



Annual Report 2012

The Mayr-Melnhof Group Overview

consolidated (in millions of EUR)	2012	2011	+/-
Consolidated sales	1,952.2	1,959.6	- 0.4 %
EBITDA	250.4	251.8	- 0.6 %
Operating profit	166.1	170.9	- 2.8 %
Profit before tax	160.2	161.8	- 1.0 %
Profit for the year	119.5	118.7	+ 0.7 %
Cash earnings	203.7	195.2	+ 4.4 %
Return on equity	11.4 %	11.9 %	
Operating margin	8.5 %	8.7 %	
Return on capital employed	17.1 %	18.6 %	
Total equity	1,088.8	1,005.9	
Total assets	1,627.4	1,566.6	
Capital expenditures	102.7	125.2	
Depreciation and amortization	85.8	84.2	
Employees	8,836	8,882	
Earnings per share (in EUR)	5.96	5.91	
Dividend per share (in EUR)	2.25¹	2.10	

¹proposed

Dedicated to continuity

Dear Shareholders,

It is with great pleasure that I once again repost on the continuation of your company's long-term course for success. We present you another record net profit which in fact is only slightly above the previous year's figure, but has been achieved in an increasingly difficult economic environment.

Our Group has always truly lived principle of extending competitive power from a healthy position. Thus, we have been able to keep the core of the company sustainably solid and necessary adjustments manageable. We therefore continually invest in the early development of future markets as well as in a range of projects to reduce direct costs. This allows us to convince customers with attractive solutions and continually improve efficiency on a broad basis. In so doing we keep our, in the context of the overall economy defensive core business the production of cartonboard and folding carton for everyday consumer goods attractive, sustainably profitable and well capitalized.

In line with the positive development of results in the past financial year, we will propose that the dividend per share is increased to EUR 2.25, from EUR 2.10 in the previous year, complying with our dividend policy, which provides for the distribution of one third of the profit for the year and long-term dynamics.

At this point I would like to express to you, dear Shareholders, also on behalf of my colleagues on the Management Board our great gratitude for the trust that you have placed in the Mayr-Melnhof Group, many of you for a lot of years now. At the same time we thank all of our employees who, with great knowledge and high performance, have been the solid basis of the successful course of our company in the past year, for decades and in some even for generations.

The look into the future shows a period of ongoing consolidation in our main European markets, in which we will be actively involved from a leading position with attractive products, high productivity and innovation. The challenges are great, but new opportunities have arisen. At the same time we will also continue our strategic expansion outside of Europe, in a vigorous way as well as with the necessary caution.

Continue with us through this exciting period!



Wilhelm Hörmanseder
Chairman of the Management Board

March 5, 2013

Clockwise –
Wilhelm Hörmanseder/Chairman of the Management Board and CEO
Oliver Schumy/Member of the Management Board and CFO
Andreas Blaschke/Member of the Management Board
Franz Rappold/Member of the Management Board



Long-term growth



Dividends

Over the long term we aim to distribute one third of the annual profit and grow the dividend.

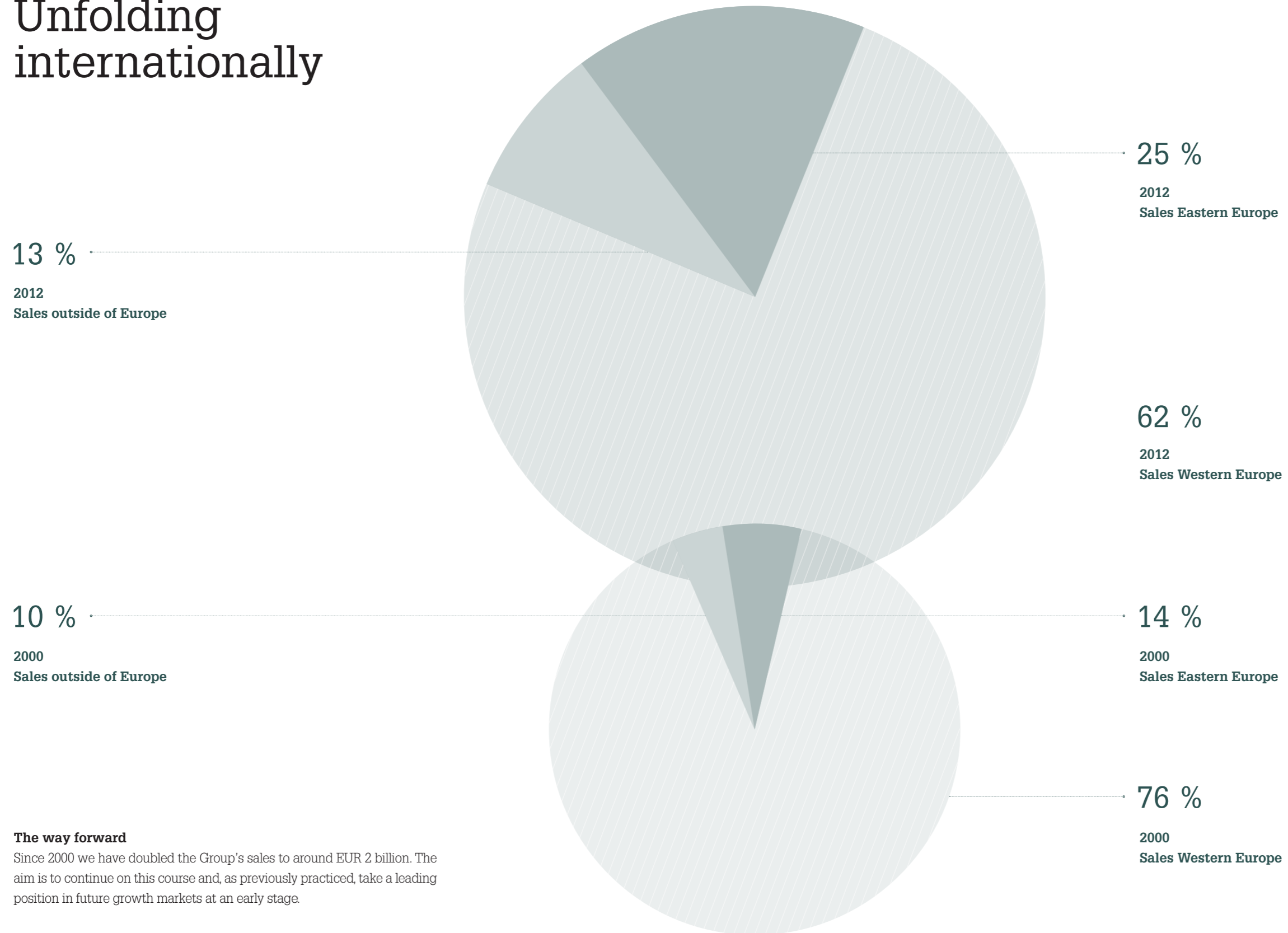
Profit

Market and cost leadership remain the solid foundation for our financial objective to generate a long-term Return on Capital Employed of 20 %.

Sales

We grow both organically and by way of acquisitions. The aim is to constantly generate new business by remaining highly competitive and to continue the consolidation in our industry on an increasingly global scale from the position of leadership.

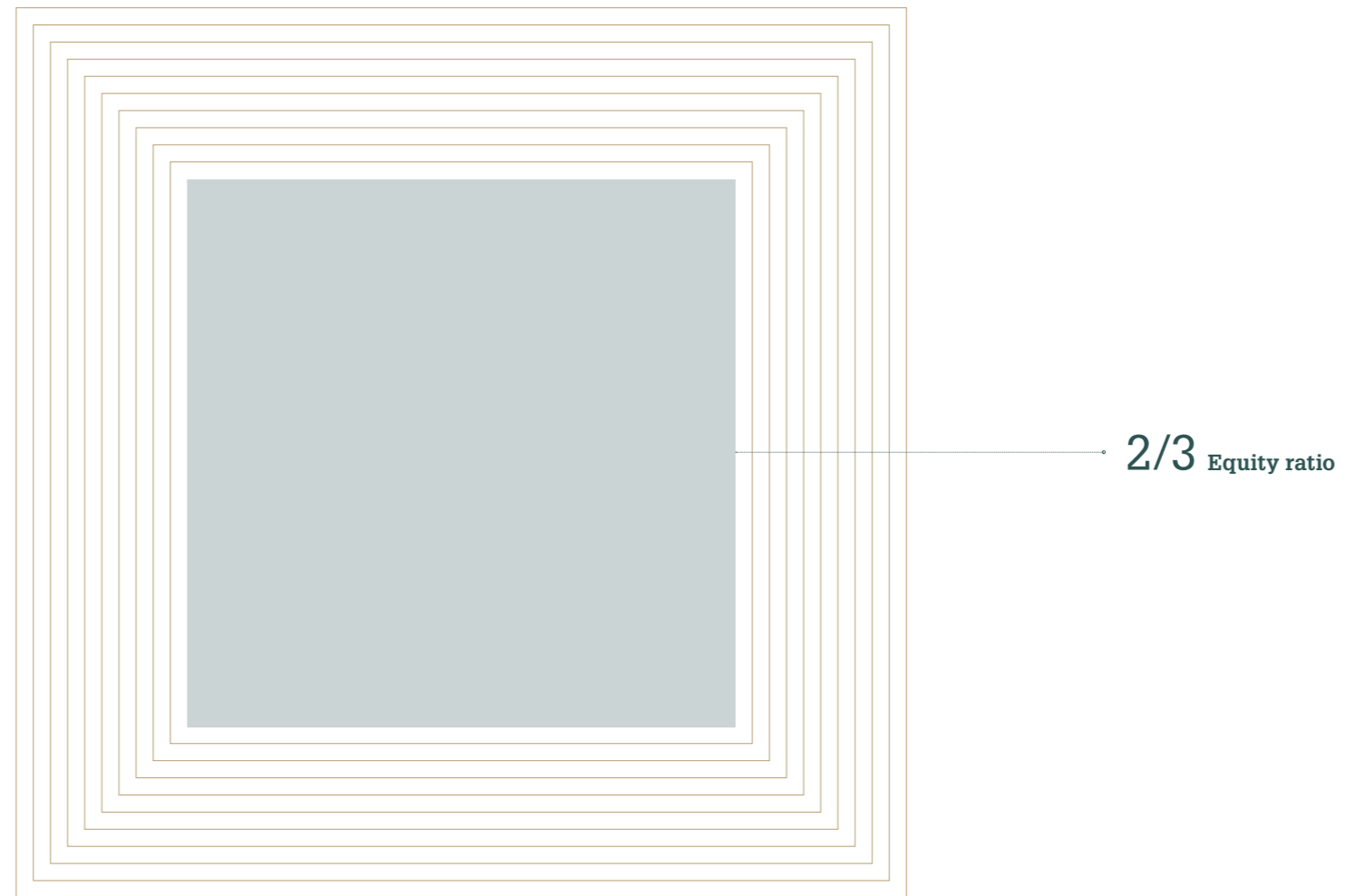
Unfolding internationally



The way forward

Since 2000 we have doubled the Group's sales to around EUR 2 billion. The aim is to continue on this course and, as previously practiced, take a leading position in future growth markets at an early stage.

A solid foundation



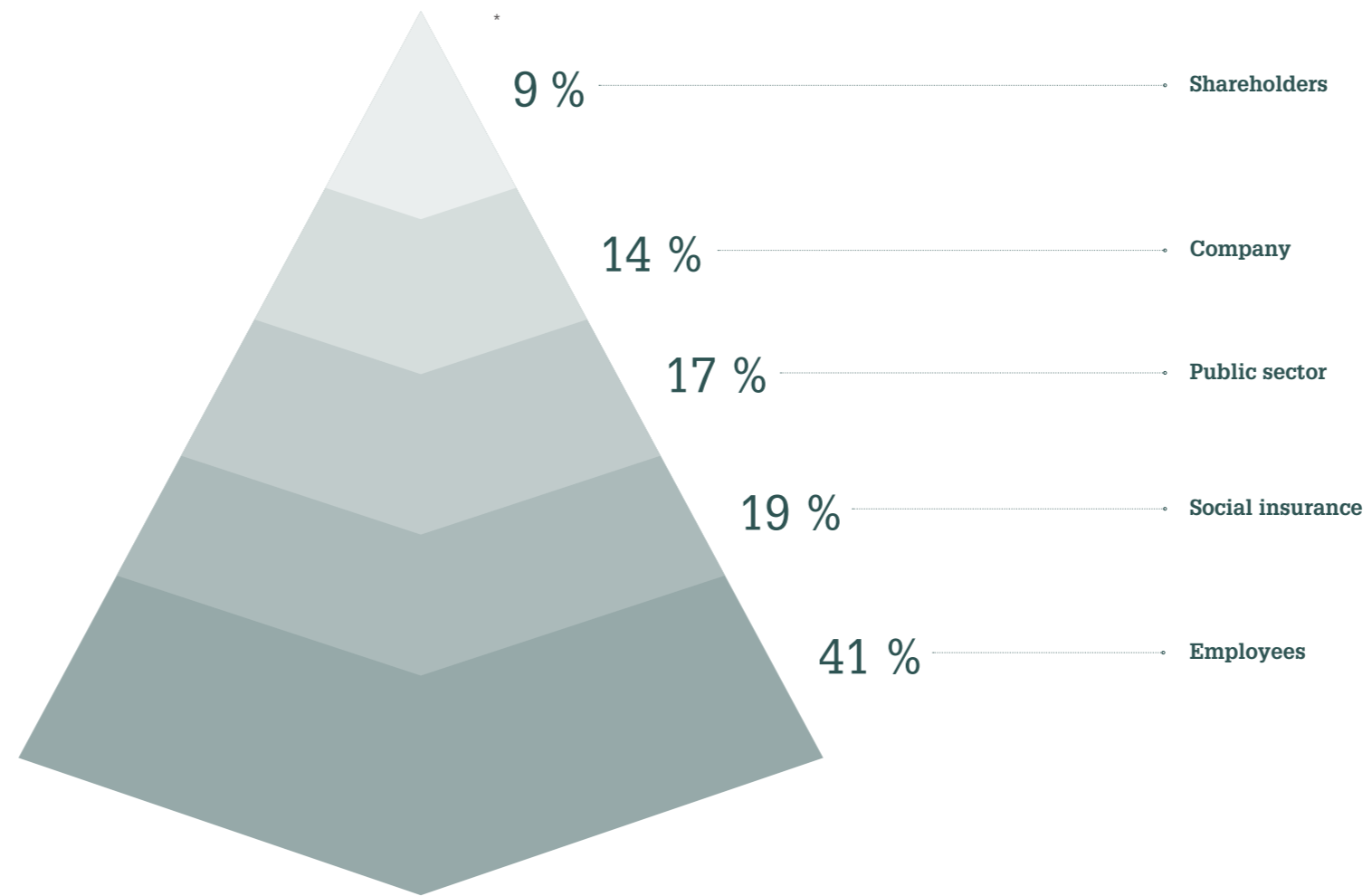
Equity

Our strong equity ratio generates sustained returns and constitutes the basis for the Group's strength and stability in the future.

Liquidity

Sufficient liquidity is important to us in order to seize opportunities arising at any time and to be well prepared for any eventuality.

Sustainable value added for stakeholders

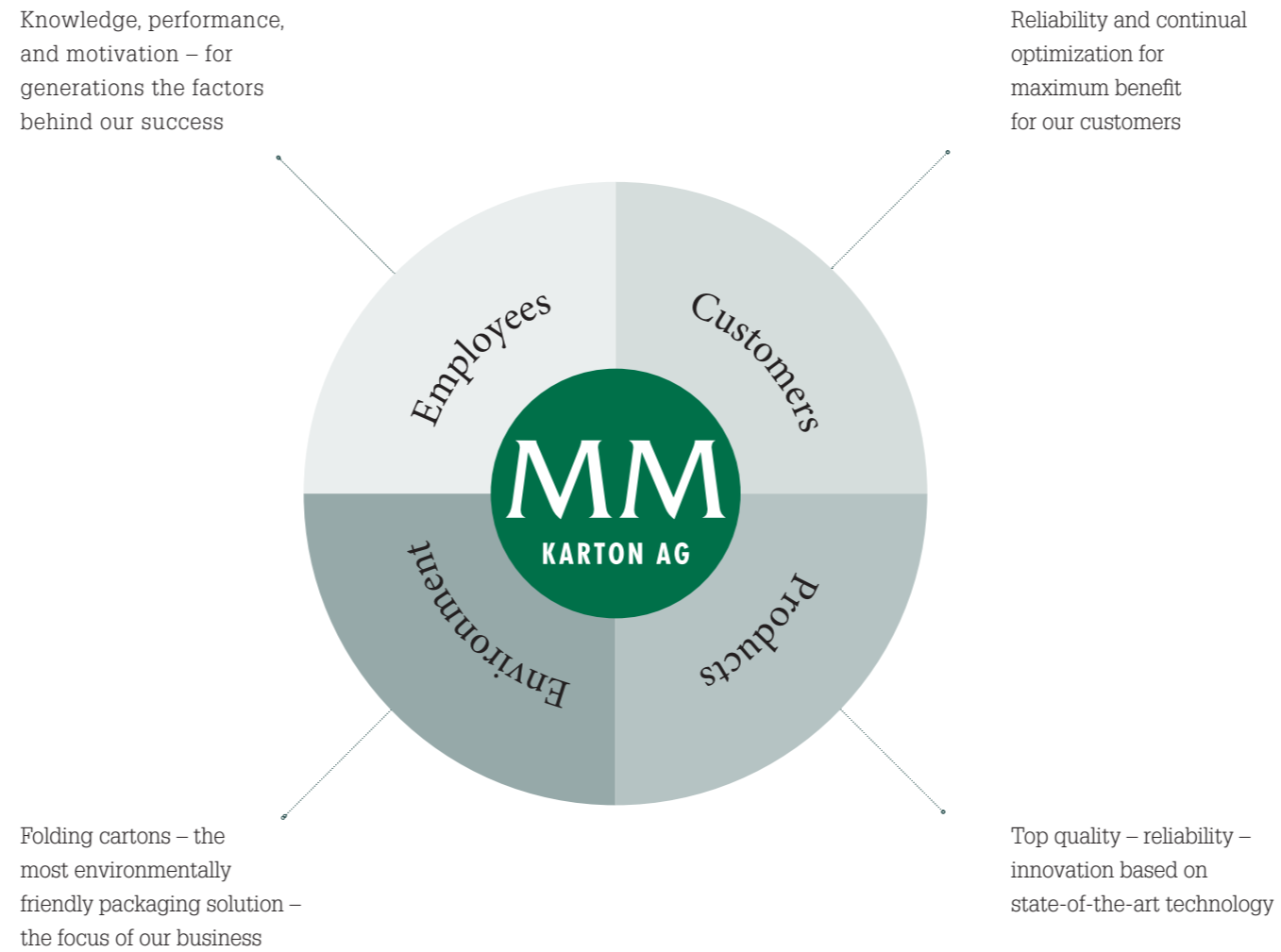


Shares of employees, shareholders and the public sector in net value added

The Group generates, after the deduction of expenditures on purchased goods and services as well as depreciation and amortization, a net value added of over half a billion euros per year. In the long run, employees, shareholders as well as the public sector receive a consistent share in such net value added.

* Distribution of net value added

Responsibility in the center of our activities



One company – one spirit

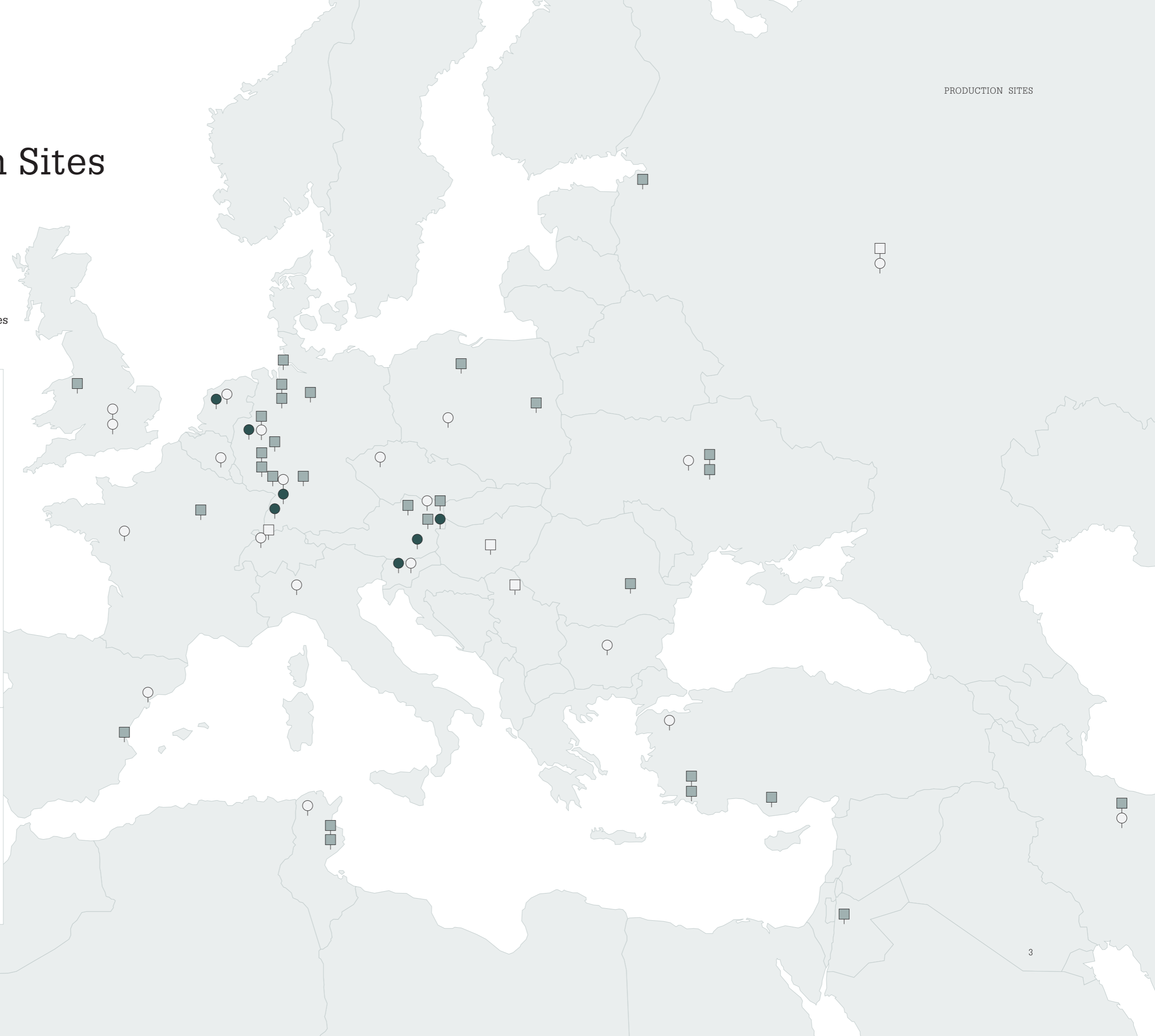
Responsibility, performance and passion are the basic values of the MM Group that guide our activities within a corporate culture that is characterized by a high degree of loyalty and mutual trust.

