	6,875	19,790
Reclassifications	0	(7)	(850)	(857)
Balance at Dec. 31, 2016	10,495	4,251	11,022	25,768

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

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

The position "Other provisions" primarily comprises provisions for litigations and legal costs, other taxes, and environmental matters.

19 — SEGMENT REPORTING INFORMATION

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

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

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

Data provided by the management information system on which the segment reporting is based is in accordance with the accounting and recognition principles applied to the consolidated financial statements. Central operations are completely allocated to the operating segments by an allocation system in analogy with the procedures in the management information system. Results from inter segment transactions are already eliminated in the segment results.

The Group measures the performance of its operating segments by assessing operating profit and profit for the year as they are presented in the Group's income statement.

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

Revenues are allocated based on the shipment destinations of finished goods, whereas non-current assets are allocated according to the location of the respective units.

Capital expenditures and depreciation/amortization and impairment refer to the acquisition or depreciation/amortization and impairment of property, plant and equipment as well as intangible assets including goodwill (see note 6).

Revenue recognition

Revenues comprise all income generated by the typical business activities of the Mayr-Melnhof Group and includes income from the sale of numerous grades of cartonboard and folding cartons less reductions such as bonuses, discounts and rebates as well as value-added tax. The Group recognizes revenues based on the agreed delivery conditions (incoterms) after the transfer of significant risk and rewards to the customer when the revenue is contractually agreed or can be measured reliably and it is sufficiently probable that the economic benefit associated with the transaction will flow to the Group.

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

(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

(in thousands of EUR)	2016			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	920,769	1,351,965	0	2,272,734
Intersegment sales	102,187	672	(102,859)	0
Total sales	1,022,956	1,352,637	(102,859)	2,272,734
Operating profit	68,010	145,644	0	213,654
Financial income	416	2,989	(322)	3,083
Financial expenses	(2,458)	(3,988)	322	(6,124)
Profit before tax	64,916	144,271	0	209,187
Income tax expense	(14,344)	(41,455)	0	(55,799)
Profit for the year	50,572	102,816	0	153,388
Capital expenditures	83,744	60,441	0	144,185
Depreciation and amortization	(40,538)	(58,527)	0	(99,065)
Segment assets	1,012,229	1,049,562	(79,894)	1,981,897
Segment liabilities	310,293	492,336	(79,894)	722,735
Employees per segment as of December 31	2,554	7,373		9,927

The following table shows a country-by-country breakdown of net sales based on shipment destinations as well as a summary of non-current assets and capital expenditures based on locations:

(in thousands of EUR)	2017			2016		
	Net sales	Non-current assets	Capital expenditures	Net sales	Non-current assets	Capital expenditures
Austria	53,090	195,286	27,116	53,091	190,328	46,211
Germany	452,228	258,655	39,956	446,583	245,277	32,706
France	279,188	83,186	3,167	261,837	89,259	6,662
Great Britain	197,706	3,956	2,837	200,945	1,831	39
Other Western European countries	393,289	66,097	19,611	383,066	52,757	10,566
Eastern Europe (including Turkey)	609,884	234,051	24,587	586,669	227,113	20,802
Asia and MENA	192,698	91,084	33,593	196,814	60,810	25,322
Latin America	123,391	52,823	8,234	117,049	54,482	1,877
Other	35,330	0	0	26,680	0	0
Consolidated total	2,336,804	985,138	159,101	2,272,734	921,857	144,185

Non-current assets and capital expenditures comprise property, plant and equipment, and intangible assets including goodwill (see note 6) as well as payments on account for property, plant and equipment (see note 12).

20 — OTHER OPERATING INCOME

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Negative goodwill ¹⁾	6,477	0
Insurance claims	2,472	3,322
Rental income	1,467	1,528
Gains and losses from disposal of property, plant and equipment, and intangible assets – net	899	821
Other income – net	5,910	6,086
Other operating income	17,225	11,757

¹⁾ see note 5

Other income – net includes income from compensation for damages in an amount of thous. EUR 1,036 (2016: thous. EUR 1,006) as well as other income, for example scrap sales, canteen income, and other diverse negligible income.

21 — EXPENSES BY NATURE

The consolidated income statements are prepared using the presentation of expenses by function. The following overview comprises a breakdown of expenses by nature for the financial years 2017 and 2016:

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Cost of materials and purchased services	1,328,648	1,280,838
Personnel expenses	446,484	434,229
Depreciation	99,692	99,065
Other expenses	264,191	256,705
Total of cost of sales, selling and distribution, administrative and other operating expenses	2,139,015	2,070,837

22 — PERSONNEL EXPENSES

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

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Gross wages	198,156	198,731
Gross salaries	153,713	144,556
Severance expenses	5,258	4,422
Pension expenses	5,933	5,931
Expenses for statutory social security as well as payroll-related taxes and other contributions	73,761	71,803
Other welfare expenses	9,663	8,786
Total	446,484	434,229

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Factory workers	7,584	7,688
Office staff	2,213	2,245
Total	9,797	9,933

Remuneration of the management

The key management of the Group includes the Management Board and the Supervisory Board. The remuneration of the management is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Salaries and other short-term employee benefits (incl. remuneration of the Supervisory Board)	7,777	7,642
Post-employment benefits	1,146	2,923
	8,923	10,565
Reconciliation to salaries and other short-term employee benefits accounted for in personnel expenses ¹⁾	5,063	0
Total	13,986	10,565

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

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Fixed remuneration	2,342	2,309
Variable remuneration	4,960	4,890
	7,302	7,199
Reconciliation to salaries and other short-term employee benefits accounted for in personnel expenses ¹⁾	5,063	0
Total	12,365	7,199

¹⁾ The variable remuneration for the members of the Management Board was recognized as expenses in the following year based on the approved Group financial statements. From the financial year 2017 onwards the variable remuneration is accrued on the basis of the expected Group result. Therefore, an additional one-time expense of thous. EUR 5,063 occurs which would have been incurred already in 2016 if the currently chosen accounting method had been applied then.

The remuneration of the members of the Supervisory Board elected by the shareholders for the financial year 2017 amounted to thous. EUR 475 (2016: thous. EUR 444).

Concerning the remuneration of former members of the Management and Supervisory Boards, the provision on non-disclosure of such remuneration was applied by referring to section 266 figure 2 third sentence in conjunction with section 242 paragraph 4 of the Austrian Commercial Code.

23 — EXPENSES FOR THE GROUP AUDITOR

The 23rd Ordinary Shareholders' Meeting on April 26, 2017 appointed Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the consolidated and individual financial statements of Mayr-Melnhof Karton AG. Furthermore, they audited the individual financial statements of the Austrian subsidiaries. In 2017, expenses for services rendered by Grant Thornton Unitreu amounted to thous. EUR 334 (2016: thous. EUR 389) of which thous. EUR 267 (2016: thous. EUR 383) related to auditing and other assurance services and thous. EUR 67 (2016: thous. EUR 6) to other services.

24 — RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are recognized as expense as incurred. Neither as of December 31, 2017 nor as of December 31, 2016 have development costs been capitalized.

Research and development costs recognized as expenses in the income statement amounted to thous. EUR 2,980 in the financial year 2017 (2016: thous. EUR 3,246).

25 — FINANCIAL INCOME

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Interest from bank deposits	1,857	2,973
Other financial income	91	110
Total financial income	1,948	3,083

26 — FINANCIAL EXPENSES

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Interest expense related to financial liabilities	(4,775)	(4,779)
Other financial expenses	(1,410)	(1,345)
Total financial expenses	(6,185)	(6,124)

Other financial expenses comprise commitment fees for unused credit lines.

27 — OTHER FINANCIAL RESULT – NET

(in thousands of EUR)	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Foreign currency exchange rate gains (losses) – net	(621)	586
Net interest cost from benefit obligation	(2,325)	(2,691)
Recycling of foreign currency translations ¹⁾	(2,604)	0
Result from associated companies	(453)	0
Dividend income	618	741
Valuation of (contingent) share purchase price and option liabilities	0	(62)
Other financial result	79	0
Other financial result – net	(5,306)	(1,426)

¹⁾ see note 5

28 — EARNINGS PER SHARE

Earnings per share are calculated in accordance with IAS 33 “Earnings per Share”. The standard requires the calculation and disclosure of two key figures: basic and diluted earnings per share. Basic earnings per share are calculated by dividing profit or loss attributable to the shareholders of the Company by the weighted average number of shares outstanding during the financial year. As there were no dilutive stock options neither as of December 31, 2017 nor as of December 31, 2016, it was not necessary to calculate the diluted earnings per share which thus correspond corresponds to the basic earnings per share.

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

	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Profit attributable to ordinary shareholders of the parent company (in thousands of EUR)	154,573	153,307
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic earnings per share attributable to ordinary shareholders of the parent company (in EUR)	7.73	7.67

As in the previous year, the number of shares issued as of December 31, 2017 amounted to 20,000,000 shares.

29 — COMMITMENTS AND CONTINGENT LIABILITIES

Commitments from legal proceedings and similar claims

The Group is subject to various claims and legal proceedings that have arisen in the ordinary course of business. Based on all the facts available to the Management, the Group believes that the ultimate resolution of these claims and legal proceedings will be unlikely to have a material adverse effect on its financial position or the results of its operations, although no assurance can be given with respect to the outcome of such claims or litigations.

Commitments from environmental matters

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

Expenses related to environmental matters were not material for the years ended December 31, 2017 and 2016.

Other contingent liabilities

At December 31, 2017, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 31,521 (December 31, 2016: thous. EUR 61,010).

30 — DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 6,664 were purchased from other related companies in 2017 (2016: thous. EUR 5,903). At December 31, 2017, trade liabilities with other related companies amounted to thous. EUR 950 (December 31, 2016: thous. EUR 1,037).

In 2017 sales from transactions with associated companies amounted to thous. EUR 452 (2016: thous. EUR 0). At December 31, 2017, trade receivables with associated companies amounted to thous. EUR 440 (December 31, 2016: thous. EUR 0), trade liabilities with associated companies amounted to thous. EUR 9 (December 31, 2016: thous. EUR 0).

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

Key management personnel of the Group (active Management Board and Supervisory Board members of Mayr-Melnhof Karton AG) and their close relatives are considered as related parties. For information regarding management remuneration please refer to note 22.

For information about contributions to the pension benefit plan in Great Britain refer to note 15.

