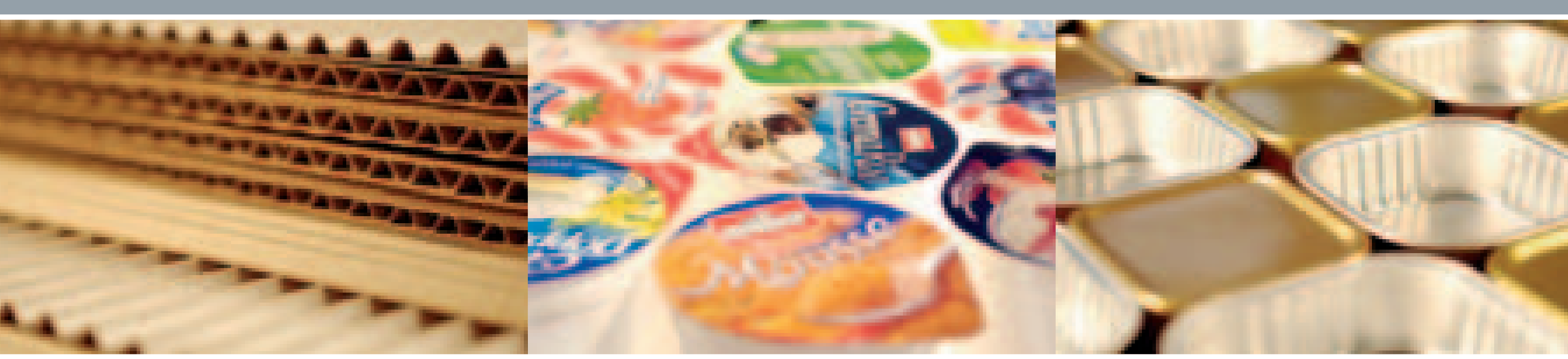
Constantia
Packaging



Annual Report **2005**

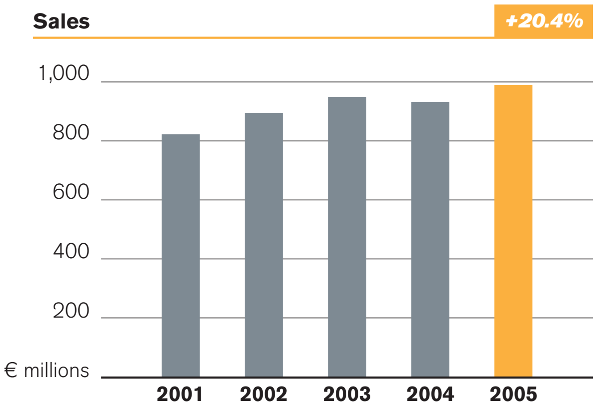
Key figures for the Group

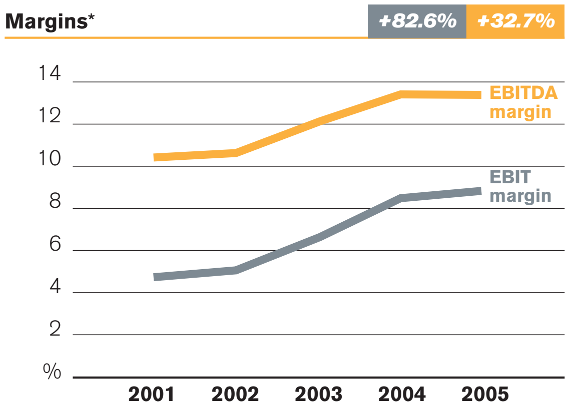
Key figures for the Group (€ millions)	2001	2002	2003	2004	2005
Total sales *	823.5	907.5	975.9	945.0	991.6
Flexible Packaging sales **	599.5	679.7	747.3	710.6	745.1
Corrugated Board sales	224.7	228.6	229.5	235.2	247.3
EBITDA ***	85.6	95.9	118.1	131.7	136.7
EBITDA margin	**10.4%**	**10.6%**	**12.1%**	**13.9%**	**13.8%**
EBIT ***	37.7	46.7	61.6	78.8	83.0
EBIT margin	**4.6%**	**5.1%**	**6.3%**	**8.3%**	**8.4%**
EBT	27.6	36.6	52.6	69.7	78.8
EBT margin	**3.4%**	**4.0%**	**5.4%**	**7.4%**	**7.9%**
Consolidated net income (excluding minority interests)	11.0	14.2	20.3	37.7	45.8
Total assets	646.6	690.5	657.1	747.6	851.8
Equity	196.5	203.3	215.6	258.1	309.1
Equity ratio	**30.4%**	**29.5%**	**32.8%**	**34.5%**	**36.3%**
Debt	450.2	487.2	441.6	489.4	542.7
Capital expenditures ****	71.1	62.8	55.6	76.1	71.9
Depreciation (excluding goodwill amortization)	42.6	47.0	50.2	45.1	52.7
Average annual number of employees	4.734	5.113	5.372	5.203	5.631
ROCE	5.6%	6.6%	8.5%	13.0%	12.5%
ROE	7.8%	10.0%	13.2%	20.1%	20.5%
Debt-to-equity ratio	98.8%	100.6%	78.2%	86.9%	87.2%

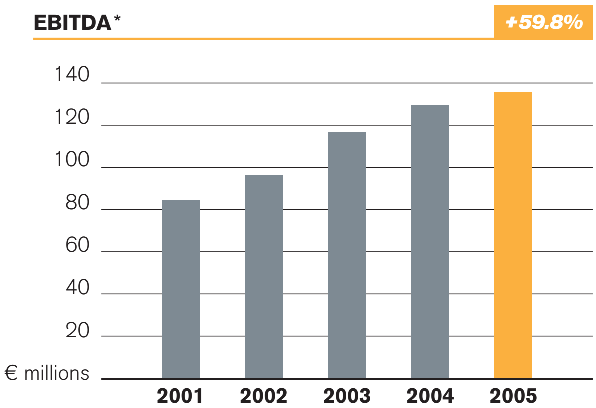
Stock market data (€)	2001	2002	2003	2004	2005
High	9.00	10.85	14.00	20.75	36.50
Low	7.80	8.06	9.00	13.50	20.50
Close	8.10	9.23	13.50	20.50	33.00
Annual average	8.29	9.15	10.98	18.84	29.49
Earnings per share	0.66	0.85	1.21	2.25	2.73
P/E ratio	12.33	10.92	11.18	9.11	12.10
Dividend per share *****	0.39	0.45	0.52	0.68	0.78
Dividend yield (based on average annual price)	4.70%	4.92%	4.74%	3.61%	2.64%
Shares outstanding	16,800,000	16,800,000	16,800,000	16,800,000	16,800,000

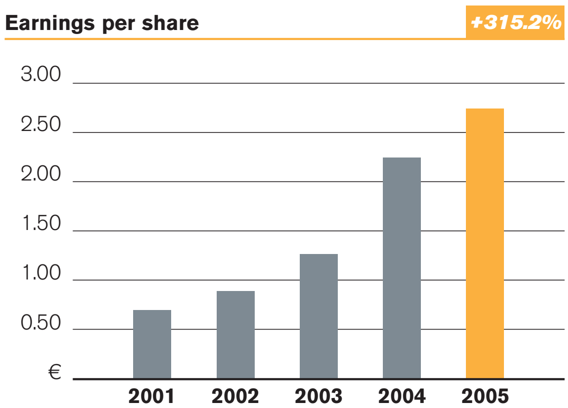
* 2003 sales adjusted for Petruzalek Group (€941.9 million)
** 2003 sales adjusted for Petruzalek Group (€713.2 million)
*** The interest component of the 2001. 2002 and 2003 social capital reserves was reported under personnel expenses
**** Capital expenditures for 2003, 2004 and 2005 exclude all additions to financial assets
***** 2005 dividend: proposed

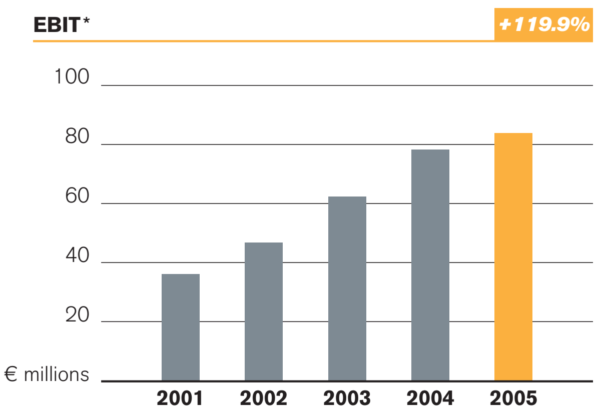
Five-year results

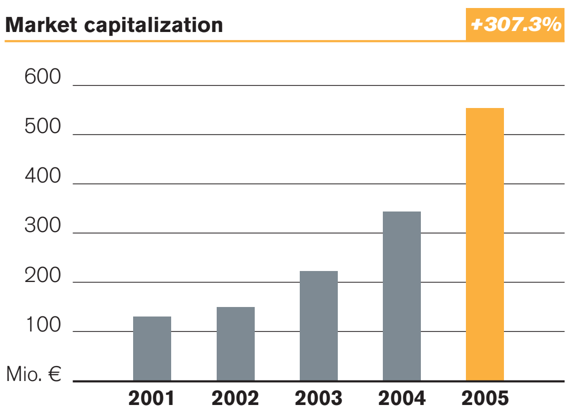












Growth rates for 2001 – 2005

* The interest component of the 2001, 2002 and 2003 social capital reserves was reported under personnel expenses

Mission Statement

Constantia Packaging AG manages an active and strategic business portfolio focused on Flexible Packaging and Corrugated Board.

KNOW-HOW Constantia Packaging Group is a leading provider of innovative solutions for shipping packaging, flexible packaging and labeling.

EFFICIENCY Our business activities are characterized by operational efficiency. Lean management structures and decentralized decision-making ensure efficient management.

CUSTOMERS We focus on the needs of our customers and rise to meet the challenges of new markets.

SERVICE Together with our partners, we develop customer-focused solutions and offer a wide range of excellent services as far as end-users.

INNOVATION As a leading innovator, we always seek optimal solutions to help make our customers more competitive.

SHAREHOLDERS We offer our shareholders sustainable, value-oriented growth with continued high profitability and a strong, recurring dividend.

EMPLOYEES We offer our employees challenging tasks and excellent development opportunities within the entire Group.

ENVIRONMENT We consider environmental protection to be a priority. We seek to invest in innovative and environmentally friendly technologies.

OUTLOOK We will continue to expand our position in all our business segments.

Contents

Letter to shareholders

Michael Götz Hanno M. Bästlein Helmut Schwager

Dear Shareholders,

2005 was a very successful year for the Constantia Packaging Group. The favorable results presented in this report were due for the most part to the positive impact of our performance-enhancing measures as well as our focus on high-margin products.

New market presence for Constantia Packaging Group

As the cover of this report illustrates, we continued to make changes in 2005. In recent years, we have grown to become a large Group with many subsidiaries. Meanwhile, our market presence consists of several company names and brands. Customers sometimes have a hard time knowing which companies belong to the Group or, more importantly, the full range of our products and services.

In the future, our customers around the globe will be able to recognize Constantia's extensive portfolio quickly and easily. Through a group-wide project involving both employees and customers, we developed a new, uniform logo. It will eventually be integrated into the names of the respective sites.

This strategy strengthens our main brand and thereby the individual companies. It provides us with a clear market position and sets us apart from the competition. At the same time, we continue to emphasize the flexibility, know-how and experience of the Group's subsidiaries. Thus it is clear that we are a large, strong and dependable company with all of the advantages of smaller units.

With this report, we are unveiling our new corporate identity to the public for the first time. In the months ahead, all of our subsidiaries will successively adopt the uniform "Constantia" umbrella brand while maintaining their own well-established brands, which are familiar to customers.

New markets in Eastern and Southeastern Europe

In April 2005, we acquired a 60% stake in the Russian company Akerlund & Rausing Kuban ZAO and thereby sharpened our focus on one of the most promising emerging markets. The company is managed in accordance with Western standards and fits perfectly into the strategic orientation of our Flexible Packaging division. To strengthen our market position further, we will acquire the remaining 40% interest in the company in the spring of 2006.

In 2005, Duropack took yet another strategic step toward market leadership in Southeastern Europe. After successfully integrating the Serbian corrugated board manufacturer Dušan Petronijević, which was acquired in 2004, Duropack entered the Bulgarian market in the fourth quarter of last year by acquiring Trakia Papir AD. This new subsidiary – the leading corrugated board and base paper producer in Bulgaria – provides Duropack with yet another facility for producing and processing corrugated board.

Success in a difficult market environment

Global economic growth eased from 5.1% to 4.3% in 2005. Meanwhile, Austria's GDP growth of 1.9% was above the European average.

Industry trends were also relatively unfavorable last year. The negative impacts of higher commodity prices and market overcapacity were felt throughout the year. Meanwhile, end-user markets did not show any signs of rebounding.

Consolidated sales rose by 4.9% from €945.0 million to €991.6 million. This increase was mainly due to higher sales volume, despite slightly lower prices for key sales products, and the new acquisitions in Russia and Bulgaria. EBITDA rose by 3.8% from €131.7 million to €136.7 million. This increase resulted largely from the positive impact of our group-wide efficiency projects, strict cost management, a greater focus on service and corresponding concentration on higher-margin products, as well as the streamlining of the business portfolio. Last year's negative impacts included higher prices for aluminum, a key raw material, as well as rising energy and fuel costs, which were partially reflected in higher logistics costs.

EBIT increased by 5.3% from €78.8 million to €83.0 million. Despite the difficult market environment, we were able to keep margins at the previous year's high level. The EBITDA margin stood at 13.8%, and the EBIT margin was 8.4%.

Consolidated net income rose by 21.5% from €37.7 million to €45.8 million, while earnings per share increased from €2.25 to €2.73.

Continuation of our dividend policy

Given last year's favorable results, we will propose a dividend of €0.78 per share to the Shareholders' General Meeting, up from €0.68 the previous year. This represents the fourth consecutive increase. Based on the average share price for the year, the dividend yield would be 2.64%.

Investments in our future

The new rolling mill at our Mühlhofen facility is one key area for our investments. With an annual production capacity of 15,000 metric tons, the new mill is scheduled to be operational by the end of 2006. Another key area is the K. Heyer facility in Natschbach-Loipersbach, which is being expanded to become the pharmaceutical packaging center for the Group. In June 2005, we celebrated the completion of the first stage in this expansion: the installation of a four-color gravure printing press and a precision roller cutting machine that enables printing in a clean room. This year, our "Universal one-stop concept for pharmaceuticals" will transform the site into the pharmaceuticals packaging head office, where highly trained employees will develop packaging solutions for pharmaceutical and medical products.

Group-wide projects advance

Our Group-wide efficiency program deserves credit for some of our success in 2005. This program involved the pooling of purchasing activities. In the process, we reviewed all existing suppliers and identified potential new suppliers that can deliver the desired savings.

Higher oil prices drove up our energy and fuel costs, which was also partially reflected in higher logistics costs. To limit the impact of these higher prices, we initiated logistics projects in the Flexible Packaging division, which were designed to improve delivery speed and flexibility. The group-wide networking is an essential aspect of the projects, along with optimization measures at the respective plants.

We are also striving to reduce logistics costs in the Corrugated Board division. We will take advantage of potential savings by implementing a uniform production, distribution and logistics software. The gradual roll-out is planned for the first half of 2006.

Constantia Academy for Management and Leadership

After laying the groundwork in 2005, we will launch one of the most important projects for our Group's future on May 29, 2006. The Constantia Academy for Management and Leadership will instill a common corporate culture and management principles along with a group-wide management approach. The Academy is a groundbreaking training initiative designed to promote a positive attitude among employees and help them identify with Constantia Packaging's company values. By fostering the career development of talented employees and creating a know-how network within the group, we are laying the foundation for continued international expansion with motivated junior management.

A total of 24 trainees from all different countries and company divisions will take part in the Academy. It consists of five learning modules covering such subjects as "Intercultural Management", "Strategic Corporate Development" and "Creativity and Innovation". The training methods include hands-on learning, case studies, SWOT analyses, feedback and project- and teamwork assignments. The participants gain the unique opportunity to prepare for future challenges together with colleagues from throughout the Group and make new contacts for future collaboration. Thus we will continue to grow in a closely knit fashion and be prepared for continued international expansion.