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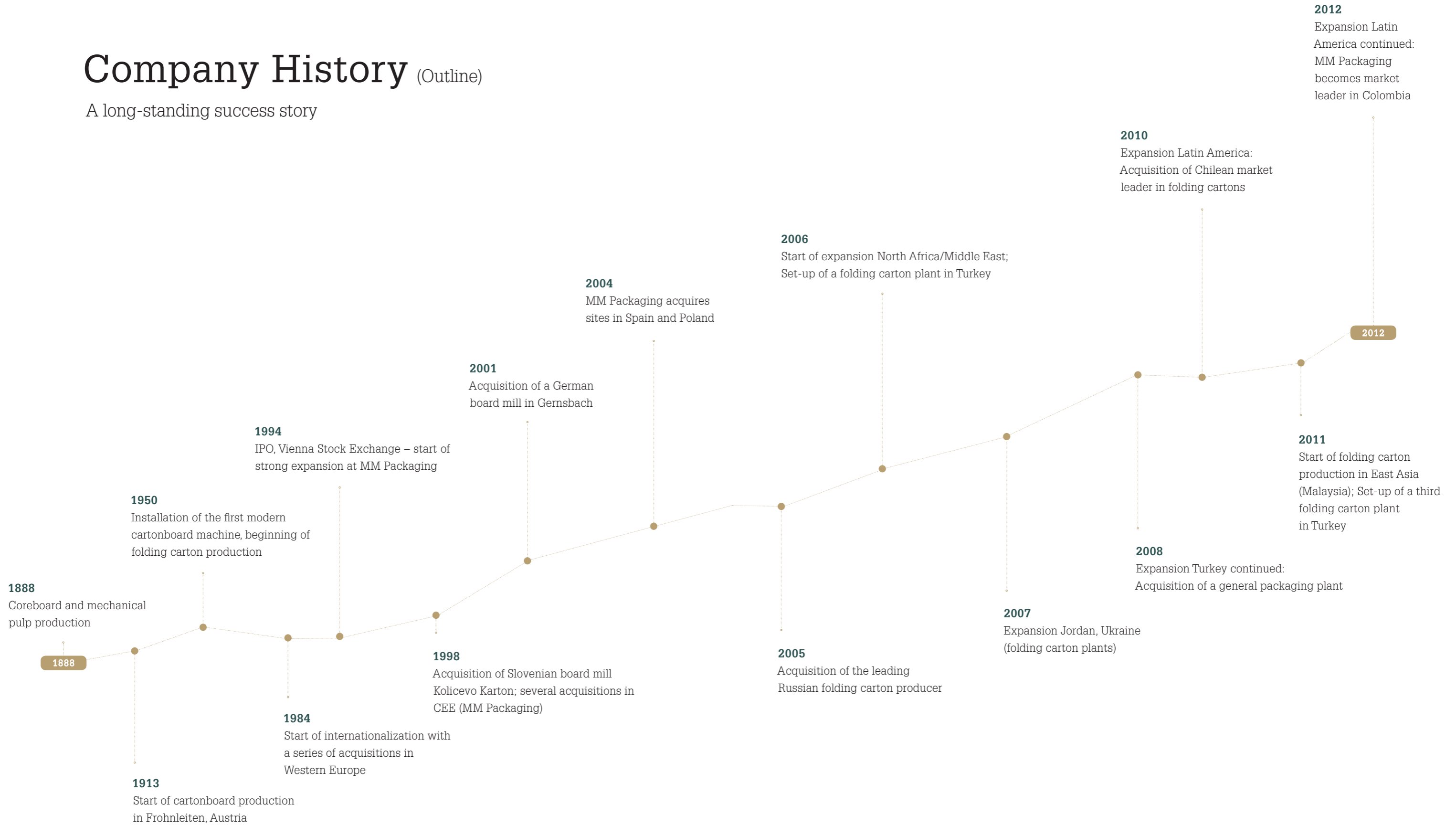
Production Sites

- MM Karton, 7 mills
- MM Packaging, 32 plants
- MM Karton, 22 sales offices
- MM Packaging, 4 sales offices



Company History (Outline)

A long-standing success story



Corporate Profile

Market Position

The MM Group is the largest producer of coated recycled cartonboard worldwide with a growing position in virgin fiber-based board and the leading European producer of folding cartons with an increasing presence outside of Europe. Cartonboard is the primary raw material in the production of folding cartons. Folding cartons are the most important and sustainable packaging material for consumer goods. The two divisions of the Group, MM Karton and MM Packaging, are managed as independent profit centers. Transactions within the Group are carried out at arm's-length conditions.

Market

Cartonboard and folding cartons are mainly used as packaging for convenience goods. Therefore, demand is essentially determined by private consumption and general economic trends. Supply and demand are balanced out through capacity utilization. Europe constitutes the main market of the Group. Cartonboard products are exported to approximately hundred countries worldwide.

Geographic Positioning

While cartonboard can be distributed across large distances worldwide in a competitive manner, the delivery radius in the folding carton business is mainly regional. Therefore, the Group's folding carton plants are always located close to their customers within a wide network unique in the industry, extending from Europe, the Middle East, North Africa to Latin America and Asia. In contrast, the cartonboard mills are mainly located in Central Europe, with a focus on Germany and Austria.

Strategy

MM has a long-term perspective and pursues sustainable, profitable growth in the core businesses cartonboard and folding cartons. By employing economies of scale with high performance technologies and by establishing best practice, the long-term goal is the protection of the Group's competitiveness on the basis of cost, competence and innovation leadership. Growth is effected depending on the maturity of the markets through acquisitions, construction of new sites or enhanced market penetration.

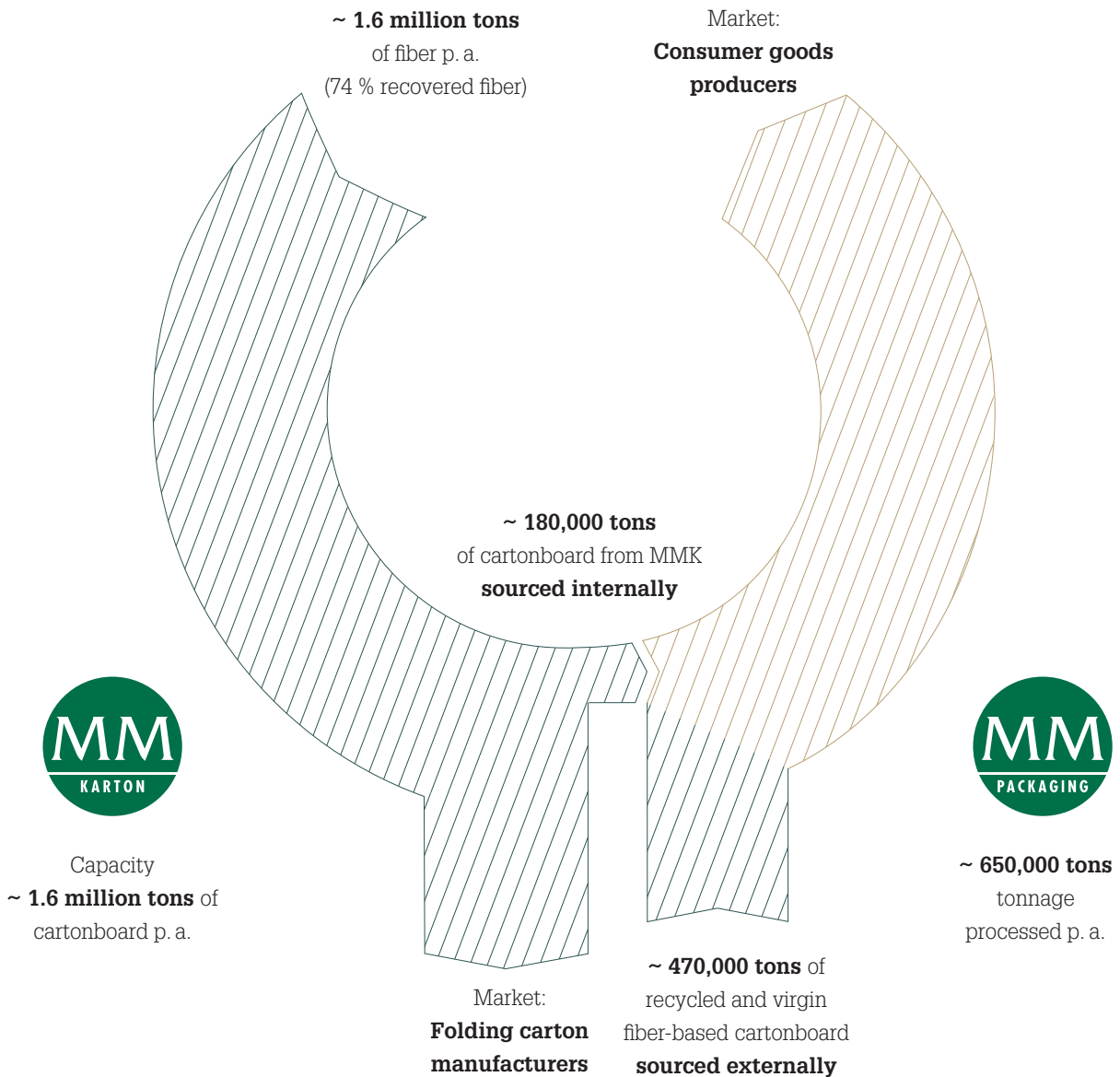
Customers

MM Karton's customers are folding carton producers, whereas the major part of the business volume (about 88 %) is transacted outside of the Group. MM Packaging supplies multinational manufacturers of consumer goods and regional customers with packaging material. The sales areas with the highest turnover are food, cigarettes and detergents. Each of the Group's two divisions serves more than thousand customers.

Financial Goals

Our goal is a return on capital employed of 20 %. In the long term, one third of the Group's profit is to be paid out as a dividend. Investments should not exceed 50 % of the generated cash earnings. Since April 21, 1994, the Mayr-Melnhof shares have been listed on the Vienna Stock Exchange and in the ATX. The MM Group has only issued common shares, each bearing one vote. About 59 % of the shares are family-owned and held within a syndicate, the rest is constituted of widespread shareholdings, mostly held by international institutional investors.

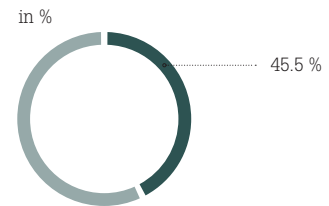
Business Structure



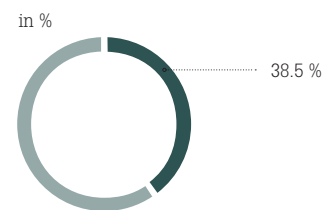
MM Karton

(in millions of EUR)	2012	2011	+/-
Sales	936.9	947.2	- 1.1 %
EBITDA	99.2	103.9	- 4.5 %
Operating profit	64.0	68.4	- 6.4 %
Cash earnings	84.5	80.8	+ 4.6 %
EBITDA margin (%)	10.6 %	11.0 %	
Operating margin (%)	6.8 %	7.2 %	
Cash earnings margin (%)	9.0 %	8.5 %	
Return on capital employed (%)	17.5 %	21.9 %	
Capital expenditures	44.4	72.7	
Depreciation and amortization	34.6	34.5	
Employees	2,413	2,359	

Percentage of Group sales¹

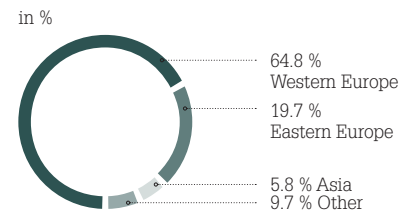


Percentage of Group operating profit



	2012	2011	+/-
Tonnage sold (in thous. of tons)	1,534	1,511	+ 1.5 %
Tonnage produced (in thous. of tons)	1,572	1,491	+ 5.4 %
Recycled fiber based board	1,316	1,259	
Virgin fiber based board	256	232	
Capacity utilization (%)	97 %	93 %	

Sales by destination¹

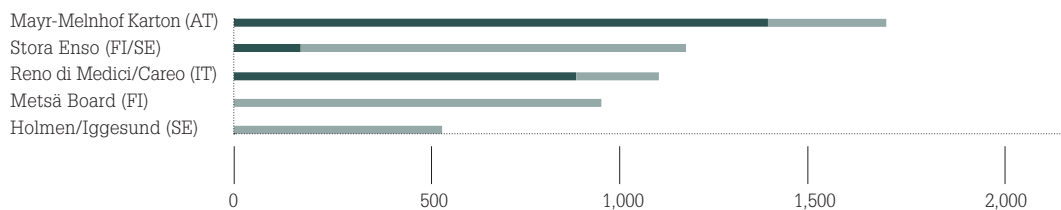


¹including interdivisional sales

Tonnage produced by MM Karton (in thousands of tons)



Leading European producers of coated board (capacity in thousands of tons)



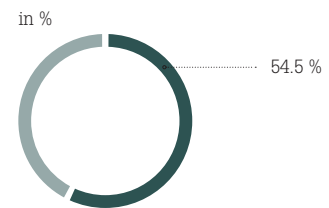
Source: MM; excl. GK, LPB (Stora Enso), and CNK from USA

Recycled fiber based board
 Virgin fiber based board

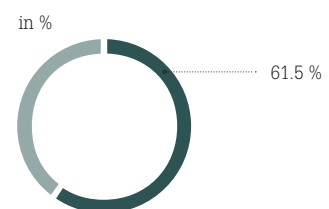
MM Packaging

(in millions of EUR)	2012	2011	+/-
Sales	1,120.7	1,124.9	- 0.4 %
EBITDA	151.2	148.0	+ 2.2 %
Operating profit	102.1	102.5	- 0.4 %
Cash earnings	119.2	114.3	+ 4.3 %
EBITDA margin (%)	13.5 %	13.2 %	
Operating margin (%)	9.1 %	9.1 %	
Cash earnings margin (%)	10.6 %	10.2 %	
Return on capital employed (%)	16.9 %	16.8 %	
Capital expenditures	58.3	52.5	
Depreciation and amortization	51.2	49.7	
Employees	6,423	6,523	

Percentage of Group sales¹

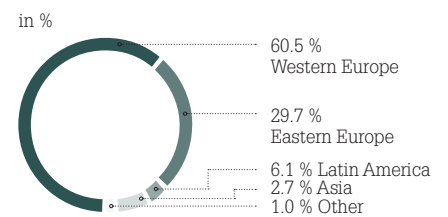


Percentage of Group operating profit



	2012	2011	+/-
Tonnage processed (in thous. of tons)	650	680	- 4.4 %

Sales by destination¹

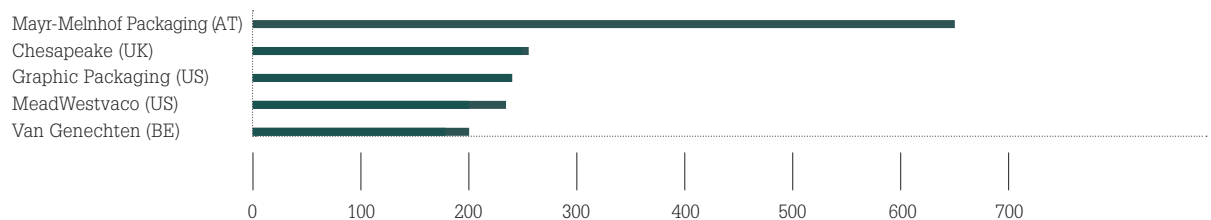


¹including interdivisional sales

Tonnage processed by MM Packaging (in thousands of tons)



Leading folding carton producers in Europe (tonnage processed in thousands of tons)



Source: MM

Management Report

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

GROUP

The core business of the Mayr-Melnhof Group is the production and sale of cartonboard and folding cartons. Our resources are employed accordingly. MM Karton is the world's largest producer of coated recycled fiber based cartonboard with a growing position in virgin fiber based cartonboard, while MM Packaging is 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 cartons. Folding cartons are the most important packaging material for consumer goods. Both core business areas are managed as independent profit centers within the Group. Transactions between the two divisions are carried out at arm's length conditions.

The character of our Group is defined by its long-term orientation. Our goal is to maintain sustainable profitability and to expand continually. Thereto, we use economies of scale from the concentration on high-performance operations, the establishment of best practices across the Group and continual investment in our human resources and state-of-the-art technology in order to sustainably secure the Group's competitive position on the basis of cost, competence and innovation leadership.

Based on our leading market position in Europe, we have expanded our growth trend globally. The focus is the expansion in markets with attractive future potential and to take a leading position in all the countries and regions in which we operate. Depending on the degree of maturity of the markets and the given opportunities, growth is effected by way of acquisitions, the construction of new sites or intensified market penetration.

MAYR-MELNHOF KARTON

With an annual production capacity of over 1.6 million tons, MM Karton is the worldwide largest producer of coated recycled fiber based cartonboard with a growing position in the market of virgin fiber based cartonboard. In 2012, approximately 84 % thereof were directed to the production of recycled fiber based cartonboard and 16 % to an increasing volume in virgin fiber based cartonboard. With a broad product range as well as the continual development of cartonboard grades and their fields of application, MM Karton covers a variety of markets with different requirements.

The ongoing reduction of unit costs and technological progress are essential for us to sustain our long-term competitive position. Thereto, we have concentrated our production on high-performance machines and are investing continually in state-of-the-art technology.

In 2012 the division MM Karton contained unchanged nine cartonboard machines in seven European cartonboard mills in four countries: Austria, Germany, the Netherlands and Slovenia. MM Karton's standard cartonboard products are characterized by their high quality, reliability, application security and convincing environmental compatibility. The division also offers a wide range of innovative, tailored solutions and an attractive range of services.

Cartonboard is primarily used as a raw material for the production of folding cartons for consumer goods packaging. Accordingly, MM Karton's customers are mainly printing businesses in the still highly fragmented folding carton industry.

Due to our competitive cost base, we are able to sell our cartonboard products within a far reaching delivery radius in around a hundred countries worldwide. Our main market is Europe, where MM Karton has been the market leader for more than two decades. We have achieved this position by acquiring competitors and consistently concentrating production and investment on our high-performance cartonboard machines. Machines with inadequate efficiency levels have been taken off the market and permanently decommissioned.

Since 2012 MM Karton's sales organization has been focusing 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 of our markets even more precisely.

We are present in all major sales regions and countries with our own distribution companies. Exports to non-European markets are largely effected by external vendors.

Cartonboard production is an industrial process with a high level of raw materials and energy consumption. Fibers, in particular recovered paper and groundwood pulp, are, alongside energy, chemicals and logistics, among the strategically most important input factors for MM Karton. We procure recovered paper in a wide range of qualities primarily on the spot market. We also make use of opportunities to conclude long-term purchase agreements with municipalities and waste-management companies. Due to the high and still rising recycling quotas in Europe, we currently believe that the continual supply of our cartonboard mills is secured.

Plastic, the most important competitive product for cartonboard in the packaging industry, is highly dependent on the crude oil price and has a considerable broader specialization range.

Unlike other products in the paper industry, cartonboard is distinguished in particular by a high level of customer-specific production in a great variety of grades and individual formats as well as high logistical demands for delivery to the customers. European producers of folding carton are therefore mainly supplied from Europe. Trade between the continents has played a rather secondary role so far.

The demand for cartonboard develops largely in line with the overall economy and in particular private consumption. In recent years, therefore, in particular the markets of Asia and Latin America have recorded the highest growth rates in consumption and new capacity. According to our estimates, global cartonboard capacity currently covers around 45 million tons per year, with packaging cartonboard amounting to around 35 million tons and other cartonboard products (e.g. liquid packaging board and plasterboard) accounting for approximately 10 million tons.

In the USA and Europe, the concentration in the cartonboard industry is far advanced. In Europe the five largest suppliers currently account for around 70 % of cartonboard capacity. Although no new cartonboard machines have been installed in Europe for more than twenty years, the market participants compete intensely on the basis of continual technological modernisation.

MAYR-MELNHOF PACKAGING

MM Packaging's business focuses on cartonboard packaging for everyday consumer goods. In 2012 the division processed around 650,000 tons of recycled and virgin fiber based cartonboard and paper and therefore remained the leading producer of folding cartons in Europe and one of the biggest producers in the world. MM Packaging produces around 57 billion packaging units annually on four continents.

As at the end of 2012, the division comprised 32 production sites in 16 countries in Europe, the Middle East/North Africa, Latin America and the Far East. Due to this far-reaching network of sites, we are positioned close to our multinational and regional customers on an increasingly global basis.

Packaging for food, cigarettes, detergents and sanitary products are the focus of MM Packaging's sales activities and these areas are supported separately by professional Key Account Management. This allows us to meet the specific product and market requirements to the best possible level.

MM Packaging's plant and equipment cover a wide technological base, all common state-of-the-art preprinting, printing and finishing technologies. Due to the high degree of standardization and the far-reaching network of locations, we provide our customers with appropriate back-up capacity and a high degree of delivery reliability.

The production of folding cartons is a multi-step process that, in simplified terms, is broken down as follows: cartonboard is printed, cut, glued and finished in a wide range of processes and then delivered to the customer's packing system where it is filled with consumer goods. The main raw material of cartonboard is purchased at market conditions by an independent procurement organization of MM Packaging based on the profit-center principle. Thereto, and due to the limited internal supply of virgin fiber based cartonboard, merely one third of the required cartonboard is procured from the division MM Karton.

Just like for cartonboard production, the continuous reduction of unit costs and optimization of products and processes are essential in order to sustainably secure the competitive position in the folding carton business. Accordingly, MM Packaging has focused primarily on industrial volume business. Processes are highly standardized with the aim of establishing best practices as quickly as possible across the locations and sustainably securing cost leadership. Ambitious performance benchmarking among the sites continually provides new incentives. In addition, based on the high degree of standardization, acquisitions and capacity expansions can be quickly integrated into the Group with manageable risk.

Similar to cartonboard, there is a high correlation between the demand for folding carton and the development of the overall economy, in particular private consumption.

In Europe growth has for years been achieved primarily by displacement. Outside of Europe, in particular future markets with young and growing populations offer attractive market potential and are therefore the focus of MM Packaging's expansion course. In contrast to the cartonboard business, the economic supply radius is normally restricted to the respective regional market. Thus, it is our goal to always be present as early as possible in growth markets with state-of-the-art high-performance plant and equipment and a high product quality.

The European folding carton industry is, compared to the cartonboard industry, divided into clearly smaller sections. According to our estimates, the five largest European producers hold a market share of around one third, whereby MM Packaging is by far the largest supplier. The majority of suppliers are still medium-sized enterprises.

On the sales side, however, the fragmented structure of suppliers focus on advanced concentration of both consumer goods producers and retailers.

MM Packaging has orientated its business to these market conditions at an early stage and has increased its business volume more than sevenfold since its initial public offering in 1994. By continually investing in state-of-the-art high-performance technology and continually improving efficiency and quality, we have focused our production on the needs of our primarily multinational customers. With acquisitions and the construction of new sites as well as capacity expansions, we accompany them in their expansion in growth regions in the long run. Thereby, our specialized Key Account Management provides industry-specific support and ensures the continual development of strategically important customer segments.

2 — DEVELOPMENT IN THE YEAR 2012

GENERAL ECONOMIC SITUATION

Our main sales market Europe was gripped by recession and stagnation in 2012. National economies affected by the public debt crisis recorded, in some cases, a significant decline in production. Although countries such as Germany and Austria were able to develop positively for a long time, economic growth also fell in these countries in the fourth quarter. Against the background of austerity programs and increasing tension in the job market, private consumption and the retail industry showed a restrained development. Procurement markets provided hardly any support as the consumption of raw materials in Europe has not influenced their price in global markets for a long time. Poland, Turkey and a few growth markets outside of Europe continued to have a positive impact.

INDUSTRY DEVELOPMENT

While the beginning of 2012 was still characterized by superior volumes due to the restocking of the supply chain, throughout the rest of the year demand in the European cartonboard and folding carton business was affected by general stagnation of the economy. The scheduling behaviour of customers was increasingly volatile and cautious. Against this background, pressure on volumes and competition became increasingly intense. Prices of fibers, in particular recovered paper, after a strong rise, only showed a downward trend from the second half of the year, while many input factors dependent on the price of crude oil remained at a high level throughout the whole year. The supplier structure in the European cartonboard industry remained largely unchanged, while the consolidation of suppliers continued in the folding carton industry, however, with no major changes in the structure of the competition.

DEVELOPMENT OF BUSINESS 2012

GROUP

In 2012 the Mayr-Melnhof Group was able to continue its successful performance of previous years with a further increase in the profit for the year. Both divisions, MM Karton and MM Packaging, made a substantial contribution to this. By focusing on the highly efficient production of packaging for consumer goods, we have been able to maintain long-term profitability in a period of continuing economic slowdown and despite non-recurring expenses related to the closure of a plant. Although customers have been planning with increasing caution, we have ensured that the capacity utilization for our plant and equipment remained at a high level by being very flexible. Focusing on the future, we have invested in projects for the reduction of direct costs and further growth. The strategic expansion into future growth markets outside of Europe was taken into account with an acquisition in Colombia, where we are now the market leader. In Europe we succeeded in securing our leading position and selectively expanding our market share. Due to the positive results, it is intended to increase the dividend per share from EUR 2.10 to EUR 2.25.