31 — NOTES ON THE CONSOLIDATED CASH FLOW STATEMENTS

Cash and cash equivalents

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

(in thousands of EUR)	Dec. 31, 2017	Dec. 31, 2016
Fixed deposits	47,732	110,706
Unrestricted bank deposits and cash	150,141	140,417
Other restricted bank deposits	37	15
Cash and cash equivalents	197,910	251,138

Cash flow from operating activities is derived from the consolidated financial statements using the indirect method, while cash flows from investing and financing activities are calculated directly on the basis of cash inflows and outflows.

Cash flow from operating activities decreased from thous. EUR 219,395 to thous. EUR 217,226. A reduction in net cash from profit was contrasted by lower income tax payments.

Cash flow from investing activities changed from thous. EUR -144,644 to thous. EUR -154,385. This difference mainly results from the payments for the acquisition of the business in Poland (see note 5).

Cash flow from financing activities changed from thous. EUR -79,806 to thous. EUR -114,497. The main effects in 2017 were higher loan repayments as well as the dividend payment for the financial year 2016.

The following table shows a reconciliation of financial liabilities from cash and non-cash changes:

(in thousands of EUR)	Non-current interest-bearing financial liabilities	Current interest-bearing financial liabilities	Total
Balance at Jan. 1, 2017	211,997	48,903	260,900
Issuances of financial liabilities	938	8,976	9,914
Repayments of financial liabilities	(20,115)	(37,615)	(57,730)
Total cash changes	(19,177)	(28,639)	(47,816)
Effect of exchange rates	(39)	(779)	(818)
Other non-cash changes	(891)	1,093	202
Total non-cash changes	(930)	314	(616)
Balance at Dec. 31, 2017	191,890	20,578	212,468

32 — SUBSEQUENT EVENTS

There have been no subsequent events after the balance sheet date with any material effect on the consolidated financial statements of the Group.

33 — TABLE OF AFFILIATED AND ASSOCIATED COMPANIES

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC ⁽¹⁾	Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC ⁽¹⁾
MM KARTON					MM KARTON				
Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC ⁽¹⁾	Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC ⁽¹⁾
CartPrint Insurance AG, Vaduz (LIE)	EUR	3,000	100.00 %	FC ⁽¹⁾	CartPrint Insurance AG, Vaduz (LIE)	EUR	3,000	100.00 %	FC ⁽¹⁾
CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC ⁽¹⁾	CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC ⁽¹⁾
free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC ⁽¹⁾	free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC ⁽¹⁾
FS-Karton GmbH, Baiersbronn (DEU)	EUR	7,500	100.00 %	FC ⁽¹⁾	FS-Karton GmbH, Baiersbronn (DEU)	EUR	51,641	100.00 %	FC ⁽¹⁾
Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE ⁽²⁾	Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE ⁽²⁾
Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC ⁽¹⁾	Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC ⁽¹⁾
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC ⁽¹⁾	Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC ⁽¹⁾
MM Karton FollaCell AS, Verran (NOR)	NOK	10,000	100.00 %	FC ⁽¹⁾	MM Karton FollaCell AS, Verran (NOR)	NOK	10,000	100.00 %	FC ⁽¹⁾
MM Karton Turkey Ticaret Limited Sirketi, Istanbul (TUR)	TRY	10	100.00 %	FC ⁽¹⁾	MM Karton Turkey Ticaret Limited Sirketi, Istanbul (TUR)	TRY	10	100.00 %	FC ⁽¹⁾
Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE ⁽²⁾	Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE ⁽²⁾

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Trading companies & sales offices of MM Karton					Trading companies & sales offices of MM Karton				
Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC ⁽¹⁾	Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC ⁽¹⁾
Figos (Malaysia) SDN BHD, Kuala Lumpur (MYS)	MYR	500	100.00 %	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 Belgium N.V., Sint-Katelijne-Waver (BEL)	EUR	62	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Cartonboard UK Limited, Reading-Berkshire (GBR)	GBP	1,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Cartonboard UK Limited, Reading-Berkshire (GBR)	GBP	1,000	100.00 %	FC ⁽¹⁾
Mayr-Melnhof France SARL, Paris (FRA)	EUR	8	100.00 %	FC ⁽¹⁾	Mayr-Melnhof France SARL, Paris (FRA)	EUR	8	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Italia S.R.L., Milan (ITA)	EUR	51	75.00 %	FC ⁽¹⁾	Mayr-Melnhof Italia S.R.L., Milan (ITA)	EUR	51	75.00 %	FC ⁽¹⁾
Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Karton Schweiz GmbH, Worb (CHE)	CHF	20	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Karton Schweiz GmbH, Worb (CHE)	CHF	20	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Nederland B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Nederland B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ⁽¹⁾
Mayr-Melnhof & Wilfried 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 %	FC ⁽¹⁾	MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	FC ⁽¹⁾
MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC ⁽¹⁾	MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC ⁽¹⁾
MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC ⁽¹⁾	MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC ⁽¹⁾
MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC ⁽¹⁾	MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC ⁽¹⁾
MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC ⁽¹⁾	MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC ⁽¹⁾
MM Prodaja Kartona d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC ⁽¹⁾	MM Prodaja Kartona d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC ⁽¹⁾
Varsity Packaging Limited, Reading-Berkshire (GBR)	GBP	300	100.00 %	FC ⁽¹⁾	Varsity Packaging Limited, Reading-Berkshire (GBR)	GBP	300	100.00 %	FC ⁽¹⁾

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM PACKAGING					MM PACKAGING				
Al-Ekbal Printing & Packaging Co., Amman (JOR)	JOD	3,500	86.94 %	FC ⁽¹⁾	Al-Ekbal Printing & Packaging Co., Amman (JOR)	JOD	3,500	86.80 %	FC ⁽¹⁾
C.P. Schmidt GmbH, Kaiserslautern (DEU)	EUR	3,000	100.00 %	FC ⁽¹⁾	C.P. Schmidt GmbH, Kaiserslautern (DEU)	EUR	3,000	100.00 %	FC ⁽¹⁾
C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, Kaiserslautern (DEU)	EUR	180	100.00 %	FC ⁽¹⁾	C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, Kaiserslautern (DEU)	EUR	180	100.00 %	FC ⁽¹⁾
Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC ⁽¹⁾	Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Packaging International GmbH / Jordan PSC, Amman (JOR)	JOD	5,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Packaging International GmbH / Jordan PSC, Amman (JOR)	JOD	500	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	321,496,000	99.29 %	FC ⁽¹⁾	Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	321,496,000	99.29 %	FC ⁽¹⁾
MM Graphia Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	5,538	100.00 %	FC ⁽¹⁾	MM Graphia Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	5,538	100.00 %	FC ⁽¹⁾
MM Graphia Bielefeld GmbH, Bielefeld (DEU)	EUR	526	100.00 %	FC ⁽¹⁾	MM Graphia Bielefeld GmbH, Bielefeld (DEU)	EUR	526	100.00 %	FC ⁽¹⁾
MM Graphia GmbH, Bielefeld (DEU)	EUR	25	100.00 %	FC ⁽¹⁾	MM Graphia GmbH, Bielefeld (DEU)	EUR	25	100.00 %	FC ⁽¹⁾
MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC ⁽¹⁾	MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC ⁽¹⁾
MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC ⁽¹⁾	MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC ⁽¹⁾
MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC ⁽¹⁾	MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC ⁽¹⁾
MM Packaging Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC ⁽¹⁾	MM Packaging Beteiligungs- und Verwaltungs GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC ⁽¹⁾

CONSOLIDATED FINANCIAL STATEMENTS

2017					2016				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM Packaging Caesar GmbH, Traben-Trarbach (DEU)	EUR	3,000	100.00 %	FC ⁽¹⁾	MM Packaging Caesar GmbH, Traben-Trarbach (DEU)	EUR	3,000	100.00 %	FC ⁽¹⁾
MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	75,000,000	100.00 %	FC ⁽¹⁾	MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	75,000,000	100.00 %	FC ⁽¹⁾
MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC ⁽¹⁾	MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC ⁽¹⁾
MM Packaging GmbH, Bielefeld (DEU)	EUR	26	100.00 %	FC ⁽¹⁾	MM Packaging GmbH, Bielefeld (DEU)	EUR	26	100.00 %	FC ⁽¹⁾
-	-	-	-	-	MM Packaging Malaysia SDN. BHD., Kuala Lumpur (MYS), i.l.	MYR	16,500	100.00 %	FC ⁽¹⁾
MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC ⁽¹⁾	MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC ⁽¹⁾
-	-	-	-	-	MM Packaging Tunisie S.A.R.L., Tunis (TUN)	TND	6,587	100.00 %	FC ⁽¹⁾
MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC ⁽¹⁾	MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC ⁽¹⁾
MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC ⁽¹⁾	MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	65.10 %	FC ⁽¹⁾
MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC ⁽¹⁾	MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC ⁽¹⁾
MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC ⁽¹⁾	MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC ⁽¹⁾
MMP Neupack Polska Sp.z.o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ⁽¹⁾	MMP Neupack Polska Sp.z.o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ⁽¹⁾
MM Packaging Polska Sp. z.o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC ⁽¹⁾	-	-	-	-	-
MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC ⁽¹⁾	MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC ⁽¹⁾
MMP Premium Polska Sp. z.o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC ⁽¹⁾	-	-	-	-	-
MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC ⁽¹⁾	MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC ⁽¹⁾
MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC ⁽¹⁾	MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC ⁽¹⁾
Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC ⁽¹⁾	Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC ⁽¹⁾
PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC ⁽¹⁾	PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC ⁽¹⁾
Public Joint Stock Company „Graphia Ukraina“, Cherkassy (UKR)	UAH	5,880	94.78 %	FC ⁽¹⁾	Public Joint Stock Company „Graphia Ukraina“, Cherkassy (UKR)	UAH	5,880	94.78 %	FC ⁽¹⁾
R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC ⁽¹⁾	R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC ⁽¹⁾
Société Tunisienne des Emballages Modemes, Tunis (TUN)	TND	9,640	45.00 %	EC ⁽³⁾	-	-	-	-	-
Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	52,000	100.00 %	FC ⁽¹⁾	Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	7,000	100.00 %	FC ⁽¹⁾

-	-	-	-	-	TEC MMP SARL, Sfax (TUN)	TND	11,021	100.00 %	FC ¹⁾
Ultimatec Engineering GmbH, Vienna (AUT)	EUR	35	60.00 %	FC ¹⁾	-	-	-	-	-
VTV Verpackungstechnische Verfahren GmbH, Kaiserslautern (DEU)	EUR	200	100.00 %	FC ¹⁾	VTV Verpackungstechnische Verfahren GmbH, Kaiserslautern (DEU)	EUR	200	100.00 %	FC ¹⁾

The voting rights are equal to the ownership interests. The parent company does not hold any preferred interests in the subsidiary.

