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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 packages for consumer goods at the core of our business

The production and sale of cartonboard as well as the processing of cartonboard into consumer goods packages are the two core business areas of the Mayr-Melnhof Group. They are managed as two divisions that are responsible for their own results and supply each other at arm's length. The MM Karton division is the world's largest producer of coated recycled fiber-based cartonboard with a significant European position in the area of virgin fiber-based cartonboard. The MM Packaging division is the largest producer of folding cartons in Europe and, additionally, holds a leading market position in several countries outside Europe. Cartonboard is mainly used as raw material for the production of folding carton packaging. Folding cartons are, besides plastics, the most important primary packaging material for consumer staples. Demand for cartonboard and cartonboard packaging correlates with the development of private consumption, especially of consumer staples. Due to transport costs and service demands, the folding carton business has a mainly regional character. In contrast, the cartonboard business is concentrated on the individual continents, whereby global cartonboard trade accordingly only plays a minor role.

Two profit centers

Similar to the previous year, MM Karton supplied around 12 % of its cartonboard sales to MM Packaging at arm's length conditions in 2019. The majority of its cartonboard production, however, is sold to folding carton producers outside the Group and thus to competitors of MM Packaging.

MM Packaging bought around one quarter of the tonnage processed internally from MM Karton in 2019. The major share of the required cartonboard is purchased from external suppliers. The main reasons are the limited internal supply of virgin fiber-based cartonboard as well as free purchase at market conditions and specifications by customers concerning particular cartonboard grades.

Regional focus on Europe – global growth orientation

The regional focus of our business is the well-developed and sustainable European market, where both divisions have been keeping the leading market position for a long time. Growth drivers are further penetration of existing market segments, on the one hand, and the exploitation of new sales opportunities, on the other hand. Furthermore, we pursue an expansion and acquisition strategy at a global scope with the aim of achieving a leading position in our core business and to expand this further.

By combining organic growth and acquisitions with the aspiration of high value added and competitive strength, our aim is to profitably grow further at a manageable risk over the long term.

Best practice principle for sustainable development

Markets for cartonboard packages are attractive and thus face intense competition. With an undistracted emphasis on our core business, we focus on using economies of scale and best practice with the aim of maintaining our market position based on cost, technology and innovation leadership over the long term with a high level of profitability. We thus ensure a good standard at our locations and initiate adaptation measures if necessary. Our investing activity and the development of our employees are long-term and continuously orientated towards being able to exploit new opportunities in time by using state-of-the-art technologies and know-how.

MAYR-MELNHOF KARTON

Leading in coated recycled fiber-based cartonboard

With a total annual production capacity of more than 1.7 million tons, the division MM Karton produces a wide range of cartonboard products for a broad range of applications in the packaging area at seven locations in Europe. Coated recycled fiber-based cartonboard accounts for approx. 80 % of the production, whereby MM Karton has the world's largest production in this product segment. Furthermore, MM Karton holds a significant position in the area of virgin fiber-based cartonboard in Europe, accounting for a production share of approx. 20 %. Recycled fibers, which are purchased from external suppliers, are the most important raw material accounting for around 75 % of the fibers used. Around 20 % of the fibers used are groundwood pulp, most of which we produce ourselves at our cartonboard mills and in the division's own fiber mill FollaCell in Norway. Pulp accounts for about 5 % of the fiber demand and is of minor importance.

Cartonboard – principle use in consumer goods packaging

Cartonboard products of MM Karton are used as packaging material in numerous markets. They are mainly used for cartonboard packages for consumer staples. Due to a broad range of standard and special qualities, MM Karton covers a diversified range of possible applications as a full-scale supplier. Areas of emphasis are food packages followed by packages for household and hygiene products and pharmaceuticals. Exploiting new opportunities of use and continuously improving existing solutions and processes as well as developing new application areas and market potential are at the center of constant product development and innovation activities. MM Karton thereby pursues a holistic approach which takes into account aspects from the entire value chain for differentiation on the market. A high level of quality, product functionality and safety as well as comprehensive expertise and state-of-the-art services characterize our cartonboard portfolio. In order to optimally satisfy specific requirements of individual market segments, MM Karton's main product groups – recycled fiber-based cartonboard, virgin fiber-based cartonboard, and white coated recycling liner (high-quality printable and refinable top layer for corrugated board products in low grammage) – have been set up as separate units within the sales organization. The possibility to deliver the same products from several cartonboard mills (multi-mill concept) creates a high degree of supply reliability and the digital connection of the customer through "MMK digital" a new level of speed, flexibility and service along the supply chain.

Impact of "plastic substitution" still difficult to predict

Plastics are the most important competitive product for cartonboard in the field of packaging in a broad variety of forms and applications with a high dependency on the price of crude oil. While interaction between these two principal packaging materials has so far been limited to fringe areas owing to their different properties and functionality, increasing attention is currently paid to examining new possibilities for the use of cartonboard in the light of the substitution of plastics. For the moment it is still difficult to assess the impact of this trend on cartonboard sales as it is still at an early stage. It is, however, certain that the trend towards lower packaging weights in all forms of packaging will continue, with the requirement to maintain or further increase properties and functionality.

Main market Europe – a broad customer base

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

According to the geographic base with seven European production sites, Europe is MM Karton's main market, where it distributed around 84 % of its sales volume in 2019. Another 16 % were sold to countries outside Europe, which makes MM Karton holding a leading market position in Europe and thereby accounting for the largest share of cartonboard exports from Europe. More than 1,000 customers are supplied in around 100 countries worldwide. These are primarily printing businesses in the medium-sized and persistent highly fragmented European folding carton industry. The influence of consumer goods producers and retailers on buying decisions for cartonboard has been increasing for years, also as a direct contact partner. In response to this trend, MM Karton is positioned very well due to a customized range of products and services, company size as well as specific expertise.

"MMK digital" – digital sales and service channel

With "MMK digital", MM Karton continues to be the pioneer of digitalization in the cartonboard industry, setting new standards in speed and communication through a unique range of seamless processes. Customers can perform all business processes with MM Karton online and securely in real time in a matter of seconds, around the clock, seven days a week. All steps – from product selection, production preview and ordering to call-off from stock – can be carried out online by the customer themselves at any time. In total, several 100,000 order transactions per year are already completed via "MMK digital", with an upward trend. The range of products continues to grow and was extended in 2019 to include the online sales area of "Stock Sales & Special Offers".

Specialized machines – high-performance locations

MM Karton is producing coated cartonboard in order to exploit efficiencies of scale concentrated on nine high-performance cartonboard machines at seven European locations in four countries: Germany, Austria, Slovenia, and the Netherlands. Each of the machines is specialized in specific product qualities: four on recycled fiber-based cartonboard, two on virgin fiber-based cartonboard, and one on white coated recycling liner. In addition, two more cartonboard machines are flexibly producing both recycled and virgin fiber-based cartonboard grades. The cartonboard machines are continuously further developed according to the state of the art with a focus on growth potential and competitive strength.

Recycled fibers – sustainably available

Recovered paper is the strategically most important raw material in the production of coated recycled fiber-based cartonboard. Groundwood pulp, energy, chemicals, and logistics are other significant cost factors. High-quality printability of cartonboard is reached through the application of a coating made from chalk, fillers, and binders to the outer surface of cartonboard.

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 European recovered paper recycling quotas and existing reserves as well as significantly decreased recovered paper exports from Europe to Asia, we consider the raw material of recovered paper to be sustainably available and the supply of our cartonboard mills to be secured.

High concentration of the cartonboard industry – strong competition continues

According to our estimates, the total recorded global consumption of cartonboard amounts to approx. 64 million tons per year, of which around 60 % are accounted for by Asia and nearly one fifth each by America and Europe.

The concentration of the cartonboard industry in Europe has been far advanced for a long time. The five largest suppliers currently account for around three quarters of European cartonboard capacities. MM Karton is the only supplier with several locations in the production of recycled and virgin fiber-based cartonboard, respectively and moreover, the only European cartonboard producer with an additional mainstay in folding carton production. The three largest Scandinavian suppliers operate exclusively in the area of virgin fiber-based cartonboard.

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

Growth through product development and industrial excellence

Cartonboard is an attractive packaging product that combines both economic and ecological advantages through sustainable industrial production and a wide range of potential applications. With its commitment to cost, technology and innovation leadership, MM Karton is pursuing further growth in recycled and virgin fiber-based cartonboard while maintaining an attractive result quality. As in the past, we will proceed with great discipline and give priority to maintaining prices over volume. We will continue to give priority to generating new capacities from our well-positioned production facilities. Reducing unit costs and strengthening our market position by using state-of-the-art technologies in production and service remain the focus on our future path.

MAYR-MELNHOF PACKAGING

Leading folding carton producer

The core business of MM Packaging focuses on folding cartonboard packages for consumer staples. In 2019, we have processed around 651,000 tons of recycled and virgin fiber-based cartonboard and 134,000 tons of paper. MM Packaging is thus not just the leading producer of folding cartons in Europe but also one of the largest worldwide.

The production of corrugated cardboard is a different industry from that of cartonboard and folding cartons with different products and markets in which MM Packaging does not operate. Overlaps are mainly limited to fine flute (micro-flute) consumer packages, which are also produced at a few specialized MM Packaging locations.

Growing international presence – always close to the customer

Transport costs and service requirements limit the supply radius of folding cartons, which are thus defined as mainly regional products. The geographic focus of the international network of 45 production plants in 18 countries lies on Europe. MM Packaging thus offers a pan-European supply concept that is unique within the industry. Moreover, we have also a leading position in individual countries in the Middle East, South America, and the Far East. With growing international presence, we are able to offer our multinational customers increasingly more global delivery opportunities and to create new opportunities for growth.

Europe is MM Packaging's primary sales market, with a share in sales of around 82 %. The share of Middle East/Asia increased further to 11 %, in particular due to the acquisition of the Tann-Group. 7 % of sales are accounted for by the Americas. The aim of our location policy consists in continuing to support our customers in their expansion with modern local production plants and occupying a leading position in attractive markets at an early stage.

Supplying a wide range of industries – balance and potential

Within packaging for consumer staples, MM Packaging covers a wide range of sectors, thus creating potential and balance. Our business thus covers the volume market of fast-moving consumer goods (FMCG) as well as the highly specialized markets of packages for tobacco products, pharmaceuticals, and personal care. MM Packaging holds a unique position in Europe through combining a variety of end markets and company size.

The technological facilities of the production plants which specialize in individual sales sectors and our account management enable us to satisfy individual market and product requirements with a high level of competitive strength. Customer focus is on large multinational consumer goods producers, which account for approximately 80 % of MM Packaging's sales. The allocation of demand via tender procedures and multi-year procurement agreements are the rule in international key customer business. The remaining part of sales is made to local customers. In total, MM Packaging supplies over 1,800 customers worldwide.

MM Packaging has been growing ever since, both organically as well as through acquisitions.

Best practice – claim to technological leadership

The production of folding cartons is a multi-step process that can be briefly described as follows: cartonboard is printed, creased in the subsequent cutting process before being separated into packaging blanks which are then folded individually according to the demand of the customer branch and glued in the final step of the process. In addition, a large number of processes for finishing the packages is applied. The packages are generally shipped and transported in a folded state with an external cartonboard. The filling of packages with consumer goods takes usually place at the customers' packing systems.

Aspiring best practice, MM Packaging uses all common state-of-the-art preprinting, printing, and finishing technologies. We improve the efficiency and quality of our products and processes firstly by constantly benchmarking the performance of individual production lines, and secondly by continuously investing in new technologies. Scope for innovation, often in close cooperation with our customers, is always important to us, with the goal of operational and technological leadership in the market. Current priorities are the increased specialization of locations, automation and digitalization, and the use of state-of-the-art high-performance machinery.

Cartonboard – essential raw material

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

In addition to cartonboard and paper, other important raw materials of MM Packaging include inks, varnishes, and tools. The personnel intensity in folding carton production is consistently higher than in cartonboard production.

Strategic focus – cost leadership

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

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

This is crucial for competition because in comparison to the cartonboard industry, the European folding carton sector is more fragmented. Only one third of the market volume is concentrated on the five largest suppliers. Market barriers are generally lower, resulting in the business being characterized by a continuously intensely competitive environment.

Long-term growth course – organic and through acquisitions

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

Outside Europe, we still pursue the strategy of occupying a significant position in future markets on time to secure the greatest possible potential at a manageable risk. The main focus of existing production sites outside Europe lies on optimizing the size of operations through further growth.

Like before, MM Packaging will continue its expansion course, in a risk-conscious way, guided by value creation and striving for a sustainably high quality of results. The promotion of carton packaging as a particularly sustainable form of packaging is receiving considerable attention in the current market environment.

2 — DEVELOPMENT IN THE YEAR 2019

GENERAL ECONOMIC SITUATION

The global economy lost momentum in the course of the year 2019 and only regained traction at the end of the year. Increased uncertainties, mainly triggered by trade disputes, dampened global industrial production, world trade, and investment growth. The return to strongly expansive monetary policy in the advanced economies recently had a supportive effect on the economy. Against this background, economic growth in the euro area was also moderate, with a heterogeneous development among the Member States. The weakness of the German industry became particularly apparent, which, due to its close interdependence, especially in vehicle manufacturing, also resulted in a reduced level of industrial activity in many Central and Eastern European EU Member States. In contrast, however, the service sectors and private consumption have so far proved to be robust. The subdued development in production has not yet led to a reversal on the labor market, either. Inflation still remained at a low level due to the decline in energy prices.

INDUSTRY DEVELOPMENT

As with the overall economy, the situation on the European cartonboard and folding carton markets in 2019 was characterized by a slowdown in demand dynamics and short-term customer planning. In this context, the supply chain has become increasingly flatter and competition has intensified again.

On the fiber markets, the decline in prices for mixed recovered paper grades continued due to persistently low exports from Europe to Asia. In addition, prices for virgin fiber-based products, such as pulp, declined significantly from the high level seen at the end of 2018. While the market for recycled fiber-based cartonboard was characterized by a high degree of continuity in volume and prices, the market for virgin fiber-based cartonboard developed more weakly than in the previous year, but with higher average prices, as increased costs of fibers from 2018 were passed on. Capacity increases in the European cartonboard industry in 2019 mainly focused on "creeping capacity increase" through ongoing investment activities. There were, however, no significant changes in the group of the largest European cartonboard producers compared to the previous year. Capacity utilization in the industry was at a good level overall.

The topic of "plastic substitution" continued to receive attention in 2019 and will be actively taken up by all participants in the supply chain, cartonboard and folding carton producers, as well as consumer goods manufacturers and retailers. Nevertheless, the volume effects of this are currently still modest and have yet to be seen. At the same time, the trend towards lighter packaging and special solutions with special functionality has clearly continued.

Consolidation in the European folding carton industry progressed in 2019 in a competitive and restrained market environment, with a continuing trend towards increasing specialization. The overall supplier structure remains highly fragmented, however.

DEVELOPMENT OF BUSINESS 2019

GROUP

The Mayr-Melnhof Group was able to conclude the year 2019 with a further profit increase in succession despite slower market dynamics. Both divisions made a significant contribution to this and reported overall good capacity utilization in a competitive environment.

While the cartonboard division benefited from largely stable average prices and cost reductions, the profit in the packaging division was significantly higher than in the previous year, mainly due to the initial inclusion of the Tann-Group, which met the expectations. At 10 %, the Group's operating margin again developed at a high level.

In line with the sound profit development, a recommendation will be made to the 26th Ordinary Shareholders' Meeting on April 29, 2020, to increase the dividend for the financial year 2019 to EUR 3.60 per share (2018: EUR 3.20).

Consolidated income statements

Consolidated income statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	+/-
Sales	2,544.4	2,337.7	+ 8.8 %
Operating profit	255.3	217.1	+ 17.6 %
Financial result and result from investments	(4.2)	0.8	
Income tax expense	(60.9)	(53.7)	
Profit for the year	190.2	164.2	+ 15.8 %

The consolidated sales of the Group reached EUR 2,544.4 million and were thus 8.8 %, or EUR 206.7 million, above the previous year's value (2018: EUR 2,337.7 million). This increase was mainly acquisition-related from the packaging division and to a lesser extent from the cartonboard division. In the geographical distribution of sales, the share of Western Europe was lower at 54.6 % (2018: 59.5 %), while the shares of Eastern Europe, at 28.5 %, and those of business outside Europe, at 16.9 %, exceeded the previous year's figures (2018: 27.0 %; 13.5 %). Intra-group sales amounted to EUR 111.8 million (2018: EUR 108.7 million) and were mainly connected to deliveries from MM Karton to MM Packaging.

Group sales by destination

(in %)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Western Europe (excl. Austria)	52.5 %	57.3 %
Austria	2.1 %	2.2 %
Eastern Europe (incl. Turkey)	28.5 %	27.0 %
Asia and MENA	10.2 %	7.2 %
The Americas	5.3 %	4.9 %
Other	1.4 %	1.4 %
Total	100.0 %	100.0 %

Cost of sales

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	+/-	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Cost of materials and purchased services	1,362.1	1,304.0	4.5 %	53.5 %	55.8 %
Personnel expenses	350.2	313.0	11.9 %	13.8 %	13.4 %
Depreciation and amortization	112.5	96.0	17.2 %	4.4 %	4.1 %
Other expenses	92.7	77.1	20.2 %	3.7 %	3.3 %
Cost of sales	1,917.5	1,790.1	7.1 %	75.4 %	76.6 %

Cost of sales for operating performance, at EUR 1,917.5 million, were EUR 127.4 million, or 7.1 %, above the comparative value of the previous year (2018: EUR 1,790.1 million). This increase resulting from the Tann acquisition was countered by lower expenses for raw materials. The share in sales changed from 76.6 % to 75.4 %.

Selling and distribution, administrative and other operating expenses

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	+/-	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Personnel expenses	146.6	131.9	11.1 %	5.8 %	5.6 %
Depreciation and amortization	21.8	11.3	92.9 %	0.9 %	0.5 %
Other expenses	215.1	200.0	7.6 %	8.4 %	8.6 %
Selling and distribution, administrative and other operating expenses	383.5	343.2	11.7 %	15.1 %	14.7 %

Selling and distribution costs, administrative and other operating expenses also increased from EUR 343.2 million to EUR 383.5 million, primarily acquisition-related. Their share in sales changed from 14.7 % to 15.1 %.

EBITDA rose by 20.1 %, or EUR 65.2 million, to EUR 389.6 million (2018: EUR 324.4 million), the EBITDA margin to 15.3 % (2018: 13.9 %). At EUR 255.3 million, operating profit was 17.6 %, or EUR 38.2 million, above the previous year (2018: EUR 217.1 million), with MM Packaging accounting for around 60 % and MM Karton for around 40 % of this growth. In the course of the initial consolidation of the Tann-Group, one-off expenses from acquisition effects of EUR -4.8 million were reported due to the recognition of order backlog and inventory measurement. The Group's operating margin totaled 10.0 % (2018: 9.3 %), the return on capital employed amounted to 15.4 % (2018: 15.0 %).

Financial income totaling EUR 1.4 million (2018: EUR 1.3 million) was offset by financial expenses of EUR -8.4 million (2018: EUR -6.1 million). "Other financial result – net" changed to EUR 2.8 million (2018: EUR 5.6 million) in particular due to higher foreign currency gains in the previous year.

Profit before tax increased accordingly by 15.2 % to EUR 251.1 million (2018: EUR 217.9 million). Income tax expense amounted to EUR 60.9 million (2018: EUR 53.7 million), resulting in an effective Group tax rate of 24.3 % (2018: 24.7 %).

Profit for the year, earnings per share

Profit for the year went up by 15.8 % to EUR 190.2 million (2018: EUR 164.2 million). The net profit margin remained almost unchanged at 7.5 % (2018: 7.0 %). An unchanged total average of 20,000,000 shares was outstanding in the reporting year, resulting in earnings per share of EUR 9.49 (2018: EUR 8.18) based on the profit for the year attributable to the shareholders of the Company of EUR 189.7 million (2018: EUR 163.7 million). Cash earnings generated by the Group rose to EUR 310.4 million (2018: EUR 269.7 million), achieving a cash earnings margin of 12.2 % (2018: 11.5 %).

Assets, capital, and liquid funds

Consolidated balance sheets (condensed version)

(in millions of EUR)	Dec. 31, 2019	Dec. 31, 2018
Non-current assets	1,442.2	1,003.8
Current assets	980.5	1,061.9
Total assets	2,422.7	2,065.7
Total equity	1,508.3	1,384.8
Non-current liabilities	419.8	307.6
Current liabilities	494.6	373.3
Total equity and liabilities	2,422.7	2,065.7

As of December 31, 2019, the Group's total assets amounted to EUR 2,422.7 million and were thus EUR 357.0 million above the value at the end of 2018 (EUR 2,065.7 million). This increase is primarily due to the initial consolidation of the Tann-Group. The Group's total equity rose from EUR 1,384.8 million (December 31, 2018) to EUR 1,508.3 million, mainly as a result of profit. The equity ratio maintained a sound level at 62.3 % (December 31, 2018: 67.0 %). Return on equity was at 13.1 %, after 12.1 % in the previous year.

Financial liabilities, primarily of a long-term character, increased from EUR 211.7 million at year-end 2018 to EUR 345.4 million on December 31, 2019, due to the acquisition and the financing of the company purchase as well as the first-time inclusion of lease liabilities according to IFRS 16.

At EUR 126.8 million, total funds available to the Group were below the comparative figure for the previous year (December 31, 2018: EUR 261.1 million), mainly owing to the purchase price payment for the acquisition of the Tann-Group and the dividend payment. Net debt thus amounted to EUR 218.6 million at the end of 2019 (December 31, 2018: net liquidity of EUR 49.4 million). Furthermore, credit lines totaling EUR 446.0 million were available to the Group (December 31, 2018: EUR 392.9 million), which can be used at any time.

Non-current assets grew largely acquisition-related from EUR 1,003.8 million to EUR 1,442.2 million. Property, plant and equipment went up by EUR 181.9 million to EUR 1,034.5 million (December 31, 2018: EUR 852.6 million), with a major part of the increase being due to the company purchase and the first-time application of IFRS 16 (Leases). Current assets, at EUR 980.5 million, were below the value at the end of 2018 (EUR 1,061.9 million).

Cash flow development

Consolidated cash flow statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Net cash from operating activities	331.4	250.1
Net cash from investing activities	(380.6)	(119.0)
Net cash from financing activities	(87.1)	(69.3)
Effect of exchange rate changes	2.1	1.3
Net change in cash and cash equivalents (< 3 months)	(134.2)	63.1
Cash and cash equivalents (< 3 months) at the end of the year	126.8	261.0

At EUR 331.4 million, cash flow from operating activities was EUR 81.3 million above the comparative value of the previous year (2018: EUR 250.1 million). The higher cash-effective result, which contrasted with higher income tax payments, substantially contributed to this increase.

Cash flow from investing activities changed from EUR -119.0 million to EUR -380.6 million. This difference particularly results from the purchase price payment for the acquisition of Tann-Group in the amount of EUR 267.7 million as well as an increase of payments for the acquisition of property, plant and equipment and intangible assets from EUR 130.0 million to EUR 136.1 million.

Investment expenditures at MM Karton amounting to EUR 75.1 million (2018: EUR 75.8 million) were mainly related to technical modernization and expansion with a focus on the sites in Neuss and Gernsbach, Germany, Kolicovo, Slovenia, and Eerbeek, Netherlands.

Investment expenditures at MM Packaging totaled EUR 61.0 million (2018: EUR 54.2 million) with a particular focus on technological renewals in Germany, Great Britain, France, Chile, Poland and Austria.

Cash flow from financing activities changed from EUR -69.3 million to EUR -87.1 million. The use of short-term bank credit facilities to finance the acquisition was contrasted by loan repayments and the dividend payment for the financial year 2018.

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 non-cash-effective and deferred taxes.

Cash earnings margin

Cash earnings divided by sales.

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

Operating profit plus depreciation, amortization and impairment of property, plant and equipment and intangible assets.

EBITDA margin

EBITDA divided by sales.

Employees

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

Equity ratio

Total equity divided by total assets.

Net debt/Net liquidity

The sum of current and non-current interest-bearing financial liabilities, including lease liabilities according to IFRS 16 less cash and cash equivalents. In case the sum of cash and cash equivalents 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)

Operating profit divided by the sum of average total equity, average current and non-current interest-bearing financial liabilities, including lease liabilities according to IFRS 16, 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.

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

Restrained demand and intensified competition characterized the general conditions on the European cartonboard markets in 2019. Against this background, MM Karton was nevertheless able to solidly maintain its position, retain or increase market shares and convince with attractive, highly functional and sustainable packaging solutions. We continued to attach high priority to price discipline and the pursuit of a selective sales policy. The specialization of the mills as well as growth with an optimized product portfolio and the expansion of our focus on European business were pursued consistently.

Prices for mixed grades of recovered paper on the fiber markets declined gradually, while those for products based on virgin fibers decreased from a high level.

At 97 % (2018: 97 %), capacities in the division were again highly utilized. Investments focused on enabling further growth through continuous technological development of our mills and increasing product and service performance. Since 2018, we have attached special priority to digitalizing our business processes, and today, we benefit from high speed, perfection, and efficiency.

Owing to more short-term planning of customers, the average order backlog of 68,000 tons was below the comparative figure of the previous year (2018: 77,000 tons).

