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14

Annual Report

Group Key Indicators

consolidated (in millions of EUR)	2014	2013	+/-
Consolidated sales	2,087.4	1,999.4	+ 4.4 %
EBITDA	268.4	252.3	+ 6.4 %
Operating profit	180.2	165.4	+ 8.9 %
Profit before tax	171.0	156.4	+ 9.3 %
Profit for the year	131.6	122.9	+ 7.1 %
Cash earnings	219.1	204.1	+ 7.3 %
Return on equity	11.9 %	11.3 %	
Operating margin	8.6 %	8.3 %	
Return on capital employed	15.5 %	15.4 %	
Total equity	1,102.2	1,111.8	
Total assets	1,787.0	1,702.5	
Capital expenditures (CAPEX)	139.8	116.2	
Depreciation and amortization	91.7	89.6	
Employees	9,399	9,477	
Earnings per share (in EUR)	6.54	6.11	
Dividend per share (in EUR)	2.60¹	4.80 ²	

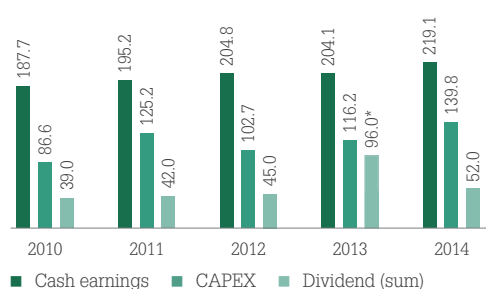
¹ proposed

² incl anniversary bonus of EUR 2.40

Please find the five year overview 2010 – 2014 at the end of the report.

High cash generation

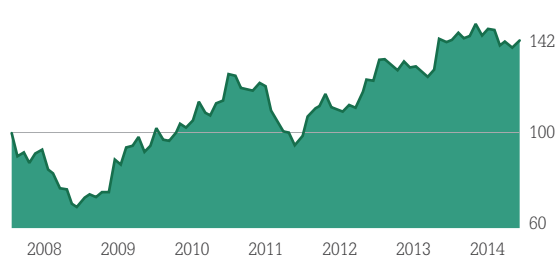
(in millions of EUR)



* incl. anniversary bonus

Total return

(December 31, 2007 = 100)



Source: Bloomberg

“As the world's largest producer of coated recycled fiber-based cartonboard with a significant position in virgin fiber-based cartonboard and as the leading producer of folding cartons in Europe with a growing presence outside Europe, we focus exclusively on our core areas MM Karton and MM Packaging. Further high-yielding long-term growth based on cost leadership through excellent industrial production as well as partnership with successful customers and the occupation of leading positions in new markets is our vision. Thereby we are oriented towards the sustainable benefit for our customers, shareholders and employees to create enduring values.”

Solidity & Growth

#1 worldwide in coated recycled fiber-based cartonboard
 #1 in Europe in folding cartons

Founded 1888
 in Frohnleiten, Austria
 since 1994 on the
Stock Exchange

Owner families hold 59% of the shares

Main focus of sales on carton-board packaging for everyday consumer goods
 over 50 % for food

A balanced portfolio

Sales by divisions¹

46 %
 MM Karton
 EUR m 1,003

54 %
 MM Packaging
 EUR m 1,188

¹including interdivisional sales

Long-term profitability



Our aim is long-term growth on the basis of cost, technology and innovation leadership in the core competence areas cartonboard and folding carton through high profitability on a sound financial basis.

Earnings & dividend development



MM Karton

Leading in coated recycled fiber-based cartonboard with a significant position in the market of virgin fiber-based cartonboard

Production around

1,700,000
tons of cartonboard (p. a.)

81 %

Recycled fiber-based cartonboard

19 %

Virgin fiber-based cartonboard

MM Packaging

Global growth with strong customers, leading with focus on industrial volume business and high-end packaging

Production around

55 billion
packages (p. a.)

> 75 %

multinational customers

Growth

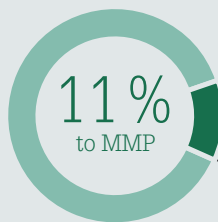
+ 600 %

(tonnage processed since IPO 1994)

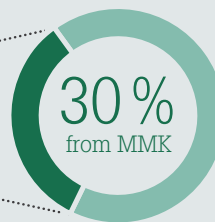
Two profit centers

carry out business transactions at market conditions

Cartonboard sales



Tonnage processed



Our strengths

Profitability and Solidity

Cost Leadership through location size and best practice

Cartonboard as material and successful business model

Continuous Expansion

Ongoing Innovation

Mayr-Melnhof Group 2014

Group sales

2,087

EUR m (+ 4.4 %)

Sales in Europe

85 %

Operating
profit

180

EUR m (+ 8.9 %)

15.5 % ROCE

41

Production sites

9,400

Employees in

26

countries

EUR 2.60

Dividend per share
(proposed)

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Company & Strategy

Dear Shareholders,

With great pleasure and satisfaction we present to you a continuation of the long-term success course of your Company with a further record result for the financial year 2014. This, despite a lack of economic impulses in our European main markets and a noticeable slowdown in growth in many emerging markets.

“Sustainable profitability, high value added, and sound growth remain our fundamental orientation.”

Improved productivity and sustained success in our markets characterized the year in both divisions. We succeeded in strengthening the market share and in continuing to grow even in a strongly competitive environment. In this connection it was a particular challenge to keep the price levels as stable as possible. A wide range of optimization measures has once more enabled us to make our production facilities, processes, and products even more competitive, so that your Company is well positioned to face the future. A major investment at our largest cartonboard site in Frohnleiten, Austria, will create an attractive new potential for the future both in terms of production technology and products. In the packaging division, the recent plant expansions and new constructions in Poland, Romania, Turkey, and Vietnam will strengthen the positive momentum of our regional presence.

The commitment and high performance of the MM team turned 2014 into another year of success, and, on behalf of the entire Management Board, I would like to express our gratitude and recognition to all our employees.

We would also like to thank you, our shareholders, for the trust that you have placed in us often for many years. In line with our dividend policy and the growth in results in the reporting year, we will propose an increase in the dividend to EUR 2.60 per share following EUR 2.40 and an anniversary bonus in the previous year.

Sustainable profitability, high value added, and sound growth remain our fundamental orientation. Our markets are large and attractive, however consequently characterized by intensive competition. Cost, technology, and innovation leadership will keep us at the forefront in the global end game on the markets.

“Cost, technology, and innovation leadership will keep us at the forefront in the global end game on the markets.”

For this reason, we keep our attention directed to our core competences, cartonboard production and cartonboard processing. The focus of our investment activities lies on the long-term reduction of cash costs to maintain our competitiveness. Only the profitability of the business model secures the ability to grow in the long run. Moreover, continuing product development and innovation throughout the entire value chain of cartonboard packaging ensures a sustainable alignment with market requirements.

Your Company is on the right path. The chances for the continuation of our long-term success look good.

Accompany us further on an ambitious course!



Wilhelm Hörmanseder
Chairman of the Management Board

February 27, 2015



FOODBOARD™ – the Next Generation of Cartonboard

MM Karton presents a quantum leap in packaging cartonboard. FOODBOARD™ is a new, high-quality, coated recycled fiber-based cartonboard with a unique functional barrier for safe primary packaging of food. FOODBOARD™ protects packaged food against defined unintended substances and environmental influences, thereby guaranteeing maximum product safety. In addition, FOODBOARD™ keeps packaged products fresh for longer, provides a barrier for slightly greasing foods and preserves the original flavor and aroma.


A few years ago we set out to become the innovation leader
in our industry. With FOODBOARD™ we have achieved this.
FOODBOARD™ is a masterpiece of everyone involved – from the initial idea
to the successful implementation. It is THE technology of the future in the
cartonboard industry that guarantees sustainable food safety.



Award-winning – sweet surprises

The Pro Carton ECMA Awards for outstanding cartonboard packaging are awarded each year. In 2014, an Advent calendar created by Mayr-Melnhof Packaging won the “Sustainability Winner” award. Eliminating the previous styrofoam usage, the entire package consists only of cartonboard and can be fully recycled after use. Every detail is intelligently designed. The inlays for the sweets consist of cartonboard spirals which hold the sweets in the right position and pop up after their removal thereby maintaining the overall appearance of the box.



The starting point was the challenging task from  our customer to replace the styrofoam used in an Advent calendar with cartonboard. Applying the innovative spiral technology “Twister”, we were able to provide the perfect solution. Already six months after the first project meeting, the new Advent calendar was on the store shelves.

Women – responsibility in key positions

As a traditional industrial company we are proud to have significantly increased the share of women in management positions over the years. Today many management functions in the fields of sales, quality management, HR, legal matters, and finance are held by women. Moreover, being an attractive employer for women in technical professions is becoming increasingly more important. We are therefore pleased that we have lately been able to find women for key positions in innovation management and R&D. In keeping with our guiding principle, we look for the best who show responsibility, performance, and passion for their occupation.

We consider diversity as a great potential for success at MM. ”
We watch out for character and qualification and try to achieve the best possible balance in all fields. Women and men have the same chances to show maximum passion for their respective fields of work. Everyone is appreciated for that and can assume personal responsibility this way.



Exchange of experience – across generations

Franz-Walter Gehbauer actually retired in 2004 after 48 successful years of working at MM. Today, ten years later, he is still supporting the Group with his huge wealth of experience, his expertise in the markets of Eastern Europe and Russia, and above all his ability to pass on his knowledge to younger colleagues. No one has ever been with MM for longer. This makes him a perfect example of our principle of building on skills and enthusiasm and binding expert knowledge to the Group over the long run.

I've spent all my working life at MM. ”
Today I see it as my duty to pass on everything I've
been able to learn over almost six decades to younger
colleagues, because people come and go, but knowledge
and team spirit must be preserved.



Young talents – top employees of tomorrow

We rely on our “Rangers” and “Young Professionals”. Rangers are talented young people who undergo a cross-border training program within the Group based on the principle of “3 years – 3 countries – 3 fields of responsibility”. The “Young Professionals” program offers a training program at the career entry level that goes far beyond conventional apprenticeship. After careful selection, our young talents are supported not just in acquiring a high level of specialist skills, but also in developing their personalities and in proving themselves in an international working environment.

The Ranger program is a fantastic chance to learn from top managers in different locations. Being a Ranger is like being a bamboo offshoot – you can watch it grow every day and the best harvest time is after 3 years.





Andreas Blaschke



Wilhelm Hörmanseder
CEO



Oliver Schumy



Franz Rappold

MM Karton

Sustainable Board Solutions



Market leader

With an annual production capacity of around 1.7 million tons of cartonboard, MM Karton is the world's largest producer of coated recycled fiber-based cartonboard, with a significant position in the market of virgin fiber-based cartonboard. In 2014, recycled fiber-based cartonboard accounted for approximately 81 % of the production and virgin fiber-based cartonboard for 19 %.

46 %

Percentage of
Group sales

Sustainable sales markets – packaging for everyday consumer goods

The products of MM Karton are used primarily for the production of packaging for everyday consumer goods. The main focus of sales lies on food packaging, followed by packaging for hygiene and household products. Accordingly, the demand for cartonboard develops largely in line with private consumption.

Broad customer base

MM Karton's customers are mainly printing companies of the still highly fragmented folding carton industry. With a share of deliveries of around 11 %, MM Packaging is the largest of more than 1,000 customers worldwide, which as an independent profit center is supplied at market conditions.

High cost efficiency and technological strength

A continuous reduction of unit costs and technological progress are decisive competitive factors. For this reason, we produce focused on high-performance machines and invest continuously in the use of state-of-the-art technology.

Global sales – focus on Europe

MM Karton sells its products from seven European cartonboard mills around the world. Europe is the main market with a share of around 80 %. Due to the high level of customer-specific production of cartonboard in individual formats and the high logistical demands, the European cartonboard customers are mostly supplied from Europe. Concentration in the European cartonboard industry is already far advanced, with more than 70 % of production accounted for by the five largest suppliers.

41 %

Percentage of Group
operating profit

Sustainable raw material base

Cartonboard is primarily produced from renewable and recyclable raw materials. Fibers, in particular recovered paper and groundwood pulp, are, alongside energy, chemicals, and logistics, the most important cost factors. Recovered paper is purchased primarily on the spot market, and we generate most of the energy ourselves using natural gas in combined heat and power generating plants.

Continued highly profitable and innovative growth

The objective of MM Karton is to maintain sustainable profitability through the highest level of efficiency in production and continuously developing an attractive product portfolio based on our profound expertise. With FOODBOARD™, MM Karton launches a new type of cartonboard in 2015 that guarantees optimum protection for food.

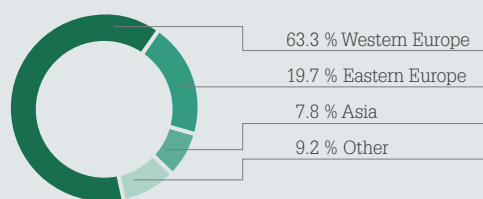
Divisional Indicators MM Karton

(in millions of EUR)	2014	2013	+/-
Sales	1,002.8	964.6	+ 4.0 %
EBITDA	110.9	102.0	+ 8.7 %
Operating profit	74.7	65.3	+ 14.4 %
Cash earnings	88.5	86.0	+ 2.9 %
EBITDA margin (%)	11.1 %	10.6 %	
Operating margin (%)	7.4 %	6.8 %	
Cash earnings margin (%)	8.8 %	8.9 %	
Return on capital employed (%)	16.1 %	15.7 %	
Capital expenditures	86.7	44.4	
Depreciation and amortization	36.7	36.4	
Employees	2,560	2,537	

	2014	2013	+/-
Tonnage sold (in thousands of tons)	1,586	1,599	- 0.8 %
Tonnage produced (in thousands of tons)	1,585	1,604	- 1.2 %
Recycled fiber-based board	1,277	1,297	
Virgin fiber-based board	308	307	
Capacity utilization (%)	97 %	98 %	

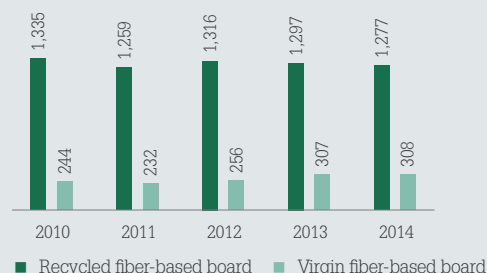
Sales by destination¹

(in %)

¹ including interdivisional sales

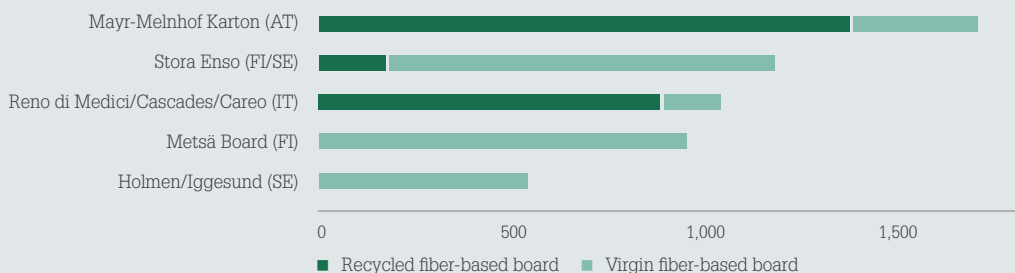
Tonnage produced by MM Karton

(in thousands of tons)



Leading European producers of coated board

(capacity in thousands of tons)



Source: MM, excl. grey board, LPB (Stora Enso), and CNK from USA

MM Packaging

Shaping the World of Cartons



Market leader with a global footprint

In 2014, MM Packaging processed 702,000 tons of cartonboard into around 55 billion consumer goods packages. This makes MMP the leading producer of folding cartons in Europe as well as one of the largest producers worldwide. MM Packaging currently comprises 34 production locations in 17 countries on 4 continents.

54 %
Percentage of
Group sales

Volume business and high-end packaging

Packaging for food, cigarettes, detergents, and hygiene products are at the center of MM Packaging's sales activities. More than 1,000 customers are supplied, including both large multinational customers, who account for more than three quarters of sales, and regional customers.

Growth with strong customers

The expansion strategy is determined by targeted growth with strong international customers. Due to the limited delivery radius for folding cartons, we follow our customers into new markets through acquisitions or construction of new sites. The output of MM Packaging increased by more than seven times in the last twenty years.

Raw material cartonboard mostly sourced externally

The most important raw material, cartonboard, is purchased at market conditions by an own procurement organization of MM Packaging based on the profit-center principle. For this reason, and due to the limited internal supply in the area of virgin fiber-based cartonboard, only one third of the required cartonboard is procured from MM Karton.

Technology leadership

MM Packaging's plant and equipment rely on a broad technological base, including all common state-of-the-art preprinting, printing, and finishing technologies. Focusing on concentrated expertise, we continuously pursue technological leadership.

59 %
Percentage of Group
operating profit

Competitive and profitable through excellent industrial production

The folding carton industry shows a more fragmented structure than the cartonboard industry and faces strong competition. Our aim is combining growth and solid profitability through ongoing investment in state-of-the-art, high-performance technology, location size, and a continuous enhancement of efficiency and quality.

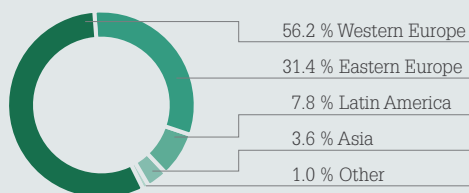
Early entry into future markets

Analogously to cartonboard, the demand for folding cartons correlates closely with the overall economic development, especially with private consumption. It is therefore our goal to always be present in future markets as early as possible, with state-of-the-art, high-performance production facilities.

Divisional Indicators MM Packaging

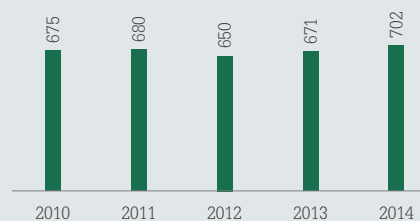
(in millions of EUR)	2014	2013	+/-
Sales	1,187.7	1,138.7	+ 4.3 %
EBITDA	157.5	150.3	+ 4.8 %
Operating profit	105.5	100.1	+ 5.4 %
Cash earnings	130.6	118.1	+ 10.6 %
EBITDA margin (%)	13.3 %	13.2 %	
Operating margin (%)	8.9 %	8.8 %	
Cash earnings margin (%)	11.0 %	10.4 %	
Return on capital employed (%)	15.1 %	15.3 %	
Capital expenditures	53.1	71.8	
Depreciation and amortization	55.0	53.2	
Employees	6,839	6,940	
	2014	2013	+/-
Tonnage processed (in thousands of tons)	702	671	+ 4.6 %
Sheet equivalent (in millions)	1,996.6	1,873.7	+ 6.6 %

Sales by destination¹ (in %)



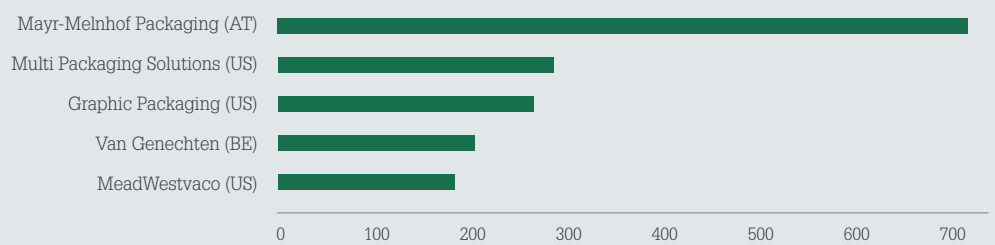
¹ including interdivisional sales

Tonnage processed by MM Packaging (in thousands of tons)



Leading folding carton producers in Europe

(tonnage processed in thousands of tons)

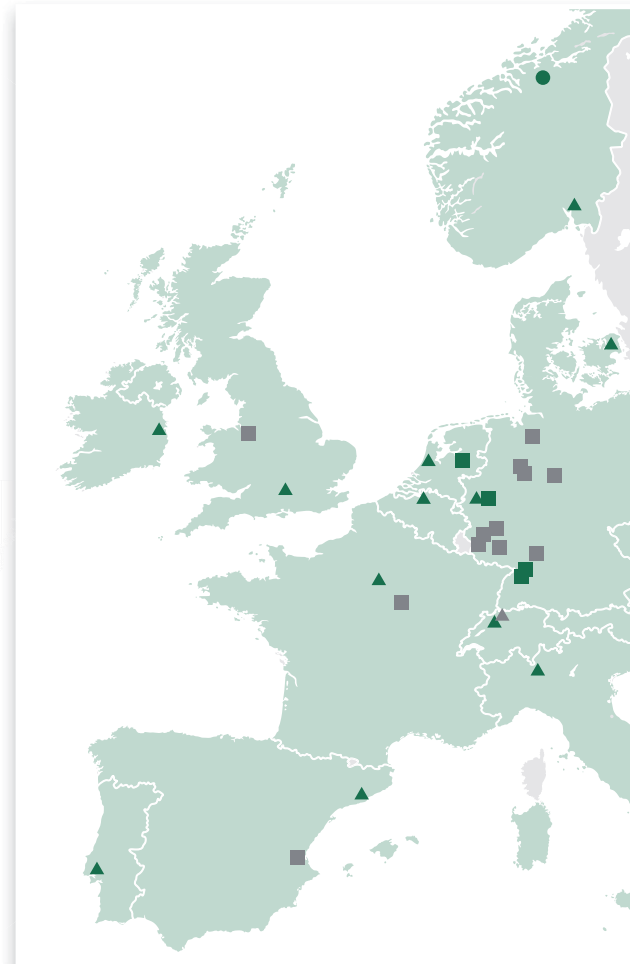


Source: MM

Global presence

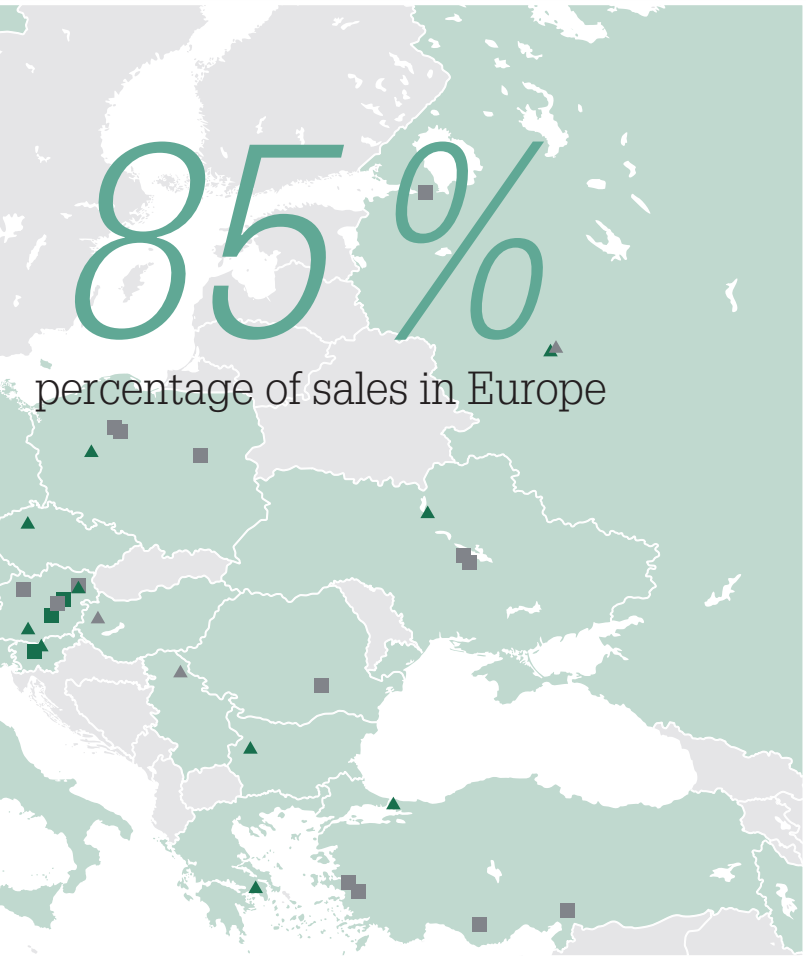
41 production sites and
30 sales offices in 33 countries
on four continents,
sales in over 100 countries

Products from our European cartonboard mills are sold worldwide. The business of individual folding carton production sites is in particular focused on the respective regional market due to a limited economic delivery radius. Accordingly, we accompany our customers from the consumer goods industries by the expansion into new markets.

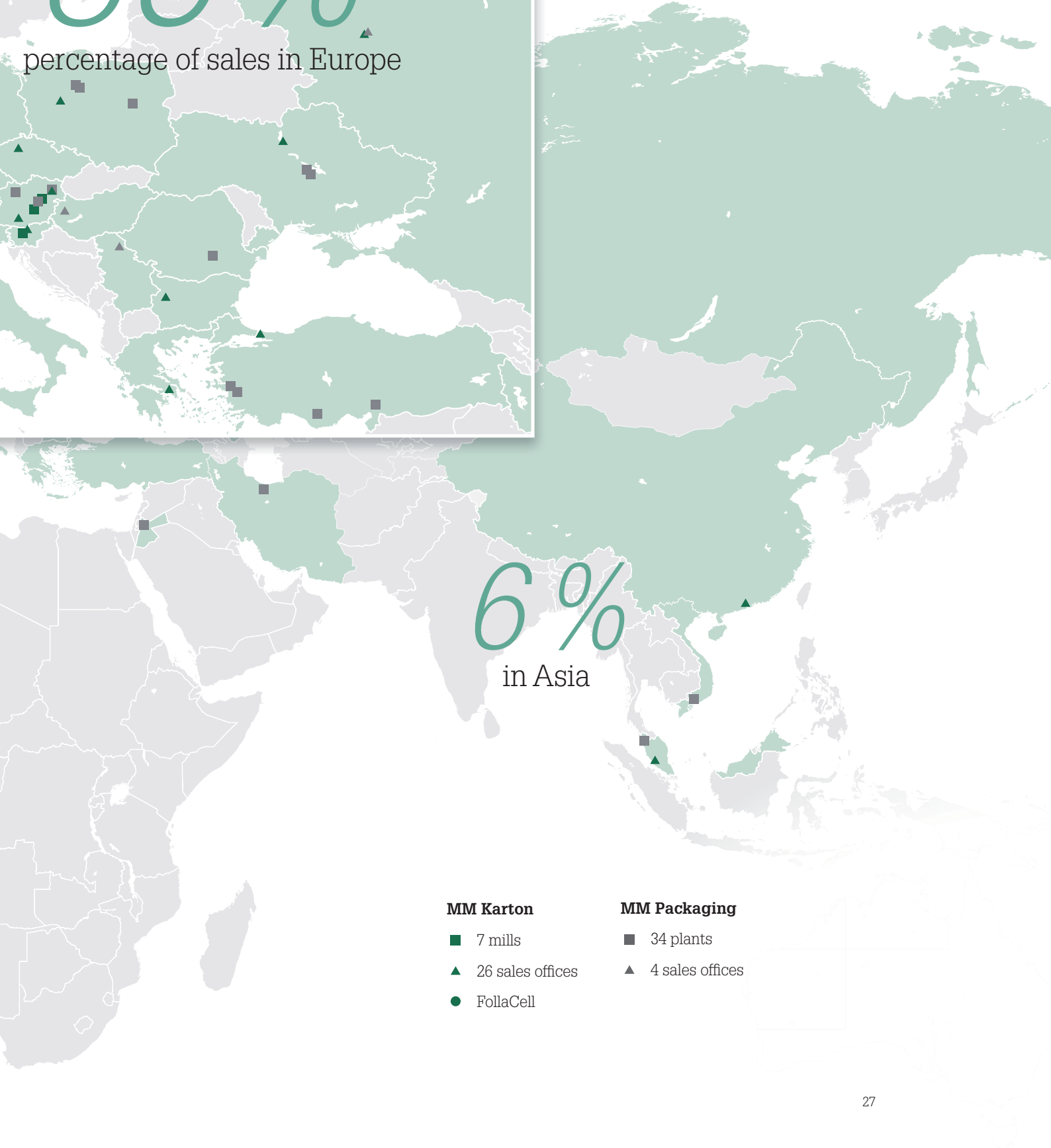


85%

percentage of sales in Europe



6%
in Asia



MM Karton

- 7 mills
- ▲ 26 sales offices
- FollaCell

MM Packaging

- 34 plants
- ▲ 4 sales offices

Stakeholder

MM Shares

In 2014, a trading year that was characterized by increasing uncertainty, the Mayr-Melnhof share was again able to firmly stand its ground. After a price of EUR 90.00 at the end of last year and the payment of a dividend with anniversary bonus of EUR 4.80 per share in total, the year 2014 closed at a price of EUR 86.00.