¹⁾ FC ... fully consolidated company

²⁾ NE ... joint venture or associated company, but not consolidated at equity due to immateriality

³⁾ EC ... consolidated at equity

34 — BOARD MEMBERS

During the financial year 2017, the Board Members were as follows:

Management Board

Wilhelm HÖRMANSEDER (Chairman)

Andreas BLASCHKE (Member of the Management Board)

Franz HIESINGER (Member of the Management Board since October 1, 2017)

Franz RAPPOLD (Member of the Management Board)

Gotthard MAYRINGER (Member of the Management Board until September 30, 2017)

Supervisory Board

Rainer ZELLNER (Chairman)

Johannes GOESS-SAURAU (1st Deputy Chairman)

Nikolaus ANKERSHOFEN (2nd Deputy Chairman)

Romuald BERTL (Member of the Supervisory Board)

Guido HELD (Member of the Supervisory Board)

Alexander LEEB (Member of the Supervisory Board)

Georg MAYR-MELNHOF (Member of the Supervisory Board)

Michael SCHWARZKOPF (Member of the Supervisory Board)

Andreas HEMMER (Works Council Representative)

Gerhard NOVOTNY (Works Council Representative)

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Franz Rappold m. p.

Auditor's Report

Report on the consolidated financial statements

Audit opinion

We have audited the consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft, Vienna, and of its subsidiaries (the Group) comprising the consolidated balance sheet as of December 31, 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2017 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of section 245 a of the Austrian Commercial Code.

Basis for opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of property, plant and equipment

The line item "Property, plant and equipment" in the consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft includes tangible assets whose carrying amounts are, in case that there is an indication of impairment, reviewed by the management board (cf. Notes, section 6c). For this purpose, impairment tests are performed based on recoverable amount, which is determined as value in use or fair value less cost to sell. In order to perform the analyses, the Management Board has to make estimates about future earnings developments and to derive complex calculation parameters, which is why the results of the impairment test are subject to some uncertainties and estimation flexibility.

In the course of the audit, we have:

- assessed if there are any indications of an impairment or reversal of an impairment;
- compared the budgets, on which the impairment test is based, with the total budget approved by the Supervisory Board, validated the development of the significant parameters (sales, EBIT margin), and discussed with the Management Board their expectations of the local business and market development;
- assessed the methodology used in the calculation models;
- reviewed if the Management Board's assumptions are in appropriate range in comparison to market and externally available data, such as interest rates, inflation, market growth;
- reviewed if the qualification of the experts and suitability of the valuation method as well as the applied assumptions and selected parameters are appropriate for the determination of the fair value in the valuation reports from external experts.

Valuation of deferred tax assets

Deferred tax assets totaling (net) EUR 20.6 million have been recognized in the consolidated balance sheet of Mayr-Melnhof Karton Aktiengesellschaft (of which EUR 5.2 million from tax loss carry-forwards). Deferred taxes are recognized as an asset if it is probable that there will be future taxable profits available against which the deductible temporary differences or unused tax loss carry-forwards can be utilized. The amounts to be recognized are based on the Management Board's assumptions of future developments and taxable results, which are subject to some uncertainties and estimation flexibility.

In the course of the audit, we have:

- assessed the concept and the structure of internal review of the deferred tax accounting process;
- verified the applied differences between the carrying amounts according to consolidated financial statements and local tax law, derived from the reporting packages approved by the local auditor;
- assessed the significant assumptions for the tax planning by relevant subsidiaries and compared them with the budget approved by the Supervisory Board;
- assessed the probability of reaching the future taxable results and examined if there are substantial indications in this regard.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements of section 245 a of the Austrian Commercial Code, for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

Moreover the following principles apply:

We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements**Comments on the Management Report for the Group**

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

Opinion

In our opinion, the management report for the group was prepared in accordance with the valid legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to section 243 a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional information in accordance with article 10 of the EU regulation

We were elected as auditor by the general meeting on April 26, 2017. We were appointed by the Supervisory Board on December 14, 2017. We have been auditors without cease since the appointment by the first general meeting on April 27, 1995.

We confirm that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor's report is Christoph ZIMMEL, Austrian Certified Public Accountant.

Vienna, February 28, 2018

Grant Thornton Unitreu GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christoph ZIMMEL m. p.

Eginhard KARL m. p.

Austrian Certified Public Accountants

This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the Group financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies to alternated versions.

Lagebericht

gem. § 243 UGB der Mayr-Melnhof Karton Aktiengesellschaft
über das Geschäftsjahr 1. Jänner 2017 bis 31. Dezember 2017

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 2017

a — Allgemeine Wirtschaftslage

Ein spürbarer Aufschwung der Konjunktur und im Welthandel prägten das Wirtschaftsjahr 2017. Neben einer anhaltend positiven Dynamik in den USA hat sich vor allem die wirtschaftliche Lage in den exportstarken europäischen Ländern deutlich verbessert. Gleichzeitig setzte sich im Verlauf des Jahres die Stabilisierung in den Schwellenländern aufgrund höherer Rohstoffpreise fort. Im Euroraum trugen die weichende Verunsicherung im Hinblick auf Politik- und Finanzrisiken sowie die steigende Nachfrage zu einer deutlich zuversichtlicheren Stimmungslage bei. Neben Deutschland, mit dem seit Langem stärksten Wachstumsjahr, zeigten sich auch andere Volkswirtschaften in Europa fundamental positiver. Hohe Auslastung in den Industrien, sinkende Arbeitslosenzahlen und das weiterhin niedrige Zinsumfeld begünstigten insbesondere den Privatkonsum als wesentliche Konjunkturstütze neben Exporten und Unternehmensinvestitionen. Obwohl sich die Energiekosten noch weitgehend ohne größere Veränderung entwickeln, haben Tarif- und Rohstoffkostensteigerungen bedeutende Auswirkungen auf die Industrien und erfordern entsprechende Anpassungen.

b — Branchenentwicklung

Nach einem noch verhaltenen Start ins Jahr 2017 reflektierte sich die zunehmend günstigere gesamtwirtschaftliche Lage auch auf den europäischen Karton- und Faltschachtelmärkten. Trotz besserer Nachfrage hielten Kosten- und Preisdruck das Jahr hindurch aber in hoher Intensität an. Vor allem stark steigende Altpapierpreise, ausgelöst durch den Anlauf neuer Kapazitäten bei Wellpappenrohpapieren und anziehende Nachfrage aus Asien, stellten in den ersten drei Quartalen eine hohe Herausforderung dar. Erst ab Herbst folgte, unterstützt durch geringere Asienexporte, eine leichte Entspannung der Altpapierpreisspitzen. Die Weitergabe gestiegener Faserkosten durch erhöhte Kartonpreise war somit branchenweit prioritäre Aufgabe. Aufgrund starken Wettbewerbes infolge ausreichender Kapazitäten in der Kartonverpackung sowie rigoroser Einsparungsprogramme bei Konsumgüterproduzenten und im Einzelhandel wurde diese jedoch nur sukzessive umgesetzt, mit teilweise hoher Volatilität beim Auftragszugang. Die Entwicklung bei anderen Inputfaktoren wie Energie und Chemikalien fiel demgegenüber insgesamt verhaltener aus.

Nach Kapazitätserhöhungen im europäischen Frischfaserkartonbereich während der letzten Jahre entwickelte sich der Kapazitätszuwachs innerhalb der europäischen Kartonindustrie in 2017 moderat und konzentrierte sich im Wesentlichen auf „creeping capacity increase“ aus der laufenden Investitionstätigkeit. Infolge des anhaltenden Niedrigzinsumfeldes setzte sich der Konsolidierungsprozess in der europäischen Faltschachtelindustrie weiterhin nur sehr langsam fort. Insgesamt kam es zu keinen bedeutenden Veränderungen in der Anbieterstruktur.

c — Geschäftsverlauf 2017 in den Divisionen

MM Karton

Die Nachfrage auf dem europäischen Kartonmarkt war zu Beginn des Jahres zwar noch verhalten, aber im weiteren Jahresverlauf von sukzessiver Besserung geprägt. Dies manifestierte sich auch im Anstieg des durchschnittlichen Auftragsstandes bei MM Karton auf 85.000 Tonnen nach 47.000 Tonnen im Vorjahr. Wie bisher stand konsequente Preisdisziplin im Vordergrund und war aufgrund des über die ersten drei Quartale andauernden signifikanten Anstieges der Altpapierpreise höchste Priorität. Die positive Ergebnisentwicklung in 2017 zeigt, dass dieser Weg mit Erfolg umgesetzt werden konnte.

Auf den Altpapiermärkten wirkten vor allem die starke Nachfrage aus Asien während der ersten Jahreshälfte sowie die Bevorratung neuer europäischer Maschinen für Wellpappenrohpa-piere und die zunehmend festere Nachfrage aus Europa preistreibend.

In Verfolgung einer selektiven Absatzpolitik gelang es, sowohl die Kapazitäten der Division mit 98 % (2016: 97 %) wieder nahezu voll auszulasten als auch unsere Marktanteile zu behaupten.

Die Kartonwerke produzierten mit 1.685.000 Tonnen leicht mehr als im Vorjahr (2016: 1.669.000 Tonnen). Hiervon entfielen 1.345.000 Tonnen (80 %) auf Recyclingkarton und 340.000 Tonnen (20 %) auf Frischfaserkarton (2016: 1.352.000 Tonnen bzw. 81 % und 317.000 Tonnen bzw. 19 %). Bezogen auf den durch-

schnittlichen Mitarbeiterstand wurden 664 Tonnen (2016: 655 Tonnen) pro Mitarbeiter erzeugt. Der Kartonabsatz entwickelte sich im Gleichklang mit der Produktion und belief sich auf 1.675.000 Tonnen (2016: 1.671.000 Tonnen).

Die Umsatzerlöse stiegen primär preisbedingt von 1.023,0 Mio. EUR auf 1.048,7 Mio. EUR. Hiervon wurden rund 62 % in Westeuropa (2016: 64 %) und 21 % in Osteuropa (2016: 19 %) erzielt, wodurch der Verkaufsanteil in Länder außerhalb Europas mit 17 % (2016: 17 %) auf Vorjahresniveau lag. Mit einem Lieferanteil von 11 % bzw. 192.000 Tonnen war MM Packaging unverändert größter Kunde von MM Karton (2016: 11 % bzw. 190.000 Tonnen).