Cartonboard production grew by 3.5 %, or 59,000 tons, to 1,723,000 tons (2018: 1,664,000 tons). 1,382,000 tons (80 %) were attributable to recycled fiber-based cartonboard and 341,000 tons (20 %) to virgin fiber-based cartonboard (2018: 1,313,000 tons or 79 % and 351,000 tons or 21 %, respectively). Based on the average number of employees, 687 tons per employee were produced (2018: 663 tons). At 1,705,000 tons, cartonboard sold was slightly below production and 2.5 % above the previous year (2018: 1,663,000 tons).

Sales increased in line with sold volumes to EUR 1,078.3 million (2018: EUR 1,062.2 million). As in the previous year, sales to European markets were slightly higher, with a share of around 65 % in Western Europe (2018: 63 %) and 22 % in Eastern Europe (2018: 21 %), resulting in the sales share in countries outside Europe decreasing to 13 % (2018: 16 %). With a share of deliveries of 12 %, or 201,000 tons (2018: 12 % or 193,000 tons), MM Packaging was again MM Karton's largest customer.

Operating profit grew by 14.6 %, or EUR 14.1 million, to EUR 110.5 million (2018: EUR 96.4 million), primarily due to lower direct costs and slightly better average prices. The operating margin reached 10.2 % following 9.1 % in 2018, the return on capital employed was at 17.2 % (2018: 15.9 %). Cash earnings totaled EUR 129.0 million (2018: EUR 115.6 million), resulting in a cash earnings margin of 12.0 % (2018: 10.9 %).

Divisional indicators MM Karton

(in millions of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	+/-
Sales ¹⁾	1,078.3	1,062.2	+ 1.5 %
Operating profit	110.5	96.4	+ 14.6 %
Operating margin (%)	10.2 %	9.1 %	
Return on capital employed (%)	17.2 %	15.9 %	
Tonnage sold (in thousands of tons)	1,705	1,663	+ 2.5 %
Tonnage produced (in thousands of tons)	1,723	1,664	+ 3.5 %

¹⁾ including interdivisional sales

MM Packaging

In the course of weaker economic conditions in 2019, planning on the European folding carton market was also more restrained and stocks were reduced along the entire supply chain. Consequently, and due to still sufficient capacity reserves, the high level of competitive intensity and consolidation in the industry continued.

Despite temporary heterogeneous capacity utilization among the plants, MM Packaging reported a stable overall development as a result of the good order backlog. Measures aimed at improving cost efficiency and value added as well as gaining new business were pursued and implemented systematically. In this connection, the strategic focus remains on maintaining strength and exploiting growth opportunities on individual markets such as FMCG (fast moving consumer goods), packaging for tobacco products, pharmaceuticals, and personal care with specialized plants through maximum cost efficiency and quality.

Particular focus in 2019 was placed on integrating the Tann-Group acquired at the beginning of the year into the division. This developed according to plan using synergies arising from technological proximity and organizational integration. Like the development in the course of the year, the annual result of MM Packaging is mainly characterized by the initial inclusion of the Tann-Group.

Processed tonnage of cartonboard and paper increased acquisition-related by 2.5 % to 785,000 tons (2018: 766,000 tons).

Sales went up by 14.0 %, or EUR 193.8 million, to EUR 1,578.0 million (2018: EUR 1,384.2 million), of which 49 % and 33 % were accounted for by Western and Eastern Europe and 18 % by business outside Europe (2018: 57 %; 32 %; 11 %). MM Packaging now supplies a total of over 1,800 customers in various consumer goods sectors. The main product groups are packages for food, pharmaceutical and tobacco products. A significant share of business relates to multinational key accounts, reflecting the high degree of producer concentration. In 2019, around 41 % of sales were generated with the five largest customers (2018: 41 %).

Operating profit increased by 20.0 %, or EUR 24.1 million, to EUR 144.8 million (2018: EUR 120.7 million), with one-off expenses of EUR -4.8 million being recorded as a result of the initial consolidation. The operating margin therefore only rose slightly from 8.7 % to 9.2 %.

The return on capital employed was at 14.2 % (2018: 14.3 %). Cash earnings went up by 17.7 % to EUR 181.4 million (2018: EUR 154.1 million), while the cash earnings margin reached 11.5 % (2018: 11.1 %).

Divisional indicators MM Packaging

(in millions of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018	+/-
Sales ¹⁾	1,578.0	1,384.2	+ 14.0 %
Operating profit	144.8	120.7	+ 20.0 %
Operating margin (%)	9.2 %	8.7 %	
Return on capital employed (%)	14.2 %	14.3 %	
Tonnage processed (in thousands of tons)	785	766	+ 2.5 %

¹⁾ including interdivisional sales

3 — RESEARCH AND DEVELOPMENT

The research and development activities of the Mayr-Melnhof Group focus on sustainably securing and strengthening competitiveness and growth capability through progress in the two divisions MM Karton and MM Packaging.

This is based on our strategic orientation of maintaining market leadership in the long term on the basis of cost, technology and innovation leadership. We therefore aim at identifying market needs and future trends at an early stage and exploiting them to create added value for our customers and the Company by using state-of-the-art technologies. Thereby, we draw on a broad spectrum of resources and regularly include aspects of the entire supply chain in our product solutions.

Innovation – interdisciplinary collaboration within the Group

Our R&D activities are based on collaboration between experts from various areas of the Group, drawing on the long-standing knowledge base in the divisions. Moreover, external specialists and research institutions are involved when appropriate. Both divisions have a proven innovation process that ensures that developments are accompanied by the necessary resources from idea generation to implementation.

We pay equal attention to product and process innovation, with the common goal of bringing innovation to the market quickly and generating added value based on them in a timely manner. We strive to ensure that our products and methods comply with the latest requirements and technical possibilities at an early stage. Therefore, we take a proactive approach that includes aspects of basic research as well as visionary concepts and ideas. We ensure that our products continue to develop in a future-orientated manner and always in compliance with regulations through close cooperation with standardization and legislative bodies.

A trend towards sustainability and naturalness – efficiency in implementation

Sustainable, plastic-free packaging, a natural appearance, convenience, and safety as well as perfect integration into online sales and communication are currently the defining requirements and trends in packaging. In close cooperation with our customers we develop individual solutions in line with these specifications and ensure maximum performance and efficiency in their implementation.

Innovation activity in the MM Karton division in 2019

The innovation activities of MM Karton in 2019 again aimed at further improving product properties such as appearance, printability, stiffness, and barrier quality of existing products but also at developing completely new products with special properties (e.g., grease and migration barriers). Thereby, we always attach great importance to high efficiency in production and the environmentally friendly use of resources. In addition, we pay attention to the best possible performance of our cartonboard products during their further processing already at the stage of their development.

Fundamental findings regarding the combination of known but also new materials are provided by the research center of the Austrian cartonboard mill at Frohnleiten. A particular focus in 2019 was placed on cooperation with external research institutes, universities, customers, and suppliers. One of the aspects examined was the industrial feasibility of new processes.

Share of new products increased further

The share of new or realigned products not older than four years already accounted for more than one fifth of total sales of MM Karton in 2019. It is our aim to further increase this share through close cooperation between sales and technology with our customers. The strategic background is based on the "Renovation" project, which redefines the products of individual mills for specific markets and applications in order to generate growth and added value through value creation.

Market launches in 2019 particularly involved the following products:

The Astracolor™ Performance recycling quality from the Austrian mill at Frohnleiten provides maximum efficiency in the processing and packaging process. It has excellent surface properties and particularly good stiffness for excellent packaging stability in the end product.

The high-quality recycled fiber-based cartonboard UT Tray Black from the Austrian mill at Hirschwang with an environmentally friendly moisture barrier was specifically designed to meet the requirements of fruit and vegetable trays. The black front ensures the optimum presentation of colorful fruit and vegetables while the brown back conveys naturalness.

Innovation activity in the MM Packaging division in 2019

MM Packaging's innovation network

MM Packaging's innovation network offers relevant and convincing solutions for the success of our customers at every stage of the innovation process. It comprises the following institutions: PacProject, the creative Innovation Center in Hamburg, the Premium Printing Center in Trier, and the Technical Competence Center for coordinating targeted customer briefings with the local Packaging Development Centers and individual plants. In order to also take into account the customers' needs in terms of technical orientation and equipment, close cooperation takes place with the Divisional Technical Support Team.

MM Packaging's innovation process starts with the creation of trend studies, idea generation, and concept studies up to the first prototypes. These first steps usually take place at PacProject in Hamburg.

At the Premium Printing Center in Trier, highly innovative technologies are used to create packaging designs with extraordinary effects in the shortest possible time.

Current priorities for innovation

Natural appearance was the trend of the year 2019 in the packaging industry. The technical possibilities for developing products with a natural appearance were demonstrated and implemented in workshops together with customers. Above all, it is the interplay of a wide variety of cartonboard surfaces, artwork, coatings, and printing inks matched to the surface that makes it possible to present folding carton packaging in a natural look.

Innovation also focused on the reduction or replacement of plastic in packaging for a wide range of daily needs. MM Packaging's broad field of innovation ranged from packaging for electronics to tissue boxes and sugar packaging.

Awards for special sustainability

MM Karton was honored in several categories at the European Carton Excellence Awards, the most prestigious competition for cardboard packaging. Packaging solutions in qualities such as Multicolor Mirabell™, Multicolor Spezial™, MM Topliner™, Accurate™, FOODBOARD™ and Multicolor Belvedere™ gained awards for their sustainability and environmental friendliness.

Furthermore, MM Packaging and MM Karton received joint prizes at the "Carton Austria Awards" for particularly sustainable, plastic-free, and visually outstanding packaging.

4 — RISK MANAGEMENT

The Mayr-Melnhof Group is exposed to a variety of general and industry-specific risks in connection with its global operations. The current or expected economic situation in particular has a significant influence on the Group's risk situation owing to the special significance of private consumption for the demand for cartonboard packaging. Since the geographical business focus is on Europe and as cartonboard packaging is defined as a local product due to transport costs and service, the economic conditions in the major European economies are of great importance. In procurement, the development of the fiber and energy markets is of particular relevance in risk assessment. The risk situation of the Group can be classified as essentially unchanged for the financial year 2019 and the beginning of 2020. Taking into account the safety and control instruments already in use and the early warning indicators, no significant risks are currently identifiable that could endanger its existence or impair its development.

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

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

The Management Board is responsible for the Group's risk management, defines the risk policy, which is generally characterized by a conservative approach and sets the framework for Group-wide risk management. Risk prevention and risk reduction are given priority and are, as far as economically justifiable, achieved by appropriate control measures and complemented by the Group's insurance program.

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

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

The most significant risk areas to which the Group is exposed and the measures to manage these risks are described below.

Sales

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

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

The Group has a total of several thousand customers. The cartonboard division sells unprocessed cartonboard in particular to the medium-sized European folding carton industry and generates around 49 % of divisional sales with 20 main customers, including MM Packaging. The packaging division supplies printed cartonboard packages to consumer goods manufacturers and generates around 80 % of divisional sales with multinational customers. The level of dependency on individual customers is still considered as manageable.

Customers assess their supplier base and locations network in constant evaluations in order to optimize costs and exploit growth opportunities. This can lead to relocation and new allocation of business. The Group's broad positioning in a great number of market segments and the geographical width of market presence contribute to minimizing risk, however.

A broad range of well-established measures has been taken to safeguard market shares and generate new business. These include a close contact with customers, ongoing monitoring, market analyses, cooperation in research and development, sustained quality and cost management, continuous investment activities, a systematic expansion of our customer base, and a regular participation in tenders. Due to the possibilities of digitalization, potentials for customer retention are used especially in business processing and service.

The increasing public interest in sustainability and health in recent years has been accompanied by growing demands from customers, interest groups and legislators with regard to sustainable packaging solutions as well as their product quality and safety. It is a particular priority for MM to meet these requirements in order to minimize a potential risk to sales, compliance or reputation. Especially packaging with food contact is subject to strict legal regulations and customer requirements, and MM ensures compliance with these through a variety of effective measures. Embedded in an institutionalized framework, both divisions continuously implement R&D activities that undergo continuous further development. This makes it possible to offer safe and innovative products that are sustainably in line with market demands. MM meets the high product safety and quality requirements by certifying all production sites

according to ISO 9001 and through regular quality assurance measures and inspections. As a result, 100% of all MM cartonboard grades are tested with regard to their impact on consumer health and safety. In particular in the area of food packaging, additional established safety measures ensure compliance with strict legal and customer requirements, thus contributing to customer satisfaction and safeguarding sales. These include comprehensive certification in accordance with food safety and hygiene standards, continuous R&D activities, and quality controls with regard to the interaction between packaging and contents (migration studies), as well as measures to meet product traceability requirements.

In terms of sustainable, environmentally friendly packaging solutions, MM benefits as a whole from a positive perception of cartonboard as a packaging material by the general public and customers. Particular importance is currently attached to substitution possibilities for plastic packaging using cartonboard applications which are being taken up proactively and in a customer-orientated manner. Following the trend towards light weight cartonboard packages, MM Karton has extended its range of qualities with low grammages.

The market for cigarette packaging is subject to regulatory risk due to the protection of non-smokers and minors, which is associated with potential effects on sales development. This can affect both the quantity and the value of the product. This is because more and more countries around the world are prescribing "plain packaging", i.e. standard packages without a brand logo and with larger warning labels. The Member States in the European Union have implemented the EU Tobacco Products Directive (TPD2). The impact on the relevant sales of the MM Packaging division cannot be quantified yet, but the risk is minimized by broad global geographic sales and a close cooperation with cigarette manufacturers. Companies operating for the tobacco industry may be subject to discrimination in the public perception.

Production

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

This primarily involves an economical use of resources (especially of fibers, cartonboard, energy, water, chemicals, and transport) for our production, a high solution expertise, and guaranteeing quality while maintaining a sound financial conduct. We therefore focus on continuous performance benchmarking among locations, innovation, and sustainable investments in the latest technology. Potential further automation is actively pursued and implemented. The aim is to establish the highest possible standards throughout the Group.

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

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

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

Procurement

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

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

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

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

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

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

Due to the political objective of reducing greenhouse gas emissions in the industry, all mills in the cartonboard division are confronted with a regulatory risk regarding the availability of emission permits (CO₂ certificates) which are issued restrictively according to the "cap & trade" principle. Thanks to energy-efficient facilities and correspondingly good benchmarking results, MM Karton continues to benefit from a partly free allocation of emission permits and currently holds sufficient CO₂ certificates. It is expected that the EU will gradually reduce free allocations in order to create incentives for further emission reductions. If necessary, MM Karton can however, procure missing certificates on the free market under the EU emission trading system, whereby a price risk must be taken into account. MM Packaging also faces the risk of indirect emissions pricing. Based on the European Effort Sharing Regulation, certain sectors (heating and transport) face a CO₂ levy, which may have an impact on the cost side of both divisions as a result of onward charging. Further details on greenhouse gas emissions can be found in the consolidated non-financial report.

Human Resources

The Group relies on qualified, motivated, and performance-oriented employees at all levels in order to achieve corporate success. We promote sustainable collaboration through continuous personnel development, education, appropriate remuneration and bonus systems as well as a practiced value and corporate culture with the aim of tying our employees to the Company in the long run and finding suitable top performers for vacancies. Targeted measures in HR marketing are implemented to ensure the Group's attractiveness as an employer.

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

Corporate health management takes a large number of support and prevention measures with the goal of maintaining our employees' health and productivity at a high level over their entire working lives.

Pensions/severance payments/pre-retirement

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

Liquidity risk is addressed through the use of qualifying insurance policies in Austria and Germany, pension funds in Great Britain and the Philippines and a collective foundation in Switzerland to cover assets. The investment involves an assessment risk. External fund assets are invested as conservatively as possible in line with legal requirements (low equity component, corporate rather than government bonds).

The continuing low level of interest rates has methodically led to a low discount rate, which increases the actuarial present value of obligations. The resulting deduction item in equity can be classified as absolutely manageable in relation to equity. The projected expenses for pensions and severance payments remain stable.

Financial risks

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

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

Foreign exchange risks are monitored continuously with system support and are limited or reduced by suitable hedging measures. Hence, the focus is placed on balancing risks naturally by matching receivables and liabilities at individual subsidiaries and at Group level as well as foreign exchange forward, swap and option contracts. Currency hedging transactions are mainly performed on a central currency trading platform. Currencies that are hedged for fluctuations of their exchange rates are in particular the British pound, the US dollar as well as the Euro for the companies with functional currencies other than the Euro. The related price risks are reduced as far as possible by currency congruence in business transactions and by price adjustment mechanisms in long-term agreements. Derivative financial instruments are neither used for trading nor for speculative purposes.

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

Accounting

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

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

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

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

Information technology

Central IT management is based on ISO 31000, information security of the central IT on ISO 27001. The risk of a breakdown of central data processing is limited by a geographically separated backup computer center and by a variety of preventive measures and checks. Risks regarding information security are countered by a wide range of security measures according to the Group-wide information security strategy and by the function of an Information Protection Officer who ensures the Group-wide establishment and continuous update of security standards. Employees are instructed in regular security courses and trained to maintain a high level of attention.

Other risks

Compliance risks arising from possible non-conformity with standards, laws, ethical codes of conduct, and, where applicable, voluntary commitments are managed especially by means of protective measures in the systems, regular, systematic compliance monitoring, the four-eyes principle as well as guidelines, for example the Code of Conduct (available on our website at <https://www.mayr-melnhof.com/en/about-us/responsibility/code-of-conduct/>). Furthermore, we have created the function of a Compliance Officer who can act autonomously and who is also responsible for compliance training and internal and external reporting.

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

We address the "legal compliance" risk in particular through the function of a Legal Manager who is responsible for monitoring and controlling the risk area and, if necessary, by calling in external experts. The aim is to comply with legal requirements, the best possible contractual design of business relationships and, finally, to comply with these contractual requirements. This is intended not least to prevent the increasing risks of a breach of the law and possible sanctions resulting from ever more stringent regulation.

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

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

Composition of capital, stock categories

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

Restrictions concerning the voting rights and the transfer of shares

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

Direct or indirect participation in capital of at least 10 %

According to the information provided to the Company, there were the following minimum participations of 10 % in the capital at year-end 2019:

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG
CAMA Privatstiftung

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

There are no shares with special control rights.

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

There is no such capital participation model for employees.

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

There are no provisions of this type.

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

There are no authorizations of this type.

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

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

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

There are no agreements of this type.

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

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

7 — OUTLOOK ON THE FINANCIAL YEAR 2020

This outlook reflects the assessment of the Management Board as of March 16, 2020, and does not take into consideration the effects of any acquisitions, disposals, or other structural changes in 2020. 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.

European economies are showing low momentum. Nevertheless, private consumption continues to show a stable development and, thus, also the demand for cartonboard packaging. Against this background, the Group's cartonboard and packaging production facilities have overall again been highly utilized since the beginning of the year. Sales markets, however, remain characterized by intense competition due to sufficient capacities in the industry.

MM Karton continues to focus on maintaining price levels. The goal for both divisions is to continue to grow in 2020 and maintain profit quality at a high level.

Ongoing investment in state-of-the-art technological innovations and ongoing measures to improve cost efficiency and optimize the product and sales program are intended to make this possible also in the future.

The aim is to follow up the record year 2019 in the best possible way in 2020. After a good beginning of the year we consider the challenges in the course of the year increasing. As in the past, we will continue to pay high attention to the future-orientated development of our production facilities and products and the risk-conscious continuation of our global acquisition course.

Vienna, March 16, 2020

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

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Consolidated Balance Sheets

(all amounts in thousands of EUR)	Notes	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Property, plant and equipment	6	1,034,471	852,607
Intangible assets including goodwill	6	358,996	122,868
Investments accounted for using the equity method, securities and other financial assets	8	6,227	4,766
Deferred tax assets	9	42,454	23,573
Non-current assets		1,442,148	1,003,814
Inventories	10	363,539	346,860
Trade receivables	11	418,733	367,531
Income tax receivables		7,924	10,516
Prepaid expenses and other current assets	12	63,502	76,002
Cash and cash equivalents	31	126,807	260,982
Current assets		980,505	1,061,891
TOTAL ASSETS		2,422,653	2,065,705
EQUITY AND LIABILITIES			
Share capital	13	80,000	80,000
Additional paid-in capital	13	172,658	172,658
Retained earnings	13	1,466,884	1,341,132
Other reserves	13	(216,508)	(211,195)
Equity attributable to shareholders of the Company		1,503,034	1,382,595
Non-controlling (minority) interests	13	5,275	2,164
Total equity		1,508,309	1,384,759
Financial liabilities	14	232,540	177,348
Provisions for non-current liabilities and charges	15	147,539	115,909
Deferred tax liabilities	9	39,692	14,397
Non-current liabilities		419,771	307,654
Financial liabilities	14	112,843	34,334
Current tax liabilities		27,185	13,974
Trade liabilities	16	219,562	205,114
Deferred income and other current liabilities	17	122,793	107,981
Provisions for current liabilities and charges	18	12,190	11,889
Current liabilities		494,573	373,292
Total liabilities		914,344	680,946
TOTAL EQUITY AND LIABILITIES		2,422,653	2,065,705

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, 2019	Year ended Dec. 31, 2018
Sales	19	2,544,409	2,337,658
Cost of sales	21	(1,917,524)	(1,790,059)
Gross margin		626,885	547,599
Other operating income	20	11,882	12,724
Selling and distribution expenses	21	(244,427)	(223,026)
Administrative expenses	21	(138,926)	(120,146)
Other operating expenses		(143)	(69)
Operating profit		255,271	217,082
Financial income	25	1,465	1,326
Financial expenses	26	(8,394)	(6,078)
Other financial result – net	27	2,787	5,582
Profit before tax		251,129	217,912
Income tax expense	9	(60,910)	(53,747)
Profit for the year		190,219	164,165
Attributable to:			
Shareholders of the Company		189,743	163,670
Non-controlling (minority) interests	13	476	495
Profit for the year		190,219	164,165
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	9.49	8.18

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, 2019	Year ended Dec. 31, 2018
Profit for the year	190,219	164,165
Other comprehensive income:		
Actuarial valuation of defined pension and severance obligations	(19,843)	(1,280)
Effect of income taxes	5,309	429
Total of items that will not be reclassified subsequently to the income statement	(14,534)	(851)
Foreign currency translations	9,199	(34,399)
Total of items that will be reclassified subsequently to the income statement	9,199	(34,399)
Other comprehensive income (net)	(5,335)	(35,250)
Total comprehensive income	184,884	128,915
Attributable to:		
Shareholders of the Company	184,430	128,367
Non-controlling (minority) interests	454	548
Total comprehensive income	184,884	128,915

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, 2018	80,000	172,658	1,239,415	(125,335)	(50,557)	(175,892)	1,316,181	2,409	1,318,590
Profit for the year	0	0	163,670	0	0	0	163,670	495	164,165
Other comprehensive income	0	0	0	(34,449)	(854)	(35,303)	(35,303)	53	(35,250)
Total comprehensive income	0	0	163,670	(34,449)	(854)	(35,303)	128,367	548	128,915
Transactions with shareholders:									
Dividends paid 13	0	0	(62,000)	0	0	0	(62,000)	(746)	(62,746)
Change in majority interests 5	0	0	47	0	0	0	47	(47)	0
Balance at Dec. 31, 2018	80,000	172,658	1,341,132	(159,784)	(51,411)	(211,195)	1,382,595	2,164	1,384,759
Profit for the year	0	0	189,743	0	0	0	189,743	476	190,219
Other comprehensive income	0	0	0	9,204	(14,517)	(5,313)	(5,313)	(22)	(5,335)
Total comprehensive income	0	0	189,743	9,204	(14,517)	(5,313)	184,430	454	184,884
Transactions with shareholders:									
Dividends paid 13	0	0	(64,000)	0	0	0	(64,000)	(1,047)	(65,047)
Change in majority interests	0	0	9	0	0	0	9	3,704	3,713
Balance at Dec. 31, 2019	80,000	172,658	1,466,884	(150,580)	(65,928)	(216,508)	1,503,034	5,275	1,508,309

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, 2019	Year ended Dec. 31, 2018
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit for the year		190,219	164,165
Adjustments to reconcile profit for the year to net cash from operating activities excluding interest and taxes paid:			
Income tax expense	9	60,910	53,747
Depreciation and amortization of property, plant and equipment, and intangible assets	6	134,329	107,278
Gains (losses) from disposals of property, plant and equipment, and intangible assets	20	(623)	(202)
Financial income	25	(1,465)	(1,326)
Financial expenses	26	8,394	6,078
Gains (losses) from disposals of subsidiaries	5	0	(2,882)
Share of profit (loss) of other investments	27	(283)	(422)
Gains (losses) from disposals of securities and other financial assets	27	0	(1,143)
Other adjustments	31	(145)	(11,324)
Net cash from profit		391,336	313,969
Changes in working capital:			
Inventories	10	20,035	(14,989)
Trade receivables	11	(18,702)	4,371
Prepaid expenses and other current assets	12	18,115	(7,733)
Trade liabilities	16	(8,247)	(119)
Deferred income and other current liabilities	17	(2,844)	2,080
Provisions for current liabilities and charges	18	(269)	(996)
Changes in working capital		8,088	(17,386)
Cash flow from operating activities excluding interest and taxes paid		399,424	296,583
Income taxes paid		(68,003)	(46,479)
Net cash from operating activities		331,421	250,104
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from disposals of property, plant and equipment, and intangible assets		1,794	2,337
Payments for acquisition of property, plant and equipment, and intangible assets (incl. payments on account)	16	(136,086)	(129,963)
Payments for acquisition of companies or other business entities, net of cash and cash equivalents acquired (2019: thous. EUR 19,392; 2018: thous. EUR 0)	5	(248,326)	0
Proceeds from disposal of companies or other business entities, net of cash and cash equivalents disposed (2019: thous. EUR 0; 2018: thous. EUR 3,520)	5	0	2,624
Proceeds from disposals of securities and other financial assets		595	4,390
Payments for securities and other financial assets		(246)	(195)
Dividends received	27	283	422
Interest received		1,432	1,351
Net cash from investing activities		(380,554)	(119,034)
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid		(8,129)	(5,954)
Issuances of financial liabilities	31	189,019	7,241
Repayments of interest-bearing financial liabilities	31	(194,810)	(7,031)
Repayments of lease liabilities (2018: Repayments of finance lease liabilities)	31	(8,160)	(776)
Payments to non-controlling (minority) shareholders		(14)	0
Dividends paid to the shareholders of the Company	13	(64,000)	(62,000)
Dividends paid to non-controlling (minority) shareholders	13	(1,047)	(746)
Net cash from financing activities		(87,141)	(69,266)
Effect of exchange rate changes on cash and cash equivalents		2,099	1,288
Change in cash and cash equivalents		(134,175)	63,072
Cash and cash equivalents at the beginning of the year (according to the consolidated balance sheet)		260,982	197,910
Cash and cash equivalents at the end of the year (according to the consolidated balance sheet)		126,807	260,982

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

Notes to the Consolidated Financial Statements

1 — BASIC INFORMATION

The Mayr-Melnhof Group

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

Segment information

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

2 — PRINCIPLES OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Basic accounting principles and declaration of compliance

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

The consolidated financial statements are prepared based on historical acquisition or manufacturing costs, except for certain positions such as certain financial instruments and defined benefit obligations.

