



**Report of the Management Board**  
**of**  
**Mayr-Melnhof Karton Aktiengesellschaft**  
**Vienna, FN 81906 a,**  
concerning the  
**authorization of the Management Board, with the consent of the Supervisory Board,**  
**to acquire treasury shares via the stock exchange as well as over off-market and**  
**to dispose of acquired treasury shares in a way other than via the stock exchange**  
**or through a public offering**  
**(Agenda Item 7 authorization of the Management board to acquire treasury shares)**

The Management Board of Mayr-Melnhof Karton Aktiengesellschaft, with registered office in Vienna, issues the following report drawn up in accordance with section 65 paragraph 1b in combination with section 170 paragraph 2 and section 153 paragraph 4 clause 2 of the Austrian Stock Corporation Act (AktG) to the Ordinary Shareholders' Meeting of Mayr-Melnhof Karton Aktiengesellschaft on April 24<sup>th</sup>, 2019.

1. Mayr-Melnhof Karton Aktiengesellschaft (hereinafter also referred to as "Company"), with registered office in Vienna and business address at Brahmplatz 6, 1040 Vienna, entered in the commercial register under FN 81906 a, currently has share capital totaling EUR 80,000,000 divided into 20,000,000 no-par shares.
2. The Company's Management Board intends to propose the following resolution as agenda item 7 to the Company's Ordinary Shareholders' Meeting to be held on April 24<sup>th</sup>, 2019:
  - a) The Management Board is authorized in accordance with section 65 paragraph 1 line 8 and paragraphs 1a and 1b of the Austrian Stock Corporation Act (AktG) to acquire bearer shares in the company at an amount equaling up to 10 % of the share capital over a period of 30 months commencing on April 24<sup>th</sup>, 2019, i.e. until October 24<sup>th</sup>, 2021, via the stock exchange as well as off-market, and only from individual shareholders, or from a single shareholder, at

a minimum price equivalent to EUR 1.00 per share and at a maximum price equivalent to EUR 200.00 per share. It is not permitted to acquire treasury shares for the purpose of trading. The authorization may be exercised entirely, partially, or also in several tranches, and in pursuit of one or several purposes, by the Company, by a subsidiary (section 189a line 7 of the Austrian Commercial Code – UGB), or by third parties for the Company's account.

- b) The Management Board of Mayr-Melnhof Karton may decide to acquire said shares via the stock exchange, but the Supervisory Board must subsequently be informed of this decision. The acquisition of shares off-market is subject to the prior consent of the Supervisory Board. Acquisition of shares off-market may be performed excluding proportional selling rights (inverse exclusion of right of subscription).
  - c) The Management Board is authorized for a period of five years from the date of the resolution in accordance with section 65 paragraph 1b of the Austrian Stock Corporation Act (AktG) and with the consent of the Supervisory Board to decide a method of disposal for the sale or use of treasury shares other than via the stock exchange, or through a public offering, applying arrangements corresponding to those relating to the exclusion of subscription rights for shareholders and to define the conditions for disposal. The authorization may be exercised entirely, partially, or also in several tranches, and in pursuit of one or several purposes, by the Company, by a subsidiary (section 189a line 7 of the Austrian Commercial Code – UGB), or by third parties for the Company's account.
  - d) The Management Board is also authorized, with the consent of the Supervisory Board, where necessary to reduce the share capital through the cancelation of treasury shares without further resolution of the Ordinary Shareholders' Meeting and in accordance with section 65 paragraph 1 line 8 final clause in combination with section 122 of the Austrian Stock Corporation Act (AktG). The Supervisory Board is authorized to decide changes to the Articles of Association resulting from the cancelation of shares.
3. With regard to the possibility of acquiring treasury shares off-market in accordance with section 65 paragraph 1 line 8 and disposing of treasury shares acquired in accordance with section 65 paragraph 1b of the Austrian Stock Corporation Act (AktG) in a way other than via the stock exchange, or through a public offering, the Management Board must, in accordance with section 65 paragraph 1b in combination

with section 170 paragraph 2 and section 153 paragraph 4 clause 2 of the Austrian Stock Corporation Act (AktG) present a written resolution concerning the reason for the associated exclusion of right of subscription and exclusion of proportional selling rights (inverse exclusion of right of subscription) accompanying any off-market acquisition.