Das betriebliche Ergebnis konnte vor allem aufgrund besserer Preise und Kosteneffizienz um 7,9 % bzw. 5,4 Mio. EUR auf 73,5 Mio. EUR (2016: 68,1 Mio. EUR) gesteigert werden. Die Operating Margin erreichte 7,0 % nach 6,7 % in 2016, der Return on Capital Employed 12,7 % (2016: 12,4 %). Cash Earnings wurden in Höhe von 100,3 Mio. EUR (2016: 91,6 Mio. EUR) erzielt, wodurch sich die Cash Earnings Margin auf 9,6 % (2016: 9,0 %) belief.

MM Packaging

Die Nachfragesituation auf dem europäischen Faltschachtelmarkt verzeichnete nach einem verhaltenen Jahresbeginn eine leichte Belebung. Der Auftragseingang von MM Packaging folgte dieser Entwicklung, sodass sich die Auslastung, trotz Heterogenität unter den Standorten, insgesamt verbesserte. Ausgehend von hohem Optimierungs- und Kostendruck in unseren Abnehmermärkten sowie unverändert ausreichenden europäischen Kapazitäten bei Faltschachteln blieb der Preiswettbewerb intensiv. Darüber hinaus bestand die Notwendigkeit, die Preiserhöhung bei Recyclingkarton an die Kunden weiterzugeben.

Mit konsequentem Fokus auf Kosteneffizienz sowie Produkt- und Marktentwicklung gelang es MM Packaging aber auch unter herausfordernden Marktbedingungen, ein hohes Ertragsniveau zu behaupten.

Im Rahmen intensivierter Investitionstätigkeit wurden einerseits die technologische Basis für Wachstumsmöglichkeiten inner- und außerhalb Europas ausgebaut sowie andererseits neue Kostensenkungsinitiativen in Angriff genommen.

In diesem Zusammenhang wurde die Entwicklung unserer Standorte in Teheran, Iran, und Ho Chi Minh City, Vietnam, durch die technologische und kapazitätsmäßige Erweiterung des Maschinenparks mit Fokus auf Qualität und Hochleistungsfertigung fortgesetzt.

In Jordanien wurden die Kapazitäten am Standort Amman sowohl ausgebaut als auch technologisch für das Wachstum mit internationalen Kunden um Tiefdruck erweitert.

Mit der Akquisition eines Verpackungsstandortes für Kosmetik- und Körperpflegeprodukte in Bydgoszcz, Polen, setzte MM Packaging die Erweiterung des Portfolios im hochwertigen Produktbereich fort. Zielsetzung ist es, durch Integration und Produktivitätssteigerung mit nunmehr vier Verpackungsstandorten in Polen neues Wachstums- und Wertschöpfungspotential zu generieren.

Die verarbeitete Tonnage lag mit 767.000 Tonnen leicht über dem Vorjahreswert (2016: 761.000 Tonnen). Die Anzahl bedruckter Bögen (Bogenäquivalent) entwickelte sich parallel dazu von 2.240,1 Millionen auf 2.289,9 Millionen Bögen. Das Bogenäquivalent je Mitarbeiter belief sich auf 316 Tausend (2016: 303 Tausend).

Die Umsatzerlöse stiegen um 3,0 % auf 1.392,7 Mio. EUR (2016: 1.352,6 Mio. EUR). Kontinuität kennzeichnete die geografische Verteilung der Umsatzerlöse mit 58 % und 30 % auf West- und Osteuropa sowie 12 % auf das außereuropäische Geschäft (2016: 57 %; 30 %; 13 %). MM Packaging beliefert mehr als 1.500 Kunden in unterschiedlichen Konsumgüterbranchen. Hauptabsatzbereiche waren auch in 2017 Verpackungen für Lebensmittel und Zigaretten. Aufgrund der starken Konzentration der Hersteller in diesen Märkten wird traditionell ein hoher Anteil des Geschäftes mit multinationalen Kunden erzielt. In 2017 entfielen auf die fünf größten Kunden rund 40 % (2016: 40 %) der Umsatzerlöse.

Mit 141,5 Mio. EUR konnte das betriebliche Ergebnis den starken Vorjahreswert (145,6 Mio. EUR) nicht zur Gänze erreichen. Die Operating Margin blieb mit 10,2 % (2016: 10,8 %) aber solide auf hohem Niveau. Der Return on Capital Employed belief sich auf 16,7 % (2016: 18,4 %). Die Cash Earnings betrugen 156,8 Mio. EUR (2016: 164,7 Mio. EUR), die Cash Earnings Margin 11,3 % (2016: 12,2 %).

d — Geschäftsverlauf der Gesellschaft im Jahr 2017

Im Geschäftsjahr 2017 verzeichnete die Gesellschaft verglichen zum Vorjahr geringere Beteiligungserträge, denen die Dividendenzahlung für 2016 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	
	31.12.2017	in %	31.12.2016	in %	in EUR	in %
Immaterielle Vermögensgegenstände und Sachanlagen	1.990.515,01	0,38 %	2.036.475,82	0,39 %	-45.960,81	-2,26 %
Finanzanlagen	292.927.027,68	55,99 %	292.755.161,81	56,15 %	171.865,87	0,06 %
Sonstiges Umlaufvermögen und Rechnungsabgrenzungsposten	226.796.640,36	43,35 %	225.077.806,23	43,17 %	1.718.834,13	0,76 %
Aktive latente Steuern	1.491.457,25	0,28 %	1.473.509,75	0,29 %	17.947,50	1,22 %
Gesamtvermögen	523.205.640,30	100,00 %	521.342.953,61	100,00 %	1.862.686,69	0,36 %
Eigenkapital	503.391.860,00	96,21 %	509.513.114,38	97,73 %	-6.121.254,38	-1,20 %
Rückstellungen	18.962.082,31	3,63 %	11.737.175,63	2,25 %	7.224.906,68	61,56 %
Verbindlichkeiten und Rechnungsabgrenzungsposten	851.697,99	0,16 %	92.663,60	0,02 %	759.034,39	819,13 %
Gesamtkapital	523.205.640,30	100,00 %	521.342.953,61	100,00 %	1.862.686,69	0,36 %

Die Veränderung der Posten „Sonstiges Umlaufvermögen und Rechnungsabgrenzungsposten“ von EUR 225.077.806,23 auf EUR 226.796.640,36 resultiert im Wesentlichen sowohl aus der konzerninternen Cash Pool-Verrechnung als auch einer höheren Steuerforderung.

Das Eigenkapital veränderte sich von EUR 509.513.114,38 per 31. Dezember 2016 auf EUR 503.391.860,00 zum Jahresende 2017, wobei dem Jahresüberschuss die Dividendenzahlung für das Geschäftsjahr 2016 gegenüberstand.

Die Veränderung der Rückstellungen von EUR 11.737.175,63 auf EUR 18.962.082,31 ist vor allem auf den erstmaligen Ansatz der Rückstellung für die variablen Vorstandsbezüge des laufenden Jahres sowie eine Erhöhung der Steuerrückstellung zurückzuführen.

Der Posten „Verbindlichkeiten und Rechnungsabgrenzungsposten“ belief sich per 31. Dezember 2017 auf EUR 851.697,99 nach EUR 92.663,60 zum Jahresende 2016. Dieser Anstieg 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:

$$\text{Eigenkapitalausstattung} = \frac{\text{Eigenkapital}}{\text{Gesamtkapital}} = \frac{503.391.860,00}{523.205.640,30} = \begin{array}{cc} \mathbf{2017} & \mathbf{2016} \\ \mathbf{96,21 \%} & 97,73 \% \end{array}$$

Finanzlage

Geldflussrechnung

(in EUR)	2017	2016
1. Netto-Geldfluss aus laufender Geschäftstätigkeit		
Ergebnis vor Steuern	49.855.799,85	64.928.660,91
+ / + Abschreibungen auf Vermögensgegenstände des Investitionsbereiches	90.122,71	95.830,57
- / - Sonstige zahlungsunwirksame Erträge	(106.615,48)	(157.925,76)
Geldfluss aus dem Ergebnis	49.839.307,08	64.866.565,72
+ / - Veränderung der Forderungen sowie anderer Aktiva	599.343,33	(7.573.438,60)
+ / - Veränderung von Rückstellungen	6.367.348,26	2.004.304,96
- / + Veränderung der Verbindlichkeiten sowie anderer Passiva	700.646,37	(5.475.045,77)
Netto-Geldzufluss aus dem Ergebnis vor Steuern	57.506.645,04	53.822.386,31
- / + Zahlungen für Ertragsteuern	3.688.034,78	5.985.935,68
Netto-Geldzufluss aus laufender Geschäftstätigkeit	61.194.679,82	59.808.321,99
2. Netto-Geldfluss aus der Investitionstätigkeit		
+ / + Einzahlungen aus Finanzanlagenabgang und sonstigen Finanzinvestitionen	77.524,28	77.496,66
- / - Auszahlungen für Anlagenzugang (ohne Finanzanlagen)	(44.161,90)	0,00
- / - Auszahlungen für Finanzanlagenzugang und sonstige Finanzinvestitionen	(201.162,69)	(1.270.417,10)
Netto-Geldabfluss aus der Investitionstätigkeit	(167.800,31)	(1.192.920,44)
3. Netto-Geldfluss aus der Finanzierungstätigkeit		
- / - Auszahlungen für Dividenden	(60.000.000,00)	(24.000.000,00)
- / + Veränderung Cash Pool	(61.709.484,73)	(7.266.925,01)
Netto-Geldabfluss aus der Finanzierungstätigkeit	(121.709.484,73)	(31.266.925,01)
Zahlungswirksame Veränderung des Finanzmittelbestandes (Z 1.+2.+3.)	(60.682.605,22)	27.348.476,54
+ / + Finanzmittelbestand am Beginn der Periode	117.828.183,90	90.479.707,36
4. Finanzmittelbestand am Ende der Periode	57.145.578,68	117.828.183,90

Der Netto-Geldzufluss aus laufender Geschäftstätigkeit erhöhte sich von EUR 59.808.321,99 in 2016 auf EUR 61.194.679,82 im aktuellen Jahr. Dem geringeren Ergebnis vor Steuern standen ein Abbau im Working Capital sowie geringere Auszahlungen für Ertragsteuern gegenüber.

Der Netto-Geldabfluss aus der Investitionstätigkeit veränderte sich auf EUR 167.800,31 in 2017 nach einem Netto-Geldabfluss in Höhe von EUR 1.192.920,44 in 2016. Die Differenz betrifft im Wesentlichen geringere Prämienzahlungen für Rückdeckungsversicherungen.