The present consolidated financial statements comprise the period from January 1 till December 31, 2019 and have been signed by the Management Board and have been approved by the Supervisory Board as of March 16, 2020.

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, 2019 and with an effective date no later than this date, were taken into consideration:

New standards	Content	Effective
IFRS 16	Leases	2019
Revised standards	Content	Effective
IFRS 9	Prepayment Features with Negative Compensation	2019
IAS 19	Plan Amendment, Curtailment and Settlement	2019
IAS 28	Long-term Interests in Associates and Joint Ventures	2019
	Annual Improvements to IFRS Standards 2015-2017 Cycle	2019
New interpretations	Content	Effective
IFRIC 23	Uncertainty over Income Tax Treatments	2019

If applicable, the effective regulations were applied in the present consolidated financial statements. These regulations do not have any significant impact on the Group's financial situation and profitability except for explanations to the newly applicable standard IFRS 16 provided in the following section.

Furthermore, the following new and revised standards were endorsed by the EU until December 31, 2019; their application is, however, not yet compulsory for the financial year 2019:

Revised standards	Content	Effective
IAS 1/IAS 8	Definition of Material	2020
	References to the Conceptual Framework in IFRS Standards	2020

Additionally, the following new and revised standards were published by IASB until December 31, 2019 but have not yet been endorsed by the EU:

New standards	Content	Effective
IFRS 17	Insurance Contracts	2021
Revised standards	Content	Effective
IFRS 9/IAS 39/IFRS 7	Interest Rate Benchmark Reform	2020
IFRS 3	Definition of a Business	2020

From today's point of view, the above mentioned new or revised standards are not expected to have any significant impact on the Group's financial situation and profitability, as the Group does not apply hedge accounting and the narrowly formulated definition of a business does not influence future business combinations.

IFRS 16, which was newly applicable in 2019, is described as follows:

IFRS 16 "Leases" was issued in January 2016, replacing the former IAS 17 and related interpretations. IFRS 16 sets out new rules for the accounting of leases and introduces a standardized reporting model according to which leases are recognized in the lessee's balance sheet in the future. A lessee recognizes a right-of-use asset to the underlying asset of the lease agreement and a liability representing the lease payment obligations. Reporting for the lessor remains almost unchanged compared to the current standard, so there has been no material impact on the consolidated financial statements for 2019.

Right-of-use assets which are included in property, plant and equipment are measured at cost less any accumulated depreciation and, if necessary, any required impairment. The cost of a right-of-use asset comprises the present value of all future lease payments (lease liabilities), adjusted for any prepaid or accrued lease payments. The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The relevant assumptions for determining the useful life of offices and warehouses with unlimited agreements were adopted according to the strategic objectives, location and costs.

Lease liabilities with a term of more than twelve months are measured at the present value of the remaining lease payments. All contracts which were identified as leases according to IAS 17 as of December 31, 2018 are taken over into IFRS 16. Hence, leases previously classified as finance leases were carried forward without changes. For the recognition of lease liabilities, certain extension or termination options were taken into account, if the Group was reasonably certain that the options would be exercised in the future. If the duration of the contract is indefinite, the lease term is determined based on expectations.

The Group has applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective approach. Comparative amounts for the year prior to the first-time adoption have not been restated. The right-of-use asset, reported under property, plant and equipment, was recognized in the same amount as the corresponding lease liability as of the first-time adoption date on January 1, 2019. Thus, there is no impact on equity.

The Group applies the exceptions governing leases relating to low-value assets and short-term leases. Therefore, these transactions are not reported in the balance sheet, but as expense as incurred. Low-value assets are defined as assets with a value of a maximum of thous. EUR 5. A short-term lease is defined as a lease with a term of up to twelve months. The option to account lease contracts that have a duration of up to twelve months from initial application as short-term lease contracts is also applied. Furthermore, initial direct costs were not included in the measurement of the right-of-use asset at the time of the first-time application.

In principle, the implicit interest rate based on the lease contract is applied, if it can be determined. Otherwise, leases are discounted using the lessee's incremental borrowing rate, i. e. the interest rate that a lessee would have to pay for comparable transactions. Hence, at initial application of IFRS 16 within the Group, lease liabilities were discounted with the incremental borrowing rates as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities as of January 1, 2019, was 3.08 %. The interest expense is recognized in the income statement over the lease period based on the remaining lease liability.

The Group mainly rents and leases buildings, land, warehouses, offices, and other facilities that are necessary for the operating business. The majority of right-of-use assets relates to buildings. The Group has assessed and taken into account the underlying extension and termination options. The assumptions made may differ from the original estimates in the future and may have an impact on the right-of-use assets and lease liabilities.

The following table shows the reconciliation of presented future minimum payments for lease commitments as of December 31, 2018 to the lease liabilities as of January 1, 2019:

(in thousands of EUR)

Total amount of future minimum lease payments under operating leases at Dec. 31, 2018	75,629
- Exemptions for short-term leases	(1,350)
- Exemptions for leases of low-value assets	(1,831)
- Adaptions related to options to extend or terminate a lease	(562)
+/- Other adaptions	(577)
Undiscounted liabilities from operating leases at Jan. 1, 2019	71,309
- Discounting effects	(18,354)
Discounted Liabilities from operating leases at Jan. 1, 2019	52,955
Liabilities from finance leases acc. to IAS 17 at Dec. 31, 2018	1,301
Total amount of lease liabilities acc. to IFRS 16 at Jan. 1, 2019	54,256
Thereof non-current lease liabilities	47,061
Thereof current lease liabilities	7,195

As of January 1, 2019, as a result of the first-time application of IFRS 16, property, plant and equipment increased by thous. EUR 52,955 due to the recognition of right-of-use assets. Accordingly, lease liabilities which are reported under financial liabilities increased by the same amount. More detailed information about the leases in the Group recognized in the balance sheet is shown in note 6a und 14b.

The income statement is affected by the replacement of operating lease expenses previously recognized in operating profit through amortization of right-of-use assets as well as interest expenses on lease liabilities presented in the financial expenses.

3 — ACCOUNTING PRINCIPLES

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

Consolidation principles and methods

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

The subsidiaries, provided that they are not of subordinate importance for the presentation of the financial situation and profitability, are consolidated as of the date on which control is transferred to the Group. They are deconsolidated on the date on which such control ceases to exist or a subsidiary is deemed to be insignificant by the Group.

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

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

Any effects of intercompany transactions are entirely eliminated.

Foreign currency translation

Assets including goodwill 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 are part of a net investment in a foreign operation are initially reported as a separate component of equity and are recognized in the income statement only upon intentional repayment or disposal of the net investment.

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

Country:	Currency:	Exchange rate	Exchange rate	Annual average	Annual average
		at Dec. 31, 2019	at Dec. 31, 2018	exchange rate 2019	exchange rate 2018
		1 EUR =	1 EUR =	1 EUR =	1 EUR =
Bulgaria	BGN	1.96	1.96	1.96	1.96
Canada	CAD	1.46	-	1.49	-
Chile	CLP	832	796	791	755
China	CNY	7.82	7.88	7.73	7.81
Colombia	COP	3,679	3,715	3,690	3,501
Czech Republic	CZK	25.41	25.72	25.66	25.67
Great Britain	GBP	0.85	0.89	0.88	0.89
Jordan	JOD	0.80	0.81	0.80	0.84
Malaysia	MYR	4.60	4.73	4.64	4.76
Norway	NOK	9.86	9.95	9.85	9.64
Philippines	PHP	56.35	-	58.00	-
Poland	PLN	4.26	4.30	4.30	4.26
Romania	RON	4.78	4.66	4.74	4.66
Russia	RUB	69.34	79.46	72.54	73.49
Switzerland	CHF	1.09	1.13	1.11	1.15
Tunisia	TND	3.14	3.43	3.27	3.12
Turkey	TRY	6.65	6.03	6.33	5.44
Ukraine	UAH	26.42	31.71	28.87	32.31
Vietnam	VND	26,066	26,666	26,116	27,211

Business Combinations

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

The acquisition costs of the transaction classified as a business correspond to the fair values of the assets transferred and liabilities received or taken over on the acquisition date (value of consideration transferred).

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

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

The excess of the consideration transferred and the amount of the non-controlling (minority) interest in the acquiree over the fair value of identifiable net assets acquired 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 as well as the reported amounts of revenues and expenses during the reporting period and the reported values at the balance sheet date. In the process of applying the Group's accounting policies, management makes various judgments and actual values may ultimately differ from these assumptions and estimates. Estimates are obtained carefully and underlying assumptions are constantly monitored and prospectively recognized. These assumptions are based on past experience and other factors including expectations about future events that could have a financial impact on the Group and are applied appropriately under given circumstances.

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 as well as acquired intangible assets are recognized at acquisition and manufacturing costs and are depreciated/amortized on a straight-line basis over their estimated useful lives. The estimation of useful lives is based on assumptions concerning wear and tear, aging, technical standards, contract periods, and changes in demand. Changes in these factors may cause a reduction of the useful life of an asset. Hence, the carrying amount would be depreciated/amortized over the remaining shorter useful life, resulting in higher annual depreciation/amortization expenses (see note 6).

Accounting for acquisitions

As a consequence of company acquisitions a goodwill is reported in the consolidated balance sheet, or a negative goodwill is recognized directly in the income statement after repeated assessment. As part of the initial consolidation of a company acquisition, all identifiable assets, liabilities, and contingent liabilities are recognized at fair value as of the effective acquisition date. The valuation of intangible assets is in particular based on the forecast of the total expected cash flows and strongly depends on the management's assumptions regarding future developments and the underlying developments of the discount rate to be applied (see note 5).

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 EBITDA margin/costs development. The assumptions involved in these calculations may change and may lead to an impairment loss in future periods (see note 6).

Other intangible assets

In the course of the implementation of the Kyoto Protocol, Directive 2003/87/EC came into force in the European Union on January 1, 2005. Based on this Directive (and the follow-up regulations), the Group is obliged to redeem specified emission rights for carbon dioxide emissions incurred during cartonboard production. These emission rights have been allocated free of charge to the Group's respective production sites for the period from 2013 to 2020. For the period from 2021 to 2030, the allocation process is currently reviewed by the EU. As far as is currently known rights will again be allocated free of charge according to a benchmark system whose conditions are currently revised by the EU commission. The adoption of the implementing act is expected for mid-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 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, 2019 and 2018, the Group had sufficient emission rights available.

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

Income taxes

The Group operates in numerous countries and is therefore subject to a wide range of tax laws in numerous tax jurisdictions. Calculating global tax liabilities requires comprehensive assessments that may result in the actual outcome of such tax-related uncertainties differing from the original estimate and in consequences for tax liabilities and deferred taxes (see note 9).

Realization of deferred tax assets

Deferred taxes are calculated by applying the tax rates which are effective on the balance sheet date or have essentially been legally adopted and which are expected to be valid at the time of realization of a deferred tax asset or the settlement of a deferred tax liability as well as by evaluating the capacity of future taxable income. Future taxable results which differ from the assumptions may result in the fact that the realization of deferred tax assets becomes improbable, and a valuation allowance for the respective assets has to be recorded (see note 9).

Duration of leases

The Group determines the duration of the lease based on the non-cancellable base term of the lease as well as by including the period arising from an option to extend the lease. When assessing whether there is sufficient certainty that the option to extend or terminate the lease is exercised or not, discretionary decisions are made. All relevant factors representing an economic incentive are considered. These are scrutinized and re-evaluated as circumstances change, which can result in an adjustment of the lease term and thus in adjustments of the lease liability and the right-of-use asset. The relevant assumptions for determining the useful life of offices and warehouses with unlimited agreements were adopted according to strategic objectives, location and costs (see note 14).

Provisions for pensions, severance payments, and anniversary bonuses

The actuarial calculation of obligations regarding pensions, severance payments, and anniversary bonuses is based on assumptions about discount rates, salary and pension adjustments, life expectancy, and retirement age. Additionally, the probable employee turnover depending on the years of service is used for assessing anniversary bonuses. Actual outcomes may be different from these assumptions due to changes in the economic environment and market conditions and, as a result, can result in a significant change in non-current provision as well as equity (see note 15).

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 (see note 18).

5 — CHANGES IN THE CONSOLIDATED COMPANIES

a — Changes in 2019

In January 2019, the division MM Packaging acquired 100 % of the shares in Eurasia Invest Holding AG including its subsidiaries, i.e. the Tann-Group. The Tann-Group, headquartered in Traun, Austria, finishes externally sourced fine paper in a gravure printing process to produce cigarette filter paper (tipping paper) and is a global market leader in this field. Through the acquisition, MM Packaging expands the existing production of folding carton packaging by the technologically related production of tipping paper. Based on technological similarities and a long-standing cooperation with the same top-customers, the acquisition fits strategically well into the division MM Packaging. The aim is to strengthen the profitability of the division through extended value added. Additionally, the development of the plants should be used to exploit new potential.

The cash-paid purchase price amounts to thous. EUR 267,718, of which thous. EUR 10,000 are deposited on an escrow account as of the balance sheet date, and was financed by cash as well as using available credit lines in an amount of thous. EUR 120,000. Inclusion into the Group and division was effected on January 15, 2019.

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)	Jan. 15, 2019
Property, plant and equipment	98,485
Intangible assets	114,204
Securities and other financial assets	357
Deferred tax assets	2,894
Inventories	33,301
Trade receivables	29,520
Prepaid expenses and other current assets	12,476
Cash and cash equivalents	19,392
Non-controlling (minority) interests	(3,727)
Deferred tax liabilities	(34,681)
Provisions for non-current liabilities and charges	(11,241)
Financial liabilities	(90,615)
Current tax liabilities	(3,212)
Trade liabilities	(12,084)
Prepaid expenses, other provisions and liabilities	(17,847)
Goodwill	130,496
Net assets	267,718

The fair values of machines and technical equipment were determined by an independent external expert using a cost-based approach based on replacement cost or valorised acquisitions cost for similar machines. The real estate was measured at fair value as determined by independent external expert reports depending on the available market data using either market or income approach.

The intangible assets include, in particular, of customer relationships in an amount of thous. EUR 112,861, which are based on long-term customer relations and amortized over a useful life of up to 21 years.

Trade receivables comprise gross contractual receivables amounting to thous. EUR 30,196 of which thous. EUR 676 are estimated as presumably irrecoverable, resulting in a fair value of thous. EUR 29,520. In the case of tax receivables in the amount of thous. EUR 5,945 as well as other receivables of

thous. EUR 5,776 the fair values correspond to the gross amounts. Due to the short-term nature of receivables, the Group assumes that the future cash flows correspond to the fair value. The Group has not recognized any contingent liabilities in the course of the transaction.

The remaining goodwill of thous. EUR 130,496 mainly reflects expected synergies achieved by portfolio expansion, network effects of the acquired sites and the leading market position in the field of tipping paper. There are additional adjustments of balance sheet positions and remaining goodwill of thous. EUR 1,432 in comparison to the values as of June 30, 2019, which arose from the final evaluation in the course of the purchase price allocation. Non-controlling (minority) interests of thous. EUR 3,727 have been determined as a proportionate share of the identifiable net assets of the respective subsidiaries. Recognized goodwill is not deductible for tax purposes.

Of the acquisition-related costs amounting to thous. EUR 1,388, thous. EUR 983 were recorded as expense in the financial year 2018 and thous. EUR 405 in the financial year 2019 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 2019 amounted to thous. EUR 213,504 and thous. EUR 22,256. Profit before tax was reduced by a non-recurring effect amounting to thous. EUR 4,808, which results from the valuation of inventory and order backlog performed in the course of the purchase price allocation and was recognized as cost of sales in the first half-year. If the acquisition had been concluded as of January 1, 2019, the Tann-Group would have additionally contributed thous. EUR 7,481 to the Group's sales and thous. EUR 1,320 to the Group's profit before tax.

Additionally, there were a purchase of interests in a joint venture (see note 8) and further insignificant changes in individual subsidiaries (see note 33).

b — Changes in 2018

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

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

6 — DEVELOPMENT OF FIXED ASSETS

a — Property, plant and equipment including leases

Property, plant and equipment

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

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

The Group capitalizes significant renewal investments and leasehold improvements. Generally, costs resulting in a prolongation of utilization or in an increase in future utilization of assets are capitalized. Current costs of maintenance and repairs are recognized as expenses 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 2019

(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, 2019	550,254	1,690,388	176,808	54,127	2,471,577
Recognition right-of-use assets from initial application of IFRS 16	49,279	1,413	2,263	0	52,955
Adjusted balance at Jan. 1, 2019	599,533	1,691,801	179,071	54,127	2,524,532
Effect of exchange rate changes	3,274	3,623	537	310	7,744
Changes in consolidated companies	48,824	45,288	2,825	1,548	98,485
Additions	10,845	60,693	11,182	71,246	153,966
Disposals	(2,576)	(17,793)	(5,195)	(17)	(25,581)
Reclassifications	9,916	35,837	1,665	(48,538)	(1,120)
Balance at Dec. 31, 2019	669,816	1,819,449	190,085	78,676	2,758,026
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
Balance at Jan. 1, 2019	271,103	1,213,908	133,959	0	1,618,970
Effect of exchange rate changes	1,051	2,066	490	0	3,607
Disposals	(1,458)	(15,640)	(4,701)	0	(21,799)
Depreciation/amortization expense for the year	23,491	86,064	13,475	0	123,030
Reclassifications	(16)	(225)	(12)	0	(253)
Balance at Dec. 31, 2019	294,171	1,286,173	143,211	0	1,723,555
NET BOOK VALUE:					
Net book value at Dec. 31, 2019	375,645	533,276	46,874	78,676	1,034,471
Net book value at Dec. 31, 2018	279,151	476,480	42,849	54,127	852,607

Development of property, plant and equipment 2018

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

Leases

The first-time application of IFRS 16 comprises the following items in the balance sheet for leases in which the Group is a lessee. The table presents additional information for the right-of-use assets by classes of underlying assets:

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	Property, plant and equipment
Balance at Jan. 1, 2019	3,066	2,621	0	5,687
Recognition right-of-use assets from initial application of IFRS 16	49,279	1,413	2,263	52,955
Adjusted balance at Jan. 1, 2019	52,345	4,034	2,263	58,642
Effect of exchange rate changes	219	(41)	22	200
Changes in consolidated companies	3,236	0	131	3,367
Additions	4,355	616	135	5,106
Disposals	(1,073)	0	(23)	(1,096)
Amortization expense for the year	(7,613)	(1,246)	(785)	(9,644)
Balance at Dec. 31, 2019	51,469	3,363	1,743	56,575

Disposals of the right-of-use assets essentially include contract adjustments and changes in term assumptions.

b — Intangible assets including goodwill

Intangible assets acquired for valuable consideration which are determined to have a finite useful life are capitalized at acquisition cost and amortized on a straight-line basis over the following estimated useful lives:

Concessions, licenses and similar rights	5 – 10 years
Customer relationships and other intangible assets	5 – 21 years

Amortization of intangible assets is recognized based on the nature of the respective intangible assets in cost of sales, selling and distribution as well as administrative expenses.

Development of intangible assets including goodwill 2019

(in thousands of EUR)	Concessions, licenses and similar rights	Goodwill	Customer relationships and other intangible assets	Intangible assets including goodwill
ACQUISITION OR MANUFACTURING COSTS:				
Balance at Jan. 1, 2019	62,898	115,510	31,838	210,246
Effect of exchange rate changes	(10)	(108)	(417)	(535)
Changes in consolidated companies	1,343	130,496	112,861	244,700
Additions	2,236	0	0	2,236
Disposals	(267)	0	0	(267)
Reclassifications	625	0	0	625
Balance at Dec. 31, 2019	66,825	245,898	144,282	457,005
ACCUMULATED AMORTIZATION AND IMPAIRMENT:				
Balance at Jan. 1, 2019	54,086	9,046	24,246	87,378
Effect of exchange rate changes	(13)	2	(410)	(421)
Disposals	(247)	0	0	(247)
Amortization expense for the year	2,743	0	8,556	11,299
Balance at Dec. 31, 2019	56,569	9,048	32,392	98,009
NET BOOK VALUE:				
Net book value at Dec. 31, 2019	10,256	236,850	111,890	358,996
Net book value at Dec. 31, 2018	8,812	106,464	7,592	122,868

Development of intangible assets including goodwill 2018

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

In the financial year 2019, depreciation and amortization expenses recorded under "Property, plant and equipment" and "Intangible assets including goodwill" amounted to thous. EUR 134,329 (2018: thous. EUR 107,278). 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.

Property, plant and equipment and intangible assets with a finite useful life

Property, plant and equipment and intangible assets with a finite useful life are recognized at acquisition or manufacturing cost less accumulated depreciation and impairment and depreciated over their useful lives. Based on external and internal information sources, the Group monitors events and changed circumstances indicating that those assets could have been impaired (e.g., technical or physical obsolescence of assets or unscheduled downtimes as well as changed economic circumstances).

As soon as such events have occurred or circumstances have changed, value in use is determined for the concerned subsidiary based on the present value of estimated future cash flows (Free Cash Flows) before taxes using the discounted cash flow method. If and when necessary, external expert opinions for determining the fair value less costs to sell are additionally obtained. If, based on this procedure and these underlying assumptions, the recoverable amount (value in use or fair value less costs to sell) is lower than the respective book value of the group of assets, the difference is recorded as impairment. Neither in 2019 nor in 2018 an impairment on assets was recognized on this basis.

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 at the level of the operating segments MM Karton and MM Packaging (see note 19). The impairment test is carried out at this organizational level. Goodwill is allocated to the operating segments as follows:

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Goodwill MM Karton	4,612	4,612
Goodwill MM Packaging	232,238	101,852
Goodwill Group	236,850	106,464

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 recoverable amount. The recoverable amount is defined as the higher of value in use and fair value less cost to sell of the Group's respective cash generating units. For the impairment test, the respective recoverable amount is determined based on the calculation of value in use for each operating segment.

Calculation of value in use

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

Discount rate	The discount rate represents the weighted average cost of capital (WACC) of the Group before taxes, and, for the current financial year, it amounts to 9.98 % (2018: 10.11 %) for the segment MM Karton and to 12.99 % (2018: 13.02 %) 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 (2018: five years). The last planned year is also used for the cash flow calculation hereafter and modified using further assumptions for the terminal value.
Free Cash Flow	The free cash flows in the detailed forecast period are based on the estimates of the medium-term corporate planning of the two segments, which was approved by the Supervisory Board. This includes assumptions about volume and earnings developments which were derived from external forecasts, historical experience, and internal management projections of the market environment.
Growth rate	For the Free Cash Flows after the five year detailed forecast period a continuous growth rate of 1.5 % p. a. (2018: 1.5 % p. a.) including a retention rate is considered.
EBITDA margin/Cost development	Based on the expectation of the Company, a stable EBITDA margin and fixed cost development is assumed. Capital expenditures are expected to be in the same amount as depreciation.

If, based on this procedure and these underlying assumptions, the recoverable amount (value in use) is determined to be lower than the respective book value of the cash generating operating segment including the respective goodwill assigned, the difference is recorded as impairment.

The Group has conducted its annual impairment test as of December 31, 2019 and December 31, 2018. Neither in 2019 nor in 2018 an impairment on goodwill was recognized on this basis.