Ongoing Investor Relations activities focused on positioning MM as a competitive, long-term reliable market leader in the field of cartonboard and folding cartons. A continuously high level of interest from international institutional investors and positive recommendations from analysts also accompanied us through this trading year.

The share

The share of Mayr-Melnhof Karton AG has been listed on the Vienna Stock Exchange since April 21, 1994. It was initially quoted at a price of EUR 26.16. The long-term solid performance reflects the Company's course focused on sustainably high profitability and continuous growth. In the trading year 2014, the share was listed in both the ATX (until September 19) and the ATX Prime (index with special additional requirements, such as higher transparency criteria and minimum capitalization).

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

Stock markets 2014

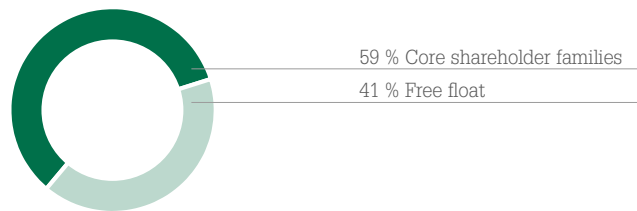
The development on the major international financial markets was characterized by the uneven economic trend, uncertainties concerning central bank policies, and a series of political crises. While the US stock index, Dow Jones Industrial (DJI), increased by 7.52 %, the growth of the Eurostoxx 50 was far less dynamic with a plus of 1.20 %. The weak performance reflects the restrained economic climate in Europe and the continuing structural problems of the euro zone. The DAX reported a slightly higher increase by 2.65 %. In contrast, the leading Austrian index, ATX, performed significantly worse with a minus of 15.18 %. Weak economic data, the enduring crisis in Ukraine, and the strong representation of financial services and the petroleum sector had a substantial influence on this.

Stable shareholder structure

The Group's shareholder structure is characterized by a high degree of stability. The largest shareholders are the core shareholder families who hold unchanged around 59 % of the share capital in a syndicate. The remaining shares are widely spread and mainly held by long-term oriented institutional investors in Europe and the US.

Shareholder structure

in %



Continuous dividend policy

The long-term dividend policy of the Mayr-Melnhof Group pursues the distribution of one third of the consolidated profit for the year. In line with the solid results in the business year 2014, the Management Board will propose to the 21st Annual General Meeting on April 29, 2015, a dividend of EUR 2.60 per share (2013: EUR 2.40/share plus an anniversary bonus of EUR 2.40/share). This corresponds to a total amount paid of EUR 52.0 million (2013: EUR 48.0 million plus anniversary bonus of EUR 48.0 million) and a payout ratio of 39.5 % (2013: 78.1 %). Based on the average share price in 2014, a dividend yield of around 3.0 % could be achieved (2013: 5.7 %).

Investor Relations

The focus of our Investor Relations program is directed at an open and personal dialog with institutional and private investors, analysts, journalists, and the interested public.

Thus, the aim is to provide all participants in the financial community at any time with an accurate image of the Group in order to facilitate an adequate valuation of the MM share.

We attach highest priority to the principle of treating all shareholders equally. Therefore price-relevant and current information is always simultaneously and identically published via an electronic distribution medium and on the website of Mayr-Melnhof Karton AG. Audio and video webcasts provide direct access to the latest information from the Chief Executive Officer.

As proven in previous years, in 2014 we again used roadshows and participation in international investor conferences to intensify or initiate our dialog with as many investors as possible. The main emphasis was placed on the major financial centers in Europe, the US and Canada. A larger number of international analysts report on the Group on a regular basis and are continuously supported by Investor Relations.

Service for shareholders

Mayr-Melnhof Karton AG offers shareholders and interested parties the possibility to register to receive the Company's reports free of charge. Furthermore, press releases are distributed via e-mail on request. Our Investor Relations department will be happy to accept registrations.

We wish to continuously improve our Investor Relations activities. Therefore we are always grateful for improvement suggestions.

Your contact to Mayr-Melnhof Investor Relations

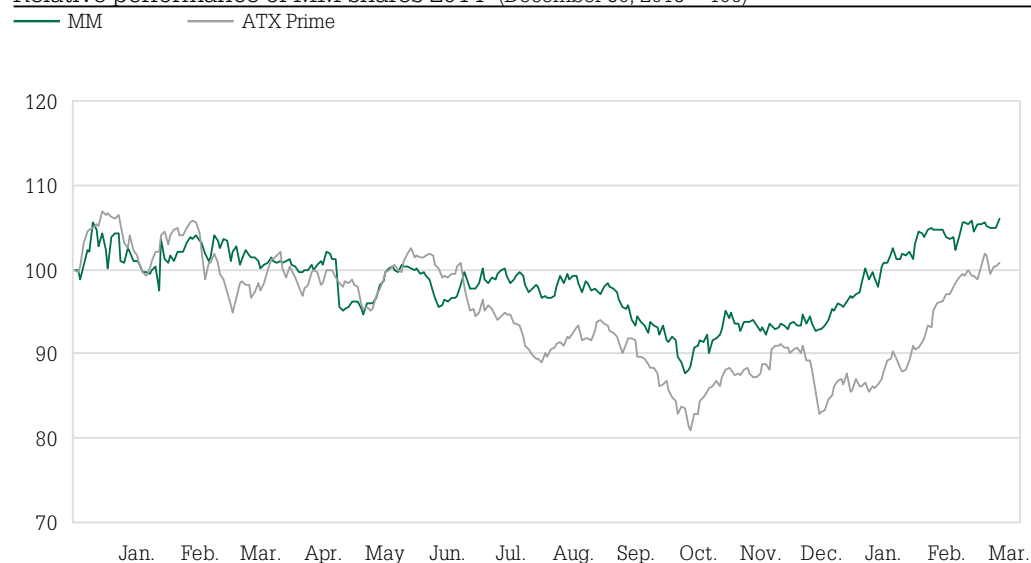
Stephan Sweerts-Sporck
 Phone: +43 1 50136 91180
 Fax: +43 1 50136 91195
 E-mail: investor.relations@mm-karton.com
 Website: <http://www.mayr-melnhof.com>

Information about Mayr-Melnhof shares

ISIN securities identification number: AT0000938204
 ADR Level 1: MNHFY
 Reuters: MMKV.VI
 Bloomberg: MMK:AV

Share price chart

Relative performance of MM shares 2014 (December 30, 2013 = 100)



Share performance indicators

Stock price per share (in EUR)	2012	2013	2014
High	83.50	91.74	95.00
Low	66.02	77.00	79.00
Year-end	80.88	90.00	86.00
Stock performance (as of Dec. 31)			
-1 month	-0.6 %	-1.1 %	+2.8 %
-3 months	+9.9 %	+11.3 %	+2.2 %
-9 months	+6.7 %	+5.1 %	-5.6 %
Relative performance (year-end)			
MM Shares	+23.5 %	+11.3 %	-4.4 %
ATX Prime	+25.8 %	+6.9 %	-13.5 %
Share performance indicators (in EUR)			
Earnings per share	6.00	6.11	6.54
Cash earnings per share	10.25	10.20	10.95
Total equity per share	53.06	55.09	54.58
Dividend per share	2.25	4.80 ³⁾	2.60 ⁴⁾
Dividend (in millions of EUR)	45.00	96.00 ³⁾	52.00 ⁴⁾
Dividend yield per average share price	3.0 %	5.7 %	3.0 %
Trading volume			
Vienna Stock Exchange ¹⁾ (in EUR)	949,315	1,214,295	1,552,507
Number of shares issued	20,000,000	20,000,000	20,000,000
Free float ²⁾	8,296,720	8,296,720	8,296,720
Market capitalization ²⁾ (in millions of EUR)	1,618	1,800	1,720
ATX Prime weighting ²⁾ (in %)	1.95 %	2.00 %	2.31 %

¹⁾ daily average²⁾ as of Dec. 31³⁾ incl. anniversary bonus EUR 2.40⁴⁾ proposed

The information regarding the financial year 2012 has been adjusted, where required, due to the adoption of the revised standard IAS 19 to ensure full comparability.

Corporate Governance Report

The Mayr-Melnhof Group pursues a sustainable responsible business activity focusing on long-term profitability and solidity in both core competence areas, cartonboard and folding carton production. In order to ensure this, we have consistently complied with the principles of proper Corporate Governance. They are the basis for the confidence of our employees, shareholders, customers, suppliers, and the public in the management and control of the Company geared toward long-term value creation.

Commitment to the Austrian Corporate Governance Code

The Mayr-Melnhof Karton AG has voluntarily committed to compliance with the Austrian Corporate Governance Code, ever since it became effective and admits to compliance with the Code in the respectively applicable version. The Code is based on the regulations 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 regularly reviewed in accordance with national and international developments and adjusted accordingly. The applicable version of the Austrian Corporate Governance Code (Österreichischer Corporate Governance Kodex – ÖCGK) can be found online on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. Part of the Company's Corporate Governance Program is the annual evaluation of compliance with the Code.

Adherence to Corporate Governance in the business year 2014 is evaluated on the basis of the version of the Code of July 2012. As before, Mayr Melnhof Karton AG complies with all legal provisions without any restrictions. Additional C Rules (Comply or Explain) and R Rules (Recommendations) contained in the Code, which do not require any explanation in case of deviations, have been implemented almost entirely.

The Company gives the following explanations for deviations from C Rules in 2014:

Rule 27	Non-financial criteria are not taken into account for the variable compensation of the members of the Management Board. Explanation: Contents of current contracts with the members of the Management Board.
Rule 27a	In case of an early termination of a member of the Management Board without good cause, such member shall be compensated for no more than the remaining term of the contract. Explanation: Contents of current contracts with the members of the Management Board.
Rule 30	The upper limits currently applicable to variable compensation shall not be stated. Explanation: We do not believe this information is material or relevant for any decisions. A cap is designated by all means.
Rule 51	No disclosure of the compensation of each individual member of the Supervisory Board Explanation: We do not believe this information is material or relevant for any decisions.

COMPOSITION OF THE BOARD

THE MANAGEMENT BOARD

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

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

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

Oliver SCHUMY
Member of the Management Board
since June 1, 2008
appointed until May 14, 2015
born 1971

The members of the Management Board do not hold any mandates in Group-external supervisory boards.

Gotthard MAYRINGER, born 1966, follows Mr. Schumy into the Management Board. His first mandate was determined with three years.

THE SUPERVISORY BOARD

Michael GRÖLLER
Chairman since June 8, 2002
born 1941
Manager of his own consulting company

Romuald BERTL
Deputy Chairman since March 2, 1994
born 1953
Auditor and tax consultant, 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

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

Nikolaus ANKERSHOFEN

Member of the Supervisory Board since April 28, 2010

born 1969

Lawyer and partner at Ankershofen-Goess-Hinteregger Rechtsanwälte OG, Management Board member at several private trusts

Guido HELD

Member of the Supervisory Board since May 7, 2008

born 1944

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

Alexander LEEB

Member of the Supervisory Board since May 7, 2008

born 1959

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

Georg MAYR-MELNHOF

Member of the Supervisory Board since May 7, 2008

born 1968

Employee at the archdiocese Salzburg

Michael SCHWARZKOPF

Member of the Supervisory Board since April 29, 2009

born 1961

Chairman of the Management Board at Plansee Holding AG, Reutte

Hubert ESSER

Member of the Supervisory Board since May 10, 1995

born 1959

Delegate of the European Staff Council of MM Karton

Andreas HEMMER

Member of the Supervisory Board since October 20, 2009

born 1968

Delegate of the European Staff Council of MM Karton

Gerhard NOVOTNY

Member of the Supervisory Board since May 10, 1995

born 1963

Divisional representative of MM Packaging

The current mandates of all members of the Supervisory Board elected by the shareholders will expire upon the 21st Ordinary Shareholders' Meeting on April 29, 2015 on the financial year 2014.

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

Members of the Committees of the Supervisory Board

Presidium (Committee for Management Board Issues)

Michael GRÖLLER, Chairman
Romuald BERTL
Johannes GOESS-SAURAU
Nikolaus ANKERSHOFEN

Audit Committee

Romuald BERTL, Chairman
Johannes GOESS-SAURAU
Michael GRÖLLER
Nikolaus ANKERSHOFEN
Gerhard NOVOTNY

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

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

Independence of the members of the Supervisory Board

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

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

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

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

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

In accordance with these criteria all members of the Supervisory Board have declared their independence. Consequently this also holds for any members of Committees of the Supervisory Board.

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

There are no such contracts.

Share owners or representation of interests of a share > 10 % in Mayr-Melnhof Karton AG

In the Supervisory Board there is one member representing a legal entity with a shareholding beyond 10 %.

Nikolaus ANKERSHOFEN

Compensation of the Management Board

The compensation of the members of the Management Board is orientated towards 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 particularly on sustainable, long-term, and multi-year performance criteria without giving rise to unreasonable risk-taking. Non-financial criteria are not being taken into account at this time.

The variable component of the compensation of the members of the Management Board, which is proportionally high in comparison 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 following year of their economic reference base.

In the business year 2014, the total amount of compensation of the members of the Management Board was thous. EUR 5,481 (2013: thous. EUR 4,655). Thereof, thous. EUR 2,700 (2013: thous. EUR 1,813) were allocable to fixed compensation and thous. EUR 2,781 (2013: thous. EUR 2,842) to variable compensation. The compensation of each member is comprised as follows: Wilhelm Hörmanseder accounts for a fixed compensation of thous. EUR 721 and a variable compensation of thous. EUR 1,345, Franz Rappold accounts for a fixed compensation of thous. EUR 908 and a variable compensation of thous. EUR 507, Andreas Blaschke accounts for a fixed compensation of thous. EUR 738 and a variable compensation of thous. EUR 507 and Oliver Schumy a fixed compensation of thous. EUR 333 and a variable compensation of thous. EUR 422.

Regarding the Company pension scheme, there is an entitlement to receive a pension from the 65th year of life depending on the qualifying period.

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

Compensation of the Supervisory Board

The compensation of the Supervisory Board for the current business year will be determined by the Shareholders' Meeting in the following year and paid subsequently. The Supervisory Board's compensation for 2013 amounted to thous. EUR 292. The allocation of the total compensation among the members shall be the Supervisory Board's responsibility. In addition to this 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	CEO
Oliver SCHUMY	CFO
Andreas BLASCHKE	Sales, Marketing MM Packaging
Franz RAPPOLD	Sales, Marketing MM Karton

The Management Board manages the business in accordance with the law, the bylaws and the Articles of Association of the Company. The bylaws of the Management Board govern the assignment of business as well as the cooperation within the Management Board and include a catalogue 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 from among 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 as well as 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 appointment and compensation committees' functions. The quality of the Committee's work is guaranteed by its long-standing experience and know-how in compensation policy.

Audit Committee

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

It is guaranteed that the Supervisory Board and the Committees are able to take decisions quickly 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 held seven meetings in the business year 2014, with the participation of the Management Board, and fulfilled its tasks and obligations in accordance with the law and the Articles of Association. Each member attended at least five meetings.

In addition to analyzing ongoing business developments, the main areas of focus were strategic further development in both corporate divisions, acquisition projects, investment plans, financing, risk evaluation and topics of Corporate Governance as well as new appointments and reappointments with regard to the Management Board.

The efficiency within the Supervisory Board is mainly ensured by its bylaws and a regular exchange of information.

Focus of the Committees of the Supervisory Board

In 2014, the Presidium (Committee for Management Board Issues) met three times. It dealt in particular with Group strategy as well as matters relating to the Management Board and prepared the meetings of the Supervisory Board. An agreement was reached with Mr. Blaschke and Mr. Rappold to extend the Management Board mandate from May 15, 2015 to May 14, 2020. Another focus was the appointment for the position of Chief Financial Officer. The implementation of the Governance regulations applicable to the compensation of the members of the Management Board as well as the review of the underlying compensation policy has been taken care of.

In 2014, the Audit Committee held two meetings and fulfilled its statutory duties. The focus was placed on dealing with the financial statements of the Group and the individual financial statements for 2013 as well as the preparation of the respective financial statements for 2014.

Advancement of women as members of the Management Board, Supervisory Board, and in leading positions

All positions on the Management Board, the Supervisory Board as well as all leading positions are exclusively staffed in accordance with professional and personal qualifications.

Conscious efforts were made to find a female candidate as a replacement for the position of Chief Financial Officer, however no female candidate qualified for the closer selection.

Women have long been performing leading functions within the Group in the areas of human resources, legal, sales, and quality management.

However, owing to the Group's operations in heavy industry and the shift systems, the proportion of women within the Group and in the recruitment process tends to be low. We nevertheless aspire to increase the share of women at all levels in the Group, in particular in our programs for developing new talents. Being an attractive employer for women in technical occupations is becoming increasingly important, with new career opportunities opening up.

Vienna, February 27, 2015

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Rappold m. p.

Oliver Schumy m. p.

Report of the Supervisory Board

In the financial year 2014, the Supervisory Board discharged its responsibilities under statute and the Articles of the Company.

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

In addition to discussing ongoing business developments, the Supervisory Board dealt in particular with strategic developments in both of the Company's segments, acquisition and investment projects, financing, risk assessment as well as Corporate Governance issues.

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

Between the meetings the Chairman of the Supervisory Board was in regular contact with the Chairman of the Management Board and discussed with him the progress of the business, strategy and the risk position of the Company.

During the financial year, the Supervisory Board convened in seven meetings with the participation of the Management Board. Each member of the Supervisory Board attended at least five meetings. Furthermore, the Presidium (Committee for Management Board Issues) convened three times, the Audit Committee held two meetings.

The cooperation with the capital and employee representatives was characterized by great trust and a constructive atmosphere.

The annual financial statements and the management report of Mayr-Melnhof Karton AG for the year ending December 31, 2014 including the accounting were audited by Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The same applies to the consolidated annual financial statements, which were prepared in accordance with IFRS and supplemented by the management report for the Group and further notes under the terms of section 245 a of the Austrian Commercial Code. The audit confirmed that the accounting, the annual financial statements, the management report as well as the consolidated annual financial statements and the management report for the Group conform with the legal requirements and the Articles of Association and, in all material respects, present fairly the financial position, its financial performance and cash flows. The audit provided no reason for query, and the auditors duly issued an unqualified opinion for 2014.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board concurs with the annual financial statements, management report, corporate governance report, the consolidated annual financial statements as well as the management report for the Group, and hereby approves the annual financial statements of Mayr-Melnhof Karton AG as of December 31, 2014. Thus, the 2014 annual financial statements of Mayr-Melnhof Karton AG are adopted in accordance with section 96 (4) of the Austrian Companies Act.

The Supervisory Board has considered and approved the Management Board's proposal regarding the appropriation of profit for the financial year 2014.

The members of the Supervisory Board extend their recognition and gratitude to the Management Board and all employees of the Mayr-Melnhof Group for their high achievements and dedicated efforts during the financial year 2014.

Vienna, March 2015

Michael GRÖLLER
Chairman of the Supervisory Board

Corporate Social Responsibility (CSR)

The Mayr-Melnhof Group pursues a long-term orientated course which is governed by profitability and solidity. Responsibility, performance, and passion have been the practiced core values for generations to which we direct our actions within a corporate culture characterized by trust, efficiency, and transparency.

Sustainable environmental protection is an immanent part of our business model, highest integrity is at the core of our principles of conduct. Corporate Social Responsibility has thus always been the basic foundation of the MM Group, irrespective of prevailing trends.

Human resources

The section "human resources" is presented in detail in the Group Management Report from page 68.

Environmental protection

A detailed explanation of the topic "environmental protection" within the Mayr-Melnhof Group can be found from page 81 of the Group Management Report.

Managerial responsibility

The following principles of conduct of the Mayr-Melnhof Group, which are summarized in the Group's Code of Conduct, provide guidance for the actions of our employees. They include the universal United Nations Global Compact principles and document the long-term focus of the MM Group on the principles of Corporate Social Responsibility. Individual aspects are presented to our employees, explained in detail, and put into practice through ongoing communication and training.

In 2014, an important focus of training was placed on the area of competition law for the sales teams of both divisions, which will be developed in further detail.

Participation and exchange of experience in a social responsibility project was featured for the first time in the training program of our apprentices and trainees in 2014.

Compliance with laws

We comply with all applicable laws and regulations of the countries in which we do business and observe their respective social standards.

Compliance, which comprises all the measures aimed at observing laws, codes of conduct, and other standards, is a key management task of the Management Board of the Mayr-Melnhof Group, which corresponds to a continuously developed compliance program.

Human rights

We commit ourselves to observing human rights within our sphere of influence and reject any form of forced labor in our companies and in the companies of our business partners.

Child labor

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

Mutual respect, non-discrimination, promotion of diversity

We commit ourselves to creating a working environment throughout our group of companies that is characterized by honesty and mutual respect. We consider the diversity of our employees an asset that enables us to fulfill our tasks in an even more creative and better way. We reject any form of discrimination and harassment on grounds of gender, race, skin color, religion, age, national or ethnic descent, disability, or sexual orientation. Employees and job applicants are assessed adhering to the principle of non-discrimination.

Employee development

We develop the potential of our workforce systematically for the future of our Company. Thereby we pay attention to the development of technical as well as social and methodological skills.

Relationship to employees and employees' representatives

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

Working hours and remuneration

In all the companies of the Group, we comply with the applicable regulations concerning working time. We acknowledge the entitlement of our workforce to adequate remuneration and observe the legal provisions of the individual countries.

Health and safety

We promote the vitality and safety of our employees by ensuring a healthy, safe and humane working environment. The respective standards for health and safety at the workplace are observed. Appropriate measures, such as continuous evaluation and training, are directed at continuously improving health and safety at the workplace.

Conflicts of interests, fight against corruption

We always act in the best interest of the Mayr-Melnhof Group and strictly separate the interests of the Company from private interests. We aim to avoid even the mere appearance of conflicts of interests. We take decisions based on reasonable business aspects in line with laws and standards. In our business relations, we always act perfectly in line with the respective regulations against corruption, bribery, fraud, and money laundering.

Competition, conduct on the market

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

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

Protection of assets and sensitive information

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

In the area of capital markets compliance, all persons concerned are subject to a mandatory internal compliance policy incorporating the provisions of the Issuer Compliance Regulations of the Financial Market Supervisory Authority in order to prevent insider transactions.

Financial integrity

To preserve the high degree of trust that shareholders, employees, business associates, and the public place in us, the reporting of the Mayr-Melnhof Group shall be correct and truthful at all times and has to comply with the applicable legislation. Accounts and records are kept in accordance with legal, official, and fiscal provisions and regulations as well as in line with internationally recognized standards of accounting.

Responsibility for our environment

The Mayr-Melnhof Group effects its performance taking into account the environment at all steps of production as well as within downstream and upstream activities. We have opted for foresight, the use of environmentally friendly technologies, and a continuous, systematic enhancement of the environmental efficiency of our Company. Observing applicable environmental legislation and regulations is a minimum requirement. We strive for close cooperation with our business partners in our perception of ecological responsibility, and we promote initiatives for a higher responsibility towards our environment.

Business associates

We expect our business associates to comply with all legal provisions and industry standards in their cooperation with the Mayr-Melnhof Group at all times and encourage them to introduce and implement similar principles of responsibility at their companies wherever possible.

The preceding principles represent the basic attitude of the Mayr-Melnhof Group. They cannot be regarded, however, as a basis for demanding a specific line of conduct from the Mayr-Melnhof Group, nor for substantiating contractual claims against the Company.

The detailed MM Code of Conduct is available on our website at <http://www.mayr-melnhof.com> in the section "responsibility".

Performance 2014

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Management Report

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

GROUP

Core business cartonboard and folding carton

The core business of the Mayr-Melnhof Group is the production and sale of cartonboard and folding cartons. The cartonboard division, MM Karton, is the world's largest producer of coated recycled fiber-based cartonboard with a significant position in virgin fiber-based cartonboard, the packaging division, MM Packaging, the leading producer of folding cartons in Europe with a growing presence outside of Europe. Cartonboard is the most important raw material in the production of folding carton packaging, folding cartons are the most important packaging material for consumer goods. Both core business areas are managed as independent profit centers, which carry out business transactions at arm's length conditions.

Long-term focus

The Mayr-Melnhof Group is characterized by its long-term focus. Our aim is sustainable profitable growth on a sound financial basis. Thereto, we focus on cost leadership based on location size and excellent industrial production. Continuous performance benchmarking among our locations and continuous investment in state-of-the-art technologies, innovations and our employees form the basis of our success, today and in the future.

Global growth course

Based on our leading position in Europe, the Group's growth course is oriented globally. The focus is on expansion into markets with attractive future potential. Thus the aim is to take a leading position in all the countries and regions in which we operate. According to the degree of market maturity and the opportunities, we achieve growth through acquisitions, the construction of new sites and intensified market penetration.

MAYR-MELNHOF KARTON

Leading in coated recycled fiber-based cartonboard

With an annual production capacity of around 1.7 million tons, MM Karton is the world's largest producer of coated recycled fiber-based cartonboard with a significant position in the market of virgin fiber-based cartonboard. In 2014, approximately 81 % of production was directed to recycled fiber-based cartonboard and 19 % to virgin fiber-based cartonboard.

High-performance product range for consumer goods packaging

The products of MM Karton are used primarily for manufacturing packaging for everyday consumer goods. With a broad product range and the ongoing development of cartonboard grades, a huge and growing spectrum of applications is covered. This innovation expertise distinguishes MM Karton in the market, the latest example being the launch of FOODBOARD™, a special cartonboard that provides optimum protection for cartonboard-packaged food.

The main areas of use for our cartonboard are primarily food packaging, followed by packaging for hygiene and household products. Accordingly demand for cartonboard develops largely in line with the overall economy, in particular with private consumption.

Plastic is the most important competitive product for cartonboard in the production of packaging with high dependency on the price of crude oil, a different range of applications and broader specializations.

Broad customer base

MM Karton's customers are primarily printing companies in the still highly fragmented folding carton industry. With a share in deliveries of around 11 %, the sister division MM Packaging is the largest of more than one thousand customers which is supplied at market conditions. The sales organization focuses on the key qualities of recycled fiber-based cartonboard, virgin fiber-based cartonboard, and liner (coated top layer for the corrugated board industry) in order to meet the specific requirements and needs of our markets in a more individual manner.

Concentrated highly efficient production and worldwide sale

MM Karton produces on nine highly efficient cartonboard machines at seven locations in four European countries: Germany, Austria, Slovenia and the Netherlands. We supply many of our customers from several locations, thus ensuring maximum supply security and reliability. The continuous reduction of unit costs and technological progress are decisive competitive factors. For this reason, we have concentrated our production on high-performing cartonboard machines and sustainably invest in the usage of state-of-the-art technology.

Due to our competitive cost base, we are in a position to sell our cartonboard products all over the world. However, our main market is Europe, where MM Karton has been the market leader for several decades.

Due to the high level of customer-specific production of cartonboard in individual formats and high logistical demands regarding short-term delivery to customers, most European cartonboard customers are supplied from Europe. Trade between the continents continues to play a secondary role, particularly for recycled fiber-based cartonboard.