Der Netto-Geldabfluss aus der Finanzierungstätigkeit belief sich auf EUR 121.709.484,73 nach EUR 31.266.925,01 im Vorjahr. Diese Veränderung ist sowohl auf höhere Abflüsse in die konzerninterne Cash Pool-Finanzierung als auch auf die, aufgrund der bereits 2015 ausbezahlten Zwischendividende, verringerte Dividendenzahlung in 2016 zurückzuführen.

Ertragslage

(in EUR)	2017	in % des Finanzer- gebnisses	2016	in % des Finanzer- gebnisses	Veränderung	
					in EUR	in %
Finanzergebnis	61.095.682,85	100,00 %	72.409.204,41	100,00 %	-11.313.521,56	-15,62 %
Umsatzerlöse	35.354.010,98	57,87 %	30.608.759,92	42,27 %	4.745.251,06	15,50 %
Sonstige betriebliche Erträge	1.409.369,05	2,30 %	1.098.699,41	1,52 %	310.669,64	28,28 %
Verwaltungsaufwand	(48.003.263,03)	(78,57 %)	(39.188.002,83)	(54,12 %)	-8.815.260,20	22,49 %
Betriebsergebnis	(11.239.883,00)	(18,40 %)	(7.480.543,50)	(10,33 %)	-3.759.339,50	50,25 %
Ergebnis vor Steuern	49.855.799,85	81,60 %	64.928.660,91	89,67 %	-15.072.861,06	-23,21 %
Jahresüberschuss	53.878.745,62	88,19 %	68.700.925,57	94,88 %	-14.822.179,95	-21,57 %

Das Finanzergebnis veränderte sich bedingt durch niedrigere Beteiligungserträge im Jahr 2017 auf EUR 61.095.682,85 (2016: EUR 72.409.204,41). Diese resultieren im Wesentlichen aus der Dividende der Mayr-Melnhof Cartonboard International GmbH in Höhe von EUR 39.000.000,00 (2016: EUR 36.000.000,00) und Mayr-Melnhof Packaging International GmbH EUR 21.800.000,00 (2016: EUR 36.000.000,00).

Die Umsatzerlöse veränderten sich von EUR 30.608.759,92 auf EUR 35.354.010,98 aufgrund von Verrechnungen mit Gesellschaften des Konzerns.

Der Verwaltungsaufwand belief sich auf EUR 48.003.263,03 in 2017 nach EUR 39.188.002,83 im Geschäftsjahr 2016. Durch den erstmaligen Ansatz der Rückstellung für die variablen Vorstandsbezüge des laufenden Jahres kam es zu einem einmaligen zusätzlichen Aufwand.

Aufgrund des niedrigen Zinsniveaus verringerten sich die Zinserträge von EUR 40.959,45 im Vorjahr auf EUR 215,55 im aktuellen Geschäftsjahr.

Die Kennzahlen zu Ertragslage berechnen sich wie folgt:

				2017	2016
Cash Earnings	=	Jahresüberschuss+	=	53.878.745,62	
		Abschreibungen (auf Sachanlagen und immaterielle Vermögensgegenstände)+	=	90.122,71	
		latente Steuern	=	-17.947,50	
			=	53.950.920,83	67.323.246,39
Eigenkapitalrentabilität nach Steuern	=	Jahresüberschuss	=	53.878.745,62	
		Durchschnittliches Eigenkapital	=	506.452.487,19	
			=	10,64 %	14,10 %

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 2018

Dieser Ausblick entspricht den Einschätzungen des Vorstandes zum 28. Februar 2018 und berücksichtigt keine Auswirkungen von möglichen Akquisitionen, Veräußerungen oder anderen strukturellen Änderungen innerhalb des Jahres 2018. Die vorangegangenen und nachfolgenden vorausblickenden 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 Rahmenbedingungen auf unseren europäischen Hauptmärkten zeigen seit Beginn des Jahres eine Fortsetzung des positiven Momentum aus dem Vorjahr. Die Nachhaltigkeit dieser Entwicklung bleibt jedoch schwer abschätzbar.

Entsprechend verzeichnen beide Divisionen aktuell weiterhin eine solide Nachfrage und gute Auslastung. Aufgrund ausreichender Angebotskapazitäten sowohl in der Kartonproduktion als auch -verarbeitung bleibt die Wettbewerbssituation durch hohe Intensität geprägt. Dennoch gilt es nachfragebedingte Kostensteigerungen bei Inputfaktoren und Logistik weiterzugeben.

MM plant in 2018 weiter zu wachsen sowohl mit dem Markt als auch durch Verdrängung. Die Ergebnisqualität des Konzerns soll dabei in beiden Divisionen auf hohem Niveau behauptet werden, zum einen durch Forcierung von Produkten mit höherer Wertschöpfung und Optimierung des regionalen Absatzmix, zum anderen über Produktivitätssteigerungen und weitere Reduktion von Fixkosten. Der Konzern ist dafür gut aufgestellt.

Die Investitionstätigkeit bleibt im langjährigen Ausmaß auf Kostensenkungsinitiativen und Wachstumsmöglichkeiten gerichtet.

Eine Ergebnisprognose für 2018 ist trotz der aktuell guten Ordersituation aufgrund der kurzfristigen Visibilität in unserem Geschäft noch nicht möglich. Mit dem in 2017 erneut erreichten Rekordergebnis bleiben aber sowohl Anspruch als auch Anspannung für 2018 hoch.

Hohe Aufmerksamkeit legen wir weiterhin auf die Fortsetzung unseres Wachstums über Akquisitionen mit Fokus auf das Kerngeschäft und die Schaffung nachhaltigen Mehrwertes bei überschaubarem Risiko.

Aus heutiger Sicht rechnet die Gesellschaft mit leicht höheren Beteiligungserträgen als im Geschäftsjahr 2017.

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.

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 Entwicklungstätigkeit des Mayr-Melnhof Konzerns ist die nachhaltige Stärkung und Absicherung der Wettbewerbsfähigkeit in den beiden Divisionen Karton und Packaging. Der strategische Fokus auf Marktführerschaft durch Kosten- und Technologieführerschaft ist richtungsweisend. Unsere Innovationstätigkeit baut darauf auf, Marktbedürfnisse und Zukunftstrends frühzeitig zu erkennen und nutzenbringend mit Mehrwert für den Markt und das Unternehmen umzusetzen. Die Ansatzpunkte gehen dabei auch über die gängigen Anwendungsbereiche von Karton und Faltschachteln hinaus und schließen regelmäßig Aspekte der gesamten Supply Chain mit ein.

Grundlage unserer F&E-Aktivitäten ist die zielgerichtete Zusammenarbeit von Experten aus verschiedenen Bereichen des Konzerns, gegebenenfalls unter Einbindung externer Spezialisten, sowie die langfristig gewachsene, gemeinsame Wissensbasis. Dazu sind in beiden Divisionen themenbezogene Innovationsfunktionen eingerichtet, die den Prozess von der Ideengenerierung bis zur Umsetzung systematisch begleiten und auf die notwendigen Ressourcen zurückgreifen. Unser proaktives Business Development zielt zudem darauf ab, Innovationen zügig in den Markt zu bringen, um zeitnah Vorteile aus der Differenzierung zu ermöglichen.

Wir sind bestrebt, dass unsere Produkte und Serviceleistungen bereits frühzeitig den neuesten Anforderungen entsprechen, und arbeiten dazu eng mit den Gremien der Normung und Gesetzgebung sowie anlassbezogen mit renommierten Forschungseinrichtungen zusammen.

Zusätzlich zu steigenden Anforderungen in Bezug auf Nachhaltigkeit, Sicherheit, Convenience und Onlinevertrieb zählen aktuell individuelle Formen, Simplizität, die Sichtbarmachung des Produktes, „Storytelling“ sowie das haptische Erlebnis und die „Art of Opening“ zu den Trends in der Verpackung. Wir greifen diese proaktiv in enger Zusammenarbeit mit unseren Kunden auf und verfolgen dabei stets höchstmögliche Performance und Effizienz in der Umsetzung.

a — Innovationstätigkeit 2017 in der Division MM Karton

Die Innovationsleistung von MM Karton ist sowohl produkt- als auch grundlagenbezogen. Im Produktbereich liegen die Schwerpunkte einerseits auf der laufenden Verbesserung der Kartonqualität insbesondere bei Festigkeit, Optik, Bedruckbarkeit, Barriere und Performance in der Hochleistungsverarbeitung, andererseits auf neuen Sorten nach Maßgabe der Marktanforderungen und technologischer Möglichkeiten. Die grundlagenbezogenen Projekte werden durch das in der österreichischen Kartonfabrik Frohnleiten eingerichtete F&E-Zentrum, welches auch Leistungen für Dritte, insbesondere Kunden, erbringt, getragen bzw. koordiniert.

Hohes Augenmerk lag auch 2017 auf der Weiterentwicklung von funktionellen Barrieren (z. B. Fett- und Migrationsbarrieren), insbesondere auf Basis nachwachsender Rohstoffe, sowie deren Auftragung mit modernster Coatingtechnologie. Grundlagenuntersuchungen galten insbesondere Streichfarben und Mehrfachbeschichtungen in laufender Zusammenarbeit mit der Strichtechnologie sowie Optimierungen in der Simulation diesbezüglicher Trockenprozesse.

Rund ein Fünftel des Absatzes erzielt MM Karton heute mit neuen, innovativen Produkten, die erst wenige Jahre auf dem Markt sind. Dahinter stehen insbesondere das stark forcierte Projekt „Renovation“, welches die Produkte einzelner Werke für spezifische Märkte und Anwendungen neu definiert, sowie die enge Zusammenarbeit unserer Teams in Verkauf und Technik mit dem Kunden. 2017 betraf dies vor allem folgende Produkte:

Accurate™ Top Strong aus dem niederländischen Kartonwerk Eerbeek ist ein leichtgewichtiger, hochwertiger Frischfaserkarton mit hoher Steifigkeit sowie exzellenter Oberfläche mit hohem Weißgrad und Glätte für Höchstleistung im Verarbeitungsprozess. Anwendungsbereiche sind Verpackungen für Lebensmittel, Kosmetik, Pharma und Körperpflege.

Mit Excellent Top™ Kraft aus dem slowenischen Werk Kolicveo wurde eine neue Frischfaser-Kraft-Qualität mit besten Oberflächeneigenschaften geschaffen, deren gleichmäßige Kraft-Rückseite ein natürliches Erscheinungsbild bietet. Hohe Steifigkeits- und Dickewerte sorgen für einen starken Markenauftritt und exzellenten Produktschutz. Anwendungsbereiche sind insbesondere Verpackungen für trockene, gekühlte bzw. tiefgekühlte Lebensmittel sowie hochwertige Getränkeumverpackungen.