Focus on our core business

In 2005, we disposed of SIED Emballages SA, Tunisia, and Wanfried-Druck Kalden GmbH, Germany, as part of our increased focus on our core business. In December 2005, a preliminary agreement was signed to dispose of the production facilities of Rotoflex Technology Inc., USA.

Outlook

The positive results of recent years do nothing to diminish the challenges that lie ahead.

In mid-February 2006, we announced our intent to acquire Klaus Hammerer GmbH's 40% equity interest in Austria Metall AG (AMAG), Ranshofen, and began negotiations. Currently, we own a 25% plus one share interest in AMAG.

Constantia Packaging intends to continue to manage AMAG as a separate company headquartered in Ranshofen. This strategy reflects our decentralized management approach for subsidiaries.

Presently, our Group processes 55,000 metric tons of aluminum per year, with nearly half that amount supplied by AMAG. We plan to significantly raise our stake in AMAG within the next 24 months. The metal business, in which we have already been very successful, is among our core competencies and is strategically important.

We are reviewing this option very carefully and will keep our shareholders well informed as to ongoing developments. We expect the results to be finalized in the second half of 2006.

Thanks to our employees

The entrepreneurial spirit and commitment of our employees worldwide is clearly the cornerstone of our business success. We would especially like to thank them for their efforts and exemplary commitment. We would also like to thank all shareholders, customers and business partners for their trust and close collaboration.

Hanno M. Bästlein Michael Götz Helmut Schwager

Vienna, April 2006

Company Boards

Managing Board and Supervisory Board

Managing Board

Hanno M. Bästlein,
Chief Executive Officer
(as of April 1, 2006)

Michael Götz
(through May 31, 2006)

Helmut Schwager

Supervisory Board

Guido N. Schmidt-Chiari
Chairman
Appointed: March 18, 1994
Term: 2007 Shareholders' General Meeting
Supervisory Board mandates in listed companies: Immofinanz AG, Generali Holding AG

Christine de Castelbajac
Deputy Chairwoman
Appointed: March 18, 1994
Term: 2007 Shareholders' General Meeting

S.D. Prinz Michael von und zu Liechtenstein
Deputy Chairman
Appointed: March 18, 1994
Term: 2007 Shareholders' General Meeting

Alfred Fogarassy
Appointed: May 28, 2002
Term: 2007 Shareholders' General Meeting

Herbert Krejci
Appointed: March 18, 1994
Term: 2007 Shareholders' General Meeting
Supervisory Board mandates in listed companies: Honorary Chairman, VA Technologie AG

Rainer Zellner
Appointed: May 27, 2003
Term: 2007 Shareholders' General Meeting

Max Turnauer
(through May 18, 2005)

Supervisory Board Committees

Praesidium
(also Compensation Committee)
Guido N. Schmidt-Chiari
Christine de Castelbajac
S.D. Prinz Michael von und zu Liechtenstein

Audit Committee
Guido N. Schmidt-Chiari
Alfred Fogarassy

Personnel Committee
Guido N. Schmidt-Chiari
Christine de Castelbajac

Executive Board

Hanno M. Bästlein (Constantia Packaging AG)

Objective

The Executive Board is an advisory board consisting of operating management and the Managing Board of Constantia Packaging AG.

The Executive Board's missions include key group-wide subjects such as corporate strategy, markets, technology, acquisitions and group-wide activities.

Michael Götz (Constantia Packaging AG)

Jan Homan (Constantia Flexibles Holding GmbH)

Helmut Schwager (Constantia Packaging AG)

Peter Szivacsek (Duropack AG)

Stock and Corporate Governance

Constantia Packaging AG stock

2005 in review

Last year, international equity markets again reached new highs for the first time since 2000. The Vienna Stock Exchange, meanwhile, continued its strong performance of recent years and also reached new highs last year.

In 2005, the ATX benchmark index passed the 3,000 point level halfway through the year and finished with a 51.0% gain to 3,667 points, one of the strongest performances of any market worldwide. The earnings growth of listed companies, which benefited in particular from their substantial activities in Eastern Europe, contributed to this favorable performance. Last year also saw numerous corporate bond issues, which reached a record volume of €4.08 billion.

Trading volume on the Vienna Stock Exchange also rose dramatically. In 2005, average daily volume surged by 86.9% from €160.0 million to €299.0 million. Six initial public offerings and 23 secondary offerings with a total volume of approximately €6 billion contributed to this increased trading volume. Foreign investors accounted for around half of the total trading volume. The stock market outlook for 2006 is also bullish.

Constantia Packaging stock trends

Constantia Packaging AG is listed with 16,800,000 shares on the Vienna Stock Exchange's Prime Market. As of December 31, 2005, the company had a market capitalization of €554.4 million. Last year, the share price again trended sharply higher, rising from its low for the year of €20.50 on January 1, 2005 to a high of €36.50 on October 17, 2005. It closed the year at €33.00, a 61.0% gain and well above the performance of the ATX Prime Index, which gained 48.42%.

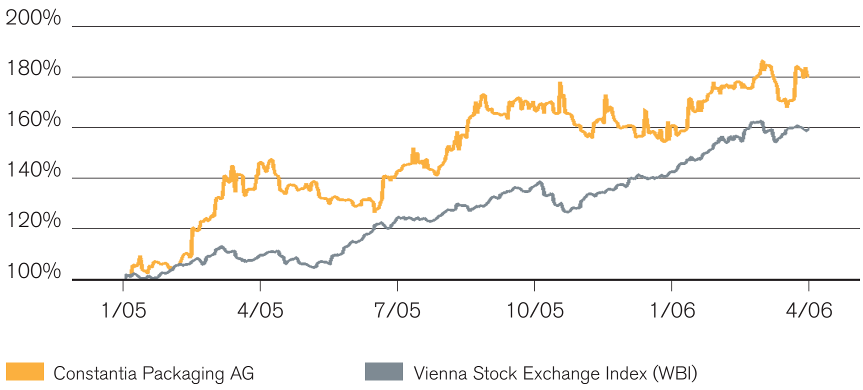
Given last year's results, the Managing Board will propose a dividend of €0.78 per share to the Shareholders' General Meeting. The dividend yield would thus be 2.64% based on the average price for the year. The total dividend payout is €13.1 million.

Strengthened investor relations

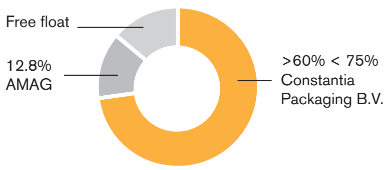
Our Investor Relations (IR) activities have a clear objective, namely to provide shareholders and capital markets with a true picture of our Group. These activities include regular communications such as talks with analysts and investors, quarterly reporting and the preparation of the annual report. In 2005, we participated in road shows in London and Paris and reinforced our ties to investors.

We continuously inform institutional and retail investors on current earnings trends. Shareholders and other interested parties can visit our web site (www.constantia-packaging.com), which is updated regularly and comprehensively with information on the most recent developments. The shareholders' club provides retail investors with yet another communications platform. Investkredit Bank AG is the market maker and specialist for Constantia Packaging AG.

Share price trends 2005 – March 2006



Constantia Packaging AG ownership structure



RCB – Raiffeisen Centro Bank, Vienna, and Berenberg Bank, Hamburg, provide research coverage of the company. RCB is a leading Austrian investment bank. Berenberg Bank is Germany's oldest private bank with strong analytical know-how in the small- and mid-cap segments.

Constantia Packaging stock (€)	2005	2004
High	36.50	20.75
Low	20.50	13.50
Year-end	33.00	20.50
Average	29.49	18.84
Market capitalization (12/31, in millions)	554.40	344.40
Earnings per share	2.73	2.25
P/E/ ratio (as of 12/31)	12.10	9.11
Dividend per share	0.78*	0.68
Dividend yield (%)	2.64	3.61

* Proposed

Information regarding the Constantia Packaging stock

ISIN	AT0000943352
Vienna Stock Exchange symbol	COV
Reuters symbol	CVER_R.VI
Bloomberg symbol	CNVK AV
Datastream	O:CONV
Trading segment	Official market
Market segment	Prime market
Indices	WBI, ATX Prime
Initial listing	May 22, 1995
Listed shares	16,800,000
Investor relations	Martin Schneeweiss
Investor relations phone	++43-(0)1-58855-220
E-mail	ir@constantia-packaging.com
Website	www.constantia-packaging.com

Investor relations calendar

April 19, 2006	Annual press conference
April 27, 2006	Shareholder visiting day
May 8, 2006	First-quarter 2006 results
May 12, 2006	Shareholders' General Meeting
May 17, 2006	Ex-dividend date
May 24, 2006	Dividend distribution
August 7, 2006	Second-quarter 2006 results
November 6, 2006	Third-quarter 2006 results

Corporate Governance

Austrian Corporate Governance Code

Austrian Corporate Governance Code is a voluntary, self-regulatory initiative that brings a high degree of transparency to all Austrian capital markets participants. It complements the legal requirements for a stock corporation. The code fosters responsible corporate governance and control focused on long-term value creation.

For years, Constantia Packaging AG's strategy has been to add value through sustainable and long-term growth. We are committed to responsible management and control of the Constantia Packaging Group.

Strict principles for good management are an essential part of this strategy. Some of the corporate governance principles defined in the code have been part of our corporate culture for many years. They promote adding value and building trust with investors.

Commitment to Corporate Governance

The Austrian Corporate Governance Code is based on the rules of the Austrian Stock Corporation Law, the Stock Exchange Law and the Capital Markets Law as well as OECD corporate governance guidelines. The Code gains validity through voluntary compliance by companies. By pledging to uphold the Code, companies agree to comply with or explain deviations from the so-called C rules (comply or explain).

Constantia Packaging AG pledges to uphold the Austrian Corporate Governance Code and agrees to comply voluntarily.

For the following C rules, Constantia Packaging AG deviates from the provisions of the Corporate Governance Code drafted in January 2006, and justifies these deviations as follows:

Deviations

Number 16 Corporate Governance Code

The Constantia Packaging AG Managing Board currently comprises two people. The division of responsibilities and teamwork are clearly defined. The appointment of a Chairman of the Managing Board does not appear to be advisable when the Board consists of only two members.

Number 38 Corporate Governance Code

Constantia Packaging does not believe that a statutory age limit for Managing Board members is sensible or advisable.

Number 57 Corporate Governance Code

Constantia Packaging does not believe that a statutory age limit for Supervisory Board members is sensible or advisable.

Helmut Schwager is a member of the Supervisory Board of Immofinanz Immobilien Anlagen AG and of its subsidiaries Immoeast Immobilien Anlagen AG (as Chairman) and Constantia Privatbank AG.

Additional information in accordance with the Corporate Governance Code as to the independence of the Supervisory Boards

Number 80 Corporate Governance Code

The risk management system operations were not part of the audit conducted by the independent auditor.

Of the six Supervisory Boards, the following members qualify as independent members pursuant to Numbers 53 and 54 of the Corporate Governance Code and meet the criteria for independence set by the Supervisory Board:

- Guido N. Schmidt-Chiari
- S.D. Prinz Michael von und zu Liechtenstein
- Alfred Fogarassy
- Rainer Zellner

Thus two-thirds of all the company's Supervisory Boards are independent.

Storage

Squirrels like to use cavities in tree trunks or abandoned bird nests ***to store*** nuts, acorns and fir cones. They busily build up their stocks all autumn long so they will have enough to eat in the winter.

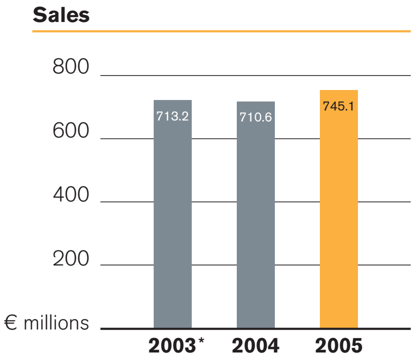
Alufoil Container

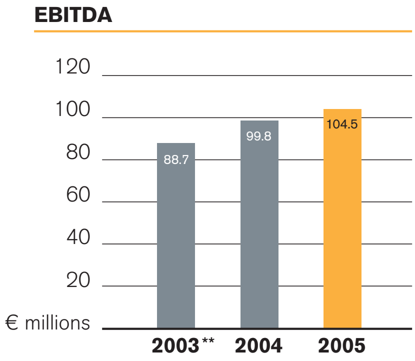
Pantry: Alufoil Container

We work together busily with our customers to develop ideal storage solutions that assure an optimum match between the product being packaged, the packaging material and the packaging machine. We create convenience products consistently geared to market needs. Our alufoil containers form a complete system of matching trays and lids for pet food and human food such as desserts, spreads, ready-to-eat meals, cheese, salads and fish. The product is packaged and **stored** under sterilized conditions to assure freshness for the user and an optimum shelf life. We are a one-stop shop, supplying you with everything from aluminum to the finished alufoil container system. We also provide support for functions important to the filling process such as in-container baking. Marketing plays a key role in this segment. An unmistakable brand image is imprinted on the lid and container with the most modern printing methods available. As a responsible company, we utilize environmentally friendly water-based varnishes.

Business divisions

Flexible Packaging division





* 2003 sales adjusted for Petruzalek Group; unadjusted sales € 747.3 million
** Interest component of the 2003 social capital reserves recorded under personnel expenses

Successful integration

In 2005, we successfully completed the integration begun the previous year of Haendler & Natermann (H&N) and Teich. Our customers will now be able to have all of their food and pharmaceutical packaging needs met by one company. This "one face to the customer" approach ensures a uniform external presence by Constantia. The new company goes under the name Constantia Flexible Packaging.

The collaboration has already produced valuable ideas, especially in the area of print technology developments. Given our dual strengths in development and innovation, we can claim market leadership in some niches. We also transferred the Teich Group's entire conventional flexo printing to H&N Group for cost reasons.

The new Constantia Flexible Packaging Group is positioned as a European player with a focus on the Eastern European growth markets. With the acquisition of Akerlund & Rausing Kuban ZAO, we now also have a production facility in Russia.

With 29 sites in Europe, the United States and China, we manufacture the following products in four business units:

Dairy & Food

Container closure systems for the dairy industry (including re-sealable lids), butter and cheese foils, wrap-around and shrink-sleeve labels for the milk segment of the dairy industry, confectionary packaging (including chocolate bar foil), pouches for soups, sauces and entree mixes.

Pharma/Healthcare

Aluminum-based packaging materials for medicines and medical/cosmetic applications (e.g. pills, capsules, powder, medical technology products).

Alufoil Container Systems

Aluminum trays and lids for the food industry (e.g. for dessert products and spreads) as well as for the pet food industry (cat food and dog food).

Beverages & Labels

Labels made from aluminum, plastic and paper for the beverage industry.

Constantia Flexible Packaging – Profile of the new entity

The new Constantia Flexible Packaging Group was created through the combination of the Haendler & Natermann Group, which was founded in Germany in 1825, and the Teich Group, which was founded in Austria in 1912.

Customized packaging at H&N

The H&N Group's strength consists of customized packaging solutions that create a distinctive market presence. H&N is the only manufacturer worldwide to offer aluminum, paper or plastic labels under one roof, and has thus established itself as a key supplier to the beverage industry. To keep up with the new trend toward slim bottle designs, the company developed so-called ROSO (roll on, shrink on) labels. They cover the contoured portions of the containers, providing an even larger usable surface area.

The confectionary industry is another key market for H&N. Thin aluminum foil wrappers for hollow chocolate figures can be printed using a copper gravure or flexo printing process. Our customers like the individualized coloring for optimal product identification. Located on the same premises, gft repro studio GmbH provides H&N with rapid and timely access to flexo printing cylinders.

Several high-performance companies provide plastic packaging

Haendler & Natermann GmbH's Ebert plant in Wiesbaden specializes in packaging films. Its leading product is the Eco Twist film, an environmentally friendly film laminate for wrapping chocolates (boxed) or candies (candy twist wrapping).

The revolutionary new product of 2005 was WrapStar, an environmentally friendly and recyclable twist film with particularly good dead-fold properties.

AVI-GmbH plastic packaging in Germany manufactures displays and blister packaging for confectionary and bakery displays. The entire process from CAD construction, modeling and toolmaking to extrusion and thermoforming is offered under one roof, which allows for rapid time to market.

Major success at Drukkerij Verstraete

In 2005, Drukkerij Verstraete N.V. in Belgium was once again the Group's most successful company. It ranks among the European leaders for packaging printing. Intensive research, quality control and a well-conceived organization ensure annual production of 3 billion labels. This production works out to 80% polypropylene and 20% paper.