Sensitivity of underlying assumptions

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

The respective pre-tax discount rate according to which the value in use would equal the book value as of December 31, 2019 amounts to 17.25 % (December 31, 2018: 16.95 %) for the operating segment MM Karton and to 15.64 % (December 31, 2018: 18.30 %) for the operating segment MM Packaging.

A decrease in free cash flows by 5.0 % points or in growth rate by 0.5 % points would not have led to any impairment, neither as of December 31, 2019 nor as of December 31, 2018, for both operating segments.

As of December 31, 2019, the Group's market capitalization amounted to thous. EUR 2,392,000 (December 31, 2018: thous. EUR 2,200,000), and the book value of equity amounted to thous. EUR 1,508,309 (December 31, 2018: thous. EUR 1,384,759).

7 — FINANCIAL INSTRUMENTS DISCLOSURES

a — Classification and measurement of financial instruments

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

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

Financial assets are classified and measured as follows:

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

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

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

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

The Group classifies trade accounts receivable and all other financial receivables in this category. In addition, all liquid funds, such as fixed deposits and cash items, are classified in this measurement category.

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

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

The Group does not hold debt instruments that are measured at fair value through other comprehensive income.

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

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

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

Recognition and derecognition

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

Measurement

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

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

Impairment

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

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

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

Financial liabilities are classified and measured as follows:

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

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

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

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

(in thousands of EUR)	At fair value through profit and loss	At amortized cost ²⁾	Total
	Carrying amount at Dec. 31, 2019		
Securities and other financial assets ¹⁾	1,682	969	2,651
Trade receivables	0	418,733	418,733
Other receivables and assets incl. derivatives ³⁾	1,660	8,262	9,922
Cash and cash equivalents	0	126,807	126,807
Total	3,342	554,771	558,113
	Carrying amount at Dec. 31, 2018		
Securities and other financial assets ¹⁾	1,188	1,442	2,630
Trade receivables	0	367,531	367,531
Other receivables and assets incl. derivatives ³⁾	717	9,119	9,836
Cash and cash equivalents	0	260,982	260,982
Total	1,905	639,074	640,979

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

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

³⁾ see note 12

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

(in thousands of EUR)	At fair value through profit and loss	At amortized cost ¹⁾	Total
	Carrying amount at Dec. 31, 2019		
Interest-bearing financial liabilities	0	291,720	291,720
Lease liabilities	0	53,663	53,663
Trade liabilities	0	219,562	219,562
Other liabilities incl. derivatives ²⁾	1,840	10,144	11,984
Total	1,840	575,089	576,929
	Carrying amount at Dec. 31, 2018		
Interest-bearing financial liabilities incl. finance lease	0	211,682	211,682
Trade liabilities	0	205,114	205,114
Other liabilities incl. derivatives ²⁾	963	7,657	8,620
Total	963	424,453	425,416

¹⁾ The reported amounts regarding financial liabilities measured at amortized cost represent a proper approximation to the fair value.

²⁾ see note 17

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

(in thousands of EUR)	At fair value through profit and loss	At amortized cost	Total
	Income and expense 2019		
In profit for the year	1,238	1,524	2,762
Interest/dividends received	283	1,465	1,748
Fair value/carrying amount changes	955	59	1,014
In other comprehensive income	0	0	0
Change in fair value	0	0	0
Net profit/loss	1,238	1,524	2,762
	Income and expense 2018		
In profit for the year	219	1,068	1,287
Interest/dividends received	422	1,326	1,748
Fair value/carrying amount changes	(1,346)	(258)	(1,604)
Gains/losses from disposals	1,143	0	1,143
In other comprehensive income	0	0	0
Change in fair value	0	0	0
Net profit/loss	219	1,068	1,287

All income and expenses are recognized in the income statement.

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

(in thousands of EUR)	At fair value through profit and loss	At amortized cost	Total
	Income and expense 2019		
In profit for the year	(877)	(8,229)	(9,106)
Interest	0	(8,394)	(8,394)
Fair value/carrying amount changes	(877)	165	(712)
Net profit/loss	(877)	(8,229)	(9,106)
	Income and expense 2018		
In profit for the year	32	(6,078)	(6,046)
Interest	0	(6,078)	(6,078)
Fair value/carrying amount changes	32	0	32
Net profit/loss	32	(6,078)	(6,046)

b — Derivatives

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

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

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

As of December 31, 2019, the Group had concluded foreign exchange forward, swap and option contracts with a nominal value of receivables of thous. EUR 178,668 (December 31, 2018: thous. EUR 174,282) and liabilities of thous. EUR 178,891 (December 31, 2018: thous. EUR 174,443) with a negative total market value of thous. EUR 180 (December 31, 2018: thous. EUR 246).

The derivative financial instruments are recorded in the consolidated balance sheet under "Prepaid expenses and other current assets" as current assets in the amount of thous. EUR 1,660 (December 31, 2018: thous. EUR 717) and under "Deferred income and other current liabilities" as current liabilities in the amount of thous. EUR 1,840 (December 31, 2018: thous. EUR 963).

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

c — Financial Risk Management

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

Credit and default risk

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

Credit and default risks are continuously monitored; existing and identifiable risks are provided for by recording appropriate allowances or provisions. For the assessment of the overall risk, existing insurance coverage, possible guarantees, and letters of credit are taken into consideration. Financial instruments which may cause a concentration of financial risks within the Group in certain cases comprise primarily cash and cash equivalents and trade receivables. Trade receivables derive from a broad and diversified group of customers with different credit ratings. The financial risk arising from customers is monitored by ongoing credit rating assessments. Additionally, the Group concludes credit insurance contracts in order to cover certain potentially non-collectible receivables.

Furthermore, the Group forms allowances based on the expected loss of the total volume of receivables. If trade accounts receivables are insured against default and if an allowance becomes necessary, only the amount not covered by insurance is to be recognized. The Group reports single or lump-sum allowances, respectively at Group level the expected credit loss model according to IFRS 9 is applied. The impairment model is based on the premise of providing for expected losses. The Group has implemented a framework for determining simplified expected credit losses from trade receivables in accordance with IFRS 9, which provides reliable results by using suitable parameters based on historical defaults. For the measurement, the Group applies a simplified approach using an allowance matrix which considers probability-weighted total credit loss ("life-time expected credit loss model"). The calculation of estimated expected credit losses is based on actual credit loss experiences over the past four years separately for the regions Europe, the Americas, and Asia-MENA. The inclusion of forward-looking information in the determination is taken into account by using CDS spreads for the calculation, as they reflect the future default risk. The Group considers the other financial assets as insignificant in view of a potential impairment.

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

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

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

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

Liquidity risk

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

The following table shows the undiscounted future cash outflows arising from interest-bearing financial liabilities, lease liabilities, trade liabilities, payment obligations and payment entitlements arising from derivative financial instruments as well as interest for interest-bearing financial liabilities and lease liabilities based on the remaining maturity as of the balance sheet date or referred to the contractually agreed maturity.

(in thousands of EUR)	Up to 3 months	3 months up to 1 year	1 – 2 years	2 – 5 years	Over 5 years
Balance at Dec. 31, 2019					
Interest-bearing financial liabilities	47,570	56,924	13,928	103,298	70,000
Interest for interest-bearing financial liabilities	437	3,782	3,721	9,346	2,839
Lease liabilities	1,866	6,483	7,074	12,966	25,274
Interest for lease liabilities	389	1,123	1,346	3,214	13,544
Trade liabilities	178,516	40,923	123	0	0
Payment obligations from derivative financial instruments	167,206	11,685	0	0	0
Payment entitlements for derivative financial instruments	(167,137)	(11,530)	0	0	0
Balance at Dec. 31, 2018					
Interest-bearing financial liabilities incl. finance lease	23,041	11,293	6,410	20,938	150,000
Interest for interest-bearing financial liabilities incl. finance lease	267	3,386	3,398	9,293	5,745
Trade liabilities	204,786	328	0	0	0
Payment obligations from derivative financial instruments	157,784	16,659	0	0	0
Payment entitlements for derivative financial instruments	(158,103)	(16,179)	0	0	0

Currency risk

Currency risk is the risk arising from changes in the value of financial instruments due to exchange rate 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, 2019 (December 31, 2018) 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	
		2019	2018
EUR ¹⁾	+/- 5 %	-/+ 253	-/+ 340
GBP	+/- 5 %	+/- 198	+/- 101
USD	+/- 5 %	-/+ 439	-/+ 59

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

Interest rate risk

The interest rate risk is referred to as the risk arising from changes in market interest rates which can result in a fluctuation of the values of balance sheet items or a fluctuation in cash flows. For balance sheet items with fixed interest, the risk consists mainly in fluctuations in value (price risk); when the market interest rate changes, the (present) value of financial instruments with fixed interest payments will also change. Due to these value fluctuations, profit or loss can arise; these are particularly realized when the financial instrument is sold before maturity. For balance sheet items with a variable interest rate, there is mainly the risk of fluctuating cash flows. In case the market interest rate changes, the amount of interest receivable or payable from financial instruments with variable interest payments will also change. Such changes would alter the ongoing interest payments and thus also interest income and expense. As of December 31, 2019, 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, 2019 (December 31, 2018) 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	
		2019	2018
Financial assets with variable interest	+/- 0.1 %	+/- 25	+/- 20
Financial liabilities with variable interest	+/- 0.1 %	-/+ 151	-/+ 100

d — Capital management

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

Capital management aims in particular 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, as well as to ensure the necessary liquidity reserves.

Equity and total assets as of December 31, 2019 and December 31, 2018 amounted to:

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Total equity	1,508,309	1,384,759
Total assets	2,422,653	2,065,705
Equity ratio	62.3 %	67.0 %

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

Group's liquidity reserves are reflected by net debt indicator. It is calculated as of December 31, 2019 and December 31, 2018 as follows:

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Total funds available	126,807	261,143
Financial liabilities	(345,383)	(211,682)
Net debt (-)/Net liquidity (+)	(218,576)	49,461

Total funds available to the Group decreased in particular due to the purchase price payment for the acquisition of Tann-Group resulting in a net debt as of December 31, 2019 in comparison to a net liquidity as of December 31, 2018.

There are financial covenants partly agreed on with lenders for the interest-bearing financial liabilities. The financial covenants are mainly related to the equity 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)	Dec. 31, 2019	Dec. 31, 2018
Financial assets:		
Derivative financial instruments (level 2)	1,660	717
Securities (level 1)	367	0
Financial liabilities:		
Derivative financial instruments (level 2)	1,840	963

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 1 – Quoted market prices are available	Measurement based on quoted market prices for similar financial instruments
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 securities (Level 1 measurement) is determined based on the prices quoted on active markets.

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 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.

As of December 31, 2019, other financial assets classified as “at fair value through profit or loss” include investments in unconsolidated companies in the amount of thous. EUR 1,315 (December 31, 2018: thous. EUR 1,188). In general, these must be measured at fair value. However, cost represents an appropriate estimate of fair value. Due to the minor importance of these entities, particularly with regard to their low business volume and their significance to the Group, fair value has not been calculated.

8 — INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, SECURITIES, AND OTHER FINANCIAL ASSETS

Investments in associated companies

Investments in associated companies in which the Group has the ability to exercise significant influence, but no dominant control over their operating and financial policies are accounted for using the equity method and are primarily recognized at their acquisition costs. This is generally the case when the voting interest is between 20 % and 50 %. Additionally, the Group also has investments in associated companies which are not measured using the equity method but at their acquisition cost because of immateriality.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method and are primarily recognized at their acquisition costs. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Securities

The Group measures its securities mostly at fair value through profit and loss. Premiums and accretions of discount of debt securities are allocated over their maturity period and are included in the income statement under the positions "financial income" or "financial expenses".

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

Other financial assets

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

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

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Investments in associated companies	2,104	2,136
Investments in joint ventures	1,472	0
Other investments	1,315	1,188
Liability insurance not pledged to beneficiaries	848	1,281
Non-current securities	488	161
Investments accounted for using the equity method, securities and other financial assets	6,227	4,766

As of December 31, 2019, non-current securities of the Group comprised investment funds and fixed-interest-bearing securities in the amount of thous. EUR 488. In the previous year, the Group held only non-current fixed-interest-bearing securities amounting to thous. EUR 161.

The Group holds 45 % of shares in Société Tunisienne des Emballages Modernes (STEM), Tunis, Tunisia (see note 33). The shares in this company represent an individually immaterial associated company that is accounted for using the equity method.

The Group holds 40 % of shares in Zhejiang TF Special Papers Co., Ltd., Quzhou City, China (see note 33). Decisions on relevant activities must be made unanimously. The shares in this company thus represent a joint venture that is individually immaterial and accounted for using the equity method.

The following table summarizes the financial information:

(in thousands of EUR)	Investments in associates		Investments in joint ventures	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Share of result for the year ¹⁾	(230)	(347)	(64)	0
Share of other comprehensive income ²⁾	198	(824)	1	0
Share of total comprehensive income	(32)	(1,171)	(63)	0

¹⁾ recognized in "Other financial result - net"

²⁾ Share of foreign currency translations in the consolidated comprehensive income statement

9 — INCOME TAXES

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

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

Deferred tax assets and liabilities are recognized for all temporary differences between tax and the consolidated balance sheet. Deferred taxes are evaluated using the tax rates which are already in force on the balance sheet date or which have essentially been legally adopted and which are expected to be valid at the time of realization of the deferred tax asset or the settlement of deferred tax liability. Deferred tax assets are recognized only if there is a probability that sufficient taxable profit will be available for the utilization of the deductible temporary differences. Unrecognized deferred tax entitlements are reassessed at every balance sheet date. If losses are incurred in the current period or have been incurred in the previous period, deferred tax assets 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, joint ventures 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 that are subject to withholding tax or that are not covered by the international participation exemption, 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. This applies, in particular, to subsidiaries that are part of the Austrian tax group or to entities of the MM Group that are part of a tax unity.

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.

a — Deferred taxes recognized in the balance sheet

Deferred tax assets and liabilities 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, 2019	Dec. 31, 2018
Intangible assets	1,666	1,943
Property, plant and equipment	10,234	9,389
Inventories	6,650	6,247
Defined benefit plans and other liabilities and charges	28,465	21,166
Loans receivable, investments and securities	1,862	1,615
Loss carryforwards	11,970	13,908
Financial liabilities	13,500	355
Other	2,968	3,385
Gross deferred tax assets	77,315	58,008
Unrecognized deferred tax assets	(9,408)	(12,362)
Net deferred tax assets	67,907	45,646
Offset	(25,453)	(22,073)
Deferred tax assets in the balance sheet	42,454	23,573
Intangible assets	(28,313)	(3,271)
Property, plant and equipment	(25,488)	(10,873)
Inventories	(797)	(901)
Defined benefit plans and other liabilities and charges	(3,728)	(11,515)
Loans receivable, investments and securities	(2,489)	(3,485)
Other	(4,330)	(6,425)
Net deferred tax liabilities	(65,145)	(36,470)
Offset	25,453	22,073
Deferred tax liabilities in the balance sheet	(39,692)	(14,397)

The unrecognized deferred tax assets in the amount of thous. EUR 9,408 (December 31, 2018: thous. EUR 12,362) comprise thous. EUR 8,252 (December 31, 2018: thous. EUR 10,834) of unrecognized loss carryforwards.

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

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Deferred tax assets, realized within 12 months	12,740	11,543
Deferred tax assets, realized after 12 months	55,167	34,103
Deferred tax assets	67,907	45,646
Deferred tax liabilities, realized within 12 months	(2,834)	(8,339)
Deferred tax liabilities, realized after 12 months	(62,311)	(28,131)
Deferred tax liabilities	(65,145)	(36,470)

Deferred tax liabilities which result from the difference between the tax carrying amount of investments and pro-rata equity (Outside-Basis-Differences) were not recognized for certain subsidiaries and investments in joint ventures and associated companies, as it is probable that this temporary difference will not be dissolved in the near future. These retained earnings amounted to thous. EUR 1,273,295 at December 31, 2019 (December 31, 2018: thous. EUR 1,090,353). 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.

Tax assesment is still outstanding for several years. After a detailed analysis of potential risks, the Group considers all the risks for pending years of tax assesments to be covered sufficiently.

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, 2019	Dec. 31, 2018
Loss carryforwards with expiration	25,100	28,557
Loss carryforwards with no expiration	24,240	27,455
Loss carryforwards	49,340	56,012
(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Recognized loss carryforwards	15,453	12,288
Unrecognized loss carryforwards	33,887	43,724
Loss carryforwards	49,340	56,012

The loss carryforwards limited in time will expire between 2020 and 2024 unless they are utilized before these dates.

The assessment of the recognition of loss carryforwards showed that for thous. EUR 15,453 (December 31, 2018: thous. EUR 12,288), deferred tax assets amounting to thous. EUR 3,718 (December 31, 2018: thous. EUR 3,074) were recognized. For the remaining amount of thous. EUR 33,887 (December 31, 2018: thous. EUR 43,724), deferred tax assets amounting to thous. EUR 8,252 (December 31, 2018: thous. EUR 10,834) 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, 2019	Year ended Dec. 31, 2018
1 year	2,480	810
2 years	2,103	1,189
3 years	7,473	4,377
4 years	8,065	9,855
5 years	3,370	8,621
After 5 years	0	784
No expiration	10,396	18,088
Total	33,887	43,724

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, 2019	Year ended Dec. 31, 2018
Current taxes:		
Current period	74,544	55,816
Due to utilization of previously unrecognized loss carryforwards	(154)	(15)
Prior periods	6,649	(346)
Deferred taxes:		
Due to temporary differences	(18,989)	(3,536)
Due to tax loss carryforwards of the current period	(2,086)	(182)
Due to utilization of recognized loss carryforwards	1,254	2,259
Due to change of allowances	(39)	(31)
Due to tax rate changes	(269)	(218)
Income tax expense	60,910	53,747

d — Tax effects on “Other comprehensive income”

The amount of income taxes directly recognized in other comprehensive income is based on actuarial losses from defined benefit plans booked in 2019 amounting to thous. EUR 19,843 (2018: thous. EUR 1,280). Thereon deferred taxes amounting to thous. EUR 5,309 (2018: thous. EUR 429), were recognized for the financial year 2019. As a result, actuarial losses from defined benefit plans after tax amounted to thous. EUR 14,534 (2018: thous. EUR 851).

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, 2019	Year ended Dec. 31, 2018
Applicable tax rate	24.05 %	24.56 %
Non-deductible expenses and tax-free income	(0.66 %)	(2.17 %)
Tax effect from unrecognized loss carryforwards of the financial year	0.29 %	1.51 %
Tax effect from the recognition of loss carryforwards of previous years	(0.83 %)	0.00 %
Tax effect from utilization of unrecognized loss carryforwards	(0.06 %)	(0.01 %)
Tax effect from changed assumptions of recoverability of deferred tax assets allowances	(0.02 %)	0.09 %
Tax effect from capital gains and withholding tax	1.28 %	1.56 %
Tax effect from tax rate changes	(0.10 %)	(0.10 %)
Non-periodic income tax expense or revenue (current and deferred)	0.32 %	(0.82 %)
Other effects	(0.02 %)	0.04 %
Effective tax rate	24.25 %	24.66 %

10 — INVENTORIES

Inventories are valued at the lower of acquisition or manufacturing costs and the net realizable value. The net realizable value is based on expected selling prices and takes into consideration remaining costs of completion as well as estimated selling and distribution expenses. In order to determine purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale, a weighted average price method, taking into consideration the sales market, is primarily applied in the cartonboard division. In the packaging division, the purchase costs of raw materials, manufacturing and operating supplies as well as goods for resale are basically recognized using the actual sequence of consumption (specific identification method). The value of raw materials, manufacturing and operating supplies recognized in the balance sheet is based on data from physical stock-taking 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, 2019	Dec. 31, 2018
Raw materials, manufacturing and operating supplies	204,795	191,653
Work in process	26,565	26,412
Finished goods and goods for resale	165,090	158,108
Total	396,450	376,173
Write-downs	(32,911)	(29,313)
Inventories – net	363,539	346,860

In the financial year 2019, write-downs of inventories recognized as an expense amounted to thous. EUR 9,876 (2018: thous. EUR 8,249), the reversal of write-downs as a result of changes in prices of inventories recognized as income amounted to thous. EUR 464 (2018: thous. EUR 1,450), both under cost of goods sold. The carrying amount of inventories carried at net realizable value amounted to thous. EUR 21,845 (December 31, 2018: thous. EUR 20,654).

Cost of materials and purchased services recognized in cost of goods sold presented in the Group's income statement can be broken down as follows:

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Cost of materials	1,329,150	1,264,210
Cost of purchased services	32,968	39,753
Total	1,362,118	1,303,963

11 — TRADE RECEIVABLES

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

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	420,124	368,918
Allowances	(1,391)	(1,387)
Trade receivables – net	418,733	367,531

As of December 31, 2019 and December 31, 2018, the aging of trade receivables overdue but not impaired is as follows:

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Up to 30 days overdue	6,883	5,779
31 – 60 days overdue	4,093	2,386
61 – 365 days overdue	2,993	2,614
More than 365 days overdue	500	102
Total of trade receivables overdue but not impaired	14,469	10,881

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)	2019	2018
Allowances at the beginning of the year	1,387	1,192
Effect of exchange rate changes	17	(14)
Changes in consolidated companies	676	0
Utilization	(633)	(49)
Reversal	(370)	(322)
Increase	314	580
Allowances at the end of the year	1,391	1,387

12 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are as follows:

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Value-added tax receivables	19,873	22,614
Other tax receivables	11,819	17,898
Prepaid expenses	10,198	10,000
Assets held for sale	3,739	3,553
Payments on account	2,235	7,405
Other receivables and other assets	15,638	14,532
Prepaid expenses and other current assets	63,502	76,002
Thereof financial assets	9,922	9,836
Thereof non-financial assets	53,580	66,166

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.

The Management Board was authorized by the 25th Ordinary Shareholders' Meeting to repurchase own shares up of to 10 % of the Group's share capital, which remains valid until October 24, 2021. As of December 31, 2019, the Management Board has made no use of this authorization.

b — Retained earnings/dividend

Retained earnings comprise accumulated results from previous years.

Under the Austrian Stock Corporation Act, the amount of dividend available for distribution to shareholders is based on the unappropriated retained earnings from the annual financial statements of Mayr-Melnhof Karton AG, determined in accordance with the Austrian Commercial Code. As of December 31, 2019, the distributable unappropriated retained earnings amounted to thous. EUR 75,000 (December 31, 2018: thous. EUR 65,000).

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

(in thousands of EUR)	2019	2018
Unappropriated retained earnings at Jan. 1	65,000	66,000
Net profit of the Company for the year ended Dec. 31	69,602	56,945
Changes in reserves	4,398	4,055
Dividend paid	(64,000)	(62,000)
Unappropriated retained earnings at Dec. 31	75,000	65,000

For the year ended December 31, 2019, the Management Board has proposed to the Supervisory Board and subsequently to the Shareholders' Meeting a dividend of EUR 3.60 per voting share after EUR 3.20 for 2018, resulting in a dividend of thous. EUR 72,000 as of the balance sheet date of 2019. The dividend for 2018, amounting to thous. EUR 64,000, was paid out according to schedule on May 8, 2019 (see consolidated statement of changes in equity).

c — Non-controlling (minority) interests

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

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

(in thousands EUR)	Dec. 31, 2019		Dec. 31, 2018	
	MM Karton	MM Packaging	MM Karton	MM Packaging
Non-current assets	592	54,723	377	36,712
Current assets	3,210	66,836	3,131	29,547
Non-current liabilities	848	28,683	569	22,059
Current liabilities	1,145	33,813	1,163	12,121
Net assets	1,809	59,063	1,776	32,079
Carrying amount of the non-controlling (minority) interests	704	4,571	715	1,449
	Year ended Dec. 31, 2019		Year ended Dec. 31, 2018	
Sales	6,027	68,982	5,802	41,654
Profit for the year	1,190	6,695	1,121	6,880
Thereof attributable to non-controlling (minority) interests	364	112	375	120
Total comprehensive income	1,496	6,540	1,504	7,553
Thereof attributable to non-controlling (minority) interests	346	108	379	169
Dividend paid to non-controlling (minority) interests	357	690	297	449
Net change in cash and cash equivalents	0	16,996	0	5,600

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 2019, profit and loss recognized in other comprehensive income consisted of foreign currency translations with a positive amount of thous. EUR 9,199 (2018: negative amount of thous. EUR 34,399) as well as actuarial losses in the amount of thous. EUR 19,843 (2018: thous. EUR 1,280). Thereon deferred taxes in the amount of thous. EUR 5,309 (2018: thous. EUR 429), were recognized for the financial year 2019.