Excellent Top™ Brown – simply brown ist eine neue Frischfaserkartonqualität, ebenfalls aus dem slowenischen Werk Kolicveo, welche durch eine Kraft-Oberfläche und Rückseite sowie gute Bedruckbarkeit und Steifigkeit für den oft gewünschten natürlichen Auftritt sorgt. Anwendungsgebiete sind Verpackungen für u. a. trockene, gekühlte bzw. tiefgekühlte Lebensmittel.

MM X-Liner™ HD (High Definition) aus dem deutschen Recyclingkartonwerk Neuss bietet außergewöhnlichen Weißgrad, Glätte und homogene Oberflächenstrukturen dank dreifachem Pigment-Coating. Die Variante MM X-Liner™ lite zeichnet besondere Effizienz in Druck und Verarbeitung bei gleichzeitig hoher Oberflächenglätte aus. Anwendung findet diese in „Shelf-ready Solutions“ (Displays) bis zur höchsten Qualitätsstufe.

MM BiB-Liner™ ist die Antwort von MM Karton für den Bag-in-Box-Markt – ein maßgeschneiderter Wellpappen-Deckstoff (Liner) als hochwertige Bedruck- und Veredelungsfläche für Verpackungslösungen, die Flüssigkeiten oder pastöse Lebensmittel beinhalten. MM BiB-Liner™ bietet aufgrund bester BCT-Werte (Box Compression Test, Stapelstauchwiderstand) aller weiß gestrichenen Recycling-Liner-Qualitäten ein sehr stabiles Äußeres.

Der neue Barrierekarton FOODCART™ aus Recyclingfasern ist die maßgeschneiderte Antwort auf den vierten Entwurf der deutschen Mineralölverordnung, welche eine Migration unter 0,5 mg/kg in Lebensmittel fordert. Demgegenüber steht der bereits seit Anfang 2016 in den europäischen Supermarktregalen erhältliche FOODBOARD™, ein Barrierekarton mit ultimativer Schutzfunktion, bei dem keine Mineralölmigration (Nachweisgrenze = 0,15 mg/kg) vorliegt.

Mit FOODBOARD™ virgin fibre bietet MM Karton weltweit erstmals auch den innovativen Barrierschutz vor Mineralölen und anderen definierten unerwünschten Substanzen bei Frischfaserkarton. Kernstück des FOODBOARD™-Sortiments ist eine innovative Barriere auf der Lebensmittelkontaktseite des Verpackungskartons, welche vor dem Übergang definierter unerwünschter Substanzen auf das Lebensmittel schützt.

In Sekundenschnelle alle Kerngeschäftsprozesse mit MM Karton in Echtzeit online, transparent und sicher durchführen zu können, ist die Leistung von „MMK digital“, unserem innovativen digitalen Verkaufs- und Servicekanal, der ab dem zweiten Quartal 2018 unseren Kunden zur Verfügung stehen wird. Rund zwei Jahre haben unsere Fachabteilungen gemeinsam mit Digitalisierungsexperten an diesem Zukunftsschritt gearbeitet, der die konventionellen Kommunikationskanäle rund um Telefon und E-Mail innovativ ergänzt.

Das Prinzip „im Mittelpunkt der Kunde“ leitete von Beginn an die Entstehung von „MMK digital“, sowohl durch neue, kundenzentrierte Businessprozesse als auch durch zahlreiche Usability-Tests, mit dem Ziel, bedingungslose Benutzerfreundlichkeit zu schaffen. Neben den Erweiterungen im Bereich der Online-Plattform wird bei „MMK digital“ in 2018 auch intensiv an der weiteren Digitalisierung bestehender Kanäle gearbeitet.

b — Innovationstätigkeit 2017 in der Division MM Packaging

Unter dem Leitgedanken „Innovation Energized“ bündelt MM Packaging in Expertenteams die Kompetenz, Erfahrung und Kreativität aus verschiedenen Disziplinen. Die Kunden profitieren dadurch von maßgeschneiderten Innovationsleistungen bei Produkten und Prozessen unter Rückgriff auf das gesamte Know-how des MMP Innovationsnetzwerkes. Die Innovationsorganisation von MM Packaging hat sich bewährt und setzt sich unverändert aus den folgenden Institutionen zusammen: PacProject, dem Kreativzentrum in Hamburg, dem Premium Printing Center in Trier sowie den lokalen Packaging-Development-Centern einzelner Werke.

Ein Technical Account Manager nimmt im Rahmen einzelner Projekte sowohl die interne als auch die zum Kunden gerichtete Leitungsfunktion wahr. Prinzipiell werden Kunden nur Lösungen vorgestellt, welche sowohl die Freigabe durch das Divisional Technical Support Team als auch die jeweiligen Produktionsstandorte haben.

Ziel von MM Packaging ist es, in jeder Phase des Innovationsprozesses überzeugende Lösungen zu bieten und für den Erfolg des Kunden auf dem Markt einen entscheidenden Beitrag zu leisten. Die „Innovation Tool Box“ von MM Packaging ist dazu breit angelegt und begleitet Kunden von der Ideengenerierung über die Strategieentwicklung zu individuellen Designkonzepten, von Consumer Insights zur Beschleunigung der Marke bis hin zur Entwicklung optimierter Prozesse und zu deren Umsetzung auf den Produktionsmaschinen.

Durch die Nutzung modernster Technologien in der Verpackungsproduktion sowie in der Kundenkommunikation haben wir die Ambition, neue Standards zu setzen, welche dem Kunden Wettbewerbsvorteile ermöglichen und die Wertschöpfung von MM Packaging erhöhen. Unter Rückgriff auf das Know-how und die Erfahrung in einem breiten Branchenspektrum eröffnen sich Chancen in vielen Märkten.

Mit einem Team aus Designern, Verpackungs- und Marktspezialisten lieferten wir auch 2017 Impulse für künftige Verpackungslösungen im E-Commerce. Interaktivität durch Vernetzung der Information auf der Verpackung mit anderen Kommunikationswegen hat hohe Bedeutung. Durch attraktive Lösungen auch im Online-Geschäft ein starker Innovationspartner unserer Kunden zu sein, ist Ambition von MM Packaging.

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 2017 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 2018

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. 2017	Stand 31. Dez. 2016	PASSIVA (in EUR)	Stand 31. Dez. 2017	Stand 31. Dez. 2016
A. ANLAGEVERMÖGEN			A. EIGENKAPITAL		
I. Sachanlagen			I. Eingefordertes und einbezahltes Grundkapital	80.000.000,00	80.000.000,00
1. Grundstücke, grundstückgleiche Rechte und Bauten, einschließlich der Bauten auf fremdem Grund	1.911.018,01	1.978.761,12			
2. Andere Anlagen, Betriebs- und Geschäftsausstattung	79.497,00	57.714,70	II. Kapitalrücklagen		
	1.990.515,01	2.036.475,82	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)	184.733.411,92	184.854.666,30
2. Beteiligungen	494.917,78	494.917,78			
3. Wertpapiere (Wertrechte) des Anlagevermögens	8.395.170,59	8.223.304,72	IV. Bilanzgewinn	66.000.000,00	72.000.000,00
	292.927.027,68	292.755.161,81	<i>davon Gewinnvortrag EUR 12.000.000,00 (2016: EUR 4.000.000,00)</i>		
	294.917.542,69	294.791.637,63		503.391.860,00	509.513.114,38
B. UMLAUFVERMÖGEN			B. RÜCKSTELLUNGEN		
I. Forderungen und sonstige Vermögensgegenstände			1. Rückstellungen für Abfertigungen	1.325.654,00	1.111.233,00
1. Forderungen gegenüber verbundenen Unternehmen	168.656.756,52	106.884.426,82	2. Rückstellungen für Pensionen	9.413.637,00	9.406.083,02
<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2016: EUR 0,00)</i>			3. Steuerrückstellungen	1.358.542,07	442.595,63
2. Sonstige Forderungen und Vermögensgegenstände	841.042,83	230.107,89	4. Sonstige Rückstellungen	6.864.249,24	777.263,98
<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2016: EUR 0,00)</i>				18.962.082,31	11.737.175,63
	169.497.799,35	107.114.534,71	C. VERBINDLICHKEITEN		
II. Kassenbestand und Guthaben bei Kreditinstituten	57.145.578,68	117.828.183,90	<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 851.697,99 (2016: EUR 92.663,60)</i>		
	226.643.378,03	224.942.718,61	<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2016: EUR 0,00)</i>		
C. RECHNUNGSABGRENZUNGSPOSTEN	153.262,33	135.087,62	1. Verbindlichkeiten aus Leistungen	282.065,16	72.028,32
D. AKTIVE LATENTE STEUERN	1.491.457,25	1.473.509,75	<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 282.065,16 (2016: EUR 72.028,32)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2016: EUR 0,00)</i>		
			2. Verbindlichkeiten gegenüber verbundenen Unternehmen	187.016,00	0,00
			<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 187.016,00 (2016: EUR 0,00)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2016: EUR 0,00)</i>		
			3. Sonstige Verbindlichkeiten		
			<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 382.616,83 (2016: EUR 20.635,28)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2016: EUR 0,00)</i>		
			a) Steuern	14.932,21	10.265,82
			b) Soziale Sicherheit	11.107,06	8.308,59
			c) Übrige	356.577,56	2.060,87
				382.616,83	20.635,28
				851.697,99	92.663,60
SUMME AKTIVA	523.205.640,30	521.342.953,61	SUMME PASSIVA	523.205.640,30	521.342.953,61