Producing polypropylene labels requires a high degree of materials knowledge. The water-based acrylic varnish is odorless and therefore especially well suited for packaging foods such as ice cream, butter and ready-made meals. The print colors, with high pigment content and few bonding agents, dry faster and thus prevent deformities in the polypropylene label.

Given the high degree of specialization in the production process, the latest technology is required. All printing machines are manufactured to specification and are no more than four years old.

Sim´Edit uses state-of-the-art technology

With four plants in France and two in North America, the Sim´Edit Group manufactures labels made from paper and plastic for food, soft drinks and water bottles, dairy products and detergents. The company regularly invests in its machine inventory, which is always state-of-the-art. The geographic proximity of the plants to bottlers and end users in Western Europe and North America allows the company to compete effectively on price.

Successful presence around the world

H & N (Suzhou) Packaging Materials Co. Ltd. manufactures bottle labels made from aluminum and paper in China. H & N Packaging Inc., USA, supplies multinational customers such as Danone, Nestlé and Hershey with shrink-wrap and confectionary films and the pharmaceutical industry with push-through blister films.

Bulls-eye

Haendler & Natermann Sport GmbH’s customers include leading air rifle marksmen and shooting federations. The company has the world’s largest range of pellet products for these sporting disciplines. Approximately 70% of all sport shooters use its top product, the hand-picked Diabolo pellet.

Teich – innovative and environmentally conscious

Teich AG in Austria manufactures aluminum, paper and plastic flexible packaging materials. With its own aluminum rolling mill, in-house varnish production and R&D-based innovations, the company can offer customers customized solutions under one roof. Along with high quality, the company stresses environmental awareness (by using environmentally friendly water-based varnishes, for example). In the pharmaceuticals packaging business, innovative tamper-proof security features are an increasingly important area.

Teich works as a partner alongside its customers, not simply a supplier. The jointly developed products ensure the optimum balance between the contents, packaging material and machines. In the Alufoil Container Systems business unit, Teich is the world’s second-largest producer of complete tray and lid systems. The customers appreciate the vertically integrated manufacturing, from film to finished end product. The sophisticated coating systems ensure content-specific shelf life and freshness. Modern printing processes are used to provide the all-important brand image for customers.

In southern Germany, Ludwig Nusser GmbH imprints, finishes and stamps lids for the food industry.

Jeanne d´Arc Emballages S.A., France, is the central facility for hot melt coating. The production facility in France supplies cheese films, reels and butter wrappers. The product quality was significantly improved through a variety of measures, as confirmed by the most recent audit performed by our customer Danone.

In Denmark, we are steadily increasing our presence in the Scandinavian market. Corona Packaging A/S produces aluminum and plastic sealable lids for the food industry, and Danapak Flexibles A/S manufactures products for the food and pharmaceutical industry at three sites (including one in the United Kingdom).

Making a mark in pharmaceuticals packaging

K. Heyer GmbH in Natschbach-Loipersbach finishes and processes aluminum films for dairy and pharmaceuticals products. We are currently expanding the site to make it the central pharmaceuticals packaging center, with clean-room production. The company is the world's second-largest producer of blister packaging materials for the pharma/ healthcare segment. With innovations such as our security foil, which was successfully launched in 2005, we have attracted interest and contracts from leading pharmaceutical manufacturers. In England, G&A Healthcare Packaging Ltd. provides us with yet another production facility specializing in the manufacture of pharmaceutical packaging films.

Up-and-coming market to the East

The new equity interest in Akerlund & Rausing Kuban ZAO in Russia expands our presence in this up-and-coming market, along with our successful subsidiaries Teich Poland Sp. z.o.o., Poland, and TS Flex Ltd, Ukraine.

Focus on core competencies

In 2005, we disposed of SIED Emballages SA, Tunisia, and Wanfried-Druck Kalden GmbH, Germany as part of our increased focus on our core business.

Our customers are the best recommendation

The Constantia Flexible Packaging Group's customers include companies in the brewery and food production industries such as Heineken, Inbev, Krombacher, SAB Miller, Carlsberg, Coca Cola, Ferrero, Danone, Lactalis, Storck, Bahlsen, Kraft Foods, Unilever, Arla, Müller, Campina, Bauer, TetraPak, Wrigley and Nestle. Pharmaceuticals industry customers include Pfizer, Bayer, Novartis, AstraZeneca and Wyeth.

Sturdiness

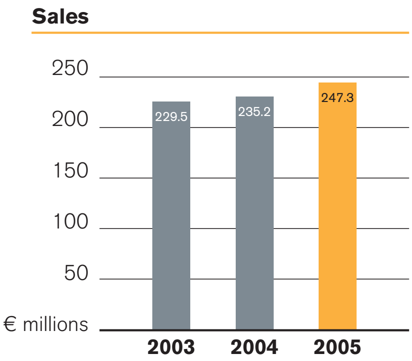
African weavers build their nests by weaving together long plant fibers. These nests hang down freely from tree branches. The birds' skillful stitching and knotting is what gives these nests the ***sturdiness*** they require.

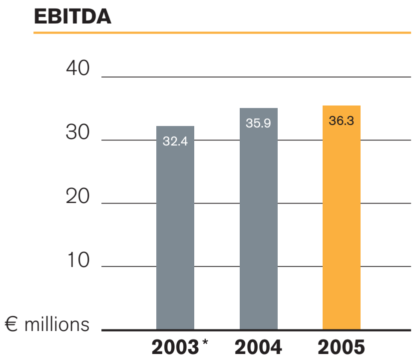
Corrugated Board

Sturdy Packaging Material: Corrugated Board

Fluting makes corrugated board so **sturdy** and such a versatile packaging material. It elastically absorbs impact to protect the packaged goods. Corrugated board is of great economic importance to industry, trade and consumers. As a totally recyclable material, it is also environmentally friendly. We produce individual designs for our customers to cover an almost unlimited range of uses, e.g. beverage cartons, fruit crates, glass packaging and impregnated board for refrigerated products or office organizing systems. In these various applications, we use fluting profiles of different heights featuring single, double or triple facing, varying lining papers (weight) and white, variegated, water-repellent or grease-repellent coatings. One special product from our company is X-PLY, an ultra-strong heavy-duty corrugated board. Its interlacking fluting makes it extremely sturdy and gives it maximum resistance to bending and warping.

Corrugated Board division





* Interest component of the 2003 social capital reserves recorded under personnel expenses

Duropack Group continued to expand last year. The division now has 12 production sites in eight countries in Central, Eastern and Southern Europe, which manufacture the following products

- Corrugated board
- Shipping packaging
- Displays
- Specialized corrugated board for hazardous materials
- Heavy duty corrugated board
- Fine corrugated board

Duropack AG profile

Founded in 1910 in Austria, Duropack AG has since expanded considerably, especially in Southeastern Europe. With its roots still in Austria, the company is successfully positioned for Europe's future growth. Currently, the company has two plants in Austria (Vienna and Kalsdorf) and 10 other sites in Germany, Hungary, Slovenia, Czech Republic, Slovakia, Serbia, Croatia and, since end-2005, Bulgaria.

Sustainable growth has always been Duropack's mission. Corrugated board production uses more than 70% recycled paper. As a result, it serves as a model of how economic and environmental objectives can be reconciled.

The bulk of the production is deigned to for shipping packaging. This type of packaging is of enormous economic significance, as it comes in all sizes and is suitable for all types of transportation (road, rail, maritime, air). In 2005, Duropack Group sold approximately 480 million square meters of corrugated board and produced some 88,000 metric tons of corrugated board base paper, of which about 90% is supplied to Group companies for further processing.

The fluting in corrugated board makes it one of the most stable forms of packaging, as it can withstand pressure and shocks and thereby protect the packaged contents. The Group produces a variety of packaging types for the food, alcohol and tobacco industry, which is the largest customer and accounts for some 27% of sales: beverage cartons, fruit and vegetable packaging, impregnated packaging for shipping refrigerated and frozen products and gift packaging. The other main customers include the electronics, automotive and chemical industries, for which specialized packaging and chemical containers are produced.

Customers appreciate the economic importance of good packaging

Corrugated board processors with innovative specialized solutions such as office organization systems, mailing boxes, displays and decor systems and corrugated board furniture represent yet another customer segment. Duropack also develops packaging for hazardous materials transport.

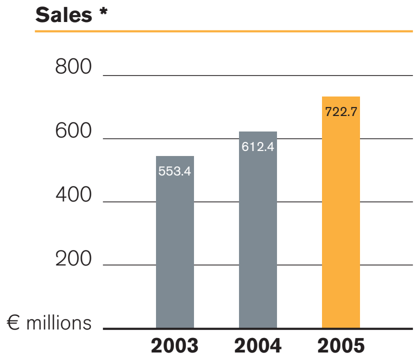
The customers include many well-known domestic and multinational companies such as: Danone, Kraft Jacobs Suchard, Masterfoods, Nestlé, NÖM, LGV Frischgemüse, Austria Tabak, Sony, Panasonic, Nokia, Samsung, Audi, BMW, DaimlerChrysler and Mondi Business Paper.

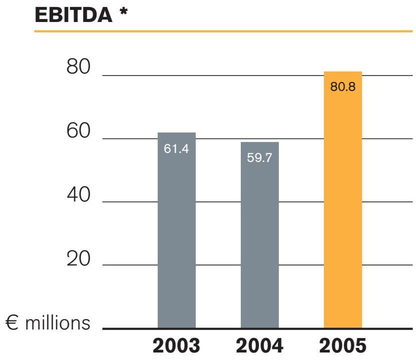
Customers appreciate being able to get everything from under one roof: from corrugated board to displays to high-quality flexo print.

The company is among the most innovative in the industry and each year wins international awards. These awards are well appreciated by Duropack's employees, as their design skills and creativity are recognized.

Austria Metall AG equity interest

AMAG profile





* Reported in accordance with Austrian accounting principles

Austria Metall AG (AMAG) is Austria's leading manufacturer of extruded and cast aluminum products for the processing industries.

Founded in 1939 and privatized in 1996, the company's strengths include the flexibility of a medium-sized company coupled with the special advantages of an integrated production facility in Braunau-Ranshofen.

The product range includes:

- high-quality rolled products such as packaging, bright products, tread plates, shates, cathode sheets, clad brazing sheets and the sporting, automotive and aerospace industries.
- customized specific sections from aluminum soft alloys and used in fields such as exterior and interior construction, transportation, machine tool manufacturing, automotive and electronic applications.
- cast aluminum alloys in the form of bi-part or horizontally cast ingots and liquid metals used in the automotive, machine construction and electronics industries.
- Rolling ingots and extrusion billets used as feedstock for semi-finished production.

AMAG is a medium-sized, flexible company, with strengths in the following areas:

- Integrated production facility in Braunau-Ranshofen: the rolling mill and extrusion press obtain feedstock from an on-site casthouse, thereby securing the ongoing development of their technological and metallurgical competencies.

- Proprietary metal supply: The primary metal is secured through a 20% equity interest in the Canadian smelter Alouette. In 2005, phase II of Alouette's expansion project was completed, bringing the smelter's capacity up from 243,000 metric tons to 550,000 metric tons. AMAG Group's share of annual production will increase to 110,000 metric tons.

- Motivated and productive employees with substantial know-how in aluminum production and processing ensure high quality and service.

AMAG Group recently reached two further milestones in its continued growth, as AMAG rolling GmbH reached a multi-year purchase and supply agreement with EADS/Airbus and AMAG casting GmbH began supplying the automotive industry with liquid metal.

Insulation

Penguins have a thick layer of fat and dense water-repellent plumage. This perfect ***insulation*** keeps them warm and makes them impervious to ice and snow, even during the months' long breeding season at the frigid South Pole.

Security Foil

Guardian Angel: Security Foil
Pharmaceutical Packaging

Counterfeit drugs are becoming a lucrative business. High prices can be asked for products that are relatively easy to imitate. Pharmaceutical companies are keener than ever on finding ways to prevent these illegal practices. Their drugs have to be securely packaged to **insulate** them against moisture and other external influences and to prevent misuse.

Security Foil is an innovation designed to protect the integrity of drugs and is well-established in this market segment. We have developed a process for counterfeit-proof pharmaceutical foil with silvering on which logos or texts can be integrated directly into the aluminum surface at the roller stage. This process is virtually impossible for product pirates to imitate. Security Foil is a secure and simple solution for our customers because it involves no technical changes in packaging specifications. Besides this useful trait, it is also a unique visual feature.

Group Management Report

Economic environment

General economic environment

In 2005, global economic growth eased. After rising by a record 5.1% in 2004, the global economy grew by only 4.3% in 2005. The United States and China once again led the way, accounting for one-fourth of the growth in global production. In 2005, China recorded its fourth consecutive year of economic growth near 10%, and presently only three countries – the United States, Japan and Germany – have larger economies. In the European Union, average GDP growth was 1.7% for the EU-25 and 1.6% for the EU-15.

The Austrian economy recorded 1.9% GDP growth, which was above the European average. Austria's growth was remarkable insofar as the growth rates of its two main trading partners, Germany and Italy, were only 1.1% and 0.2%, respectively. Exports and domestic demand both made substantial contributions. Exports rose by 3.5%.

Austria has significantly improved its innovation performance in recent years. According to a current innovation indicator (the 2005 European Innovation Scoreboard), Austria ranks fifth out of the EU-25 with an index score of 0.51. The leaders are Sweden (0.72), Finland (0.68), Denmark (0.60) and Germany (0.58).

Inflation accelerated to 2.2% last year, driven by higher prices in the oil and services sectors. Short-term interest rates stood at 2.1%. For the first time in more than five years, the European Central Bank raised benchmark rate at end-2005 and indicated that further hikes may be necessary in light of the economic growth outlook for the euro zone.

With the growing labor supply, Austria's unemployment also increased in 2005, rising by 0.4 percentage points to 5.2%. It thus remained below the 8.5% average rate in the euro zone.

The favorable unit labor cost trend and the success of Austrian companies in entering new markets in Central and Eastern Europe substantially improved Austria's current account balance. In 2005, it stood at 0.8% of GDP, compared with 0.3% the previous year.

Last year, the new European Union members in Central and Eastern Europe made substantial progress toward economic convergence with the "old" EU members. Economic growth for the region's eight new EU members (Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia, Czech Republic and Hungary) exceeded 4%.

Success in selected markets despite difficult conditions

Although 2005 was marked by a fierce competitive environment and sharply higher energy and commodities prices, the Flexible Packaging segment performed well. Customers include companies active in the food, beverage, pharmaceutical, pet food and consumer goods industries.

The innovative packaging solutions that we developed for the Dairy and Food segment ensured above-average growth. Meanwhile, the concentration on high-value products (non-commodities) enhanced earnings. In the Pharma/Healthcare segment, our tamper-proof security foil for blister packaging was a major success. Last year, market competition stabilized but did not ease. Heightened competition in the Alufoil Container Systems segment led to increased pricing pressure. The Beverages & Labels business is active in two very profitable markets – Belgium and France – which made significant contributions to increased sales. In Germany, sales volumes stabilized, especially for plastic and aluminum labels.

The corrugated board industry generates the bulk of its sales from local demand within a roughly 250 kilometer radius of the manufacturing plant. The primary customers are consumer goods manufacturers, which are heavily dependent on the economic cycle. As a result, a close customer relationship is essential for winning new contracts. Increasingly, these customers are carefully managing their working capital and looking for just-in-time delivery. Logistics costs such as warehousing and freight are playing a growing role in pricing strategies.

Despite the difficult economic environment, corrugated board deliveries increased by 2.1% in Austria and 3.0% in Germany last year. The key markets for the corrugated board division – Slovenia, Hungary, Serbia and Slovakia – also generated increased sales. Demand in the Czech Republic was stable. Since end-2005, Duropack is also active in the Bulgarian market.

From January through September 2005, paper prices contracted gradually by around 14%, and consequently sales did not keep pace with sales volume. The Corrugated Board segment was nevertheless able to offset the sales price declines through a better product mix. We focused on high-margin and high-quality products as well as improved services.

Purchasing and raw materials

Aluminum, plastic, paint and lacquer as well as corrugated board base paper are among the primary raw materials used by Constantia Packaging Group.

Commodity prices on the rise

The Flexible Packaging division's purchases of petroleum-based raw materials, chemicals and aluminum were again marked by significant price increases last year. Higher bauxite prices, the closing of aluminum smelters in Europe and strong demand coupled with persistent high energy prices were the main factors driving aluminum prices higher. To a large extent, however, we were able to offset their negative impact on earnings.