14 — FINANCIAL LIABILITIES AND LEASES

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

The financial liabilities of the Group are as follows:

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Non-current interest-bearing financial liabilities	187,226	176,539
Non-current lease liabilities	45,314	809
Non-current financial liabilities	232,540	177,348
Current interest-bearing financial liabilities	104,494	33,842
Current lease liabilities	8,349	492
Current financial liabilities	112,843	34,334
Financial liabilities	345,383	211,682

a — Interest-bearing financial liabilities

As of December 31, 2019 and December 31, 2018, 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, 2019
0.789 % EUR loan(s) due 2020	55,688
9.450 % JOD loan(s) due 2020	1,573
6.524 % CNY loan(s) due 2020	1,235
0.750 % EUR loan(s) due 2021	12,693
6.524 % CNY loan(s) due 2021	1,235
0.691 % EUR loan(s) due 2022	20,000
6.524 % CNY loan(s) due 2022	1,235
6.524 % CNY loan(s) due 2023	2,063
1.846 % EUR loan(s) due 2024	80,000
0.691 % EUR loan(s) due 2025	20,000
2.673 % EUR loan(s) due 2026	50,000
Used loan facilities	45,998
Interest-bearing financial liabilities	291,720
Thereof non-current interest-bearing financial liabilities	187,226
Thereof current interest-bearing financial liabilities	104,494

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

As of December 31, 2019, the weighted average interest rate for these financial liabilities was 1.610 % (December 31, 2018: 1.869 %).

As of December 31, 2019, the Group had available current interest-bearing loan facilities in the amount of thous. EUR 45,998 (December 31, 2018: thous. EUR 2,918), of which thous. EUR 45,998 (December 31, 2018: thous. EUR 2,918) were used as of the balance sheet date. As of December 31, 2019, the weighted average interest rate of these current loans, mainly used by subsidiaries in Austria, was 1.239 % (December 31, 2018: used by subsidiaries outside the Euro participating countries 8.500 %). These loans are subject to common banking terms and conditions.

Of the interest-bearing financial liabilities, loans in the amount of thous. EUR 141,171 (December 31, 2018: thous. EUR 110,000) are subject to a fixed interest rate, whose fair value amounts to thous. EUR 149,023 as of December 31, 2019 (December 31, 2018: thous. EUR 113,203). The calculation is based on the present value of future cash flows discounted by the currently observable yield curve (Level 2). Amortized costs represent a proper approximation to the fair value for financial liabilities subject to variable interest rates.

No collaterals were provided in order to secure the financial liabilities described above. As of December 31, 2019, the Group had unused non-current credit lines available in the amount of thous. EUR 400,000 (December 31, 2018: thous. EUR 390,000).

As of December 31, 2019, the current revolving bank credits in an amount of thous. EUR 37,980 (December 31, 2018: thous. EUR 10,000) are included in the interest-bearing financial liabilities.

b — Leases

The Group is predominantly the lessee in lease transactions. Until the financial year 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. As of January 1, 2019, leases have been recognized as right-of-use asset and a corresponding liability at the date at which the leased asset has become available for use by the Group.

Lease liabilities with a term of more than twelve months are measured at the present value of the remaining lease payments. All contracts which were identified as leases according to IAS 17 as of December 31, 2018 are taken over into IFRS 16.

In principle, the implicit interest rate based on the lease contract is applied, if it can be determined. Otherwise, leases are discounted using the lessee's incremental borrowing rate, i. e. the interest rate that a lessee would have to pay for comparable transactions.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are not recognized on the balance sheet, but as an expense. Lease contracts with terms of up to 12 months are classified as short-term leases.

The Group mainly rents and leases buildings, land, warehouses, offices, and other facilities that are necessary for the operating business. Extension and termination options are included in a number of property and equipment leases. The Group has assessed these and considered them accordingly. These contract conditions are used to maximise operational flexibility in terms of managing assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

An overview of the lease liabilities recognized in the balance sheet as of December 31, 2019 is presented below:

(in thousands of EUR)	Dec. 31, 2019	Jan. 1, 2019
Non-current lease liabilities	45,314	47,061
Current lease liabilities	8,349	7,195
Lease liabilities	53,663	54,256

Total cash outflows for leases in 2019 were thous. EUR 9,833.

Expenses related to payments not included in the measurement of the lease liability are as follows:

(in thousands of EUR)	Year ended Dec. 31, 2019
Expenses related to variable lease payments	5,637
Expenses related to short-term leases	1,329
Expenses related to leases of low value assets	399

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 2019, 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, 2019	72,926	31,550	10,646	359	428	115,909
Effect of exchange rate changes	698	(133)	0	0	0	565
Changes in consolidated companies	367	8,474	2,400	0	0	11,241
Utilization	(4,248)	(3,319)	(747)	(286)	(4)	(8,604)
Increase	3,849	2,880	2,634	503	2,483	12,349
IAS 19 remeasurements through other comprehensive income	14,786	4,661	0	0	0	19,447
Benefit payments from and contributions to plan assets	(3,368)	0	0	0	0	(3,368)
Balance at Dec. 31, 2019	85,010	44,113	14,933	576	2,907	147,539

In 2018, provisions for non-current liabilities and charges developed as follows:

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

As of December 31, 2019, securities with a fair value of thous. EUR 1,341 (December 31, 2018: thous. EUR 1,303) have been provided as security for provisions for pre-retirement programs within the scope of the respective legal commitments. At December 31, 2019 and December 31, 2018, those securities were deducted as plan assets 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 individual 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 have been 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 6,008 in the financial year 2019 (2018: thous. EUR 5,168).

Defined benefit obligations in the Group consist of pensions and severance payments. These obligations exist in several countries where the Group has employees, in particular 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 an average of several years and, as a rule, are based on the length of service. Pension benefits are granted as a non-recurring payment or as monthly retirement payments. In case of retirement payments, the Group bears the risk of longevity and inflation due to pension adjustments to the full extent.

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

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

Defined benefit pension and other benefit plans are measured and recognized applying the internationally common projected unit credit method according to IAS 19. According to 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, 2019		Dec. 31, 2018	
	Pensions	Severance	Pensions	Severance
Discount rate	1.18 %	1.23 %	2.10 %	2.64 %
Salary growth rate	2.53 %	2.66 %	2.50 %	3.03 %
Pension growth rate	2.16 %	-	2.26 %	-

The information presented above shows the weighted average of all relevant entities of the Group.

Valuation of life expectancy was performed based on local mortality tables. These are in particular for Austria: AVÖ 2018-P "Angestellte" or "Gemischt" (2018: AVÖ 2018-P "Angestellte" or "Gemischt"), for Germany: Heubeck-Richttafeln 2018 G (2018: 2018 G), for Great Britain: Post Retirement and Pre Retirement: S3PA CMI_2018_M/F [1.25 %] (2018: S2PA CMI_2017_M/F [1.25 %]). As a rule, the retirement age corresponds to the respective country-specific legal regulations.

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

(in thousands of EUR)	2019		2018	
	Pensions	Severance	Pensions	Severance
Service cost	1,557	1,939	1,395	1,599
Net interest on the net defined benefit liability	1,430	964	1,331	722
Past service costs	0	153	0	(57)
Effects due to plan changes	727	(176)	749	0
Administration costs	135	0	132	0
Net periodic benefit cost	3,849	2,880	3,607	2,264

The defined benefit obligation and plan assets developed as follows:

(in thousands of EUR)	2019		2018	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation at the beginning of the year	126,100	31,550	125,507	33,223
Effect of exchange rate changes	1,983	(133)	(294)	(508)
Changes in consolidated companies	2,515	8,474	0	0
Service cost	1,557	1,939	1,395	1,599
Interest cost	2,676	964	2,328	724
Past service costs	0	153	0	(57)
Remeasurements	15,577	4,661	547	(703)
<i>Thereof (gains)/losses from change in demographic assumptions (e.g. life expectancy, retirement age)</i>	<i>(979)</i>	<i>(479)</i>	<i>1,658</i>	<i>(579)</i>
<i>Thereof (gains)/losses from change in financial assumptions (e.g. discount rate, salary growth rate, pension growth rate)</i>	<i>17,470</i>	<i>4,452</i>	<i>(4,388)</i>	<i>(999)</i>
<i>Thereof experience (gains)/losses (deviation between actual value and planned value)</i>	<i>(914)</i>	<i>688</i>	<i>3,277</i>	<i>875</i>
Benefit payments	(4,248)	(3,319)	(4,132)	(2,728)
Effects due to plan changes	727	(176)	749	0
Defined benefit obligation at the end of the year	146,887	44,113	126,100	31,550

(in thousands of EUR)	2019		2018	
	Pensions	Severance	Pensions	Severance
Fair value of plan assets at the beginning of the year	53,174	0	47,873	101
Effect of exchange rate changes	1,285	0	(190)	0
Changes in consolidated companies	2,148	0	0	0
Interest income	1,246	0	997	2
Administrative expense	(135)	0	(132)	0
Remeasurements	791	0	(1,433)	1
<i>Thereof return on plan assets excluding amounts included in interest income - net</i>	<i>791</i>	<i>0</i>	<i>(1,433)</i>	<i>1</i>
Employer contributions	5,024	0	7,583	0
Benefit payments from plan	(1,656)	0	(1,524)	(104)
Fair value of plan assets at the end of the year	61,877	0	53,174	0

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 2019 and 2018 is represented as follows:

(in thousands of EUR)	2019							
	MM Karton				MM Packaging			
	Germany	Austria	Other countries ¹⁾	Total	Germany	Austria	Other countries	Total
Net periodic benefit cost	535	1,730	1,315	3,580	997	1,047	1,105	3,149
Defined benefit obligation at the end of the year	26,195	52,049	42,947	121,191	37,211	23,979	8,619	69,809
Fair value of plan assets at the end of the year	920	29,245	27,321	57,486	717	3,280	394	4,391

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

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

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

The employers' contributions to plan assets for the year 2020 are expected to amount to thous. EUR 4,589. This includes a contribution for increasing plan assets and for other expenses in Great Britain in the amount of thous. EUR 882.

The structure of plan assets

There are plan assets for pension obligations in Austria and Germany in the form of qualifying insurance policies which are pledged to the 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 % to 40 % in equity instruments and of 60 % to 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.

Furthermore, there are plan assets in the form of a pension plan in the Philippines and a collective foundation in Switzerland.

The portfolio structure of plan assets as of December 31, 2019 and of December 31, 2018:

(in thousands of EUR)	Dec. 31, 2019	in %	Dec. 31, 2018	in %
Equity instruments:				
– developed markets	8,497		6,094	
– emerging markets	1,409		1,187	
Total	9,906	16 %	7,281	14 %
Debt instruments:				
– Corporate bonds	13,855		11,956	
– Government bonds	782		521	
Total	14,637	24 %	12,477	23 %
Qualifying insurance policy pledged to beneficiaries	35,822	58 %	30,422	57 %
Money market investment/Bank deposit	1,469	2 %	2,995	6 %
Total	61,834	100 %	53,175	100 %

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

Plan assets market price risk

Return on plan assets is assumed in accordance with IAS 19 using the discount rate for the underlying obligation. That corresponds to the return on corporate bonds with good credit ratings. Provided that the actual return on plan assets exceeds (falls below) the discount interest rate used, net liability from the present plans decreases (increases). Due to the proportion of investments in equity in the plan assets in Great Britain, the actual return may, on the one hand, exceed the return on corporate bonds with good credit ratings in the long term and, on the other hand, result in higher plan asset volatility in the short term. Related price risk is considered as manageable by the Group, as the proportion of investments in equity in total plan assets is low. Furthermore, the obligations which reach maturity in the next years can be fulfilled using current cash flow of the Group and other 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, 2019		Dec. 31, 2018	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation	146,887	44,113	126,100	31,550
<i>Thereof obligations covered by provisions</i>	61,740	44,113	53,927	30,034
<i>Thereof obligations covered by funds</i>	85,147	0	72,173	1,516
Less fair value of plan assets	(61,877)	0	(53,174)	0
Net liability recognized as provision for non-current liabilities and charges	85,010	44,113	72,926	31,550

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 other assumptions are kept constant.

(in %)	Impact on the defined benefit obligation 2019		
	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 0.9 %	Decrease by 0.8 %
Pension growth rate	0.25 %	Increase by 2.5 %	Decrease by 2.3 %
		Increase by one year in assumption	
Retirement age		Decrease by 0.8 %	
Life expectancy		Increase by 3.0 %	
		Increase by one year in assumption	
Retirement age		Decrease by 1.2 %	
Life expectancy		Increase by 2.7 %	

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

The weighted average duration of the defined benefit obligation is 14.8 years as of the balance sheet date (December 31, 2018: 14.6 years).

The expected maturity analysis of defined benefit obligations for the next ten years as of December 31, 2019 and December 31, 2018 in relation to actual payments is as follows:

(in thousands of EUR)	Less than a year	Between 1 – 2 years	Between 2 – 5 years	Between 5 – 10 years	Total
As of Dec. 31, 2019					
Defined benefit plans	5,256	9,620	21,782	44,276	80,934
As of Dec. 31, 2018					
Defined benefit plans	4,591	4,806	22,389	38,398	70,184

16 — TRADE LIABILITIES

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

Trade liabilities amounting to thous. EUR 219,562 (December 31, 2018: thous. EUR 205,114) as of December 31, 2019 comprise liabilities from acquisition of property, plant and equipment, and intangible assets amounting to thous. EUR 19,398 (December 31, 2018: thous. EUR 9,572) 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 1,100 (December 31, 2018: thous. EUR 796).

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, 2019	Dec. 31, 2018
Obligations for personnel and social costs	82,158	74,254
Other tax liabilities	13,290	10,335
Liabilities for customer rebates and bonuses	10,782	10,823
Deferred income	3,133	2,678
Other liabilities	13,430	9,891
Deferred income and other current liabilities	122,793	107,981
Thereof financial liabilities	11,984	8,620
Thereof non-financial liabilities	110,809	99,361

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

The calculation of liabilities for customer rebates and bonuses is based on the bonus and rebates claims of customers included in the underlying customer arrangements. Bonuses are set up in a way that customers receive a retrospective reimbursement if a certain purchase volume was reached within an invoicing period.

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 the 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 2019, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Sales	Other provisions	Total
Balance at Jan. 1, 2019	3,935	7,954	11,889
Effect of exchange rate changes	(7)	4	(3)
Changes in consolidated companies	412	192	604
Utilization	(1,766)	(2,785)	(4,551)
Reversal	(317)	(258)	(575)
Increase	2,106	2,720	4,826
Balance at Dec. 31, 2019	4,363	7,827	12,190

In the financial year 2018, provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Sales	Other provisions	Total
Balance at Jan. 1, 2018	4,169	10,293	14,462
Effect of exchange rate changes	(120)	(19)	(139)
Changes in consolidated companies	0	(20)	(20)
Utilization	(1,834)	(3,729)	(5,563)
Reversal	(147)	(692)	(839)
Increase	1,867	2,121	3,988
Balance at Dec. 31, 2018	3,935	7,954	11,889

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

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

19 — SEGMENT REPORTING INFORMATION

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

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

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

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

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

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

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

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

Revenue recognition

Revenues comprise all income generated by the typical business activities of the Mayr-Melnhof Group and include income from the sale of numerous grades of cartonboard and folding cartons. The disaggregation of performance obligations under certain circumstances may result in a separation of performance obligations related to rendered transportation services, depending on the individual terms of delivery agreed with customers. These transportation services are, however, of low significance for the Group. Apart from this, no further material multiple-component contracts covering, for example, the performance of services besides the delivery of goods were identified. Tools, such as die cutting tools and engravings, are not to be considered as individual service obligations, because they are necessary for the fulfilment of contracts.

The transaction price to which the Group is entitled in exchange for the transfer of goods consists of the price for the transferred goods and any variable element in the form of customer rebates and bonuses and is to be paid on credit. Due to the agreed terms of payment, there is no financial component. The variable component is considered as "liability for customer rebates and bonuses". The amount of this liability depends on the probable claim of a customer and is regularly evaluated and adjusted, if necessary.

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

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

(in thousands of EUR)	2019			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	967,219	1,577,190	0	2,544,409
Intersegment sales	111,078	765	(111,843)	0
Total sales	1,078,297	1,577,955	(111,843)	2,544,409
Operating profit	110,436	144,835	0	255,271
Financial income	421	1,363	(319)	1,465
Financial expenses	(3,079)	(5,634)	319	(8,394)
Profit before tax	106,317	144,812	0	251,129
Income tax expense	(27,449)	(33,461)	0	(60,910)
Profit for the year	78,868	111,351	0	190,219
Capital expenditures	84,757	66,243	0	151,000
Depreciation and amortization	(51,750)	(82,579)	0	(134,329)
Segment assets	1,195,247	1,486,206	(258,800)	2,422,653
Segment liabilities	380,896	792,248	(258,800)	914,344
Employees per segment as of December 31	2,516	7,498		10,014

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

The assets, liabilities, financial position and profit or loss of MM Packaging division in the financial year 2019 are particularly affected by the inclusion of the Tann-Group.

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)	2019			2018		
	Net sales	Non-current assets	Capital expenditures	Net sales	Non-current assets	Capital expenditures
Austria	52,686	511,304	34,200	51,439	203,075	29,294
Germany	435,898	312,984	51,426	444,529	266,720	39,165
France	273,151	79,128	8,330	284,138	78,644	4,398
Great Britain	222,443	14,239	6,700	207,864	4,151	1,711
Other Western European countries	405,505	75,311	11,042	402,766	69,218	9,279
Eastern Europe (including Turkey)	726,173	244,263	27,558	629,980	226,006	32,490
Asia and MENA	258,885	112,165	8,085	168,829	84,150	6,798
The Americas	134,515	44,073	3,659	114,887	43,511	1,269
Other	35,153	0	0	33,226	0	0
Consolidated total	2,544,409	1,393,467	151,000	2,337,658	975,475	124,404

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

20 — OTHER OPERATING INCOME

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Insurance claims	2,982	3,307
Rental income	1,409	1,147
Gains and losses from disposal of property, plant and equipment, and intangible assets – net	623	202
Result of deconsolidations ¹⁾	0	2,882
Other income – net	6,868	5,186
Other operating income	11,882	12,724

¹⁾ see note 5

Other income – net includes income from compensation for damages in an amount of thous. EUR 2,692 (2018: thous. EUR 1,917) and diverse other negligible income, such as canteen income.

21 — EXPENSES BY NATURE

The consolidated income statements are prepared using the presentation of expenses by function. The following tables comprise a breakdown of expenses by nature for the financial years 2019 and 2018:

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Cost of materials and purchased services	1,362,118	1,303,963
Personnel expenses	496,774	444,937
Depreciation and amortization	134,329	107,278
Other expenses	307,799	277,122
Total cost of sales, selling and distribution, administrative and other operating expenses	2,301,020	2,133,300

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Cost of materials and purchased services	1,362,118	1,303,963
Personnel expenses	350,236	312,979
Depreciation and amortization	112,502	95,994
Other expenses	92,668	77,123
Cost of sales	1,917,524	1,790,059

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Personnel expenses	146,538	131,958
Depreciation and amortization	21,827	11,284
Other expenses	215,131	199,999
Total selling and distribution, administrative and other operating expenses	383,496	343,241

22 — PERSONNEL EXPENSES

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

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Gross wages	222,030	197,691
Gross salaries	167,879	151,148
Severance expenses	3,928	5,555
Pension expenses	7,577	6,573
Expenses for statutory social security as well as payroll-related taxes and compulsory contributions	82,473	73,581
Other welfare expenses	12,887	10,389
Total	496,774	444,937

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Factory workers	7,857	7,509
Office staff	2,315	2,138
Total	10,172	9,647

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, 2019	Year ended Dec. 31, 2018
Salaries and other short-term employee benefits (incl. remuneration of the Supervisory Board)	10,698	9,492
Post-employment benefits	6,309	4,464
Total	17,007	13,956

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

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Fixed remuneration	2,756	2,668
Variable remuneration	7,445	6,349
Total	10,201	9,017

The remuneration of the members of the Supervisory Board elected by the shareholders for the financial year 2019 amounted to thous. EUR 497 (2018: thous. EUR 475).

23 — EXPENSES FOR THE GROUP AUDITOR

The 25th Ordinary Shareholders' Meeting on April 24, 2019 appointed PwC Wirtschaftsprüfung GmbH as auditor for the consolidated and individual financial statements of Mayr-Melnhof Karton AG. Furthermore, they audited the individual financial statements of all material Austrian subsidiaries. In 2019, expenses for services rendered by PwC Wirtschaftsprüfung GmbH in Austria amounted to thous. EUR 397 (2018: thous. EUR 283), of which thous. EUR 376 (2018: thous. EUR 281) were related to auditing and other assurance services and thous. EUR 21 (2018: thous. EUR 2) were related to other services. The previous year was audited by Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

24 — RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are recognized as expenses as incurred. Neither as of December 31, 2019 nor as of December 31, 2018 have any development costs been capitalized.

Research and development costs recognized as expenses in the income statement amounted to thous. EUR 2,997 in the financial year 2019 (2018: thous. EUR 2,986).

25 — FINANCIAL INCOME

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Interest from bank deposits	1,359	1,233
Other financial income	106	93
Total financial income	1,465	1,326

26 — FINANCIAL EXPENSES

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Interest expense related to financial liabilities	(5,301)	(4,729)
Interest expense on lease liabilities	(1,673)	(61)
Other financial expenses	(1,420)	(1,288)
Total financial expenses	(8,394)	(6,078)

Other financial expenses comprise commitment fees for unused credit lines.

27 — OTHER FINANCIAL RESULT – NET

(in thousands of EUR)	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Foreign currency exchange rate gains (losses) – net	5,226	6,568
Net interest cost from benefit obligation	(2,605)	(2,204)
Dividend income	283	422
Result from investments accounted for using the equity method	(294)	(347)
Gains from disposal of other investments	0	1,143
Other financial income	177	0
Other financial result – net	2,787	5,582

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, 2019 nor as of December 31, 2018, it was not necessary to calculate the diluted earnings per share which thus correspond to the basic earnings per share.

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

	Year ended Dec. 31, 2019	Year ended Dec. 31, 2018
Profit attributable to ordinary shareholders of the parent company (in thousands of EUR)	189,743	163,670
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)	9.49	8.18

As in the previous year, the number of shares issued as of December 31, 2019 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, 2019 and 2018.

Other contingent liabilities

At December 31, 2019, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 36,059 (December 31, 2018: thous. EUR 47,103).

30 — DISCLOSURES ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 7,268 were purchased from other related companies in 2019 (2018: thous. EUR 7,677). As of December 31, 2019, trade liabilities with other related companies amounted to thous. EUR 1,100 (December 31, 2018: thous. EUR 954).

In 2019, sales from transactions with associated companies amounted to thous. EUR 1,549 (2018: thous. EUR 607). As of December 31, 2019, trade receivables with associated companies amounted to thous. EUR 468 (December 31, 2018: thous. EUR 148), while trade liabilities with associated companies amounted to thous. EUR 311 (December 31, 2018: thous. EUR 160).

Raw materials amounting to thous. EUR 409 were purchased from joint ventures in 2019 (2018: thous. EUR 0). As of December 31, 2019, trade liabilities with joint ventures amounted to thous. EUR 297 (December 31, 2018: 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 please refer to note 15.

31 — NOTES ON THE CONSOLIDATED CASH FLOW STATEMENTS

Cash and cash equivalents

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

(in thousands of EUR)	Dec. 31, 2019	Dec. 31, 2018
Fixed deposits	24,447	19,680
Unrestricted bank deposits and cash	102,292	241,271
Other restricted bank deposits	68	31
Cash and cash equivalents	126,807	260,982

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

Cash flow from operating activities went up from thous. EUR 250,104 to thous. EUR 331,421. The higher cash-effective result, which contrasted with higher income tax payments, substantially contributed to this increase.

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

Cash flow from investing activities changed from thous. EUR -119,034 to thous. EUR -380,554. This difference particularly results from the purchase price payment (net of cash acquired – see note 5) for the acquisition of the Tann-Group as well as an increase of payments for the acquisition of property, plant and equipment and intangible assets.

Cash flow from financing activities changed from thous. EUR -69,266 to thous. EUR -87,141. The use of short-term bank credit facilities to finance the acquisition was contrasted by loan repayments and the dividend payment for the financial year 2018.

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, 2019	177,348	34,334	211,682
Issuances of financial liabilities	870	188,149	189,019
Repayments of financial liabilities	(943)	(202,027)	(202,970)
Total cash changes	(73)	(13,878)	(13,951)
Acquisition of subsidiaries	32,040	58,575	90,615
Effect of exchange rates	127	77	204
Initial application of IFRS 16	46,155	6,800	52,955
Other non-cash changes	(23,057)	26,935	3,878
Total non-cash changes	55,265	92,387	147,652
Balance at Dec. 31, 2019	232,540	112,843	345,383

Other non-cash changes include additions to lease liabilities which contrasted with the acquisition of assets at the same amount.

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

32 — SIGNIFICANT SUBSEQUENT EVENTS

As of January 14, 2020, the Company announced that Peter Oswald will take over the function of chairman of the Management Board from Wilhem Hörmanseder as of May 1, 2020. Since Mr. Hörmanseder has been appointed to the Management Board until June 30, 2021, provisions for existing claims of Mr. Hörmanseder as of his retirement will be created by the Group depending on any negotiations in the first quarter of 2020.