Gewinn- und Verlustrechnung

(in EUR)	2017	2016
1. Erträge aus Beteiligungen		
a) Verbundene Unternehmen	60.800.000,00	72.000.000,00
b) Übrige	465.080,00	560.000,00
	61.265.080,00	72.560.000,00
2. Sonstige Zinsen und ähnliche Erträge		
a) Übrige	215,55	40.959,45
	215,55	40.959,45
3. Zinsen und ähnliche Aufwendungen		
a) Verbundene Unternehmen	(4.235,62)	(1.013,04)
b) Übrige	(165.377,08)	(190.742,00)
	(169.612,70)	(191.755,04)
4. Zwischensumme aus Z 1 bis 3 (Finzergebnis)	61.095.682,85	72.409.204,41
5. Umsatzerlöse	35.354.010,98	30.608.759,92
6. Sonstige betriebliche Erträge		
a) Übrige	1.409.369,05	1.098.699,41
	1.409.369,05	1.098.699,41
7. Aufwendungen für Material und sonstige bezogene Herstellungsleistungen		
a) Aufwendungen für bezogene Leistungen	(29.457.097,04)	(25.255.925,04)
	(29.457.097,04)	(25.255.925,04)
8. Personalaufwand		
a) Gehälter	(12.291.959,51)	(6.264.695,15)
b) Soziale Aufwendungen	(1.220.108,11)	(1.714.986,42)
<i>davon Aufwendungen für Altersversorgung</i>	<i>45.088,92</i>	<i>(1.008.607,98)</i>
<i>aa) Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervorsorgekassen</i>	<i>(350.945,06)</i>	<i>(352.077,08)</i>
<i>bb) Aufwendungen für gesetzlich vorgeschriebene Sozialabgaben sowie vom Entgelt abhängige Abgaben und Pflichtbeiträge</i>	<i>(914.251,97)</i>	<i>(354.301,36)</i>
	(13.512.067,62)	(7.979.681,57)
9. Abschreibungen		
a) auf Sachanlagen	(90.122,71)	(95.830,57)
	(90.122,71)	(95.830,57)
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	(4.942.261,31)	(5.854.851,30)
	(4.943.975,66)	(5.856.565,65)
11. Zwischensumme aus Z 5 bis 10 (Betriebsergebnis)	(11.239.883,00)	(7.480.543,50)
12. Ergebnis vor Steuern (Zwischensumme aus Z 4 und Z 11)	49.855.799,85	64.928.660,91
13. Steuern vom Einkommen und vom Ertrag	4.022.945,77	3.772.264,66
<i>davon latente Steuern EUR 17.947,50 (2016: EUR 1.473.509,75)</i>		
14. Jahresüberschuss	53.878.745,62	68.700.925,57
15. Auflösung von Gewinnrücklagen	121.254,38	0,00
16. Zuweisung zu Gewinnrücklagen	0,00	(700.925,57)
17. Jahresgewinn	54.000.000,00	68.000.000,00
18. Gewinnvortrag aus dem Vorjahr	12.000.000,00	4.000.000,00
19. Bilanzgewinn	66.000.000,00	72.000.000,00

Anhang

der Mayr-Melnhof Karton Aktiengesellschaft für das Geschäftsjahr 1. Jänner 2017 bis 31. Dezember 2017

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 2017 werden die Lohnnebenkosten für die Dotierung der Urlaubs- und Prämienrückstellung erstmals als „Aufwendungen für gesetzlich vorgeschriebene Sozialabgaben sowie vom Entgelt abhängige Abgaben und Pflichtbeiträge“ ausgewiesen anstelle wie bisher unter „Gehälter“.

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 Zeitwert. 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) „Rückstellungen für Pensions-, Abfertigungs-, Jubiläumsgeld- und vergleichbare langfristig fällige Verpflichtungen nach den Vorschriften des Unternehmensgesetzbuches“, Stand Juni 2016, 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 wird das frühest mögliche Anfallsalter für die (vorzeitige) Alterspension gemäß Pensionsreform 2004 (Budgetbegleitgesetz 2003) unter Berücksichtigung der Übergangsregelungen sowie die biometrischen Richttafeln AVÖ 2008-P „Angestellte“ bzw. „Gemischt“ Pagler & Pagler zugrunde gelegt. Für Vorstandsmitglieder wird ausschließlich auf die Dauer des Vorstandsmandats abgestellt.

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 31.12.2017	Buchwert 31.12.2016	
	Stand	Zugänge	Abgänge	Umbuchungen	Stand	Stand	Zugänge	Abgänge			Stand
	01.01.2017	2017	2017	2017	31.12.2017	01.01.2017	2017	2017			31.12.2017
I. Sachanlagen											
1. Grundstücke und Bauten											
a) Grundwert	577.352,82	0,00	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	0,00	2.641.168,05	1.239.759,75	67.743,11	0,00	1.307.502,86	1.333.665,19	1.401.408,30
2. Andere Anlagen, Betriebs- und Geschäftsausstattung	113.362,80	44.161,90	0,00	0,00	157.524,70	55.648,10	22.379,60	0,00	78.027,70	79.497,00	57.714,70
Summe I	3.331.883,67	44.161,90	0,00	0,00	3.376.045,57	1.295.407,85	90.122,71	0,00	1.385.530,56	1.990.515,01	2.036.475,82
II. Finanzanlagen											
1. Anteile an verbundenen Unternehmen	284.036.939,31	0,00	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	0,00	494.917,78	0,00	0,00	0,00	0,00	494.917,78	494.917,78
3. Wertpapiere (Wertrechte) des Anlagevermögens	8.223.304,72	307.778,17	77.524,28	(58.388,02)	8.395.170,59	0,00	0,00	0,00	0,00	8.395.170,59	8.223.304,72
Summe II	292.755.161,81	307.778,17	77.524,28	(58.388,02)	292.927.027,68	0,00	0,00	0,00	0,00	292.927.027,68	292.755.161,81
Gesamt	296.087.045,48	351.940,07	77.524,28	(58.388,02)	296.303.073,25	1.295.407,85	90.122,71	0,00	1.385.530,56	294.917.542,69	294.791.637,63

b — Aufgliederung der Anteile an verbundenen Unternehmen

(in EUR)	31.12.2017	Geschäftsjahr 2016	
	Anteil in %	Eigenkapital	Jahresergebnis
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT) ¹⁾	100,00	2.723.221,79	k. A
Mayr-Melnhof Cartonboard International GmbH, Wien (AUT) ¹⁾	100,00	230.751.720,02	k. A
Mayr-Melnhof Packaging International GmbH, Wien (AUT) ¹⁾	100,00	347.062.390,49	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)	31.12.2017	31.12.2016
1. Forderungen gegenüber verbundenen Unternehmen		
a) aus Lieferungen und Leistungen	4.081.081,80	6.035.900,92
b) aus sonstigen Forderungen	164.575.674,72	100.848.525,90
	168.656.756,52	106.884.426,82
2. Sonstige Forderungen und Vermögensgegenstände	841.042,83	230.107,89
Gesamt	169.497.799,35	107.114.534,71

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 1.554.457,60 (31. Dezember 2016: EUR 2.313.331,14) 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 der 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 %)	31.12.2017		31.12.2016	
	Abfertigungen	Pensionen	Abfertigungen	Pensionen
Abzinsungsfaktor	1,70 %	1,70 %	1,60 %	1,60 %
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 aufgrund des Saldierungsverbots 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 im Vorjahr aufgrund des Saldierungsverbotes sowohl unter den Rückstellungen als auch unter den Posten Wertpapiere (Wertrechte) des Anlagevermögens in Höhe von EUR 58.388,02 ausgewiesen. Im Geschäftsjahr 2017 erfolgte aufgrund einer bevorstehenden Übertragung der Rückdeckungsversicherung und einer damit verbundenen Abfindung der direkten Pensionszusage eine Umgliederung von den Wertpapieren (Wertrechte) des Anlagevermögens zu den sonstigen Forderungen sowie eine Umgliederung der Rückstellungen zu den sonstigen Verbindlichkeiten. Der Wert der Rückdeckungsversicherung beträgt zum Stichtag 31. Dezember 2017 EUR 101.440,16.

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

(in EUR)	Abfertigungen	Pensionen
Bilanzierte langfristige Rückstellung 31.12.2016	1.111.233,00	9.406.083,02
Zuführung Dienstzeitaufwand 2017	42.036,00	331.336,00
Zuführung Zinsaufwand 2017	16.506,00	148.871,00
Auszahlungen 2017	0,00	(94.456,00)
Versicherungsmathematische Verluste bzw. (Gewinne) 2017	155.879,00	(319.809,00)
Umbuchungen	0,00	(58.388,02)
Bilanzierte langfristige Rückstellung 31.12.2017	1.325.654,00	9.413.637,00

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

Sonstige Rückstellungen

Neben dem erstmaligen Ansatz 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)	31.12.2017	Davon Restlaufzeit über 5 Jahre	31.12.2016	Davon Restlaufzeit über 5 Jahre
1. Verbindlichkeiten aus Leistungen	282.065,16	0,00	72.028,32	0,00
2. Verbindlichkeiten gegenüber verbundenen Unternehmen				
a) aus Lieferungen und Leistungen	187.016,00	0,00	0,00	0,00
	187.016,00	0,00	0,00	0,00
3. Sonstige Verbindlichkeiten				
a) Steuern	14.932,21	0,00	10.265,82	0,00
b) Soziale Sicherheit	11.107,06	0,00	8.308,59	0,00
c) Übrige	356.577,56	0,00	2.060,87	0,00
	382.616,83	0,00	20.635,28	0,00
Gesamt	851.697,99	0,00	92.663,60	0,00

Wie im Vorjahr sind aufgrund des saldierten Ausweises von Forderungen und Verbindlichkeiten einzelner Konzerngesellschaften in den Verbindlichkeiten gegenüber verbundenen Unternehmen auch Forderungen gegenüber verbundenen Unternehmen in unwesentlicher Höhe enthalten.

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

GEWINN- UND VERLUSTRECHNUNG

a — Nettoerlöse nach geografischen Märkten

(in EUR)	2017	2016
Verbundene Unternehmen		
Österreich	7.021.082,92	5.836.105,59
Andere EU-Länder	22.421.316,00	19.444.211,98
Nicht EU-Länder	5.911.612,06	5.328.442,35
Gesamt	35.354.010,98	30.608.759,92

b — Personalaufwand

Die unter den Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervorsorgekassen enthaltenen Beiträge an die Mitarbeitervorsorgekasse betragen EUR 153.030,06 (2016: EUR 25.618,08).

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

(in EUR)	2017	2016
Anpassung der Abfertigungsrückstellung	214.421,00	341.945,00
Anpassung der Pensionsrückstellung	65.942,00	1.153.346,00

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 2017 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 2017 EUR 4.929.595,51 (2016: EUR 2.719.312,46) an die Gruppenmitglieder weiterverrechnet.

Die Steuern vom Einkommen und vom Ertrag weisen in 2017 einen Ertrag von EUR 4.004.998,27 auf (2016: Ertrag EUR 2.370.042,40).

Latente Steuern

Der latente Steueranspruch aus dem Saldo der aktiven und passiven latenten Steuern beträgt zum 31. Dezember 2017 EUR 1.491.457,25 (31. Dezember 2016: EUR 1.473.509,75).