Global demand for primary aluminum increased once again in 2005, rising by around 4%. The increase in demand outstripped supply. The largest buyers were China, the United States and East Asian emerging markets, while demand in Japan and Western Europe remained relatively stable. The average three-month price of aluminum in 2005 on the London Metal Exchange (LME) was USD 1,899 per tonne, up 10.3% from USD 1,721 per tonne in 2004. The average USD/EUR exchange rate, which remained high at 1.24, did not exacerbate the impact of high aluminum prices in 2005. The Flexible Packaging segment implemented process optimization measures and hedging strategies to counteract the price increases.

Our future supply of key commodities is secured through long-term contracts. We have even used such contracts to secure the supply of chemicals and all petroleum-based products, and are therefore able to limit the impact of higher prices to some extent.

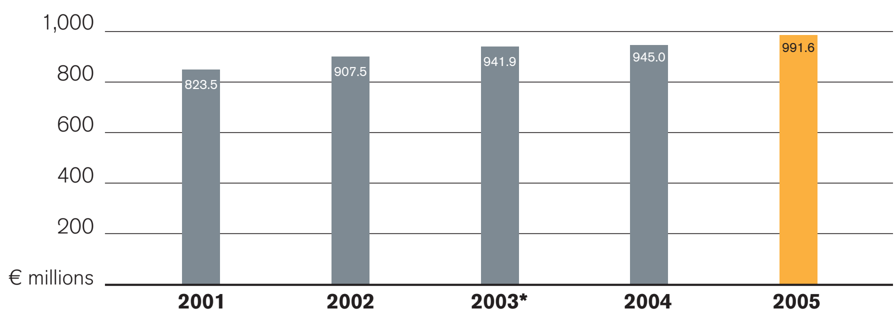
The corrugated board base paper segment was once again marked by price fluctuations. Overcapacity in the supply of base paper produced from recycled paper once again resulted in price reductions. Only at the end of 2005 did demand for base paper rebound, which sparked price increases. In the market, however, this increase did not immediately translate into higher prices for corrugated board products. Higher crude oil prices resulted in increased energy and fuel costs, which partially drove up logistics costs.

Sales and earnings trends

Sales trends

Despite fierce competitive pressure, consolidated sales increased by 4.9% from €945.0 million to €991.6 million. This increase was driven by higher sales volume, despite a slight decrease in prices on key sales products. The acquisition of Akerlund & Rausing Kuban ZAO, Russia (first-time consolidation as of July 1, 2005) accounted for €8.7 million of the increased sales, while that of Trakia Papir AD, Bulgaria (first-time consolidation as of November 1, 2005) accounted for €5.4 million.

Sales trend 2001-2005

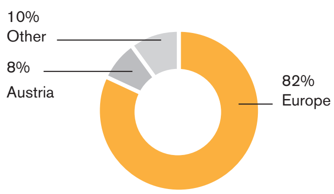


* adjusted for 2003 disposal of Petruzalek Group

International markets

The share of Constantia Packaging Group consolidated sales generated outside of Austria remained unchanged last year at 91.8%. Our main market – Europe (excluding Austria) – accounted for 85.6% of the €46.6 million increase in sales. Last year, we bolstered our presence in Eastern Europe (non-EU members) through acquisitions and stepped-up marketing efforts, which resulted in a €22.9 million increase in sales. Meanwhile, sales in the new EU member states (i.e. Eastern European countries joining in May 1994) contracted by €15.9 million.

Consolidated sales by region 2005

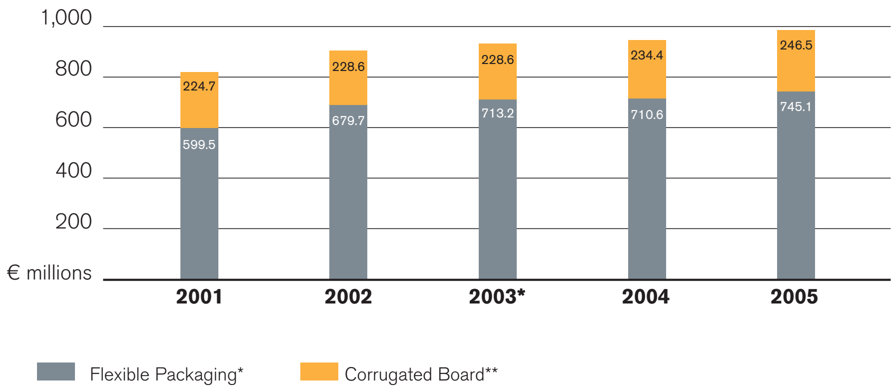


Division sales

The Flexible Packaging division accounted for approximately 75% of consolidated sales in 2005. These sales increased by 4.9% from €710.6 million to €745.1 million, slightly above our 2005 estimate. With the expansion of our pharmaceuticals packaging center at K. Heyer GesmbH in Natschbach-Loipersbach, we won additional contracts from large pharmaceutical manufacturers, which largely contributed to the increased sales in our Pharma/Healthcare segment. Our Dairy & Food business unit was also successful, with innovative products and sales increases of approximately 5%.

Consolidated sales in the Corrugated Board division increased by 5.2% from €234.4 million to €246.5 million. Corrugated board sales volume was up 11% to 480 million square meters. Base paper production increased by 6.2% to 88,000 metric tons, of which approxi-

Consolidated sales by division



* adjusted for the 2003 disposal of Petruzalek Group
** excluding intragroup sales of €0.8 million (2005), €0.8 million (2004) and €0.9 million (2003).

mately 90% is used by Group companies for further processing. The increase was mainly attributable to the Serbian company Dušan Petronijević and the Bulgarian firm Trakia Papir AD (consolidated over two months).

EBITDA

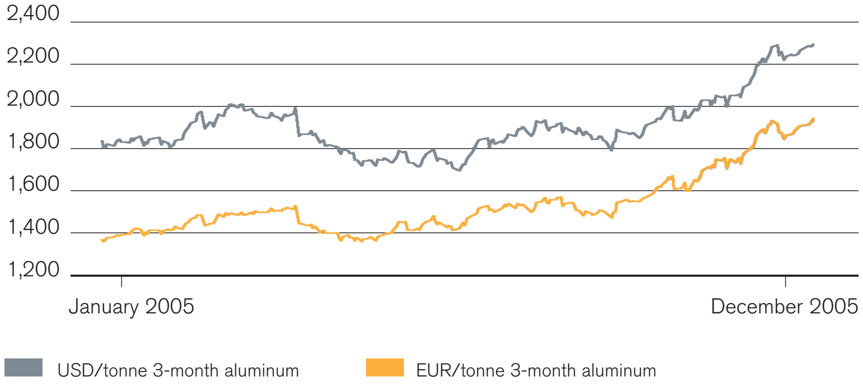
In 2005, **EBITDA** rose by 3.8% from €131.7 million to €136.7 million despite the difficult competitive environment and growing pricing pressures. This increase resulted to a large extent from the positive impact of our performance-enhancing measures, our focus on high-margin products and the streamlining of our business portfolio.

One performance-enhancing measure involved the pooling of our purchasing activities. In that context, we analyzed our overall purchasing volume with existing suppliers and identified potential new suppliers that could enable us to realize the desired savings.

Last year's 10.3% rise in aluminum prices negatively affected our business, since the metal is a key raw material. Prices for petroleum-based plastics also rose sharply. After contracting in the second and third quarters of 2005, prices for the main base paper products rebounded to the previous year's level.

The rise in oil prices drove energy and fuel costs higher, which partially contributed to higher logistics costs and negatively affected EBITDA. To counter the impact of these costs, we initiated a logistics program in the Flexible Packaging division. Its goal is to improve the delivery speed and flexibility. This involves not only optimization at the various plants, but also group-wide networking.

3-month aluminum price trends on the LME in 2005



Source: London Metal Exchange

The Corrugated Board division also began a logistics cost reduction program. We are implementing a common enterprise planning application for production, distribution and logistics, which will make it easier to exploit all potential areas for savings. The software is scheduled to be launched in some plants in the first half of 2006.

We generally try to pass on commodity price increases to customers. Because many of our competitors were somewhat reluctant to raise prices in 2005, however, we were not always able to pass these costs on without experiencing a drop in sales. The cost of materials ratio increased from 50.9% to 51.9%. The 7.0% increase in the cost of materials from €481.4 million to €515.1 million can be attributed to higher commodity prices such as energy and higher input volume.

Despite an 8.2% increase in the average number of employees, personnel expenses increased by only 2.1% from €220.0 million to €224.7 million. This was due to the relatively low wage and salary level in those countries where we made acquisitions, i.e. Bulgaria and Russia.

Other operating expenses remained essentially unchanged at €126.8 million (2004: €127.9 million) thanks to efficiency-enhancing measures and strict cost management.

We continued to streamline our business portfolio by disposing of SIED Emballage SA, Tunisia, and Wanfried-Druck Kalden GmbH, Germany, and through the pending sale of the production facilities of Rotoflex Technology Inc., USA.

EBIT

EBIT rose by 5.3% from €78.8 million to €83.0 million, while the **EBIT margin** advanced from 8.3% to 8.4%. This improvement is in part attributable to the changes in IFRS. Under these standards, no scheduled goodwill amortization is recorded for fiscal years beginning on or after April 1, 2004. Instead, an annual impairment test is conducted. This accounting change caused a decrease in goodwill amortization from €7.8 million to €1.0 million.

Fixed asset depreciation totaled €4.1 million and negatively affected EBIT as a result of impairment tests at H & N (Suzhou) Packaging Materials Co. Ltd., China, Haendler & Naterman GmbH, Germany, and G&A Healthcare Packaging Ltd., UK, and the reclassification of assets as held for sale at Rotoflex Technology Inc., USA, and Wanfried-Druck Kalden GmbH, Germany. These factors were also responsible for the decrease in the **EBITA margin** from 9.2% to 8.5%.

The **net financial result** improved by 53.8% from a loss of €9.1 million to a loss of €4.2 million. This improvement is due in part to the increase in equity-affiliated income from Austria Metall AG. In 2004, this income was limited to the last three quarters since the acquisition was recorded only as of April.

The €1.4 million in proceeds from the disposal of the stake in “Der Grüne Punkt” – Duales System Deutschland GmbH also boosted the net financial result. Interest expense was further reduced through the debt reduction measures implemented in 2005.

A comparison with the 2003 result is only partially relevant, since the interest component of the social capital reserves, previously reported under personnel expenses, is now entered under the net financial result. The previous year’s figures were also adjusted to reflect this classification.

EBT

In 2005, **EBT** rose by 13.0% from €69.7 million to €78.8 million. This increase can be attributed to the aforementioned positive changes in EBIT and the net financial result.

The **corporate tax** decreased by 7.2% from €22.2 million to €20.6 million on higher EBT. This decrease was mainly due to the positive impact of the consolidated tax group on the one hand and the drop in the Austrian corporate tax rate from 34% to 25% on the other.

Net income increased by 22.5% from €47.5 million to €58.2 million, which led to a 21.6% increase in consolidated net income (excluding minority interests) from €37.7 million to €45.8 million.

Summary consolidated income statement (€ millions)	2003	2004	2005
Sales *	975.9	945.0	991.6
EBITDA **	118.1	131.7	136.7
EBITDA margin	**12.1%**	**13.9%**	**13.8%**
EBITA **	67.9	86.6	84.0
EBITA margin	**7.0%**	**9.2%**	**8.5%**
EBIT **	61.6	78.8	83.0
EBIT margin	**6.3%**	**8.3%**	**8.4%**
Net financial result **	(9.1)	(9.1)	(4.2)
EBT (Earnings before tax)	52.6	69.7	78.8
EBT margin	**5.4%**	**7.4%**	**7.9%**
Consolidated net income (excluding minority interests)	**20.3**	**37.7**	**45.8**

* 2003 sales adjusted for Petruzalek Group (€941.9 million)
** Interest component of 2003 social capital reserves reported under personnel expenses

Earnings per share increased by 21.3% from €2.25 to €2.73. Given this positive development, the Managing Board proposes a dividend increase from €0.68 to €0.78 per no-par share.

ROCE and ROE calculation (€ millions)	2003	2004	2005
Net income	27.7	47.5	58.2
Net interest income *	9.3	13.4	11.1
Tax on interest income	(3.2)	(4.6)	(2.8)
NOPAT	**33.8**	**56.3**	**66.6**
Equity **	209.4	236.8	283.6
Long-term debt **	160.5	152.5	200.2
Short-term debt **	118.4	119.1	110.6
Long- and short-term securities **	(24.8)	(19.9)	(22.6)
Cash and cash equivalents **	(67.6)	(55.2)	(41.2)
Capital employed	**395.9**	**433.3**	**530.6**
ROCE	**8.5%**	**13.0%**	**12.5%**
Net income	27.7	47.5	58.2
Equity **	209.4	236.8	283.6
ROE	**13.2%**	**20.1%**	**20.5%**

* Interest component of 2003 social capital reserves reported under personnel expenses
** annual average

Financial performance ratios

In 2005, the **return on capital employed (ROCE)** contracted from 13.0% to 12.5% as a result of changes in the debt and equity positions.

ROCE is defined as the relationship between the net operating profit after taxes (NOPAT) and average capital employed, and measures the company's profitability relative to its average capital employed, which consists of average equity plus net debt (long- and short-term debt less cash and cash equivalents and securities) for the period.

The **return on equity (ROE)** is the ratio between net income and average equity, and measures the company's profitability based on the average equity during the year. In 2005, the ROE rose from 20.1% to 20.5% as a result of the increase in net income.

Net worth and capital structure

In 2005, **total assets** rose by 13.9% from €747.6 million to €851.8 million. This increase resulted mainly from the first-time consolidation of Russia-based Akerlund & Rausing Kuban ZAO and Bulgaria-based Trakia Papir AD as well as the related increased debt requirements.

Non-current assets increased by 16.6% from €448.5 million to €523.0 million, and thus accounted for 61.4% of total assets in 2005, up from 60.0% the previous year. This increase was largely due to the first-time consolidation of the capital-intensive company Trakia Papir AD, which contributed €25.6 million in tangible fixed assets and €16.1 million in goodwill. We also expanded and modernized our machine inventory (see page 42), which resulted in tangible fixed asset purchases of €70.5 million.

In 2005, €9.4 million in assets (Wanfried-Druck Kalden GmbH, Germany, and Rotoflex Technology Inc., USA) were classified as held for sale as part of the business portfolio streamlining. Their transfer was realized in the first quarter of 2006.

Goodwill increased as a result of acquisitions by 57.5% from €29.2 million to €46.0 million. The goodwill of G&A Healthcare Packaging Ltd., UK, was written down by €1.0 million following an impairment test.

Through the consistent implementation of the group-wide working capital project, we were able to limit the negative impact on **current assets**, which only rose by 6.8% from €299.1 million to €319.3 million. Their relative share of total assets contracted from 40.0% to 37.5%. The increase in inventory was due to the new equity interests, higher energy prices and growth in the order book.

Accounts receivable totaled €131.9 million, up 2.9% from the previous year's level of €128.2 million. This increase was mainly due to higher sales in 2005, although the rate of increase was less than that of sales, which rose by 4.9%.

Summary consolidated balance sheet (€ millions)	**2003**	**2004**	**2005**
Non-current assets	336.9	448.5	523.0
Current assets	320.2	299.1	319.3
Non-current assets held for sale	0.0	0.0	9.4
Total assets	**657.1**	**747.6**	**851.8**
Total equity	215.6	258.1	309.1
Equity ratio	**32.8%**	**34.5%**	**36.3%**
Non-current reserves and liabilities	178.8	220.3	286.6
Current reserves and liabilities	262.8	269.1	248.4
Liabilities related to non-current assets held for sale	0.0	0.0	7.7
Total liabilities and shareholders' equity	**657.1**	**747.6**	**851.8**

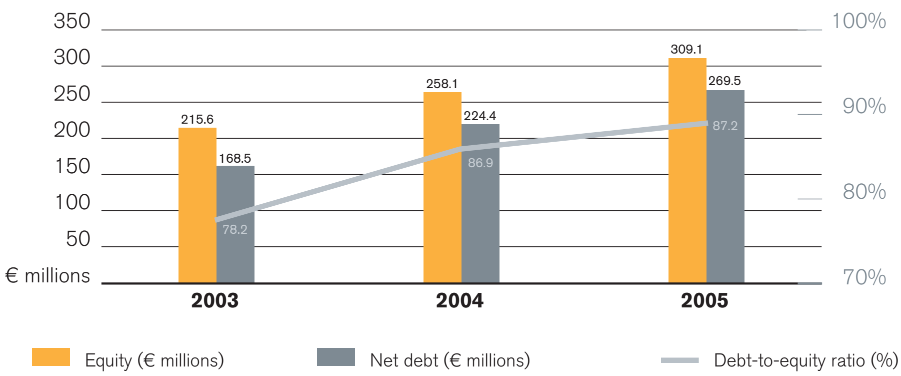
The **equity ratio** (including minority interests) further improved, rising from 34.5% to 36.3%. The €50.0 million bond issue in 2005 was largely responsible for the increase in **long-term debt**. The proceeds were used to restructure the companies debt profile and provide long-term financing for last year's acquisitions.