Cartonboard production is an industrial process with a high level of raw material and energy consumption. Fibers, in particular recovered paper and groundwood pulp, are, alongside energy, chemicals and logistics, the most important cost factors. The strategic raw material recovered paper is purchased primarily on the spot market. In addition to this, long-term supply opportunities from municipalities and waste-management companies are also used. Due to the high recycling quotas in Europe, we consider the continued supply of our cartonboard mills secure.

According to our estimates, recorded global cartonboard capacity amounts to around 46 million tons per year, with packaging cartonboard accounting for around 36 million tons and special products, such as cartonboard for liquid packaging and plasterboard accounting for approximately 10 million tons.

In Europe and the US, concentration in the cartonboard industry is already far advanced. The five largest suppliers currently account for more than 70 % of European cartonboard capacities. Asia has experienced the most dynamic growth in consumption and new capacities in recent years. Although no new cartonboard machine has been built in Europe for more than twenty years, there is fierce competition among suppliers due to continual technological modernization, which will intensify even further as a result of the shift from the production of graphical papers to cartonboard packaging products made from virgin fibers.

The goal of MM Karton is to maintain sustainable profitability through the highest level of efficiency in production and continuously developing an attractive product portfolio. With FOODBOARD™, MM Karton launches a new type of cartonboard that guarantees optimum protection for food in 2015.

MAYR-MELNHOF PACKAGING

Leading folding carton producer

In 2014, MM Packaging processed 702,000 tons of recycled and virgin fiber-based cartonboard into around 55 billion consumer goods packages. Therefore the division is the leading producer of folding cartons in Europe as well as one of the largest worldwide. MM Packaging's core market is Europe, with a high economic output and significant purchasing power. In addition to this, we serve interesting future markets outside of Europe from an increasing number of locations.

Wide-spread international network of sites

MM Packaging currently comprises 34 production sites in 17 countries on 4 continents. Regional areas of focus are Europe, the region Middle East/North Africa, Latin America, and the Far East. Due to this wide-spread network of sites, we are always close to our multinational and regional customers.

Growth with strong customers from the consumer goods industry

Packaging for food, cigarettes, detergents, and hygiene products are the focus of MM Packaging's sales activities. More than 1,000 customers are supplied, both large multinational customers, who account for more than three quarters of sales, and regional customers. Professional key account management makes it possible to serve individual product and market specifications in an optimum manner.

Targeted growth with strong customers has determined the continuous expansion path of MM Packaging for a long time. Based on this, output has increased by more than seven times in the last twenty years.

Broad technological basis

The division's plant and equipment rely on a broad technological base, including all common state-of-the-art preprinting, printing and finishing technologies. By focusing on innovation we pursue a continuous technological lead, by strong standardization efficiency and quality gains as well as a high level of supply security for our customers.

The production of folding cartons is a multi-step process: Cartonboard is printed, cut, glued and finished in various processes and then delivered to the respective customer's packing system to be filled with consumer goods. The main raw material, cartonboard, is purchased at market conditions by an independent procurement organization of MM Packaging based on the profit-center principle. For this reason, and due to the limited internal supply in the area of virgin fiber-based cartonboard, only almost one third of the required cartonboard is procured from MM Karton.

Focus on high-performance production

The folding carton industry shows a more fragmented structure than the cartonboard industry and faces strong competition. A continuous reduction of unit costs and high-quality performance are essential for a long-term competitive position. For this reason, MM Packaging has focused particularly on industrial volume business and high-end packaging. Processes are highly standardized with the aim of establishing best practice and cost leadership in the long run. Furthermore this allows acquisitions and capacity expansions to be integrated into the Group with manageable risk.

Analogously to cartonboard, demand for folding cartons correlates closely with the overall economic development, especially with private consumption.

In Europe, MM Packaging has thus been growing for years through displacement. Outside of Europe, the focus of expansion has largely been on future markets with growing populations and attractive market potential. As the economic supply radius compared to the cartonboard business is restricted to the relevant regional market, it is our goal to be present in growth markets with high-performance production facilities and high quality at the earliest stage possible.

According to our estimate, the five largest European folding carton producers still account for around one third of market share, with MM Packaging being by far the largest producer. The majority of suppliers are characterized by medium-sized business operations. In contrast, concentration is continuing among producers of consumer goods and retailers.

Thus, MM Packaging as cost, market and technology leader and partner of large customers, aims at increasing its market share in mature as well as new markets and safeguarding a high return on capital employed in the long run.

2 — DEVELOPMENT IN THE YEAR 2014

GENERAL ECONOMIC SITUATION

The global economy developed unevenly in 2014. While the economy in the US and the UK was again more robust, the dynamic in the euro area was significantly more restrained. The main reason for this was a high level of economic and political uncertainty. Even expectations for the major European economies such as Germany and France had to be revised downwards. Furthermore, growth dynamics in important emerging markets decreased significantly. Despite low interest rates and favorable developments of the crude oil price, the impulses from indicators important for our business, such as private purchasing power and consumption, still failed to materialize.

INDUSTRY DEVELOPMENT

Under the flat overall economic conditions the demand for cartonboard and folding cartons was characterized by a large degree of continuity in 2014. As a result of sufficient capacities the European cartonboard and folding carton markets are still defined by a persistently strong competition. Customers remained cautious in their disposition within the already highly optimized supply chain. Especially for the cartonboard industry, short-term visibility demanded maximum flexibility in sales and production. The sideward movement in prices for recovered paper that started in mid-2012 continued for another year. On the one hand, this shows the very stable demand of our customer industries, but on the other hand, the continuing lack of momentum in consumption expectations. Apart from lower spot prices for natural gas in the first quarters of the year, price movements on procurement markets turned out moderate on the whole. There were no major changes in the composition of the large European cartonboard manufacturers, in contrast, consolidation in the folding carton industry continued with the participation of both industrial and financial investors.

DEVELOPMENT OF BUSINESS 2014

GROUP

The Mayr-Melnhof Group was able to successfully maintain its position in the financial year 2014 in a flat overall economic environment, concluding the year with growth in both sales and profit. Both divisions, MM Karton and MM Packaging, had a substantial contribution to this. Despite a lack of impulses from private consumption, the Group succeeded in maintaining capacity utilization at a high level and safeguarding average prices to a large extent in a competitive market. In addition, productivity increases in both divisions together with lower specific costs at MM Karton and significant volume growth at MM Packaging led to an improvement in profit compared to the previous year. The major investment in FOODBOARD™ at the Austrian cartonboard site Frohnleiten created the industrial basis for a new type of cartonboard that provides optimum protection for food packaged in cartonboard. Expansions at MM Packaging related in particular to locations in Poland, Romania, Turkey, and Vietnam.

As a result of the positive profit development, a recommendation will be made to the 21st Annual General Meeting on April 29, 2015, to distribute a dividend of EUR 2.60 per share after EUR 2.40 plus an anniversary bonus of EUR 2.40 per share in the previous year.

Consolidated income statement

Consolidated income statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	+/-
Sales	2,087.4	1,999.4	+4.4 %
Operating profit	180.2	165.4	+8.9 %
Financial result and result from investments	(9.2)	(9.0)	
Income tax expense	(39.4)	(33.5)	
Profit for the year	131.6	122.9	+7.1 %

The Group's consolidated sales exceeded the two-billion euro mark for the first time and, at EUR 2,087.4 million, were 4.4 % or EUR 88.0 million above the previous year's value (2013: EUR 1,999.4 million). This rise mainly results from an increase in volume in the packaging division and sales from the Norwegian wood pulp mill acquired in the previous year in the cartonboard division. Regional sales allocation still shows a main focus on Western Europe, accounting for 58.7 % (2013: 58.0 %), ahead of Eastern Europe, accounting for 26.3 % (2013: 27.5 %) and markets outside of Europe, accounting for 15.0 % (2013: 14.5 %). Intra-group sales principally involved deliveries from MM Karton to MM Packaging and totaled EUR 103.2 million (2013: EUR 104.0 million).

Group sales by destination

(in %)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Western Europe (excl. Austria)	55.3 %	54.7 %
Austria	3.4 %	3.3 %
Eastern Europe	26.3 %	27.5 %
Asia	5.6 %	4.6 %
Latin America	5.1 %	5.1 %
Other	4.3 %	4.8 %
Total	100.0 %	100.0 %

Cost of sales

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	+/-	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Cost of materials and purchased services	1,192.0	1,162.0	2.6 %	57.1 %	58.1 %
Personnel expenses	276.6	268.1	3.2 %	13.3 %	13.4 %
Depreciation and amortization	81.2	80.0	1.5 %	3.9 %	4.0 %
Other expenses	66.9	52.7	26.9 %	3.2 %	2.7 %
Cost of sales	1,616.7	1,562.8	3.4 %	77.5 %	78.2 %

At EUR 1,616.7 million, cost of sales for operating performance was volume-related above the comparative value of the previous year (2013: EUR 1,562.8 million). Its share in sales decreased slightly to 77.5 % (2013: 78.2 %).

Selling and distribution, administrative and other operating expenses

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	+/-	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Personnel expenses	112.8	109.1	3.4 %	5.4 %	5.5 %
Depreciation and amortization	10.5	9.6	9.4 %	0.5 %	0.5 %
Other expenses	182.5	171.1	6.7 %	8.7 %	8.5 %
Selling and distribution, administrative and other operating expenses	305.8	289.8	5.5 %	14.6 %	14.5 %

Selling and distribution costs as well as administrative expenses increased due to higher transportation and personnel costs from EUR 289.8 million to EUR 305.8 million. Their share in sales, at 14.6 % (2013: 14.5 %), remained largely constant.

At EUR 180.2 million, operating profit was 8.9 % or EUR 14.8 million above the previous year's value (2013: EUR 165.4 million). A clear profit increase in the cartonboard division was accompanied by solid profit growth in the packaging division. Thus, the operating margin of the Group reached 8.6 % (2013: 8.3 %). The return on capital employed amounted to 15.5 % (2013: 15.4 %).

Financial income of EUR 1.5 million (2013: EUR 1.6 million) was offset by financial expenses of EUR -5.2 million (2013: EUR -4.0 million).

Profit before tax thus increased by 9.3 % to EUR 171.0 million after EUR 156.4 million in the previous year. Income taxes, which are paid in 27 countries, totaled EUR 39.4 million (2013: EUR 33.5 million), resulting in an effective Group tax rate of 23.0 % (2013: 21.4 %).

Profit for the year, earnings per share

Profit for the year thus rose by 7.1 % to EUR 131.6 million (2013: EUR 122.9 million), with the net profit margin increasing slightly from 6.1 % to 6.3 %. In the financial year 2014, there was a total average of 20,000,000 shares outstanding, resulting into earnings per share of EUR 6.54 (2013: EUR 6.11) related to the profit for the year attributable to the shareholders of the Company in the amount of EUR 130.9 million (2013: EUR 122.3 million). Cash earnings generated in the Group amounted to EUR 219.1 million (2013: EUR 204.1 million), while the cash earnings margin was 10.5 % (2013: 10.2 %).

Value added

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

Value added

(in millions of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	Year ended Dec. 31, 2013
Origin:				
Sales	2,087.4		1,999.4	
Other operating income	15.3		18.7	
Change in finished goods and own work capitalized	4.1		10.3	
Financial result and result from investments	(9.2)		(9.0)	
Total operating revenue	2,097.6		2,019.4	
(-) Expenditures on purchased goods and services	(1,441.1)		(1,393.2)	
(-) Depreciation and amortization	(91.7)		(89.6)	
Net value added	564.8	100.0 %	536.6	100.0 %
Distribution:				
Employees	(228.0)	(40.4 %)	(221.0)	(41.3 %)
Social benefit costs	(108.1)	(19.1 %)	(105.8)	(19.7 %)
Public authorities	(97.1)	(17.2 %)	(86.8)	(16.2 %)
Non-controlling (minority) interests	(0.7)	(0.1 %)	(0.6)	(0.1 %)
Shareholders' dividend (proposed for 2014)	(52.0)	(9.2 %)	(48.0)	(8.9 %)
Shareholders' anniversary bonus 2013	0.0	0.0 %	(48.0)	(8.9 %)
Company	78.9	14.0 %	26.4	4.9 %

The total operating revenue generated by the Group in the financial year 2014 amounted to EUR 2,097.6 million (2013: EUR 2,019.4 million). After deduction of expenditures on purchased goods and services as well as depreciation and amortization of EUR 1,532.8 million, a net value added of EUR 564.8 million was achieved (2013: EUR 536.6 million).

As before, in 2014 a major part of the net value added of EUR 228.0 million or 40.4 % (2013: EUR 221.0 million; 41.3 %) was once again distributed to the Group's employees. The shareholders will receive a dividend of in total EUR 52.0 million or 9.2 % of the net value added for the financial year 2014 (2013: EUR 96.0 million; 17.8 % including anniversary bonus). A profit of EUR 78.9 million or 14.0 % will be retained within the Group (2013: EUR 26.4 million; 4.9 %).

Assets, capital, and liquid funds

Consolidated balance sheets (condensed version)

(in millions of EUR)	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	826.3	791.3
Current assets	960.7	911.2
Total assets	1,787.0	1,702.5
Total equity	1,102.2	1,111.8
Non-current liabilities	290.3	216.2
Current liabilities	394.5	374.5
Total equity and liabilities	1,787.0	1,702.5

As of December 31, 2014, the Group's total assets amounted to EUR 1,787.0 million and were thus EUR 84.5 million above the figure at the end of the previous year. At EUR 1,102.2 million, the Group's total equity remained largely unchanged as the net profit for the year was offset by the dividend payment for the financial year 2013, including the anniversary bonus. Total equity to total assets was therefore 61.7 % (December 31, 2013: 65.3 %), the return on equity was 11.9 % (December 31, 2013: 11.3 %).

Financial liabilities are principally of a long-term character and increased due to raising of long-term loans from insurance companies in the amount of EUR 110.0 million to EUR 265.9 million (December 31, 2013: EUR 169.6 million). Provisions for non-current liabilities and charges relating to accruals for employee benefits rose primarily as a result of the low interest level from EUR 99.1 million to EUR 121.2 million.

Total funds available to the Group went up to EUR 324.2 million, mainly due to the raising of loans (December 31, 2013: EUR 303.5 million). In contrast, net liquidity fell to EUR 58.3 million, especially as a result of dividend payments and investments (December 31, 2013: EUR 133.9 million). Furthermore, at the end of 2014, credit lines amounting to EUR 466.4 million, which can be utilized at any time, were available to the Group (December 31, 2013: EUR 479.1 million).

Non-current assets rose, primarily as a result of increased investing activities, to EUR 826.3 million (December 31, 2013: EUR 791.3 million). At EUR 960.7 million, current assets were EUR 49.5 million above the comparative figure of the previous year (December 31, 2013: EUR 911.2 million), in particular due to a higher balance of cash and cash equivalents, trade receivables and inventories.

Cash flow development

Consolidated cash flow statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013 ¹⁾
Net cash from operating activities	165.8	146.6
Net cash from investing activities	(122.3)	(141.5)
Net cash from financing activities	(18.8)	(36.0)
Effect of exchange rate changes	(2.5)	(1.3)
Net change in cash and cash equivalents (< 3 months)	22.2	(32.2)
Cash and cash equivalents (< 3 months) at the end of the year	320.1	297.9
Current and non-current securities	4.1	5.6
Total funds available to the Group	324.2	303.5

¹⁾ adjusted

The cash flow from operating activities totaled EUR 165.8 million following EUR 146.6 million in the previous year. The difference mainly results from an increase in the profit for the year.

Cash flow from investing activities declined from EUR -141.5 million to EUR -122.3 million. This change is primarily due to higher payments for the increase in shareholdings in the previous year. Expenditures for the acquisition of property, plant and equipment, and intangible assets increased from EUR 120.7 million to EUR 125.4 million.

The focus of investment expenditures of MM Karton of EUR 73.6 million (2013: EUR 49.4 million) related to the rebuild of the larger of the two cartonboard machines in the Austrian mill Frohnleiten for FOODBOARD™ as well as to further technical modernizations.

Investment expenditures of MM Packaging amounted to EUR 51.8 million (2013: EUR 71.3 million). Besides expansions at locations in Poland, Romania, Turkey, and Vietnam, the focus here also covered a large number of technical modernizations.

Cash flow from financing activities changed from EUR -36.0 million to EUR -18.8 million primarily as a result of raising of the loans from insurance companies, which were offset by the payment of the dividend and anniversary bonus.

Further information

In August 2014, the division MM Packaging made a payment to increase its longstanding shareholding in CP Schmidt, Kaiserslautern, Germany from 75 % to 100 %.

In September 2014, the division MM Packaging increased its shareholding in MM Packaging Malaysia, Kuala Lumpur, Malaysia, from 51 % to 100 %.

Definition of financial indicators

Cash earnings

Sum of profit for the year before depreciation and amortization and before deferred taxes.

Cash earnings margin

Cash earnings divided by sales.

Total equity to total assets

Total equity divided by total assets.

Net debt/net liquidity

The sum of interest-bearing current and non-current financial liabilities subtracted by cash and current and non-current securities. In case that the sum of cash and securities exceeds the financial liabilities, a net liquidity exists.

Net profit margin

Profit for the year divided by sales.

Operating margin

Operating profit divided by sales.

Return on capital employed (ROCE)

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

Return on equity (ROE)

Profit for the year divided by average total equity.

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

BUSINESS DEVELOPMENT IN THE DIVISIONS

MM Karton

The year 2014 was still characterized by cautious ordering in all markets and calling off by customers. A noticeable improvement in demand failed to materialize. Consequently, the average order backlog totaled 61,000 tons after 76,000 tons in the previous year. However, flexibility in dealing with shorter planning intervals, an optimized product range, and a high level of service helped to strengthen and selectively increase MM Karton's market share. Despite the one-month downtime due to the rebuild of the cartonboard machine 3 in Frohnleiten for the FOODBOARD™ investment, the division's capacity utilization reached 97 % (2013: 98 %). Furthermore, a strict price discipline and a constant market environment made it possible to maintain prices compared to the previous year.

The raw material markets reflected the sales markets by continuing the sideward movement of recent years, especially for the strategic raw material recovered paper. In contrast, energy prices recorded a lower average level than in the previous year.

Production as well as tonnage sold, at 1,585,000 tons and 1,586,000 tons, respectively, were slightly below the comparative values of the previous year due to the investment-related downtime at the Frohnleiten mill (2013: 1,604,000 tons and 1,599,000 tons, respectively). Based on the average number of employees, 622 tons per employee were produced (2013: 652 tons).

Sales increased as a result of the extended product mix, especially due to the inclusion of the wood pulp mill MMK FollaCell acquired in the previous year, and the slightly optimized prices by 4.0 % to EUR 1,002.8 million (2013: EUR 964.6 million). Around 63 % of this was accounted for by markets in Western Europe, 20 % by Eastern Europe, and 17 % by business outside of Europe (2013: 63 %; 21 %; 16 %). With a share in deliveries of 11 % or 174,000 tons (2013: 11 %; 180,000 tons), the sister division MM Packaging was MM Karton's largest customer also in 2014. More than 1,000 customers are supplied worldwide.

At EUR 74.7 million, the operating profit exceeded the previous year's value (2013: EUR 65.3 million) by 14.4 % or EUR 9.4 million, primarily due to productivity- and cost-related factors. The operating margin thus reached 7.4 % (2013: 6.8 %) and the return on capital employed 16.1 % (2013: 15.7 %). Cash earnings totaling EUR 88.5 million (2013: EUR 86.0 million) were generated, with a cash earnings margin of 8.8 % (2013: 8.9 %).

Divisional indicators MM Karton

(in millions of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	+/-
Sales ¹⁾	1,002.8	964.6	+4.0 %
Operating profit	74.7	65.3	+14.4 %
Operating margin (%)	7.4 %	6.8 %	
Return on capital employed (%)	16.1 %	15.7 %	
Tonnage sold (in thousands of tons)	1,586	1,599	-0.8 %
Tonnage produced (in thousands of tons)	1,585	1,604	-1.2 %

¹⁾ including interdivisional sales

MM Packaging

Sales of consumer goods in Europe were restrained over the entire year. Accordingly, there was still a lack of noticeable impulses for the folding carton market. Only the demand for seasonal products, such as confectionary, picked up in the second half of the year as expected. But also on markets outside of Europe, the weak economic situation was increasingly perceivable. Consequently, the strong competition among suppliers everywhere continued, making it necessary to push volumes in order to maintain profit.

MM Packaging succeeded in this by increasing volumes significantly both in general packaging as well as in cigarette packaging, enabling the long-established growth course to continue, even under challenging market conditions, by market share gains. The newest sites in Poland and Turkey have already contributed an important share to this, so that a high capacity utilization of the plants could be recorded.

As in the past, a large number of measures in the financial year 2014 were aimed at maintaining the competitiveness and profitability of MM Packaging at a high level and even increasing them further by raising efficiency and productivity. Expansions related in particular to the plants in Poland, Romania, Turkey, and Vietnam. In Gaziantep, in central Eastern Anatolia, MM Packaging put into operation the newly constructed fourth production site in Turkey. At the other plants capacities were increased considerably.

Tonnage processed amounted to 702,000 tons. This corresponds to an increase of 4.6 % compared to the figure of the previous year (2013: 671,000 tons). At the same time, the number of printed sheets (sheet equivalent) could be increased disproportionately by 6.6 % from 1,873.7 million to 1,996.6 million as a result of improved material efficiency in all technologies. The sheet equivalent per employee consequently improved from 286,764 to 289,692.

In parallel to volume, sales at EUR 1,187.7 million were by 4.3 % above the previous year's value (2013: EUR 1,138.7 million). With regard to geographical distribution, business in Western and Eastern Europe at 56 % and 32 %, respectively, as well as business outside of Europe at 12 % showed a high degree of continuity (2013: 56 %; 32 %; 12 %).

MM Packaging supplies more than 1,000 customers in various consumer goods industries. Packaging for food and cigarettes were the main sales areas also in 2014. Owing to the high degree of producer concentration in these markets, almost three quarters of our business has been generated with multi-national consumer goods producers for a long time. In 2014, the top five customers accounted for 40 % of sales (2013: 41 %).

Along with growth in volumes, operating profit increased by 5.4 % to EUR 105.5 million (2013: EUR 100.1 million). Thus, the operating margin increased slightly from 8.8 % to 8.9 %. The return on capital employed amounted to 15.1 % (2013: 15.3 %). Cash earnings totaled EUR 130.6 million (2013: EUR 118.1 million), representing a cash earnings margin of 11.0 % (2013: 10.4 %).

Divisional indicators MM Packaging

(in millions of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013	+/-
Sales ¹⁾	1,187.7	1,138.7	+4.3 %
Operating profit	105.5	100.1	+5.4 %
Operating margin (%)	8.9 %	8.8 %	
Return on capital employed (%)	15.1 %	15.3 %	
Tonnage processed (in thousands of tons)	702	671	+4.6 %
Sheet equivalent (in millions)	1,996.6	1,873.7	+6.6 %

¹⁾ including interdivisional sales

3 — HUMAN RESOURCES

A staff of 9,399 was employed by the Mayr-Melnhof Group in 26 countries at the end of 2014. Their competence, sense of responsibility and their commitment form the pillars for the long-term success of the Mayr-Melnhof Group. The aim of our human resource program is to maintain the general conditions in which our employees can most effectively implement the strategy and the growth course in a dynamic and increasingly global environment and to ensure that highly qualified specialists and managers are available to the Company on a permanent basis.

Human resource activities are therefore constantly evaluated and adapted to current requirements. The focus is on strategic personnel planning, employee recruitment and development together with advanced training and the systematic preservation of knowledge in the Group. The program is centrally controlled by the function "Corporate Human Resources" and implemented locally at the individual locations.

Lived corporate values

As a performance-oriented community with shared values, we work in a culture characterized by mutual trust, respect and high loyalty. Responsibility, performance and passion are the lived core values of the MM Group, which we reinforced in the past business year by widely communicating individual real-life examples from the Group.

Openness and subsidiarity are fundamental principles within our organization characterized by a high degree of personal responsibility and entrepreneurship. This enables us to ensure the required efficiency, speed and flexibility to maintain competitive strength in the long run.

The MM Group stands for continuity, but also for responsible, well-timed foresight and change, which are also reflected in the long-term development of our human resources.

Prospective personnel development

As we have practiced successfully for generations, we pursue the approach to retain expertise within the Group over the long-term. We therefore endeavor to fill vacant positions as well as new positions, wherever possible, internally and to open up attractive career opportunities at MM. This requires a forward-looking further development and training of our employees, which we support at all levels, at individual locations as well as through mobility within the Group.

Systematic promotion

For this purpose we have established numerous programs over the last few years that are constantly expanding, and systematically accompany employees throughout their working lives at MM.

With our "Young Professionals" program we offer a training path for career entry that goes far beyond the conventional apprenticeship. After a careful selection process, we support our junior staff both in acquiring further technical skills and in developing their personalities and proving themselves in an international environment. In 2014, cooperation and the exchange of experience in the framework of a social responsibility project were for the first time incorporated into the program.

At the end of 2014, the Group had around 204 apprentices (December 31, 2013: 200) in training. The focus is traditionally on industrial and technical professions.

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

In the "Ranger" program we prepare our "High Potentials" for future key positions within the Group. Specific technical qualifications, high motivation, language skills and international mobility are fundamental requirements. The development plan involves three different functions at three locations within three years.

Moreover the "Sales Explorer" and "Finance Explorer" training initiatives offer attractive career paths in Key Account Management and Controlling.

MM-Academy

The "MM-Academy" is the central institution for training and further training within the Group and is intended for employees at all levels. Training focuses on developing social and managerial skills in addition to technical expertise and language skills as well as the "MM Apprentice Academy". The "MM-Academy" trains around 2,000 employees each year. New routines increasingly accompany beyond the acquisition of knowledge to effective implementation at the workplace.

Proactive against the demographic change

With foresight, we are addressing the expected shortage of specialists as a result of demographic change. For this purpose, we promote not only proactive training of apprentices and employee recruitment, but also projects that tie the expert knowledge of older employees to the Group for the long-term ("Methusalems" program).

We position the MM Group as an attractive employer through our continuous collaboration with schools, universities, and colleges as well as by participating in career fairs on a regular basis, thus establishing contact to potential young professionals at an early stage. Thereby, we attach great importance to promoting women in technical professions.

Sustainable health management

Our health management aims at preserving the health and vitality of our employees at a high level throughout their long working lives. The primary focus is on prevention and screenings. Continuous care provided by company doctors, a regular range of preventive check-ups and health and occupational safety training courses are continuously complemented by new ideas. In 2014, for example, resilience trainings for dealing effectively with stress and strain were added to the program. Moreover, participation in sport events has already been actively supported for a long time.

Diversity as an enrichment

As a company with an increasingly global profile, we value the cultural variety and diversity of our employees as a great enrichment to embed our goal of "best practice" everywhere within the Group in the long run. Ambitious benchmarking among locations and the continuous international exchange of specialists and expertise ensure that new potentials can be systematically identified and implemented in the Group.

Performance-related remuneration

A high degree of personal identification with the success of the MM Group has always been strongly rooted within our corporate culture. For this reason, performance-related forms of remuneration, that ensure that individuals delivering exceptional performance can participate in the success of the Company, have a long tradition in the Group.

Development of number of employees

The number of employees in 2014 was characterized by a high degree of continuity. As of December 31, 2014, 9,399 people were employed by the Group (December 31, 2013: 9,477). Of these, 2,560 were employed in the MM Karton division (December 31, 2013: 2,537) and 6,839 in the MM Packaging division (December 31, 2013: 6,940). The share of employees in Europe amounted to 83.5 % (December 31, 2013: 83.1 %), the remaining 16.5 % accounted for by non-European countries (December 31, 2013: 16.9 %). The number of employees in Austria totaled 1,587 (December 31, 2013: 1,635).