4. The Management Board may only acquire treasury shares with the prior consent of the Supervisory Board, and may only dispose of acquired treasury shares in a way other than via the stock exchange, or through a public offering, with the consent of the Supervisory Board. The Management Board of Mayr-Melnhof Karton may decide to acquire said shares via the stock exchange, but the Supervisory Board must subsequently be informed of this decision.
5. The acquisition of treasury shares via the stock exchange as well as off market, and only from individual shareholders, or from a single shareholder, excluding proportional selling rights of the other shareholders, may be performed for any legal purpose and whenever it is possible and/or necessary to make an objective differentiation in the treatment of shareholders and there is therefore an objective justification for excluding proportional selling rights. An objective differentiation/ justification also exists in the following cases in particular:
  - a) In the event of one or several shareholders in the Company attempting to sell a substantial shareholding, there would be the (possibly significant) danger of the stock market price of the Company's shares deteriorating. This would not only harm the Company's shareholders but would also impair the Company's ability to gain financing on the capital markets. This scenario can be prevented if the Company acquires the shares of the shareholder(s) wishing to sell off-market, for example by way of a block deal.
  - b) The company intends to continue to grow on the domestic or foreign markets. This growth can take place through the acquisition of other companies or businesses. The Management Board is to be given greater flexibility and the possibility to act faster for future corporate acquisitions. For this purpose, it may be necessary to have the required acquisition currency in the form of treasury shares available at short notice. Furthermore, it may be of benefit for the Company, when acquiring other assets, to offer treasury shares as part or all of the consideration, for example when the seller in questions prefers to receive part or complete payment in the form of the Company's shares rather than cash. For

this purpose, the Company is to be permitted to acquire a block of treasury shares from individual shareholders, or from a single shareholder.

6. Treasury shares acquired in accordance with section 65 paragraph 1 line 8 and paragraphs 1a and 1b of the Austrian Stock Corporation Act (AktG) may be disposed of by the Company in any legally permissible way other than via the stock exchange, or through public offering, and excluding subscription rights. It is to be possible for the Management Board to sell/use treasury shares off-market and excluding shareholders' subscription rights whenever it is possible and/or necessary to make an objective differentiation in the treatment of shareholders and there is therefore an objective justification for the off-market sale/use and the associated exclusion of right of subscription. An objective differentiation/ justification also exists in the following cases in particular:
  - a) In the event of the Company attempting to sell treasury shares on a large scale via the stock exchange, or through a public offering there would be the (possibly significant) danger of the stock market price of the Company's shares deteriorating. This would not only harm the Company's shareholders but would also impair the Company's ability to gain financing on the capital markets. This scenario can be prevented if the Company sells treasury shares off-market excluding shareholders' subscription rights.
  - b) The company intends to continue to grow on the domestic or foreign markets. This growth can take place through the acquisition of other companies or businesses. The acquisition of companies, businesses or parts of a business can be structured in the form of the purchase of a company's assets (and liabilities) (*asset deal*) or in the form of the acquisition of shares in a company (*share deal*). Both types of company or (part) business acquisition, i.e. *asset deal* and *share deal*, are referred to below as company acquisition.

The consideration in a company acquisition may not just consist of money but also of shares in the acquiring company. This may be in the interest of the Company as purchaser as well as in the interest of the seller. Furthermore, there may be cases in which it is necessary and expedient for strategic reasons for the seller of the company to be given a small stake in the Company, or for the seller to demand a stake in the Company in return.