To finance investments and acquisitions in the Corrugated Board division, we took out a 10-year, €40.0 million loan.

The **debt-to-equity ratio**, which is defined as the relationship between net debt (long- and short-term debt less cash and cash equivalents and long- and short-term securities) and equity, deteriorated from 86.9% to 87.2%.

This increase resulted from the disproportionately lower increase in equity compared to that of net debt, which rose from €224.4 million to €269.5 million.

Debt-to-equity ratio



Financial situation

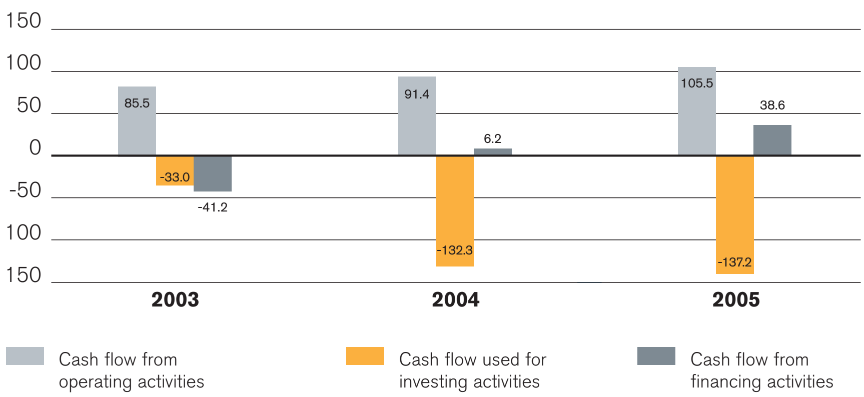
Cash flow

Cash flow from operating activities improved from €91.4 million to €105.5 million last year. This increase resulted mainly from the aforementioned improvement in consolidated net income (see Sales and Earnings) and the reduction in working capital.

Cash flow used for investing activities increased by 3.7% from €132.3 million to €137.2 million. Along with capital expenditures targeting the maintenance, modernization and expansion of production capacity, these investments targeted the acquisition of Bulgaria-based Trakia Papir AD and Russia-based Akerlund & Rausing Kuban ZAO, and the settlement of the purchase price liability for the acquisition of Thorn Lighting Group in 2004. Cash flow used for investments in tangible and intangible fixed assets contracted by 2.1% from €73.7 million to €72.1 million.

The subscription of a long-term loan and the bond issue increased the **cash flow from financing activities** from €6.2 million to €38.6 million.

Consolidated cash flow statement (€ millions)



Transporting

The male ball roller (scarab beetle) builds a huge ball out of dung for the female to lay her eggs in. He has a special technique for ***transporting*** this ball: He clamps it between his hind legs and moves backwards rolling it along as he goes.

KEM PAK Shipping Packaging

Happy Traveler: KEM PAK Shipping Packaging

Individually designed packaging is often what renders goods transportable and storable in the first place. That is particularly true of products requiring special types of protection. It is to cover these needs that we developed the KEM PAK chemical container for **transporting** and storing granular materials, powders and pastes. It consists of corrugated board which can be marked with attractive printing on the outside. Despite its enormous capacity of up to 1,200 kg, this container retains its shape without any bulging.

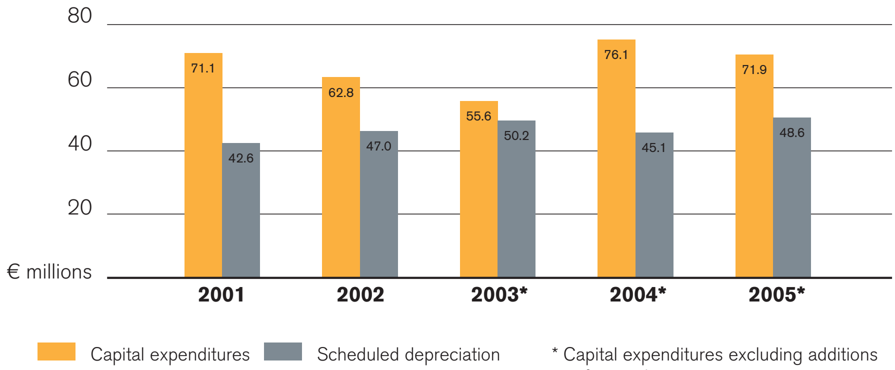
Its octagonal shape is well-suited to a container (octa-bin) because it can be optimally loaded and stacked. These features cut costs for our customers. With its ingenious folded design, the container is delivered flat and can be set up with a flick of the wrist. The new “lightning bottom” makes the bottom of the container sturdier. It consists of two identical punched parts which are glued onto the side panels. As a result, the bottom is permanently affixed to the octa-bin side panels and forms a water-proof seam.

Capital expenditures

Investments secure our competitive position

In 2005, investments in tangible and intangible fixed assets totaled €71.9 million, up from €76.1 million the previous year, while scheduled depreciation totaled €48.6 million, compared with €45.1 million the previous year. The significant increase in fixed assets was due to the acquisition of Trakia Papir AD, Bulgaria, in the Corrugated Board division, and Akerlund & Rausing Kuban ZAO, Russia, in the Flexible Packaging division.

Capital expenditures and depreciation (€ millions)



* Capital expenditures excluding additions to financial investments

Capital expenditures by division

We continuously invest in our machine inventory in order to ensure quality standards, meet environmental requirements, expand our capacity and maintain our competitiveness.

In the Flexible Packaging division, capital expenditures totaled €52.1 million in 2005, down from €58.3 million the previous year. These investments focused on the new rolling mill at the Mühlhofen facility, which has annual production capacity of more than 15,000 metric tons and is scheduled to be operational at end-2006.

At Drukkerij Verstraete N.V., Belgium, and J.S.P. S.A. (Sim´Edit), France, we introduced modern offset machines to produce labels.

In June 2005, we celebrated the completion of the first expansion phase at the K. Heyer GesmbH pharmaceuticals packaging center in Natschbach-Loipersbach. We installed a four-color gravure printing press and precision roller cutting machine, which enable clean-room printing. As part of our "Universal one-stop concept for pharmaceuticals", we are expanding the site this year to make it the pharmaceuticals packaging head office. In the future, highly trained employees will develop packaging solutions for pharmaceutical and medical products, creating "value-added innovation" for our customers.

In 2006, we plan to build a new three-level coextrusion facility with buildings and infrastructure at the Ebert plant of Haendler & Natermann GmbH, Germany. This investment will secure our quality standards while lowering production costs. It also lays the groundwork for us to manufacture a newly designed product with tremendous market potential.

In the Corrugated Board division, capital expenditures totalled €19.1 million in 2005, up from €16.2 million the previous year. These expenditures were focused mainly on the first expansion stage for containerline at Duropack Wellpappe Ansbach GmbH, Germany, and C-flute for the corrugated board plant at Duropack Starpack Kft, Hungary.

Duropack Bupak Obaly a.s., Czech Republic, invested in the first expansion stage of Masterflex. In addition, we successfully completed the expansion of Masterflex from four to seven colors at the Duropack AG plant in Kalsdorf and renovated the corrugated board facility at Dusan Petronijevic, Serbia.

In Slovakia, our 2006 capital expenditures program for Duropack Turpak Obaly a.s. will position us for the production of heavy duty corrugated board for the rapidly growing automotive and electronics industry in that country. We also plan to expand the high-end multi-color printing machines in several plants.

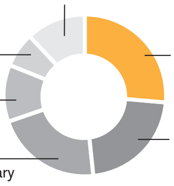
Segment Report: Flexible Packaging

General

The new Constantia Flexible Packaging Group was created through the integration of the Haendler & Natermann Group and the Teich Group. It now has 29 production facilities in Europe, North America and China. Customers have access to a comprehensive portfolio of high-value packaging products under one roof: labels for the beverage industry, flexible packaging focused mainly on the food industry and specially designed security solutions for the pharmaceutical industry.

Given the company's growth, we are focusing on ensuring speed and delivery flexibility. Last year, therefore, we launched projects to enhance logistics coordination and generate synergies in customer service.

Segment sales by sector - 2005



Flexible Packaging – Key figures

€ millions	2003	2004	2005
Sales*	713.2	710.6	745.1
Capital expenditures	44.9	58.3	52.1
EBITDA **	88.7	99.8	104.5
EBIT **	44.0	58.9	62.9
Employees	3,727	3,544	3,681

* 2003 sales adjusted for Petruzalek Group; unadjusted €747.3 million
** Interest component of the 2003 social capital reserves reported under personnel expenses

2005 results

Sales in the Flexible Packaging segment increased by 4.9% from €710.6 million to €745.1 million. In the Dairy & Food business unit, we had to acknowledge customer pressure and implement price reductions despite higher costs related to commodity prices. Our Alufoil Container Systems business unit contended with a growing number of competitors. The Beverages & Labels unit saw unexpectedly slow market growth, especially for plastic and aluminum labels. In all units, persistent pricing pressures were noticeable as a result of industry overcapacity.

Despite rising commodity prices, materials consumption remained on budget through an optimization of the mix and sustained savings in purchasing. The high price of aluminum, which in December fluctuated between USD 2,180 and USD 2,285 per tonne, had a greater impact on materials consumption.

In 2006, we will extend our pooled purchasing activities to new sourcing markets such as China and India.

In 2005, the main end-user market was once again Europe (excluding Austria), as it accounted for 84.1% of total sales. Austria represented 2.6% of the total, down from 2.8% the previous year. The Central and Eastern European countries (including those that joined the European Union in May 2004) account for a growing portion of total sales. Last year, their relative share rose from 9.4% to 11.5%.

Business units

Each year, our four business units provide our customers with numerous innovations and new products. In 2005, these new developments were exhibited at several trade shows around the world and were very well received.

1. Dairy & Food

Last year, we launched an innovative convenience solution for the dairy industry that won international awards. The re-sealable lid is a unique container closure system that is popular with customers because it is easy to use and helps to preserve freshness.

The revolutionary new development of 2005 was WrapStar, an environmentally friendly and recyclable twist film with particularly good dead-fold properties. We believe this product is a promising area for investment that will generate sales growth for this product group in 2006. WrapStar is an example of how one can be successful with a highly innovative product in a basic commodity market such as confectionary film.

Overall, our Dairy & Food business unit generated approximately 5% sales growth in 2005. In the second half of last year, we overcame a slow start in the first half through various measures in terms of specifications and lot sizes as well as changes in the price scale. Another measures involved our shift in the product mix toward high-value products.

2. Pharma/Healthcare

In the Pharma/Healthcare segment, the company is the world's second-largest producer of flexible packaging. Sales volume for our pharmaceuticals packaging materials (aluminum foil for capsules and dragees, blister packaging) is growing steadily. Our market-oriented sales organization, supported by production facilities in Europe and the United States and distribution partners on all continents, ensures localized customer service.

This business unit also recorded above-average growth in 2005. The coldform segment played a significant role in the expansion of the healthcare packaging business.

In June 2005, we completed the first phase of the expansion of K. Heyer GesmbH in Natschbach-Loipersbach into the pharmaceuticals packaging center. The buildings, machines and environment of the pharmaceutical center are an integral part of the overall production process under clean room conditions, and thereby ensure the required product quality.

In January 2005, we attended the industry-leading Pharmapack trade show in Paris for the first time. Our innovative Security Foil packaging generated considerable interest among the other participants. This technology is currently being tested by large pharmaceutical manufacturers. One well-known pharmaceutical company is successfully using the security foil technology for the global marketing of its products. We also submitted Security Foil as the product innovation of the year 2005 to the EAFA.

Teich AG in Mühlhofen manufactures aluminum foils with partial silvering, which are used as tamper-proof pharmaceutical foils. This procedure makes it possible to incorporate logos, writing or text directly into the aluminum foil, which cannot be easily altered. Thus we are making a major contribution to the profitable business of drug counterfeit prevention.

3. Alufoil Container Systems

This business unit produces aluminum trays and lids for the food industry (desserts and spreads) and the pet food industry (cat or dog food). The trend toward portion-sized packaging for ready-made meals continues apace, and includes aluminum and plastic trays as well as pouches. Microwavable and easy-opening solutions are also gaining in popularity. Our innovative solutions specifically designed for the contents add value for our customers and are a key success factor.

One especially important project in the pet food area was the development of a tray with the shape of the animal's head. The production process for portion-sized packaging of food was also expanded through innovative products.

4. Beverages & Labels

Our portfolio comprises bottleneck foils made from aluminum, paper and plastic labels. As we provide comprehensive solutions for bottle decoration, we are a key partner for the beverage industry.

The Drinktec trade show, the largest in the world for beverage technology, is held every four years. The can lid for beverage cans was our trade show highlight. It maximizes hygiene and also provides an eye-catching advertising surface. Trade show visitors were also impressed by the so-called ROSO (roll on shrink on) label.

Acquisition and disposal of equity interests

In April 2005, Teich AG's wholly owned subsidiary Teich Russia Unternehmensbeteiligungsgmbh based in Mühlhofen signed a purchase agreement with the Finland-based company Ahlström Capital to acquire a 60% equity interest in the Russian company Akerlund & Rausing Kuban ZAO. The transfer of the controlling interest was completed in July 2005. We will acquire the remaining 40% stake in the spring of 2006.

Akerlund & Rausing Kuban ZAO was founded in 1986 in Timashevsk in the Krasnodar region. It produces flexible packaging for the dairy industry, pouches for instant soups, coffee and tea and laminates for confectionary packaging. The company has comprehensive know-how with respect to manufacturing technologies: extrusion coating, laminating, varnishing, gravure and flexo printing.

This acquisition sharpens Constantia Packaging Group's focus on Eastern Europe, one of the most attractive emerging markets. We can now supply multinational customers such as Nestlé, Philip Morris, Unilever and Cadbury locally. Akerlund & Rausing Kuban ZAO also has the exact same strategic industry orientation as Constantia Packaging Group, and is striving to achieve market leadership in Russia. A test laboratory ensures the high production quality under ISO 9001; Akerlund & Rausing Kuban ZAO is one of the first Russian packaging companies to implement quality control management consistent with international standards.

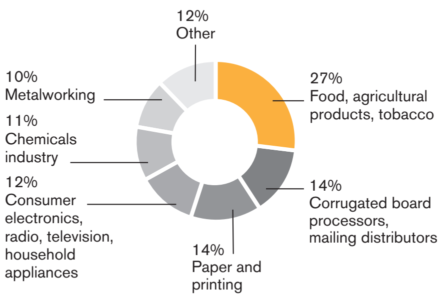
In May 2005, we sold our stake in Tunisia-based SIED Emballage SA as part of our renewed focus on our core business and strategic regions. The buyer was Cogitel, the largest competitor in Tunisia. SIED Emballage SA, Tunisia, produces yoghurt lids and labels for the Central and North African market.

At the end of last year, Haendler & Natermann GmbH, Germany, signed a sale agreement with Druckerei-Holding Arquana International Print & Media AG for the disposal of Wanfried-Druck Kalden GmbH, Germany. The transfer of the shares was still subject to conditions that were fulfilled in the first quarter of 2006. Wanfried Group produces labels and packaging systems, mainly folding cartons for the customers in the beverage, confectionary and pharmaceutical industries. With sales subsidiaries in Austria, France, the United Kingdom, Russia and Switzerland, the company generates annual sales of around €28 million. Given the Constantia Packaging Group's overall strategic orientation, the Wanfried Group's products and end-user markets no longer fit into the business portfolio. As the sole producer of folding cartons in the Group, the company lacks synergies and critical mass in the marketplace.

In December 2005, a preliminary sale agreement was signed with Union Rotograving Inc., USA, with respect to the disposal of the production facilities of Rotoflex Technology Inc., USA.