Additionally, 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

2019					2018				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC ⁽¹⁾	Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC ⁽¹⁾
MM KARTON					MM KARTON				
Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC ⁽¹⁾	Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC ⁽¹⁾
CartPrint AG i. l., Vaduz (LIE)	EUR	50	100.00 %	FC ⁽¹⁾	CartPrint AG, Vaduz (LIE)	EUR	50	100.00 %	FC ⁽¹⁾
CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC ⁽¹⁾	CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC ⁽¹⁾
free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC ⁽¹⁾	free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC ⁽¹⁾
FS-Karton GmbH, Baiersbronn (DEU)	EUR	7,500	100.00 %	FC ⁽¹⁾	FS-Karton GmbH, Baiersbronn (DEU)	EUR	7,500	100.00 %	FC ⁽¹⁾
Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE ⁽²⁾	Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NE ⁽²⁾
Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC ⁽¹⁾	Kolicevo Karton Proizvodnja kartona, d.o.o., Domzale (SVN)	EUR	12,828	100.00 %	FC ⁽¹⁾
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC ⁽¹⁾	Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	190	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Cartonboard International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Eerbeek B.V., Eerbeek (NLD)	EUR	7,300	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Gernsbach GmbH, Gernsbach (DEU)	EUR	9,205	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Karton Gesellschaft m.b.H., Frohnleiten (AUT)	EUR	7,500	100.00 %	FC ⁽¹⁾
MM Karton FollaCell AS, Verran (NOR)	NOK	10,000	100.00 %	FC ⁽¹⁾	MM Karton FollaCell AS, Verran (NOR)	NOK	10,000	100.00 %	FC ⁽¹⁾
MM Karton Turkey Ticaret Limited Sirketi, Istanbul (TUR)	TRY	10	100.00 %	FC ⁽¹⁾	MM Karton Turkey Ticaret Limited Sirketi, Istanbul (TUR)	TRY	10	100.00 %	FC ⁽¹⁾
Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE ⁽²⁾	Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NE ⁽²⁾

2019					2018				
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⁾
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 Cartonboard UK Limited, Theale-Reading (GBR)	GBP	1,000	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Cartonboard UK Limited, Theale-Reading (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 Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ⁽¹⁾
Mayr-Melnhof Benelux B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ⁽¹⁾	Mayr-Melnhof Benelux B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ⁽¹⁾
Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NE ⁽²⁾	Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NE ⁽²⁾
MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	NC ⁽⁴⁾	MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	NC ⁽⁴⁾
MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC ⁽¹⁾	MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC ⁽¹⁾
MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC ⁽¹⁾	MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC ⁽¹⁾
MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC ⁽¹⁾	MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC ⁽¹⁾
MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC ⁽¹⁾	MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC ⁽¹⁾
MM Prodaja Kartona, trgovina s kartonom d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC ⁽¹⁾	MM Prodaja Kartona, trgovina s kartonom d.o.o., Domzale (SVN)	EUR	30	100.00 %	FC ⁽¹⁾
Varsity Packaging Limited, Theale-Reading (GBR)	GBP	300	100.00 %	FC ⁽¹⁾	Varsity Packaging Limited, Theale-Reading (GBR)	GBP	300	100.00 %	FC ⁽¹⁾

2019					2018				
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. i. l., Amman (JOR)	JOD	3,500	86.94 %	FC ¹⁾	Al-Ekbal Printing & Packaging Co., Amman (JOR)	JOD	3,500	86.94 %	FC ¹⁾
Beaucrest Limited, Hong Kong (HKG)	HKD	1	100.00 %	NC ⁴⁾	-	-	-	-	-
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⁾
Danubia International, Kiev (UKR)	UAH	1	100.00 %	NC ⁴⁾	-	-	-	-	-
Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC ¹⁾	Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC ¹⁾
Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC ¹⁾	Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	24,613	100.00 %	FC ¹⁾
Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC ¹⁾	Mayr-Melnhof Gravure GmbH, Trier (DEU)	EUR	7,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging Austria GmbH, Vienna (AUT)	EUR	3,050	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging Iberica SL, Valencia (ESP)	EUR	7,500	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging International GmbH, Vienna (AUT)	EUR	5,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging International GmbH / Jordan PSC, Amman (JOR)	JOD	5,000	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging International GmbH / Jordan PSC, Amman (JOR)	JOD	5,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging Marinetti Limitada, Santiago de Chile (CHL)	CLP	5,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging Romania S.R.L., Blejoi (ROU)	RON	5,504	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging UK Limited, Deeside (GBR)	GBP	9,700	100.00 %	FC ¹⁾
Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	514,800,000	99.56 %	FC ¹⁾	Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	514,800,000	99.56 %	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⁾

CONSOLIDATED FINANCIAL STATEMENTS

2019					2018				
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 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⁾
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	97,000,000	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 Polska Sp. z o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC ⁽¹⁾	MM Packaging Polska Sp. z o.o., Bydgoszcz (POL)	PLN	71,500	100.00 %	FC ⁽¹⁾
MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC ⁽¹⁾	MM Packaging Schilling GmbH, Heilbronn (DEU)	EUR	2,500	100.00 %	FC ⁽¹⁾
MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC ⁽¹⁾	MM Packaging Ukraine LLC, Cherkassy (UKR)	UAH	56,896	100.00 %	FC ⁽¹⁾
MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC ⁽¹⁾	MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	100.00 %	FC ⁽¹⁾
MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC ⁽¹⁾	MM Polygrafoformlenie Packaging LLC, St. Petersburg (RUS)	RUB	565,851	100.00 %	FC ⁽¹⁾
MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC ⁽¹⁾	MM Polygrafoformlenie Rotogravure LLC, St. Petersburg (RUS)	RUB	33,000	100.00 %	FC ⁽¹⁾
MMP Neupack Polska Sp.z o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ⁽¹⁾	MMP Neupack Polska Sp.z o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ⁽¹⁾
MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC ⁽¹⁾	MMP Packetis SAS, Chazelles (FRA)	EUR	1,677	100.00 %	FC ⁽¹⁾
MMP Premium Polska Sp. z o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC ⁽¹⁾	MMP Premium Polska Sp. z o.o., Bydgoszcz (POL)	PLN	26,000	100.00 %	FC ⁽¹⁾
MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC ⁽¹⁾	MMP Premium Printing Center GmbH, Trier (DEU)	EUR	500	100.00 %	FC ⁽¹⁾
MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC ⁽¹⁾	MMP Premium SAS, Ancenis (FRA)	EUR	6,686	100.00 %	FC ⁽¹⁾
MPC Besitzgesellschaft mbH, Traun (AUT)	EUR	3,700	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⁾
OOO TANN Nevskiy, Pskov (RUS)	RUB	230,000	100.00 %	FC ⁽¹⁾	-	-	-	-	-
PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC ⁽¹⁾	PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC ⁽¹⁾
Private Joint Stock Company „Graphia Ukraina“, Cherkassy (UKR)	UAH	5,880	94.78 %	FC ⁽¹⁾	Private 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⁾
sigmavista it consulting gmbh, Traun (AUT)	EUR	35	100.00 %	FC ⁽¹⁾	-	-	-	-	-
Société Tunisienne des Emballages Modernes, Tunis (TUN)	TND	9,640	45.00 %	EC ⁽⁹⁾	Société Tunisienne des Emballages Modernes, Tunis (TUN)	TND	9,640	45.00 %	EC ⁽⁹⁾

CONSOLIDATED FINANCIAL STATEMENTS

2019					2018				
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
Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	116,331	100.00 %	FC ¹⁾	Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	52,000	100.00 %	FC ¹⁾
TANN ARGENTINA S.A., Buenos Aires (ARG)	ARS	12	100,00%	NC ⁴⁾	-	-	-	-	-
TANN Colombiana S.A.S., La Ceja/Medellin (COL)	COP	351,000	100,00 %	FC ¹⁾	-	-	-	-	-
TANN GERMANY GmbH, Glinde (DEU)	EUR	512	100,00 %	VK ¹⁾	-	-	-	-	-
TANN Holding GmbH, Traun (AUT)	EUR	70	100,00 %	FC ¹⁾	-	-	-	-	-
TANN Invest GmbH, Traun (AUT)	EUR	35	100,00 %	FC ¹⁾	-	-	-	-	-
TANN Longyou Ltd., Longyou (Zhejiang) (CHN)	CNY	97,245	95,69 %	FC ¹⁾	-	-	-	-	-
TANN PAPER Limited, Woodstock (New Brunswick) (CAN)	CAD	600	100,00 %	FC ¹⁾	-	-	-	-	-
TANN Philippines, Inc., Santo Tomas (Batangas) (PHL)	PHP	470,000	100,00 %	FC ¹⁾	-	-	-	-	-
TANN Service GmbH, Traun (AUT)	EUR	35	100,00 %	FC ¹⁾	-	-	-	-	-
TANN Shanghai Co., Ltd., Shanghai (CHN)	CNY	31,522	51,00 %	FC ¹⁾	-	-	-	-	-
TANNPAPIER GmbH, Traun (AUT)	EUR	1,000	100,00 %	FC ¹⁾	-	-	-	-	-
TBG Development Philippines, Inc., Makati City (Metro Manila) (PHL)	PHP	53,320	100,00 %	FC ¹⁾	-	-	-	-	-
Ultimatec Engineering GmbH, Vienna (AUT)	EUR	35	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⁾
Zhejiang TF Special Papers Co., Ltd., Quzhou (CHN)	CNY	50,000	40.00 %	EC ³⁾	-	-	-	-	-

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

¹⁾ FC ... fully consolidated company

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

³⁾ EC ... consolidated at equity

⁴⁾ NC ... not consolidated due to immateriality

34 — BOARD MEMBERS

During the financial year 2019, the Board Members were as follows:

Management Board

Wilhelm HÖRMANSEDER (Chairman)
 Andreas BLASCHKE (Member of the Management Board)
 Franz HIESINGER (Member of the Management Board)
 Franz RAPPOLD (Member of the Management Board until June 30, 2019)

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 until December 18, 2019)
 Andreas HEMMER (Employee Representative)
 Gerhard NOVOTNY (Employee Representative)

Vienna, March 16, 2020

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger 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 its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2019, the separate 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.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under section 245 a of the Austrian Commercial Code.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally 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.

Other Matter

The consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft, Vienna, for the fiscal year ended December 31, 2018 were audited by another auditor who issued an unqualified audit opinion dated February 28, 2019 on these financial statements.

Our audit opinion is not qualified in respect of this matter.

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.

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

1. Business combinations – identification and measurement of assets and liabilities acquired in the course of the acquisition of Eurasia Invest Holding AG (now Tann Holding GmbH), Traun

Description

On January 15, 2019, Mayr-Melnhof Packaging International GmbH, Vienna, acquired all shares in Eurasia Invest Holding AG (i. e. Tann Holding GmbH), Traun, including its subsidiaries, in short the Tann-Group. The consideration transferred at the acquisition date amounted to thous. EUR 267,718. Taking into account the acquired net assets in the amount of thous. EUR 137,222, this resulted in goodwill in the amount of thous. EUR 130,496.

Pursuant to IFRS 3, the identifiable assets and liabilities acquired were stated at fair value at the acquisition date. The identification and measurement of the net assets acquired is complex and requires a series of discretionary decisions and assumptions. In particular, the measurement of intangible assets, buildings and machinery acquired is based to a considerable amount on asset specific assumptions requiring discretionary decisions and estimates of the Management Board. To determine the fair values of the identifiable assets and liabilities, the Management Board consulted external independent experts.

For the consolidated financial statements, there is the risk that the assets acquired and liabilities assumed in the course of the acquisition have been identified inaccurately or have not been measured adequately due to the size and complexity of the business combination. Moreover, there is the risk that the disclosures required in the notes to the consolidated financial statements pursuant to IFRS 3 are incomplete and incorrect.

Audit approach and key observations

In order to understand the business combination, we read the share purchase agreement, including the supplementary agreement to the share purchase agreement, entered into between the selling parties and Mayr-Melnhof Packaging International GmbH, Vienna. In accordance with the relevant regulations of IFRS 3 “Business Combinations”, we have evaluated the arrangements agreed in these agreements with regard to the recognition in the consolidated balance sheet and the notes to the consolidated financial statements as at December 31, 2019.

We have critically assessed the expertise, competencies and objectivity of the engaged experts. Together with our valuation experts, we evaluated whether the significant assumptions and input parameters are appropriate (in particular the assumptions with regard to the growth rate, the discount rate used, the assumptions on the quality and replacement cost of acquired machinery as well as the assumptions on the estimated churn rate of the identified customer base) and whether the assets and liabilities identified in the course of the purchase price allocation are complete and measured adequately. We checked whether the measurement methods applied are in accordance with the measurement principles of IFRS 3 in conjunction with the relevant regulations of IFRS 13.

Finally, we evaluated whether the disclosures on the business combination of the Tann-Group in the notes to the consolidated financial statements as at December 31, 2019 are complete and appropriate.

The approach serving as a basis for the identification and measurement of the net assets acquired is adequate and complies with the accounting principles that are to be applied. The significant assumptions made by the Management Board and the input parameters applied are reasonable. The presentation of the business combination in the notes to the consolidated financial statements as at December 31, 2019 complies with the requirements of IFRS 3.

Reference to related disclosures

Related disclosures with regard to this key audit matter are to be found in the notes to the consolidated financial statements as at December 31, 2019 under note 5 – “Changes in the consolidated companies” in section a – “Changes in 2019”, under note 7 – “Financial instruments disclosures” in section d – “Capital management” as well as under Note 31 – “Notes on the consolidated cash flow statement”.

2. Impairment of assets – Recoverability of property, plant and equipment and the carrying amounts of the cash generating units.

Description

The consolidated financial statements of Mayr-Melnhof Karton Aktiengesellschaft, Vienna, include property, plant and equipment in the amount of thous. EUR 1,034,471 as at December 31, 2019 (prior year: thous. EUR 852,607). In case of any indications in this regard, the Management Board evaluates whether property, plant and equipment or the carrying amounts of a cash generating unit may be impaired.

An impairment loss is recognized to the extent the carrying amount of the individual asset or the cash generating unit exceeds the recoverable amount. The recoverable amount of an asset or a cash generating unit is the fair value less costs to sell or the higher value in use.

When evaluating whether there are any indications for an impairment, external and internal sources of information are to be taken into account.

Mayr-Melnhof determines the value in use by means of a discounted cash flow method (DCF method). In addition to forecasts of future cash flows (Free Cash Flows) before tax, particularly the capitalization rate (WACC) is also to be classified as such that it requires significant discretionary decisions. As already slight changes in the capitalization rate may have a significant impact on the recoverable amount, there are major estimation uncertainties with regard to determining the value in use and thus the recoverability of property, plant and equipment and the carrying amount of the cash generating units. If there are any indications for a possible impairment and the value in use is below the carrying amounts of property, plant and equipment or the carrying amount of the cash generating units, Mayr-Melnhof determines the fair value less costs to sell together with external independent experts.

Measurement of the fair values less costs to sell is complex, requires relevant expertise and considerably depends on significant assumptions and discretionary decisions. For the consolidated financial statements, there is the risk that the measurement assumptions serving as a basis for the impairment test – in case the asset specific fair values less costs to sell are not measured appropriately – may result in an unidentified impairment not recognized in the consolidated balance sheet.

Audit approach and key observations

We examined the indications for a possible impairment observed by the Management Board and checked whether there were any indications that the cash generating units exposed to risk and identified in this process may be impaired. Moreover, we evaluated whether all relevant internal and external sources of information were taken into account by management.

Together with our measurement experts, we examined the appropriateness of the significant assumptions and input parameters as well as the measurement of the values in use and, where relevant, the fair values less costs to sell. In doing so, we particularly ascertained the appropriateness of the assumptions made with regard to the planned development of future cash flows before tax.

We assessed the capitalization rates being applied and how they were derived, both with regard to the individual assumptions and parameters based on available market data and against the backdrop of a critical overall evaluation in comparison with similar companies in the packaging industry.

We verified the assumptions made by management with regard to the amount of the fair values less costs to sell of the property, plant and equipment to be tested and reconciled them with the bid prices for comparable property, plant and equipment made available by the external expert (comparative value method). We examined the measurement methods applied to determine whether they are in accordance with the measurement principles set forth in IFRS.

Finally, we evaluated whether the disclosures in the notes on the recoverability of property, plant and equipment of the cash generating units are complete and adequate.

The carrying amounts of the property, plant and equipment or the cash generating units that were identified by management for impairment testing are complete and adequate. The significant assumptions and discretionary decisions made in this context are plausible and within a justifiable range. The disclosures in the notes to the consolidated financial statements as at December 31, 2019 with regard to the recoverability of property, plant and equipment and the carrying amounts of the cash generating units are complete and proper.

Reference to related disclosures

Related disclosures with regard to this key audit matter are to be found in the notes to the consolidated financial statements as of December 31, 2019 under note 6 – “Development of fixed assets” in section c – “Recoverability of non-current assets”.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245 a of the Austrian Commercial Code, and for such internal control as management determines is 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 with Austrian generally accepted auditing standards, which require the application of ISAs, 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 with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

In addition, the following applies:

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 risks 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 all 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 the Austrian Commercial Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Commercial Code.

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

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243 a of the Austrian Commercial Code and is consistent with the consolidated financial statements.

Statement

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

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, 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 appointed as statutory auditor at the Ordinary Shareholders' Meeting dated April 24, 2019. We were engaged by the supervisory board on August 8, 2019. We were appointed as auditor of the consolidated financial statements for the first time as of December 31, 2019.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 paragraph 1 of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

Responsible for the proper performance of the engagement is Aslan Milla, Austrian Certified Public Accountant.

Vienna, March 16, 2020

PwC Wirtschaftsprüfung GmbH

Frédéric VILAIN m. p.
Austrian Certified Public Accountant

Aslan MILLA m. p.
Austrian Certified Public Accountant

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

Publication and sharing with third parties of the Group consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 paragraph 2 of the Austrian Commercial Code (UGB) apply.

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Lagebericht

gem. § 243 UGB der Mayr-Melnhof Karton Aktiengesellschaft
über das Geschäftsjahr 1. Jänner 2019 bis 31. Dezember 2019

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 LAGE DES UNTERNEHMENS IN 2019

Analog zur Gesamtwirtschaft war auch die Lage auf den europäischen Karton- und Faltschachtelmärkten in 2019 durch verlangsamte Nachfragedynamik und kurzfristige Disposition der Kunden gekennzeichnet. In diesem Zusammenhang hat sich die Supply Chain zunehmend verflacht und der Wettbewerb wieder intensiviert.

Auf den Faserstoffmärkten setzte sich der Preisrückgang für gemischte Altpapierqualitäten aufgrund anhaltend niedriger Exporte von Europa nach Asien kontinuierlich fort. Zusätzlich verzeichneten die Preise für frischfaserbasierte Produkte wie Zellstoff einen deutlichen Rückgang vom hohen Niveau Ende 2018. Während der Markt für Recyclingkarton durch ein hohes Maß an Kontinuität bei Volumen und Preisen geprägt war, entwickelte sich jener für Frischfaserkarton schwächer als im Jahr zuvor, jedoch bei höheren Durchschnittspreisen infolge der Weitergabe des Faserkostenanstieges von 2018. Kapazitätserhöhungen in der europäischen Kartonindustrie konzentrierten sich 2019 vor allem auf den „creeping capacity increase“ durch laufende Investitionstätigkeit. In der Gruppe der größten europäischen Kartonproduzenten gab es aber keine bedeutenden Veränderungen zum Vorjahr. Die Auslastung der Branche lag insgesamt auf gutem Niveau.

Das Thema „Plastiksubstitution“ hat in 2019 weiter an Aufmerksamkeit gewonnen und wird von allen Teilnehmern in der Supply Chain, Karton- und Faltschachtelproduzenten sowie Konsumgüterherstellern und Einzelhandel, aktiv aufgegriffen. Die Volumeneffekte hieraus zeigen sich gegenwärtig allerdings noch moderat und bleiben abzuwarten. Gleichzeitig hat sich der Trend zu leichteren Verpackungen und Speziallösungen mit besonderer Funktionalität aus Karton klar fortgesetzt.

Die Konsolidierung der europäischen Faltschachtelindustrie ist 2019 in einem wettbewerbsintensiven und verhaltenen Marktumfeld weiter vorangeschritten, wobei sich anhaltend ein zunehmendes Maß an Spezialisierung abzeichnet. Die Anbieterstruktur bleibt insgesamt jedoch durch starke Fragmentierung geprägt.

a — Geschäftsverlauf 2019 in den Divisionen

MM Karton

Verhaltene Nachfrage und steigende Wettbewerbsintensität prägten in 2019 die Rahmenbedingungen auf den europäischen Kartonmärkten. MM Karton konnte sich vor diesem Hintergrund dennoch solide behaupten, Marktanteile halten bzw. ausbauen und mit attraktiven, hochfunktionalen und nachhaltigen Verpackungslösungen überzeugen. Preisdisziplin und der Verfolgung einer selektiven Verkaufspolitik haben wir weiter hohe Priorität eingeräumt. Konsequenterweise wurden die Spezialisierung der Werke sowie das Wachstum mit einem optimierten Produktportfolio und dem Ausbau des Fokus auf das Europageschäft weiterverfolgt.

Auf den Faserstoffmärkten sind die Preise für gemischtes Altpapier sukzessive und jene für frischfaserbasierte Produkte von hohem Niveau zurückgegangen.

Mit 97 % (2018: 97 %) waren die Kapazitäten der Division weiter in hohem Maße ausgelastet. Investitionen sind darauf ausgerichtet, weiteres Wachstum durch kontinuierliche technologische Entwicklung unserer Werke sowie Steigerung von Produkt- und Serviceperformance zu ermöglichen. Der Digitalisierung der Geschäftsabwicklung haben wir seit 2018 besondere Priorität eingeräumt und profitieren heute von hoher Geschwindigkeit, Perfektion und Effizienz.

Aufgrund kurzfristigerer Disposition der Kunden lag der durchschnittliche Auftragsstand mit 68.000 Tonnen unter dem Vergleichswert aus dem Vorjahr (2018: 77.000 Tonnen).

Die Kartonproduktion wuchs um 3,5 % bzw. 59.000 Tonnen auf 1.723.000 Tonnen (2018: 1.664.000 Tonnen). Davon entfielen 1.382.000 Tonnen (80 %) auf Recyclingkarton und 341.000 Tonnen (20 %) auf Frischfaserkarton (2018: 1.313.000 Tonnen bzw. 79 % und 351.000 Tonnen bzw. 21 %). Bezogen auf den durchschnittlichen Mitarbeiterstand wurden 687 Tonnen (2018: 663 Tonnen) pro Mitarbeiter erzeugt. Der Kartonabsatz lag mit 1.705.000 Tonnen leicht unter der Produktion und 2,5 % über dem Vorjahr (2018: 1.663.000 Tonnen).

Die Umsatzerlöse erhöhten sich ähnlich wie die abgesetzte Menge auf 1.078,3 Mio. EUR (2018: 1.062,2 Mio. EUR). Mit einem Anteil von rund 65 % in Westeuropa (2018: 63 %) und 22 % in Osteuropa (2018: 21 %) wurde wie im Vorjahr wieder leicht mehr auf den europäischen Märkten abgesetzt, sodass der Verkaufsanteil in Länder außerhalb Europas auf 13 % (2018: 16 %) zurückging. Mit einem Lieferanteil von 12 % bzw. 201.000 Tonnen (2018: 12 % bzw. 193.000 Tonnen) war MM Packaging unverändert größter Kunde von MM Karton.

Das betriebliche Ergebnis konnte vor allem infolge niedrigerer direkter Kosten und leicht besserer Durchschnittspreise um 14,6 % bzw. 14,1 Mio. EUR auf 110,5 Mio. EUR gesteigert werden (2018: 96,4 Mio. EUR). Die Operating Margin erreichte 10,2 % nach 9,1 % in 2018, der Return on Capital Employed 17,2 % (2018: 15,9 %). Die Cash Earnings beliefen sich auf 129,0 Mio. EUR (2018: 115,6 Mio. EUR), wodurch eine Cash Earnings Margin in Höhe von 12,0 % (2018: 10,9 %) erzielt wurde.

MM Packaging

Im Zuge schwächerer konjunktureller Rahmenbedingungen wurde in 2019 auch auf dem europäischen Faltschachtelmarkt zurückhaltender disponiert und die Lagerhaltung entlang der gesamten Supply Chain reduziert. Infolgedessen und aufgrund weiterhin ausreichender Kapazitätsreserven setzten sich die hohe Wettbewerbsintensität und Konsolidierung in der Branche fort.

Trotz temporär heterogener Auslastung unter den Werken verzeichnete MM Packaging infolge des guten Auftragsbestandes insgesamt eine stabile Entwicklung. Maßnahmen zur Verbesserung von Kosteneffizienz und Wertschöpfung wie auch die Gewinnung von Neugeschäft wurden konsequent weiterverfolgt und umgesetzt. Dabei bleibt der strategische Fokus darauf ausgerichtet, in einzelnen Märkten wie FMCG (Fast Moving Consumer Goods), Verpackungen für Tabakprodukte, Pharma sowie Personal Care mit spezialisierten Standorten durch höchste Kosteneffizienz und Qualität Stärke zu behaupten und Wachstumschancen zu nutzen.

Die Integration der zu Jahresbeginn erworbenen Tann-Gruppe in die Division bildete 2019 einen besonderen Schwerpunkt. Diese gestaltete sich plangemäß unter Nutzung von Synergien aus der technologischen Nähe und organisatorischen Eingliederung. Wie bereits die unterjährige Entwicklung ist auch das Jahresergebnis von MM Packaging überwiegend durch die erstmalige Einbeziehung der Tann-Gruppe geprägt.

Die verarbeitete Tonnage Karton und Papier erhöhte sich akquisitionsbedingt um 2,5 % auf 785.000 Tonnen (2018: 766.000 Tonnen).