Consolidated income statement

Consolidated income statement (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	+/-
Sales	1,952.2	1,959.6	-0.4 %
Operating profit	166.1	170.9	-2.8 %
Financial result and result from investments	(5.9)	(9.1)	
Income tax expense	(40.7)	(43.1)	
Profit for the year	119.5	118.7	+0.7 %

At EUR 1,952.2 million the Group's consolidated sales almost reached the previous year's record level (2011: EUR 1,959.6 million). An improvement in the average price for MM Packaging was seen alongside a slight decline in the average price for the division MM Karton. Regional sales allocation still shows a main focus on Western Europe, accounting for 61.6 % (2011: 64.9 %), whereas the shares of sales to Eastern European and non-European countries rose to 25.4 % and 13.0 % respectively compared to 2011 (23.5 % and 11.6 % respectively). Intra-group sales totalled EUR 105.5 million (2011: EUR 112.5 million) and consisted in particular of deliveries from MM Karton to MM Packaging.

Group sales by destination

(in %)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Western Europe (excl. Austria)	58.0 %	60.6 %
Austria	3.6 %	4.3 %
Eastern Europe	25.4 %	23.5 %
Asia	4.3 %	3.6 %
Latin America	4.4 %	3.8 %
Other	4.3 %	4.2 %
Total	100.0 %	100.0 %

Cost of sales

(in millions of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	+/-	Percentage of sales	
				Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Cost of materials and purchased services	1,134.8	1,144.8	-0.9 %	58.1 %	58.4 %
Personnel expenses	264.8	261.0	1.5 %	13.6 %	13.3 %
Depreciation and amortization	76.7	75.6	1.5 %	3.9 %	3.9 %
Other expenses	51.7	61.4	-15.8 %	2.7 %	3.1 %
Cost of sales	1,528.0	1,542.8	-1.0 %	78.3 %	78.7 %

Cost of sales for operating performance was at EUR 1,528.0 million slightly below the previous year's figure (2011: EUR 1,542.8 million). The share of cost of sales in the company sales remained almost unchanged at 78.3 % (2011: 78.7 %).

Selling and distribution, administrative and other operating expenses

(in millions of EUR)	Percentage of sales				
	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	+/-	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Personnel expenses	105.2	98.4	6.9 %	5.4 %	5.0 %
Depreciation and amortization	9.1	8.6	5.8 %	0.5 %	0.4 %
Other expenses	156.2	148.3	5.3 %	8.0 %	7.6 %
Selling and distribution, administrative and other operating expenses	270.5	255.3	6.0 %	13.9 %	13.0 %

The selling and distribution as well as administrative expenses increased from EUR 255.3 million to EUR 270.5 million due to higher transport costs and personnel expenses. Their share in sales amounted to 13.9 % (2011: 13.0 %).

Operating profit was at EUR 166.1 million, by 2.8 % or EUR 4.8 million lower than in the previous year (2011: EUR 170.9 million), whereby non-recurring expenses in the net amount of around EUR 9.0 million related to the closure of the packaging plant in Liverpool, England, had to be accounted for. However, at 8.5 % the Group's operating margin almost reached the previous year's level (2011: 8.7 %). The Return on Capital Employed amounted to 17.1 % (2011: 18.6 %).

Due to the fall in interest rates, financial income decreased from EUR 4.4 million to EUR 2.6 million and financial expenses from EUR -6.4 million to EUR -5.2 million.

Other financial result - net went down from EUR -7.1 million to EUR -3.3 million, in particular due to the valuation and exercising of the respective option liabilities.

The profit before tax reached EUR 160.2 million and therefore was close to the previous year's level (2011: EUR 161.8 million).

Income taxes were paid in 25 countries and totalled EUR 40.7 million (2011: EUR 43.1 million), resulting in an effective Group tax rate of 25.4 % (2011: 26.6 %).

Profit for the year, earnings per share

Thus a profit for the year of EUR 119.5 million slightly above the previous year's figure (2011: EUR 118.7 million) was achieved, whereby the net profit margin remained unchanged at 6.1 %. In the business year 2012 a basic weighted average of 19,985,282 shares was outstanding, with earnings per

share of EUR 5.96 (2011: EUR 5.91) related to the profit for the year attributable to the shareholders of the Company in the amount of EUR 119.1 million (2011: EUR 118.2 million).

Value added

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

Value added

(in millions of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	Year ended Dec. 31, 2011
Origin:				
Sales	1,952.2		1,959.6	
Other operating income	12.4		9.4	
Change in finished goods and own work capitalized	7.8		(3.5)	
Financial result and result from investments	(5.9)		(9.1)	
Total operating revenue	1,966.5		1,956.4	
(-) Expenditures on purchased goods and services	(1,346.2)		(1,345.9)	
(-) Depreciation and amortization	(85.8)		(84.2)	
Net value added	534.5	100.0 %	526.3	100.0 %
Distribution:				
Employees	(220.5)	(41.2 %)	(213.4)	(40.5 %)
Social benefit costs	(102.0)	(19.1 %)	(99.3)	(18.9 %)
Public authorities	(92.5)	(17.3 %)	(94.9)	(18.0 %)
Non-controlling (minority) interests	(0.4)	(0.1 %)	(0.5)	(0.1 %)
Shareholders (proposed dividend 2012)	(45.0)	(8.4 %)	(42.0)	(8.0 %)
Company	74.1	13.9 %	76.2	14.5 %

The total operating revenue generated by the Group in the business year 2012 totalled EUR 1,966.5 million (2011: EUR 1,956.4 million). After deduction of expenditures on purchased goods and services as well as depreciation and amortization in the amount of EUR 1,432.0 million, a net value added of EUR 534.5 million was achieved (2011: EUR 526.3 million).

In 2012 again, the major part of the net value added with EUR 220.5 million or 41.2 % (2011: EUR 213.4 million; 40.5 %) was distributed to the Group's employees. The shareholders of Mayr-Melnhof Karton AG will receive a dividend of EUR 45.0 million or 8.4 % of the net value added for the business year 2012 (2011: EUR 42.0 million; 8.0 %). A profit of EUR 74.1 million or 13.9 % of the net value added will be retained in the Group (2011: EUR 76.2 million; 14.5 %).

Assets, capital and liquid funds

Consolidated balance sheets (condensed version)

(in millions of EUR)	Dec. 31, 2012	Dec. 31, 2011
Non-current assets	734.7	695.1
Current assets	892.7	871.5
Total assets	1,627.4	1,566.6
Total equity	1,088.8	1,005.9
Non-current liabilities	194.1	157.1
Current liabilities	344.5	403.6
Total equity and liabilities	1,627.4	1,566.6

As of December 31, 2012 the Group's total assets were EUR 1,627.4 million, thus EUR 60.8 million higher than in the previous year. Total equity rose from EUR 1,005.9 million to EUR 1,088.8 million. This increase results from the profit for the year, which is offset by the dividend payment for 2011. Total equity to total assets therefore rose from 64.2 % to 66.9 %. The return on equity reached 11.4 % (2011: 11.9 %).

Financial liabilities of a primarily long-term character increased compared to the end of 2011 due to the raising of low-interest loans by EUR 16.5 million to EUR 157.4 million. Provisions for other non-current liabilities in the amount of EUR 71.9 million are related to accruals for employee benefits and were maintained at previous year's level (December 31, 2011: EUR 72.4 million).

At EUR 335.4 million total funds available to the Group were below the figure as of December 31, 2011 (EUR 349.5 million), whereby net liquidity changed from EUR 208.6 million to EUR 178.0 million. Payments related to the increase in shareholdings and an increase in working capital were the main reasons for this development. In addition, as of year-end 2012, credit facilities amounting to EUR 345.9 million (December 31, 2011: EUR 336.0 million) were available to the Group which can be utilized at any time.

Non-current assets rose, as a result of investments and acquisitions by EUR 39.6 million to EUR 734.7 million (December 31, 2011: EUR 695.1 million). Current assets amounting to EUR 892.7 million, were EUR 21.2 million above the previous year's figure, in particular due to an increase in receivables and inventory (December 31, 2011: EUR 871.5 million).

Cash flow development

Consolidated cash flow statements (condensed version)

(in millions of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Net cash provided by operating activities	167.4	197.6
Net cash provided by/used in investing activities	(154.0)	(142.5)
Net cash used in financing activities	(32.1)	(37.9)
Effect of exchange rate changes	0.0	(0.4)
Net change in cash and cash equivalents (< 3 months)	(18.7)	16.8
Cash and cash equivalents (< 3 months) at the end of the year	330.1	348.8
Current and non-current securities	5.3	0.7
Total funds available to the Group	335.4	349.5

The cash flow from operating activities totalled EUR 167.4 million following EUR 197.6 million in the previous year. This difference primarily results from an increase in working capital and payments for income taxes.

The cash flow from investing activities rose from EUR -142.5 million to EUR -154.0 million. This rise is mainly attributable to the acquisition and increase of participations. Net payments for investments in tangible and intangible fixed assets decreased to EUR -97.4 million (2011: EUR -123.3 million) while at EUR -55.0 million (2011: EUR -24.2 million) the net payment for the increase of participations and acquisitions was higher.

The investment expenditures of MM Karton amounted to EUR -44.4 million (2011: EUR -72.7 million). The main focus was related to the residual capitalization in connection with the refitting of the large cartonboard machine in the Kolicvevo mill, Slovenia, and technical modernization measures to improve efficiency and quality.

The investment expenditures of MM Packaging were EUR -58.3 million (2011: EUR -52.5 million) and concentrated on the use of high-performance technology, the construction of the third packaging plant in Bydgoszcz, Poland, and the development center for packaging rotogravure printing in Trier, Germany.

The cash flow from financing activities changed from EUR -37.9 million to EUR -32.1 million primarily due to the raising of low-interest bank loans.

Further information

In February 2012, the division MM Packaging sold its branch of activity "Gravure printing for flexible packaging" in Germany.

At the beginning of April 2012, the division MM Packaging acquired an interest of 20 % in the largest Columbian folding carton manufacturer, Graficas Los Andes S.A., located in Santiago de Cali. MM Packaging has the right to acquire the remaining interest of 80 %.

In June 2012, the division MM Packaging acquired the remaining interest of 30 % in the Chilean folding carton manufacturer Marinetti S.A., located in Santiago de Chile, and now holds 100 % of the shares.

Also in June 2012, the division MM Packaging acquired the remaining interest of 49 % in the Tunisian folding carton manufacturer TEC MMP SARL, based in Sfax, and now holds 100 % of the shares.

In the first half of 2012, MM Packaging discontinued packaging production at the Liverpool site in Great Britain due to the economic conditions and recent market developments.

In mid-September 2012, the division MM Packaging acquired Plegacol, a leading Columbian folding carton manufacturer, located in Santiago de Cali, in form of an asset deal.

In September 2012, the division MM Packaging acquired the remaining interest of 24.975 % in the Russian folding carton manufacturer MM Polygrafoformlenie, based in St. Petersburg, and now holds 100 % of the company's shares.

In October 2012, the division MM Karton sold its 100 % share in Management Transport & Logistik GmbH.

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 other 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

After a brief acceleration of demand at the beginning of the year due to the restocking of the supply chain, the downturn in market activity in the course of the year was characterized by caution and short-term planning by customers. Consequently, the average order backlog was, at around 70,000 tons, noticeably below the previous year's figure (2011: 90,000 tons). However, through high flexibility and an attractive product range, we managed to maintain our sales volumes compared to the previous year as well as to successfully protect or slightly increase our market shares for recycled fiber based cartonboard and virgin fiber based cartonboard respectively. Following a capacity utilization of 93 % in the previous year, in particular due to the refitting in the Kolicveo mill, our average capacity utilization in 2012 was 97 %.

Driven by the short-term dynamics at the beginning of the year, the price of recovered paper rose sharply and experienced relief only in the second half of the year. At the same time, though, the cost of energy, transport and chemicals remained at a constantly high level. Accordingly, attention was focused on limiting price erosion in a weak market environment as far as possible through a selective pricing policy.

In 2012, 1,572,000 tons of cartonboard were produced. This corresponds to an increase of 5.4 % compared to the previous year (2011: 1,491,000 tons). Based on the average number of employees, 655 tons (2011: 646 tons) per employee were produced. Due to reduced deliveries at the end of the year, at 1,534,000 tons cartonboard sales were below production, however above the previous year's figure (2011: 1,511,000 tons). As a result of lower average prices, sales decreased slightly to EUR 936.9 million (2011: EUR 947.2 million). Thereof, Western Europe accounted for around 64 %, Eastern Europe for 20 % and non-European countries for 16 % (2011: 65 %, 20 %, 15 %). With a share of 179,000 tons delivered or 12 % in the sales volume (2011: 186,000 tons; 12 %), MM Packaging was again MM Karton's largest customer in 2012. Overall, more than 1,000 customers were supplied all over the world.

Primarily related to costs, operating profit was, at EUR 64.0 million, 6.4 % or EUR 4.4 million below the previous year's figure (2011: EUR 68.4 million). Therefore, the operating margin reached 6.8 % (2011: 7.2 %), while the return on capital employed was 17.5 % (2011: 21.9 %). In 2012, cash earnings in the amount of EUR 84.4 million (2011: EUR 80.8 million) were generated, and the cash earnings margin was 9.0 % (2011: 8.5 %).

MM Packaging

During the course of the business year 2012, general restraint in consumption and reduction in stocks resulted in a continual downturn in the European folding carton market. Due to forecasting difficulties, our customers planned increasingly short-term. A good start to the year was followed by major fluctuations in order intake. Because of a lack of growth impulses, the market was characterized by aggressive competition.

We successfully managed these challenges by continually improving efficiency and an intensive customer focus. This enabled us to maintain our market shares in Europe and to keep our profitability at a high level.

In the reporting period our capacity utilization level was overall robust, though with increasing heterogeneity among the individual sites due to the different focus by region and sales segment. Gain was recorded in particular in the cigarette packaging segment, while the rising level of consolidation in Europe has already been noticeable in the general packaging segment.

In line with the dynamic growth of MM Packaging in Poland, a third state-of-the-art folding carton plant was established in Bydgoszcz, which will commence operations in the first few months of 2013.

With a future-oriented approach, we have built the world's most modern development center for packaging rotogravure printing in Trier, Germany, with the aim of exploiting new growth potential in close cooperation with our customers.

Outside of Europe we continued our expansion path in line with our strategy to make use of opportunities for growth in the next years. Through the acquisition in Colombia MM Packaging became the leading producer in this market in 2012.

At 650,000 tons, the tonnage processed by MM Packaging in the business year 2012 was 4.4 % below the previous year's figure (2011: 680,000 tons). This difference is primarily the result of material savings due to improved efficiency and changes in the product mix. Accordingly, the tonnage processed per employee was 102 tons and also below the previous year's figure (2011: 106 tons).

With higher average prices, sales at EUR 1,120.7 million again reached the previous year's level (2011: EUR 1,124.9 million). With regards to geographical regions, the shares of Western and Eastern Europe showed a high level of continuity at 60 % and 30 % (2011: 66 % and 26 %), while the share of non-European countries rose further from 8 % to 10 %.

MM Packaging supplies more than 2,000 customers in various consumer goods industries. Packaging means for food and cigarettes were again the most important sales segments in 2012. Due to the high degree of producer concentration in these markets, traditionally around three quarters of our business are generated with multinational consumer goods producers. In 2012, the top five customers accounted for 43 % of sales (2011: 41 %).

In line with sales, operating profit amounting to EUR 102.1 million was also at the previous year's level (2011: EUR 102.5 million). As a consequence, the operating margin remained unchanged at 9.1 %. The return on capital employed reached 16.9 % (2011: 16.8 %). Cash earnings were EUR 119.2 million above the previous year's figure, therefore a slight improvement of the cash earnings margin to 10.6 % (2011: EUR 114.3 million; 10.2 %) was achieved.

3 — HUMAN RESOURCES

As of 31 December 2012 the Mayr-Melnhof Group employed 8,836 people in 23 countries. Their professional competence, sense of responsibility and long-term commitment provide the foundation for the sustainable success of the Mayr-Melnhof Group. The aim of the Human Resources activities at MM is to successfully maintain this in an increasingly dynamic and global environment with a high degree of continuity and in line with the Group's values.

All measures are geared towards ensuring a framework, in which talent can develop optimally and thus provide the Group with the best possible professionals and executives in the long-term.

We are constantly intensifying and professionalizing the Group's Human Resources program: from strategic personnel planning, recruitment, personnel development and performance management to further training and the systematic transfer of knowledge. The program is centrally controlled by the Corporate Human Resources function and implemented locally.

Responsibility, performance and passion are the core values of the MM Group guiding our activities within a corporate culture that is characterized by a high degree of loyalty and mutual trust.

Openness and subsidiarity are fundamental principles within our organization with an emphasis on a high degree of personal responsibility. In this way we ensure the required efficiency, speed and flexibility for a long-term maintenance of competitiveness.

The MM Group stands for continuity and responsible, well-timed change which is also reflected in the development of our Human Resources.

As we have practised successfully for generations, we endeavour to fill vacant positions as well as new positions, wherever possible, internally. Thereby, we tie know-how to the Group for the long-term and offer attractive career opportunities. The forward-looking, systematic further development and training of our employees, who are promoted at all levels and throughout the entire working life, is an essential requirement.

With an increasing presence in schools, universities and colleges, we establish contact with young people early, in order to attract qualified young talent. Being an attractive employer for women in technical professions is becoming increasingly important.

With the "Young Professional Program" facilitating entry into professional life at MM, we have introduced a course of training within the Group that goes far beyond a conventional apprenticeship. Following a targeted selection process, we help our young talent to acquire a high level of professional competence, to develop their personalities and to prove themselves in an international environment.

As of the end of 2012 the Group had 215 apprentices (2011: 188). The training is focused on industrial and technical professions.

With the introduction of the “Young Professional ++ Program” in 2012, we launched a further development process which will result in the young professionals taking on functional and managerial responsibility just a few years after they have finished their education.

Under the “Ranger Program” we prepare our high potentials for future key positions in the Group. Specific technical qualification, high motivation, language skills and international mobility are essential basic requirements.

Our new internal “Sales or Finance Explorer” training initiatives also offer attractive promotion paths in Key Account Management and Controlling.

The “MM-Academy”, founded in 2006, has become an established institution of knowledge transfer and learning for employees at all levels within the Group.

The offer includes in particular advanced specialist training, foreign language training, development of management and social skills and the MM Apprentice Academy. In 2012 particular focus was placed on training in connection with software upgrades which resulted in a further significant increase in reach and penetration. Around 2,800 employees received training on 876 training days in 2012.

With great foresight, we are addressing the expected shortage of specialists as a result of demographic change in Europe. For this purpose we rely not only on the proactive training of apprentices and recruitment, but also on projects to tie the expert knowledge of older employees to the Group for the long-term.

In this regard, we attach particular importance to the company's health management with the goal of ensuring that the vitality of our employees will remain high in the long run. Regular medical examinations, professional care from company doctors and an increasing range of health and safety training courses are in the focus for that matter.

The Mayr-Melnhof Group is growing and becoming increasingly international. We consider the cultural diversity of the Group's employees to be an enrichment to achieve market, cost and competence leadership in an increasingly global environment. It is crucial that our employees implement best practice everywhere in accordance with market requirements and are best equipped for new challenges. Ambitious benchmarking and the continual international exchange of employees and know-how among the locations ensure that new potential can be systematically implemented in the Group.

High identification with the company's success has always held particular importance in our corporate culture. Consequently, performance-related forms of remuneration have a long tradition in the Group. This ensures that the individual can also, with high performance and great commitment, participate in the success of the company.

Development of number of employees

Despite increasing continued economic downturn, the Mayr-Melnhof Group was able to largely maintain its number of employees in 2012. As of 31 December 2012 the Group employed 8,836 people (31 December 2011: 8,882). 2,413 of these (31 December 2011: 2,359) were employed in the division MM Karton and 6,423 (31 December 2011: 6,523) in the division MM Packaging. The share of employees outside of Austria totalled 81.7 % (31 December 2011: 81.2 %). Around 86.7 % of the employees (31 December 2011: 88.5 %) were employed in Europe, therefore non-European countries accounted for 13.3 % (31 December 2011: 11.5 %).

The Management Board thanks all employees for their high level of performance and great commitment, which made the financial year 2012 another year of success. We express our thanks to the employee representatives for their trustful and constructive cooperation.

Employees of the Group

	Dec. 31, 2012		Dec. 31, 2011	
	Number	%	Number	%
Western Europe (excl. Austria)	3,665	41.4 %	3,871	43.5 %
Austria	1,617	18.3 %	1,668	18.8 %
Eastern Europe	2,384	27.0 %	2,323	26.2 %
Asia	324	3.7 %	249	2.8 %
Latin America	669	7.6 %	592	6.7 %
Other	177	2.0 %	179	2.0 %
Total	8,836	100.0 %	8,882	100.0 %

4 — RESEARCH AND DEVELOPMENT

The continual development and optimization of our products and processes and the generation of innovations are significant elements of our strategic goal to achieve cost and technology leadership. Our research and development activities focus primarily on solutions which will secure and improve our competitive position in the Group's core areas in the long-term. We take a broad approach to innovation, also allowing ideas that go beyond the traditional applications for cartonboard and folding cartons.

The basis of our research and development activities is linked cooperation of experts from different fields of the Group, which is operated and supported centrally.

In recent years we have significantly expanded our innovation process both structurally and in terms of resources with the goals of permanently strengthening MM's innovative capability and speeding up the innovation process.

For this purpose an innovation management process was set up, which concentrates, pursues and systematically implements the innovation work of our employees using state-of-the-art information technology. This approach is based on our belief that innovations that bring long-term success can be primarily achieved within the company. Moreover this is complemented by basic research and regular collaboration with universities and research institutes always with the objective of exploiting the opportunities that arise at an early stage.

Innovation highlights 2012 in the MM Karton division

Continual optimization in respect of cartonboard qualities involves in particular higher standards in processing (stiffness, ply bond strength), shine, smoothness, degree of whiteness and meeting equivalent specifications with lighter grammage. Special focus is placed on improving the functionality of the cartonboard, e.g. in terms of barrier (water, fats), haptic, smell and three-dimensionality with deep drawability.

Our internal development FOODBOARD™, for the protection of food against mineral oil migration and other undesirable substances, which we conducted in 2011 and 2012 together with well-known consumer goods manufacturers, has proved a sustainable success. The application of a functional barrier layer on the side that is in contact with food ensures that our packaging carton will continue to be used in the long-term in the area of sensitive food. Production of FOODBOARD™ will commence when the legal framework has been adopted.

After the successful launch of MM Digicarton™, the first virgin fiber based cartonboard homologated for HP printers, in 2011, a recycled fiber based cartonboard quality was launched in 2012 with MM Digicarton Eco™, whose brilliant printing results and run characteristics have also been confirmed by certification.

The new virgin fiber based cartonboard SILVAWHITE™, produced by Mayr-Melnhof Eerbeek in the Netherlands, offers excellent print quality with its particular smoothness, high degree of whiteness and brilliant shine and also meets the highest sensory requirements. It will mainly be used in high-quality, creative packaging solutions for hygiene products and pharmaceuticals, cosmetics, sweets as well as graphical applications.

Improvements in the production process concerned in particular optimizations in the use of energy and an improvement in fiber yield and technical availability.

As a result of further significant expansion of research and analysis capacity, MM Karton offers unique resources in this area in the European cartonboard industry for own as well as customers' needs.

Innovation activity 2012 in the MM Packaging division

MM Packaging pursues innovation in a division-wide network, in which experts from the areas of engineering, market and design work together on an interdisciplinary basis. The organization is primarily based on three pillars: PacProject, MM Packaging's innovation center in Hamburg, which provides customers with comprehensive support from product idea to market launch, Technical Account Managers, who provide in particular multinational customers with trans-regional support in packaging development and technical implementation, and the local Packaging Development Centers of the individual locations, which provide plant-specific know-how primarily on a regional basis.

The aim of MM Packaging's innovation activity is to provide our customers with competitive advantages and opportunities to differentiate themselves in the market and improve the company's competitive position by developing highly efficient complete solutions. For this purpose we offer a wide innovation spectrum which covers printing, processing and finishing methods as well as upstream and downstream areas of packaging production.

Projects in 2012 covered newly developed folding carton solutions, process and supply chain optimizations and the unique configuration of print and processing machinery to significantly speed up the launch of our customers' new products onto the market.

We continually monitor packaging innovation trends with the aim of being able to offer convincing solutions in a timely manner. Current developments range from the increased use of packaging as a marketing tool to convenience solutions which improve handling, increased supply chain efficiency, environmentally-friendly "green packaging" and to innovative measures to further improve food safety. Our activities will continue to focus on technical realization with the highest possible cost efficiency in production.