Segment Report: Corrugated Board

Segment sales by sector - 2005



Corrugated Board – Key figures

€ millions	**2003**	**2004**	**2005**
Sales	229.5	235.2	247.3
Capital expenditures	10.6	16.2	19.1
EBITDA *	32.4	35.9	36.3
EBIT *	20.6	24.2	24.4
Employees	1,633	1,643	1,931

* Interest component of the 2003 social capital reserves reported under personnel expenses

General

The Corrugated Board segment comprises the companies that make up the Duropack Group. They produce corrugated board, shipping packaging, displays, specialty corrugated board for hazardous materials and heavy duty corrugated board. The 17.5% increase in the average number of employees to 1,931 was mainly due to the employees added to the segment through the acquisition of Dusan Petronijevic, Serbia, in September 2004 and Trakia Papir AD, Bulgaria, in November 2005.

2005 results

Corrugated Board segment sales increased by 5.2% from €235.2 million to €247.3 million. Corrugated board sales volume rose by 11% to 480.0 million square meters. The production of base paper increased by 6.2% to 88,000 metric tons, of which approximately 90% is sold to other Group companies for further processing. These increases were mainly due to the additions of the Serbian company Dusan Petronijevic and the Bulgarian firm Trakia Papir AD. We recorded increased sales volume in all our markets except for the Czech Republic. Although sales volume in the German and Slovenian markets increased, we recorded declining sales as a result of fierce competition. In Slovakia, we increased corrugated board sales volume by 10.7% to 62.8 million square meters. Austria remains the primary market, accounting for 134.2 million square meters. Given our focus on high-end product niches, we are less subject to sales price competition than the overall industry. With the acquisition of Trakia Papir AD, we achieved a 65% market share in terms of sales volume. We further expanded our market share in Slovenia. Last year, the integration of Serbia-based Dusan Petronijevic, which we acquired in 2004, went according to plan. The three-year investment program negotiated with the government was nearly completed in 2005.

Purchase of equity interests

In 2005, we purchased an additional 5% stake in the Slovakian company Duropack Turpack Obaly a.s., thereby bringing our equity interest to 97.3%. The acquisition of Trakia Papir AD provided us with an additional plant for the production and processing of corrugated board and a second production facility for corrugated board base paper. The Trakia Papir site was founded in Pazardjik in 1939 and privatized in 1998. Trakia Papir AD is the leading corrugated board and base paper producer in the Bulgarian market, with 670 employees and annual production capacity of around 55,000 metric tons of paper per year. The company's production is mainly concentrated on Testliner and waste-based fluting with surface weights of 125 – 200 grams per square meter.

Austria Metall AG equity interest

General

Austria Metall AG (AMAG) is Austria's leading manufacturer of extruded and cast aluminum products for the processing industries. Founded in 1939, the company's strengths include the flexibility of a medium-sized company coupled with the special advantages of an integrated production facility in Braunau-Ranshofen.

AMAG Group recently reached two further milestones in its continued growth, as AMAG rolling GmbH reached a multi-year purchase and supply agreement with EADS/Airbus and AMAG casting GmbH began supplying the automotive industry with liquid metal.

AMAG equity interest key figures (€ millions) *	2003	2004	2005
Sales	553.4	612.4	722.7
EBITDA	61.4	59.7	80.8
EBITDA margin	**11.1%**	**9.7%**	**11.2%**
EBIT	34.7	29.7	40.6
EBIT margin	**6.3%**	**4.8%**	**5.6%**
Total assets	638.2	704.3	798.0
Equity	310.0	329.9	362.8
Equity ratio	**48.6%**	**46.8%**	**45.5%**
Debt	328.2	374.4	435.2
Capital expenditures	105.1	94.1	55.6
Depreciation	26.6	30.1	40.2
Employees at year-end	1,517	1,551	1,530

* Reported in accordance with Austrian accounting principles

2005 results

Last year, the AMAG Group generated sales of €722.7 million, up 18.0%. The sales growth resulted from sales volume gains in all areas and the 10.3% average increase in listed prices for aluminum.

Materials consumption and relative cost trended in line with sales. The main factor here again was the average increase in listed aluminum prices. Depreciation rose by 34% as a result of the substantial investment activity in prior years and, in particular, the operational start-up of phase II of the expansion of the Canadian smelter Alouette.

The net financial result deteriorated by approximately €1.0 million to a net expense of €2.2 million as a result of the borrowing requirements for Alouette's phase II expansion. The establishment of provisions to cover the discontinuation of the Hamburg smelter led to a net extraordinary expense of €8.3 million. The corporate tax increased by €2.7 million through deferred taxes at Aluminium Austria Metall (Quebec) Inc.

Capital expenditures, research and development

Capital expenditures

In 2005, AMAG Group invested €55.6 million, including €47.4 million in fixed assets and another €3.8 million in plant start-up costs. This latter charge reflects the costs for powering up Alouette's phase II expansion.

In 2005, AMAG Group invested €19.3 million to complete the phase II expansion of the Canadian smelter Alouette, in which AMAG holds a 20% stake. This capital expenditure is the most significant in recent years, and raises the smelter's annual production capacity from 243,000 tonnes to 550,000 tonnes.

AMAG's relative share of annual production will thereby increase to 110,000 tonnes. Construction began in the spring of 2003, and in mid-June 2005 the last electrolytic cell became operational. By participating in this expansion, the AMAG Group has secured its own long-term needs for primary aluminum.

AMAG rolling made further progress on its strategic project to add a plate stretcher, which is essential in order to be able to supply plate to the aerospace industry. By the end of last year, the entire facility consisting of the plate stretcher, the ultrasonic testing facility for ingots and plate and the related facilities such as the furnace and saw, were built. The facility will start up operations gradually in early 2006.

AMAG casting, meanwhile, has laid the foundation for stronger customer ties and continued sales growth by creating the infrastructure for liquid metal deliveries to customers.

Research and development

AMAG rolling GmbH's research and development activities are concentrated mainly on product development, in particular customized solutions. Last year, the technological focus was on the implementation of the initial certification for aerospace plate, which it received in the fall. The technological work ranged from the manufacture and inspection of the rolling ingots to the establishment and implementation of the corresponding procedural regulations for production in the rolling mill to the establishment and implementation of the prescribed quality control measures.

Last year in quality management, monitoring audits for TS 16949 and EN 9100 certification and the recertification of the environmental management under ISO 14001 were obtained. The company also received certifications for the aerospace industry, maritime industry and continued to make progress toward receiving NADCAP accreditation, a process begun in 2004.

AMAG extrusion GmbH focused on materials and processing technology, as it seeks to achieve a high degree of processing security and expand the range of applications for its aluminum. AMAG casting GmbH's research activities mainly involved materials technology and environmental projects.

Employees

The number of employees at year-end fell from 1,551 to 1,530 in 2005. This reduction affected blue-collar employees and was due to streamlining in the services area.

Outlook

For the AMAG Group, rising aluminum prices resulted in substantial margin payments to brokers and a significant increase in borrowing requirements. These additional requirements were covered through the expansion of committed financing lines with Austrian banks and increased export financing at the respective group companies.

Through the conclusion of a bank guarantee agreement and other financing measures, the Group created additional liquidity reserves to cover any further increase in LME prices significantly above USD 3,000 per tonne. The company is thus well prepared should prices reach new highs on the LME.

In light of forward sale agreements related to its smelter production, the AMAG Group's metals business has a limited capacity to exploit the earnings potential of the current run-up in listed prices. Earnings are further constrained by rising basic materials prices and the full impact of the financing costs related to the phase II expansion of Alouette.

Following the successful conclusion of this expansion, however, the increased production will provide a positive earnings contribution. A reserve was established to cover the entire cost of shutting down the HAW smelter, and 2006 earnings will therefore not be affected.

We expect that AMAG rolling GmbH's market segments will remain stable in 2006. The climate appears very promising for age-hardened products as well as sheets and plates. From a regional perspective, North America once again appears to be a key pillar in 2006. With the operational start-up of the 5,000 tonne stretcher, the possibility of adding plates with a thickness of up to approximately 100 mm to the existing product mix significantly increases the company's market opportunities. Non-heat treatable shates and plates will remain exposed to substantial pricing pressures. We do not expect any easing in these product segments. A similar trend is expected for non-heat-treatable tread plates.

AMAG extrusion GmbH sees further opportunities based on the current demand trend in its respective markets. For 2006, the company will seek to maintain its sales volume at the

2005 level, largely by winning new customers in sales regions not presently covered. The expected pressure on margins as a result of predatory pricing should be offset through additional value creation through processing.

AMAG casting GmbH foresees a persistent difficult market situation. The slight increase in demand will be undermined by reduced supply and higher prices for scrap. Beginning in 2006, the company is nevertheless positioned to deliver liquid metal to customers. In recent years, the company laid the foundation for future growth by implementing streamlining measures and adopting a strategic orientation toward low-salt smelting.

Corporate Social Responsibiliy

Our Responsibility to Society

As a corporate group conducting business worldwide, we have a special responsibility to society and the environment. We must strike a balance between our striving for cost efficiency and profitable growth on the one hand and social, ecological and socio-political concerns on the other. To us, responsible corporate governance means that business decisions are not based solely on profit-orientation and legal regulations.

Our goal is the steady and sustainable growth of our company's value. We wish to achieve this objective through sustainable development. As a listed corporation, we also want to be an appealing investment for people who believe in the importance of the principles of sustainable corporate governance.

Further Improvement in CSR Reporting

The company took an important step toward providing a fuller picture of sustainability and corporate social responsibility (CSR) by further developing its system for CSR reporting.

We measure the performance of CSR indicators based on the 2002 guidelines for sustainable reporting issued by the Global Reporting Initiative (GRI). Essentially, sustainability at our company covers the "triple bottom line", namely economic, ecological and social responsibility.

An initial success in putting sustainability into practice in all areas of the company was reflected in the CSR ranking "Companies Showing Responsibility" conducted for the first time in Austria. Constantia Packaging AG finished in the middle of the upper range, ranking 17th among 70 of the largest companies.

The shares of Constantia Packaging AG were also included in the VBV-Österreichischer Nachhaltigkeitsindex (VÖNIX) 2005/06. The VÖNIX is a stock index of listed Austrian companies considered leaders in social and economic performance.

Economic Responsibility

To achieve sustainable profits, we actively manage strategic and operating risk. In order to identify the main market risks early and systematically, we apply specialized systems to increase the company's long term value. More detailed information on risk management is presented on page 59.

As in years past, we have been true to EU antitrust principles and regulations aimed at promoting fair competition by implementing an updated antitrust compliance program in our Flexible Packaging business. A review is now underway for launching this same approach in our Corrugated Board business in 2006.

Measures to continuously optimize technical and operating processes are key factors to ensure the company's long-term success. Our quality management is based on continuous fine-tuning of our quality standards, which includes the company's own high standards as well as those of our suppliers. For further information, please refer to the "Research and Development" section on page 66.

In selecting our suppliers, we put great stock by product quality, dependable delivery, innovative powers and the environmental and security record of a company. Owing to its strong dependence on a single raw material, our Corrugated Board business handles purchasing centrally with an annual call for bids for the required paper quantities. In the process, we diversify risks by focusing on several main suppliers. Above and beyond that, we prefer to select suppliers certified to the ISO 9001 standard.

Since our production plants are located primarily in Europe, we turn mostly to European suppliers and service providers both for capital goods and services as well as for raw materials.

Ecological Responsibility

Fully aware of our ecological responsibility when taking business decisions, we use the ecological principles outlined below as a guide to action.

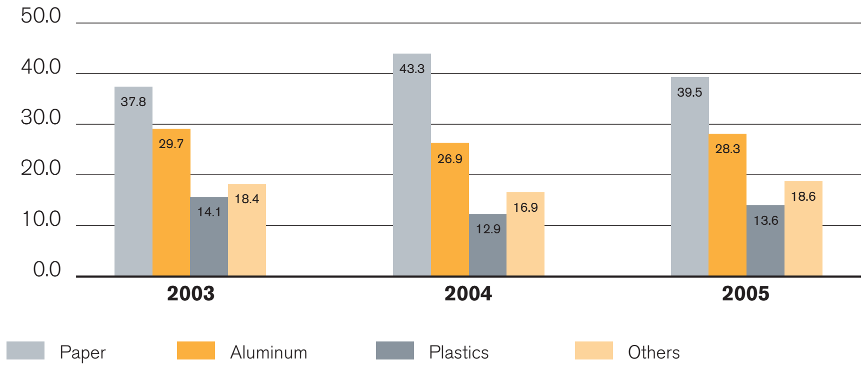
- In selecting production technologies, we pay close attention to potential environmental risks and try to minimize them.
- In putting together our product portfolio, we seize opportunities for adding environmentally friendly products.
- Wherever we can, we make use of the opportunities for cutting down on air, soil, and water pollution. Our main focus is on reducing greenhouse gases and waste by carrying out suitable primary and secondary measures.

The group pushes production technologies and optimization measures for the material utilization which are environmentally friendly and which conserve resources.

The Corrugated Board division utilizes about 75% recycled material in production, primarily paper stock from used paper. In the Flexible Packaging division, recycled material in the form of processed aluminum scrap accounts for about 10% of the total owing to food regulations.

Nearly 100% of the products in the Corrugated Board division are recyclable at the end of their service life thanks to the nature of the products and product designs which are optimized for recycling. The percentage in the Flexible Packaging division is about 70%. The ecological impact of our products is a major point of interest to us. We therefore work closely with customers on product advances to replace non-recyclable packaging materials with recyclable materials.

Material consumption in % in relation to consumption in €



Please refer to the "Research and Development" section on page 66 for more information on this subject.

Thanks to new production technologies, energy consumption (natural gas and electricity) has remained virtually constant in recent years despite an increase in production output. Business year 2005 saw a slight increase in energy consumption due to an acquisition.

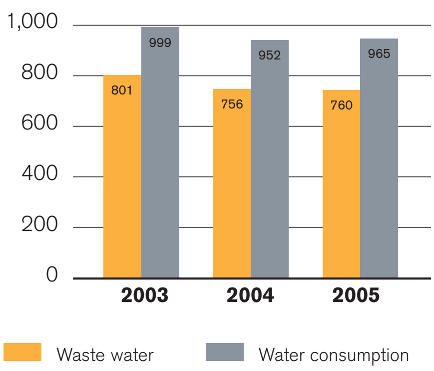
Water consumption was cut by 3.4% in 2005 while the share of waste water in water consumption was reduced from 80.2% in 2003 to 78.8% in 2005.

In 2005 the company further decreased its consumption of natural gas and thus also its CO_2 emissions through a variety of energy-saving measures.

In a continuation of our project to reduce organic solvent emissions, a third regenerative thermal oxidation plant with a capacity of 125,000 Nm^3/h was put into operation at our Mühlhofen plant. Our efforts to focus on environmentally friendly production technologies continued again in 2005. Production output was considerably increased on the solvent-free extrusion coating plant and a third UV flexo printing press was ordered. This printing technology operates with UV-hardening inks and requires no solvents.

Energy Consumption	2003	2004	2005
Natural gas in millions of m^3	19	19	21
Electricity in Gwh	206	211	224

Waste water and water consumption in thousand m³



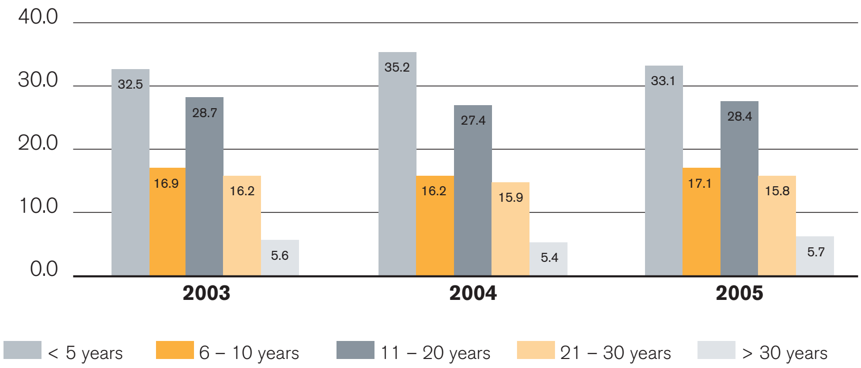
We view environmental protection as more than just compliance with regulatory requirements and constraints, but as the overall responsibility of management and all employees to ensure a healthy and livable environment. In our Flexible Packaging business, an environmental manager and the "environmental team" are responsible for all environmental activities and measures. They generate the environmental reports and see to the ongoing assessment and implementation of Austrian and European environmental standards and regulations in an economically viable manner as regards the environment. The further development and adaptation of our production technologies are essential aspects of our environmental management efforts.