Employees of the Group

	Dec. 31, 2014		Dec. 31, 2013	
	Number	%	Number	%
Western Europe (excl. Austria)	3,732	39.7 %	3,734	39.4 %
Austria	1,587	16.9 %	1,635	17.3 %
Eastern Europe	2,529	26.9 %	2,501	26.4 %
Latin America	835	8.9 %	909	9.6 %
Asia	554	5.9 %	514	5.4 %
Other	162	1.7 %	184	1.9 %
Total	9,399	100.0 %	9,477	100.0 %

Word of thanks

The Management Board and the Supervisory Board thank all employees for their high performance and great commitment that have made the business year 2014 again a very successful year. We express our gratitude and appreciation to the employee representatives for the trustful and constructive cooperation.

4 — RESEARCH AND DEVELOPMENT

Focus on increasing competitive strength

The research and development work of the Mayr-Melnhof Group focuses on strengthening and safeguarding competitiveness in the core competence areas of cartonboard and folding carton in the long run. The continuous development and optimization of our products and processes and the creation of innovations are essential for reaching our strategic goal to achieve market leadership based on cost and technology leadership. Our approach to innovation is aligned with the requirements of the market and covers the entire supply chain and thus includes ideas that go beyond the traditional fields of application of cartonboard and folding cartons.

Group-wide innovation management

The basis of our R&D activities is the cooperation between experts from various areas of the Group that is managed and promoted by a systematic process of innovation management. For this purpose, a dedicated innovation management has been set up in each division, bringing together innovative achievements in the Group and accompanying their implementation. Continuous collaboration with research institutions as well as standardization and legislative bodies ensures that our products and services always comply with the latest requirements already at an early stage. In addition, proactive business development aims at bringing innovative solutions to the market expeditiously in cooperation with customers.

Maximum efficiency by implementing new requirements

Sustainability, safety, convenience, customization, creativity and high quality are the prevailing requirement trends on which we focus our development work, always striving to achieve maximum implementation efficiency.

Innovation activity 2014 in the MM Karton division

Current technological innovations in the production of cartonboard for folding cartons are directed in particular towards the areas of cartonboard structure, fiber optimization, and improvements in stiffness. The production process is accordingly improved on a continuous basis. Moreover, special emphasis is placed on functional barriers and optimizing surface characteristics, in particular for flexo and digital printing. Most of these innovation activities are carried out at the R&D center in Frohnleiten, which serves as a know-how pool providing services for the entire Group.

A comparative round robin test conducted by the German Reference Office for Food Proficiency Testing and Reference Materials (DRRR) attested an exceptionally high level of competence in the field of mineral oil analysis to our central laboratory in Frohnleiten in all partial tests. Round robin tests are comparative tests performed in several laboratories, wherever possible on the same test objects, in order to obtain an objective and independent comparison with regard to quality and effectiveness.

FOODBOARD™ prepared for market launch

With FOODBOARD™, MM Karton has created a high-quality coated recycled fiber-based cartonboard whose special property is an innovative, consumer-friendly, and functional barrier for safe primary food packaging. Besides protecting packaged food against unintended substances, FOODBOARD™ also provides a barrier for slightly greasy food, keeps products fresher for a longer period of time and also protects them from organoleptic influences. After the rebuild of cartonboard machine 3 in Frohnleiten in 2014, the industrial production of FOODBOARD™ will start in the first quarter of 2015.

ACCURATE™ – a new "white" GC2 quality

Based on the success of the virgin fiber-based cartonboard KROMOPAK™, ACCURATE™, a new "white" GC2 quality, has been introduced. In addition to a high degree of whiteness, the cartonboard features special smoothness, brilliant gloss, and an extremely white reverse side. The field of use includes applications requiring an excellent visual impression as well as aroma and flavor neutrality.

With the "Technicians' Circle", MM Karton has established a forum for the exchange of practical knowledge among technicians from cartonboard production and processing. In this framework, printing specialists can discuss their experience with experts from MM Karton and optimization approaches can be developed for practical applications.

Innovation activity 2014 in the MM Packaging division

Competence Pool

The innovation organization of MM Packaging follows a project-oriented approach. All people involved in the innovation process are part of a Competence Pool. Depending on the relevant tasks, specially adapted project teams are put together, with one person assuming responsibility for managing the project both internally and in relation to the customer. Only solutions that have been approved by the production locations and the Divisional Technical Support Team are presented to the customer. All members of the Competence Pool exchange ideas on a regular basis via the communication platform MMP Innovation Plaza.

A significant contribution to the innovative achievements of MM Packaging is made in particular by the institutions of PacProject, the Creative Center in Hamburg, the Premium Printing Center in Trier, and the Packaging Development Centers of individual production locations.

Convincing win-win solutions

MM Packaging's innovation activities aim at achieving convincing win-win solutions that give customers competitive advantages by combining technical expertise and market knowledge and also at increasing MMP's value creation and competitive strength. Innovation activities are accordingly highly diversified and, in addition to actual packaging innovation, also include strategic aspects of product launches as well as product-specific implementations covering all steps until final packaging.

In this way we support customers already in carrying out market analyses and strategic planning with our specialized international expertise in individual product categories. Designs, prototypes and functionalities are offered using all printing and finishing techniques. We ensure maximum efficiency in implementation by continuously optimizing the production and supply chain parameters. Our ongoing investments in state-of-the-art technologies and sustainable knowledge management provide a solid long-term basis for this.

Threefold winner of Pro Carton ECMA Award 2014

MM Packaging was awarded the prestigious Pro Carton ECMA Award 2014 of the European cartonboard and folding cartons industry in three categories: Most Innovative Carton, Sustainability, and Pharmaceuticals.

5 — RISK MANAGEMENT

As a globally operating company, the Mayr-Melnhof Group is exposed to a range of general and industry-specific risks. Due to the high correlation between demand for cartonboard and folding cartons and private consumption, current and expected economic development has a significant influence on the Group's risk position. As a result of the largely sustained demand for the Group's products and the relatively stable developments on the raw material and energy markets, the risk situation for the reporting year 2014 and the beginning of 2015 can be classified as unchanged. In summary, the risks faced by the Group, also with regard to the exposure in Russia and the Ukraine, remain manageable and the Group's continued existence and ability to develop are secured.

The Group's approach to dealing with risks is anchored in a risk management system aiming at safeguarding the Company's existence and ability to create value in the long-term by identifying and managing risks at an early stage. It involves the systematic identification, assessment, control, and reporting of risks. The term risk is considered as a negative deviation from the Group's corporate objectives resulting from an event that might occur in the future with a certain degree of probability.

For each risk that is identified and considered to be significant for the Group, individual control, steering, and safeguarding measures are defined, taking into account the Group-wide risk policy to manage the respective risk. These measures are continually evaluated and developed or amended when further risks are identified. They are intended to improve the Group's risk position, without restricting its opportunities.

The Group's risk management is the responsibility of the Management Board which defines the risk policy and sets the framework of the Group-wide risk management. The Group's risk policy is thereby characterized by a conservative approach. Risk prevention and reduction play an important role and are, to an economically justifiable extent, achieved by appropriate control measures and supported by the Group's insurance program.

The "Risk Management Compliance" department reports directly to the Management Board and ensures that the risk management is implemented and carried out on behalf and in the interest of the Management Board. Each risk area that is considered to be significant is assigned to an experienced risk area officer who is responsible for analyzing, assessing, controlling and monitoring the respective risks. The valuation of identified risks is based on a matrix in terms of potential damage and probability of occurrence.

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

In the following the most significant areas of risks to which the Group is exposed are described and the measures to manage them are explained.

Sales

The demand for cartonboard and folding cartons correlates to a large degree with private consumption. Market risks may thus result in particular from overall economic developments as well as political and regulatory conditions in the respective sales markets.

Cartonboard as well as folding carton markets are characterized by a high level of competition due to the sufficient level of provided capacity.

The Group supplies through the two divisions in total several thousand customers. The cartonboard division is supplier of the highly fragmented folding carton industry and generates around 25 % of divisional sales with 15 to 20 main customers. The packaging division sells folding cartons to the consumer goods industry and generates more than three quarters of divisional sales with multinational customers. However, the level of dependency on individual customers is classified as manageable.

Multinational consumer goods producers are systematically expanding into future markets, giving rise to new business but also to potential relocation of business. One risk for MM Packaging is that the customers' demand cannot be met or can only be met insufficiently from existing locations in the future. Accordingly, the expansion of our network of sites by folding carton plants in Asia and Latin America in recent years represents an important contribution to minimizing the risk.

At the end of 2012 stricter regulations, among others with regard to larger warning signs on cigarette packaging and a ban on additives and flavorings, were proposed by the EU Commission. The vote taken in the EU Parliament in October 2013 resulted in the original proposal being mitigated. The Trilogue negotiations on the amended draft were concluded in December 2013. The draft was formally adopted as an EU Directive in the course of 2014 and has to be implemented by national law within two years. In order to assess and minimize risk, a project team has been set up that collaborates closely with the cigarette manufacturers. However, it is not yet possible to assess the concrete impact on the MM Packaging division from the current perspective.

A broad range of measures has been taken to safeguard market share and generate new business. In particular, these include the constant observation of market trends, continuous close customer contact, cooperation in research and development, ongoing monitoring, sustained quality and cost management as well as targeted expansion of our customer base and regular participation in tenders. The possibility to manufacture individual products at different sites also increases the reliability of supply for customers.

The price fluctuations of important input factors are taken into account by appropriate clauses in long-term agreements.

As industrial commodities in an intensive competitive market, cartonboard and folding carton products face a permanent price pressure. The Group therefore pursues a long-term strategy of further extending its market leadership position in both divisions on the basis of cost, competence and innovation leadership.

The innovation management and R&D capacities of both divisions are continuously being expanded and realigned to ensure sustainably safe, innovative and market-adequate products. FOODBOARD™, a new type of cartonboard, was created at an early stage to meet increasing requirements, especially in the sensitive area of food packaging. The necessary investment has been made, enabling FOODBOARD™ to be produced and sold from the end of the first quarter of 2015.

Production

Production plants and processes in the Group are state-of-the-art and are improved systematically on a continuous basis. The focus is on sustainably responsible production taking into account economic, environmental, and social aspects with the aim of creating long-term benefits for our customers, shareholders, employees, and the environment.

This means in particular the economical use of resources (especially fibers, cartonboard, energy, water, chemicals, transport, and logistics) in the production of products that meet customer demands, while maintaining a solid financial conduct. The aim is to establish the highest possible standards and to secure them by an ongoing benchmarking and innovation process as well as the continuous development of employees over the long term.

In both cartonboard and folding carton production, high availability of technical equipment (operational readiness) is crucial. Ongoing systematic electronic monitoring of individual machinery and sections of machinery, inspections, maintenance, certification and risk engineering in collaboration with insurance companies are among the most important measures for maintaining continuous operations. Furthermore, division-wide back-up concepts guarantee customer supplies even in the event of long-term interruptions of operations through the possibility of moving capacities between individual locations.

Guaranteeing compliance with product norms and required quality standards is crucial for the sustainable competitiveness and attractiveness of our products. Ongoing quality assurance measures across the value chain document compliance with high standards and ensure the traceability of products. Based on continuous R&D activities and longstanding collaboration with national and international standardization bodies and lobbies, we have the possibility to quickly assess and consider new findings and interpretations as well as future developments.

We keep risks relating to investments, technical innovations and the integration of acquisitions limited by focusing on our core competence areas cartonboard and folding cartons. Investment plans are subject to a regular multi-level approval process as well as clearly defined tendering procedures involving the specialist departments concerned. Investment plans are accompanied by a continuous control of qualitative and quantitative aspects. Product and process innovations are subjected to an extensive test phase and are generally assessed in a pilot project before being rolled out to additional sites.

Energy (gas and electricity) is an input factor of strategic importance especially for the division MM Karton. In the risk assessment, in particular purchase price, basic availability, and purchase opportunities are crucial. The latter refers to the physical availability of energy, which depends in particular on the political stability of the producer and transit countries. In order to manage risk, we rely on concluding long-term framework purchase contracts, a continuous monitoring of price developments, and existing hedging contracts as well as linking production and sales planning to the purchase of energy. Moreover, the medium-term purchasing policy is managed through regular consultation between the management and an energy procurement team with Group-wide responsibility. Furthermore measures aimed at reducing specific energy needs are continuously implemented on a project basis.

For MM Karton, trading in emission certificates is subject to a risk of regulatory availability and to a price risk in case additional emission certificates have to be purchased.

The volume allocation of CO₂ certificates in the financial years 2013 up to and including 2020 to the seven cartonboard mills located within the European Union was largely effected free of charge due to the good level of MM Karton with regard to the industry benchmark. Accordingly, there is a sufficient number of CO₂ certificates available for these sites until the end of 2019. A reduction of approximately 20 % in CO₂ emissions until 2020 is considered to be the political objective of the European Union. In this context, free allocations of CO₂ are being reduced since 2013. The EU reserves the right to revise its free CO₂ allocation in the event of changes in the carbon leakage classification of individual sectors. Accordingly, a revision of the free CO₂ allocation by the European Parliament for the years following 2015 is possible. A lack of CO₂ certificates would be covered by additional purchases.

Procurement

Fiber materials, in particular recovered paper and groundwood pulp, energy as well as chemicals and logistics services are the most important cost factors in cartonboard production. For the production of folding cartons, these are primarily cartonboard, paper, inks, varnishes, and tools. There is an essential risk of availability regarding quantity and quality as well as a price risk for procurement.

We proactively counter the risk of availability through regular market and demand monitoring and continual contact with a majority of suppliers. We ensure compliance with the agreed properties by regularly obtaining certificates as well as continuous quality monitoring. The division MM Karton procures the strategic raw material recovered paper through a European procurement organization primarily on the spot market. In addition, stocks are kept and a part of the demand is covered by long-term supply contracts, e. g. with municipalities, thereby enabling peaks in prices to be absorbed for a short term. As a result of high recycling quotas in Europe and a limited level of exports outside of Europe, a sufficient supply of recovered paper is further assured. In cooperation between production and engineering we furthermore take specific measures to steer consumption and optimize the use of raw materials. Opportunities for substitution and adjustments of formulas are explored regularly. Where appropriate and possible, tenders for available procurement volumes are completed.

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

Human Resources

The Group relies at all levels on qualified, motivated, and performance-oriented employees in order to achieve corporate success. In order to tie key personnel to MM in the long run and find suitable top performers for vacancies, we promote long-term collaboration through systematic personnel development, appropriate remuneration and bonus systems as well as a practiced awareness of values. The central "Corporate Human Resources" department manages and ensures targeted foresighted succession planning and the promotion of junior employees. A wide range of internal development and training programs systematically support this process to ensure that talents can grow and to preserve current expertise in the long run. The corporate health management takes a wide range of measures for the long-term promotion of work and vitality with the goal of keeping our employees' health and productivity throughout their entire working lives at a high level.

Pensions/severance payments/preretirement

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

The currently low interest level has inevitably led to a low discount rate which increases the actuarial present value of obligations. The resulting deduction in equity can be regarded as an absolutely manageable amount in comparison to equity.

Financial risks

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

We counter financing and liquidity risks of the Group in particular by centrally-managed cash and credit management, the careful selection and continuous monitoring of national and international banking partners and sufficient availability of credit lines, by extending or increasing these lines.

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

A central management system continuously optimizes working capital and minimizes impairment risks for inventories. The risk of default on accounts receivable is minimized by continuous credit assessment and a 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 and financial reporting. 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 the essential tasks that ensure that the accounting-relevant information is recorded and processed completely, accurately, and on time and that the 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 functions of "Corporate Accounting" and "Planning and Reporting" are responsible for developing up-to-date uniform Group guidelines as well as for organizing and controlling the 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 monitored continuously. The data processing systems used are developed in a targeted manner and continually improved. Accounting process and financial reporting are reviewed systematically on a regular basis for potential risks. Improvement measures are taken as quickly as possible and implemented swiftly. Focus audits are carried out by auditors in collaboration with Internal Audit.

Other risks

The compliance risk arising from possible non-conformity with standards, laws, ethical codes of conduct, and, where applicable, voluntary commitments, is dealt with in particular by a regular, systematic compliance monitoring, protective measures in the systems, the four-eyes principle, and guidelines (e. g. Code of Conduct). Furthermore, we have set up the function of a Compliance Officer, who acts autonomously and is also responsible for compliance training and internal and external reporting.

We deal with the risk area of "Legal Compliance", which covers all actions and measures geared towards compliance with legal regulations and contractual provisions, through the function of a Legal Manager as well as the use of a central "Legal Compliance System" and, if necessary, by consulting external experts. The aim is to prevent increasing risks, due to stricter regulation, of infringing the law and of possible sanctions.

The risk of a breakdown of central data processing is limited by a geographically separate back-up computer center and a wide range of additional preventive measures and checks. Risks regarding information security are countered by a variety of security measures based on a Group-wide information security strategy and the function of an Information Protection Officer, who ensures a Group-wide establishment as well as continuous update of security standards.

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 consider them to be insignificant.

6 — ENVIRONMENTAL PROTECTION

Circular economy as an intrinsic part of our business activity

Responsible protection of the environment is firmly embedded in the corporate culture of the Mayr-Melnhof Group. We manufacture our cartonboard products using state-of-the-art technologies while making careful use of primarily renewable and recyclable raw materials. We use cartonboard in highly efficient processes to manufacture folding carton packaging for consumer goods that are almost entirely recyclable after use. Cartonboard as a packaging material is therefore a highly sustainable packaging solution due to its product-related technical and economic benefits and in terms of environmental protection.

"Best practice" approach

In keeping with our approach for long-term market and cost leadership, the aim is to consistently establish the highest standards in all areas throughout the Group. Therefore we attach great importance to challenging benchmarking among sites to ensure that "best practice" is carried out throughout the Group. As a result, we achieve top figures in the industry for many specific forms of consumption and emissions, which we continuously strive to improve through ongoing technical innovation.

We therefore regularly examine and evaluate our products and processes with regard to their impact on the environment in order to comply with all environmental regulations and to make use of further optimization potentials. In this connection, we focus on the entire supply chain and, besides production, also cover upstream and downstream areas, such as procurement, logistics as well as end-user consumption, and reusability.

Systematic optimization process

This improvement process has long been supported throughout the entire Group by a large number of certified management systems. We focus on sustainable quality, environmental and hygiene management (ISO 9001, ISO 14001, HACCP/EN 15593) as well as fiber supplies from sustainably managed forestry (FSC/PEFC).

New certifications in 2014 primarily related to the establishment of environmental management systems compliant with ISO 14001 at two packaging sites and to extending in energy management compliant with ISO 50001 and in hygiene management.

EU Ecolabel for TOPCOLOR™

In addition to already comprehensive environmental and climate protection activities, the cartonboard mill in Frohnleiten was for the first time able to prove that it meets environmental standards at the individual product level for the cartonboard type TOPCOLOR™ in 2014. The "EU Ecolabel" is used internationally to identify products and services with excellent environmental performance on the common European market.

Reduced carbon footprint

In 2012, MM Karton and MM Packaging took part in the carbon footprint evaluation by Pro Carton. The result was a further decrease in the carbon footprint from 964 kg (2008) to 915 kg of CO₂ equivalent per ton of folding carton (European average). A re-evaluation by Pro Carton is planned for 2015.

Carbon leakage classification for MM Karton

The volume allocation of CO₂ certificates to the seven cartonboard mills located within the European Union for the financial years 2013 up to and including 2020 is largely free of charge due to MM Karton's good level with regard to the industry benchmark. Accordingly, a sufficient number of CO₂ certificates is available for these sites until the end of 2019. A reduction in CO₂ emissions by approximately 20 % by 2020 is the political objective of the European Union. In this context, free allocations of CO₂ have been decreasing since 2013. The EU reserves the right to revise its free CO₂ allocation in the event of changes in the carbon leakage classification of individual sectors in the future.

Environmental aspects MM Karton

Fibers

Around 1.6 million tons of fibers are used in cartonboard production at MM Karton each year. Around three quarters of this volume are accounted for by recovered paper and one quarter by virgin fibers from controlled sustainably managed forests. Fiber utilization, in particular increasing the amount of recovered fibers, is optimized in the course of current projects, especially through improvements in material processing.

Energy

Natural gas is the primary energy source for our cartonboard mills. Combined heat and power generating plants highly efficiently produce steam and electricity for cartonboard production. The long-term goal is to further increase the already high level of electricity self-supply. Under the "efficiency" project initiated in 2006 and still going on, it has been possible to significantly reduce specific energy consumption. The use of new technologies with improved efficiency levels and the increased use of recovery possibilities are making a considerable contribution to this. A major focus in 2014 was the conversion to LED lighting throughout the Group.

Water

Specific water consumption is kept low and further decreased as a result of closed circulation systems and efficiency improvements in the production process. Projects in 2014 focused above all on reducing the consumption of fresh water and on modernizing wastewater treatment.

Exhaust air

Exhaust air emissions in the manufacture of cartonboard are mainly caused by burning natural gas in energy production. Emissions of CO₂, NO_x, and CO are constantly monitored in accordance with legal regulations, with the recorded values always significantly below the limits. Direct exhaust air produced by cartonboard machines consists primarily of steam. MM Karton constantly undertakes measures to reduce its exhaust air emissions in line with the state of technology. In 2014, modernization measures focused in particular on the area of boiler plant equipment.

Waste

The principle of "prevention before recycling before disposal" applies to the waste management. A site's waste management system is represented by a waste management concept that is implemented by the respective waste management officer. Waste disposal is performed by authorized waste collectors, recyclers and disposal firms. Group-wide top priority is attributed to reducing waste by lowering the amount of residual material from production.

Environmental aspects MM Packaging

In the environmentally relevant area of cartonboard processing following the cartonboard production process, emphasis is placed primarily on avoiding, reducing, and recycling residual material. Energy management systems are being successively introduced.

Operational measures of MM Packaging in 2014 again focused on improving material utilization and productivity.

7 — DISCLOSURES ACCORDING TO SECTION 243A 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 59 % of the shares are held by the core shareholder families in a syndicate. A syndicate agreement exists, which regulates the transferability of shares within the syndicate and to outside parties. Issues that concern the Annual General 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, at year-end 2014 minimum participations of 10 % in the capital were as follows:

MMS Mayr-Melnhof-Saurau Beteiligungsverwaltung KG
CAMA Privatstiftung

The owners of shares with special control rights and a description of these rights

There are no shares with special control rights.

The 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.

The 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.

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

There are no authorizations of this type.

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

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

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

There are no agreements of this type.

8 — SUBSEQUENT EVENTS

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

9 — OUTLOOK ON THE FINANCIAL YEAR 2015

This outlook reflects the assessment of the Management Board as of February 27, 2015, and does not take into consideration the effects of any possible acquisitions, disposals or other structural changes in 2015. Previous and subsequent prospective statements are subject to known as well as unknown risks and uncertainties that may result in actual events differing from the forecasts made here.

The year 2015 began with continuing solid incoming orders in both divisions, thus sufficient capacity utilization can be expected in the foreseeable future. Nevertheless, customer planning remains restrained without any noticeable impulses for the demand development. However, we still aim to grow further in 2015 through new business as well as through market share gains.

The focus of our investment programs and ongoing operational measures with regard to efficiency and productivity remains on the reduction of our direct costs over the long term. This is intended to further strengthen the Group's competitiveness in a hard-fought environment and to maintain the profit dynamics at a high level.

As current developments on the procurement markets, in particular for recovered paper and energy, indicate no major changes from today's perspective, we will continue to concentrate on optimum price stability.

As a result of the still lasting short-term nature of the business, it is currently not possible to provide any estimate for the result of the current year. The record results achieved in 2014 represent in any case a challenge for 2015.

Besides maintaining organic business growth, a major focus remains on the long-term expansion course through acquisitions within and outside of Europe, with vigor, but also with due caution.

Vienna, February 27, 2015

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Rappold m. p.

Oliver Schumy m. p.

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Consolidated Balance Sheets

(all amounts in thousands of EUR)	Notes	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Property, plant and equipment	7	697,724	663,901
Intangible assets including goodwill	7	97,697	101,329
Securities and other financial assets	8	7,680	9,209
Deferred income taxes	9	23,239	16,870
Non-current assets		826,340	791,309
Inventories	10	283,021	278,085
Trade receivables	11	301,162	277,571
Income tax receivables		10,984	14,150
Prepaid expenses and other current assets	12	45,418	43,420
Cash and cash equivalents		320,086	297,920
Current assets		960,671	911,146
TOTAL ASSETS		1,787,011	1,702,455
EQUITY AND LIABILITIES			
Share capital	13	80,000	80,000
Additional paid-in capital	13	172,658	172,658
Retained earnings	13	963,119	928,642
Other reserves	13	(124,190)	(79,570)
Equity attributable to shareholders of the Company		1,091,587	1,101,730
Non-controlling (minority) interests	13	10,581	10,072
Total equity		1,102,168	1,111,802
Interest-bearing financial liabilities	14	156,724	104,124
Provisions for non-current liabilities and charges	15	121,211	99,067
Deferred income taxes	9	12,336	12,997
Non-current liabilities		290,271	216,188
Interest-bearing financial liabilities	14	109,187	65,436
Current tax liabilities		12,925	10,403
Trade liabilities	16	170,821	172,029
Deferred income and other current liabilities	17	83,699	103,331
Provisions for current liabilities and charges	18	17,940	23,266
Current liabilities		394,572	374,465
Total liabilities		684,843	590,653
TOTAL EQUITY AND LIABILITIES		1,787,011	1,702,455

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, 2014	Year ended Dec. 31, 2013
Sales	19	2,087,365	1,999,400
Cost of sales		(1,616,666)	(1,562,828)
Gross margin		470,699	436,572
Other operating income	20	15,315	18,677
Selling and distribution expenses		(205,263)	(191,336)
Administrative expenses		(100,208)	(98,077)
Other operating expenses		(320)	(392)
Operating profit		180,223	165,444
Financial income	24	1,455	1,532
Financial expenses	25	(5,206)	(4,052)
Other financial result – net	26	(5,459)	(6,559)
Profit before tax		171,013	156,365
Income tax expense	9	(39,441)	(33,480)
Profit for the year		131,572	122,885
Attributable to:			
Shareholders of the Company		130,850	122,285
Non-controlling (minority) interests	13	722	600
Profit for the year		131,572	122,885
Earnings per share for profit attributable to the shareholders of the Company during the year:			
Basic and diluted average number of shares outstanding	27	20,000,000	20,000,000
Basic and diluted earnings per share	27	6.54	6.11

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, 2014	Year ended Dec. 31, 2013
Profit for the year¹⁾	131,572	122,885
Profit (loss) directly recognized in equity:		
Measurements of defined benefit pension and severance obligations	(23,241)	(3,478)
Effect of income taxes	2,725	(1,812)
Total of items that will not be reclassified ("recycled") subsequently to the income statement	(20,516)	(5,290)
Foreign currency translations	(23,509)	(31,704)
Total of items that will be reclassified ("recycled") subsequently to the income statement	(23,509)	(31,704)
Total profit (loss) directly recognized in equity (net)¹⁾	(44,025)	(36,994)
Total profit for the year	87,547	85,891
Attributable to:		
Shareholders of the Company	86,196	85,756
Non-controlling (minority) interests	1,351	135
Total profit for the year	87,547	85,891

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

¹⁾ In the financial year 2014 an amount of thous. EUR -3,414 (2013: thous. EUR -2,851) was reclassified from total profit (loss) directly recognized in equity to the profit for the year.