Our virgin fiber based cartonboard Excellent TOP, which is now produced both in Baiersbronn, Germany, and in Kolicevo, Slovenia, following the extension of the multi-mill concept, received the "Pro Carton/ECMA Award" for excellent performance in 2012.

5 — RISK MANAGEMENT

The Group has, due to its long-term clear focus on its core business areas, a solid foundation for identifying potential risks early and assessing the possible consequences appropriately. Throughout the Group a comprehensive, standardized risk management system is used, which in the financial year 2012 again contributed significantly to risks being more effectively identified, assessed and limited by appropriate measures ensuring that they do not go beyond the acceptable level. Currently the risks faced by Group remain manageable and the company's continued existence and ability to develop has been secured.

As a globally operating company, the Mayr-Melnhof Group is exposed to a range of general and industry-specific risks. Handling of risk is anchored in a risk management process that is continually updated; with the goal to secure the company's existence and its ability to create value for the long-term. It covers the systematic identification, assessment, control and reporting of significant events and risks that potentially threaten the Group's existence or affect its development. By the term risk, we understand the possibility of a negative deviation from the Group's corporate objectives as a result of 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 in order to manage the risk. These measures are continually evaluated, developed and amended in case of identification of further risk. They should improve the Group's risk situation without greatly restricting its opportunities.

The Group's risk management is the responsibility of the Management Board which defines the risk policy and sets the framework for Group-wide risk management.

The Group's risk policy is characterized on the whole by a conservative approach. Risk prevention and reduction play an important role and are, to the extent economically justifiable, achieved by suitable control instruments and supported by the Group's insurance program.

The "Risk Management Compliance" department reports directly to the Management Board and ensures that risk management is implemented and practised in accordance with its guidelines. Every risk area that is considered to be significant is assigned to a risk area officer with expertise who is responsible for analysing, assessing, controlling and monitoring the respective risks. Compared to the previous year when legal compliance was considered within the scope of general compliance it is now assessed as a separate risk area. Identified risks are evaluated and analyzed in a matrix in terms of potential damage and probability of occurrence.

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

In the following the most significant risks and uncertainties to which the Group is exposed are described, and it is explained how they are managed.

Sales

The demand for cartonboard and folding cartons correlates highly with general economic activity, and in particular private consumption. Market risks might therefore result in particular from the economic development and the political conditions in the individual sales markets of the Group.

Due to the ample level of available capacity, the cartonboard and folding carton markets are highly competitive.

In total the Group's two divisions supply more than thousand customers. The MM Karton division generates around 30 % of the division's sales with its top 20 customers. In MM Packaging's folding carton business, around 75 % of the division's sales are achieved with multinational customers from the consumer goods industry. However, the level of dependency on individual customers is classified as manageable.

At the end of 2012 stricter regulations for larger warnings on cigarette packs, flavor additives and cigarette diameters were proposed by the EU Commission, increasing the risk potential in the area of cigarette packaging. However, it is not yet possible to assess the impact on the MM Packaging division.

Continual close customer contact, tracking of trends, co-operation in research and development, continual monitoring, sustainable quality and cost management, regular participation in tenders and the targeted expansion of the customer base are key elements in our efforts to secure market shares and generate new business.

Fluctuations in the price of important input factors are taken into account by appropriate clauses in long-term agreements. As mass-produced goods in a highly competitive market, cartonboard and folding carton products are under permanent price pressure. The Mayr-Melnhof Group therefore pursues the long-term strategy to sustainably secure its market leadership position in both divisions through competitive strength on the basis of cost, competence and innovation leadership and by making the best use of market opportunities as they arise.

It remains our objective to accompany our customers in an increasingly global dimension as they expand in growth markets and to take a leading position in new markets at an early stage.

Production

Production plants and processes in the Mayr-Melnhof Group are state-of-the-art and are improved continually. The focus is on sustainable, responsible production taking into account economic, environmental and social aspects with the aim of creating long-term benefits for our customers, shareholders and employees.

This means in particular the economical use of resources (in particular fibers, cartonboard, energy, water, chemicals, transport and logistics) in the production of products that meet the customers' demands while protecting the environment. At the same time we pursue long-term solid, financial performance and continually develop our human resources.

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, overhaul, maintenance, certification and continual risk engineering in collaboration with insurance companies are, together with division-wide back-up concepts for the possible relocation of capacity between individual locations in the event of a long-term interruption of operations, among the most important measures in order to maintain continuous operations.

Compliance with product standards and required quality standards is very important for the sustained attractiveness and competitiveness of our products. Ongoing systematic quality assurance measures across the value chain document compliance with high standards and ensure the traceability of products. With our continual R&D activity and longstanding collaboration with national and international standardization bodies and lobbies, we pursue the objective of quickly being able to assess and consider future developments and new interpretations and findings. In order to ensure safe products, particularly in the sensitive area of food packaging, we have significantly expanded our R&D capacity in recent years so that we can continue to promptly offer reliable state-of-the-art solutions even in times of increasing requirements.

Emphasis lies on analyzing the interaction between packaging and its contents and continual optimization in this respect as well as further development of our cartonboard and packaging solutions. In order to secure knowledge in the long-term, systemic documentation is in place.

We keep risks relating to investments, technical innovations and the integration of acquisitions manageable by concentrating on our core business and by Group-wide knowledge exchange. Investment projects are the subject of a multi-level approval process as well as clearly defined tendering procedures with the respective specialist departments involved. Basically every investment is assigned to a project and qualitative and quantitative aspects are monitored by way of continual controlling.

Product and process innovations undergo extensive testing and are generally implemented in a pilot project before being rolled out.

Energy (gas and electricity) is of significance as a strategic input factor of strategic importance especially for the MM Karton division. A considerable rise in the purchase price of energy has a material impact on profit, to the extent it cannot be fully passed on to customers. In risk assessment, in particular the purchase price, basic availability and purchase opportunities are significant. 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, continually monitoring price developments and existing hedging contracts as well as linking production and sales planning to the purchase of energy. In addition to this, our medium-term policy is steered by regular consultation between management and an energy procurement team with Group-wide responsibility. On project basis, further measures are also taken to lower the specific energy requirement.

For the financial years 2008 to 2012 inclusive, a volume allocation of CO₂ certificates was made free of charge to our cartonboard mills, which are all located in the EU. At the end of 2012 a sufficient number of CO₂ certificates was available. Surplus certificates can be carried over into the next trading period.

A subsequent regulation for the period 2013 to 2020 is expected to be passed by the European Parliament in the first half of 2013. A reduction of approximately 20 percent in CO₂ emissions by 2020 is considered to be the political objective of the European Union. It is therefore to be expected that the CO₂ allocations will decrease from 2013 onwards. Any shortage of CO₂ certificates is then to be covered by the surplus from the period 2008-2012 or by purchases. Therefore from 2013 a rise in the cost of energy is to be expected due to the CO₂ impact. Should CO₂ policy be reconsidered in the future and a CO₂ tax introduced, this would represent a further risk.

Procurement

Fiber material, in particular recovered paper and groundwood pulp, chemicals and logistics services are, together with energy, the most important input factors in cartonboard production. For the production of folding cartons, these are especially cartonboard, paper, inks, varnishes and tools.

Through regular market and demand monitoring and continual contact with a portfolio of suppliers in the market (avoiding single sourcing), we proactively counter the risk of availability and ensure high price transparency in procurement. We procure recovered paper through our European purchasing organization primarily on the spot market. We also keep strategic stocks and cover a part of our requirement with long-term supply contracts, allowing short-term peaks in prices to be absorbed. As a result of high recycling quotas in Europe and a limited level of exports outside of Europe, a sufficient supply of recovered paper should continue to be assured. Cooperation between production and engineering also results in specific measures being taken to control the consumption and optimize the use of raw materials. Opportunities for substitution and adjustments of formulas are evaluated regularly. Tenders for available procurement volumes are completed where reasonable and possible.

Human Resources

The MM Group relies at all levels on qualified, motivated and performance-oriented employees for the sustainable generation of corporate success. In order to tie key personnel to the Group and find suitable top performers for vacancies, we promote long-term collaboration through systematic personnel development, appropriate remuneration and bonus systems and by positioning the company as an attractive employer. The targeted promotion of young talent and foresighted succession planning are managed and ensured centrally by the "Corporate Human Resources" department. The company's health management takes a wide range of measures for the long-term promotion of career and vitality with the goal of ensuring that the productivity of our employees remains high.

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. In addition, there are performance and contribution-based severance obligations and obligations as part of the statutory partial retirement scheme.

In comparison to 2008, a noticeable decline in the discounted pension and severance obligation (defined benefit obligation) is evident. The level of provisions remained stable against the general trend despite rising life expectancies, inflation and falling interest rates. Risk-entailing future obligations have been reduced by converting performance-based pension schemes into contribution-based pension schemes in the Netherlands and by transferring pension funds to Switzerland.

Financial risks

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

We counter risks in the financing and liquidity of the Group and its subsidiaries with centrally-managed cash and credit management, the careful selection of banking partners and sufficient availability of credit lines.

Foreign exchange and interest risks are monitored continually with system support and limited or eliminated by taking suitable hedging measures. Hence we concentrate primarily on naturally balancing risks by balancing receivables and liabilities at individual subsidiaries and at Group level as well as forward exchange and option transactions. For each currency hedging transaction, a central currency trading platform has to be used. Currencies that are hedged for fluctuations in their exchange rates are in particular the British pound, the US dollar and the Polish zloty. In Eastern Europe, South Eastern Europe and Latin America we pursue a policy of minimizing currency risk with currency congruence in business transactions and with price adjustment mechanisms in long-term agreements. Derivative financial instruments are neither used for trading nor for speculative purposes.

Working capital is continually optimized and inventory impairment risks and bad debt losses are minimized by a central management system. The risk of default in connection with outstanding payments from customers is kept at a low level by customers' credit assessment.

Accounting

The internal control system (ICS) for accounting and financial reporting ensures the completeness, reliability and transparency of financial information. In addition, the appropriateness and efficiency of processes and compliance with statutory, contractual and internal provisions is guaranteed.

The accounting process covers all of 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 uniformed Group guidelines as well as the organization and control of the financial reporting in the Group.

The Supervisory Board and Management Board are reported to regularly, comprehensively and in a timely manner. Compliance with internal Group guidelines and processes concerning the recording, posting and accounting of business transactions is monitored continually. Predefined key control activities have to be verifiably performed and reported on immediately. The data processing systems that are used are developed in a targeted manner and continually improved. The accounting process and financial reporting are reviewed systematically for potential risks and regularly evaluated by the Group’s internal Risk Management. Improvement measures are taken as quickly as possible and implemented swiftly. Focus audits are carried out by the auditor 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 covered in particular through regular, systematic compliance monitoring, guidelines (e.g. Code of Conduct), the four-eyes principle, protective measures in the systems, continual training and internal and external communication.

We deal with “Legal Compliance”, which covers all of the actions and measures that are geared towards compliance with legal regulations and contractual provisions, especially through the position of a Legal Manager, the use of a central “Legal Compliance System” and if necessary by consulting external experts. As a result, the growing risks of violating a law due to ever increasing regulation and sanction-related damages should be prevented.

The failure risk of central data processing is reduced by geographically spread back-up computer centers and a wide range of preventive measures and checks. We counter the risk of an unauthorized intrusion of IT systems among other things with appropriate blockages and periodical intrusion tests.

In addition to the risks listed here, the Group and its subsidiaries may be exposed to further risks. We are not aware of any such risks or consider them to be insignificant.

6 — ENVIRONMENTAL PROTECTION

Responsible environmental protection has always been firmly anchored in the corporate culture of the Mayr-Melnhof Group and an intrinsic part of our business activity. We produce cartonboard using primarily renewable and recyclable raw materials. We use the cartonboard manufacture folding carton packaging for consumer goods, which are almost entirely recyclable after use. The use of cartonboard as a packaging material is therefore, in addition to its product-related technical and economic advantages, also a highly sustainable packaging solution in terms of protection of the environment.

As market and cost leader, we use state-of-the-art, high-performance technology and continual efficiency improvements in order to produce cartonboard and folding carton products at a high degree of competitiveness while conserving resources. Group-wide benchmarking among the locations is aimed to ensure that best practice is implemented in all plants. Although we are among the industry leaders with regard to many specific consumption and emission values, our approach is to continually make use of new potentials and to improve. In part, this is partially only possible to a limited degree or requires technological innovation.

We therefore regularly review and assess our activities as well as new products and processes regarding their impact on the environment, in order to comply with all environmental standards and to make further optimizations possible. Our business activity covers the entire supply chain and includes upstream and downstream areas such as purchasing, transport/logistics and consumption.

Currently we are focusing on continual reduction in specific raw material and energy consumption as well as process optimizations. This is accompanied by division-wide programs and environmental management systems set up at many sites and implemented in close co-operation with R&D.

As of the end of 2012, for three cartonboard mills and seven folding carton production sites, environmental management systems were certified according to ISO 14001. High operational standards and continual improvement in operational quality management are ensured throughout the Group by ISO 9001 certification. In addition, all cartonboard mills and folding carton production sites serving the food industry also are certified in accordance with the hygiene management standard HACCP/EN 15593.

We have been documenting the transparent use of virgin fibers from assured sustainably managed forests through the long-term certification of all cartonboard mills in accordance with FSC and PEFC. In order to ensure traceability throughout the entire value chain (Chain of Custody certification), the number of FSC and PEFC-certified MM Packaging production sites was extended to 15.

The carbon dioxide emission certificates with regard to the use of fossil energy had been allocated to our mills in the EU until the end of 2012. Like in the previous years, there was no shortage in 2012. A follow-up regulation for the period 2013 to 2020 is expected to be passed by the European Parliament in the first half of 2013.

MM Karton and MM Packaging took part again in last year's evaluation of ProCarton concerning the carbon footprint of the folding carton industry which revealed a reduction in the European average of CO₂-equivalent per ton of folding carton compared to 2005 (details: www.procarton.com).

Environmental aspects

MM Karton

Fibers

Around 1.6 million tons of fibers are used annually for cartonboard production. Thereof, three quarters are allotted to recovered paper and one quarter to virgin fibers from sustainably managed and controlled forests. Ongoing optimization programs aim at continually improving the utilization of fibers.

Energy

Natural gas is the primary energy source used in our cartonboard mills. In combined heat and power generating plants we produce steam and electricity with high efficiency for cartonboard production. In addition to our own power generation, we also purchase power from energy supply companies. MM Karton aims to increase its own electricity supply. Under "efficiency", MM Karton is seeking to further reduce its specific energy consumption per ton of cartonboard. Recent projects have focused on the use of new units with higher efficiency, heat recovery measures and preparations for ISO 50001 certification (energy management). Although the production of folding cartons requires less energy than the cartonboard production, we are also pursuing a continual reduction in consumption in this field.

Water

Due to closed circulation systems and efficiency improvements in the production process, total water consumption is being reduced continually. The specific use of fresh water in cartonboard production was further reduced in 2012. In the Frohnleiten mill, for example, specific fresh water consumption has been reduced in the last 20 years from 12.6 liters to 4.6 liters per kilogram of cartonboard.

Exhaust air

No environmentally harmful exhaust air emissions are generated in cartonboard production. Emissions are mainly caused by the burning of fossil fuels in energy production. The occurring emissions are monitored in accordance with legal regulations and the limit values are significantly undercut. The direct exhaust air produced by cartonboard machines consists primarily of steam. MM Karton aims at constantly minimizing its exhaust air emissions in line with the latest technological standards. For this purpose the energy consumption in the production process is evaluated continually.

Waste

Concerning the disposal of waste, the principle of "prevention before recycling before disposal" applies. Waste disposal is performed by authorized waste collectors, recyclers and disposers. Rejects from the processing of recovered paper are thermally converted.

MM Packaging

In 2012 again, MM Packaging emphasized its optimization activities on improving productivity and material usage. With regard to environment-relevant areas, focus was placed in particular on reducing the consumption of raw materials as well as on the prevention, reduction and recycling of waste material.

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 14 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 by the Company, at year-end 2012 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 2013

Although there are indications that the economic decline in the Eurozone is currently slowing down, there are no signs of impulses for private consumption and therefore demand for cartonboard and folding cartons. In fact, the increasingly tense situation in the labor market and the weak development in household income will result in further restraint. For our business this means consolidation in Europe with continued intense price competition and volatile short-term planning by our customers.

On the cost side there have been no signs of any lasting relief so far. Recovered paper prices will continue on their flat trend for the moment, while input factors driven by the crude oil price will remain on a high level. Only by increasing volumes, raising efficiency and improving the sales mix, we will be able to maintain our profit level. This is still the focus of our investment programs. We will continue to concentrate on expanding into future markets, in a vigorous way as well as with the necessary caution.

Vienna, March 5, 2013

The Management Board

Wilhelm Hörmanseder m.p.

Andreas Blaschke m.p.

Franz Rappold m.p.

Oliver Schumy m.p.

Corporate Governance Report

The Mayr-Melnhof Group's business activities are geared responsibly towards sustainable profitability in all areas of its business. For this purpose, we have always consistently complied with the principles of proper Corporate Governance. This ensures the confidence of our shareholders and other stakeholder groups in the management and the control of the company that is in line with long-term value creation. Compliance as the sum of all actions and measures aimed at compliance with laws, codes of conduct, voluntary commitments and other standards, is a key task for the Management Board in the Mayr-Melnhof Group, which is correlated by a Compliance Program that is subject to continual development.

Part of the program is the annual evaluation of compliance with the Austrian Corporate Governance Code, to which Mayr-Melnhof Karton AG has voluntarily committed itself ever since it became effective. The Code is based on the provisions of Austrian stock corporation, stock exchange and capital market laws, EU recommendations as well as the guidelines contained in the OECD Principles of Corporate Governance. The Code is regularly reviewed in accordance with national and international developments and adjusted accordingly. The applicable version of the Code can be found online on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

Adherence to Corporate Governance in the business year 2012 was evaluated on the basis of the relevant amendment of the Code of July 2012. Just as has been the case so far, Mayr Melnhof Karton AG continues to comply 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 to deviations from C Rules in 2012:

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 contract. The economic situation of the company shall not be taken into account. 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.

BOARD MEMBERS

THE MANAGEMENT BOARD

Wilhelm HÖRMANSEDER
Chairman
Member of the Management Board
since March 9, 1994
appointed until December 31, 2014
born 1954

Andreas BLASCHKE
Member of the Management Board
since May 14, 2002
appointed until May 14, 2015
born 1961

Franz RAPPOLD
Member of the Management Board
since May 14, 2002
appointed until May 14, 2015
born 1952

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.

THE SUPERVISORY BOARD

Michael GRÖLLER
Chairman since June 8, 2002
born 1941

Romuald BERTL
Deputy Chairman since March 2, 1994
born 1953

Johannes GOESS-SAURAU
Deputy Chairman since May 7, 2008
Member of the Board since May 18, 2005
born 1955

Nikolaus ANKERSHOFEN
Member of the Board since April 28, 2010
born 1969

Guido HELD
Member of the Board since May 7, 2008
born 1944

Alexander LEEB
Member of the Board since May 7, 2008
born 1959

Georg MAYR-MELNHOF
Member of the Board since May 7, 2008
born 1968

Michael SCHWARZKOPF
Member of the Board since April 29, 2009
born 1961

Hubert ESSER
Member of the Board since May 10, 1995
born 1959
Delegate of the European Staff Council of
MM Karton

Andreas HEMMER
Member of the Board since October 20, 2009
born 1968
Delegate of the European Staff Council of
MM Karton

Gerhard NOVOTNY
Member of the 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 in 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 in the committees of the Supervisory Board

Committee for Management Board Issues (Presidium)

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 GRÖLLER
 Deputy Chairman of the Supervisory Board, RHI AG, Vienna, Austria

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

Independence of the members of the Supervisory Board

The members of the Supervisory Board have orientated themselves towards the guidelines of the Austrian Corporate Governance Code for determining the criteria of their independence. The criteria are published on the Company's website at <http://www.mayr-melnhof.com/en/about-mm/governance/independence-supervisory-board.html>.

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

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 of Mayr-Melnhof Karton AG holds regular meetings on material Group-relevant and division-relevant topics. 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.

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

Committee for Management Board Issues (Presidium)

This committee decides on issues concerning the Management Board in accordance with statutory provisions and also fulfills the appointment and compensation committees' functions. The quality of the committee's work is guaranteed by its long-time experience and know-how in compensation policy.

Audit Committee

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

It is guaranteed that the Supervisory Board and the Committees can 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.

Focuses of the Supervisory Board

The Supervisory Board held six meetings in the business year 2012, 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 the current business development, key aspects were above all the implementation of the strategy within the individual segments, acquisition projects, planned investments and financing activities and the medium term planning.

The efficiency of the activities of the Supervisory Board was ensured by its organization and regular exchange of information.

Focus of the Committees of the Supervisory Board

The Committee for Management Board Issues (Presidium) met four times in 2012. Matters concerning the Management Board were addressed and Supervisory Board meetings were prepared. The implementation of the 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 2012, the Audit Committee held two meetings and fulfilled its statutory duties. The central points were related to the financial statements of the Group and the individual financial statements 2011 as well as the preparation of the respective financial statements 2012.

Advancement of women as members of the Management Board or 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. Diversity is supported on a broad basis. Being an attractive employer for women in technical occupations is becoming increasingly important.

Compensation of the Management Board

The compensation of the members of the Management Board is orientated towards the responsibility, personal performance and tasks covered 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 contains fixed and variable components. The variable compensation depends above all on sustainable, long-term and multi-year performance criteria without giving cause for taking unreasonable risks. 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 and the return on capital employed. The variable compensation of the members of the Management Board is paid on the basis of the data audited by the auditor in the year following the year of their economic reference base.

In the business year 2012, the total amount of compensation of the members of the Management Board was thous. EUR 3,925. Thereof, thous. EUR 1,715 were allocable to fixed compensation and thous. EUR 2,210 to variable compensation. The compensation of each member is comprised as follows: Wilhelm Hörmanseder accounts for a fixed compensation of thous. EUR 667 and a variable compensation of thous. EUR 850, Franz Rappold accounts for a fixed compensation of thous. EUR 371 and a variable compensation of thous. EUR 468, Andreas Blaschke accounts for a fixed compensation of thous. EUR 369 and a variable compensation of thous. EUR 467 and Oliver Schumy a fixed compensation of thous. EUR 308 and a variable compensation of thous. EUR 425.

Regarding the company pension scheme there is an entitlement to receive a portion of the fixed pension amount upon retirement depending on the qualifying period.

In case the function is terminated, 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 in 2011 amounted to thous. EUR 235. The allocation of the total compensation among the members shall be the Supervisory Board's responsibility. The members of the Supervisory Board were not granted any additional compensation.

Information on Corporate Governance is regularly provided on the Group's website at <http://www.mayr-melnhof.com/en/about-mm/governance.html>.

Audit

Upon the Supervisory Board's recommendation, Grant Thornton Unitreu GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed Group and Company auditor of Mayr-Melnhof Karton AG by the 18th General Meeting of April 25, 2012 and will also audit the individual financial statements of the Austrian subsidiaries.

In the business year 2012, of the expenses for the services rendered by Grant Thornton Unitreu, thous. EUR 370 were attributable to auditing and other certification services and thous. EUR 3 to other services.

Compliance

In order to prevent insider transactions, 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.

Any director's dealings are regularly published on the Company's website at <http://www.mayr-melnhof.com/unternehmen/governance/directors-dealings.html> immediately upon information of the Company.

Vienna, March 5, 2013

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 2012, 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 the individual segments, acquisition and investment projects as well as financing.

In the meetings of the Supervisory Board and Committees there was always sufficient opportunity to discuss in detail the respective agenda items and the documents submitted on time. In justified cases decisions were also made outside of the meetings by way of a circular procedure in writing.

Between 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 six meetings with the participation of the Management Board. Each member of the Supervisory Board attended at least five meetings. The Committee for Management Board Issues convened four times, the Audit Committee held two meetings.

The interaction of the capital and employee representatives was characterized by a cooperative atmosphere of all participants.

The annual financial statements and the management report of Mayr-Melnhof Karton AG for the year ending December 31, 2012 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 245a 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 present fairly, in all material respects, 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 2012.

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, 2012. Thus, the 2012 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 2012.

The members of the Supervisory Board extend their recognition and thanks to the Management Board and all employees of the Mayr-Melnhof Group for their high achievements and dedicated efforts during the financial year 2012.