We firmly believe that environmental responsibility is essential for our customers, shareholders and employees. In business year 2005, we invested €4.5 million (2004: €3.0 million; 2003: €2.1 million) in environmental protection measures covering everything from raw material usage, product development and production to disposal and recycling. We view our environmental policies as a dynamic and long-term process for supporting the company's long-term economic success.

Social Responsibility

Sustainable corporate success depends on skilled and committed employees. Therefore, our commitment to dealing responsibly with our employees represents a key component of our company's future. We invest in skills and personal training and the health and safety of our employees. All operating units implement a wide range of measures to uphold their social responsibility. More information on this subject is presented in the section on Employees on page 69.

Employees' Length of Service in %



The local and cultural differences existing at the recently acquired business interests pose definite challenges. The Constantia Packaging Groups views these challenges as opportunities for the further development of its own corporate culture.

To meet the demands of the modern work world, we offer flexible working time models (within the scope of valid labor regulations) at the various companies, which are geared to employee needs and company requirements. These models enable the companies in the Constantia Packaging Group to respond quickly to fluctuations in the market. The resulting increase in efficiency, in turn, makes jobs more secure and contributes positively to the balance of payments in the countries where the production plants are located.

The high percentage of employees with the company for more than 20 years indicates that employees view us as an appealing employer. It also reflects a close identification with the company and a high degree of job satisfaction. An anonymous employee survey conducted in the Flexible Packaging division confirmed these feelings. Our enterprises do not just preach social responsibility; they practice it by training apprentices and thus doing their part to combat youth unemployment.

As an industrial group, we have a workforce consisting of about 70% blue-collar workers. Consequently, female employees account for about 25% of the total. To make it easier for women to integrate into the work world, most enterprises have agreements regarding the financial support of child-care facilities. The Constantia Packaging Group rejects giving systematic better treatment to any group of employees, be they male or female. All employees should be given equal opportunities at work. Pay systems and professional advancement are performance-based and dependent up qualifications.

Continuous improvement process

The ability to innovate is one of the key prerequisites for growth and competitiveness. With the Continuous Improvement Process (CIP) now integrated permanently in our corporate culture, we can make full use of the innovative potential of our employees. For further details, please refer to the “Employees” section on page 69.

CIP	2003	2004	2005
Number of suggestions submitted under the CIP employee suggestion scheme	2,068	2,686	2,702
Savings arising from the suggestion scheme in € thousands	1,272	1,660	2,225

To promote the health of our employees and the productivity of the Constantia Packaging Group, we constantly launch measures on accident prevention in the field of work safety and on preventing illnesses. These activities have helped us to reduce the number of reportable work accidents per 1 million work hours by 6.5%, from 31 in 2003 to 29 in 2005.

The enterprises in the Constantia Packaging Group take steps to comply with prevailing regulations on human rights, child labor and forced labor. The management guidelines strictly prohibit discrimination on the basis of race, origin, religion, handicap, gender, sexual orientation, political beliefs or union membership.

Social Involvement

Besides its community efforts on behalf of the needy, in the regions where its production plants are located, the group also supports interregional relief campaigns, for instance for the victims of the recent tsunami in Southeast Asia. The Constantia Packaging Group participated in the “Austrian Village” campaign, of the major Austrian daily KURIER, by donating eight houses valued at €80,000 for victims of the tsunami. Beyond that Count Antonius Strachwitz was allocated €20,000 to distribute directly to victims in Sri Lanka. As a result, local fishermen have already received 20 boats that allow them to resume their livelihood. A project is also underway to build ten houses in a small fishing village devastated by the tsunami.

Risk Report

Risk management

Our international activities are subject to a number of inherent risks. Constantia Packaging's policy is to manage these risks responsibly and to limit them as much as possible in order to take advantage of targeted opportunities.

Our risk management practices, which are an integral part of ordinary business activities, are designed to systematically identify, assess and control all risks. This systematic risk management is a key factor for the success of our Group. Our operating units monitor and report risk to the Managing Board and Supervisory Board.

We use internal management tools to manage identified risks. These tools include well-defined delegations of responsibility, clear guidelines for transacting business and the use of existing information and controlling processes.

Major risks

Risks arising from general economic trends

Potential risks to Constantia Packaging remaining a going concern arise mainly from economic trends in those markets where its divisions do business. Risk management measures include continuous monitoring of general economic trends – especially market and raw-material trends – by the Group's entire executive management.

Risks arising from technology trends

Food law makers are subjecting packaging materials to ever more critical assessment and the technical means of analyzing packaging are increasingly precise. This could pose a potential risk to the Flexible Packaging division from the standpoint of research and development. Factors relating to food law and new scientific findings influencing food legislation at EU level are becoming increasingly important for us in general. That is why we must be represented in pertinent rule making bodies in order to voice our views and demand food legislation which is straightforward and complete.

In the Corrugated Board division, we counter the risk of our own products being substitutable by further developing shipping packaging for optimum logistics solutions and gearing our products to multiple uses in keeping with current trends.

Risks relating to competition law

The Constantia Packaging Group and all its subsidiaries are fully committed to fair trade and to fair contracts with their business partners. All company employees are obligated to follow the principles and rules of fair competition and to comply with European and international antitrust law. We have already institutionalized this commitment to conducting business in accordance with antitrust law by issuing pertinent organizational instructions in the Flexible Packaging division.

In the process, we have largely eliminated the risk associated with antitrust law. Potential risks related to antitrust law were explained in various training courses and information events especially to members of the sales staff, and guidelines were issued on how to behave during follow-up audits and investigations. This corporate conduct program also included the naming of a competition law manager and the introduction of a compliance program in testing and auditing procedures for the Corrugated Board division.

Purchasing risks

Our major raw materials are aluminum, plastic sheeting, paper and chemical products. All are subject to fluctuating prices. To minimize the purchasing risk, we have framework agreements for essential raw materials and suppliers. Supply bottlenecks are largely eliminated by constantly screening and approving new competitive suppliers. In Corrugated Board business, our contracts also include exit clauses linked to the price trend of paper stock.

Sales volume risks

The sustained rise in prices for energy and raw materials has caused competitive pressures in both segments of Constantia Packaging AG to increase enormously. This trend is connected particularly to sales-volume and price risks. We have mitigated the sales-volume risk through the introduction of innovative products and the use of forward-looking production technologies.

The risk of dependence on a handful of customers has been eliminated with the diversified product range of the Constantia Packaging Group. In the Flexible Packaging segment, the top ten customers account for 29.6% of sales and the largest customer for 5.9%. In the Corrugated Board segment, 18.5% of sales are produced with the top ten customers and 6.9% with the largest customer.

A major part of our risk policy consists in having individual plants focus on certain products and in diversifying within the group as regards geographic sales markets, product lines and technologies.

Elemental Risks

The following select measures are taken to minimize the risks of fire and flooding as required by conditions at the various plants:

- *Fire protection:* CO_2 protection for several plants; full-coverage sprinkler systems; fully developed alarm systems; partial protection from local fire-fighting unit with comprehensive knowledge of site;

- *Accident protection:* Workplace evaluation with workplace design; reporting of near-accidents and development of preventive measures; repeated training of employees focusing on correct response;

- *Flooding and other elemental risks*: Constant adaptation of preventive measures; flood protection provided by suitable flood control structures.

Risks associated with production

The measures for maintaining ongoing operations and production capabilities are adapted to each enterprise in accordance with market requirements.

- *Risk of machinery failure:* Servicing and inspection plans for existing plants and infrastructure; preventive maintenance; ongoing further development/adaptation of plants; long-term planning of investments based on strategic planning and carefully designed projects; machine failure insurance in the Flexible Packaging segment; implementation of clear investment guidelines in the Corrugated Board segment; qualified personnel which can be flexibly deployed;

- *Product quality risk:* Ongoing monitoring and adaptation of production processes; fault documentation/remedying and draw-up of action lists; externally certified quality management system in accordance with ISO 9001 with constantly recurring renewal audits; hygiene management system in accordance with HACCP/BRC in the Flexible Packaging segment; customer and supplier audits.

Risks arising from research and development

Provisions are made for possible risk analysis in development projects carried out in the Flexible Packaging segment. The pertinent procedural instruction is entitled "R&D processing of trial orders and projects." The purpose of this analysis is to clarify potential risks relating to materials and processes which could jeopardize the manufacture of the product and the reliable supplying of customers. Risk analysis is conducted at the initiative of the project manager only, not as a standard procedure.

One risk of development efforts arises from the general increase in proprietary rights to intellectual property. According to our patent attorneys, the current assumption is that the number of proprietary rights worldwide doubles about every seven years. This narrows the unrestricted scope of action for development work. We monitor patents on an ongoing basis to determine what proprietary rights exist in various development fields and what proprietary rights are being registered by others for existing products or technologies. If need be, we file notice of opposition. The number of proprietary right registrations has also risen at our company to protect ideas and future sales with new products.

Personnel risks

Personnel risks are covered in the sense that all essential areas have personnel succession plans and that organizational charts basically provide for backups for all key functions. With the launch of the Constantia Management Academy, we are creating a pool of young managers and assuring that the company will be well-equipped to handle the demands of the future.

Information processing risks

The enterprises of the Constantia Packaging Group have implemented the following security plans where required:

- *Risk of system failure from defective hardware:* Main systems have alternate computing centers available to them or some main systems are divided between parallel servers in two geographically separate server facilities;

- *Risk of data loss:* Data and programs are regularly stored on disk and then on tape.

The goal for the Corrugated Board segment is to implement a standard production, distribution and logistics planning software by the end of 2007. Furthermore, SAP is in use as an enterprise-wide system in Finance/Controlling and Materials Management everywhere except in the plants in Serbia and Bulgaria. There are plans to implement SAP in Bulgaria in 2006.

Measures for reducing IT risk factors may vary greatly, as the companies of the Constantia Packaging Group conduct business quite independently in many areas. To assure minimum standards, the group conducts audits in which it examines and rates especially the measures for reducing known risk factors.

Financial risks

Constantia Packaging AG uses interest rate swaps to hedge interest risks. In the Flexible Packaging segment derivative financial instruments are used to hedge underlying transactions in raw material purchasing and to hedge currency risk. It uses only instruments which can be clearly depicted and rated.

In individual cases, lead companies of the Constantia Packaging Group undertake a guarantee for subsidiaries. We always make sure that these guarantees are limited with regards to amount and duration involved. Guarantees are only given if the group derives economic benefits such as more favorable financial conditions. Much of the long-term financing is controlled centrally in the Constantia Packaging Group. Fixed interest agreements over the entire term exist for the overwhelming majority of long-term interest-incurring financial liabilities.

Basically speaking, the companies of the Constantia Packaging Group conduct business only with customers that have an adequate credit rating. This practice is assured by regular credit rating checks and by cooperating closely with notable domestic and foreign credit insurance firms. Foreign investments in non-OECD countries are generally insured against political risks.

To minimize liquidity risk, we regularly conduct liquidity planning for specific currencies. For more details, please refer to the “Financial Instruments” section in the consolidated financial statements.

Legal risks

As an international corporation, we are an active market participant in a large range of countries. We monitor the relevant legal regulations and legislative proposals in each country to assure a timely response to any changes in basic regulatory conditions.

We undertake quality control measures to eliminate as fully as possible, any risks from possible damage claims associated with product liability. Any remaining risks are covered in large part by liability insurance, unless a risk is already contractually excluded.

Risks from inadequate monitoring systems and fraudulent acts

To support the early detection and monitoring of risks, the Constantia Packaging Group set up a comprehensive internal control system. The goal of this system is to have the pertinent management proactively detect and control latent risks. A further objective is to provide instruments and processes for avoiding these risks, for their early detection and for sensible responses to them if they do occur.

It is incumbent upon the managing directors of the individual subsidiaries to conduct self-audits at their own discretion. Auditors selectively check various areas of the company in the scope of the audit for the annual financial statements. The areas audited are selected so that the entire company is examined in all areas of risk over a cycle of at most five years. The Group Auditing Department monitors compliance with internal controls in its own audits. The results of individual audits are reported to the Chairperson of the respective company's Management Board and to the Managing Board of Constantia Packaging AG.

Sealability

Mussels live within two hard half-shells which often have beautiful markings. These half-shells can be ***shut*** tightly and quickly to protect the soft body of the animal from enemies and to allow it to swim away and escape.

Yoghurt Lid

Successful Seal
Un-embossed Die-Cut Yoghurt Lid

For our dairy and food customers, freshness and a long shelf life are special priorities, as are optimum production solutions. By developing the unembossed yoghurt lid, we met both of these demands. First, this lid guarantees that the yoghurt cup is hygienically **sealable**. The contents are well-protected and the lid can be removed by the consumer without tearing because the full mechanical properties of the aluminum have been retained. Second, the new yoghurt lid is advantageous in production. Originally a lid had to be embossed to ensure that it could be destacked at the filling machines without any problem. Today we solve this problem by applying a rough coating to the surface. Among its other benefits, this approach maintains the quality of the printed image while also maximizing anti-corrosiveness and decreasing the transport and storage volume. The unembossed lid assures our customers competitive advantages and excellent market penetration.

Research and development

Market orientation

To us, market success means constantly monitoring changes in society and responding to them with innovative advances. We cooperate closely with customers to create products that fit into changes in the way people live and that are consistently geared to market requirements. We view research and development as an essential and inherent part of our company and give it the priority it deserves.

Our innovations are regularly singled out for international prizes. The keystones of these efforts are our highly qualified research and development staff and their solid technical training. We promote continuing training in professional and technical courses and seminars and through personal development training.

Maintaining our edge in technology

To assure sustained product development, new technologies must be consistently pursued and tested to determine their suitability for implementation in raw materials processing. Over the past year, our staff worked on forward-looking methods such as nanotechnology, investigating their relevance to various product areas and how they might be used in those areas.

Our development departments cooperate with customers as well as universities. Our closeness and responsiveness to customers gives these departments practical insights and allows them to test and rate the success of their own work directly. Our cooperation with international research institutions and universities such as Oxford University and the Fraunhofer Institute in Germany assures know-how and cutting-edge developments.

Group Innovation Award

March 2005 saw the staging of the first Innovation Forum at which the group-wide innovation prize was awarded. Among the prize-winners were Duropack AG in Kalsdorf, Teich AG in Mühlhofen and the joint project of Wanfried-Druck Kalden GmbH, Germany, and Ebert plant of Haendler & Natermann GmbH, Germany. Employees from many of the group enterprises gathered to network with each other to share ideas. We plan to conduct the next Innovation Forum in the autumn of 2006.

Flexible Packaging

Innovation on behalf of customers remained our objective in 2005 and we pursued it with definite priorities in mind. In extrusion coating we further optimized specifications and processes. In doing so, we built up expertise that can be usefully applied to Dairy & Food, Pharma/Healthcare and Alufoil Container Systems.

Award for recloseable die-cut lid

In Dairy & Food we focused on developing convenient products for yoghurt beverages. Our recloseable die-cut lid was singled out in 2005 for the German Packaging Prize and the World Star. Both competitions are international in scope. The prizes express the market's high regard for innovations from Constantia Packaging.

The recloseable die-cut lid provides a number of advantages for our customers, for example:

- Waste is reduced because an additional rimmed lid is no longer needed.
- This system solution lowers product and production costs.
- The storability of the yoghurt is optimized and odor problems are eliminated.
- The product is ideal for convenience packaging for consumers on the go.
- The lid is a unique product on the market in terms of product diversification.

Successful launch of CPI Security Foil

We have successfully established our innovative CPI Security Foil on the Pharma/Healthcare market. It is a highly effective way of protecting the originality of pharmaceutical products in combination with other counterfeit-proof features from our range. We also developed a special closure system for high-barrier foils. These foils play an increasingly important role as base materials in pharmaceutical blisters.

Pharmaceutical business location in Natschbach-Loipersbach

We are planning extensive R&D investments as part of our "Consistency Plan for Pharmaceuticals" project. K. Heyer GesmbH in Natschbach-Loipersbach will also be expanded to create a business location for pharmaceuticals. We will install a new painting plant for the optimum production of cold-formed and pharmaceutical foils. Painting, printing and cutting will then all be performed under clean-room conditions.

Corrugated Board

The Corrugated Board division has 33 employees working constantly on research and development. All plants are absolute state-of-the-art and are fitted with CAD systems, CAD plotters and auxiliary machines. Equipment specific to the industry is installed on site for testing purposes.