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:

	2017		2016	
	Aktive latente Steuern	Passive latente Steuern	Aktive latente Steuern	Passive latente Steuern
Rückstellungen für Abfertigungen	X		X	
Rückstellungen für Pensionen	X		X	

Die aktiven latenten Steuern entwickelten sich wie folgt:

(in EUR)	2017	2016
Aktive latente Steuern 01.01.	1.473.509,75	1.221.947,25
Zuführung	17.947,50	251.562,50
Aktive latente Steuern 31.12.	1.491.457,25	1.473.509,75

e — Ergebnisverwendung

Der Vorstand schlägt vor, aus dem Bilanzgewinn in Höhe von EUR 66.000.000,00 eine Dividende von EUR 3,10 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)	2017	2016
a) von der Gesellschaft	11.436.124,91	6.278.428,46
b) von verbundenen Unternehmen	928.444,88	920.069,66
Gesamt	12.364.569,79	7.198.498,12
Davon		
a) fixe Bezüge	2.341.693,73	2.308.777,10
b) variable Vergütung	4.959.789,04	4.889.721,02
	7.301.482,77	7.198.498,12
c) Überleitung auf die im Personalaufwand der Gruppe erfassten Gehälter und sonstige kurzfristige Leistungen ¹⁾	5.063.087,02	0,00
Gesamt	12.364.569,79	7.198.498,12

¹⁾ Die variablen Bezüge der Vorstände wurden bisher auf Basis des festgestellten Konzernabschlusses im Folgejahr aufwandsmäßig erfasst. Ab dem Geschäftsjahr 2017 werden die variablen Bezüge auf Basis des erwarteten Konzernergebnisses rückgestellt. Dadurch kommt es 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)	2017	2016
von der Gesellschaft	475.000,00	444.000,00
Gesamt	475.000,00	444.000,00

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 seit 1. Oktober 2017)
Ing. Franz RAPPOLD (Mitglied des Vorstandes)
Mag. Gotthard MAYRINGER (Mitglied des Vorstandes bis 30. September 2017)

Aufsichtsrat

Dipl.-Ing. Rainer ZELLNER (Vorsitzender)
Mag. Johannes GOESS-SAURAU (1. Stellvertretender Vorsitzender)
Dr. Nikolaus ANKERSHOFEN (2. Stellvertretender Vorsitzender)
o. Univ.-Prof. Dr. Romuald BERTL (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 2018

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 2017, 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 2017 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.

Werthaltigkeit von Anteilen an und Forderungen gegenüber verbundenen Unternehmen:

Im Jahresabschluss sind Anteile an verbundenen Unternehmen in der Höhe von EUR 284,0 Mio ausgewiesen, die mit insgesamt EUR 281,3 Mio die Beteiligungen an den beiden Zwischenholdings Mayr-Melnhof Cartonboard International GmbH und Mayr-Melnhof Packaging International GmbH betreffen. Die Forderungen gegenüber verbundenen Unternehmen in der Höhe von EUR 168,7 Mio bestehen mit einem Betrag von EUR 161,6 Mio gegenüber der Mayr-Melnhof Cartonboard International GmbH. Erläuterungen zu den angewandten Bilanzierungs- und Bewertungsgrundsätzen sowie zu den betreffenden Vermögensgegenständen finden sich im Anhang des Jahresabschlusses der Mayr-Melnhof Karton Aktiengesellschaft zum 31. Dezember 2017 in den Punkten 2. a) und b) bzw. 3. a), b) und d).

Im Rahmen der Abschlussprüfung haben wir:

- auf Basis von Indikatoren für die einzelnen Gesellschaften überprüft, ob Anzeichen für eine Wertminderung der Beteiligungsansätze bzw der Buchwerte der Forderungen bestehen
- überprüft, ob die in Einzelfällen eingesetzten Bewertungsmodelle allgemein anerkannten Bewertungsgrundsätzen entsprechen
- die dafür verwendeten Parameter (zB Diskontierungszinssätze) beurteilt und
- die zugrundeliegenden Planungen anhand der Entwicklung der wesentlichen Werttreiber plausibilisiert.

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

Wir wurden von der Hauptversammlung am 26. April 2017 als Abschlussprüfer gewählt. Wir wurden am 14. Dezember 2017 vom Aufsichtsrat beauftragt. Wir 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 2018

Grant Thornton Unitreu GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

MMag Christoph ZIMMEL e.h.
Wirtschaftsprüfer

Mag Eginhard KARL e.h.
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

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

COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

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

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

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

Rule 27	Non-financial criteria are not taken into account for the variable compensation of the members of the Management Board. Explanation: Content of current contracts with the members of the Management Board
Rule 27a	In case of an early termination of a member of the Management Board without any good cause, such member shall be compensated for no more than the remaining term of the contract. The economic situation of the Company is not considered. Explanation: Content of current contracts with the members of the Management Board
Rule 30	The upper limits currently applicable for variable compensation are not stated. Explanation: Based on the ongoing external dialog we do not consider this information is material or relevant for any decisions. A cap is provided for in any case.

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

COMPOSITION AND REMUNERATION OF THE BOARD

THE MANAGEMENT BOARD

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

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

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

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

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

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

THE SUPERVISORY BOARD

Rainer ZELLNER
 Chairman since April 29, 2015
 born 1947

Independent entrepreneur, Chairman of the Supervisory Board of Mayr-Melnhof Holz Holding AG, Leoben

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

Nikolaus ANKERSHOFEN

2nd Deputy Chairman since April 26, 2017

Member of the Supervisory Board since April 28, 2010

born 1969

Lawyer and partner at Ankershofen-Goess-Hinteregger Rechtsanwälte OG, Supervisory Board member at Mayr-Melnhof Holz Holding AG, Leoben, Supervisory Board member at Bankhaus Krentschker & Co. Aktiengesellschaft, Graz, Management Board member of several private trusts

Romuald BERTL

Member of the Supervisory Board since March 2, 1994

Deputy Chairman from March 2, 1994 to April 26, 2017

born 1953

Auditor and tax consultant, Ordinary University Professor of Accounting and Auditing at the Vienna University of Economics and Business, Head of the Institute of Accounting and Auditing at the Vienna University of Economics and Business, President of the Austrian Financial Reporting and Auditing Committee (AFRAC), Management Board member of Austrian family trusts and Supervisory Board member in Austrian family-owned companies

Guido HELD

Member of the Supervisory Board since May 7, 2008

born 1944

Lawyer and managing partner at hba Rechtsanwälte GmbH, Management Board member of several private trusts, member of the management of various companies

Alexander LEEB

Member of the Supervisory Board since May 7, 2008

born 1959

Deputy Chairman of the Supervisory Board of Plansee Holding AG, Reutte, Supervisory Board member of Industrieliegenschaftsverwaltung AG, Vienna, Chairman of the Board of Trustees of LGT Venture Philanthropy Foundation, Vaduz, Chairman of Impact Ventures S.A., Luxembourg

Georg MAYR-MELNHOF

Member of the Supervisory Board since May 7, 2008

born 1968

Employee of the archdiocese of Salzburg

Michael SCHWARZKOPF

Member of the Supervisory Board since April 29, 2009

born 1961

Chairman of the Supervisory Board of Plansee Holding AG, Reutte, Member of the Supervisory Board, voestalpine AG, Linz, Member of the Supervisory Board, Molibdenos y Metales S.A., Santiago, Chile

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

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

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

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

Members of the Committees of the Supervisory Board

Presidium (Committee for Management Board Issues)

Rainer ZELLNER, Chairman
 Johannes GOESS-SAURAU
 Nikolaus ANKERSHOFEN
 Romuald BERTL until April 26, 2017

Audit Committee

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

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

Michael SCHWARZKOPF
 Member of the Supervisory Board, voestalpine AG, Linz, Austria
 Member of the Supervisory Board, Molibdenos y Metales S.A., Santiago, Chile

Independence of the members of the Supervisory Board

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

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

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

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

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

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

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

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

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

Nikolaus ANKERSHOFEN

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

There are no such contracts.

Compensation of the Management Board

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

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

In the business year 2017, the total amount of compensation for the members of the Management Board was thous. EUR 7,302 (2016: thous. EUR 7,199). Thereof, thous. EUR 2,342 (2016: thous. EUR 2,309) were related to fixed compensation, and thous. EUR 4,960 (2016: thous. EUR 4,890) to variable compensation. The compensations of the individual members are as follows: Wilhelm Hörmanseder accounts for a fixed

compensation of thous. EUR 929 and a variable compensation of thous. EUR 1,850, Franz Rappold accounts for a fixed compensation of thous. EUR 473 and a variable compensation of thous. EUR 1,100, Andreas Blaschke accounts for a fixed compensation of thous. EUR 470 and a variable compensation of thous. EUR 1,100, Franz Hiesinger accounts for a fixed compensation of thous. EUR 119 and a variable compensation of thous. EUR 150, and Gotthard Mayringer accounts for a fixed compensation of thous. EUR 351 and a variable compensation of thous. EUR 760.

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

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

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

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

Compensation of the Supervisory Board

The compensation of the Supervisory Board for the current business year will be determined by the Shareholders' Meeting in the following year and paid subsequently. The Supervisory Board's compensation for 2016 amounted to thous. EUR 475. The distribution of the total compensation among the members is the Supervisory Board's responsibility. In addition, the members of the Supervisory Board are granted a compensation for additional expenses incurred in exercising their duties.

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

Allocation of rights and duties within the Management Board

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

The Management Board manages the business in accordance with the law, the bylaws, and the Articles of Association of the Company. The bylaws of the Management Board govern the assignment of responsibilities as well as the cooperation within the Management Board and include a catalog of business

cases which require the prior consent of the Supervisory Board. The members of the Management Board cooperate closely as colleagues, informing one another of all significant measures and occurrences within their respective areas of operation. The Management Board of Mayr-Melnhof Karton AG holds regular Board meetings on material Group- and division-relevant topics. The Chairman of the Management Board is responsible for chairing and preparing the meetings and for exchanging information with the Supervisory Board.

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

The Supervisory Board has established the following Committees constituted by its members:

Presidium (Committee for Management Board Issues)

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

Audit Committee

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

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

Focus of the Supervisory Board

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

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

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

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

Focus of the Committees of the Supervisory Board

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

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

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

MEASURES TO PROMOTE WOMEN AND DESCRIPTION OF THE CONCEPT OF DIVERSITY

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

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

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

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

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

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

EXTERNAL EVALUATION

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

EVENTS AFTER THE BALANCE SHEET DATE

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

Vienna, February 28, 2018

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Franz Rappold m. p.

Statement of the Management Board

according to Section 82 (4) of the Austrian Stock
Exchange Act

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

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, 2018

The Management Board

Wilhelm Hörmanseder m. p.
Chairman of the Management Board

Andreas Blaschke m. p.
Member of the
Management Board

Franz Hiesinger m. p.
Member of the
Management Board

Franz Rappold m. p.
Member of the
Management Board