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	Profit (loss) directly recognized in equity			Total		
				Foreign currency translations	Actuarial gains and losses	Other reserves			
Balance at Jan. 1, 2013	80,000	172,658	851,521	(20,724)	(22,317)	(43,041)	1,061,138	6,007	1,067,145
Total profit for the year	0	0	122,285	(31,294)	(5,235)	(36,529)	85,756	135	85,891
Dividends paid	0	0	(45,000)	0	0	0	(45,000)	(526)	(45,526)
Change in majority interests 13	0	0	(164)	0	0	0	(164)	4,456	4,292
Balance at Dec. 31, 2013	80,000	172,658	928,642	(52,018)	(27,552)	(79,570)	1,101,730	10,072	1,111,802
Total profit for the year	0	0	130,850	(24,174)	(20,480)	(44,654)	86,196	1,351	87,547
Dividends paid 13	0	0	(96,000)	0	0	0	(96,000)	(1,159)	(97,159)
Change in majority interests 6a	0	0	(373)	0	34	34	(339)	317	(22)
Balance at Dec. 31, 2014	80,000	172,658	963,119	(76,192)	(47,998)	(124,190)	1,091,587	10,581	1,102,168

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, 2014	Year ended Dec. 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit for the year		131,572	122,885
Adjustments to reconcile profit for the year to net cash from operating activities excluding interest and taxes paid :			
Income tax expense	9	39,441	33,480
Depreciation and amortization of property, plant and equipment, and intangible assets	7	91,718	89,615
Impairment	7	2,227	0
Gains (losses) from disposals of property, plant and equipment, and intangible assets	20	(1,702)	(1,240)
Negative goodwill	6	0	(10,033)
Financial income	24	(1,455)	(1,532)
Financial expense	25	5,206	4,052
Share of profit (loss) of associated companies and other investments		(259)	(234)
Gains (losses) from disposals of securities and other financial assets		(203)	(29)
Other adjustments		(5,548)	(5,153)
Net cash from profit		260,997	231,811
Changes in working capital:			
Inventories		(13,187)	(23,982)
Trade receivables		(30,578)	(31,712)
Prepaid expenses and other current assets		2,687	(4,785)
Trade liabilities		(11,495)	8,365
Deferred income and other current liabilities		1,246	5,836
Provisions for current liabilities and charges		(4,933)	(4,318)
Changes in working capital		(56,260)	(50,596)
Cash flow from operating activities excluding interest and taxes paid		204,737	181,215
Income taxes paid		(38,945)	(34,578)
Net cash from operating activities		165,792	146,637
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from disposals of property, plant and equipment, and intangible assets		2,807	2,217
Purchases of property, plant and equipment, and intangible assets (incl. payments on account)		(125,353)	(120,671)
Acquisitions of companies or other business entities, net of cash and cash equivalents acquired (2014: thous. EUR 0; 2013: thous. EUR 674)	6	(2,824)	(26,452)
Proceeds from disposal of companies or other business entities, net of cash and cash equivalents disposed (2014: thous. EUR 283; 2013: thous. EUR 0)	6	(114)	0
Disposals and purchases of securities and other financial assets		1,447	1,328
Dividends received		259	234
Interest received		1,459	1,770
Net cash from investing activities		(122,319)	(141,574)
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid		(5,076)	(4,044)
Issuances of interest-bearing financial liabilities		112,986	14,926
Repayments of interest-bearing financial and financial lease liabilities		(16,354)	(1,024)
Payments to non-controlling (minority) shareholders		(13,328)	(286)
Payments received from non-controlling (minority) shareholders		109	0
Dividends paid to the shareholders of the Company	13	(96,000)	(45,000)
Dividends paid to non-controlling (minority) shareholders		(1,159)	(526)
Net cash from financing activities		(18,822)	(35,954)
Effect of exchange rate changes on cash and cash equivalents		(2,485)	(1,252)
Net increase in cash and cash equivalents		22,166	(32,143)
Cash and cash equivalents at the beginning of the year (according to the consolidated balance sheet)		297,920	330,063
Cash and cash equivalents at the end of the year (according to the consolidated balance sheet)		320,086	297,920

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

In the consolidated cash flow statement for 2013, an insignificant adjustment was made in the amount of thous. EUR 4,493 from the position "Trade liabilities" (thous. EUR 8,365; before thous. EUR 3,872) to the position "Purchases of property, plant and equipment, and intangible assets (incl. payments on account)" (thous. EUR -120,671; before thous. EUR -116,178) as well as in the amount of thous. EUR 286 from the position "Acquisitions of companies or other business entities, net of cash and cash equivalents acquired" (thous. EUR -26,452; before thous. EUR -26,738) to the position "Payments to non-controlling (minority) shareholders" (thous. EUR 286; before thous. EUR 0). This adjustment of the presentation should in particular ensure the comparability with the consolidated cash flow statement in 2014.

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, 1041 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, concentrating on coated cartonboard produced predominantly from recovered paper as well as virgin fiber-based cartonboard. MM Packaging converts cartonboard into industrial printed folding cartons mainly for the food industry (e.g. cereals, dried foods, sugar, and baked products), other consumer goods industries (e.g. cosmetics and toiletries, detergents, household articles, and toys), and into cigarette packaging as well as high-grade confectionary packaging.

2 — PRINCIPLES OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Basic accounting principles and declaration of compliance

The consolidated financial statements and notes thereto of Mayr-Melnhof Karton AG and its subsidiaries have been prepared applying section 245a of the Austrian Commercial Code in accordance with International Financial Reporting Standards (“IFRS” and “IAS”) as adopted by the International Accounting Standards Board (“IASB”) and the respective interpretations as adopted by the Standing Interpretations Committee (“SIC”), by the International Financial Reporting Interpretations Committee (“IFRIC”), and by the IFRS Interpretations Committee (“IFRS-IC”) as to be applied within the European Union. Additional requirements according to section 245a paragraph 1 of the Austrian Commercial Code have been met.

There are no further assets, liabilities, claims or other financial commitments with regard to third parties other than those which have been recorded in the consolidated financial statements and notes thereto.

The consolidated financial statements, except for revaluation of particular financial instruments, are prepared according to historical acquisition or manufacturing cost.

The preparation of the consolidated financial statements and the notes thereto in accordance with generally accepted accounting and recognition standards of IFRS is performed by making estimates and assumptions for certain items, which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual amounts may in the end differ from these estimates and assumptions.

The present consolidated financial statements comprise the period from January 1 till December 31, 2014 and have been prepared by the Management Board as of February 27, 2015 and will be presented to the Supervisory Board for review and approval.

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

Application of new and changed standards

During the preparation of the consolidated financial statements and notes, 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, 2014 and with an effective date no later than this date, were taken into consideration.

Standard	Content	Effective
IFRS 10	Consolidated Financial Statements: Requirements for Preparation and Presentation of Consolidated Financial Statements	2014
IFRS 11	Joint Arrangements: Classification of Joint Arrangements as a Joint Operation or a Joint Venture	2014
IFRS 12	Disclosure of Interests in Other Entities	2014
IAS 19	Employee Benefits: Employee Contributions to Defined Benefit Plans	2014
IAS 27	Consolidated and Separate Financial Statements: New Version of IAS 27, Separate Financial Statements	2014
IAS 28	Investments in Associates and Joint Ventures: New Version of IAS 28, Investments in Associates and Joint Ventures	2014
IAS 32	Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities	2014
IAS 36	Impairment of Assets: Recoverable Amount of Non-Financial Assets	2014
IAS 39	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	2014
IFRIC 21	Levies	2014
	Annual Improvements to IFRSs – 2010-2012 Cycle	2014
	Annual Improvements to IFRSs – 2011-2013 Cycle	2014

If individually applicable, the effective regulations were adopted in the present consolidated financial statements, without any significant impact on the presentation of the financial situation and profitability. The adoption of the new applicable standards IFRS 10 and IFRS 12 is shortly explained as follows:

IFRS 10 "Consolidated Financial Statements" prescribes the preparation and presentation of consolidated financial statements and replaces the corresponding regulations of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". The Standard gives a single definition of control applied to all entities, which represents the basis for defining the fully consolidated companies. The Group has control over an entity only when it is exposed to variable returns of its involvement with the entity and has ability to use its power over the entity to affect the amount of this variable returns. The adoption of IFRS 10 has no impact on changes of the consolidated companies.

IFRS 12 "Disclosures of Interests in Other Entities" prescribes the disclosures for entities with interests in subsidiaries and associated companies as well as joint arrangements and structured entities. The adoption of IFRS 12 has no significant impact on the Group.

Furthermore, the following Standards and Interpretations, which were not yet compulsorily applicable for the financial year 2014, have been introduced or changed till December 31, 2014.

Additionally, the following standards were not published in the Official Journal of the European Union as of December 31, 2014.

Standard	Content	Effective
IFRS 9	Financial Instruments	2018
IFRS 14	Regulatory Deferral Accounts	2016
IFRS 15	Revenue from Contracts with Customers	2017
	Annual Improvements to IFRSs 2012-2014 Cycle	2016
IAS 28/IFRS 10	Investments in Associates / Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	2016
IAS 27	Separate Financial Statements: Equity Method in Separate Financial Statements	2016
IAS 16/IAS 41	Property, Plant and Equipment/Agriculture: Bearer Plants	2016
IAS 16/IAS 38	Property, Plant and Equipment/Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization	2016
IFRS 11	Joint Arrangements: Acquisitions of Interests in Joint Operations	2016

IFRS 9 "Financial instruments" includes regulations for recognition and measurement, derecognition and hedge accounting and is applicable for all categories of financial instruments. On July 24, 2014, the IASB published the final version of the standard as a result of completion of different phases of its comprehensive project related to financial instruments. Herewith the so far applicable presentation under standard IAS 39: "Financial Instruments: Recognition and Measurement" can now be entirely replaced with the standard IFRS 9. The first mandatory adoption of IFRS 9 is planned for annual reporting periods starting January 1, 2018 onwards. The impact of the adoption of IFRS 9 on the Group is currently being evaluated but from today's point of view considered as insignificant.

The objective of IFRS 15 "Revenue from Contracts with Customers" is to establish the principles that an entity shall apply to report relevant information to users of financial statement about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of IFRS 15 is that an entity should recognize revenue in the amount of the expected consideration for the transferred performance obligation, i.e. transfer of goods and rendering services. The first adoption of IFRS 15 is mandatory for annual reporting periods starting January 1, 2017 onwards. The impact of the adoption of IFRS 15 on the Group is currently being evaluated but from today's point of view considered as insignificant.

From today's point of view, the above mentioned remaining new or revised versions of standards are not expected to have any significant impact on the Group's financial situation and profitability.

3 — SUMMARY OF SIGNIFICANT ACCOUNTING AND RECOGNITION PRINCIPLES

Presentation of the consolidated financial statements

The presented consolidated financial statements were prepared in accordance with IAS 1 “Presentation of financial statements”. The consistency of presentation has been considered.

The present consolidated financial statements and notes thereto are prepared using the same accounting principles and valuation methods as the financial statements and notes thereto prepared for the financial year 2013.

Consolidation principles and methods

The consolidated financial statements and notes thereto include Mayr-Melnhof Karton AG (“the Company”) as well as its subsidiaries. These are all entities over which the Group has control. The Group has control, when it is exposed to variable returns of its engagement with the entity and has the rights or ability to use its control over the entity to affect the amount of this variable returns.

The Group has control over the entity, when the existing rights enable it to direct the relevant activities that significantly affect the entity’s returns.

The Group is exposed or has rights to variable returns from its involvement with the entity, which can vary as a result of its profitability. Such returns can be positive, negative, or both.

Generally the ownership of more than 50 % of voting shares gives an entity control. In this respect, there is no scope of discretion. The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing whether the Group controls another entity. The criteria whether the Group has control over another entity are reviewed even if the Group holds less than 50 % of voting rights.

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

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

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

All effects of intercompany transactions are eliminated.

Business Combinations

All acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The acquisition costs correspond to the fair value of the assets and liabilities transferred or incurred and the equity instruments issued on the transaction date. The acquisition costs also include the fair value of any assets or liabilities arising from a contingent or deferred consideration arrangement. The assets, liabilities and contingent liabilities identified in the course of a business combination are at the time of their initial consolidation measured at their fair value at the acquisition date. The Group recognizes any non-controlling (minority) interest in the acquiree at the date of acquisition at the non-controlling (minority) interest's proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Contingent considerations are measured at their fair value at the acquisition date. The changes in contingent consideration classified as asset or liability are measured according to IAS 39, and the profit or loss resulting from this is recognized in the profit for the year. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for directly in equity.

Any remaining excess of the acquisition costs over the fair value of identifiable net assets of the equity interest acquired shall be capitalized as goodwill. Negative goodwill, after repeated assessment, shall be recognized directly in the income statement.

Investments in associated companies and other investments

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

Foreign currency translation

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

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

Exchange rate differences arising on monetary items that form part of a net investment in a foreign operation are recognized initially in accordance with IAS 21.32 as a separate component of equity and recognized in the income statement only upon 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, 2014	at Dec. 31, 2013	exchange rate 2014	exchange rate 2013
		1 EUR =	1 EUR =	1 EUR =	1 EUR =
Bulgaria	BGN	1.96	1.96	1.96	1.96
Chile	CLP	738	721	752	659
China	CNY	7.54	8.35	8.15	8.17
Colombia	COP	2,876	2,656	2,655	2,484
Czech Republic	CZK	27.73	27.43	29.15	25.94
Great Britain	GBP	0.78	0.83	0.81	0.85
Jordan	JOD	0.86	0.98	0.94	0.94
Malaysia	MYR	4.25	4.52	4.34	4.20
Norway	NOK	9.04	8.36	8.39	7.81
Poland	PLN	4.26	4.15	4.19	4.20
Romania	RON	4.48	4.47	4.44	4.42
Russia	RUB	68.34	44.97	50.48	42.28
Switzerland	CHF	1.20	1.23	1.21	1.23
Tunisia	TND	2.27	2.27	2.25	2.15
Turkey	TRY	2.82	2.94	2.90	2.53
Ukraine	UAH	19.23	11.04	15.20	10.63
Vietnam	VND	25,833	29,044	28,027	27,941

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods (numerous grades of cartonboard as well as packaging) and rendering of services in the ordinary course of activities. Revenue is reported less reductions, such as bonuses, discounts and rebates. The Group recognizes revenues for sales of goods when the significant risks and rewards, resulting from the ownership of the goods, are transferred to the customer, and the Group retains neither continuing right of disposal to the degree usually associated with ownership nor effective control over the goods and products sold as well as the amount of revenue and cost incurred or to be incurred can be measured reliably and it is probable that the economic benefit associated with the transaction will flow to the Group.

Property, plant and equipment

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

Buildings	10 – 50 years
Technical equipment and machines	4 – 20 years
Other equipment, fixtures and fittings	3 – 10 years

The Group capitalizes 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 cost of maintenance and repairs is recognized as expense as incurred.

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

Borrowing costs

Direct or indirect borrowing costs that can be allocated to the acquisition, construction or production of a qualifying asset are included in the acquisition or manufacturing cost of the asset and capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Leases

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

Goodwill

Goodwill is not amortized but tested for impairment on an annual basis according to IAS 36. The recoverability evaluation of goodwill is performed at least annually or when there is an indication that a significant impairment may exist.

Goodwill allocation

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

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Goodwill MM Karton	4,887	4,734
Goodwill MM Packaging	72,386	72,623
Goodwill Group	77,273	77,357

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

Calculation of value in use

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

Discount rate	The discount rate represents the weighted average cost of capital (WACC) of the Group before taxes and for the current financial year it equals 10.34 % (2013: 12.82 %) for the segment MM Karton and 11.15 % (2013: 13.53 %) 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 as well as cost of debt are derived from Peer-Group capital market information.
The detailed forecast period	The detailed forecast period is five years (2013: five years).
Growth rate	The Free Cash Flows after the five year detailed forecast period are considered at a growth rate of 1.5 % p.a. (2013: 1.5 % p.a.).
Gross margin/Cost development	Provided that there is no contrary information, a stable gross margin and fixed cost development is assumed.

In case that, using this procedure and these underlying assumptions, it is identified that the recoverable amount (value in use) is lower than the respective book value of the cash generating operating segment including the respective goodwill assigned, the difference is recorded as impairment. The Group has effected its annual impairment testing as of December 31, 2014 and December 31, 2013. Neither in 2014 nor in 2013 an impairment on goodwill was recognized on this basis.

Underlying assumptions sensitivity

Regarding the underlying parameters for calculating the value in use, assumptions were made. From today's perspective after due deliberation no such significant changes of one or more underlying assumptions used for determining the value in use of both operating segments, 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, are expected.

The respective pre-tax discount rate, according to which the value in use would equal the book value as of December 31, 2014, is 15.65 % (December 31, 2013: 16.28 %) for the operating segment MM Karton and 17.48 % (December 31, 2013: 17.75 %) for the operating segment MM Packaging.

As of December 31, 2014, the Group's market capitalization amounted to thous. EUR 1,720,000 (December 31, 2013: thous. EUR 1,800,000), and the book value of the equity amounted to thous. EUR 1,102,168 (December 31, 2013: thous. EUR 1,111,802).

Other intangible assets

Acquired intangible assets which are determined to have a finite useful life, including licences, patents, concessions, trademarks, and assets regarding customer relationships, are capitalized at cost and amortized on a straight-line basis over their estimated useful lives ranging from five to ten years. Acquired intangible assets which are determined to have an indefinite useful life are not amortized but tested for impairment on an annual basis.

Research costs are recognized as expense as incurred. Development costs are capitalized only after certain criteria of IAS 38.57 could be verified and are met cumulatively. Neither as of December 31, 2014 nor as of December 31, 2013 have development costs been capitalized.

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

As IFRIC 3 "Emission Rights" has been withdrawn by the IASB, definite regulations concerning the accounting treatment of emission rights are missing. 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 effective 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, 2014 and 2013, the Group had sufficient emission rights available.

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

Impairment 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 with the higher of the fair value less costs to sell or its present value of estimated future cash flows. In case that the reason for an impairment no longer exists, a reversal has to be conducted.

Financial instruments

Financial instruments consist of financial assets and financial liabilities. Regular purchases and sales of financial instruments are recognized at their transaction date at which the Group is obliged to purchase or sell the financial instrument.

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

The financial assets are classified and measured as follows:

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

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

Financial assets are classified as held-to-maturity investments when they feature fixed maturity dates and repayment is not at risk as well as the ability and intention of the Group to hold them to maturity.

Available-for-sale financial assets are non-derivative financial instruments that are either classified under this category or not classified under any other of the above mentioned categories. These are basically recognized at fair value through other comprehensive income, unless the market value cannot be reliably determined (see note 5 f).

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

Financial assets not classified as “at fair value through profit and loss” are initially measured at their fair value plus transaction costs. Financial assets, classified under this category, are at first measured at their fair value; associated transaction costs are directly recognized in profit and loss. These financial assets are derecognized when the Group transfers all the rights for payment as well as all considerable risks and rewards associated with the ownership.

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

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

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

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

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

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

Financial liabilities are classified and measured as follows:

Category	Measurement
At fair value through profit and loss, e.g. derivatives	At fair value through profit and loss
Other financial liabilities, e.g. interest-bearing financial liabilities, trade liabilities	At amortized cost

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

Financial liabilities are derecognized when they are fully settled, which means the contract conditions are discharged, cancelled or expired.

Securities

The Group classifies its securities either as "Available-for-sale financial assets" or as "Held-to-maturity investments".

Securities which are classified as "Available-for-sale financial assets" are recognized at fair value in reference to an active market. The corresponding unrealized gains and losses are directly recognized as other comprehensive income (expenses) of the consolidated comprehensive income statement, net of deferred income taxes, unless they represent a permanent loss. Realized gains and losses from the sale of securities that are determined using the specific identification method and declines in value classified to be other than temporary are included in "Financial income" or "Financial expenses".

Securities which are classified as "Held-to-maturity investments" are recognized by applying the effective interest rate method at amortized cost. Premiums and accretions of discount of debt securities are allocated over the maturity and are included in the income statement in the positions "Financial income" or "Financial expenses".

Other financial assets

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

Loans are classified under the category "Loans and receivables" measured at amortized cost, whereas non-interest and low-interest-bearing loans are recognized at present value. All other investments are impaired in case of a permanent reduction in value. In case that the reasons for impairment no longer exist, a reversal has to be conducted.

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 rate in effect at the balance sheet date. The cash and cash equivalents defined in this way are the basis for the consolidated cash flow statement.

Receivables

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

Liabilities

Non-current as well as current liabilities, including financial liabilities, are classified under the category "Other financial liabilities" and presented at amortized cost. Thus, current liabilities are as a rule stated at cost, which is the consideration to be paid.

Accruals

Accruals comprise the liabilities for which the exact time or amount is uncertain while being definable to a high degree of certainty. Even if the amount and the exact time are only estimated, the measurement precision is higher than by determination of provisions. Therefore they will be recognized according to their origin as trade liabilities and other current liabilities.

Derivative financial instruments

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

Current and deferred taxes

Income taxes are recognized in profit and loss, except when they are associated with positions directly recognized in equity or other comprehensive income. In this case the income taxes are recorded in equity or other comprehensive income as well.

Current tax expense 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 according to IAS 12 "Income taxes" for all temporary differences between tax and the consolidated balance sheet. Deferred taxes are evaluated using the tax rates which are already in force on the balance sheet date or which have essentially been legally adopted and which are expected to be valid at the time of realization of the deferred tax asset or the settlement of deferred tax liability. Deferred tax assets are recognized only if there is a probability that sufficient taxable profit will be available for utilization of the deductible temporary differences.

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

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

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

Inventories

Inventories are valued at the lower of acquisition or manufacturing costs and the net realizable value. The net realizable value is based on average market prices and takes into consideration remaining costs of completion, if applicable. In order to determine purchase costs of raw materials, manufacturing and operation supplies, and goods for resale, a weighted average price method taking into consideration the sales market is applied. Work in process and finished goods are recorded including direct cost such as material and labor as well as manufacturing overhead costs. Allowances for slow moving and obsolete inventories are recognized considering the storage period and sales situation. Operating supplies for technical equipment and machines are valued at cost and adjusted for time-based discounts.

Equity

Ordinary shares are classified as equity.

Should the Group acquire treasury shares, they are recognized at their acquisition costs and deducted from shareholders' equity. The purchase, sale, issuance, and cancelation of treasury shares are recognized directly in equity. Any differences between carrying amount and the price paid in case of reissuing shares are recognized as a share premium. The Group cannot exercise voting rights in connection with treasury shares. Furthermore, these shares are not entitled to dividend.

Non-controlling (minority) interests

Non-controlling (minority) interests comprise the interest on equity and total profit for the year attributable to non-group shareholders' investments in subsidiaries of Mayr-Melnhof Karton AG. These interests are measured according to IFRS at their fair value (Full goodwill method) or at part of the fair value of acquired assets and assumed liabilities (Partial goodwill method). The non-controlling (minority) interests as at the acquisition date are presented as part of net assets (equity) of the respective entity or businesses and in the following period adjusted with consideration of profit or loss attributable to the shareholders, dividend paid as well as paid-in or paid-out capital.

Employee benefits

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 costs are recognized in personnel cost; the net interest cost for the provisions are 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 accrued for non-current obligations against employees related to the number of years of their service based on collective or plant bargaining agreements.

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.

Other provisions

According to IAS 37, provisions are created only when a legal and constructive obligation to a third party as a result of past events exists, it is probable that it will be settled and that the amount of obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the interest effect is considerable, the provision is discounted with a market interest rate.

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

4 — KEY ASSUMPTIONS AND ESTIMATES

The consolidated financial statements and notes thereto include the following material items for which the determination of their carrying amounts is highly dependent on the underlying assumptions and estimations:

Useful life of non-current assets

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

Impairment of non-current assets

Goodwill is tested for impairment annually. Furthermore recoverability evaluation of non-current assets is performed as soon as 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 these impairment tests, the evaluation of non-current assets is also based on budget assessments of market or company-specific discount rates, expected annual growth rates, and gross margin/costs development. The assumptions involved in these calculations may change and could lead to an impairment loss in future periods.

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 the realization of the deferred tax asset or the settlement of deferred tax liability as well as by evaluating the capacity of future taxable income. Potential tax rate changes or future taxable result which differs from the assumptions may result in the fact that the realization of deferred tax assets becomes improbable and a valuation allowance for the respective assets has to be recorded.

Provisions for pensions and severance payments

The actuarial calculation of pension and severance obligations is based on assumptions about discount rates, salary and pension adjustments, life expectancy, and retirement age. Actual outcomes may be different from these assumptions due to changes in the economic environment and market conditions.

Current provisions

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

The provisions for sales are recognized primarily on product warranties, guarantees, return of goods, and distribution fees. The provisions for product warranty and guarantee are made both on legal and contractual base.

5 — 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 subsequent measurement method and thus also the resulting type of income and expense. Hereinafter, the financial instruments are assigned to the respective categories and measurement methods. Afterwards the carrying amounts included in the balance sheet that correspond to the respective categories are presented. In conclusion, the income and expenses resulting from the different categories are shown.

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

Financial assets are classified and measured as follows:

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

Financial liabilities of the Group comprise interest-bearing financial 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	Measurement
At fair value through profit or loss, e.g. derivatives	At fair value through profit or loss
Other financial liabilities, e.g. interest-bearing financial liabilities, trade liabilities	At amortized cost

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

	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Total
	At fair value	At amortized cost			
(in thousands of EUR)	Carrying amount at Dec. 31, 2014				
Securities and other financial assets ¹⁾	0	1,699	4,146	1,835	7,680
Trade receivables	0	0	0	301,162	301,162
Other receivables and assets, including derivatives	1,264	0	0	10,310	11,574
Cash and cash equivalents	0	0	0	320,086	320,086
Total	1,264	1,699	4,146	633,393	640,502
	Carrying amount at Dec. 31, 2013				
Securities and other financial assets ¹⁾	0	1,769	5,565	1,875	9,209
Trade receivables	0	0	0	277,571	277,571
Other receivables and assets, including derivatives	571	0	0	9,371	9,942
Cash and cash equivalents	0	0	0	297,920	297,920
Total	571	1,769	5,565	586,737	594,642

¹⁾ For measurement of "other financial assets" classified as "available-for-sale financial assets" see note 5f.

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

	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Total
	At fair value	At amortized cost	
(in thousands of EUR)	Carrying amount at Dec. 31, 2014		
Interest-bearing financial liabilities	0	265,911	265,911
Trade liabilities	0	170,821	170,821
Share purchase price and option liabilities	0	8,885	8,885
Other liabilities, including derivatives	970	9,652	10,622
Total	970	455,269	456,239
	Carrying amount at Dec. 31, 2013		
Interest-bearing financial liabilities	0	169,560	169,560
Trade liabilities	0	172,029	172,029
Share purchase price and option liabilities	0	26,145	26,145
Other liabilities, including derivatives	958	14,565	15,523
Total	958	382,299	383,257

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

	Financial assets measured at fair value through profit or loss				Total
	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables		
	At fair value	At amortized cost			
(in thousands of EUR)	Income and expense 2014				
In profit for the year	693	1	64	1,327	2,085
Interests	0	0	64	1,390	1,454
Fair value/Carrying amount changes	693	1	0	(63)	631
<i>Thereof impairment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(63)</i>	<i>(63)</i>
In other comprehensive income	0	0	0	0	0
Change in fair value	0	0	0	0	0
Net profit/loss	693	1	64	1,327	2,085
	Income and expense 2013				
In profit for the year	181	(1)	64	1,287	1,531
Interests	0	0	64	1,468	1,532
Fair value/Carrying amount changes	181	(1)	0	(181)	(1)
<i>Thereof impairment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(181)</i>	<i>(181)</i>
In other comprehensive income	0	0	0	0	0
Change in fair value	0	0	0	0	0
Net profit/loss	181	(1)	64	1,287	1,531

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

	Financial liabilities measured at fair value through profit or loss	Other financial liabilities	Total
	At fair value	At amortized cost	
(in thousands of EUR)	Income and expense 2014		
In profit for the year	(12)	(4,547)	(4,559)
Interests	0	(5,206)	(5,206)
Fair value/Carrying amount changes	(12)	659	647
Net profit/loss	(12)	(4,547)	(4,559)
	Income and expense 2013		
In profit for the year	(807)	(4,775)	(5,582)
Interests	0	(4,051)	(4,051)
Fair value/Carrying amount changes	(807)	(724)	(1,531)
Net profit/loss	(807)	(4,775)	(5,582)

There were no amounts presented in other comprehensive income associated with securities of the category "Available-for-sale financial assets", as there were no significant unrealized fair value changes as at both balance sheet dates due to short term, low volatility and market data.

b — Derivatives

The Group applies derivative financial instruments to manage the risks from exchange rate and interest rate changes. In this context, the Group uses foreign exchange forward, swap and option contracts in order to mitigate the short-term effects of exchange rate fluctuations.