Owing to limitations on the acquisition of treasury shares – namely to a total of 10 % of the Company's share capital (for almost all cases in accordance with section 65 of the Austria Stock Corporation Act –AktG) – a seller cannot acquire a substantial participation in the Company as a result of this process. Where the Company acquired treasury shares at an earlier date and the share price has in the meantime increased, the Company will realize a saving when using treasury shares as consideration for a company acquisition, because when calculating the consideration for the company acquisition, the treasury shares used as (part) consideration will generally be valued at the current (average) share price or, possibly, higher intrinsic value, and not at the lower historic cost of acquisition.

Paying the consideration in treasury shares allows the Company to act with the necessary speed and flexibility.

The disposal of treasury shares in a way other than via the stock exchange, or sale or through a public offering, and excluding shareholders' subscription rights, is necessary for a company acquisition because, firstly, it is the only way for the Company to ensure there is no outflow of liquidity in a company acquisition that requires the consideration to be paid in treasury shares, and because, secondly, the seller is frequently only prepared to transfer the company or the shares therein if it is given a participation in the Company of an equivalent value. From the Company's perspective, it may be necessary for strategic or organizational reasons to bind the seller to the Group as a shareholder.

- c) The explanations in subsection b) are not just applicable to the acquisition of companies, but also to the acquisition of other assets (especially real estate). When acquiring such types of other assets, it can also be advantageous and/or necessary for the Company to offer treasury shares as consideration, for example when the seller prefers to receive part or complete payment in Company shares instead of in cash. For the Company, it may also be necessary for strategic or organizational reasons to bind the seller to the Group as a shareholder. The use of treasury shares reduces the Company's liquidity requirement for such investments/acquisitions and speeds up their transaction because it is possible to use existing treasury shares without first having to obtain the shares.

- d) Through the sale or use of treasury shares, the Company can in individual cases cover a special capital and/or financing requirement more cost-effectively than through borrowing. In particular, when financing the acquisition of a company or of real estate, or also when covering some other form of financing requirement of the Company (for example on maturity of a credit loan), it may be the case, owing to the volume of financing requirement and/or time frame within which the financing requirement needs to be covered, and taking into account the general and specific market and share price developments and the trading volumes available on the stock exchange, that the necessary financing requirement cannot be covered, or cannot be covered in time, through the sale of treasury shares via the stock exchange, or through a public offering.

The proposed authorization for the Management Board to choose a different method of sale, also excluding shareholders' subscription rights, will enable the Management Board to take advantage of possibilities arising for the off-market disposal of blocks of treasury shares quickly and flexibly and at a reasonable price. This is of particular importance for the Company because it needs to be able to take advantage of market opportunities quickly and flexibly and to cover any necessary capital and/or financing requirement promptly and at favorable conditions.

- e) The company pursues the goal of increasing liquid funds by trading in the Company's shares, for which purpose the free float of Company shares is to be expanded and the shareholder structure broadened. For this reason, the company is to be given the possibility of selling treasury shares to selected investors off-market and excluding shareholders' subscription rights in order to systematically expand the free float of shares and broaden the shareholder structure.
7. The exclusion of subscription rights and the disposal of shares in a way other than via the stock exchange, or through a public offering, is in the interest of the Company, and ultimately also of the shareholders, in particular for the reasons listed in section 6 subsections a) to e). The exclusion of subscription rights is appropriate, necessary and reasonable in order to satisfy these interests.

The purposes listed above in section 6 subsections a) and e) (preventing a deterioration in the Company's share price on the stock market price, expanding the free float, broadening the shareholder structure, increasing liquid funds through trading with company shares) can only be achieved if the Company has flexible control over treasury shares, and when making use of them is not bound to a disposal via the stock exchange, or through a public offering, and is also not obliged to offer treasury shares for purchase to shareholders (especially as this would ultimately consolidate the existing shareholder structure).