Vienna, March 2013

Michael GRÖLLER

Chairman of the Supervisory Board

MM Shares

Our shares performed very well in 2012 in an overall positive trading environment. After a price of EUR 65.51 at last year's end, the year closed with a price of EUR 80.88. This corresponds to an increase in value of over 23 %. Investor Relations activities focused on positioning MM as a solid market leader in the European cartonboard and folding carton markets that is concentrated on continuity with a growing presence outside of Europe. Throughout the trading year we were accompanied by positive analyst recommendations and a sustained high level of interest from international investors.

The share

The share of Mayr-Melnhof Karton AG has been listed on the Vienna Stock Exchange for 19 years. The IPO was on April 21, 1994 at a converted price of EUR 26.16. In the trading year 2012 the share was listed in both the ATX and the ATX Prime (index with special additional requirements such as higher transparency criteria and minimum capitalization).

The company's equity capital of EUR 80 million is divided into 20 million bearer shares with equal voting rights. Options for Mayr-Melnhof shares are traded on the Austrian Futures and Options Exchange, an integrated part of the Vienna Stock Exchange. Since 1998 there has been a Sponsored Level 1 ADR (American Depositary Receipt) program with the Bank of New York Mellon. ADRs are in US dollar and are traded over the counter (OTC), whereby four ADRs equal one share of common stock.

Stock markets 2012

The year started with share price gains and a general reduction in market volatility. At the start of the second quarter, however, the attention turned again to the debt crisis in some European countries, resulting once more in growing concerns in markets and significant price adjustments. With a rise in confidence following elections in some European countries, an upward trend started from the middle of the year which continued to the end of the year, although it was somewhat volatile.

Share price developments on the Vienna Stock Exchange were also characterized by relatively strong fluctuations in 2012. Following an upward trend from June, the leading ATX index closed at just over 2,400 points, representing a rise of 26.9 %. Although the Euro Stoxx 50 was well below its historic high despite a rise of 13.8 %, the DAX approached its high in recording a rise of 29.1 %. The sharp adjustment in November resulted in the Dow Jones Industrial being among the weaker performing indices in 2012 with a rise of 7.3 %.

Treasury shares

The 15,260 own shares were utilized in the course of an increase in a participation, thus the Group no longer held any own shares as of December 31, 2012.

Shareholder structure

The shareholder structure of our Group was again characterized by high stability in 2012. Around 59 % of the share capital is held by the core shareholder families, who thereby represent the largest shareholder. The remaining shares are wide-spread and are mainly held by long-term oriented institutional investors in Europe.

Sustainable 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 positive results in the business year 2012, the Management Board will propose to the 19th Annual General Meeting on April 24, 2013 a dividend of EUR 2.25 per share (2011: EUR 2.10 / share). This corresponds to a total amount paid of EUR 45.0 million (2011: EUR 42.0 million) and a payout ratio of 37.7 % (2011: 34.9 %). Based on the average share price in 2012, a dividend yield of around 3.0 % could be achieved.

Investor Relations

The guiding idea behind our Investor Relations program is a continual, open and personal dialogue with our institutional and private investors, analysts, journalists and the interested public. We thereby aim to provide all participants in the financial community at any time with an accurate view of the Group in order to facilitate an adequate valuation of the MM share.

We attach the highest priority to the principle of treating all shareholders equally. Therefore current and price-relevant data is simultaneously and identically published via an electronic distribution medium and on the website of Mayr-Melnhof Karton AG.

In 2012 again, we used primarily established instruments such as roadshows and investor conferences in order to initiate or intensify the dialogue with as many investors as possible. The local focus was on the financial centers in Europe and the USA. A large number of international analysts are supported by Investor Relations and cover the Group on a regular basis.

Exchange and cancellation of effectively issued share certificates

In accordance with legal regulations, Mayr-Melnhof Karton AG is obliged to replace all bearer share certificates still in circulation (effective share certificates) with a collective instrument and, if necessary, to declare as void any bearer share certificates that have not been presented pursuant to the Austrian Stock Corporation Act. As of September 27, 2012, the respective process of exchange was completed in time. 2,082 shares have not been presented for exchange and have been declared as void.

Upon cancellation, effectively issued share certificates lose their status as securities. The property position as shareholder remains unaffected. Remaining owners of share certificates can demand a credit note on their securities deposit any time from UniCredit Bank Austria AG, 1010 Vienna, Schottengasse 6-8, as tender agent or from the custodian bank during ordinary business hours by the submission of effective share certificates declared void.

As of September 28, 2012 only those shares that are securitized in collective certificates will be listed and traded as common shares on the Vienna Stock Exchange.

Shareholders' Club

The Shareholders' Club is a free-of-charge service provided by Mayr-Melnhof Karton AG. All shareholders registered in our Shareholders' Club and interested investors regularly receive company reports of Mayr-Melnhof Karton AG via postal mail. Furthermore, press releases are sent via e-mail. Our investor relations department will be happy to accept your registrations.

It is our objective to continuously improve our investor relations activities. Therefore, we are always grateful for improvement suggestions.

Your contact to Mayr-Melnhof Investor Relations

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

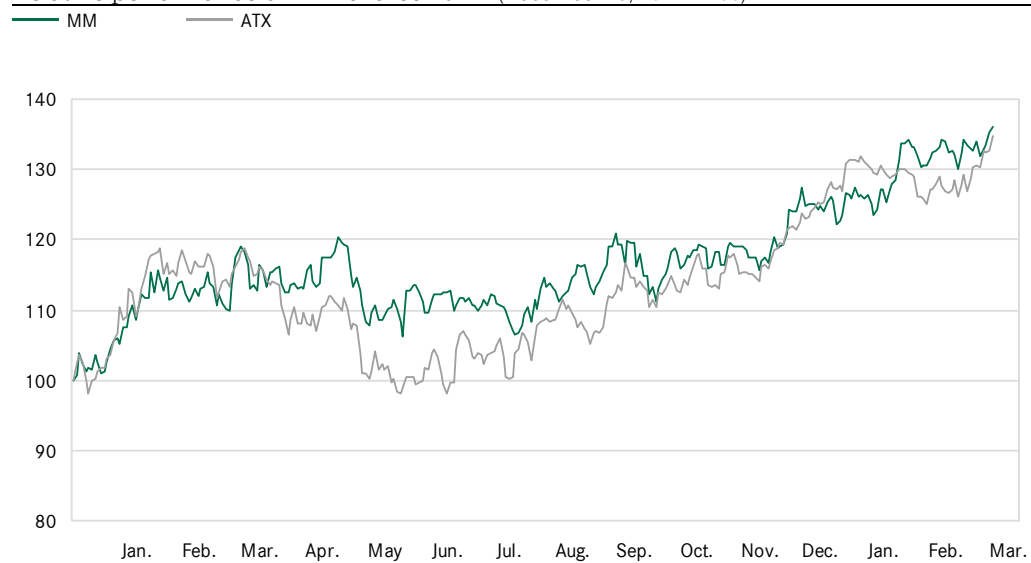
ADR Level 1: MNHFY

Reuters: MMKV.VI

Bloomberg: MMK:AV

Share price chart

Relative performance of MM shares 2012 (December 29, 2011 = 100)



Share performance indicators

Stock price per share (in EUR)	2010	2011	2012
High	88.79	88.70	83.50
Low	66.50	61.35	66.02
Year-end	87.06	65.51	80.88
Stock performance (as of Dec. 31)			
-1 month	+9.2 %	+3.8 %	-0.6 %
-3 months	+14.5 %	-3.1 %	+9.9 %
-9 months	+19.6 %	-25.8 %	+6.7 %
Relative performance (year-end)			
MM Shares	+20.9 %	-24.8 %	+23.5 %
ATX	+16.4 %	-34.9 %	+26.9 %
Share performance indicators (in EUR)			
Earnings per share ¹⁾	5.39	5.91	5.96
Cash earnings per share ¹⁾	9.35	9.77	10.19
Total equity per share ²⁾	47.92	49.75	54.14
Dividend per share	1.95	2.10	2.25 ⁵⁾
Dividend ²⁾ (in millions of EUR)	38.97	41.97	45.00 ⁵⁾
Dividend yield per average share price	2.6 %	2.8 %	3.0 %
Trading volume			
Vienna Stock Exchange ³⁾ (in EUR)	1,831,852	1,899,009	949,315
Number of shares issued	20,000,000	20,000,000	20,000,000
Own shares ⁴⁾	15,260	15,260	0
Free float ⁴⁾	8,281,460	8,281,460	8,296,720
Market capitalization ⁴⁾ (in millions of EUR)	1,740	1,309	1,618
ATX weighting ⁴⁾ (in %)	2.23 %	2.28 %	2.13 %

¹⁾ average shares outstanding²⁾ shares issued as of Dec. 31³⁾ daily average⁴⁾ as of Dec. 31⁵⁾ proposed

Corporate Responsibility

Responsibility, performance and passion have been the core values of our corporate culture characterized by trust, integrity, efficiency and transparency for generations. They guide us and are consistent with the following principles of behavior of the Mayr-Melnhof Group also summarized in the Group's Code of Conduct and serve as a guideline for all employees. They include the universal UN Global Compact principles and officially document the long-term focus of the MM Group on the principles of Corporate Social Responsibility.

Compliance with laws

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

Human rights

We commit ourselves to observing the human rights within our sphere of influence and reject any form of forced labor in our companies and 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 we 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 see the diversity of our employees as an asset that enables us to fulfill our tasks in an even more creative and better way. We reject any discrimination and harassment for reasons of gender, race, skin, religion, age, national/ethnic descent, disability or sexual orientation. Employees and job applicants are assessed following the principle of non-discrimination.

Employee development

We develop the potential of our workforce systematically for the future of our Company. In doing so, we pay attention to the development of the 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 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 effective regulations concerning working time. We acknowledge the entitlement of our workforce to adequate remuneration and observe the legal stipulations 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 individual standards for safety and health in the workplace are observed. Appropriately suitable measures, such as continued evaluation and training, are geared to continuously improve 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 separate the interests of the Company strictly 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.

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.

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 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 higher responsibility towards our environment.

Business associates

We expect our business associates to meet 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 a basic attitude of the Mayr-Melnhof Group. They cannot be regarded, however, as the 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/en/corporate-responsibility/code-of-conduct.html>

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Consolidated Balance Sheets

(all amounts in thousands of EUR)	Notes	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Property, plant and equipment	7	624,113	594,585
Intangible assets including goodwill	7	88,314	86,027
Securities and other financial assets	8	11,244	5,397
Deferred income taxes	10	11,057	9,126
Non-current assets		734,728	695,135
Inventories	11	259,657	244,503
Trade receivables	12	253,984	235,859
Income tax receivables		16,026	11,225
Prepaid expenses and other current assets	13	32,963	31,105
Cash and cash equivalents		330,063	348,755
Current assets		892,693	871,447
TOTAL ASSETS		1,627,421	1,566,582
EQUITY AND LIABILITIES			
Share capital	14	80,000	80,000
Additional paid-in capital	14	172,658	172,658
Treasury shares	14	0	(904)
Retained earnings	14	850,697	773,160
Other reserves	14	(20,586)	(30,768)
Equity attributable to shareholders of the Company		1,082,769	994,146
Non-controlling (minority) interests		6,007	11,795
Total equity		1,088,776	1,005,941
Interest-bearing financial liabilities	15	105,089	65,591
Financial lease liabilities	15	0	2,541
Provisions for other non-current liabilities and charges	16	71,850	72,442
Deferred income taxes	10	17,174	16,526
Non-current liabilities		194,113	157,100
Interest-bearing financial liabilities	15	52,352	72,160
Financial lease liabilities	15	0	638
Liabilities and provisions for income tax	17	5,621	13,234
Trade liabilities	18	154,495	146,865
Deferred income and other current liabilities	19	50,672	88,101
Provisions for other current liabilities and charges	20	81,392	82,543
Current liabilities		344,532	403,541
Total liabilities		538,645	560,641
TOTAL EQUITY AND LIABILITIES		1,627,421	1,566,582

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, 2012	Year ended Dec. 31, 2011
Sales		1,952,155	1,959,577
Cost of sales		(1,527,981)	(1,542,782)
Gross margin		424,174	416,795
Other operating income	22	12,394	9,441
Selling and distribution expenses		(180,140)	(172,347)
Administrative expenses		(90,131)	(82,432)
Other operating expenses		(177)	(567)
Operating profit		166,120	170,890
Financial income	26	2,603	4,367
Financial expenses	27	(5,235)	(6,423)
Other financial result – net	28	(3,289)	(7,019)
Profit before tax		160,199	161,815
Income tax expense	10	(40,689)	(43,142)
Profit for the year		119,510	118,673
Attributable to:			
Shareholders of the Company		119,065	118,180
Non-controlling (minority) interests		445	493
Profit for the year		119,510	118,673
Earnings per share for profit attributable to the shareholders of the Company during the year:			
Basic and diluted average number of shares outstanding		19,985,282	19,984,740
Basic and diluted earnings per share		5.96	5.91

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, 2012	Year ended Dec. 31, 2011
Profit for the year¹⁾	119,510	118,673
Profit (loss) directly recognized in equity:		
Foreign currency translations	10,082	(11,160)
Total profit (loss) directly recognized in equity (net)¹⁾	10,082	(11,160)
Total profit for the year	129,592	107,513
Attributable to:		
Shareholders of the Company	129,247	107,071
Non-controlling (minority) interests	345	442
Total profit for the year	129,592	107,513

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

¹⁾ In the financial year 2012 an amount of thous. EUR -3,419 (2011: thous. EUR -3,471) 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	Treasury shares	Retained earnings	Profit (loss) directly recognized in equity				
					Foreign currency translations	Other reserves	Total			
Balance at Jan. 1, 2011		80,000	176,453	(904)	721,873	(19,659)	(19,659)	957,763	25,356	983,119
Total profit for the year					118,180	(11,109)	(11,109)	107,071	442	107,513
Dividends paid					(38,970)			(38,970)	(550)	(39,520)
Reclassifications	14		(3,795)		3,795				0	0
Acquisition and increase of majority interests	14				(31,718)			(31,718)	(13,453)	(45,171)
Balance at Dec. 31, 2011		80,000	172,658	(904)	773,160	(30,768)	(30,768)	994,146	11,795	1,005,941
Total profit for the year					119,065	10,182	10,182	129,247	345	129,592
Dividends paid	14				(41,968)			(41,968)	(436)	(42,404)
Acquisition and increase of majority interests	14			904	440			1,344	(5,697)	(4,353)
Balance at Dec. 31, 2012		80,000	172,658	0	850,697	(20,586)	(20,586)	1,082,769	6,007	1,088,776

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, 2012	Year ended Dec. 31, 2011
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit for the year		119,510	118,673
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Income tax expense	10	40,689	43,142
Depreciation and amortization of property, plant and equipment, and intangible assets	7	85,787	84,234
Gains (losses) from disposals of property, plant and equipment, and intangible assets	22	(3,694)	(674)
Financial income		(2,603)	(4,362)
Financial expense		5,235	6,423
Share of profit (loss) of associated companies and other investments		(454)	(341)
Other		(908)	190
Net cash provided by profit		243,562	247,285
Changes in working capital:			
Inventories		(11,142)	12,633
Trade receivables		(17,122)	(8,977)
Prepaid expenses and other current assets		907	8,500
Trade liabilities		7,590	(21,215)
Deferred income and other short-term liabilities		(800)	1,042
Provisions for other short-term liabilities and charges		(798)	7,210
Changes in working capital		(21,365)	(807)
Cash flow provided by operating activities excluding interest and taxes paid		222,197	246,478
Income taxes paid		(54,813)	(48,889)
Net cash provided by operating activities		167,384	197,589
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from disposals of property, plant and equipment, and intangible assets		5,346	1,932
Purchases of property, plant and equipment, and intangible assets		(102,714)	(125,231)
Acquisitions of companies or businesses, net of cash and cash equivalents acquired (2012: thous. EUR 0; 2011: thous. EUR 2,036)	6	(55,047)	(24,185)
Proceeds from disposal of companies or businesses, net of cash and cash equivalents disposed (2012: thous. EUR 16)	6	609	0
Disposals and purchases of securities and other financial assets		(5,102)	165
Dividends received		385	341
Interest received		2,502	4,443
Net cash provided by/used in investing activities		(154,021)	(142,535)
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid		(5,711)	(5,869)
Issuances of interest-bearing financial liabilities		40,294	19,074
Repayments of interest-bearing financial and financial lease liabilities		(25,288)	(11,543)
Treasury shares	14	1,000	0
Dividends paid to the shareholders of the Company	14	(41,968)	(38,970)
Dividends paid to non-controlling (minority) shareholders		(436)	(550)
Net cash used in financing activities		(32,109)	(37,858)
Effect of exchange rate changes on cash and cash equivalents		54	(445)
Net increase in cash and cash equivalents		(18,692)	16,751
Cash and cash equivalents at the beginning of the year		348,755	332,004
Cash and cash equivalents at the end of the year		330,063	348,755

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

Notes to the Consolidated Financial Statements

1 — BASIC INFORMATION

The Mayr-Melnhof Group

Mayr-Melnhof Karton AG and its subsidiaries (“the Group”) are primarily engaged in manufacturing and selling cartonboard and folding cartons within Europe. The parent company of the Group is Mayr-Melnhof Karton AG, located at Brahmssplatz 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 21): 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. MM Packaging converts cartonboard into industrial printed folding cartons mainly for the food industry (e.g. cereals, dried foods, sugar, confectionary 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”) and by the International Financial Reporting Interpretations Committee (“IFRIC”) 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 liabilities or claims 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 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 at the end differ from those estimates and assumptions.

The present consolidated financial statements have been prepared by the Management Board as of March 5, 2013 and will be presented to the Supervisory Board for review and approval.

All amounts herein, except share data and per share amounts, are specified in thousands of Euro unless otherwise stated.

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 IFRS and IFRIC interpretations, as published in the Official Journal of the European Union and with an effective date no later than December 31, 2012, were taken into consideration.

Standard	Content	Effective
IFRS 7	Financial instruments: Disclosures: Further disclosure requirements regarding the transfer of financial assets	2012

If applicable, the effective regulations were adopted in the present consolidated financial statements, with no considerable impact on the presentation of the financial situation and profitability.

Furthermore, the following Standards and Interpretations, which were not yet compulsorily applicable for the financial year 2012, have been changed since December 31, 2012.

Standard	Content	Effective
IFRS 7	Financial instruments: Disclosures: Offsetting financial assets and financial liabilities	2013
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
IFRS 13	Fair value: Guidelines for measuring of fair value and associated disclosures	2013
IAS 1	Presentation of the financial statements: Presentation of certain positions of other comprehensive income	2013
IAS 12	Income taxes: Deferred taxes: realization of underlying assets	2013
IAS 19	Employee Benefits: Immediate recognition of changes in the defined benefit obligation and the fair value of plan assets at the time of occurrence	2013
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

The possibility of earlier application of the mentioned regulations was not used.

With the exception of the revised version of IAS 19 "Employee benefits", which is described below, the remaining regulations from today's point of view will not have any significant impact on the Group's financial statements and financial position.

First time adoption of the revised version of IAS 19 "Employee benefits" will lead to an increase in provisions for pensions and severance payments against equity (retained earnings) in the Group's balance sheet with no impact on income in the amount of thous. EUR 26,093. This amount represents unrecognized actuarial gain and loss from the yearly valuation of pension and other benefit obligations (see note 16).

So far these amounts were recognized in the Group's income statement, if they exceeded a certain range (corridor), distributed through average working life of those employees for whom the relevant obligations were created. In the future these amounts will be directly presented in other comprehensive income of the Group's comprehensive income statement.

Therefore, this represents only a different presentation and disclosure of pension and other benefit obligations. The underlying valuation method remains unchanged.

3 — SUMMARY OF SIGNIFICANT ACCOUNTING AND RECOGNITION PRINCIPLES

Presentation of the consolidated financial statements

The present consolidated financial statements are prepared in accordance with IAS 1 "Presentation of financial statements". The consistency of presentation has been considered.

Consolidation principles and methods

The consolidated financial statements and notes thereto include the accounts of Mayr-Melnhof Karton AG ("the Company") and all controlled, wholly and majority-owned subsidiaries, except those in which control is temporary or does not reside within the Group. Control exists in cases in which the Company has the ability to fully govern the operating and financial policy of a subsidiary.

The subsidiaries which were acquired or disposed of during the financial year are consolidated depending on the acquisition or disposal date. Provided that no put option for the purchase from the purchaser against the Group exists, the changes in participation rates, which do not lead to a change in control (obtaining or losing the control) over the subsidiaries are reported only as equity transactions in the balance sheet and therefore have no impact on the consolidated income statement.

Non-controlling (minority) interest represents the non-controlling (minority) shareholders' proportionate share of the equity and profit in several majority-owned subsidiaries of the Company. The minority interests are presented in the consolidated balance sheet within equity, but separated from the shareholders' equity.

All effects of intercompany transactions have been eliminated.

Business Combinations

According to IFRS 3 “Business Combinations”, all acquisitions of companies and businesses shall be accounted for using the purchase method. The acquired identifiable assets and liabilities are recognized at their fair values effective at the acquisition date. Thereby, the cost of the acquired interest is offset against the acquirer’s interest in equity at the acquisition date. Accordingly, the non-controlling (minority) interest of the remaining shareholders shall also be recognized at fair value of their interest in equity. A remaining excess of the purchase price over the fair value of the equity interest acquired shall be capitalized as goodwill. Negative goodwill as well as the acquisition-related costs shall be recognized immediately in the income statement. In case of an increase of majority interests the difference between the costs of acquisition or the contractually fixed obligation and the carrying amount of the additionally purchased non-controlling (minority) interests is recognized directly in equity.

Investments in associated companies and other investments

Investments in companies in which the Company has the ability to exercise significant influence, but not dominant control, over its operating and financial policy, are accounted for under the equity method, which is generally the case if the voting interest is between 20 % and 50 %. All other investments are accounted for at cost or fair value as appropriate.

Foreign currency translation

The assets and liabilities of foreign subsidiaries with a functional currency other than the Euro, are translated into Euro using exchange rates in effect at 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.

Exchange 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 at Dec. 31, 2012	Exchange rate at Dec. 31, 2011	Annual average exchange rate 2012	Annual average exchange rate 2011
		1 EUR =	1 EUR =	1 EUR =	1 EUR =
Bulgaria	BGN	1.96	1.96	1.96	1.96
Chile	CLP	633	675	631	672
Colombia	COP	2,353	-	2,344	-
Czech Republic	CZK	25.15	25.79	25.19	24.63
Denmark	DKK	7.46	7.43	7.44	7.45
Great Britain	GBP	0.82	0.84	0.81	0.87
Iran	IRR	16,197	14,465	15,704	14,702
Jordan	JOD	0.94	0.92	0.92	0.99
Malaysia	MYR	4.03	4.25	4.00	-
Poland	PLN	4.09	4.42	4.19	4.12
Romania	RON	4.44	4.32	4.45	4.24
Russia	RUB	40.23	41.67	40.10	40.97
Switzerland	CHF	1.21	1.22	1.21	1.23
Tunisia	TND	2.05	1.94	2.01	1.96
Turkey	TRY	2.35	2.44	2.31	2.32
Ukraine	UAH	10.54	10.30	10.30	11.08

Revenue recognition

The Group recognizes revenue when convincing evidence of an arrangement exists, products are shipped to customers, the price of the transaction is fixed and determinable, and payment is reasonably assured. Revenues are recorded net of discounts, such as sales incentives, customer bonuses and rebates granted.

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	8–15 years
Other equipment, fixtures and fittings	4–10 years

It is the policy of the Group to capitalize 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 directly attributable material and manufacturing overhead costs including depreciation.

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 the present value of the non-cancelable minimum lease payments, recording a corresponding lease obligation as liability. For all remaining lease transactions (“Operating Lease”), the lease-related payments are recognized as expense as incurred.

Goodwill

According to IFRS 3 “Business Combinations”, goodwill is not amortized but tested for impairment on an annual basis. The recoverability evaluation of goodwill is performed at least annually or when it is evident that an impairment exists.

Goodwill allocation

For impairment testing the total book value of goodwill has been allocated to the respective two cash generating units, which correspond to both reported operating segments MM Karton and MM Packaging, as follows:

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Goodwill MM Karton	5,019	4,884
Goodwill MM Packaging	60,913	59,782
Goodwill Group	65,932	64,666

Any possible impairment will be recorded in the amount for which the book value of the respective cash generating 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 respective cash generating operating segment. The respective recoverable amount will be determined based on the calculation of value in use of each operating segment.