Die Umsatzerlöse verzeichneten einen Anstieg um 14,0 % bzw. 193,8 Mio. EUR auf 1.578,0 Mio. EUR (2018: 1.384,2 Mio. EUR) und verteilten sich zu 49 % und 33 % auf West- und Osteuropa sowie zu 18 % auf außereuropäisches Geschäft (2018: 57 %; 32 %; 11 %). MM Packaging beliefert in verschiedenen Konsumgüterbranchen nunmehr insgesamt über 1.800 Kunden. Hauptproduktgruppen sind Verpackungen für Lebensmittel, Pharma- und Tabakprodukte. Der starken Herstellerkonzentration in diesen Märkten entsprechend entfällt ein bedeutender Anteil des Geschäftes auf multinationale Großkunden. Mit den fünf größten Kunden wurden 2019 rund 41 % (2018: 41 %) der Umsatzerlöse erwirtschaftet.

Das betriebliche Ergebnis erhöhte sich um 20,0 % bzw. 24,1 Mio. EUR auf 144,8 Mio. EUR (2018: 120,7 Mio. EUR), wobei einmalige Aufwendungen in Höhe von -4,8 Mio. EUR aus der Erstkonsolidierung zu verbuchen waren. Die Operating Margin stieg daher nur leicht von 8,7 % auf 9,2 %.

Der Return on Capital Employed lag bei 14,2 % (2018: 14,3 %). Die Cash Earnings stiegen um 17,7 % auf 181,4 Mio. EUR (2018: 154,1 Mio. EUR), wodurch die Cash Earnings Margin 11,5 % (2018: 11,1 %) erreichte.

b — Geschäftsverlauf der Gesellschaft im Jahr 2019

Im Geschäftsjahr 2019 verzeichnete die Gesellschaft verglichen zum Vorjahr gestiegene Beteiligungserträge, denen die Dividendenzahlung für 2018 gegenüberstand.

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

c — Finanzielle Leistungsindikatoren

(in EUR)	2019	2018
Finanzergebnis	80.209.270,49	62.287.069,47
Umsatzerlöse	34.874.189,64	33.799.542,08
Betriebsergebnis	(12.340.381,90)	(6.857.708,60)
Cash Earnings	69.832.616,03	57.888.113,77
Eigenkapitalausstattung	94,50 %	95,02 %
Netto-Geldfluss aus laufender Geschäftstätigkeit	69.005.771,40	62.882.527,25
Netto-Geldfluss aus der Investitionstätigkeit	(308.499,64)	(482.487,17)
Netto-Geldfluss aus der Finanzierungstätigkeit	(148.576.500,44)	(39.386.872,12)

d — Nichtfinanzielle Leistungsindikatoren

Personal

Die Gesellschaft beschäftigt keine Arbeitnehmer.

Umweltbelange

Nachhaltigkeit ist seit jeher bestimmender Erfolgsfaktor in der Ausrichtung und Führung der MM Gruppe. Langfristiges, verantwortliches Wirtschaften steht im Zentrum unserer Tätigkeit, abseits von Moden und Trends. Durch den Einsatz vorwiegend nachwachsender Rohstoffe in der Produktion hochwertiger Kartonverpackungsprodukte, die nach dem Gebrauch stofflich wieder vollständig verwertet werden können, ist die Umsetzung von Kreislaufwirtschaft immanenter Teil unseres Geschäftes. In unserem Wertschöpfungsprozess übernehmen wir dabei gesamthaft Verantwortung, mit dem Ziel, Mehrwert und Chancen sowohl in wirtschaftlicher Hinsicht als auch für unsere Mitarbeiter, die Umwelt und die Gesellschaft zu schaffen.

Als Grundlage und Orientierung dienen die langfristige strategische Positionierung des Unternehmens als Marktführer auf Basis von Kosten-, Technologie- und Innovationsführerschaft sowie die Verhaltensregeln der MM Gruppe. Diese sind in unserem Unternehmenskodex (Code of Conduct) zusammengefasst. Dieser Ausrichtung folgen laufende Zielsetzungen und die Ressourcenallokation im Konzern. So sichern wir Nachhaltigkeit und eine erfolgreiche Zukunft der MM Gruppe.

Im aktuellen Trend hin zu nachhaltigen Verpackungsformen ist Kartonverpackung infolge der hohen Kreislauffähigkeit und natürlichen Erneuerung der Faserstoffe sehr gut positioniert.

e — Zweigniederlassungen

Die Gesellschaft betreibt keine Zweigniederlassungen.

2 — DIE VORAUSSICHTLICHE ENTWICKLUNG UND DIE RISIKEN DES UNTERNEHMENS

a — Voraussichtliche Entwicklung des Unternehmens in 2020

Dieser Ausblick entspricht den Einschätzungen des Vorstandes zum 16. März 2020 und berücksichtigt keine Auswirkungen von Akquisitionen, Veräußerungen oder anderen strukturellen Änderungen innerhalb des Jahres 2020. 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 europäischen Volkswirtschaften verlaufen mit geringer Dynamik. Der Privatkonsum zeigt aber weiterhin eine stabile Entwicklung und damit auch die Nachfrage nach Kartonverpackung. Vor diesem Hintergrund waren die Karton- und Packagingwerke des Konzerns seit Jahresbeginn weiterhin insgesamt gut ausgelastet. Infolge ausreichender Kapazitäten in der Branche bleiben die Absatzmärkte jedoch durch intensiven Wettbewerb gekennzeichnet.

Bei MM Karton steht die Behauptung der Preisniveaus weiter im Fokus. Für beide Divisionen ist es Ziel, in 2020 erneut zu wachsen und die Ergebnisqualität auf hohem Niveau zu behaupten.

Kontinuierliche Investitionen in modernste technologische Neuerungen sowie fortlaufende Maßnahmen zur Verbesserung der Kosteneffizienz und Optimierungen im Produkt- und Absatzprogramm sollen dies weiter ermöglichen.

Ziel ist es, in 2020 bestmöglich an das Rekordjahr 2019 anzuschließen. Nach einem guten Jahresbeginn sehen wir die Herausforderungen im Jahresverlauf zunehmend. Wie bisher werden wir hohe Aufmerksamkeit auf die zukunftsorientierte Entwicklung unserer Werke und Produkte sowie die risikobewusste Fortsetzung unseres globalen Akquisitionskurses richten.

Aus heutiger Sicht rechnet die Gesellschaft mit höheren Beteiligungserträgen als im Geschäftsjahr 2019.

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

Die Gesellschaft selbst betreibt keine Forschung und Entwicklung. Die nachfolgenden Ausführungen beziehen sich auf den Mayr-Melnhof Konzern. Im Zentrum der Forschungs- und Entwicklungstätigkeiten des Mayr-Melnhof Konzerns steht die nachhaltige Sicherung und Stärkung der Wettbewerbs- und Wachstumsfähigkeit durch Fortschritt in den beiden Divisionen MM Karton und MM Packaging.

Grundlage ist unsere strategische Ausrichtung, Marktführerschaft langfristig auf Basis von Kosten-, Technologie- und Innovationsführerschaft zu behaupten. Daher haben wir den Anspruch, Marktbedürfnisse und Zukunftstrends frühzeitig zu identifizieren und diese unter Einsatz modernster Technologien mit Mehrwert für unsere Kunden und das Unternehmen zu nutzen. Wir greifen dabei auf ein breites Ressourcenspektrum zurück und schließen in unseren Produktlösungen regelmäßig Aspekte der gesamten Supply Chain mit ein.

Grundlage unserer F&E-Aktivitäten ist das Zusammenwirken von Experten aus verschiedenen Bereichen des Konzerns unter Rückgriff auf die langjährige Wissensbasis in den Divisionen. Darüber hinaus werden anlassbezogen externe Spezialisten und Forschungseinrichtungen miteinbezogen. Beide Divisionen verfügen über einen bewährten Innovationsprozess, der sicherstellt, dass Entwicklungen von der Ideenfindung bis zur Umsetzung mit den jeweils notwendigen Ressourcen begleitet werden.

Unsere Aufmerksamkeit gilt im gleichen Maße Produkt- und Prozessinnovationen mit dem gemeinsamen Ziel, Neuerungen zügig in den Markt zu bringen und daraus zeitnah Mehrwert zu generieren. Unser Anspruch ist es, dass unsere Produkte und Methoden bereits frühzeitig neuesten Anforderungen und technischen Möglichkeiten entsprechen. Dazu verfolgen wir einen proaktiven Ansatz, der sowohl Aspekte der Grundlagenforschung als auch visionäre Konzepte und Ideen miteinbezieht. Durch die enge Zusammenarbeit mit den Gremien der Normung und Gesetzgebung stellen wir sicher, dass sich unsere Produkte zukunftsorientiert und stets regelkonform weiterentwickeln.

Nachhaltige, plastikfreie Verpackungen, ein natürlicher Auftritt, Convenience und Sicherheit sowie die perfekte Einbindung in Onlinevertrieb und -kommunikation sind aktuell prägende Anforderungen und Trends in der Verpackung. In enger Zusammenarbeit mit unseren Kunden erarbeiten wir individuelle Lösungen unter diesen Vorgaben und achten auf höchstmögliche Performance und Effizienz bei der Umsetzung.

a — Innovationstätigkeit 2019 in der Division MM Karton

Die Innovationstätigkeit von MM Karton zielte auch in 2019 darauf ab, Produkteigenschaften wie Optik, Bedruckbarkeit, Festigkeit und Barrierequalität bestehender Produkte weiter zu verbessern, aber auch völlig neue Produkte mit speziellen Eigenschaften (z. B. Fett- und Migrationsbarrieren) zu entwickeln. Dabei legen wir stets Wert auf hohe Effizienz in der Produktion und umweltfreundliche Nutzung der Ressourcen. Zudem achten wir schon bei der Entwicklung unserer Kartonprodukte auf bestmögliche Performance bei ihrer Weiterverarbeitung.

Grundlegende Erkenntnisse bezüglich der Kombination von bekannten, aber auch neuen Materialien werden im Forschungszentrum der österreichischen Kartonfabrik Frohnleiten erbracht. Ein besonderer Schwerpunkt lag in 2019 auf der Zusammenarbeit mit externen Forschungseinrichtungen, Universitäten, Kunden und Zulieferern. Unter anderem wurden neue Prozesse in Hinblick auf die industrielle Implementierbarkeit geprüft.

Der Anteil neuer bzw. neu ausgerichteter Produkte, die nicht älter als vier Jahre sind, belief sich in 2019 bereits auf über ein Fünftel des Gesamtabsatzes von MM Karton. Durch enges Zusammenwirken von Verkauf und Technologie mit unseren Kunden ist es Ziel, diesen Anteil weiter zu steigern. Strategischen Hintergrund bildet das Projekt „Renovation“, welches die Produkte einzelner Werke für spezifische Märkte und Anwendungen neu definiert, um durch Mehrwert Wachstum und Wertschöpfung zu generieren.

Markteinführungen betrafen 2019 insbesondere folgende Produkte:

Die Recyclingqualität Astracolor™ Performance aus dem österreichischen Werk Frohnleiten steht für maximale Effizienz in der Verarbeitung und beim Abpackprozess. Sie verfügt über hervorragende Oberflächeneigenschaften und besonders gute Steifigkeitswerte für ausgezeichnete Verpackungsstabilität beim Endprodukt.

Der hochwertige Recyclingkarton UT Tray Black aus dem österreichischen Werk Hirschwang mit umweltfreundlicher Feuchtigkeitsbarriere wurde speziell für die Anforderungen von Obst- und Gemüschalen konzipiert. Die schwarze Vorderseite sorgt für die optimale Präsentation von farbenfrohem Obst und Gemüse, während die braune Rückseite Natürlichkeit vermittelt.

b — Innovationstätigkeit 2019 in der Division MM Packaging

Das Innovationsnetzwerk von MM Packaging bietet in jeder Phase des Innovationsprozesses relevante und überzeugende Lösungen für den Erfolg unserer Kunden. Es setzt sich aus folgenden Institutionen zusammen: PacProject, dem kreativen Innovationszentrum in Hamburg, dem Premium Printing Center in Trier sowie dem Technical Competence Center zur Koordination gezielter Kundenbriefings mit den lokalen Packaging-Development-Centern und einzelnen Werken. Um auch die Bedürfnisse beim Kunden hinsichtlich technischer Ausrichtung bzw. Ausstattung zu berücksichtigen, erfolgt eine enge Abstimmung mit dem Division Technical Support Team.

Der Innovationsprozess von MM Packaging beginnt bei der Erstellung von Trend-Studien, Ideenfindungen und Konzeptstudien bis hin zu ersten Prototypen. Diese ersten Schritte erfolgen in der Regel bei PacProject in Hamburg.

Im Premium Printing Center in Trier kommen hochinnovative Technologien zur Anwendung, um Verpackungsdesigns mit außergewöhnlichen Effekten in kürzester Zeit zu realisieren.

Natural Look war der Trend des Jahres 2019 in der Verpackungsbranche. In Workshops gemeinsam mit Kunden wurden die technischen Möglichkeiten zur Entwicklung von Produkten mit einem natürlichen Erscheinungsbild aufgezeigt und umgesetzt. Vor allem das Zusammenspiel von unterschiedlichsten

Kartonoberflächen, Artwork, Lacken und auf die Oberfläche abgestimmten Druckfarben ermöglicht es, Faltschachtelverpackungen im Natural Look zu präsentieren.

Ein weiterer Innovationsschwerpunkt konzentrierte sich auf die Reduktion bzw. den Ersatz von Plastik bei Verpackungen in unterschiedlichsten Bereichen des täglichen Bedarfs. Von der Elektronikverpackung über Tissueboxen bis hin zur Zuckerverpackung spannte sich das breit gefächerte Innovationsfeld von MM Packaging.

Bei den European Carton Excellence Awards, dem renommiertesten Wettbewerb für Kartonverpackungen, wurde MM Karton in mehreren Kategorien ausgezeichnet. Verpackungslösungen aus Qualitäten wie Multicolor Mirabell™, Multicolor Spezial™, MM Topliner™, Accurate™, FOODBOARD™ sowie Multicolor Belvedere™ wurden für Nachhaltigkeit und Umweltfreundlichkeit preisgekrönt.

Ferner erhielten MM Packaging und MM Karton gemeinsame Preise bei den „Carton Austria Awards“ für besonders nachhaltige, kunststofffreie und optisch herausragende Verpackungen.

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 2019 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 16. März 2020

Der Vorstand

Mayr-Melnhof Karton Aktiengesellschaft

Dr. Wilhelm HÖRMANSEDER e.h.

Dr. Andreas BLASCHKE e.h.

Mag. Franz HIESINGER e.h.

Bilanz

AKTIVA (in EUR)	Stand 31. Dez. 2019	Stand 31. Dez. 2018	PASSIVA (in EUR)	Stand 31. Dez. 2019	Stand 31. Dez. 2018
A. ANLAGEVERMÖGEN			A. EIGENKAPITAL		
I. Sachanlagen			I. Eingefordertes und einbezahltes Grundkapital	80.000.000,00	80.000.000,00
1. Grundstücke, grundstücksgleiche Rechte und Bauten, einschließlich der Bauten auf fremdem Grund	1.786.518,88	1.848.816,32			
2. Andere Anlagen, Betriebs- und Geschäftsausstattung	28.022,75	36.453,88	II. Kapitalrücklagen		
	1.814.541,63	1.885.270,20	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)	176.280.754,30	180.678.833,75
2. Beteiligungen	494.917,78	494.917,78			
3. Wertpapiere (Wertrechte) des Anlagevermögens	0,00	9.031.722,57	IV. Bilanzgewinn	75.000.000,00	65.000.000,00
	284.531.857,09	293.563.579,66	<i>davon Gewinnvortrag EUR 1.000.000,00 (2018: EUR 4.000.000,00)</i>		
	286.346.398,72	295.448.849,86		503.939.202,38	498.337.281,83
B. UMLAUFVERMÖGEN			B. RÜCKSTELLUNGEN		
I. Forderungen und sonstige Vermögensgegenstände			1. Rückstellungen für Abfertigungen	1.951.557,00	1.485.200,00
1. Forderungen gegenüber verbundenen Unternehmen	234.352.811,17	146.869.625,34	2. Rückstellungen für Pensionen	1.979.263,63	9.583.317,87
<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2018: EUR 0,00)</i>			3. Steuerrückstellungen	15.346.811,75	6.852.466,47
2. Sonstige Forderungen und Vermögensgegenstände	10.162.194,46	1.189.367,51	4. Sonstige Rückstellungen	9.681.304,41	7.688.277,17
<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2018: EUR 0,00)</i>				28.958.936,79	25.609.261,51
	244.515.005,63	148.058.992,85			
II. Kassenbestand und Guthaben bei Kreditinstituten	279.517,96	80.158.746,64	C. VERBINDLICHKEITEN		
	244.794.523,59	228.217.739,49	<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 374.809,21 (2018: EUR 510.146,24)</i>		
	228.512,62	161.646,68	<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2018: EUR 0,00)</i>		
C. RECHNUNGSABGRENZUNGSPOSTEN			1. Verbindlichkeiten aus Leistungen	234.855,87	154.874,03
			<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 234.855,87 (2018: EUR 154.874,03)</i>		
D. AKTIVE LATENTE STEUERN	1.903.513,45	628.453,55	<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2018: EUR 0,00)</i>		
			2. Verbindlichkeiten gegenüber verbundenen Unternehmen	114.038,00	328.636,00
			<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 114.038,00 (2018: EUR 328.636,00)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2018: EUR 0,00)</i>		
			3. Sonstige Verbindlichkeiten		
			<i>davon mit einer Restlaufzeit von bis zu einem Jahr EUR 25.915,34 (2018: EUR 26.636,21)</i>		
			<i>davon mit einer Restlaufzeit von mehr als einem Jahr EUR 0,00 (2018: EUR 0,00)</i>		
			a) Steuern	13.201,95	11.833,84
			b) Soziale Sicherheit	9.246,00	11.088,74
			c) Übrige	3.467,39	3.713,63
				25.915,34	26.636,21
				374.809,21	510.146,24
SUMME AKTIVA	533.272.948,38	524.456.689,58	SUMME PASSIVA	533.272.948,38	524.456.689,58

Gewinn- und Verlustrechnung

(in EUR)	2019	2018
1. Erträge aus Beteiligungen		
a) Verbundene Unternehmen	80.000.000,00	62.000.000,00
b) Übrige	242.200,00	331.380,00
	80.242.200,00	62.331.380,00
2. Sonstige Zinsen und ähnliche Erträge		
a) Verbundene Unternehmen	4.030,74	0,00
b) Übrige	0,24	0,24
	4.030,98	0,24
3. Zinsen und ähnliche Aufwendungen		
a) Verbundene Unternehmen	(776,07)	0,00
b) Übrige	(36.184,42)	(44.310,77)
	(36.960,49)	(44.310,77)
4. Zwischensumme aus Z 1 bis 3 (Finanzergebnis)	80.209.270,49	62.287.069,47
5. Umsatzerlöse	34.874.189,64	33.799.542,08
6. Sonstige betriebliche Erträge		
a) Erträge aus dem Abgang vom und der Zuschreibung zum Anlagevermögen mit Ausnahme der Finanzanlagen	5.049,86	(0,14)
b) Übrige	725.461,52	1.129.329,72
	730.511,38	1.129.329,58
7. Aufwendungen für Material und sonstige bezogene Herstellungsleistungen		
a) Aufwendungen für bezogene Leistungen	(29.878.334,04)	(28.707.418,00)
	(29.878.334,04)	(28.707.418,00)
8. Personalaufwand		
a) Gehälter	(9.352.280,17)	(7.137.504,27)
b) Soziale Aufwendungen	(2.874.229,98)	(1.312.641,48)
<i>davon Aufwendungen für Altersversorgung</i>	<i>(1.833.215,57)</i>	<i>(119.324,09)</i>
<i>aa) Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervereinigungen</i>	<i>(510.196,53)</i>	<i>(210.080,81)</i>
<i>bb) Aufwendungen für gesetzlich vorgeschriebene Sozialabgaben sowie vom Entgelt abhängige Abgaben und Pflichtbeiträge</i>	<i>(530.817,88)</i>	<i>(983.236,58)</i>
	(12.226.510,15)	(8.450.145,75)
9. Abschreibungen		
a) auf Sachanlagen	(70.728,43)	(79.688,24)
	(70.728,43)	(79.688,24)
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	(5.767.795,95)	(4.547.613,92)
	(5.769.510,30)	(4.549.328,27)
11. Zwischensumme aus Z 5 bis 10 (Betriebsergebnis)	(12.340.381,90)	(6.857.708,60)
12. Ergebnis vor Steuern (Zwischensumme aus Z 4 und Z 11)	67.868.888,59	55.429.360,87
13. Steuern vom Einkommen und vom Ertrag	1.733.031,96	1.516.060,96
<i>davon latente Steuern EUR 1.275.059,90 (2018: EUR -863.003,70)</i>		
14. Jahresüberschuss	69.601.920,55	56.945.421,83
15. Auflösung von Gewinnrücklagen	4.398.079,45	4.054.578,17
16. Jahresgewinn	74.000.000,00	61.000.000,00
17. Gewinnvortrag aus dem Vorjahr	1.000.000,00	4.000.000,00
18. Bilanzgewinn	75.000.000,00	65.000.000,00

Anhang

der Mayr-Melnhof Karton Aktiengesellschaft für das Geschäftsjahr 1. Jänner 2019 bis 31. Dezember 2019

1 — ALLGEMEINE ERLÄUTERUNGEN

Der vorliegende Jahresabschluss wurde unter Beachtung der Grundsätze ordnungsmäßiger Buchführung, Bilanzierung 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.

Bei der Bilanzierung und Bewertung wurde den allgemein anerkannten Grundsätzen Rechnung getragen. Dabei wurden die in § 201 Abs. 2 UGB kodifizierten Grundsätze ordnungsmäßiger Buchführung ebenso beachtet wie die Gliederungs- und Bewertungsvorschriften für die Bilanz und die Gewinn- und Verlustrechnung der §§ 195 bis 211 und 222 bis 235 UGB.

Des Weiteren wurde 2019 die Empfehlung des AFRAC zur Bilanzierung von Pensionsrückstellungen gemäß AFRAC 27 erstmals umgesetzt. Demnach wurden die Rückstellungen für Pensionen in Höhe von EUR 11.514.779,93 mit den Rückdeckungsversicherungen (31. Dezember 2018: Ausweis unter Wertrechte des Anlagevermögens) in Höhe von EUR 9.535.516,30 saldiert. Die Nettopensionsverpflichtung beträgt zum 31.12.2019 EUR 1.979.263,63 (theoretischer Wert 31. Dezember 2018: EUR 551.595,30).

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 und stellt den Konzernabschluss für den größten und kleinsten Kreis der Unternehmen auf.

Die rechtlichen und wirtschaftlichen Beziehungen zu verbundenen Unternehmen gemäß § 238 Abs. 1 Z 20 UGB werden nicht angegeben, da sie dem Unternehmen oder einem verbundenen Unternehmen einen erheblichen Nachteil zufügen würden.

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).

In den Wertpapieren des Anlagevermögens sind Ansprüche aus Rückdeckungsversicherungen auf Grund von Pensionszusagen enthalten. Der Ansatz dieser Ansprüche erfolgt mit dem Deckungskapital.

Die Gesellschaft hat eine Rückdeckungsversicherung für ihre Pensionsverpflichtung gegenüber den Begünstigten abgeschlossen. Die Ansprüche aus der Rückdeckungsversicherung wurden an die Anspruchsberechtigten verpfändet und unter Beachtung der Vermögensobergrenze mit der entsprechenden Gesamtpensionsverpflichtung saldiert.

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

b — Umlaufvermögen

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

Forderungen und sonstige Vermögensgegenstände

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

c — Rückstellungen

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

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

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

Pensionszusagen, die durch verpfändete Rückdeckungsversicherungen gedeckt sind und für die die Gesellschaft wirtschaftlich somit kein Risiko trägt, werden in der Bilanz saldiert ausgewiesen.