The most significant foreign currencies for which the Group protects itself against the effect from fluctuation, are British Pound, US Dollar, Turkish Lira, and Polish Zloty. The changes in fair values of these derivatives are recognized in "Foreign currency exchange rate gains (losses) – net" (see note 26).

At December 31, 2014, the Group conducted foreign exchange forward and swap contracts with a nominal value of thous. EUR 83,836 (December 31, 2013: thous. EUR 81,440) and a positive market value of thous. EUR 294 (December 31, 2013: negative market value of thous. EUR 387).

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 1,264 (December 31, 2013: thous. EUR 571) and under "Deferred income and other current liabilities" as current liabilities in the amount of thous. EUR 970 (December 31, 2013: thous. EUR 958).

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 comprise 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 the financial risks as well as the decisions concerning the application of financial instruments in order to manage these risks are carried out by the Group's headquarters.

Credit and default risk

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

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

diversified customer base and the existing credit insurance contracts, a concentrated risk of default does not exist. Accordingly the bad debt losses were insignificant in the past.

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

Theoretical maximum default risk as at the balance sheet date is reflected in particular by the carrying amount of trade receivables as well as securities and other financial assets in the amount of thous. EUR 308,842 (December 31, 2013: thous. EUR 286,780) as presented in the balance sheet.

The money market investments are concluded with banks with rating in investment grade ranges.

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. Based on well-timed liquidity management, sufficient liquidity of all the Group's subsidiaries is provided through availability of adequate cash and cash equivalents as well as credit lines. Consequently, liquidity risk is categorized as low.

The following table shows the financial liabilities from interest-bearing financial liabilities, trade liabilities, and liabilities arising from derivative financial instruments of the Group according to due date, based on the remaining maturity as at the balance sheet date or referred to the contractually agreed maturity. The Group assumes that the nominal amounts of the interest-bearing financial liabilities as of December 31, 2014 represent the discounted cash flows.

(in thousands of EUR)	Up to 3 months	3 months to 1 year	1-2 years	2-5 years	Over 5 years
Balance at Dec. 31, 2014					
Interest-bearing financial liabilities	11,162	98,025	46,637	87	110,000
Trade liabilities	168,334	2,487	0	0	0
Derivative financial instruments	970	0	0	0	0
Balance at Dec. 31, 2013					
Interest-bearing financial liabilities	9,953	55,483	59,281	44,843	0
Trade liabilities	169,831	2,198	0	0	0
Derivative financial instruments	958	0	0	0	0

Currency risk

The currency risk represents the risk arising from changes in the value of financial instruments due to fluctuations in exchange rates. 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 British Pound, US Dollar and Euro, from the perspective of companies which do not have the Euro as 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 receivables and liabilities as of December 31, 2014 (December 31, 2013) stated below had changed at below-stated percentage ("Volatility"), the profit for the year, all other variables remaining constant, would have increased or decreased by the following values.

Currency	Volatility	Impact on profit for the year and equity in thousands of EUR	
		2014	2013
EUR ¹⁾	+/- 5 %	+/- 121	+/- 43
GBP	+/- 5 %	+/- 13	+/- 87
USD	+/- 5 %	-/+ 96	-/+ 171

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

Interest rate risk

The interest rate risk is referred to as the risk arising from changes in the market interest rates, which can result in value fluctuation of balance sheet items or fluctuation in cash flows. For balance sheet items with fixed interest the risk consists mainly of fluctuation in value (price risk); when the market interest rate changes, the (present) value of financial instruments with fixed interest payments changes as well. Due to these value fluctuations, profit or loss can arise which will be particularly realized, when the financial instrument will be sold before maturity. For balance sheet items with variable interest rate, mainly the risk of fluctuating cash flows exists. In the case the market interest rate changes, the amount of interest receivable or payable from financial instruments with variable interest payments changes as well. Such changes would alter the ongoing interest payments and therefore also the interest income and expense. As of December 31, 2014, the Group is financed from financial liabilities with variable as well as fixed interest rate and holds solely financial assets with variable interest rate. Hence, the Group is essentially only exposed to the interest rate risk from variable financing and investments.

If the interest rates as of December 31, 2014 had been higher or lower by ten basis points (i. e. 0.1 %), all other variables remaining constant, the profit for the year 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	
		2014	2013
Financial assets with variable interest	+/- 0.1 %	+/- 230	+/- 215
Financial liabilities with variable interest	+/- 0.1 %	-/+ 156	-/+ 170

Hedge of a net investment

As of December 31, 2014, an option liability of thous. EUR 5,595 (December 31, 2013: thous. EUR 3,356) quoted in Malaysian Ringgit and also a liability quoted in Vietnamese Dong at thous. EUR 3,290 (December 31, 2013: thous. EUR 4,304) existed. These liabilities were used until December 31, 2013 to hedge the Group's exposure to foreign exchange risk on these net investments in the Malaysian subsidiary Firgos (Malaysia) SDN BHD as well as the Vietnamese subsidiary MM Packaging Vidon Limited Liability Company. The effectiveness regarding these hedges in the financial year 2014 has not been met, which resulted in losses from these liabilities in an amount of thous. EUR 753 recognized in other financial result – net. Until December 31, 2013, the gains and losses from the translation of these liabilities were directly recognized in the Group's equity.

As of December 31, 2014, the hedging transaction of liabilities quoted in Malaysian Ringgit and Vietnamese Dong was newly designated to hedge the exchange rate risk of the Group from the net investment in Firgos (Malaysia) SDN BHD as well as in MM Packaging Vidon Limited Liability Company (Vietnam).

d — Capital management

Capital employed includes the equity of the Group and also interest-bearing financial liabilities less cash and cash equivalents. Both as of December 31, 2014 and also as of December 31, 2013, the Group holds net liquidity.

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

Equity and total assets as of December 31, 2014 and December 31, 2013 amounted to:

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Total equity	1,102,168	1,111,802
Total assets	1,787,011	1,702,455
Total equity to total assets	61.7 %	65.3 %

The aim of capital management for a total equity to total assets ratio in the range of 50 % to 70 % is unchanged in comparison to the previous year. The Company fulfills the legal and statutory minimum capital requirements.

e — Measurement at fair value

The overview of financial assets and financial liabilities that are measured at fair value is as follows:

(in thousands of EUR)	Level 2	
	Dec. 31, 2014	Dec. 31, 2013
Financial assets:		
Derivative financial instruments	1,264	571
Financial liabilities:		
Derivative financial instruments	970	958

Measurement methods

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

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

The fair value for foreign exchange rate forward contracts (Level 2 measurement) is determined on the basis of spot prices as at the balance sheet date taking into account forward premiums or discounts with relevant maturity.

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

f — **Measurement at amortized cost**

The amounts reported in the consolidated balance sheets for trade receivables, securities measured at amortized cost, cash and cash equivalents, share purchase price and option liabilities and also other financial liabilities represent a proper approximation to the fair value.

Other financial assets classified as “Available-for-sale financial assets“ include as of December 31, 2014 investments in unconsolidated companies in the amount of thous. EUR 1,699 (December 31, 2013: thous. EUR 1,769). There is no active market for these investments. As the related future cash flows cannot be reliably determined, the market value based on valuation models is not measurable. Therefore, the investments in the respective companies are recognized at amortized cost. In general there is no intention to sell these investments. The change in the above mentioned investment is primarily due to the first-time consolidation of MM Guang Zhou Yue Ran Paper Co. Ltd., China, into the Group.

6 — SIGNIFICANT CHANGES IN THE CONSOLIDATED COMPANIES

a — Changes in 2014

Acquisitions (of shares)

In September 2014, the division MM Packaging increased its majority interest in the Malaysian folding carton producer MM Packaging Malaysia SND. BHD., located in Kuala Lumpur, to 100 % for a price of thous. EUR 300. The valuation of the underlying option liability resulted in 2014 in an expense of thous. EUR 300, which was recognized in other financial result – net.

Until December 31, 2014, the division MM Packaging acquired 2.46 % of shares in Al-Ekbal Printing & Packaging Co., Amman, Jordan, for the purchase price of thous. EUR 153, so that the interest increased from 81.86 % as of December 31, 2013 to 84.32 %.

Disposals (of shares)

In September 2014, the interest of the division MM Karton in Syn-Group Unternehmensberatung GmbH, Vienna, was reduced through restructuring from 38 % to approximately 1.2 %. As a consequence, the following deconsolidation resulted in an insignificant disposal of assets and liabilities. The deconsolidation resulted in a gain of thous. EUR 172, of which thous. EUR 169 is attributed to the revaluation of the remaining share. In November 2014, as a further step, the division MM Karton disposed the share in Syn-Group Unternehmensberatung GmbH for the purchase price of thous. EUR 169.

In the financial year 2014, shares in free-com solutions GmbH (former free-com internet services GmbH), Vienna, were disposed for the purchase price of thous. EUR 109. Thereby the interest changed from 64.33 % as of December 31, 2013 to 51 %. The inclusion into the Group remains unchanged.

Restructurings

In May 2014, Mayr-Melnhof Holdings B.V, Eerbeek, Netherlands, was merged with Mayr-Melnhof Packaging International GmbH, Vienna, and Mayr-Melnhof Holdings 2 B.V, Eerbeek, Netherlands, with Mayr-Melnhof Cartonboard International GmbH, Vienna.

In October 2014, Ernst Schausberger & Co Gesellschaft m.b.H., Gunskirchen was merged with Mayr-Melnhof Packaging Austria GmbH, Vienna.

The mentioned restructurings have no impact on the asset, financial and profit position of the Group.

Other changes

In July 2014, the division MM Karton settled the outstanding contingent consideration related to MM Karton FollaCell AS, Verran, Norway, acquired in July 2013, in the amount of thous. NOK 10,000 by a payment of the same amount (equivalent to thous. EUR 1,195).

In August 2014, the division MM Packaging provided a payment of the fixed amount for the remaining share of 25 % in the German folding carton producer C.P. Schmidt Verpackungs-Werk GmbH & Co. KG (renamed to C.P. Schmidt GmbH) as well as in C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, both located in Kaiserslautern, Germany. The purchase price consists of a fixed amount of thous. EUR 12,875 as well as an amount of thous. EUR 1,146 depending on the result of 2014. This resulted in an expense in an amount of thous. EUR 928, which was recognized in the position other financial result – net.

In October 2013, the division MM Packaging acquired the Colombian folding carton producer Gráficas Los Andes S.A.S., located in Santiago de Cali, in form of an asset deal which included a contingent consideration with maturity in 2015. In 2014, the purchaser and the seller reached an agreement on the premature settlement of the outstanding liability. This resulted in a gain of thous. EUR 3,579 recognized in other financial result – net.

In 2014, the companies MM Graphia GmbH, Bielefeld, Germany, and MM Guang Zhou Yue Ran Paper Co. Ltd., Guangzhou, China, were included into the Group for the first time by commencement of their business activities.

Effects of the transactions with non-controlling (minority) interests on the equity attributable to shareholders of the Company

(in thousands of EUR)	2014
Changes in equity attributable to shareholders of the Company resulting from:	
acquisition of additional interests in subsidiaries	(252)
disposal of the interests in subsidiaries without loss of control	(87)
Net effect on the equity attributable to shareholders of the Company	(339)

Because of the insignificant effect of the transactions with non-controlling (minority) interests on the equity attributable to shareholders of the Company, these were cumulatively reported.

b — Changes in 2013

If not stated otherwise, the following disclosures of note 6b regarding the balance sheet are as of December 31, 2013 and regarding the income statement for the financial year 2013.

Acquisitions

In July 2013, the division MM Karton acquired 100 % of the shares in MM Karton FollaCell AS, a Norwegian pulp producer, located in Verran near Trondheim, Norway. With an annual capacity of up to 130,000 tons, the external purchase of raw materials will be replaced through self-supply in the future.

After the close-down of production, it was resumed at the beginning of September. The consolidated income statement comprises sales in the amount of thous. EUR 6,067 and profit before tax in the amount of thous. EUR -3,642. Disclosure on sales and result, assuming that the acquisition had occurred on January 1, 2013, is not feasible due to the close-down of production directly before the acquisition.

Inclusion into the Group and division was effected on July 22, 2013. The consideration transferred and the fair values of the acquired assets and liabilities according to IFRS at the acquisition date were presented as follows:

(in thousands of EUR)	Jul. 22, 2013
Cash and cash equivalents	3,053
Contingent consideration	1,258
Consideration transferred	4,311

The Group is obliged to pay the seller an additional consideration in the amount of thous. NOK 10,000, 12 months after the acquisition date, if production is continued at this point of time. This obligation was recognized in the balance sheet at an amount of thous. EUR 1,258 as contingent consideration.

Fair values according to IFRS

(in thousands of EUR)	Jul. 22, 2013
Property, plant and equipment	15,351
Current assets	543
Cash and cash equivalents	497
Current liabilities	(2,047)
Net assets	14,344

The negative goodwill according to IFRS 3.45 was recognized as a result of the acquisition as follows:

(in thousands of EUR)	Jul. 22, 2013
Consideration transferred	4,311
Fair value of identifiable net assets	(14,344)
Negative goodwill	(10,033)

The negative goodwill was reported under other income in the consolidated income statement and mainly results from the fact that the seller decided to completely close down production in Norway (two sites) after high losses. According to highly limited utilization possibilities for the seller, based on this publicly announced decision, the purchase price was below the fair values.

Until December 31, 2013, the acquisition-related costs in the amount of thous. EUR 215 were recorded as expense in the financial year and reported under administrative expense in the consolidated income statement.

In October 2013, the division MM Packaging acquired the Colombian folding carton producer Gráficas Los Andes S.A.S, located in Santiago de Cali, in form of an asset deal. In this connection the 20 % interest of the associated company held since April 2012 and so far accounted for under the equity method was transferred back. The objective of the full takeover of Gráficas Los Andes is to strengthen the market position in Colombia.

The acquisition costs for the purchase amounted to thous. EUR 17,947. Inclusion into the Group and division was effected on October 7, 2013. The consideration transferred consists of:

(in thousands of EUR)	Oct. 7, 2013
Cash and cash equivalents	12,754
Contingent consideration	4,627
Deferred consideration	566
Consideration transferred	17,947

The Group has an obligation toward the seller to provide a final settlement for which no minimum or maximum amount has been agreed on and which is based solely on the 2014 results of the Colombian site. This consideration has been determined in the amount of thous. EUR 4,931 and after discounting has been recognized as contingent consideration in the balance sheet at thous. EUR 4,627. In December 2013, an advance payment in the total amount of thous. EUR 885 was made on the deferred and contingent consideration.

Fair values of the acquired assets and liabilities according to IFRS as at the acquisition date are presented as follows:

Fair values according to IFRS

(in thousands of EUR)	Oct. 7, 2013
Property, plant and equipment	5,155
Intangible assets and financial assets	2,493
Current assets	2,344
Current liabilities	(135)
Deferred income taxes	312
Goodwill	7,778
Net assets	17,947

The current assets consist of inventory in the amount of thous. EUR 2,209 as well as receivables toward the seller from the outstanding personnel-related liabilities amounting to thous. EUR 135, because in the course of the acquisition the employees were also taken over.

The remaining goodwill of thous. EUR 7,778 reflects the leading market position of the business on the Colombian folding carton market. A tax amortization possibility of thous. EUR 2,896 arises from Goodwill.

The acquisition-related costs of thous. EUR 67 were recorded as expense in the financial year and reported under administrative expenses in the consolidated income statement. The net outflow from the acquisition amounts to thous. EUR 18,014.

Sales and profit before tax for the time the business belonged to the Group and division in the financial year 2013 amounted to thous. EUR 4,674 and thous. EUR -794. If the acquisition would have been concluded as of January 1, 2013, Gráficas Los Andes could have contributed thous. EUR 19,008 to the Group's sales and thous. EUR 341 to the Group's result.

In addition to the transferred consideration, an annual payment of thous. EUR 117 for management services has been agreed on for the years 2013 and 2014. This will be recorded as an expense in the respective financial year and reported under administrative expenses in the consolidated income statement.

In December 2013, the division MM Packaging acquired 65.1 % of the Vietnamese folding carton producer “Binh Duong Vien Dong One Member Company Limited” (renamed MM Packaging Vidon Limited Liability Company), located in Ho Chi Minh City. The objective of the acquisition was the entry into the Vietnamese folding carton market.

The acquisition costs for the purchase amounted to thous. EUR 14,783. Inclusion into the Group and division was effected on December 6, 2013. The consideration transferred consists of:

(in thousands of EUR)	Dec. 6, 2013
Cash and cash equivalents	10,435
Contingent consideration	4,348
Consideration transferred	14,783

The Group has an obligation toward the seller to provide a final settlement based on the results of the Vietnamese site in the financial years 2014 and 2015. This consideration has been determined in the amount of thous. EUR 4,348 and considered in the balance sheet as contingent consideration.

Fair values of the acquired assets and liabilities according to IFRS as at the acquisition date are presented as follows:

Fair values according to IFRS

(in thousands of EUR)	Dec. 6, 2013
Property, plant and equipment	10,870
Intangible assets	2,508
Current assets	1,555
Cash and cash equivalents	177
Current liabilities	(878)
Deferred income taxes	(1,123)
Goodwill	6,249
Non-controlling (minority) interests	(4,575)
Net assets	14,783

The current assets contain trade receivables in the amount of thous. EUR 806 as well as other receivables in the amount of thous. EUR 460. Based on the good customer creditworthiness the present value corresponds to the gross amount.

The remaining goodwill of thous. EUR 6,249 reflects the leading market position of the business on the Vietnamese folding carton market. The non-controlling (minority) interest of thous. EUR 4,575 has been determined as a proportionate share of the acquiree's identifiable net assets.

The acquisition-related costs of thous. EUR 305 were recorded as expense in the financial year and reported under administrative expenses in the consolidated income statement. The net outflow from the acquisition amounts to thous. EUR 15,088.

Sales and profit before tax for the time the business belonged to the Group and division in the financial year 2013 amounted to thous. EUR 945 and thous. EUR 112. Before the acquisition, the business was carved out from a local group of companies which used local country specific accounting standards into a newly formed company. The pro forma financial information in respect of the contribution of the business to the Group's sales and the Group's profit before tax, if the acquisition would have occurred at January 1, 2013, therefore cannot be reliably determined.

Formations

In October 2013, the division MM Packaging founded the company Tunesie Converting SARL located in Tunis, Tunisia.

Restructurings

In April 2013, Mayr-Melnhof Packaging GmbH located in Kaiserslautern, Germany, was merged with its parent company MM Packaging Beteiligungs- und Verwaltungs GmbH located in Kaiserslautern, Germany.

In April 2013, Mayr-Melnhof Holdings 2 B.V. located in Eerbeek, Netherlands, was founded as a spin-off from the Mayr-Melnhof Holdings B.V. located in Eerbeek, Netherlands.

The mentioned restructurings have no impact on the asset, financial and profit position of the Group.

7 — DEVELOPMENT OF FIXED ASSETS

a — Property, plant and equipment

Development of property, plant and equipment 2014

(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, 2014	477,879	1,402,262	138,200	39,191	2,057,532
Effect of exchange rate changes	(9,602)	(14,560)	(2,838)	(75)	(27,075)
Changes in consolidated companies	0	0	(593)	0	(593)
Additions	7,604	30,621	10,175	89,941	138,341
Disposals	(400)	(45,318)	(10,301)	(303)	(56,322)
Reclassifications	12,508	39,213	17,214	(75,679)	(6,744)
Balance at Dec. 31, 2014	487,989	1,412,218	151,857	53,075	2,105,139
ACCUMULATED DEPRECIATION:					
Balance at Jan. 1, 2014	218,916	1,076,356	98,441	(82)	1,393,631
Effect of exchange rate changes	(2,278)	(7,940)	(1,964)	3	(12,179)
Changes in consolidated companies	0	0	(372)	0	(372)
Disposals	(356)	(44,904)	(9,971)	0	(55,231)
Depreciation/amortization expense for the year	13,644	60,668	11,757	0	86,069
Impairment	547	158	53	0	758
Reclassifications	305	(20,232)	14,666	0	(5,261)
Balance at Dec. 31, 2014	230,778	1,064,106	112,610	(79)	1,407,415
NET BOOK VALUE:					
Net book value at Dec. 31, 2014	257,211	348,112	39,247	53,154	697,724
Net book value at Dec. 31, 2013	258,963	325,906	39,759	39,273	663,901

Development of property, plant and equipment 2013

(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, 2013	457,390	1,341,320	130,468	38,380	1,967,558
Effect of exchange rate changes	(8,790)	(16,955)	(1,398)	(1,596)	(28,739)
Changes in consolidated companies	11,855	18,927	341	254	31,377
Additions	7,720	28,949	9,178	62,946	108,793
Disposals	(377)	(24,215)	(4,612)	(24)	(29,228)
Reclassifications	10,081	54,236	4,223	(60,769)	7,771
Balance at Dec. 31, 2013	477,879	1,402,262	138,200	39,191	2,057,532
ACCUMULATED DEPRECIATION:					
Balance at Jan. 1, 2013	209,248	1,049,907	90,424	(85)	1,349,494
Effect of exchange rate changes	(1,290)	(8,922)	(575)	3	(10,784)
Changes in consolidated companies	0	0	0	0	0
Disposals	(377)	(23,481)	(4,476)	0	(28,334)
Depreciation/amortization expense for the year	13,018	59,890	11,452	0	84,360
Reclassifications	(1,683)	(1,038)	1,616	0	(1,105)
Balance at Dec. 31, 2013	218,916	1,076,356	98,441	(82)	1,393,631
NET BOOK VALUE:					
Net book value at Dec. 31, 2013	258,963	325,906	39,759	39,273	663,901
Net book value at Dec. 31, 2012	248,142	291,413	40,044	38,465	618,064

b — Intangible assets including goodwill

Development of intangible assets including goodwill 2014

(in thousands of EUR)	Concessions, licenses and similar rights, and payments on account	Goodwill	Other intangible assets	Intangible assets including goodwill
ACQUISITION OR MANUFACTURING COSTS:				
Balance at Jan. 1, 2014	49,944	86,406	25,026	161,376
Effect of exchange rate changes	(51)	(85)	(49)	(185)
Changes in consolidated companies	(66)	0	0	(66)
Additions	3,063	0	0	3,063
Disposals	(774)	0	0	(774)
Reclassifications	582	0	0	582
Balance at Dec. 31, 2014	52,698	86,321	24,977	163,996
ACCUMULATED AMORTIZATION:				
Balance at Jan. 1, 2014	43,429	9,049	7,569	60,047
Effect of exchange rate changes	(41)	(1)	(10)	(52)
Changes in consolidated companies	(58)	0	0	(58)
Disposals	(760)	0	0	(760)
Amortization expense for the year	3,117	0	2,532	5,649
Impairment	0	0	1,469	1,469
Reclassifications	4	0	0	4
Balance at Dec. 31, 2014	45,691	9,048	11,560	66,299
NET BOOK VALUE:				
Net book value at Dec. 31, 2014	7,007	77,273	13,417	97,697
Net book value at Dec. 31, 2013	6,515	77,357	17,457	101,329

Development of intangible assets including goodwill 2013

(in thousands of EUR)	Concessions, licenses and similar rights, and payments on account	Goodwill	Other intangible assets	Intangible assets including goodwill
ACQUISITION OR MANUFACTURING COSTS:				
Balance at Jan. 1, 2013	47,867	74,981	24,666	147,514
Effect of exchange rate changes	(69)	(2,602)	(2,537)	(5,208)
Changes in consolidated companies	4	14,027	4,997	19,028
Additions	3,385	0	0	3,385
Disposals	(1,366)	0	(2,100)	(3,466)
Reclassifications	123	0	0	123
Balance at Dec. 31, 2013	49,944	86,406	25,026	161,376
ACCUMULATED AMORTIZATION:				
Balance at Jan. 1, 2013	42,105	9,049	8,046	59,200
Effect of exchange rate changes	(90)	0	(920)	(1,010)
Changes in consolidated companies	0	0	0	0
Disposals	(1,283)	0	(2,100)	(3,383)
Amortization expense for the year	2,712	0	2,543	5,255
Reclassifications	(15)	0	0	(15)
Balance at Dec. 31, 2013	43,429	9,049	7,569	60,047
NET BOOK VALUE:				
Net book value at Dec. 31, 2013	6,515	77,357	17,457	101,329
Net book value at Dec. 31, 2012	5,762	65,932	16,620	88,314

In 2014, the depreciation and amortization expense recorded in "Property, plant and equipment" and "Intangible assets including goodwill" amounted to thous. EUR 91,718 (2013: thous. EUR 89,615). The amortization on the position "Intangible assets" is recorded mainly on assets related to customer relationships, which is included in selling and distribution expenses.

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

In the financial year 2014, other intangible assets and property, plant and equipment were impaired in an amount of thous. EUR 2,227 (2013: thous. EUR 0). The impairment is on the one hand related to the business activities of MM Packaging in Tunisia, particularly as a result of the shutdown of a small operating part of TEC MMP SARL, and on the other hand to the production location R + S Stanzformen in Germany, which results in particular from the competition situation in production of die cutting forms. The impairment is recognized under cost of goods sold of the division MM Packaging.

8 — SECURITIES AND OTHER FINANCIAL ASSETS

The carrying amounts of securities and other financial assets consist of:

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Securities	4,146	5,565
Other investments	1,699	1,769
Liability insurance not pledged to beneficiaries	1,835	1,875
Securities and other financial assets	7,680	9,209

Securities of the Group comprise debt securities and other fixed-interest bearing securities with a book value of thous. EUR 4,146 (December 31, 2013: thous. EUR 5,565).

No proceeds from sales of securities were recognized in the financial year 2014 (2013: thous. EUR 250). In the previous year, thereof resulting losses amounted to thous. EUR 1.

9 — INCOME TAXES

a — Deferred taxes recognized in the balance sheet

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

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Intangible assets	3,453	1,109
Property, plant and equipment	5,566	3,451
Inventories	4,520	4,288
Defined benefit plans and other liabilities and charges	19,519	13,932
Loans receivable, investments and financial assets	2,505	3,102
Loss carryforwards	12,620	12,481
Other	1,677	5,216
Gross deferred tax assets	49,860	43,579
Unrecognized deferred tax assets	(15,803)	(15,265)
Net deferred tax assets	34,057	28,314
Offset	(10,818)	(11,444)
Deferred tax assets in the balance sheet	23,239	16,870
Intangible assets	(4,354)	(4,190)
Property, plant and equipment	(7,097)	(9,018)
Inventories	(580)	(594)
Defined benefit plans and other liabilities and charges	(2,137)	(1,559)
Loans receivable, investments and financial assets	(4,824)	(5,556)
Other	(4,162)	(3,524)
Net deferred tax liabilities	(23,154)	(24,441)
Offset	10,818	11,444
Deferred tax liabilities in the balance sheet	(12,336)	(12,997)

The position "Unrecognized deferred tax assets" in the amount of thous. EUR 15,803 (December 31, 2013: thous. EUR 15,256) contains thous. EUR 7,720 (December 31, 2013: thous. EUR 9,160) from unrecognized loss carryforwards.