Calculation of value in use

Value in use will be 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):

Free Cash Flows	Free cash flow is calculated based on planned EBITDA for the following financial year (detailed forecast period) from which the free cash flows for the further period under consideration are derived.
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 5.93 % (2011: 6.86 %). Cost of equity is derived from a general risk premium, by which the Group's specific risk premium is taken into consideration by applying the beta factor. These are calculated annually based on publicly available market data. Borrowing costs represent the actual cost of interest-bearing debt.
Market share	Provided that there is no contrary information, the market share is assumed to be stable.
Growth rate	To project the following six years, values of the detailed forecasting period are extrapolated by a growth rate of 3 % p.a. (2011: 3 % p.a.)
Gross margin/Cost development	Provided that there is no contrary information, a stable gross margin and fix cost development is assumed.
Depreciation/Capital expenditure	Medium-term capital expenditure planned annually represents at least the planned annual depreciation (maintenance of asset value).
Period	The period to calculate the respective value in use is 7 years, whereas the cash flows for the following 6 years are extrapolated based on the approved financial budget (detailed forecast period) for the following financial year.

In case that, using this procedure and these underlying assumptions, it is identified that the recoverable amount is lower than the respective book value of the cash generating operating segment including the relevant goodwill assigned, the difference is recorded as impairment. The Group has effected its annual impairment testing as of December 31, 2012 and December 31, 2011. Neither in 2012 nor in 2011 was goodwill amortized as a result of an impairment.

Underlying assumptions sensitivity

Regarding the influencing parameters for calculating the value in use, such as discount rate, market share, growth rate, gross margin/cost development and depreciation/capital expenditure assumptions were made.

From today's perspective there is reasonable assurance that no such significant changes of one or more underlying assumptions used for determining the value in use of both operating segments are expected, which would result in the book value of the respective operating segments including goodwill assigned to this segment exceeding the recoverable amount in the following financial year.

As of December 31, 2012 the Group's market capitalization amounted to thous. EUR 1,617,600 and the book value of the equity amounted to thous. EUR 1,088,776.

Other intangible assets

Acquired intangible assets which are determined to have a finite useful life including licenses, 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 the following criteria can be verified and are met cumulatively: it has to be possible among other criteria to use or sell internally generated intangible assets and, additionally, future economic benefits for the Group have to be achieved. Neither as of December 31, 2012, nor as of December 31, 2011, have development costs been capitalized.

In the course of the implementation of the Kyoto Protocol, Directive 2003/87/EC came into force within 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. These emission rights have been allocated free of charge to the Group's respective production sites for the period from January 1, 2008 to December 31, 2012.

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 as 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, 2012 and 2011, 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 that have occurred and circumstances that have changed indicate that the carrying amount of an asset or a group of assets exceeds 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 reasons for an impairment no longer exist, a revaluation has to be conducted.

Financial instruments

Financial instruments consist of financial assets and financial liabilities, which are recognized as soon as the contractual liability has arisen.

The financial assets of the Group consist of securities, other financial assets, loans receivable and trade receivables, other receivables and investments (except for tax assets), cash equivalents as well as derivative financial instruments.

The financial assets are classified and measured as follows:

Classification	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
Financial receivables , e.g. trade receivables, loans receivables	At amortized costs

Financial liabilities of the Group comprise interest-bearing financial liabilities, trade liabilities, other liabilities (except for tax liabilities and obligations for personnel and social costs) as well as derivative financial instruments.

Financial liabilities are classified and measured as follows:

Classification	Measurement
Financial liabilities at amortized costs, e.g. interest bearing financial liabilities, trade liabilities	At amortized cost using the effective interest method
At fair value through profit and loss, e.g. derivatives, share purchase price and option liabilities	At fair value through profit and loss

The Group uses the following hierarchy to agree on the measurement method and identification of fair value considering the availability of market price information:

Availability of information, broken down by levels	Measurement method used
Level 1 – Listed market prices are available	Measurement based on listed market prices of identical financial instruments
Level 2 – Listed market prices for similar instruments are available	Measurement based on a derivation of listed market prices of similar financial instruments
Level 3 – There are no (derived) market prices available	Measurement based on valuation models by using the input factors, which cannot be observed on the market

All financial instruments of the Group measured at fair value are recognized on Level 1 (e.g. securities), Level 2 (e.g. derivatives) or Level 3 (e.g. option liabilities).

Derivative financial instruments

The Group uses derivative financial instruments to avoid exchange rate, interest and raw material price risks. Derivative financial instruments are recognized at fair value as assets or liabilities. The fair value corresponds to prices which are determined in active markets for identical assets or liabilities. Gains and losses resulting from changes in the fair value of derivative instruments are either recognized in the income statement or in other comprehensive income, depending on the purpose and the fulfillment of certain conditions.

A Fair Value Hedge refers to hedging the market value. Changes in the fair market value are recognized in profit or loss as incurred, whereas the impact in earnings is compensated by a corresponding measurement of the underlying transaction.

A Cash Flow Hedge refers to hedging future cash flows. In case of a Cash Flow Hedge, the effective portion of the change in fair value is recognized in other comprehensive income. Once the underlying transaction affects profit or loss, any gain or loss on the hedging instrument that was previously recognized directly in other comprehensive income is “recycled” into the income statement.

Inefficiencies, classified as a non-complete hedge of the underlying instrument by the derivative instrument, were of insignificant importance to derivative instruments classified as Fair Value Hedge both in 2012 and 2011.

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 measured at present value in reference to an active market. The corresponding unrealized profit and loss, unless it represents a permanent loss, is directly recognized as other income (expenses) in the consolidated comprehensive income statement, net of deferred income taxes. Realized profit and loss from the sale of securities that is 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 measured by applying the effective interest rate method of amortized cost. Premiums and accretion 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 to third parties and other financial investments. Investments in associated companies and other investments are defined under the category “Available-for-sale financial assets”, but in general these investments are recognized at amortized cost, as no active market exists for these investments and the respective fair values cannot be reliably measured with economically justifiable effort. In case of an indicated lower fair value, this value is recorded. Loans to third parties are classified under measurement category “Financial assets” measured at cost less accumulated depreciation, whereas non-interest and low-interest-bearing loans are recognized at present value. All remaining other investments are impaired in case of a permanent reduction in value. In case that the reasons for impairment no longer exist, a revaluation has to be conducted.

Cash and cash equivalents

Cash and cash equivalents include cash, checks and short-term demand deposits at financial institutions. 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 Group’s cash flow statement.

Receivables and other assets

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

Liabilities

Non-current as well as current liabilities including financial liabilities are classified under measurement category "Financial liabilities" and recognized at amortized cost. Thus, current liabilities are as a rule stated at cost, which is the consideration to be paid. Those liabilities, which represent the underlying transaction of a fair value hedge, are measured according to their fair value in the income statement.

Current and deferred taxes

The current tax expense is recognized according to the tax law of the countries, in which the subsidiaries are active and obtain their taxable income.

Deferred tax assets and liabilities are accounted for in accordance with IAS 12 "Income Taxes" for all temporary differences between the tax basis of existing assets and liabilities and their value in the financial statements. In this context, those enacted statutory tax rates have to be applied which are applicable in future periods in which these differences will be reversed. Permanent differences are not included in the calculation of deferred taxes. Furthermore, deferred tax assets are recorded for those tax loss carryforwards which can be utilized. If the realization of deferred tax assets becomes improbable, a valuation allowance will be recorded. Deferred tax assets will be offset with deferred tax liabilities if they relate to income taxes levied by the same tax jurisdiction, the same tax period and if there is the right to set off tax assets against tax liabilities.

The effect of tax rate changes on deferred tax assets and liabilities is recognized in income tax expense in the period of a tax rate change. In case of a distribution of retained earnings of certain subsidiaries an increase of the tax burden can occur under current tax jurisdictions and existing tax treaties, for which 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 taking 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 material, labor and manufacturing overhead costs. Allowances for slow moving and obsolete inventories are recognized considering the storage period and sales situation. Operating supplies and spare parts 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, issue and cancellation of treasury shares is recognized directly in equity. Any differences between book value 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 represent non-controlling (minority) shareholders' investments in Group companies or business units other than Mayr-Melnhof Karton AG. At the date of first-time consolidation, these interests are generally recorded as proportionate share of net assets (equity) in the respective company or business unit and are carried forward considering the share of profit or loss, paid dividends as well as contributions to and returns of capital.

If the non-controlling (minority) shareholder has been provided with a put option, this right has to be accounted for as an option liability – if reliably measurable – and has to be revalued annually until exercise (or expiry) according to IAS 32. This is also applicable to interests in partnerships with non-controlling (minority) shareholders who are entitled to resign.

In case that the opportunities and risks relating to the amount of the put option price are within the scope of the non-controlling (minority) shareholder as well as within the scope of the Group, a non-controlling (minority) interest is still recognized in the balance sheet and a possible goodwill resulting from the purchase of the majority interest is capitalized proportionally to the acquired majority share ("Proportional Goodwill Method"). This is particularly applicable if the put option price is calculated as a multiple of the actually generated earnings and thereby changes in the valuation in favor / at the expense of the non-controlling (minority) shareholder as well as the Group are possible.

In case that the opportunities and risks relating to the amount of the put option price are exclusively within the scope of the Group, no non-controlling (minority) interest is recognized and a possible goodwill resulting from the purchase is capitalized in its full amount ("Full Goodwill Method"). This is particularly applicable if a minimum amount for the put option price has been agreed upon and therefore (positive) changes in the valuation are only possible at the expense of the Group.

The option liability is presented in current or non-current liabilities, depending on the first-time exercise date agreed upon. Provided that in individual cases the stipulation permits an exercise before maturity, the option is certainly shown as a current liability.

The results of annual valuations of the option liability and profit distribution to the non-controlling (minority) shareholder are reported under "Other financial result – net".

Other non-current provisions

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. Actuarial gains and losses are recognized in the income statement in accordance with IAS 19 using the corridor approach.

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.

Other provisions

Other provisions are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 19 "Employee Benefits". A provision is recognized when the Group has a present legal or factual obligation as a result of a past event and its settlement is expected to result in an outflow of resources embodying economic benefits.

For the calculation of other provisions, particularly for warranty costs and losses from uncompleted contracts, generally all cost components which are also used for the calculation of inventories are considered.

Provisions for restructuring costs are recognized when a detailed formal plan for the restructuring process has been approved and the management has started either its implementation or its public announcement.

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 estimates:

Useful life of non-current assets

Property, plant and equipment, and acquired intangible assets are stated at cost and are 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. 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 foreign exchange rates. The assumptions involved in these calculations may change and cause an impairment loss in future periods.

Realization of deferred tax assets

Deferred taxes are calculated by applying statutory tax rates applicable for future years to temporary differences as well as by evaluating the capacity of future taxable income. Potential tax rate changes or future taxable income which differs from the assumptions may result in the fact that the realization of deferred tax assets becomes improbable and consequently 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 used, expected return on plan assets, future increases in salaries and life expectancies. Actual outcomes may be different from these assumptions due to changes in the economic environment and market conditions.

Provisions for litigations

The outcome of pending litigations cannot be anticipated with certainty. The Group recognizes adequate provisions if reasonable assessments can be made. The actual outcomes of litigations may differ from these assessments.

Provisions for restructuring costs

The calculation of provisions for restructuring costs is based on assumptions about the termination of contracts, staff redundancies or pension payments. The actual amounts to be considered may deviate from these assumptions.

5 — 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 primarily comprise the credit risk, liquidity risk, currency risk and the risk of interest rate changes. These risks are mitigated 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 and taken 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 definition 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, incidental 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, comprise primarily cash and cash equivalents, securities and trade receivables. The Group's trade receivables derive from a broad and diversified group of customers. The financial risk arising from customer bad debt is monitored by ongoing credit rating assessments. Additionally, the Group concludes credit insurance contracts in order to cover certain potentially uncollectible 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.

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 cash and cash equivalents as well as credit lines are available to the Group's subsidiaries. Consequently, liquidity risk is categorized as low.

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 especially exists if business transactions are denominated and settled in currencies other than the Euro and these currencies do not correspond with the functional (local) currency of the company. This is particularly the case for business relations to customers and suppliers in British Pound, US Dollar, Polish Zloty, Russian Rouble, Turkish Lira and Ukrainian Hryvnia. 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 contracts (see note 9).

At December 31, 2012, if the exchange rate of the Euro had strengthened (weakened) 1 % against these currencies, the foreign currency exchange result including the performance of foreign exchange forward contracts would have been thous. EUR 60 higher (lower).

As of the balance sheet date, the interest-bearing financial liabilities were predominantly denominated in Euro. Therefore, there is no significant currency risk concerning these liabilities exists.

Interest rate risk

The interest rate risk is referred to as the risk arising from changes in the value of financial instruments due to fluctuations of market interest rates. It comprises the interest-rate related price risk for fixed interest-bearing financial instruments and the settlement risk of variable interest-bearing financial instruments. At December 31, 2012 the Group was financed by variable interest-bearing financial liabilities.

At December 31, 2012 and December 31, 2011, the Group showed a net liquidity. Therefore, a change in the market interest rate does not represent an interest expense risk.

Derivative financial instruments

The Group mainly applies derivative financial instruments to mitigate the risks from exchange rate and interest rate changes. In this context, the Group uses foreign exchange forward contracts in order to mitigate the effects of current exchange rate fluctuations and possibly interest rate swap agreements in order to mitigate the current market interest rate risk. All counterparties in these transactions are reputable financial institutions with whom the Group conducts business on a regular basis. Accordingly, the Group considers the corresponding risk of default and related losses to be remote.

Hedge of a net investment

As of December 31, 2012, an option liability of thous. EUR 4,156 (December 31, 2011: thous. EUR 4,156) quoted in Malaysian Ringgit existed, which was designated as the hedge of a net investment in the Malaysian subsidiaries Firgos (Malaysia) SDN BHD and MM Packaging Malaysia SDN BHD. As of December 31, 2011 an option liability of thous. EUR 17,303, quoted in Chilean Peso existed, which was designated as the hedge of a net investment in the Chilean subsidiary Mayr-Melnhof Packaging Marinetti Limitada (former Marinetti S.A.) and was used in connection with the acquisition of the remaining share. As of the respective balance sheet dates, these option liabilities were being used to hedge the Group's exposure to foreign exchange risk on these net investments. Gains or losses on the translation of this option liability were transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. There was no ineffectiveness regarding these hedges in the year ending December 31, 2012.

Fair values

In the consolidated balance sheet, the amounts recorded for trade and other receivables, current liabilities as well as cash and cash equivalents approximate substantially their fair values due to the short-term nature of these items. The amounts recorded for interest-bearing financial liabilities basically correspond to their present values.

6 — SIGNIFICANT CHANGES IN THE CONSOLIDATED COMPANIES

a — Acquisitions, formations and disposals in 2012

Acquisitions

In June 2012, the division MM Packaging acquired the remaining interest of 30 % in the Chilean folding carton producer Marinetti S.A., located in Santiago de Chile, for thous. EUR 22,730 and thereby holds 100 % shares of the company. For the correspondent purchase option a liability existed and the annual valuation changes were recognized in other financial result-net. The last expense resulting from this transaction in 2012 amounted to thous. EUR 4,178.

In June 2012, the division MM Packaging acquired the remaining interest in the Tunisian folding carton producer TEC MMP SARL based in Sfax after completion of the local approval process for a price of thous. EUR 3,924 and thereby holds 100 % shares of the company. In September 2009, the non-controlling (minority) shareholder of TEC MMP exercised the put option concerning the 49 %-interest. The correspondent arbitration was closed on July 7, 2011.

In September 2012, the division MM Packaging acquired the remaining interest of 24.975 % in the Russian folding carton producer MM Polygrafoformlenie Packaging LLC, located in St. Petersburg, for thous. EUR 14,273 and thereby holds 100 % shares of the company. The purchase price consisted of two components, a cash payment of thous. EUR 13,273 and the transfer of 15,260 treasury shares of Mayr-Melnhof Karton AG to the buyer. For the purchase option a liability existed and the annual valuation changes were recognized in other financial result-net. The last income resulting from this transaction in 2012 amounted to thous. EUR 3,937.

In September 2012, the division MM Packaging acquired Plegacol, a leading Columbian folding carton producer, located in Santiago de Cali, in form of an asset deal. The acquisition costs of the purchase amounted to thous. EUR 14,120. Sales and profit before tax for the time the company belonged to the Group and division in the financial year 2012 amounted to thous. EUR 1,091 and thous. EUR 43. Until the acquisition date the Plegacol business was an integral part of a local group of companies which uses local country specific accounting standards. Pro forma financial information in respect of the contribution of the Plegacol business to the Group's sales and Group's profit before tax if the merger would have occurred at January 1, 2012, cannot be reliably determined.

Inclusion into the Group and division was effected on November 30, 2012. Fair values of assets and liabilities according to IFRS at this acquisition date were presented as follows:

Fair values according to IFRS

(in thousands of EUR)	Dec. 31, 2012
Property, plant and equipment	10,171
Intangible assets	1,397
Current assets	2,679
Current liabilities	(127)
Net assets	14,120

Other current assets comprise inventories and VAT receivables but no trade receivables.

The acquisition-related costs in amount of thous. EUR 326 were recorded as expense and reported under other expenses in the consolidated income statement. The net cash outflow from the acquisition amounted to thous. EUR 14,446.

Formations

In September 2012, the division MM Karton founded the sales company MM Guang Zhou Yue Ran Paper Co. Ltd. located in Guangzhou, China.

Disposals

In February 2012, the division MM Packaging sold the branch of activity "Gravure printing for flexible packaging" for thous. EUR 2,890. Transferred net assets amounted to thous. EUR 2,928. Thereby, the division realized a loss before tax in the amount of thous. EUR 38.

In October 2012, the division MM Karton sold its share in Management Transport & Logistik GmbH for thous. EUR 625. Transferred net assets amounted to thous. EUR 373. Thereby, the division realized a profit before tax in the amount of thous. EUR 252.

b — Acquisitions, formations and liquidations in 2011

Acquisitions

In early November 2011, the division MM Karton acquired an interest of 51 % in Firgos (Malaysia) SDN BHD, a Malaysian cartonboard trader located in Kuala Lumpur, Malaysia, and the division MM Packaging acquired an interest of 51 % in Hallbert SDN BHD (renamed MM Packaging Malaysia SDN BHD) with a folding carton site in the start-up process, also located in Kuala Lumpur, Malaysia. The aim of the acquisitions was the entry on the Malaysian market. Acquisition costs for both participations amounted to thous. EUR 5,669.

Inclusion into the Group and division was effected on December 31, 2011. Fair values of assets and liabilities according to IFRS at this acquisition date were presented as follows:

Fair values according to IFRS

(in thousands of EUR)	Dec. 31, 2011
Property, plant and equipment	3,149
Intangible assets and financial assets	2,024
Other current assets	5,941
Cash and cash equivalents	2,037
Non-current liabilities	(2,822)
Current liabilities	(4,099)
Deferred income taxes	(665)
Option liability	(4,156)
Goodwill	2,831
Residual amount directly recognized in equity	1,429
Net assets	5,669

The remaining goodwill reflects the market position of both companies on the Malaysian packaging and cartonboard market. Concerning the acquisition of the remaining non-controlling (minority) interest of 49 % in both companies, the division MM Packaging and the division MM Karton as well as the non-controlling (minority) shareholder have an irrevocable option right generally exercisable in January 2016 at the earliest. The option right of MM Packaging may also be exercised ahead of time under certain circumstances.

In March 2011, the division MM Packaging acquired the remaining shares of 39.99 % in the Turkish folding carton producer Superpak, located in Izmir, for thous. EUR 3,535 and thereby holds a participation of 100 % in the company.

In June 2011, the division MM Packaging increased its majority interest in the Russian folding carton producer MM Polygrafoformlenie Packaging LLC, located in St. Petersburg, to 75.025 % for a purchase price of thous. EUR 14,650. The acquisition of the remaining shares of 24.975 % is possible at any time until June 30, 2020 at the latest and is contractually fixed. In this context a purchase price liability of thous. EUR 19,210 has been included in the position "Deferred income and other current liabilities".

In November 2011, the division MM Packaging agreed upon the acquisition of the remaining interest of 25 % in the German folding carton producer C.P. Schmidt Verpackungs-Werk GmbH & Co. KG, located in Kaiserslautern, whereupon these interests may be purchased at any time until December 31, 2014 at the latest. In this context a purchase price liability of thous. EUR 12,875 has been included in the position "Deferred income and other current liabilities".

By the end of December 2011, the division MM Packaging increased its majority interest in the Jordanian folding carton producer Al-Ekbal Printing & Packaging Co., located in Amman, for a purchase price of thous. EUR 1,367 to 75.226 %.

Formations

In December 2011, the division MM Packaging founded the holding company MM Packaging Colombia S.A.S. located in Bogota, Colombia.

Liquidations

In 2011, the companies Mayr-Melnhof UK Limited, MM Holding UK Limited and MM Packaging St. Petersburg LLC were liquidated.

7 — DEVELOPMENT OF FIXED ASSETS

a — Property, plant and equipment

(in thousands of EUR)	Lands, similar land rights and buildings	Technical equipment and machines	Other equipment, fixtures and fittings	Payments on account and construction in progress	Property, plant and equipment
ACQUISITION OR MANUFACTURING COSTS:					
Balance at Jan. 1, 2012	435,453	1,314,263	136,466	25,248	1,911,430
Effect of exchange rate changes	2,116	4,886	469	226	7,697
Changes in consolidated companies	5,886	(5,105)	(2,724)	0	(1,943)
Additions	7,050	28,861	10,427	52,903	99,241
Disposals	(220)	(20,430)	(19,105)	0	(39,755)
Reclassifications	7,105	18,845	4,935	(33,847)	(2,962)
Balance at Dec. 31, 2012	457,390	1,341,320	130,468	44,530	1,973,708
DEPRECIATION/AMORTIZATION:					
Balance at Jan. 1, 2012	198,155	1,018,297	100,375	18	1,316,845
Effect of exchange rate changes	263	2,541	208	(2)	3,010
Changes in consolidated companies	0	(9,040)	(1,984)	0	(11,024)
Disposals	(187)	(18,942)	(18,974)	0	(38,103)
Depreciation/amortization expense for the year	12,467	57,670	10,843	0	80,980
Reclassifications	(1,450)	(619)	(44)	0	(2,113)
Balance at Dec. 31, 2012	209,248	1,049,907	90,424	16	1,349,595
NET BOOK VALUE:					
Net book value at Dec. 31, 2012	248,142	291,413	40,044	44,514	624,113
Net book value at Dec. 31, 2011	237,298	295,966	36,091	25,230	594,585

b — Intangible assets including goodwill

(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, 2012	46,626	73,708	22,338	142,672
Effect of exchange rate changes	138	1,273	1,015	2,426
Changes in consolidated companies	(16)	0	1,405	1,389
Additions	3,473	0	0	3,473
Disposals	(1,889)	0	(92)	(1,981)
Reclassifications	(465)	0	0	(465)
Balance at Dec. 31, 2012	47,867	74,981	24,666	147,514
DEPRECIATION/AMORTIZATION:				
Balance at Jan. 1, 2012	42,166	9,042	5,437	56,645
Effect of exchange rate changes	66	7	143	216
Changes in consolidated companies	(29)	0	0	(29)
Disposals	(1,889)	0	(92)	(1,981)
Depreciation/amortization expense for the year	2,235	0	2,572	4,807
Reclassifications	(444)	0	(14)	(458)
Balance at Dec. 31, 2012	42,105	9,049	8,046	59,200
NET BOOK VALUE:				
Net book value at Dec. 31, 2012	5,762	65,932	16,620	88,314
Net book value at Dec. 31, 2011	4,460	64,666	16,901	86,027

In 2012, the depreciation and amortization expense recorded in "Property, plant and equipment" and "Intangible assets including goodwill" amounted to thous. EUR 85,787 (2011: thous. EUR 84,234).

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

8 — SECURITIES AND OTHER FINANCIAL ASSETS

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

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Securities	5,377	759
Investments in associated companies and other investments	3,514	1,927
Liability insurance not pledged to beneficiaries	2,300	2,318
Other loans receivable	53	393
Securities and other financial assets	11,244	5,397

Detailed information concerning the Group's investments with an ownership percentage of at least 20 % is contained in the table of affiliated and associated companies (see note 33).