The authorization of the Management Board to dispose of treasury sales in a way other than via the stock exchange, or through a public offering, and excluding shareholders' subscription rights, is appropriate and necessary to safeguard the best possible use of treasury shares and/or to achieve optimum financing and transaction conditions and/or to obtain required financial funds within a limited time frame, particularly for the purposes listed in section 7 subsections b) to d).

Even if the Management Board's exercise of the actual authorization to sell, and the exclusion of shareholders' subscription rights, might be detrimental to individual shareholders, this would be within very narrow bounds, especially as the disposal of treasury shares does not generally constitute any threat of dilution of shares, and the shares being acquired and disposed of are limited to 10 % of the Company's share capital.

Weighing the particular interests of the Company (i) in maintaining a stable stock market price for its shares, and/or (ii) in acquiring the relevant company or shares in the relevant company or relevant other assets, and/or (iii) in covering a capital and financing requirement in a timely and cost-effective manner, and/or (iv) in creating and maintaining a balanced shareholder structure on the one hand, and the interest of existing shareholders in maintaining the proportion of their participation in the Company on the other, thus leads to the conclusion that the authorization to dispose of treasury shares off-market excluding shareholders' subscriptions rights is reasonable.

8. When disposing of treasury shares acquired in accordance with section 65 paragraph 1 line 8 and paragraphs 1a and 1b of the Austrian Stock Corporation Act (AktG) in a way other than via the stock exchange, or through a public offering, the Management Board must publish a report that among other things justifies the selling price of the shares (section 65 paragraph 1b in combination with section 171 paragraph 1 of the Austrian Stock Corporation Act – AktG) at least two weeks prior to

the decision of the Supervisory Board (which must approve the disposal in a way other than via the stock exchange, or through a public offering).

As explained above, it should again be emphasized in this context that the disposal and acquisition of treasury shares in a way other than via the stock exchange, or through a public offering, and excluding subscription rights is only possible with the approval of the Supervisory Board. The Management Board cannot take the decision itself in these cases.

9. The Management Board is to be authorized to cancel acquired treasury shares with the consent of the Supervisory Board without any further resolution of the Ordinary Shareholders' Meeting. In addition, the Supervisory Board is to be authorized to decide on changes to the Articles of Association that result from such cancelation. The cancelation of treasury shares may have accounting benefits in particular for the Company and its shareholders, because provisions also need to be set aside for treasury shares. Should legitimately acquired treasury shares no longer be required, and should there be no better possibility of using them than their cancelation, the advance authorization of the Management Board to cancel treasury shares and the advance authorization of the Supervisory Board to decide on appropriate changes to the Articles of Association in the event of actual cancelation are suitable means to avoiding the time-consuming and costly convening of a further Ordinary Shareholders' Meeting to approve these measures.

The Management Board will only make use of the authorization to cancel previously acquired treasury shares when the aforementioned, and all statutory, requirements are met. Similarly, the Management Board will observe all publication and notification requirements required by laws governing stock corporations and stock exchanges when canceling treasury shares. The same applies to any resolution regarding corresponding changes to the Company's Articles of Association.

10. Summing up, the Management Board of Mayr-Melnhof Karton Aktiengesellschaft comes to the conclusion that granting the Company's Management Board the authorization to acquire treasury shares off-market from individual shareholders only, or from a single shareholder, or to dispose of treasury shares acquired in accordance with section 65 paragraph 1 line 8 and paragraphs 1a and 1b of the Austrian Stock Corporation Act (AktG) possible in a way other than via the stock exchange, or through a public offering, and excluding shareholders' rights, with the consent of the Supervisory Board, fully meets statutory regulations.

Vienna, March 26<sup>th</sup> 2019

Management Board

Wilhelm Hörmanseder m.p.  
Chairman

Franz Hiesinger m. p.

Franz Rappold m.p.

Andreas Blaschke m.p.

The English version is a translation of the German original text