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

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Deferred tax assets, realized within 12 months	7,039	10,105
Deferred tax assets, realized after 12 months	27,018	18,209
Deferred tax assets	34,057	28,314
Deferred tax liabilities, realized within 12 months	(5,282)	(4,293)
Deferred tax liabilities, realized after 12 months	(17,872)	(20,148)
Deferred tax liabilities	(23,154)	(24,441)

Deferred tax liabilities, which result from the difference between the carrying amount of investments in subsidiaries and the tax basis of those investments (Outside-Basis-Differences), were not recognized for certain subsidiaries, as a distribution of these retained earnings is not intended due to reinvestment of the respective profits or because they will remain tax free in the foreseeable future. These retained earnings amounted to thous. EUR 23,795 at December 31, 2014 (December 31, 2013: thous. EUR 22,669). For those retained earnings which are provided for distribution, the valuation of deferred tax liabilities was adjusted according to the applicable capital gains and withholding taxes on profit distribution.

b — Tax loss carryforwards

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

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Loss carryforwards with expiration	7,565	9,655
Loss carryforwards with no expiration	43,143	38,771
Loss carryforwards	50,708	48,426

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Recognized loss carryforwards	20,347	12,802
Unrecognized loss carryforwards	30,361	35,624
Loss carryforwards	50,708	48,426

The time-limited loss carryforwards expire between 2020 and 2024, unless they would be utilized in the meantime.

The assessment of the recognition of loss carryforwards led to the result that for thous. EUR 20,347 (December 31, 2013: thous. EUR 12,802) deferred tax assets amounting to thous. EUR 4,900 (December 31, 2013: thous. EUR 3,320) were recognized. For the remaining amount of thous. EUR 30,361 (December 31, 2013: thous. EUR 35,624), deferred tax assets amounting to thous. EUR 7,720 (December 31, 2013: thous. EUR 9,160) 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, 2014	Year ended Dec. 31, 2013
1 year	0	0
2 years	0	0
3 years	0	0
4 years	34	0
5 years	74	2,975
After 5 years	0	2,604
No expiration	30,253	30,045
Unrecognized loss carryforwards	30,361	35,624

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, 2014	Year ended Dec. 31, 2013
Current taxes:		
Current period	45,047	41,376
Due to utilization of previously unrecognized loss carryforwards	(104)	(1,166)
Prior periods	(1,265)	1,686
Deferred taxes:		
Due to temporary differences	(2,211)	(7,163)
Due to tax loss carryforwards of the current period	(653)	(723)
Due to tax loss carryforwards of the previous period	(1,413)	(524)
Due to tax rate changes	40	(6)
Income tax expense	39,441	33,480

d — Tax effects on “Other comprehensive income”

The basis for the amount of income taxes recognized in other comprehensive income are actuarial losses from defined benefit plans booked in 2014 at an amount of thous. EUR 23,241 (2013: negative amount of thous. EUR 3,478). Thereon deferred taxes of thous. EUR 2,725 (2013: thous. EUR 1,812) were recognized. Therefore, actuarial losses from defined benefit plans after tax amounted to thous. EUR 20,516 (2013: thous. EUR 5,290).

e — Group tax rate

Reconciliation from the applicable tax rate which results from the geographical allocation of income and the current 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, 2014	Year ended Dec. 31, 2013
Applicable tax rate	23.36 %	24.76 %
Non-deductible expenses and tax-free income	(1.56 %)	(2.28 %)
Tax effect from unrecognized loss carryforwards of the financial year	0.64 %	2.24 %
Tax effect from the recognition of loss carryforwards of previous years	(0.88 %)	(0.90 %)
Tax effect from utilization of unrecognized loss carryforwards	(0.06 %)	(0.74 %)
Tax effect from deferred tax asset allowances	0.91 %	2.60 %
Tax effect from capital gains and withholding tax	1.68 %	(0.30 %)
Tax effect from previous years	(1.05 %)	(3.60 %)
Other effects	0.02 %	(0.37 %)
Effective tax rate	23.06 %	21.41 %

10 — INVENTORIES

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Raw materials, manufacturing and operating supplies	157,884	151,252
Work in process	23,188	20,501
Finished goods and goods for resale	121,853	124,755
Total	302,925	296,508
Write-downs	(19,904)	(18,423)
Inventories – net	283,021	278,085

As of December 31, 2014 and December 31, 2013, the write-downs recorded on inventories were mostly caused by time-based discounts on operating supplies for technical equipment and machines.

In 2014, write-downs of inventories recognized as an expense under cost of goods sold amounted to thous. EUR 7,850 (2013: thous. EUR 7,509), the reversal of write-downs as a result of changes in prices of inventories recognized as income amounted to thous. EUR 637 (2013: thous. EUR 529). The carrying amount of inventories carried at net realizable value amounted to thous. EUR 35,484 (2013: thous. EUR 37,392).

A breakdown of cost of materials and purchased services is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Cost of materials	1,170,019	1,140,213
Cost of purchased services	21,958	21,885
Total	1,191,977	1,162,098

11 — TRADE RECEIVABLES

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Trade receivables	302,123	278,714
Allowances	(961)	(1,143)
Trade receivables – net	301,162	277,571

At December 31, 2014, the aging of trade receivables overdue but not impaired is as follows:

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
up to 30 days overdue	10,301	7,652
31–60 days overdue	3,163	1,861
61–365 days overdue	2,124	1,278
more than 365 days overdue	74	23
Total of trade receivables overdue but not impaired	15,662	10,814

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 (note 5).

Allowances for trade receivables developed as follows:

(in thousands of EUR)	2014	2013
Allowances at the beginning of the year	1,143	1,108
Effect of exchange rate changes	10	(30)
Utilization	(255)	(116)
Reversal	(176)	(241)
Increase	239	422
Allowances at the end of the year	961	1,143

12 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are as follows:

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Value-added tax receivables	19,798	17,560
Other tax receivables	5,967	6,288
Payments on account	2,394	4,000
Other receivables and other assets	11,604	10,718
Prepaid expenses	5,655	4,854
Prepaid expenses and other current assets	45,418	43,420

13 — EQUITY

a — Share capital/additional paid-in capital

The share capital of the Company amounts to thous. EUR 80,000 and comprises 20,000,000 approved and issued no-par value shares.

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 the share capital by conversion of additional paid-in capital in 2008 and 2010, representing the amount of the tied capital reserve.

b — Retained earnings/dividend

Retained earnings comprise accumulated results from prior years.

Due to the change of majority interests, a residual amount of thous. EUR 373 was recognized directly in equity in the financial year 2014, which decreased the revenue reserves (2013: thous. EUR 164).

Under Austrian Corporate Law, the amount of dividend available for distribution to shareholders is based upon the unappropriated retained earnings of Mayr-Melnhof Karton AG, determined in accordance with the Austrian Commercial Code. At December 31, 2014, the distributable unappropriated retained earnings amounted to thous. EUR 60,000 (December 31, 2013: thous. EUR 100,000).

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

(in thousands of EUR)	2014	2013
Unappropriated retained earnings at Jan. 1	100,000	50,000
Net profit of the Company for the year ended Dec. 31	44,586	58,199
Changes in reserves	11,414	36,801
Dividend paid	(96,000)	(45,000)
Unappropriated retained earnings at Dec. 31	60,000	100,000

For the year ended December 31, 2014, the Management Board of the Company has proposed a dividend of EUR 2.60 (2013: EUR 2.40 and an anniversary bonus of EUR 2.40) per voting share as of the balance sheet date, amounting to thous. EUR 52,000 (December 31, 2013: thous. EUR 48,000 and an anniversary bonus of thous. EUR 48,000).

c — Non-controlling (minority) interests

The summarized information about the subsidiaries in which the Group holds non-controlling (minority) interests is stated below. The disclosures correspond to the amounts before intra-group eliminations. Further information about these subsidiaries is to be found in note 31.

(in thousands EUR)	Dec. 31, 2014	
	MM Karton	MM Packaging
Non-current assets	6,312	44,090
Current assets	9,975	28,692
Non-current liabilities	1,644	19,725
Current liabilities	4,830	6,889
Net assets	9,813	46,168
Carrying amount of the non-controlling (minority) interests	3,330	7,251
	Year ended Dec. 31, 2014	
Sales	35,912	55,064
Profit for the year	1,799	4,907
Profit (loss) attributable to the non-controlling (minority) interests	632	90
Total profit for the year	2,228	4,377
Total profit for the year attributable to non-controlling (minority) interests	770	581
Dividend paid to non-controlling (minority) interests	775	384
Net change in cash and cash equivalents	586	(7,524)

d — Other comprehensive income of the consolidated comprehensive income statement

Other reserves comprise certain changes directly recognized in equity. These are in particular differences 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 2014, profit and loss recognized in other comprehensive income consisted of foreign currency translations with a negative amount of thous. EUR 23,509 (2013: negative amount of thous. EUR 31,704) as well as actuarial losses in the amount of thous. EUR 23,241 (2013: negative amount of thous. EUR 3,478). Thereon attributable deferred taxes amounted to thous. EUR 2,725 (2013: negative amount of thous. EUR 1,812).

14 — FINANCIAL LIABILITIES

a — Interest-bearing financial liabilities

At December 31, 2014, the Group had current interest-bearing credit lines available in the amount of thous. EUR 36,419 (December 31, 2013: thous. EUR 49,131), of which thous. EUR 4,538 (December 31, 2013: thous. EUR 9,892) were used as of the balance sheet date. At December 31, 2014, the weighted average interest rate of these current credit lines, used by subsidiaries outside the Euro participating countries, was 7.174 % (December 31, 2013: 5.941 %). These credit line facilities are subject to normal banking terms and conditions.

At December 31, 2014 and December 31, 2013, interest-bearing financial liabilities comprised liabilities against banks and insurance companies. A summary of these financial liabilities at current interest rates is as follows:

(in thousands of EUR)	Dec. 31, 2014
1.071 % EUR loan(s) due 2015	102,723
1.411 % EUR loan(s) due 2016	44,000
2.230 % EUR loan(s) due 2024	60,000
2.670 % EUR loan(s) due 2026	50,000
8.895 % COP loan(s) due 2015-2017	2,758
5.750 % MYR loan(s) due 2015-2016	1,412
5.396 % Other	480
Used credit lines	4,538
Financial liabilities	265,911
Thereof current financial liabilities	109,187
Thereof non-current financial liabilities	156,724

(in thousands of EUR)	Dec. 31, 2013
1.015 % EUR loan(s) due 2014	54,637
1.437 % EUR loan(s) due 2015	58,373
1.583 % EUR loan(s) due 2016	44,000
5.750 % MYR loan(s) due 2014-2016	1,990
5.398 % Other	668
Used credit lines	9,892
Financial liabilities	169,560
Thereof current financial liabilities	65,436
Thereof non-current financial liabilities	104,124

At December 31, 2014, the weighted average interest rate for these financial liabilities was 1.907 % (December 31, 2013: 1.668 %).

Of the interest-bearing financial liabilities, loans in the amount of thous. EUR 111,412 (December 31, 2013: thous. EUR 1,990) are subject to a fixed interest rate.

No collateral was provided in order to secure the financial liabilities described above. At December 31, 2014, the Group had unused credit lines available in the amount of thous. EUR 430,000 (December 31, 2013: thous. EUR 430,000).

b — Operating lease

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

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
2015 (2014)	9,749	9,964
2016 (2015)	9,075	9,156
2017 (2016)	8,730	8,121
2018 (2017)	8,589	7,989
2019 (2018)	8,534	7,646
Thereafter	21,492	20,408
Total minimum lease payments	66,169	63,284

The Group especially rents and leases buildings, land, warehouses, offices, and other facilities. In the financial year 2014, the expenses relating to operating lease agreements amounted to thous. EUR 11,553 (2013: thous. EUR 10,494), thereof thous. EUR 3,072 (2013: thous. EUR 3,170) are attributable to contingent lease and rental payments.

15 — PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

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

In 2014, the 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, 2014	65,399	24,374	7,422	1,236	636	99,067
Effect of exchange rate changes	747	51	0	0	0	798
Changes in consolidated companies	0	(123)	0	0	0	(123)
Utilization	(3,899)	(2,639)	(585)	(515)	0	(7,638)
Reversal	0	0	(22)	(9)	0	(31)
Increase	3,678	2,150	848	432	1	7,109
Reclassification	0	788	0	0	(210)	578
IAS 19 remeasurements through other comprehensive income	18,930	4,311	0	0	0	23,241
Benefit payments from and contributions to plan assets	(1,790)	0	0	0	0	(1,790)
Balance at Dec. 31, 2014	83,065	28,912	7,663	1,144	427	121,211

In 2013, the 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, 2013	64,594	23,916	7,230	1,235	971	97,946
Effect of exchange rate changes	(214)	(252)	0	0	0	(466)
Utilization	(3,942)	(2,212)	(465)	(774)	(15)	(7,408)
Reversal	0	0	0	0	(359)	(359)
Increase	3,560	2,169	657	775	39	7,200
IAS 19 remeasurements through other comprehensive income	2,725	753	0	0	0	3,478
Benefit payments from and contributions to plan assets	(1,324)	0	0	0	0	(1,324)
Balance at Dec. 31, 2013	65,399	24,374	7,422	1,236	636	99,067

As of December 31, 2014, securities with an estimated fair value of thous. EUR 1,591 (December 31, 2013: thous. EUR 1,737) had been provided as security for provisions for pre-retirement programs within the scope of the respective legal commitments. At December 31, 2014 and 2013, those securities were deducted from the underlying obligations.

The position "Other" includes in particular the part of provisions for benefits due to the termination of employment which will become due after one year.

b — Provisions for pensions and severance payments

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

Under the defined contribution plans, the Group makes fixed payments to external pension funds. Once the contributions are made, the Group does not have any further payment obligations towards the employees. These periodical contribution payments are recognized as part of the annual pension costs and amounted to thous. EUR 4,045 in 2014 (2013: thous. EUR 3,804).

Defined benefit obligations in the Group consist of pensions and severances. These obligations exist in several countries where the Group has employees, most significantly 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 such subsidiary was assumed by the Group. Therefore, obligations exist both towards employees in existing employment relationships and also towards employees who have left or retired.

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

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

Obligations from severance of employees cover legal and contractual claims for non-recurring severance payments from the Group to employees, which result from certain causes, such as termination, dissolution of an employment relationship by mutual agreement, retirement, or death of the employee.

Defined benefit pension and other benefit plans are measured and recognized applying the internationally common projected unit credit method according to IAS 19. Under this method, the actuarial calculation of the future obligations is based on the proportionate obligations as of the balance sheet date. The valuation was conducted based on assumptions and assessments as at the balance sheet date. Significant influential factors were the discount interest rate, average 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, 2014		Dec. 31, 2013	
	Pensions	Severance	Pensions	Severance
Discount rate	2.4 %	2.4 %	3.6 %	3.5 %
Salary growth rate	2.5 %	2.9 %	2.5 %	2.7 %
Pension growth rate	2.3 %		2.5 %	

Valuation of life expectancy was performed based on local mortality tables. These are in particular for Austria: AVÖ 2008-P "Angestellte" (Pagler & Pagler), for Germany: Richttafeln 2005 G (Prof. Dr. Klaus Heubeck), for Great Britain: Post Retirement and Pre Retirement: S2PA CMI_2013_M/F [1.25 %] (yob). As a rule, the retirement age corresponds to the respective country-specific legal regulations.

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

(in thousands of EUR)	2014		2013	
	Pensions	Severance	Pensions	Severance
Service cost	1,300	1,308	1,230	1,326
Net interest on the net defined benefit liability	2,180	834	2,231	867
Past service costs	0	10	0	(26)
Effects due to plan changes	0	(2)	0	2
Administration costs	198	0	99	0
Net periodic benefit cost	3,678	2,150	3,560	2,169

The defined benefit obligation and plan assets developed as follows:

(in thousands of EUR)	2014		2013	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation at the beginning of the year	102,483	24,374	99,640	23,916
Effect of exchange rate changes	2,261	51	(651)	(252)
Changes in consolidated companies	0	(123)	0	0
Service cost	1,300	1,308	1,230	1,326
Interest cost	3,698	834	3,565	867
Past service costs	0	10	0	(26)
Remeasurements	18,413	4,311	2,641	753
<i>Thereof (gains)/losses from change in demographic assumptions (e. g. life expectancy, retirement age)</i>	<i>(127)</i>	<i>(9)</i>	<i>(49)</i>	<i>(5)</i>
<i>Thereof (gains)/losses from change in financial assumptions (e. g. discount rate, salary growth rate, pension growth rate)</i>	<i>18,137</i>	<i>3,679</i>	<i>3,070</i>	<i>469</i>
<i>Thereof experience (gains)/losses (deviation between actual value and planned value)</i>	<i>403</i>	<i>641</i>	<i>(380)</i>	<i>289</i>
Benefit payments	(3,899)	(2,639)	(3,942)	(2,212)
Reclassifications	0	788	0	0
Effects due to plan changes	0	(2)	0	2
Defined benefit obligation at the end of the year	124,256	28,912	102,483	24,374

(in thousands of EUR)	2014		2013	
	Pensions	Severance	Pensions	Severance
Fair value of plan assets at the beginning of the year	37,084	0	35,046	0
Effect of exchange rate changes	1,514	0	(437)	0
Interest income	1,518	0	1,334	0
Administrative expense	(198)	0	(99)	0
Remeasurements	(517)	0	(84)	0
<i>Thereof return on plan assets excluding amounts included in interest income – net</i>	<i>(517)</i>	<i>0</i>	<i>(84)</i>	<i>0</i>
Employer contributions	3,131	0	2,905	0
Benefit payments	(1,341)	0	(1,581)	0
Fair value of plan assets at the end of the year	41,191	0	37,084	0

An overview of the geographic and divisional allocation of net periodic benefit cost for pensions and severance, defined benefit obligation, and the fair value of plan assets for the financial year 2014 and 2013 is represented as follows:

(in thousands of EUR)	2014							
	MM Karton				MM Packaging			
	Germany	Austria	Other countries ¹⁾	Total	Germany	Austria	Other countries	Total
Net periodic benefit cost	834	1,730	663	3,227	1,307	834	460	2,601
Defined benefit obligation at the end of the year	26,381	36,703	36,690	99,774	33,953	15,983	3,458	53,394
Fair value of plan assets at the end of the year	984	14,000	23,401	38,385	457	2,349	0	2,806

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

(in thousands of EUR)	2013							
	MM Karton				MM Packaging			
	Germany	Austria	Other countries ¹⁾	Total	Germany	Austria	Other countries	Total
Net periodic benefit cost	881	1,735	507	3,123	1,323	862	421	2,606
Defined benefit obligation at the end of the year	22,524	30,377	31,011	83,912	26,716	14,031	2,198	42,945
Fair value of plan assets at the end of the year	950	12,322	21,191	34,463	411	2,210	0	2,621

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

The employers' contributions to plan assets for the year 2015 are expected to amount to thous. EUR 2,553. Included therein is the yearly obligatory contribution for increasing plan assets and for other expenses in Great Britain in the amount of thous. EUR 835.

The structure of plan assets

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

Further plan assets include a pension plan in Great Britain, which is assessed by external asset management according to directives of the responsible board of trustees. Current directives allow for proportionate investment of 30 % in equity instruments and of 70 % in debt instruments; minimum diversification is prescribed to diversify the default risk, by which 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 the 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 stretching over several years.

The portfolio structure of plan assets as at December 31, 2014 and at December 31, 2013 is as follows:

(in thousands of EUR)	Dec. 31, 2014	in %	Dec. 31, 2013	in %
Equity instruments:				
– developed markets	7,728		5,870	
– emerging markets	684		582	
– other	94		428	
Total	8,506	21 %	6,880	19 %
Debt instruments:				
– Corporate bonds	12,618		12,673	
– Government bonds	1,114		0	
Total	13,732	33 %	12,673	33 %
Qualifying insurance policy pledged to beneficiaries	17,790	43 %	15,893	43 %
Money market investment/Bank deposit	1,163	3 %	1,638	5 %
Total	41,191	100 %	37,084	100 %

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

Plan assets market price risk

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

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

(in thousands of EUR)	Dec. 31, 2014		Dec. 31, 2013	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation	124,256	28,912	102,483	24,374
<i>Thereof obligations covered by provisions</i>	<i>61,248</i>	<i>28,912</i>	<i>50,035</i>	<i>24,374</i>
<i>Thereof obligations covered by funds</i>	<i>63,008</i>	<i>0</i>	<i>52,448</i>	<i>0</i>
Less fair value of plan assets	(41,191)	0	(37,084)	0
Net liability recognized as provision for non-current liabilities and charges	83,065	28,912	65,399	24,374

In the years 2010 to 2014, defined benefit obligations, fair value of plan assets, net liability, and actuarial gains and losses based upon deviations between the underlying assumptions and actual trends were as follows:

(in thousands of EUR)	2014	2013	2012	2011	2010
Pensions:					
Defined benefit obligation	124,256	102,483	99,640	87,362	85,479
Adjustment in defined benefit obligation ¹⁾	(403)	380	(465)	674	(36)
Fair value of plan assets	41,191	37,084	35,046	32,226	30,353
Adjustment in fair value of plan assets ¹⁾	(517)	(84)	523	(811)	(127)
Net liability	83,065	65,399	64,594	55,136	55,126

¹⁾ Gain/(loss)

(in thousands of EUR)	2014	2013	2012	2011	2010
Severance:					
Defined benefit obligation	28,912	24,374	23,916	21,364	20,679
Adjustment in defined benefit obligation ¹⁾	(641)	(289)	(761)	(167)	(695)
Net liability	28,912	24,374	23,916	21,364	20,679

¹⁾ Gain/(loss)

The following sensitivity analysis for pension and severance provisions presents the impact on the obligation resulting from a possible change in significant actuarial assumptions. As one respective significant assumption is changed, the remaining assumptions are held constant.

Impact on defined benefit obligation 2014			
(in %)	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 3.6 %	Increase by 3.8 %
Salary growth rate	0.25 %	Increase by 0.9 %	Decrease by 0.8 %
Pension growth rate	0.25 %	Increase by 2.4 %	Decrease by 2.3 %
Increase by one year in assumption			
Retirement age		Decrease by 0.9 %	
Life expectancy		Increase by 3.7 %	
Impact on defined benefit obligation 2013			
(in %)	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 0.9 %	Decrease by 0.9 %
Pension growth rate	0.25 %	Increase by 2.3 %	Decrease by 2.2 %
Increase by one year in assumption			
Retirement age		Decrease by 1.4 %	
Life expectancy		Increase by 3.5 %	

The weighted average duration of the defined benefit obligation is 15.3 years as of the balance sheet date (December 31, 2013: 14.8 years).

The expected maturity analysis of defined benefit obligations for the next ten years as at December 31, 2014 and December 31, 2013 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, 2014					
Defined benefit plans	5,282	4,901	17,980	36,985	65,148
As of Dec. 31, 2013					
Defined benefit plans	4,884	5,414	16,101	34,668	61,067

16 — TRADE LIABILITIES

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Trade liabilities	170,122	170,534
Advances from customers	699	1,495
Trade liabilities	170,821	172,029

The trade liabilities as of December 31, 2014 contain the liabilities from acquisition of property, plant and equipment and intangible assets in amount of thous. EUR 19,621 (December 31, 2013: thous. EUR 5,177).

17 — DEFERRED INCOME AND OTHER CURRENT LIABILITIES

(in thousands of EUR)	Dec. 31, 2014	Dec. 31, 2013
Obligations for personnel and social costs	49,988	50,407
Other tax liabilities	11,417	10,480
Share purchase price and option liabilities	8,885	26,145
Deferred income	2,787	780
Other liabilities	10,622	15,519
Deferred income and other current liabilities	83,699	103,331

The mentioned share purchase price and option liabilities are exclusively related to liabilities in connection with shares in certain subsidiaries held by non-controlling (minority) shareholders, which are evaluated according to the individual contractual terms. These share purchase price and option liabilities are calculated as a multiple of a result-dependent component (e. g. EBITDA) of the subsidiary less potential net debt, respectively in the amount of the remaining share. The change of the above mentioned share purchase price and option liabilities is primarily due to payment of the purchase prices and liabilities from the acquisition of interests in Germany, Norway and Colombia in the previous years as well as the valuation of the contingent share purchase price and option liabilities related to acquisitions in Vietnam and Malaysia.

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

18 — PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

In 2014 provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Customer rebates and bonuses	Sales	Other provisions	Total
Balance at Jan. 1, 2014	9,298	3,963	10,005	23,266
Effect of exchange rate changes	(95)	(111)	(3)	(209)
Changes in consolidated companies	0	0	(320)	(320)
Utilization	(4,785)	(1,906)	(6,928)	(13,619)
Reversal	(2,293)	(528)	(169)	(2,990)
Increase	5,110	2,471	4,231	11,812
Balance at Dec. 31, 2014	7,235	3,889	6,816	17,940

In 2013 provisions for current liabilities and charges developed as follows:

(in thousands of EUR)	Customer rebates and bonuses	Sales	Other provisions	Total
Balance at Jan. 1, 2013	13,752	2,898	10,465	27,115
Effect of exchange rate changes	(33)	(107)	(297)	(437)
Changes in consolidated companies	0	0	696	696
Utilization	(10,199)	(1,128)	(4,742)	(16,069)
Reversal	(1,774)	(1,314)	(3,033)	(6,121)
Increase	7,552	3,614	6,916	18,082
Balance at Dec. 31, 2013	9,298	3,963	10,005	23,266

The position "Other provisions" primarily contains provisions for other taxes and environmental matters.

19 — SEGMENT REPORTING INFORMATION

Mayr-Melnhof Karton AG and its subsidiaries operate in two operating areas, production of cartonboard (Division MM Karton) and production of folding cartons and packaging (Division MM Packaging). The Group is organized in line with these two operating areas and is managed by the management board based on the financial information generated thereon. Hence, the segments reported are congruent with these two operating areas:

The division MM Karton manufactures and markets numerous grades of cartonboard, concentrating particularly on coated cartonboard made primarily from recycled fiber.

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

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

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

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

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

Capital expenditures and depreciation/amortization relate to property, plant and equipment and intangible assets including goodwill (see note 7).

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

(in thousands of EUR)	2014			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	900,467	1,186,898	0	2,087,365
Intersegment sales	102,382	839	(103,221)	0
Total sales	1,002,849	1,187,737	(103,221)	2,087,365
Operating profit	74,751	105,472	0	180,223
Financial income	1,357	1,091	(993)	1,455
Financial expenses	(2,263)	(3,936)	993	(5,206)
Profit from associated companies	0	0	0	0
Profit before tax	69,379	101,634	0	171,013
Income tax expense	(16,918)	(22,523)	0	(39,441)
Profit for the year	52,461	79,111	0	131,572
Capital expenditures	86,721	53,077	0	139,798
Depreciation and amortization	(36,670)	(55,048)	0	(91,718)
Segment assets	992,732	864,765	(70,486)	1,787,011
Segment liabilities	342,022	413,307	(70,486)	684,843
Employees per segment as of December 31	2,560	6,839		9,399

(in thousands of EUR)	2013			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	861,540	1,137,860	0	1,999,400
Intersegment sales	103,107	864	(103,971)	0
Total sales	964,647	1,138,724	(103,971)	1,999,400
Operating profit	65,272	100,172	0	165,444
Financial income	1,477	1,148	(1,093)	1,532
Financial expenses	(2,182)	(2,963)	1,093	(4,052)
Profit from associated companies	0	84	0	84
Profit before tax	63,140	93,225	0	156,365
Income tax expense	(9,742)	(23,738)	0	(33,480)
Profit for the year	53,398	69,487	0	122,885
Capital expenditures	44,370	71,808	0	116,178
Depreciation and amortization	(36,434)	(53,181)	0	(89,615)
Segment assets	922,781	850,424	(70,750)	1,702,455
Segment liabilities	267,997	393,406	(70,750)	590,653
Employees per segment as of December 31	2,537	6,940		9,477

The following is a country-by-country breakdown of net sales based upon shipment destination as well as a summary of non-current assets and capital expenditures based upon location:

(in thousands of EUR)	2014			2013		
	Net sales	Non-current assets	Capital expenditures	Net sales	Non-current assets	Capital expenditures
Austria	71,039	146,985	64,894	67,069	94,744	27,984
Germany	439,342	245,363	31,101	401,361	251,423	31,636
Great Britain	214,068	3,542	268	202,073	4,212	898
France	149,870	11,612	757	157,878	12,649	820
Other Western European countries	350,847	45,100	4,301	333,105	48,145	4,393
Eastern Europe	549,365	222,158	25,936	549,377	233,715	41,083
Asia	117,317	49,912	6,336	91,063	44,013	3,792
Latin America	106,651	65,834	4,142	101,575	72,237	4,673
Other	88,866	4,915	2,063	95,899	4,092	899
Consolidated total	2,087,365	795,421	139,798	1,999,400	765,230	116,178

Non-current assets and capital expenditures comprise property, plant and equipment, and intangible assets including goodwill (see note 7) as well as payments on account for property, plant and equipment (see note 12).