Securities of the Group comprise debt securities and debt-based funds with a book value of thous. EUR 5,377 (December 31, 2011: thous. EUR 759).

In 2012, proceeds from sales of securities amounted to thous. EUR 252 (2011: thous. EUR 256). The resulting realized profit in 2012 amounted to thous. EUR 12.

At December 31, 2012, other loans receivable included loans to affiliated companies amounting to thous. EUR 15 (December 31, 2011: thous. EUR 30). Other loans receivables are measured at amortized cost.

In April 2012, MM Packaging acquired an interest of 20 % in the folding carton producer Graficas Los Andes S.A., located in Santiago de Cali, Colombia. MM Packaging holds a purchase option regarding the remaining share of 80 %. The inclusion into the Group's balance sheet is effected according to the equity method and presented as "Investments in associated companies and other investments" as of December 31, 2012 with a carrying amount of thous. EUR 1,580. As of December 31, 2012 the associated company held assets in the amount of thous. EUR 9,638 and liabilities in the amount of thous. EUR 5,281 and generated sales of thous. EUR 17,680 and a profit for the year according to IFRS of thous. EUR 858. The respective figures are in accordance with IFRS. In 2012 income in the amount of thous. EUR 69 (2011: thous. EUR 0) resulted from the associated company presented according to the equity method.

9 — FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments in accordance with “measurement categories” consist of:

(in thousands of EUR)	2012			2011		
	At fair value through profit or loss	At amortized cost	At fair value in other comprehensive income	At fair value through profit or loss	At amortized cost	At fair value in other comprehensive income
Derivative financial instruments	239			(208)		
Financial receivables		591,910			591,232	
Securities	52	5,074	251	506		253
Financial liabilities	17,249	320,914		53,762	296,476	

The amounts on financial instruments presented in the Group’s income statement by measurement categories are as follows:

(in thousands of EUR)	Year ended Dec. 31, 2012		Year ended Dec. 31, 2011	
	Profit (Loss)	Interest	Profit (Loss)	Interest
Derivative financial instruments	447		(417)	
Financial receivables	533	2,574	494	4,362
Securities	12	16	5	
Financial liabilities	(1,497)	(5,234)	(3,366)	(6,423)

Derivative financial instruments

Derivative financial instruments are valued at the amounts by which the respective contracts could be settled. The fair value of foreign exchange forward contracts is based on the spot foreign currency rates as of the balance sheet date, adjusted for time-related charges or discounts for the respective remaining term of the contract and compared with the contracted forward rate.

Foreign exchange forward contracts

Foreign exchange forward contracts are in principle used to protect the Group against exchange rate changes of the British Pound, the US Dollar and the Polish Zloty. The changes in fair values of these derivatives are recognized in "Foreign currency exchange rate gains (losses) – net" (see note 28).

At December 31, 2012 the Group closed foreign exchange forward contracts with a nominal value of thous. EUR 83,325 (December 31, 2011: thous. EUR 51,561) and a positive market value of thous. EUR 239 (December 31, 2011: negative market value of thous. EUR 208).

The derivative financial instruments are recorded in the consolidated balance sheet under "Prepaid expenses and other current assets" in the amount of thous. EUR 390 (2011: thous. EUR 178) and under "Deferred income and other current liabilities" in the amount of thous. EUR 151 (2011: thous. EUR 386).

10 — 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, 2012	Dec. 31, 2011
Inventories	3,663	3,623
Benefit plans and other liabilities and charges	7,201	8,153
Operating loss carryforwards	6,583	1,745
Other	2,097	332
Gross deferred tax assets	19,544	13,853
Valuation allowance	(6,076)	(1,739)
Net deferred tax assets	13,468	12,114
Offset	(2,411)	(2,988)
Deferred tax assets in the balance sheet	11,057	9,126
Intangible assets	(3,276)	(2,911)
Property, plant and equipment	(5,511)	(8,369)
Loans receivable, investments and financial assets	(7,234)	(4,851)
Other	(3,564)	(3,383)
Net deferred tax liabilities	(19,585)	(19,514)
Offset	2,411	2,988
Deferred tax liabilities in the balance sheet	(17,174)	(16,526)

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, 2012	Dec. 31, 2011
Operating loss carryforwards with expiration	3,637	6,464
Operating loss carryforwards with no expiration	26,397	926
Operating loss carryforwards	30,034	7,390

In case that the limited operating loss carryforwards cannot be utilized between 2013 and 2026, they will expire. In 2012, the Group consumed tax losses amounting to thous. EUR 2,986 (2011: thous. EUR 1,222) for which a valuation allowance for the deferred tax assets relating to these tax loss carryforwards was recorded in previous periods.

At December 31, 2012, the Group believed that certain corporate and trade tax loss carryforwards would be utilized and hence recorded a deferred tax asset of thous. EUR 531 (December 31, 2011: thous. EUR 35). Valuation allowances on tax loss carryforwards amounting to thous. EUR 6,053 were provided for at December 31, 2012 (December 31, 2011: thous. EUR 1,712). Tax loss carryforwards underlying these allowances amounted to thous. EUR 27,752 (December 31, 2011: thous. EUR 7,222).

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, 2012	Year ended Dec. 31, 2011
Current taxes:		
for the actual period	44,288	48,661
for prior periods	(1,957)	2,218
Deferred taxes:		
due to temporary differences	(1,630)	(8,857)
of operating loss carryforwards	(526)	1,094
due to tax rate changes	514	26
Income tax expense	40,689	43,142

d — Group tax rate

A 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, 2012	Year ended Dec. 31, 2011
Applicable tax rate	27.86 %	28.25 %
Non-taxable expenses (income) – net	(0.30 %)	(0.25 %)
Valuation allowance and restructurings	(2.16 %)	(1.34 %)
Effective tax rate	25.40 %	26.66 %

The item “Non-taxable expenses (income) – net” includes certain expenses and income, which due to country-specific regulations are non-taxable. The item “Valuation allowance and restructurings” includes improvements in the Group's tax structure, restructurings and the valuation of tax loss carryforwards.

11 — INVENTORIES

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Raw materials, manufacturing and operating supplies	138,096	131,496
Work in process	20,625	19,368
Finished goods and goods for resale	118,424	110,370
Total	277,145	261,234
Allowances	(17,488)	(16,731)
Inventories – net	259,657	244,503

As of December 31, 2012 and December 31, 2011, the allowances recorded on inventories were caused by the methodology of recording usage concerning operating supplies and spare parts for technical equipment and machines in terms of time-based discounts.

In 2012, write-downs of inventories recognized as an expense under cost of goods sold amounted to thous. EUR 7,737 (2011: thous. EUR 7,952), the reversal of write-downs of inventories recognized as income amounted to thous. EUR 283 (2011: thous. EUR 375). The carrying amount of inventories carried at net realizable value amounted to thous. EUR 18,202 (2011: thous. EUR 12,119).

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

(in thousands of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Cost of materials	1,116,907	1,127,861
Cost of purchased services	17,854	16,859
Total	1,134,761	1,144,720

12 — TRADE RECEIVABLES

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Trade receivables	255,092	237,541
Allowances	(1,108)	(1,682)
Trade receivables – net	253,984	235,859

At December 31, 2012, trade receivables in the amount of thous. EUR 2,568 (December 31, 2011: thous. EUR 2,681) were overdue more than 60 days, of which thous. EUR 1,042 (December 31, 2011: thous. EUR 1,400) have been impaired.

Allowances for trade receivables developed as follows:

(in thousands of EUR)	2012	2011
Allowances at the beginning of the year	1,682	2,139
Effect of exchange rate changes	(2)	37
Changes in consolidated companies	(39)	0
Utilization	(195)	(200)
Reversal	(662)	(931)
Increase	324	637
Allowances at the end of the year	1,108	1,682

13 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are as follows:

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Value-added tax receivables	12,534	9,649
Other tax receivables	7,014	6,782
Other receivables and other assets	8,978	9,892
Prepaid expenses	4,437	4,782
Prepaid expenses and other current assets	32,963	31,105

Other receivables and other assets comprise a property held for sale and not used for operating purposes in the amount of thous. EUR 776.

14 — EQUITY

a — Share capital/additional paid-in capital/treasury shares

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. Other free capital reserves of thous. EUR 3,795 were reclassified in 2011 towards revenue reserves.

As of December 31, 2011 the Group held 15,260 treasury shares, which was equivalent to 0.0763 % of the capital stock. These treasury shares were transferred as a purchase price component for the acquisition of the remaining share of 24.975 % in MM Polygrafoformlenie Packaging LLC, St. Petersburg (see note 6).

b — Retained earnings/dividend

Retained earnings comprise accumulated results from prior years.

Due to the increase of majority interests a residual amount of thous. EUR 440 was recognized directly in equity in the financial year 2012, which increased the revenue reserves. Due to the acquisition and the increase of majority interests a residual amount of thous. EUR 31,718 was recognized directly in equity in 2011, which was deducted from revenue reserves.

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, 2012, the distributable unappropriated retained earnings amounted to thous. EUR 50,000 (December 31, 2011: thous. EUR 50,000).

(in thousands of EUR)	2012	2011
Unappropriated retained earnings at Jan. 1	50,000	50,000
Net profit of the Company for the year ended Dec. 31	75,697	95,220
Changes in reserves	(33,729)	(56,250)
Dividend paid	(41,968)	(38,970)
Unappropriated retained earnings at Dec. 31	50,000	50,000

For the year ended December 31, 2012, the Management Board of the Company has proposed a dividend of EUR 2.25 (December 31, 2011: EUR 2.10) per voting share, as of the balance sheet date amounting to thous. EUR 45,000 (December 31, 2011: thous. EUR 41,968).

c — Other comprehensive income of the consolidated comprehensive income statement

The other reserves comprise the following changes directly recognized in equity. There are differences from foreign currency translation and unrealized profit and loss from fair value changes of securities, after considering deferred income taxes.

In 2012, profit and loss recognized in other comprehensive income consisted of foreign currency translations with a positive amount of thous. EUR 10,182 (2011: negative amount of thous. EUR 11,109).

Neither in 2012 nor in 2011 the profit or loss recognized in other comprehensive income included fair value changes of securities. Deferred taxes do not have to be considered in other comprehensive income.

d — Capital management

The capital invested comprises the Group's total equity and interest-bearing financial liabilities less liquid assets. At December 31, 2012 and 2011 the Group held a net liquidity.

Capital management is designed to ensure a sound equity ratio that is adequate for the long-term economic development of the Group considering a continued dividend policy and shareholders' capital activities.

As of December 31, 2012 and 2011, total equity and total assets were as follows:

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Total equity	1,088,776	1,005,941
Total assets	1,627,421	1,566,582
Total equity to total assets	66.9 %	64.2 %

Capital management's aims remained unchanged in comparison to last year. The Company meets the legal and statutory minimum capital requirements.

15 — FINANCIAL LIABILITIES

a — Interest-bearing financial liabilities

At December 31, 2012, the Group had current interest-bearing credit lines available in the amount of thous. EUR 45,867 (December 31, 2011: thous. EUR 36,185), of which thous. EUR 7,080 (December 31, 2011: thous. EUR 20,832) were outstanding as of the balance sheet date. At December 31, 2012, the weighted average interest rate of these current credit lines, used by subsidiaries outside the Euro participating countries, was 7.447 % (December 31, 2011: 7.461 %). These credit line facilities are subject to normal banking terms and conditions.

At December 31, 2012 and December 31, 2011, non-current interest-bearing financial liabilities comprised exclusively bank liabilities. A summary of these non-current financial liabilities at current interest rates is as follows:

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
1.442 % EUR bank loan due 2015	52,660	52,660
1.100 % EUR bank loan due 2013	41,450	41,450
1.412 % EUR bank loan due 2016	40,000	0
1.687 % EUR bank loan due 2016	10,000	10,000
5.750 % MYR bank loan due 2016	2,974	3,527
0.675 % EUR bank loan due 2013	2,900	2,900
Other	377	6,382
Non-current financial liabilities	150,361	116,919

At December 31, 2012, the weighted average interest rate for these non-current financial liabilities was 1.434 % (December 31, 2011: 2.591 %).

The maturity of current and non-current interest-bearing financial liabilities, beginning from the balance sheet dates December 31, 2012 and December 31, 2011, is as follows:

		Dec. 31, 2012		
		Interest-bearing financial liabilities		
(in thousands of EUR)		Current	Non-current	Total
Maturity:				
2013		7,080	45,272	52,352
2014			11,103	11,103
2015			59,189	59,189
2016			34,797	34,797
Total		7,080	150,361	157,441

		Dec. 31, 2011		
		Interest-bearing financial liabilities		
(in thousands of EUR)		Current	Non-current	Total
Maturity:				
2012		20,832	51,328	72,160
2013			815	815
2014			2,993	2,993
2015			51,078	51,078
2016			10,705	10,705
Total		20,832	116,919	137,751

At December 31, 2012, the Group had current revolving bank liabilities available amounting to thous. EUR 44,350. These liabilities were classified as non-current liabilities as the Group has the intention and ability to use them on a non-current basis. Correspondingly, these liabilities were included in non-current interest-bearing financial liabilities under "Maturity 2013".

No collateral was provided in order to secure the financial liabilities described above. At December 31, 2012, the Group had unused financing arrangements available in the amount of thous. EUR 300,000.

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, 2012	Dec. 31, 2011
2013 (2012)	9,962	9,784
2014 (2013)	8,669	9,050
2015 (2014)	8,526	8,675
2016 (2015)	7,605	7,709
2017 (2016)	7,502	7,480
Thereafter	19,982	20,017
Total minimum lease payments	62,246	62,715

Expenses relating to operating lease agreements amounted to thous. EUR 10,585 and thous. EUR 10,251 for the years ended December 31, 2012 and 2011, respectively.

c — Financial lease

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

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
2013 (2012)	0	757
2014 (2013)	0	757
2015 (2014)	0	757
2016 (2015)	0	441
2017 (2016)	0	410
Thereafter	0	410
Total minimum lease payments	0	3,532
Less amount representing interest	0	353
Present value of minimum lease payments	0	3,179
Less current maturities of financial lease liabilities	0	638
Non-current financial lease liabilities	0	2,541

Financial lease agreements capitalized in tangible assets as well as financial lease liabilities of 2011 were completely transferred to the ownership and settled in 2012.

16 — PROVISIONS FOR OTHER NON-CURRENT LIABILITIES AND CHARGES

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

In 2012, the provisions for other 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, 2012	45,463	17,203	6,775	2,117	884	72,442
Effect of exchange rate changes	27	39	(5)	0	0	61
Changes in consolidated companies	(93)	(225)	(105)	0	0	(423)
Utilization	(4,456)	(2,354)	(551)	(966)	(38)	(8,365)
Reversal	0	0	(12)	0	0	(12)
Increase	4,321	2,489	1,128	84	125	8,147
Balance at Dec. 31, 2012	45,262	17,152	7,230	1,235	971	71,850

As of December 31, 2012, securities with an estimated fair value of thous. EUR 2,264 (December 31, 2011: thous. EUR 3,290) had been given as security for provisions for pre-retirement programs within the scope of the respective legal commitments. At December 31, 2012 and 2011, those securities were deducted from the underlying obligations.

In particular, the position "Other" includes 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 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. Furthermore, the Group holds a pension benefit plan in the United Kingdom.

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 3,645 in 2012 (2011: thous. EUR 3,378).

Furthermore, in some countries the Group is obligated to make severance payments upon retirement and partly also in case of termination due to legal or contractual regulations. These obligations depend on the length of service and the compensation of the employee.

Defined benefit pension and other benefit plans are assessed and recognized according to the internationally common projected unit credit method by applying IAS 19. Under this method, the actuarial calculation of the future obligations is based on the proportionate obligations as of the balance sheet date.

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 the income statement using the corridor method in accordance with IAS 19. Thus, actuarial gains and losses are recognized as income or expense over the expected remaining working life of the employee only if the amount exceeds either 10 % of the defined benefit obligation or 10 % of the plan assets as of the valuation date.

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

(in %)	Dec. 31, 2012		Dec. 31, 2011	
	Pensions	Severance	Pensions	Severance
Discount rate	3.7 %	3.7 %	4.5 %	4.4 %
Expected return on plan assets	2.9 %		3.9 %	
Rate of compensation increase	2.5 %	2.7 %	2.5 %	2.7 %

Assumptions regarding the expected rate of return are based upon both non-current portfolio returns actually realized and forecasts on the development of all categories of securities included in these portfolios.

The components of net periodic benefit costs are as follows:

(in thousands of EUR)	2012		2011	
	Pensions	Severance	Pensions	Severance
Service cost	1,042	1,144	1,110	1,128
Interest cost	3,874	935	3,739	900
Expected return on plan assets	(1,293)	0	(1,201)	0
Actuarial gains and losses – net	698	128	750	136
Past service costs	0	111	187	0
Effects due to plan changes	0	171	0	50
Net periodic benefit cost	4,321	2,489	4,585	2,214

The defined benefit obligation and plan assets developed as follows:

(in thousands of EUR)	2012		2011	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation at the beginning of the year	87,362	21,364	85,479	20,679
Effect of exchange rate changes	612	46	794	(138)
Changes in consolidated companies	(102)	(225)	0	0
Service cost	1,042	1,144	1,110	1,128
Interest cost	3,874	935	3,739	900
Past service costs	0	111	187	0
Actuarial gains and losses – net	10,758	2,761	(303)	269
Benefit payments	(3,909)	(2,354)	(3,644)	(1,511)
Effects due to plan changes	0	134	0	37
Defined benefit obligation at the end of the year	99,637	23,916	87,362	21,364

(in thousands of EUR)	2012		2011	
	Pensions	Severance	Pensions	Severance
Fair value of plan assets at the beginning of the year	32,226	0	30,353	0
Effect of exchange rate changes	459	0	578	0
Changes in consolidated companies	0	0	0	0
Expected return on plan assets	1,293	0	1,201	0
Actuarial gains and losses – net	523	0	(811)	0
Employer contributions	1,905	0	2,016	0
Benefit payments	(1,360)	0	(1,111)	0
Fair value of plan assets at the end of the year	35,046	0	32,226	0

The structure of plan assets as at the balance sheet dates December 31, 2012 and December 31, 2011, is as follows:

(in %)	Dec. 31, 2012	Dec. 31, 2011
Debt securities	45 %	45 %
Liability insurance pledged to beneficiaries	38 %	39 %
Equity securities	15 %	15 %
Money market investments, bank deposits	2 %	1 %
Total	100 %	100 %

The employers' contributions to plan assets for the year 2013 are expected to amount to thous. EUR 1,923.

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, 2012		Dec. 31, 2011	
	Pensions	Severance	Pensions	Severance
Defined benefit obligation	99,637	23,916	87,362	21,364
Thereof obligations not covered by funds	49,083	23,916	44,822	21,364
Thereof obligations covered by funds	50,554	0	42,540	0
Less fair value of plan assets	(35,046)	0	(32,226)	0
Net liability	64,591	23,916	55,136	21,364
Unrecognized actuarial gains and losses – net	(19,329)	(6,764)	(9,673)	(4,161)
Net liability recognized as provision for non-current liabilities and charges	45,262	17,152	45,463	17,203

In the years 2008 to 2012, 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)	2012	2011	2010	2009	2008
Pensions:					
Defined benefit obligation	99,637	87,362	85,479	136,564	127,238
Adjustment in defined benefit obligation ¹⁾	465	674	(36)	1,231	1,805
Fair value of plan assets	35,046	32,226	30,353	101,469	98,492
Adjustment in fair value of plan assets ¹⁾	523	(811)	(127)	(205)	(11,431)
Net liability	64,591	55,136	55,126	35,095	28,745

¹⁾ Gain/(loss)

(in thousands of EUR)	2012	2011	2010	2009	2008
Severance:					
Defined benefit obligation	23,916	21,364	20,679	17,357	17,020
Adjustment in defined benefit obligation ¹⁾	(761)	(167)	(695)	640	(296)
Net liability	23,916	21,364	20,679	17,357	17,020

¹⁾ Gain/(loss)

17 — LIABILITIES AND PROVISIONS FOR INCOME TAXES

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Provisions for income taxes	3,787	9,497
Income tax liabilities	1,834	3,737
Liabilities and provisions for income taxes	5,621	13,234

18 — TRADE LIABILITIES

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Trade liabilities	153,601	145,673
Advances from customers	894	1,192
Trade liabilities	154,495	146,865

19 — DEFERRED INCOME AND OTHER CURRENT LIABILITIES

(in thousands of EUR)	Dec. 31, 2012	Dec. 31, 2011
Share purchase price and option liabilities	17,249	53,762
Obligations for personnel and social costs	12,820	12,537
Other tax liabilities	9,556	10,563
Deferred income	1,024	980
Other liabilities	10,023	10,259
Deferred income and other current liabilities	50,672	88,101

The above mentioned share purchase price and option liabilities are exclusively related to put options for shares in certain subsidiaries held by non-controlling (minority) shareholders, which are evaluated according to the individual contracts. In general, the 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.

20 — PROVISIONS FOR OTHER CURRENT LIABILITIES AND CHARGES

In 2012, the provisions for other current liabilities and charges developed as follows:

(in thousands of EUR)	Personnel	Procurement	Customer rebates and bonuses	Sales	Other	Total
Balance at Jan. 1, 2012	38,571	22,038	11,761	2,534	7,639	82,543
Effect of exchange rate changes	316	20	14	22	(20)	352
Changes in consolidated companies	(395)	(496)	(40)	0	(11)	(942)
Utilization	(27,702)	(19,454)	(6,719)	(1,646)	(4,105)	(59,626)
Reversal	(1,554)	(1,124)	(1,180)	(235)	(311)	(4,404)
Increase	28,383	16,151	9,916	2,223	6,796	63,469
Balance at Dec. 31, 2012	37,619	17,135	13,752	2,898	9,988	81,392

In particular, provisions for personnel comprise payroll obligations, social security charges, premiums and bonuses, provisions for unused vacations as well as the part of provisions for benefits due to the termination of employment which will become due within one year.

Provisions for procurement are related to obligations for the delivery of products or services already supplied or rendered, but not yet invoiced.

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

Sales-related provisions concern product guarantee agreements and warranty costs, reconsignments, losses from uncompleted contracts and provisions related to sales staff commissions.

The position "Other" primarily contains provisions for litigation, legal advice, auditing and consulting as well as obligations for other taxes and environmental matters.

21 — SEGMENT REPORTING INFORMATION

Mayr-Melnhof Karton AG and its subsidiaries operate in two operating areas (production of cartonboard and production of folding cartons and packaging). The Group is organized in line with these two operating areas and is controlled by 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, are in accordance with the accounting and recognition principles applied to the consolidated financial statements. Therefore no reconciliation is necessary. The Group measures the performance of its operating segments through the assessment of "Operating profit".

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

Revenues are allocated based on the shipment destinations of finished goods, whereas long-lived 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)	2012			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	832,852	1,119,303	0	1,952,155
Intersegment sales	104,082	1,369	(105,451)	0
Total sales	936,934	1,120,672	(105,451)	1,952,155
Operating profit	63,964	102,156	0	166,120
Financial income	2,330	973	(700)	2,603
Financial expenses	(1,989)	(3,946)	700	(5,235)
Profit before tax	64,952	95,247	0	160,199
Income tax expense	(13,433)	(27,256)	0	(40,689)
Profit for the year	51,519	67,991	0	119,510
Capital expenditures	44,389	58,325	0	102,714
Depreciation and amortization	(34,617)	(51,170)	0	(85,787)
Segment assets	908,807	790,957	(72,343)	1,627,421
Segment liabilities	264,656	346,332	(72,343)	538,645
Employees per segment as of December 31	2,413	6,423		8,836

(in thousands of EUR)	2011			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	836,406	1,123,171	0	1,959,577
Intersegment sales	110,805	1,737	(112,542)	0
Total sales	947,211	1,124,908	(112,542)	1,959,577
Operating profit	68,409	102,481	0	170,890
Financial income	4,541	1,158	(1,332)	4,367
Financial expenses	(2,714)	(5,041)	1,332	(6,423)
Profit before tax	71,132	90,683	0	161,815
Income tax expense	(14,468)	(28,674)	0	(43,142)
Profit for the year	56,664	62,009	0	118,673
Capital expenditures	72,735	52,496	0	125,231
Depreciation and amortization	(34,556)	(49,678)	0	(84,234)
Segment assets	867,008	761,568	(61,994)	1,566,582
Segment liabilities	256,413	366,222	(61,994)	560,641
Employees per segment as of December 31	2,359	6,523		8,882

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)	2012			2011		
	Net sales	Non-current assets	Capital expenditures	Net sales	Non-current assets	Capital expenditures
Austria	70,535	88,407	13,078	85,170	89,843	18,397
Germany	421,154	249,241	34,933	450,834	249,257	43,099
United Kingdom	214,051	5,657	211	212,389	8,624	812
France	146,570	13,245	1,094	160,173	13,974	355
Other Western European countries	350,023	35,287	4,422	362,186	35,914	4,999
Eastern Europe	496,801	225,720	39,294	460,840	203,098	51,597
Asia	83,945	24,097	5,337	70,314	21,799	969
Latin America	84,958	66,953	4,093	74,802	52,842	4,177
Other	84,118	4,596	252	82,869	5,261	826
Consolidated total	1,952,155	713,203	102,714	1,959,577	680,612	125,231

Non-current assets and capital expenditures comprise property, plant and equipment, and intangible assets including goodwill (see note 7).