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 31.12.2019	Buchwert 31.12.2018	
	Stand	Zugänge	Abgänge	Umbuchung	Stand	Stand	Zugänge	Abgänge			Stand
	01.01.2019	2019	2019	2019	31.12.2019	01.01.2019	2019	2019			31.12.2019
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	
b) Gebäudewert	2.641.168,05	0,00	0,00	0,00	2.641.168,05	1.369.704,55	62.297,44	0,00	1.432.001,99	1.209.166,06	
2. Andere Anlagen, Betriebs- und Geschäftsausstattung	100.510,75	0,00	19.041,08	0,00	81.469,67	64.056,87	8.430,99	19.040,94	53.446,92	28.022,75	
Summe I	3.319.031,62	0,00	19.041,08	0,00	3.299.990,54	1.433.761,42	70.728,43	19.040,94	1.485.448,91	1.814.541,63	
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	
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	
3. Wertpapiere (Wertrechte) des Anlagevermögens	9.031.722,57	581.318,01	77.524,28	(9.535.516,30)	0,00	0,00	0,00	0,00	0,00	9.031.722,57	
Summe II	293.563.579,66	581.318,01	77.524,28	(9.535.516,30)	284.531.857,09	0,00	0,00	0,00	0,00	284.531.857,09	
Gesamt	296.882.611,28	581.318,01	96.565,36	(9.535.516,30)	287.831.847,63	1.433.761,42	70.728,43	19.040,94	1.485.448,91	286.346.398,72	

b — Aufgliederung der Anteile an verbundenen Unternehmen

(in EUR)	31.12.2019	Geschäftsjahr 2018	
	Anteil in %	Eigenkapital	Jahresergebnis
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H., Reichenau/Rax (AUT) ¹⁾	100,00	2.710.504,33	k. A
Mayr-Melnhof Cartonboard International GmbH, Wien (AUT) ¹⁾	100,00	259.391.561,41	k. A
Mayr-Melnhof Packaging International GmbH, Wien (AUT) ¹⁾	100,00	410.166.849,63	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) des Anlagevermögens sind die Rückdeckungsversicherungen, die im Wesentlichen zugunsten der Pensionsberechtigten verpfändet sind, saldiert mit den Pensionsverpflichtungen ausgewiesen.

d — Forderungen

Zum 31. Dezember gliedern sich die Forderungen wie folgt:

(in EUR)	31.12.2019	31.12.2018
1. Forderungen gegenüber verbundenen Unternehmen		
a) aus Lieferungen und Leistungen	7.163.188,55	6.217.197,95
b) aus sonstigen Forderungen	227.189.622,62	140.652.427,39
	234.352.811,17	146.869.625,34
2. Sonstige Forderungen und Vermögensgegenstände	10.162.194,46	1.189.367,51

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 695.935,86 (31. Dezember 2018: EUR 1.179.268,61) enthalten.

In den sonstigen Forderungen gegenüber verbundenen Unternehmen sind auch Forderungen aus Cash Pooling-Vereinbarungen in Höhe von EUR 224.932.442,46 (31. Dezember 2018: EUR 140.355.942,02) sowie aus Steuerumlagen in Höhe von EUR 2.947.529,47 (31. Dezember 2018: EUR 1.471.290,82) ausgewiesen.

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

e — Eigenkapital

Grundkapital

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

Der Vorstand wurde von der 25. Hauptversammlung ermächtigt, eigene Aktien im Ausmaß von bis zu 10 % des Grundkapitals mit Wirksamkeit bis 24. Oktober 2021 zu erwerben. Von dieser Ermächtigung hat der Vorstand bis zum 31. Dezember 2019 keinen Gebrauch gemacht.

f — Rückstellungen

Abfertigungs- und Pensionsverpflichtungen

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

(in %)	31.12.2019		31.12.2018	
	Abfertigungen	Pensionen	Abfertigungen	Pensionen
Abzinsungsfaktor	0,90 %	0,90 %	1,90 %	1,90 %
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 Anwartschaftsbarwerte betreffend Abfertigungs- bzw. Pensionsverpflichtungen sowie die Überleitungen zum bilanzierten Rückstellungsbetrag stellen sich wie folgt dar:

(in EUR)	Abfertigungen	Pensionen
Bilanzierte langfristige Rückstellung 31.12.2018	1.485.200,00	9.583.317,87
Zuführung Dienstzeitaufwand 2019	53.153,00	235.631,00
Zuführung Zinsaufwand 2019	27.577,00	179.626,00
Auszahlungen 2019	0,00	(96.531,00)
Versicherungsmathematische Verluste bzw. (Gewinne) 2019	385.627,00	1.612.736,06
Bilanzierte langfristige Rückstellung 31.12.2019	1.951.557,00	11.514.779,93
Deckungskapital		(9.535.516,30)
Saldierete Pensionsverpflichtung		1.979.263,63

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

Der Wert der Ansprüche aus der Rückdeckungsversicherung beträgt EUR 9.535.516,30 (31. Dezember 2018: EUR 9.031.772,57). Die Ansprüche aus der Rückdeckungsversicherung wurden an die Anspruchsberechtigten verpfändet und daher, unter Beachtung der Vermögensobergrenze, mit der entsprechenden Gesamtpensionsverpflichtung in Höhe von EUR 11.514.779,93 (31. Dezember 2018: EUR 9.583.317,87) saldiert.

Sonstige Rückstellungen

Neben der Rückstellung für die variablen Vorstandsbezüge des laufenden Jahres in Höhe von EUR 8.160.000,00 (31. Dezember 2018: EUR 6.910.000,00) 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)	31.12.2019	Davon Restlaufzeit über 5 Jahre	31.12.2018	Davon Restlaufzeit über 5 Jahre
1. Verbindlichkeiten aus Leistungen	234.855,87	0,00	154.874,03	0,00
2. Verbindlichkeiten gegenüber verbundenen Unternehmen				
a) aus Lieferungen und Leistungen	114.038,00	0,00	328.636,00	0,00
	114.038,00	0,00	328.636,00	0,00
3. Sonstige Verbindlichkeiten				
a) Steuern	13.201,95	0,00	11.833,84	0,00
b) Soziale Sicherheit	9.246,00	0,00	11.088,74	0,00
c) Übrige	3.467,39	0,00	3.713,63	0,00
	25.915,34	0,00	26.636,21	0,00
Gesamt	374.809,21	0,00	510.146,24	0,00

In den sonstigen Verbindlichkeiten sind Aufwendungen von unwesentlicher Höhe enthalten, welche erst nach dem Bilanzstichtag zahlungswirksam werden.

GEWINN- UND VERLUSTRECHNUNG

a — Nettoerlöse nach geografischen Märkten

(in EUR)	2019	2018
Verbundene Unternehmen		
Österreich	6.472.388,08	6.657.960,08
Andere EU-Länder	21.980.952,00	20.911.884,00
Nicht EU-Länder	6.420.849,56	6.229.698,00
Gesamt	34.874.189,64	33.799.542,08

b — Personalaufwand

Die unter den Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervorsorgekassen enthaltenen Beiträge an die Mitarbeitervorsorgekasse betragen EUR 71.416,53 (2018: EUR 71.239,81).

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

(in EUR)	2019	2018
Anpassung der Abfertigungsrückstellung	466.357,00	159.546,00
Anpassung der Pensionsrückstellung	1.931.462,06	169.680,87

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 2019 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 2019 EUR 1.553.072,81 (2018: EUR 7.888.224,26) an die Gruppenmitglieder weiterverrechnet.

Die Steuern vom Einkommen und vom Ertrag weisen in 2019 einen Ertrag von EUR 457.972,06 (2018: Ertrag EUR 2.379.064,66) auf.

Latente Steuern

Der latente Steueranspruch aus dem Saldo der aktiven und passiven latenten Steuern beträgt zum 31. Dezember 2019 EUR 1.903.513,45 (31. Dezember 2018: EUR 628.453,55).

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:

	2019		2018	
	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)	2019	2018
Aktive latente Steuern 01.01.	628.453,55	1.491.457,25
Auflösung	0,00	(863.003,70)
Zuführung	1.275.059,90	0,00
Aktive latente Steuern 31.12.	1.903.513,45	628.453,55

e — Ergebnisverwendung

Der Vorstand schlägt vor, aus dem Bilanzgewinn in Höhe von EUR 75.000.000,00 eine Dividende von EUR 3,60 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)	2019	2018
a) von der Gesellschaft	8.689.612,54	7.787.273,74
b) von verbundenen Unternehmen	1.511.694,40	1.229.410,65
Gesamt	10.201.306,94	9.016.684,39
Davon		
a) fixe Bezüge	2.756.079,96	2.667.684,39
b) variable Vergütung	7.445.226,98	6.349.000,00
Gesamt	10.201.306,94	9.016.684,39

Herr Rappold erhält für den Leistungszeitraum 1. Jänner 2019 bis 30. Juni 2019 eine anteilige, variable Vergütung.

Bezüge des Aufsichtsrates

(in EUR)	2019	2018
von der Gesellschaft	497.000,00	475.000,00
Gesamt	497.000,00	475.000,00

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

Vorstand

Dr. Wilhelm HÖRMANSEDER (Vorsitzender)
Dr. Andreas BLASCHKE (Mitglied des Vorstandes)
Mag. Franz HIESINGER (Mitglied des Vorstandes)
Ing. Franz RAPPOLD (Mitglied des Vorstandes bis 30. Juni 2019)

Aufsichtsrat

Dipl.-Ing. Rainer ZELLNER (Vorsitzender)
Mag. Johannes GOESS-SAURAU (1. Stellvertretender Vorsitzender)
Dr. Nikolaus ANKERSHOFEN (2. Stellvertretender Vorsitzender)
o. Univ.-Prof. Dr. Romuald BERTEL (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 bis 18. Dezember 2019)
Andreas HEMMER (Arbeitnehmersvertreter)
Gerhard NOVOTNY (Arbeitnehmersvertreter)

b — Ereignisse nach dem Abschlussstichtag

Am 14. Januar 2020 teilte die Gesellschaft mit, dass MMag. Peter Oswald am 1. Mai 2020 die Tätigkeit als Vorstandsvorsitzender von Dr. Wilhelm Hörmanseder übernehmen wird. Nachdem Dr. Hörmanseder bis zum 30. Juni 2021 in den Vorstand bestellt ist, wird der Konzern die bestehenden Ansprüche von Dr. Hörmanseder ab seinem Ausscheiden in Abhängigkeit von etwaigen Verhandlungen im ersten Quartal 2020 zurückstellen.

Wien, am 16. März 2020

Der Vorstand

Mayr-Melnhof Karton Aktiengesellschaft

Dr. Wilhelm HÖRMANSEDER e.h.

Dr. Andreas BLASCHKE e.h.

Mag. Franz HIESINGER e.h.

Bestätigungsvermerk

Bericht zum Jahresabschluss

Prüfungsurteil

Wir haben den Jahresabschluss der Mayr-Melnhof Karton Aktiengesellschaft, Wien, bestehend aus der Bilanz zum 31. Dezember 2019, 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 2019 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.

Hinweis auf einen sonstigen Sachverhalt

Der Jahresabschluss der Mayr-Melnhof Karton Aktiengesellschaft, Wien, für das am 31. Dezember 2018 endende Geschäftsjahr wurde von einem anderen Abschlussprüfer geprüft, der am 28. Februar 2019 ein uneingeschränktes Prüfungsurteil zu diesem Abschluss abgegeben hat.

Unser Prüfungsurteil ist im Hinblick auf diesen Sachverhalt nicht eingeschränkt.

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 als Ganzem und bei der Bildung unseres Prüfungsurteils hierzu berücksichtigt, und wir geben kein gesondertes Prüfungsurteil zu diesen Sachverhalten ab.

Unsere Darstellung dieser besonders wichtigen Prüfungssachverhalte haben wir wie folgt strukturiert:

- Sachverhalt
- Prüferisches Vorgehen und Erkenntnisse
- Verweis auf weitergehende Informationen

1. Organbezüge – Bewertung der Rückstellungen für variable Bezüge

Sachverhalt

Die variablen Bezüge der Vorstandsmitglieder stellen Erfolgsbeteiligungen am Konzernergebnis des jeweiligen Geschäftsjahres der Gesellschaft dar. Sie werden auf Basis des für das aktuelle Jahr festzustellenden Konzernabschlusses der Gesellschaft zum jeweiligen Stichtag rückgestellt. Zum 31. Dezember 2019 betragen die Rückstellungen für variable Bezüge der aktiven Vorstandsmitglieder EUR 8.160.000,00 (Vorjahr: EUR 6.910.000,00). Für unterjährig ausgeschiedene Vorstandsmitglieder wurden entsprechend der mit der Gesellschaft getroffenen Auflösungsvereinbarung die vereinbarten Ansprüche rückgestellt. Die Höhe der variablen Bezüge ist maßgeblich vom Erreichen von vertraglich festgelegten Konzernkennzahlen abhängig. Fehler in der Ermittlung dieser Konzernkennzahlen können wesentliche Auswirkungen auf die Höhe der Rückstellungen für variable Bezüge und damit auf den Jahresabschluss haben.

Prüferisches Vorgehen und Erkenntnisse

Im Rahmen der Jahresabschlussprüfung haben wir von den zum Stichtag aktiven Vorstandsmitgliedern die Vorstandsverträge gelesen und die von der Gesellschaft erfolgte Berechnung der Rückstellungen für variable Bezüge nachgerechnet. Die für die Rückstellungsermittlung relevanten Konzernkennzahlen haben wir mit dem Konzernabschluss zum 31. Dezember 2019 abgestimmt. Für unterjährig ausgeschiedene Vorstandsmitglieder haben wir neben dem Abgleich der Berechnung der Rückstellung für variable Bezüge mit dem Vorstandsvertrag auch die mit der Gesellschaft geschlossene Auflösungsvereinbarung eingeholt und gelesen. Den darin dem ausgeschiedenen Vorstandsmitglied zugesagten Anspruch auf Erfolgsbeteiligung in Abhängigkeit von der Höhe der Konzernkennzahlen des Geschäftsjahres 2019 haben wir nachgerechnet. Abschließend haben wir die von § 239 UGB geforderten Anhangangaben zu den Rückstellungen für variable Bezüge der Vorstände für das Geschäftsjahr 2019 geprüft.

Auf Grund unserer Prüfungshandlungen konnten wir die sachgerechte vertraglich vereinbarte Ermittlung der Rückstellungen für variable Bezüge im Jahresabschluss zum 31. Dezember 2019 feststellen. Die bei der Ermittlung der Höhe der variablen Bezüge zur Anwendung gelangten Konzernkennzahlen wurden entsprechend den in den Vorstandsverträgen vereinbarten Kennzahldefinitionen von dem von uns geprüften Konzernabschluss der Gesellschaft zum 31. Dezember 2019 abgeleitet. Die von den entsprechenden Regelungen des § 239 UGB geforderten Angaben sind vollständig und zutreffend.

Verweis auf weitergehende Informationen

Weitergehende Informationen zu diesem besonders wichtigen Prüfungssachverhalt finden sich im Anhang des Jahresabschlusses unter Anhangangabe 3 – „Erläuterungen zu einzelnen Posten der Bilanz und Gewinn- und Verlustrechnung“ im Unterpunkt f – „Rückstellungen“ sowie in Anhangangabe 4 – „Sonstige Angaben“ im Unterpunkt a – „Angaben über Organe und Mitglieder“.

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.

Sonstige gesetzliche und andere rechtliche Anforderungen

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.

Sonstige Informationen

Die gesetzlichen Vertreter sind für die sonstigen Informationen verantwortlich. Die sonstigen Informationen beinhalten alle Informationen im Geschäftsbericht, ausgenommen den Jahresabschluss, den Lagebericht und den Bestätigungsvermerk.

Unser Prüfungsurteil zum Jahresabschluss deckt diese sonstigen Informationen nicht ab, und wir geben keine Art der Zusicherung darauf ab.

In Verbindung mit unserer Prüfung des Jahresabschlusses ist es unsere Verantwortung, diese sonstigen Informationen zu lesen und zu überlegen, ob es wesentliche Unstimmigkeiten zwischen den sonstigen Informationen und dem Jahresabschluss oder mit unserem während der Prüfung erlangten Wissen gibt oder diese Informationen sonst wesentlich falsch dargestellt erscheinen. Falls wir, basierend auf den durchgeführten Arbeiten, zur Schlussfolgerung gelangen, dass die sonstigen Informationen wesentlich falsch dargestellt sind, müssen wir dies berichten. Wir haben diesbezüglich nichts zu berichten.

Zusätzliche Angaben nach Artikel 10 der EU-VO

Wir wurden von der ordentlichen Hauptversammlung am 24. April 2019 als Abschlussprüfer gewählt. Wir wurden am 8. August 2019 vom Aufsichtsrat beauftragt. Wir wurden für den Abschluss zum 31. Dezember 2019 erstmalig als Abschlussprüfer bestellt.

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 Mag. Dr. Aslan Milla.

Wien, den 16. März 2020

PwC Wirtschaftsprüfung GmbH

Frédéric Vilain e.h.
Wirtschaftsprüfer

Mag. Dr. Aslan Milla 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

The Mayr-Melnhof Group pursues a responsible business activity focusing on sustainable value added in both segments, MM Karton and MM Packaging. In order to ensure this in the long term, we pay attention to a consistent compliance with good Corporate Governance. This includes the whole system of management and control of the Company, and thereby promotes the trust of our employees, shareholders, customers, suppliers and the public place in the MM Group.

COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

Since the Austrian Corporate Governance Code (Österreichischer Corporate Governance Kodex – ÖCGK) became effective in 2002, Mayr-Melnhof Karton AG has voluntarily committed itself to compliance with the Code in its respectively applicable version. The Code is based on the provisions of Austrian stock corporation, stock exchange and capital market laws, EU recommendations as well as the guidelines contained in the OECD Principles of Corporate Governance. The Code is, in accordance with national and international developments, regularly reviewed and adjusted accordingly. The current Austrian Corporate Governance Code can be downloaded from the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. The compliance with the Corporate Governance Code is subject to an annual internal evaluation provided by Mayr-Melnhof Karton AG. Furthermore, every three years an external evaluation of compliance with C rules is carried out, which was last time performed in 2018 in order to rotation.

The implementation and evaluation for the business year 2019 is based on the Code's version of January 2020. 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 for 2019:

Rule 27	<p>Non-financial criteria are not taken into account for the variable compensation of the members of the Management Board.</p> <p>Explanation: Content of current contracts with the members of the Management Board</p>
Rule 27a	<p>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.</p> <p>Explanation: Content of current contracts with the members of the Management Board</p>

- Rule 30 The upper limits currently applicable for variable compensation are not stated.
Explanation: Based on the ongoing external dialog, we do not consider this information material or relevant for any decisions. A cap is provided for in any case.
- Rule 51 No disclosure of the compensation of each individual member of the Supervisory Board
Explanation: Based on the ongoing external dialog, we do not consider this information material or relevant for any decisions.

COMPOSITION AND REMUNERATION OF THE BOARD

THE MANAGEMENT BOARD

Wilhelm HÖRMANSEDER
Chairman
Member of the Management Board
since March 9, 1994
appointed until June 30, 2021
End of the Management Board mandate
on April 30, 2020
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
Member of the Management Board
until June 30, 2019
born 1952

Peter Oswald, born in 1962, was appointed as Member of the Management Board as of April 1, 2020 and as Chairman of the Management Board as of May 1, 2020.

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

THE SUPERVISORY BOARD

Rainer ZELLNER

Chairman since April 29, 2015

born 1947

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

Johannes GOESS-SAURAU

1st Deputy Chairman since May 7, 2008

Member of the Supervisory Board since May 18, 2005

born 1955

Manager of his own companies

Nikolaus ANKERSHOFEN

2nd Deputy Chairman since April 26, 2017

Member of the Supervisory Board since April 28, 2010

born 1969

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

Romuald BERTL

Member of the Supervisory Board since March 2, 1994

born 1953

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

Guido HELD

Member of the Supervisory Board since May 7, 2008

born 1944

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

Alexander LEEB

Member of the Supervisory Board since May 7, 2008

born 1959

Deputy Chairman of the Supervisory Board of Plansee Holding AG, Reutte, Supervisory Board member at Andritz AG, Graz, 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 from April 29, 2009 until December 18, 2019

born 1961

Chairman of the Supervisory Board of Plansee Holding AG, Reutte

Andreas HEMMER

Member of the Supervisory Board since October 20, 2009

born 1968

Employee representative

Gerhard NOVOTNY

Member of the Supervisory Board since May 10, 1995

born 1963

Employee representative

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

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

Members of the Committees of the Supervisory Board

Presidium (Committee for Management Board Issues)

Rainer ZELLNER, Chairman

Johannes GOESS-SAURAU

Nikolaus ANKERSHOFEN

Audit Committee

Romuald BERTL, Chairman

Rainer ZELLNER

Johannes GOESS-SAURAU

Nikolaus ANKERSHOFEN

Gerhard NOVOTNY

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

Alexander LEEB

Member of the Supervisory Board, Andritz AG, Graz

Independence of the members of the Supervisory Board

The members of the Supervisory Board use the guidelines of the Austrian Corporate Governance Code as an orientation for determining the criteria of their independence:

A Supervisory Board member must not maintain, or have maintained in the past year, any business relations with the Company or any of its subsidiaries with significance for the member of the Supervisory Board. This also applies to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not to the performance of institutional functions in the Group. The approval of individual transactions by the Supervisory Board in accordance with L Rule 48 (Company Contracts with Members of the Supervisory Board outside their activity in the Supervisory Board) does not automatically qualify the person as not independent.

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

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

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

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

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

In the Supervisory Board of Mayr-Melnhof Karton AG, there is 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 2019, the total amount of compensation for the members of the Management Board was thous. EUR 10,201 (2018: thous. EUR 9,017). Thereof, thous. EUR 2,756 (2018: thous. EUR 2,668) were related to fixed compensation and thous. EUR 7,445 (2018: thous. EUR 6,349) to variable compensation. The compensations of the individual members are as follows: Wilhelm Hörmanseder accounts for a fixed compensation of thous. EUR 1,512 and a variable compensation of thous. EUR 3,720, Andreas Blaschke accounts for a fixed compensation of thous. EUR 489 and a variable compensation of thous. EUR 1,490, Franz Hiesinger accounts for a fixed compensation of thous. EUR 489 and a variable compensation of thous. EUR 1,490, Franz Rappold accounts for a fixed compensation of thous. EUR 266 and a variable compensation of thous. EUR 745.

The Company pension scheme entitles employees to receive a pension as of the 65th year of age depending on the qualifying period. This includes defined benefit plans and defined contribution plans which primarily depend on the length of service and the beneficiaries' compensation.

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

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

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

Compensation of the Supervisory Board

The compensation of shareholders' representatives in 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 2018 amounted to thous. EUR 497. The distribution of the total compensation among the members is the Supervisory Board's responsibility. In addition, the members of the Supervisory Board are granted a compensation for additional expenses incurred in exercising their duties.

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

Allocation of rights and duties within the Management Board

Wilhelm HÖRMANSEDER	Chairman of the Management Board
Franz HIESINGER	Finance
Andreas BLASCHKE	Sales, Marketing MM Packaging
Franz RAPPOLD	Sales, Marketing MM Karton (Member of the Management Board until June 30, 2019)

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 Nomination and Compensation Committee. The quality of the Committee's work is guaranteed by the long-standing experience and know-how of its members in the field of compensation policy.

Audit Committee

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

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

Focus of the Supervisory Board

The Supervisory Board convened in six meetings in the business year 2019, with the participation of the Management Board, and fulfilled its tasks and obligations in accordance with the law and the Articles of Association. All the members of the Supervisory Board attended at least five meetings.

In addition to analyzing ongoing business development and the integration of the Tann-Group, the main areas of focus were Group strategy, investments and acquisition, financing, risk evaluation as well as topics of Corporate Governance, compliance and succession planning. As in previous years, the Supervisory Board has again visited one of the Group's production facilities in 2019.

The Supervisory Board carried out a self-evaluation for the financial year 2019 in individual interviews between the chairman of the Supervisory Board and the Supervisory Board members, with the result that the activity of the Supervisory Board was assessed to have been generally efficient. The 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 2019.

All participants had sufficient opportunity for questions and discussions.

Focus of the Committees of the Supervisory Board

In 2019, the Presidium (Committee for Management Board Issues) met ten times. It dealt especially with Group strategy as well as matters relating to the Management Board and prepared the meetings of the Supervisory Board. The focus of the succession planning was, in particular, on filling the vacancy of the position of the Chairman of the Management Board.

The implementation of the Governance regulations applicable to the compensation of the members of the Management Board and the review of the underlying compensation policy have been taken care of.

In 2019, the Audit Committee held two meetings and fulfilled its statutory duties. One focus was placed on dealing with the Group financial statements and the individual financial statements for 2018 as well as the preparation of the Group financial statements and the individual financial statements for 2019. In this context, also the consolidated non-financial report according to section 267 a of the Austrian Commercial Code and its audit, were discussed, as well as details concerning the scope of non-auditing services rendered by the auditors, and 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 stated in the Code of Conduct. It is laid down there that we commit ourselves to creating a working environment throughout the Group that is characterized by openness and mutual respect. The diversity of our employees is considered as an asset, enabling us to fulfill our tasks in an even more creative and better way. We reject any form of discrimination and harassment on grounds of gender, race, skin color, religion, age, national or ethnic descent, disability, or sexual orientation. Employees and job applicants are assessed based on the principle of non-discrimination.

The Supervisory Board currently comprises nine men, and the Management Board three.

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

Women have been holding leading positions within the MM Group for a long time, particularly in the areas of human resources, legal matters, sales, and finance. Owing to the Group's activities in heavy industry and the shift systems, the proportion of women within the Group and in the recruitment process tends to be low. Nevertheless, we 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 external evaluation (at least every three years) of the Company's compliance with the C rules (Comply or Explain). The last was carried out in the course of the annual audit of the financial statements 2018 by Grant Thornton Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The review of compliance with the rules of the Code regarding the audit was conducted by Georg Eckert, professor at Innsbruck University. As a result of this evaluation, the auditors have determined that the declaration given by Mayr-Melnhof Karton AG regarding compliance with the Corporate Governance Code corresponds to the actual conditions. The next external evaluation is planned for the Corporate Governance report of the year 2021.

EVENTS AFTER THE BALANCE SHEET DATE

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

Vienna, March 16, 2020

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Hiesinger m. p.

Statement of the Management Board

according to Section 124 of the Austrian Stock
Exchange Act

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

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

Vienna, March 16, 2020

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