20 — OTHER OPERATING INCOME

(in thousands of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Negative goodwill ¹⁾	0	10,033
Gains and losses from disposal of property, plant and equipment, and intangible assets – net	1,702	1,240
Insurance claims	1,142	570
Rental income	1,369	924
Other income – net	11,102	5,910
Other operating income	15,315	18,677

¹⁾ Acquisition of MM Karton FollaCell AS (see note 6).

Other income – net includes among other items income from the recognition of a substitute water supply provided by an energy supplier in Austria in amount of thous. EUR 3,678, income from compensation for damages in the amount of thous. EUR 1,174 (2013: thous. EUR 1,267) as well as income from energy sales in the amount of thous. EUR 888 (2013: thous. EUR 912).

21 — PERSONNEL EXPENSES

A breakdown of personnel expenses from all Group areas is as follows:

(in thousands of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Gross wages	178,477	172,135
Gross salaries	129,645	126,341
Severance expenses	6,960	5,601
Pension expenses	4,875	4,475
Expenses for statutory social security as well as payroll-related taxes and other contributions	61,633	61,127
Other welfare expenses	7,831	7,485
Total	389,421	377,164

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Factory workers	7,280	6,900
Office staff	2,160	2,096
Total	9,440	8,996

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, 2014	Year ended Dec. 31, 2013
Salaries and other short-term employee benefits	5,057	4,906
Post-employment benefits	447	191
Other long-term benefits	4,397	2,341
Total	9,901	7,438

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

(in thousands of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Base salary	2,700	1,813
Variable compensation	2,781	2,842
Total	5,481	4,655

The remuneration of the members of the Supervisory Board elected by the shareholders for the financial year 2014 amounted to thous. EUR 292 (2013: thous. EUR 251).

Concerning the remuneration of former members of the Management and Supervisory Boards, the provision on non-disclosure of such remuneration was applied by referring to section 241 paragraph 4 in conjunction with section 266 figure 7 last sentence of the Austrian Commercial Code.

22 — EXPENSES FOR THE GROUP AUDITOR

The 20th Ordinary Shareholders' Meeting on April 30, 2014 appointed Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the consolidated and individual financial statements of Mayr-Melnhof Karton AG. Furthermore, they audited the individual financial statements of the Austrian subsidiaries. In 2014, expenses for services rendered by Grant Thornton Unitreu amounted to thous. EUR 479 (2013: thous. EUR 707), of which thous. EUR 461 (2013: thous. EUR 372) related to auditing and other assurance services and thous. EUR 18 (2013: thous. EUR 335) to other services.

23 — RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs recognized as expenses in the income statement amounted to thous. EUR 3,988 in the financial year 2014 (2013: thous. EUR 3,650).

24 — FINANCIAL INCOME

(in thousands of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Interest from bank deposits	1,327	1,373
Other financial income	128	159
Total financial income	1,455	1,532

25 — FINANCIAL EXPENSES

(in thousands of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Interest expense related to financial liabilities	(3,424)	(2,712)
Other financial expenses	(1,782)	(1,340)
Total financial expenses	(5,206)	(4,052)

Commitment fees for unused credit lines are included in other financial expenses.

26 — OTHER FINANCIAL RESULT – NET

(in thousands of EUR)	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Foreign currency exchange rate gains (losses) – net	(3,566)	(3,084)
Net interest cost - defined benefit plans	(3,014)	(3,098)
Valuation of (contingent) share purchase price and option liabilities	1,096	(717)
Other expenses and income – net	25	340
Other financial result – net	(5,459)	(6,559)

The position “Other expenses and income – net” includes in the previous year an income of thous. EUR 84 resulting from an associated company presented according to the equity method. In 2014, there are no associated companies presented according to the equity method.

27 — 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, 2014 nor as of December 31, 2013, the calculation of the diluted earnings per share was not necessary. Hence this corresponds to the basic earnings per share.

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

	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Profit attributable to ordinary shareholders of the parent company (in thousands of EUR)	130,850	122,285
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)	6.54	6.11

The number of shares issued as of December 31, 2014 amounted as in the previous year to 20,000,000 shares.

28 — 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 unlikely 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 taken 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. However, the Management believes 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, 2014 and 2013.

Other contingent liabilities

At December 31, 2014, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 29,545 (December 31, 2013: thous. EUR 26,262).

29 — DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

In 2014, there were no transactions with associated companies. In 2013, sales with associated companies amounted to thous. EUR 437. Cost of purchased material and services were at thous. EUR 837.

Raw materials for the production of cartonboard amounting to thous. EUR 9,399 were purchased from other related companies in 2014 (2013: thous. EUR 8,413). At December 31, 2014, trade liabilities with other related companies amounted to thous. EUR 1,031 (December 31, 2013: thous. EUR 1,270).

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

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

30 — SUBSEQUENT EVENTS

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

31 — TABLE OF AFFILIATED AND ASSOCIATED COMPANIES

2014					2013				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC ¹⁾	Mayr-Melnhof Karton Aktiengesellschaft, Vienna (AUT)	EUR	80,000	-	FC ¹⁾
MM KARTON					MM KARTON				
Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC ¹⁾	Baiersbronn Frischfaser Karton GmbH, Baiersbronn (DEU)	EUR	2,050	100.00 %	FC ¹⁾
CartPrint Insurance AG, Vaduz (LIE)	EUR	3,000	100.00 %	FC ¹⁾	CartPrint Insurance AG, Vaduz (LIE)	EUR	3,000	100.00 %	FC ¹⁾
CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC ¹⁾	CP (CartPrint) International Trading AG, Worb (CHE)	CHF	100	100.00 %	FC ¹⁾
free-com solutions GmbH, Vienna (AUT)	EUR	35	51.00 %	FC ¹⁾	free-com internet services GmbH, Vienna (AUT)	EUR	35	64.33 %	FC ¹⁾
FS-Karton GmbH, Baiersbronn (DEU)	EUR	51,641	100.00 %	FC ¹⁾	FS-Karton GmbH, Baiersbronn (DEU)	EUR	51,641	100.00 %	FC ¹⁾
Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NC ²⁾	Industriewater Eerbeek B.V., Eerbeek (NLD)	EUR	143	37.50 %	NC 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 Holdings 2 B.V., Eerbeek (NLD)	EUR	10	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	100,000	100.00 %	FC ¹⁾
Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NC ²⁾	Stort Doonweg B.V., Eerbeek (NLD)	EUR	18	50.00 %	NC ²⁾
-	-	-	-	-	Syn-Group Unternehmensberatung GmbH, Vienna (AUT) ⁴⁾	EUR	37	38.00 %	FC ¹⁾

2014					2013				
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 and sales offices of MM Karton					Trading companies and sales offices of MM Karton				
Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC ¹⁾	Austria Cartón S.A., Barcelona (ESP)	EUR	60	75.00 %	FC ¹⁾
Firgos (Malaysia) SDN BHD, Kuala Lumpur (MYS)	MYR	500	51.00 %	FC ¹⁾	Firgos (Malaysia) SDN BHD, Kuala Lumpur (MYS)	MYR	500	51.00 %	FC ¹⁾
Keminer Remmers Spiehs Kartonhandels GmbH, Gernsbach (DEU)	EUR	1,280	100.00 %	FC ¹⁾	Keminer Remmers Spiehs Kartonhandels GmbH, Gernsbach (DEU)	EUR	1,280	100.00 %	FC ¹⁾
Mayr-Melnhof Belgium N.V., Sint-Katelijne-Waver (BEL)	EUR	62	100.00 %	FC ¹⁾	Mayr-Melnhof Belgium N.V., Sint-Katelijne-Waver (BEL)	EUR	62	100.00 %	FC ¹⁾
Mayr-Melnhof Cartonboard UK Limited, Lincolnshire (GBR)	GBP	1,000	100.00 %	FC ¹⁾	Mayr-Melnhof Cartonboard UK Limited, Lincolnshire (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., Milano (ITA)	EUR	51	75.00 %	FC ¹⁾	Mayr-Melnhof Italia S.R.L., Milano (ITA)	EUR	51	75.00 %	FC ¹⁾
Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC ¹⁾	Mayr-Melnhof Karton Polska Sp. z o.o., Poznan (POL)	PLN	50	100.00 %	FC ¹⁾
Mayr-Melnhof Karton Schweiz GmbH, Worb (CHE)	CHF	20	100.00 %	FC ¹⁾	Mayr-Melnhof Karton Schweiz GmbH, Worb (CHE)	CHF	20	100.00 %	FC ¹⁾
Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ¹⁾	Mayr-Melnhof Mediterra SARL, Tunis (TUN)	TND	80	100.00 %	FC ¹⁾
Mayr-Melnhof Nederland B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ¹⁾	Mayr-Melnhof Nederland B.V., Amstelveen (NLD)	EUR	91	100.00 %	FC ¹⁾
Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NC ²⁾	Mayr-Melnhof & Wilfried Heinzel Tehran Co., Tehran (IRN)	IRR	100,000	36.00 %	NC ²⁾
MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	FC ¹⁾	MM Guang Zhou Yue Ran Paper Co., Ltd., Guangzhou (CHN)	CNY	1,500	100.00 %	NC ²⁾
MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC ¹⁾	MM Karton Bulgaria EOOD, Sofia (BGR)	BGN	5	100.00 %	FC ¹⁾
MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC ¹⁾	MM Karton Praha s.r.o., Prague (CZE)	CZK	820	100.00 %	FC ¹⁾
MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC ¹⁾	MM Karton Russia LLC, Moscow (RUS)	RUB	14,290	100.00 %	FC ¹⁾
MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC ¹⁾	MM Kartonvertrieb GmbH, Neuss (DEU)	EUR	26	100.00 %	FC ¹⁾
MM Prodaja Kartona d.o.o., Domzale (SVN)	EUR	30	75.00 %	FC ¹⁾	MM Prodaja Kartona d.o.o., Domzale (SVN)	EUR	30	75.00 %	FC ¹⁾
Varsity Packaging Limited, Lincolnshire (GBR)	GBP	300	100.00 %	FC ¹⁾	Varsity Packaging Limited, Lincolnshire (GBR)	GBP	300	100.00 %	FC ¹⁾

CONSOLIDATED FINANCIAL STATEMENTS

2014					2013				
Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation	Company name	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM PACKAGING					MM PACKAGING				
Al-Ekbal Printing & Packaging Co., Amman (JOR)	JOD	5,000	84.32 %	FC ¹⁾	Al-Ekbal Printing & Packaging Co., Amman (JOR)	JOD	5,000	81.86 %	FC ¹⁾
-	-	-	-	-	Al-Ekbal Paper Trading & Logistic Services Ltd. Co., Amman (JOR)	JOD	30	81.86 %	NC ²⁾
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	75.00 %	FC ¹⁾
C.P. Schmidt GmbH, Kaiserslautern (DEU)	EUR	3,000	100.00 %	FC ¹⁾	C.P. Schmidt Verpackungs-Werk GmbH & Co. KG, Kaiserslautern (DEU) ³⁾	EUR	4,000	75.00 %	FC ¹⁾
-	-	-	-	-	Ernst Schausberger & Co. Gesellschaft m.b.H., Gunskirchen (AUT)	EUR	2,910	100.00 %	FC ¹⁾
Gundlach GmbH, Bielefeld (DEU)	EUR	52	100.00 %	FC ¹⁾	Graphia Gundlach Beteiligungsgesellschaft mbH, 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 Holdings B.V., Eerbeek (NLD)	EUR	67,254	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 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, Lincolnshire (GBR)	GBP	9,700	100.00 %	FC ¹⁾	Mayr-Melnhof Packaging UK Limited, Lincolnshire (GBR)	GBP	9,700	100.00 %	FC ¹⁾
MM Graphia Beteiligungs- und Verwaltungs GmbH, Baiersbronn (DEU)	EUR	5,538	100.00 %	FC ¹⁾	MM Graphia Beteiligungs- und Verwaltungs GmbH, Baiersbronn (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 Dortmund GmbH, Dortmund (DEU)	EUR	100	100.00 %	FC ¹⁾	MM Graphia Dortmund GmbH, Dortmund (DEU)	EUR	100	100.00 %	FC ¹⁾
MM Graphia GmbH, Bielefeld (DEU)	EUR	25	100.00 %	FC ¹⁾	-	-	-	-	-
MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC ¹⁾	MM Graphia Innovaprint GmbH, Bielefeld (DEU)	EUR	500	100.00 %	FC ¹⁾
MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC ¹⁾	MM Graphia Trier GmbH, Trier (DEU)	EUR	3,500	100.00 %	FC ¹⁾
MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC ¹⁾	MM Packaging Behrens GmbH, Alfeld (Leine) (DEU)	EUR	3,000	100.00 %	FC ¹⁾
MM Packaging GmbH, Kaiserslautern (DEU)	EUR	26	100.00 %	FC ¹⁾	MM Packaging Behrens Verwaltungs GmbH, Alfeld (Leine) (DEU)	EUR	26	100.00 %	FC ¹⁾

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2014					2013				
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 Beteiligungs- und Verwaltungs GmbH, Baiersbronn (DEU)	EUR	500	100.00 %	FC ¹⁾	MM Packaging Beteiligungs- und Verwaltungs GmbH, Baiersbronn (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⁾
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⁾
MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	75,000,000	100.00 %	FC ¹⁾	MM Packaging Colombia S.A.S., Santiago de Cali (COL)	COP	75,000,000	100.00 %	FC ¹⁾
MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC ¹⁾	MM PACKAGING France S.A.S., Monéteau (FRA)	EUR	7,289	100.00 %	FC ¹⁾
MM Packaging Malaysia SDN. BHD., Kuala Lumpur (MYS)	MYR	16,500	100.00 %	FC ¹⁾	MM Packaging Malaysia SDN. BHD., Kuala Lumpur (MYS)	MYR	6,000	51.00 %	FC ¹⁾
MMP Neupack Polska Sp.z.o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ¹⁾	MMP Neupack Polska Sp.z.o.o., Bydgoszcz (POL)	PLN	28,700	100.00 %	FC ¹⁾
MM Packaging 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	65.10 %	FC ¹⁾	MM Packaging Vidon Limited Liability Company, Ho Chi Minh City (VNM)	VND	280,000,000	65.10 %	FC ¹⁾
MM Polygrafoformlenie Limited, Nicosia (CYP), i.l.	EUR	7	100.00 %	NC ²⁾	MM Polygrafoformlenie Limited, Nicosia (CYP)	EUR	7	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⁾
Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	110,513,000	96.75 %	FC ¹⁾	Mayr-Melnhof Printing and Packaging Tehran Company, Private Joint Stock, Tehran (IRN)	IRR	110,513,000	96.75 %	FC ¹⁾
Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC ¹⁾	Neupack Gesellschaft m.b.H., Reichenau/Rax (AUT)	EUR	1,820	100.00 %	FC ¹⁾
PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC ¹⁾	PacProject GmbH, Hamburg (DEU)	EUR	26	69.77 %	FC ¹⁾
R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC ¹⁾	R + S Stanzformen GmbH, Niederdorfelden (DEU)	EUR	260	100.00 %	FC ¹⁾
Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	7,000	100.00 %	FC ¹⁾	Superpak Ambalaj sanayi ve ticaret anonim sirketi, Izmir (TUR)	TRY	3,150	100.00 %	FC ¹⁾
TEC MMP SARL, Sfax (TUN)	TND	21,400	100.00 %	FC ¹⁾	TEC MMP SARL, Sfax (TUN)	TND	21,400	100.00 %	FC ¹⁾
Tunisie Converting SARL, Tunis (TUN)	TND	6,587	100.00 %	FC ¹⁾	Tunisie Converting SARL, Tunis (TUN)	TND	100	100.00 %	FC ¹⁾
Public Joint Stock Company „Graphia Ukraina“, Cherkassy (UKR)	UAH	5,880	94.78 %	FC ¹⁾	Public Joint Stock Company „Graphia Ukraina“, Cherkassy (UKR)	UAH	5,880	94.78 %	FC ¹⁾
VTV Verpackungstechnische Verfahren GmbH, Kaiserlautern (DEU)	EUR	200	100.00 %	FC ¹⁾	VTV Verpackungstechnische Verfahren GmbH, Kaiserlautern (DEU)	EUR	200	75.00 %	FC ¹⁾

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

¹⁾FC ... fully consolidated company

²⁾NC ... non-consolidated company

³⁾These consolidated financial statements represent an exemption for these partnerships according to section 264b of the German Commercial Code.

⁴⁾The Group consolidates Syn-Group Unternehmensberatung GmbH due to statutory defined rights to influence the business activity of the subsidiary. Thus according to IAS 27/SIC 22 there is control over the company even though the voting interest on the general assembly is below 50 %. The Group does not assume any risks for the Group above its participation on equity of the Syn-Group Unternehmensberatung GmbH.

32 — BOARD MEMBERS

During the financial year 2014, the Board Members were as follows:

Management Board

Wilhelm HÖRMANSEDER (Chairman)
Andreas BLASCHKE (Member of the Management Board)
Franz RAPPOLD (Member of the Management Board)
Oliver SCHUMY (Member of the Management Board)

Supervisory Board

Michael GRÖLLER (Chairman)
Romuald BERTL (Deputy Chairman)
Johannes GOESS-SAURAU (Deputy Chairman)
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)
Nikolaus ANKERSHOFEN (Member of the Supervisory Board)
Hubert ESSER (Staff Council Representative, MM Karton)
Andreas HEMMER (Staff Council Representative, MM Karton)
Gerhard NOVOTNY (Staff Council Representative, MM Packaging)

Vienna, February 27, 2015

The Management Board

Wilhelm Hörmanseder m. p.

Andreas Blaschke m. p.

Franz Rappold m. p.

Oliver Schumy m. p.

Auditor's Report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mayr-Melnhof Karton AG, Vienna, for the fiscal year from January 1, 2014 to December 31, 2014. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2014, the consolidated income statement, the consolidated cash flow statement, and the consolidated statement of changes in equity for the fiscal year ended December 31, 2014, and the notes.

Management's responsibility for the consolidated financial statements and for the accounting system

The Company's management is responsible for the Group's accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements of section 245a of the Austrian Commercial Code. This responsibility includes: designing, implementing and maintaining internal control relevant for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the 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, 2014 and of its financial performance and its cash flows for the fiscal year from January 1, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the management report for the Group

Pursuant to statutory provisions, 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 other disclosures are not false with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243 a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to section 243 a UGB (Austrian Commercial Code) are appropriate.

Vienna, February 27, 2015

Grant Thornton Unitreu GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christian PAJER m. p.

Eginhard KARL m. p.

Austrian Chartered Accountants

Statement of the Management Board

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

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

Vienna, February 27, 2015

The Management Board

Wilhelm Hörmanseder m. p.
Chairman of the Management Board

Andreas Blaschke m. p.
Member of the
Management Board

Franz Rappold m. p.
Member of the
Management Board

Oliver Schumy m. p.
Member of the
Management Board

Development in the 4th Quarter 2014

QUARTERLY OVERVIEW

Mayr-Melnhof Group (IFRS, unaudited)

(consolidated, in millions of EUR)	1 st Quarter 2014	2 nd Quarter 2014	3 rd Quarter 2014	4 th Quarter 2014	4 th Quarter 2013	+/-
Sales	523.9	509.2	537.9	516.4	502.3	+2.8 %
Operating profit	46.2	42.5	47.8	43.7	35.2	+24.1 %
Operating margin (%)	8.8 %	8.3 %	8.9 %	8.5 %	7.0 %	
Profit before tax	43.3	39.4	48.8	39.5	34.2	+15.5 %
Income tax expense	(11.2)	(10.5)	(12.3)	(5.4)	(4.1)	
Profit for the period	32.1	28.9	36.5	34.1	30.1	+13.3 %
Net profit margin (%)	6.1 %	5.7 %	6.8 %	6.6 %	6.0 %	
Basic and diluted earnings per share (in EUR)	1.59	1.44	1.83	1.68	1.49	

The fourth quarter was, on one hand, marked by the seasonal slowdown in incoming orders and, on the other hand, by the downtime due to the conversion of the larger of the two cartonboard machines at the Frohnleiten mill for the FOODBOARD™ investment and the replacement of the drive.

At around 92 %, capacity utilization at MM Karton was consequently below the level of the previous year (4th quarter 2013: 95 %). As expected, the operating margin of 6.7 % could not match the preceding quarter (3rd quarter 2014: 7.8 %), but exceeded the corresponding figure of the last year (4th quarter 2013: 5.3 %).

MM Packaging achieved, in particular as a result of the good product mix, an operating margin of 9.1 % following 9.0 % in the third quarter of 2014 and 7.8 % in the fourth quarter of the previous year.

Due to increased volumes in cartonboard processing, consolidated sales of EUR 516.4 million exceeded the figure for the corresponding period of the previous year (4th quarter 2013: EUR 502.3 million). Operating profit amounted to EUR 43.7 million (4th quarter 2013: EUR 35.2 million), so that an operating margin of 8.5 % was achieved (4th quarter 2013: 7.0 %).

Profit before tax totaled EUR 39.5 million after EUR 34.2 million in the fourth quarter 2013.

As in the fourth quarter of the previous year, tax refunds were also reported in the final quarter of 2014.

Profit for the period amounted to EUR 34.1 million (4th quarter 2013: EUR 30.1 million).

Services

Glossary

DEFINITION OF FINANCIAL INDICATORS

Cash earnings

Sum of profit for the year before depreciation and amortization and before deferred taxes.

Cash earnings margin

Cash earnings divided by sales.

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

Profit before tax excluding net interest income/expenses, the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 as well as depreciation and amortization.

EBITDA margin

EBITDA divided by sales.

Employees

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

Enterprise value

The sum of market capitalization, non-controlling (minority) interests and net debt (see definition net debt/net liquidity).

Total equity and non-current liabilities to PPE

The sum of total equity and non-current liabilities divided by property, plant and equipment.

Total equity to total assets

Total equity divided by total assets.

Net debt/net liquidity

The sum of interest-bearing current and non-current financial liabilities subtracted by cash and current and non-current securities.

In case that the sum of cash and securities exceeds the financial liabilities, a net liquidity exists. An existing net liquidity is not considered for the calculation of the enterprise value.

Net profit margin

Profit for the year divided by sales.

Operating margin

Operating profit divided by sales.

Property, plant and equipment to total assets

Property, plant and equipment divided by total assets.

Return on assets (ROA)

The sum of profit for the year, interest expense and the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 divided by average total assets.

Return on capital employed (ROCE)

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

Return on equity (ROE)

Profit for the year divided by average total equity.

Return on investment (ROI)

The sum of profit for the year, interest expenses and the respective profit attributable to non-controlling (minority) shareholders according to IAS 32 divided by the sum of average total equity plus average current and non-current interest-bearing financial liabilities.

Sheet equivalent

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

Working capital

The sum of total current assets and non-current securities subtracted by total current liabilities (excluding revolving bank debt).

Group Key Indicators

	2010	2011	2012	2013	2014
Development of sales (in millions of EUR)					
Total sales	2,102.2	2,281.3	2,293.1	2,343.3	2,455.6
less intersegment sales between the divisions	(121.7)	(112.5)	(105.5)	(104.0)	(103.2)
less intersegment sales in the divisions	(201.6)	(209.2)	(235.4)	(239.9)	(265.0)
Consolidated sales	1,778.9	1,959.6	1,952.2	1,999.4	2,087.4
Earnings data (in millions of EUR)					
Net value added	495.7	526.3	531.2	536.6	564.8
EBITDA	236.5	251.8	254.8	252.3	268.4
Operating profit	162.3	170.9	170.5	165.4	180.2
Profit for the year	110.4	118.7	120.3	122.9	131.6
Cash earnings	187.7	195.2	204.8	204.1	219.1
Depreciation/capital expenditures (in millions of EUR)					
Depreciation and amortization	81.8	84.2	85.8	89.6	91.7
Capital expenditures	86.6	125.2	102.7	116.2	139.8
Employees	8,679	8,882	8,836	9,477	9,399
Profitability indicators					
Return on equity	11.3 %	11.9 %	11.7 %	11.3 %	11.9 %
Return on assets	8.0 %	8.3 %	8.2 %	7.8 %	7.9 %
Net profit margin	6.2 %	6.1 %	6.2 %	6.1 %	6.3 %
EBITDA margin	13.3 %	12.9 %	13.1 %	12.6 %	12.9 %
Operating margin	9.1 %	8.7 %	8.7 %	8.3 %	8.6 %
Cash earnings margin	10.6 %	10.0 %	10.5 %	10.2 %	10.5 %
Return on capital employed	18.9 %	18.6 %	17.5 %	15.4 %	15.5 %
Return on investment	10.8 %	11.4 %	11.1 %	10.4 %	10.5 %
Balance sheet indicators					
Total equity to total assets	64.6 %	64.2 %	65.5 %	65.3 %	61.7 %
Property, plant and equipment to total assets	37.1 %	38.0 %	37.9 %	39.0 %	39.0 %
Total equity and non-current liabilities to property, plant and equipment	2.0	2.0	2.1	2.0	2.0
Working capital (in millions of EUR)	520.6	513.0	603.9	586.6	614.6
Financial indicators					
Net liquidity (in millions of EUR)	202.6	208.6	178.0	133.9	58.3
Share performance indicators (in EUR)					
Enterprise value (in millions of EUR)	1,765.3	1,321.0	1,623.6	1,810.1	1,730.6
Basic and diluted earnings per share	5.39	5.91	6.00	6.11	6.54
Dividend per share	1.95	2.10	2.25	4.80 ¹⁾	2.60²⁾

¹⁾ incl. anniversary bonus of EUR 2.40

²⁾ proposed

The information regarding the financial year 2012 has been adjusted due to the adoption of the revised standard IAS 19 where required to ensure full comparability.

FINANCIAL CALENDAR 2015

April 29, 2015	21 st Ordinary Shareholders' Meeting – Vienna
May 5, 2015	Ex-dividend day
May 12, 2015	Dividend payment date
May 19, 2015	Results for the 1 st quarter of 2015
August 18, 2015	Results for the 1 st half-year of 2015
November 12, 2015	Results for the first three quarters of 2015

The English version of this annual report is a translation of the original German text. In case of doubt, the German version takes precedence.

The annual reports and interim reports can be requested from the Company and are also available on the Internet.

The financial statements of Mayr-Melnhof Karton AG prepared in accordance with Austrian Financial Reporting Standards were audited together with the management report by Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and were approved without qualification. The financial statements have been submitted to the registrar of companies at the Vienna commercial court under registration number 81906a and will be published in the "Amtsblatt zur Wiener Zeitung" (Official Federal Gazette) as well as on the website of the Company.

We have prepared this report and reviewed the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids. This report also contains forward-looking estimates and statements based on the information currently available to us. Please note that a wide variety of factors could cause actual circumstances – and hence actual results – to deviate from the expectations contained in this report.

Statements referring to people are valid for both men and women.

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