22 — OTHER OPERATING INCOME

(in thousands of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Gains and losses from disposal of property, plant and equipment, and intangible assets – net	3,694	674
Insurance claims	918	1,258
Rental income	826	954
Other income – net	6,956	6,555
Other operating income	12,394	9,441

Other income - net includes income from compensation for damages in the amount of thous. EUR 1,416 (2011: thous. EUR 1,280) as well as income from energy sales in the amount of thous EUR 897 (2011: thous. EUR 955).

23 — PERSONNEL EXPENSES

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

(in thousands of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Gross wages	166,068	165,893
Gross salaries	119,617	113,172
Severance expenses	10,942	8,997
Pension expenses	7,442	7,536
Expenses for statutory social security as well as payroll-related taxes and other contributions	58,819	57,264
Other welfare expenses	7,147	6,539
Total	370,035	359,401

The average number of employees is as follows:

(Number of persons)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Factory workers	6,705	6,710
Office staff	2,067	2,036
Total	8,772	8,746

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

(in thousands of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Base salary	1,715	1,545
Variable compensation	2,210	2,248
Total	3,925	3,793

The remuneration of the members of the Supervisory Board elected by the shareholders for the financial year 2012 amounted to thous. EUR 235 (2011: thous. EUR 219).

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 was applied.

24 — EXPENSES FOR THE GROUP AUDITOR

The 18th Ordinary Shareholders' Meeting on April 25, 2012 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 audit the individual financial statements of the Austrian subsidiaries. In 2012, expenses for services rendered by Grant Thornton Unitreu amounted to thous. EUR 373 (2011: thous. EUR 333), of which thous. EUR 370 (2011: thous. EUR 330) related to auditing and other assurance services and thous. EUR 3 (2011: thous. EUR 3) to other services.

25 — RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs recognized as expenses in the income statement amounted to thous. EUR 3,715 in the financial year 2012 (2011: thous. EUR 3,151).

26 — FINANCIAL INCOME

(in thousands of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Interest from bank deposits	2,279	4,337
Other financial income	324	30
Total financial income	2,603	4,367

27 — FINANCIAL EXPENSES

(in thousands of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Interest expense related to financial liabilities	(3,356)	(4,051)
Interest expense on capital leases	(99)	(370)
Other financial expenses	(1,780)	(2,002)
Total financial expenses	(5,235)	(6,423)

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

28 — OTHER FINANCIAL RESULT – NET

(in thousands of EUR)	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Foreign currency exchange rate gains (losses) – net	(2,254)	(3,994)
Valuation of share purchase price and option liabilities	(1,787)	(3,723)
Other expenses and income – net	752	698
Other financial result – net	(3,289)	(7,019)

29 — 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. Diluted earnings per share are calculated by adjusting outstanding shares, assuming conversion of all potentially dilutive stock options. Neither as of December 31, 2012, nor as of December 31, 2011, these kind of options existed.

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, 2012	Year ended Dec. 31, 2011
Profit attributable to ordinary shareholders of the parent company (in thousands of EUR)	119,065	118,180
Weighted average number of ordinary shares	19,985,282	19,984,740
Undiluted earnings per share attributable to ordinary shareholders of the parent company (in EUR)	5.96	5.91

As of December 31, 2012 the number of shares issued amounted to 20,000,000 shares (December 31, 2011: 19,984,740 shares). As of December 31, 2012 the Group did not hold any treasury shares (December 31, 2011: 15,260 treasury shares).

30 — 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 of the facts available to the Management, the Group believes that the ultimate resolution of these claims and legal proceedings will not be likely to have a material adverse effect on its financial position or the results of its operations, although no assurance can be given with respect to the outcome of such claims or litigation.

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. Costs of assessment and remediation of environmental matters to be accrued are based on estimates by the Management. 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, 2012 and 2011.

Other contingent liabilities

At December 31, 2012, purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 17,161 (December 31, 2011: thous. EUR 30,753).

31 — DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

In the financial year 2012, sales with other related companies in terms of transportation services amounting to thous. EUR 423 (2011: thous. EUR 577) were achieved. Raw materials for the production of cartonboard amounting to thous. EUR 8,266 were purchased from related companies in 2012 (2011: thous. EUR 7,572).

At December 31, 2012, trade accounts receivable from other related companies amounted to thous. EUR 0 (December 31, 2011: thous. EUR 67), and trade liabilities to related companies amounted to thous. EUR 1,313 (December 31, 2011: thous. EUR 697).

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

32 — SUBSEQUENT EVENTS

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

33 — TABLE OF AFFILIATED AND ASSOCIATED COMPANIES

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Mayr-Melnhof Karton Aktiengesellschaft	Vienna	AUT	Holding	EUR	80,000	-	FC ¹⁾
MM KARTON							
Baiersbronn Frischfaser Karton GmbH	Baiersbronn	DEU	Cartonboard production	EUR	2,050	100.00 %	FC ¹⁾
CartPrint Insurance AG	Vaduz	LIE	Insurance	EUR	3,000	100.00 %	FC ¹⁾
CP (CartPrint) International Trading AG	Worb	CHE	Sourcing	CHF	50	100.00 %	FC ¹⁾
FS-Karton GmbH	Baiersbronn	DEU	Cartonboard production	EUR	51,641	100.00 %	FC ¹⁾
Industriewater Eerbeek B.V.	Eerbeek	NLD	Waste water purification	EUR	143	37.50 %	EC ²⁾
Kolicevo Karton Proizvodnja kartona, d.o.o.	Domzale	SVN	Cartonboard production	EUR	12,828	100.00 %	FC ¹⁾
Lokalbahn Payerbach-Hirschwang Gesellschaft m.b.H.	Reichenau/Rax	AUT	Railway transport	EUR	190	100.00 %	NC ³⁾
Mayr-Melnhof Cartonboard International GmbH	Vienna	AUT	Holding	EUR	5,000	100.00 %	FC ¹⁾
Mayr-Melnhof Eerbeek B.V.	Eerbeek	NLD	Cartonboard production	EUR	7,300	100.00 %	FC ¹⁾
Mayr-Melnhof Gernsbach GmbH	Gernsbach	DEU	Cartonboard production	EUR	9,205	100.00 %	FC ¹⁾
Mayr-Melnhof Holdings B.V.	Eerbeek	NLD	Holding	EUR	67,254	100.00 %	FC ¹⁾
Mayr-Melnhof Karton Gesellschaft m.b.H.	Frohnleiten	AUT	Cartonboard production	ATS	100,000	100.00 %	FC ¹⁾
Stort Doonweg B.V.	Eerbeek	NLD	Waste dumping	EUR	18	50.00 %	NC ³⁾

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
Trading companies & sales offices of MM Karton							
Austria Cartón S.A.	Barcelona	ESP	Cartonboard sales	EUR	60	75.00 %	FC ¹⁾
Firgos (Malaysia) SDN BHD	Kuala Lumpur	MYS	Cartonboard trading	MYR	500	51.00 %	FC ¹⁾
Keminer Remmers Spiehs Kartonhandels GmbH	Gernsbach	DEU	Cartonboard trading	EUR	1,280	100.00 %	FC ¹⁾
Mayr-Melnhof Belgium N.V.	Zaventem	BEL	Cartonboard sales	EUR	62	100.00 %	FC ¹⁾
Mayr-Melnhof Cartonboard UK Limited	Lincolnshire	GBR	Cartonboard sales	GBP	1,000	100.00 %	FC ¹⁾
Mayr-Melnhof France SARL	Paris	FRA	Cartonboard sales	EUR	8	100.00 %	FC ¹⁾
Mayr-Melnhof Italia S.R.L.	Milano	ITA	Cartonboard sales	EUR	51	75.00 %	FC ¹⁾
Mayr-Melnhof Karton Polska Sp. z o.o.	Poznan	POL	Cartonboard sales	PLN	50	100.00 %	FC ¹⁾
Mayr-Melnhof Karton Schweiz GmbH	Worb	CHE	Cartonboard sales	CHF	20	100.00 %	FC ¹⁾
Mayr-Melnhof Mediterra SARL	Tunis	TUN	Cartonboard sales	TND	80	100.00 %	FC ¹⁾
Mayr-Melnhof Nederland B.V.	Amstelveen	NLD	Cartonboard sales	EUR	91	100.00 %	FC ¹⁾
Mayr-Melnhof & Wilfried Heinzel Tehran Co.	Tehran	IRN	Cartonboard sales	IRR	100,000	36.00 %	NC ³⁾
MM Guang Zhou Yue Ran Paper Co., Ltd.	Guangzhou	CHN	Cartonboard sales	RMB	1,500	100.00 %	NC ³⁾
MM Karton Bulgaria EOOD	Sofia	BGR	Cartonboard sales	BGN	5	100.00 %	FC ¹⁾
MM Karton Praha s.r.o.	Prague	CZE	Cartonboard sales	CZK	820	100.00 %	FC ¹⁾
MM Karton Russia LLC	Moscow	RUS	Cartonboard sales	RUB	14,290	100.00 %	FC ¹⁾
MM Kartonvertrieb GmbH	Neuss	DEU	Cartonboard sales	EUR	26	100.00 %	FC ¹⁾
MM Prodaja Kartona d.o.o.	Domzale	SVN	Cartonboard sales	EUR	30	75.00 %	FC ¹⁾
Varsity Packaging Limited	Lincolnshire	GBR	Cartonboard trading	GBP	300	100.00 %	FC ¹⁾

CONSOLIDATED FINANCIAL STATEMENTS

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MM PACKAGING							
Al-Ekbal Printing & Packaging Co.	Amman	JOR	Production of packaging	JOD	5,000	80.26 %	FC ¹⁾
Al-Ekbal Paper Trading & Logistic Services Ltd. Co.	Amman	JOR	Trading	JOD	30	80.26 %	NC ²⁾
C.P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH	Kaiserslautern	DEU	General partner	EUR	180	75.00 %	FC ¹⁾
C.P. Schmidt Verpackungs-Werk GmbH & Co. KG ⁴⁾	Kaiserslautern	DEU	Production of packaging	EUR	4,000	75.00 %	FC ¹⁾
Emst Schausberger & Co. Gesellschaft m.b.H.	Gunskirchen	AUT	Production of packaging	EUR	2,910	100.00 %	FC ¹⁾
Graficas Los Andes S.A.S.	Santiago de Cali	COL	Production of packaging	COP	330,625	20.00 %	EC ²⁾
Graphia Gundlach Beteiligungsgesellschaft mbH	Bielefeld	DEU	Holding	EUR	52	100.00 %	FC ³⁾
Mayr-Melnhof Graphia Izmir Karton sanayi ve ticaret anonim sirketi	Izmir	TUR	Production of packaging	TRY	24,613	100.00 %	FC ¹⁾
Mayr-Melnhof Gravure GmbH	Trier	DEU	Production of packaging	EUR	7,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Austria GmbH	Vienna	AUT	Production of packaging	EUR	3,050	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging GmbH	Kaiserslautern	DEU	Holding	DEM	8,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Iberica SL	Valencia	ESP	Production of packaging	EUR	7,500	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging International GmbH	Vienna	AUT	Holding	EUR	5,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Marinetti Limitada	Santiago de Chile	CHL	Production of packaging	CLP	5,000	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging Romania S.R.L.	Blejoi	ROU	Production of packaging	RON	5,504	100.00 %	FC ¹⁾
Mayr-Melnhof Packaging UK Limited	Lincolnshire	GBR	Production of packaging	GBP	9,700	100.00 %	FC ¹⁾
MM Graphia Beteiligungs- und Verwaltungs GmbH	Baiersbronn	DEU	Holding	EUR	5,538	100.00 %	FC ¹⁾
MM Graphia Bielefeld GmbH	Bielefeld	DEU	Production of packaging	EUR	526	100.00 %	FC ¹⁾
MM Graphia Dortmund GmbH	Dortmund	DEU	Production of packaging	EUR	100	100.00 %	FC ¹⁾
MM Graphia Innovaprint GmbH	Bielefeld	DEU	Production of packaging	EUR	500	100.00 %	FC ¹⁾
MM Graphia Trier GmbH	Trier	DEU	Production of packaging	EUR	3,500	100.00 %	FC ¹⁾
MM Packaging Behrens GmbH & Co KG ⁴⁾	Alfeld (Leine)	DEU	Production of packaging	EUR	1,790	100.00 %	FC ¹⁾
MM Packaging Behrens Verwaltungs GmbH	Alfeld (Leine)	DEU	General partner	EUR	26	100.00 %	FC ¹⁾
MM Packaging Beteiligungs- und Verwaltungs GmbH	Baiersbronn	DEU	Holding	EUR	500	100.00 %	FC ¹⁾
MM Packaging Caesar GmbH & Co KG ⁴⁾	Traben-Trarbach	DEU	Production of packaging	EUR	5,120	100.00 %	FC ¹⁾

CONSOLIDATED FINANCIAL STATEMENTS

Company name	Registered office	Country	Primary activities	Currency	Nominal capital in thousand currency units	Shareholding in %	Type of consolidation
MMP Premium Printing Center GmbH	Trier	DEU	Production of packaging	EUR	500	100.00 %	FC ¹⁾
MM Packaging Colombia S.A.S.	Santiago de Cali	COL	Production of packaging	COP	39,300,000	100.00 %	FC ¹⁾
MM PACKAGING France S.A.S.	Monéteau	FRA	Production of packaging	EUR	7,289	100.00 %	FC ¹⁾
MM Packaging Malaysia SDN. BHD.	Kuala Lumpur	MYS	Production of packaging	MYR	6,000	51.00 %	FC ¹⁾
MMP Neupack Polska Sp.z.o.o.	Bydgoszcz	POL	Production of packaging	PLN	28,700	100.00 %	FC ¹⁾
MM Packaging Schilling GmbH	Heilbronn	DEU	Production of packaging	EUR	2,500	100.00 %	FC ¹⁾
MM Packaging Ukraine LLC	Cherkassy	UKR	Production of packaging	UAH	56,896	100.00 %	FC ¹⁾
MM Polygrafoformlenie Limited	Nicosia	CYP	Holding	EUR	7	100.00 %	FC ¹⁾
MM Polygrafoformlenie Packaging LLC	St. Petersburg	RUS	Production of packaging	RUB	565,851	100.00 %	FC ¹⁾
MM Polygrafoformlenie Rotogravure LLC	St. Petersburg	RUS	Production of packaging	RUB	33,000	100.00 %	FC ¹⁾
MM Printing and Packaging Tehran Company, Private Joint Stock	Tehran	IRN	Production of packaging	IRR	110,513,000	94.51 %	FC ¹⁾
Neupack Gesellschaft m.b.H.	Reichenau/Rax	AUT	Production of packaging	EUR	1,820	100.00 %	FC ¹⁾
PacProject GmbH	Hamburg	DEU	Development of packaging	EUR	26	69.77 %	FC ¹⁾
R + S Stanzformen GmbH	Frankfurt/Main	DEU	Production of cutting dies	EUR	260	100.00 %	FC ¹⁾
Superpak Ambalaj sanayi ve ticaret anonim sirketi	Izmir	TUR	Production of packaging	TRY	3,150	100.00 %	FC ¹⁾
TEC MMP SARL	Sfax	TUN	Production of packaging	TND	21,400	100.00 %	FC ¹⁾
Öffentliche Aktiengesellschaft „Graphia Ukraina“	Cherkassy	UKR	Production of packaging	UAH	5,880	94.78 %	FC ¹⁾
VTV Verpackungstechnische Verfahren GmbH	Kaiserslautern	DEU	Development of packaging	EUR	200	75.00 %	FC ¹⁾
OTHER							
free-com internet services GmbH	Vienna	AUT	IT services	EUR	35	36.00 %	FC ¹⁾
Syn-Group Unternehmensberatung GmbH	Vienna	AUT	Consulting	EUR	37	38.00 %	FC ¹⁾

¹⁾ FC ... fully consolidated

²⁾ EC ... consolidated according to equity method

³⁾ NC ... non-consolidated

⁴⁾ These consolidated financial statements represent an exemption for these partnerships according to section 264b of the German Commercial Code.

34 — BOARD MEMBERS

During the financial year 2012, the Board Members were as follows:

Management Board

Wilhelm HÖRMANSEDER, Purkersdorf (Chairman)
Andreas BLASCHKE, Perchtoldsdorf (Member of the Management Board)
Franz RAPPOLD, Laab im Walde (Member of the Management Board)
Oliver SCHUMY, Vienna (Member of the Management Board)

Supervisory Board

Michael GRÖLLER, Vienna (Chairman)
Romuald BERTL, Graz (Deputy Chairman)
Johannes GOESS-SAURAU, Neumarkt/Raab (Deputy Chairman)
Guido HELD, Graz
Alexander LEEB, Frohnleiten
Georg MAYR-MELNHOF, Wals/Viehhausen
Michael SCHWARZKOPF, Reutte
Nikolaus ANKERSHOFEN, Vienna
Hubert ESSER, Neuss (Staff Council Representative, MM Karton)
Andreas HEMMER, Frohnleiten (Staff Council Representative, MM Karton)
Gerhard NOVOTNY, Vienna (Staff Council Representative, MM Packaging)

Vienna, March 5, 2013

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, 2012 to December 31, 2012. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2012, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2012, 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 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. This responsibility includes: designing, implementing and maintaining internal control relevant to 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, 2012 and of its financial performance and its cash flows for the fiscal year from January 1, 2012 to December 31, 2012 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 misleading 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 243a 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 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 5, 2013

Grant Thornton Unitreu GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christian PAJER m.p.

Werner LEITER 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, March 5, 2013

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 2012

QUARTERLY OVERVIEW

Mayr-Melnhof Group (IFRS, unaudited)

(consolidated, in millions of EUR)	1 st Quarter 2012	2 nd Quarter 2012	3 rd Quarter 2012	4 th Quarter 2012	4 th Quarter 2011	+/-
Sales	494.9	480.1	492.2	485.0	460.8	+5.3 %
Operating profit	42.1	37.0	50.9	36.1	35.5	+1.7 %
Operating margin (%)	8.5 %	7.7 %	10.3 %	7.4 %	7.7 %	
Profit before tax	39.6	32.3	52.3	36.0	33.5	+7.5 %
Income tax expense	(11.1)	(9.6)	(12.6)	(7.4)	(6.7)	
Profit for the period	28.5	22.7	39.7	28.6	26.8	+6.7 %
Net profit margin (%)	5.8 %	4.7 %	8.1 %	5.9 %	5.8 %	
Basic and diluted earnings per share (in EUR)	1.40	1.15	1.98	1.43	1.33	

The development in the fourth quarter was traditionally characterized by a seasonal slowdown of incoming orders and machine downtime in the second half of December. Competition on cartonboard markets has further intensified against the background of persistently weak market dynamics, by which the pressure on prices significantly increased. MM Karton could not avoid this development; however, it pursued a selective price adjustment.

At approximately 95 % capacity utilization of cartonboard production was as expected lower than in the third quarter (99 %), yet significantly above the value from the previous year, which was only 81 % mostly due to the reconstruction of the large machine in Kolicveo. The operating margin of MM Karton amounted to 6.2 % after 5.5 % in the fourth quarter of last year. As a result of lower utilization and lower average prices however the margin of the third quarter (3rd quarter 2012: 8.5 %) could not be met.

MM Packaging achieved an operating margin of 7.8 % after 10.9 % in the third quarter of 2012 and 8.7 % in the fourth quarter of the previous year.

Due to increased cartonboard sales volume consolidated sales, at EUR 485.0 million, exceeded the comparative value (4th quarter 2011: EUR 460.8 million). The operating profit amounted to EUR 36.1 million (4th quarter 2011: EUR 35.5 million). The Group's operating margin reached 7.4 % (4th quarter 2011: 7.7 %).

The profit before tax increased from EUR 33.5 million to EUR 36.0 million.

After the tax expense in the amount of EUR 7.4 million (4th quarter 2011: EUR 6.7 million) a profit for the period of EUR 28.6 million was achieved which was slightly over the comparative value of the previous year (4th quarter 2011: EUR 26.8 million).

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 other 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.

Working capital

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

FINANCIAL CALENDAR 2013

April 24, 2013	19 th Ordinary Shareholders' Meeting – Vienna
April 30, 2013	Ex-dividend day
May 7, 2013	Dividend payment date
May 15, 2013	Results for the 1 st quarter of 2013
August 14, 2013	Results for the 1 st half-year of 2013
November 14, 2013	Results for the first three quarters of 2013

PUBLISHED AND EDITED BY

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The English version of this annual report is a translation of the original German text.

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.

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Mayr-Melnhof Group

Key Indicators

	2008	2009	2010	2011	2012
Development of sales (in millions of EUR)					
Total sales	2,026.3	1,865.9	2,102.2	2,281.3	2,293.1
less intersegment sales between the divisions	(135.6)	(116.5)	(121.7)	(112.5)	(105.5)
less intersegment sales in the divisions	(159.5)	(147.9)	(201.6)	(209.2)	(235.4)
Consolidated sales	1,731.2	1,601.5	1,778.9	1,959.6	1,952.2
Earnings data (in millions of EUR)					
Net value added	468.4	466.2	495.7	526.3	534.5
EBITDA	216.3	229.7	236.5	251.8	250.4
Operating profit	136.9	149.9	162.3	170.9	166.1
Profit for the year	96.9	97.4	110.4	118.7	119.5
Cash earnings	175.6	184.9	187.7	195.2	203.7
Depreciation/capital expenditures (in millions of EUR)					
Depreciation and amortization	83.5	97.8	81.8	84.2	85.8
Capital expenditures	96.7	61.6	86.6	125.2	102.7
Employees	8,240	8,112	8,679	8,882	8,836
Profitability indicators					
Return on equity	10.5 %	10.4 %	11.3 %	11.9 %	11.4 %
Return on assets	7.2 %	7.4 %	8.0 %	8.3 %	7.9 %
Net profit margin	5.6 %	6.1 %	6.2 %	6.1 %	6.1 %
EBITDA margin	12.5 %	14.3 %	13.3 %	12.9 %	12.8 %
Operating margin	7.9 %	9.4 %	9.1 %	8.7 %	8.5 %
Cash earnings margin	10.1 %	11.5 %	10.6 %	10.0 %	10.4 %
Return on capital employed	16.1 %	16.9 %	18.9 %	18.6 %	17.1 %
Return on investment	9.7 %	9.9 %	10.8 %	11.4 %	10.6 %
Balance sheet indicators					
Total equity to total assets	64.1 %	69.3 %	64.6 %	64.2 %	66.9 %
Property, plant and equipment to total assets	39.5 %	37.7 %	37.1 %	38.0 %	38.3 %
Total equity and non-current liabilities to property, plant and equipment	1.9	2.1	2.0	2.0	2.1
Working capital (in millions of EUR)	496.2	506.6	520.6	513.0	597.9
Financial indicators					
Net liquidity (in millions of EUR)	189.4	288.7	202.6	208.6	178.0
Share performance indicators (in EUR)					
Enterprise value (in millions of EUR)	1,100.3	1,542.2	1,765.3	1,321.0	1,623.6
Basic and diluted earnings per share	4.38	4.44	5.39	5.91	5.96
Dividend per share	1.70	1.70	1.95	2.10	2.25¹⁾

¹⁾ proposed