The idea of reusable packaging is becoming increasingly important to the public. We therefore focus our development efforts on bringing transport packaging in-line with the trend toward optimum logistics. Recycling and responsible management of raw materials have always been the basis for corrugated board production. We naturally also see to it that our solutions are economically profitable.

We are pleased about receiving awards again this year for our creative packaging. The Slovak Duropack Turpak Obaly a.s. garnered an international award, the World Star Award for Packaging Excellence 2005, for its gift packaging for tea, after having won two national prizes for this product.

The jury cited the use of environmentally friendly material and technology (no glue) as the reason for the award, noting that these features perfectly underscored the character of tea as a natural product.

Duropack AG in Kalsdorf was singled out as a competent corrugated board printer for the Print Award 2005. This international recognition was given for the subject “Beef Stick Salami”, printed in a flexo printing process on the packaging for a sausage snack product.

We have institutionalized the exchange of information to promote synergies between the research and development departments of all companies in the Constantia Packaging Group. To this end, the Corrugated Board segment now collects records of all research activities and enters them in a development database which is available to the entire group over the intranet.

The Employees of the Constantia Packaging Group

Our workforce is international in the way it thinks and works.

The employees of the Constantia Packaging Group contribute daily to our business success with their experience, flexibility and motivation. And they are interested in continuously developing their knowledge and in sharing it internationally. Our human resources policy supports these efforts.

Under our decentralized organization and management structure, the employees are given a high degree of personal responsibility. We encourage cultural diversity within the group by operating enterprises throughout Europe and also in North America and the People's Republic of China. The Constantia Packaging Group had an annual average of 5,631 employees in 2005 (previous year: 5,203), which represents an increase of 8.2% over 2004.

Comprehensive measures

We invest in continuing training and education: The Constantia Academy is being launched in 2006

Encouraging the development and continuing education and training of our employees was a priority of human resources policy again in 2005. Our strategic programs cover specialized courses in IT, printing technology and foreign languages as well as sales training, apprenticeship training and personal development. Measures for organizational and human-resource development complete the picture.

In 2005, the Executive Board announced the launch of the Constantia Academy for Management and Leadership in response to our group strategy. This strategy is geared to international expansion and dramatically increases the need for qualified managers. Starting in May 2006, two groups of 24 individuals each will receive practical training on management tools, the development of personal management qualities, and the orientation toward top performance. A diploma is handed out on completion of the five modules in this course of study.

We set social accents

Our second priority was to promote employee satisfaction and health. In the Flexible Packaging segment we launched a program for promoting health at the workplace called "Betriebliche Gesundheitsföderung (BGF): fit@teich." It will run till the end of 2006 and involve lasting measures for promoting the health of employees. One of the many actions was an information day on coping with stress staged with great success in June 2005 at the Mühlhofen plant of Teich AG. In a survey, about 30% of the employees cited coping with stress as a very important issue. Other subjects were health checks, quitting smoking and skin protection.

Building on these positive results, we have declared workplace health promotion to be a standard activity for the group. Ultimately, health is reflected in figures for absenteeism due to illness, the number of work accidents, but also in employee turnover and the image our company projects in public. The project "Work Safety – Zero Accidents at Teich" was continued in 2005 with the following processes: daily safety and behavior audits, safety training of employees at key systems, intensive guidance for newly hired personnel and a reporting system for near-accidents.

Through these efforts, we further reduced work accidents and considerably improved figures for the number of days not worked.

Our newly acquired Russian company Akerlund & Rausing Kuban ZAO stages a “Company Day” once a year to strengthen the team spirit of the workforce. In this event, employees are encouraged to take pride in the company and to take part in the company’s success. For management, a well-developed corporate culture is essential for achieving growth on the Russian market. The Company Day in June in Timashevsk, Russia, was positively received by everyone involved.

We promote innovation

March 2005 saw the staging of the first Innovation Forum at which the group-wide innovation prize was awarded. We plan to conduct the next Innovation Forum in the autumn of 2006.

We think internationally

We continued our bilingual newsletter for all employees by producing three new issues in 2005. This publication is firmly established as an important means of communication and provides information at regular intervals on current events within the Constantia Packaging Group. In doing so, it promotes the exchange of information about the companies throughout the group and gives each reader insights into what is happening at other companies and in other countries.

We rely on cooperation with the Works Council

The involvement of the members of the Works council is important to us. The annual meeting of the European Works Councils enables candid and prompt communication and a direct exchange of views with the Executive Board of the Constantia Packaging Group.

Continuous improvement process (CIP)

The Continuous Improvement Process (CIP) has become a fixed part of our corporate culture. We have implemented idea management in all areas of the Constantia Packaging Group. The number of suggestions increases continually, as does the participation rate. Submitters of proposals received monetary bonuses and bonuses in kind. However, of at least equal importance to them is the satisfaction of knowing that they have done something to improve the quality and safety of their own workplace. Besides helping to optimize business processes, these proposals open up great potential for savings for the company. The Continuous Improvement Process has therefore become an important factor in our success.

Attractive employer

The companies of the Constantia Packaging Group are seen as attractive employers in the marketplace. It is no wonder, because we offer employees a number of advantages: a performance-based pay structure plus a positive work climate, benefits such as subsidized meals in the company cafeteria, subsidized sports activities and company and cultural excursions.

Worldwide career opportunities, individually tailored training programs and health promotion measures assure a high level of staff satisfaction and continuity. Our research and development staff benefit from international cooperation with universities and research institutions.

We conducted anonymous employee surveys in the largest group enterprises in 2005 and received especially high ratings for the degree to which the employees identify with the company. The high return rate of over 80% further substantiates this pleasing result.

Managing Board's appreciation

We were pleased about a variety of successes in 2005. In each case, we are fully aware that it is the employees of the Constantia Packaging Group who are largely responsible for the company's success. The Managing Board thanks everyone involved for their powers of innovation, their commitment and their excellent performance over this past business year. We also thank the Works Council members for their constructive cooperation in achieving our shared objectives.

Recent developments

On February 16, 2006 the conditions for the transfer of the stake in Wanfried-Druck Kalden GmbH, Germany, were met. The net proceeds amounted to €1,561 thousand. The sale of Rotoflex Technology Inc., USA, was agreed with a contract of sale on February 22, 2006 and completed on February 26, 2006. The net proceeds for this transaction were USD 250,000. Both sales pertained to the Flexible Packaging segment. In mid-February 2006, Constantia Packaging AG announced its interest in acquiring the 40% stake Klaus Hammerer GmbH holds in Austria Metall AG, Ranshofen, and commenced negotiations. Results are expected in the second half of 2006.

Outlook for 2006

Positive prospects for 2006

The forecasts for global economic growth are quite encouraging for 2006. The OECD expects average growth of 2.9% among its 30 member countries in 2006. The global economy is predicted to grow at 4.0% to 4.5%. The dynamic trend in the United States is likely to slow down somewhat, resulting in slightly lower growth rates than last year. However, Japan will maintain its level of growth at least at last year's level and the other Asian countries should be able to continue their robust growth, especially China and India.

The economy in the euro area is being bolstered by the level of global economic activities. In 2006 exports should grow at a noticeably faster pace than in 2005. Investments and private consumption should also expand more robustly than last year. The annual average inflation rate in the euro area will drop slightly to 2.1% and should fall below the 2-percent mark in the second half of the year.

The pace of growth in the Austrian economy is expected to accelerate to 2.3% in 2006. That would mean that Austria would maintain its growth lead in relation to the euro area again in 2006.

Exports and investments are contributing to the economic recovery. However, consumer demand by private households has seen almost no improvement. Inflation is forecast to be 1.9% for 2006. No substantial improvement in the unemployment rate is expected. At 5.1%, it will remain at virtually the same level as in 2005.

The international stock markets put in quite a positive performance at the start of the year, continuing the price gains made in December, at least in Europe and Asia. The gains on the European stock exchanges are largely attributable to strong key figures at companies and the currently favorable economic prospects. The Vienna Stock Exchange made a far-above-average showing again in the New Year.

Outlook for the Flexible Packaging segment

We expect price pressures to continue in 2006 owing to the uncertainty about raw material prices. Price increases will not be able to be passed on in full to the market because of unused capacities at competitors. Major currency fluctuations and hard-to-gauge market trends in several areas force us to make a cautiously optimistic forecast for the business year ahead.

Our goal is to achieve greater growth than the general market in all areas again in 2006. We shall do so by making strategic investments, by streamlining processes and by continuing measures already launched.

Dairy & Food

We have set ambitious budget goals for 2006 and intend to achieve the planned growth increase through internal growth and through acquisitions.

Russia is a promising market for the future and our biggest hope. We want to gain further market share there primarily with the aid of our new business interest, Akerlund & Rausing Kuban ZAO.

We expect raw material prices to continue rising and are preparing appropriate counter-measures.

To create the best possible production conditions for our customers, we will invest once again in our machinery, particularly in our strategic cover-band product groups for yoghurt and soup pouches. Major attention will be devoted to the development of innovative products.

The farsighted investment in one of our top products in the candy market (Wrap Star/ Twist Film) will boost sales growth substantially in 2006 in this product group and lay the groundwork for further growth in the years ahead.

Pharma/Healthcare

Growth rates in excess of the market average are expected in 2006. To achieve the expansion goals we have set for the next several years for the cold form unit, the capacities of the corresponding pharmaceuticals production operations will be increased substantially again through the addition of a painting plant and an augmentation of cutting capacities.

Alufoil Container Systems

Price pressures will mount further in 2006 due to displacement competition already set in motion by new aluminum-tray and lid suppliers, job processors and input stock suppliers. Market and product diversification will be undertaken to stabilize business in a slight upward trend.

Beverages & Labels

As with 2005, the year under review will be shaped by rising material and energy prices. This unit will slightly expand capacities while making further investments to improve production processes.

Outlook for the Corrugated Board segment

The economic outlook for 2006 indicates more positive trends than in past years. Nonetheless, sales prices in Austria continue to feel pressure from production capacities and imports from neighboring Eastern European countries. Competition has become much fiercer owing in large part to the trend among customers to engage in Internet auctions.

Thanks to our specialization in product niches, we are not hit as hard by this trend as the average company in the industry. We also profit in Corrugated Board business from the positive effects of the EU enlargement to Eastern Europe.

We expect moderate growth in the new EU member states from the last enlargement round in May 2004 and in Germany and Austria. Growth should at least equal 2005 levels or exceed them. For Bulgaria and Serbia, where the Duropack Group is also represented, we anticipate much stronger economic growth in 2006.

Growth is expected in output, sales and profits in 2006 thanks to our emphasis on products with substantial value added, to investments made and planned, and to the excellent coordination of our factories.

Showing the way

Bees perform a dance to point the way to newly discovered blossom pollen. They ***guide*** the co-inhabitants of their hive to a new source of pollen with various movements that precisely indicate distance, direction, type of plant and quantity.

Metalized Paper Labels

Guideposts: Metalized Paper Labels

Image and brand play a big part in a consumer's decision to purchase a certain product. Products are also subject to fierce displacement competition on the beverage market and on the shelves of supermarket chains. This makes labels all the more important as a means of **guiding** consumers and **showing** them **the way** to a given product. Our high-gloss metalized paper labels stand for premium quality and are especially striking in appearance.

We produce the best in ultra-wet-proof and leach-proof label papers on state-of-the-art machinery. Our customers have their choice of motifs with up to ten colors printed in a copper gravure process, labels printed on one or two sides, cut or punched formats, and various embossed patterns. The sophisticated printing technique assures minimal propensity to roll and excellent adherence of the dye and ink in the washing cycle. On request, we can also include highlights in the design of the labels: metallic effects, thermo-sensitive colors which become visible at certain temperatures, or peel-off labels.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Balance Sheet as of December 31, 2005

Assets

€ thousands	Notes	2005	2004
Goodwill	1	46,007	29,202
Intangible assets	1	2,025	1,537
Tangible fixed assets	1	350,970	308,131
Shares in associated companies	2	89,336	80,218
Other financial assets	3	12,239	12,428
Deferred tax assets	20	22,419	16,953
Non-current assets		**522,996**	**448,469**
Inventories	4	105,023	101,541
Accounts receivable	5	131,917	128,175
Tax receivables		3,146	3,521
Other receivables	6	16,579	14,852
Securities		18,344	12,906
Cash and cash equivalents		44,329	38,092
Current assets		**319,338**	**299,087**
Non-current assets held for sale	**7**	**9,445**	**0**
Total assets		**851,779**	**747,556**

Liabilities and Shareholders' Equity

€ thousands	Notes	2005	2004
Capital stock	8	17,448	17,448
Additional paid-in capital	8	142,915	142,915
Hedging reserve	K	3,379	1,721
Available-for-sale reserve	K	278	1,398
Currency translation differences		15,291	9,222
Retained earnings	8	86,438	52,034
Equity attributable to equity holders of the parent		**265,749**	**224,738**
Minority interests	**8**	**43,350**	**33,401**
Total equity		**309,099**	**258,139**
Long-term reserves	9	42,269	43,222
Long-term debt	11	233,476	166,982
Deferred tax liabilities	20	10,833	10,113
Non-current reserves and liabilities		**286,578**	**220,317**
Short-term reserves	10	6,801	10,365
Short-term debt	11	105,926	115,184
Accounts payable	11	83,723	82,126
Tax liabilities	11	5,692	5,310
Other liabilities	11, 12	46,287	56,115
Current reserves and liabilities		**248,429**	**269,100**
Liabilities associated with assets held for sale	**7**	**7,673**	**0**
Total liabilities and shareholders' equity		**851,779**	**747,556**

The following Notes to the Consolidated Financial Statements are an integral part of this Consolidated Balance Sheet.

Consolidated Income Statement for the year ended December 31, 2005

€ thousands	Notes	2005	2004
Revenues	**13**	**991,622**	**945,007**
Changes in inventories of finished goods and work in progress		1,063	1,275
Own work capitalized		414	296
		993,099	946,578
Other operating income	14	10,147	14,290
Cost of materials		(515,053)	(481,364)
Personnel expenses	15	(224,747)	(219,968)
Other operating expenses	16	(126,767)	(127,873)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**136,679**	**131,663**
Depreciation (excluding goodwill amortization)	1	(52,691)	(45,089)
Earnings before interest, taxes and goodwill amortization (EBITA)		**83,988**	**86,574**
Goodwill amortization	1	(1,002)	(7,760)
Earnings before interest and taxes (EBIT)		**82,986**	**78,814**
Income from equity affiliate	17	5,840	3,976
Net interest income	18	(11,131)	(13,397)
Other financial income		1,069	292
Net financial income		**(4,222)**	**(9,129)**
Earnings before tax (EBT)		**78,764**	**69,685**
Income tax	19	(20,559)	(22,197)
Net income after tax		**58,205**	**47,488**
Attributable to: Minority interests		12,377	9,758
Equity holders of the parent		**45,828**	**37,730**
Earnings per no-par share (in €)		2.73	2.25
Proposed or paid dividends per no-par share (in €)	8	0.78	0.68
Weighted average number of no-par shares outstanding		16,800,000	16,800,000

The following Notes to the Consolidated Financial Statements are an integral part of this Consolidated Income Statement.

Consolidated Cash Flow Statement for the year ended December 31, 2005

€ thousands	Notes	2005	2004
Earnings before tax (EBT)		**78,764**	**69,685**
Net interest income		11,131	13,397
Income from equity affiliate		(5,840)	(3,976)
Depreciation		53,693	52,849
(Gains)/losses on disposals of non-current assets		(1,130)	(2,773)
Other non-cash (income)/expenses		(690)	0
Change in inventories		1,338	(2,355)
Change in accounts receivable		(735)	(7,731)
Change in other receivables		(2,424)	2,947
Change in reserves		(4,302)	(2,698)
Change in accounts payable		22	3,692
Change in other liabilities		(124)	(2,597)
		129,703	**120,440**
Taxes paid		(18,033)	(19,714)
Dividends received from associates		1,947	0
Interest received		4,750	2,474
Interest paid		(12,855)	(11,795)
Cash flow from operating activities		**105,512**	**91,405**
Proceeds from disposals of non-current assets		2,201	15,406
Payments for tangible and intangible fixed assets		(72,123)	(73,655)
Payments as part of company acquisitions	J	(63,026)	371
Proceeds from the sale of companies	J	477	0
Payments to acquire minority interests		(238)	0
Payments for financial assets		(5,561)	(75,000)
Proceeds from other financial assets		1,095	592
Cash flow from investing activities		**(137,175)**	**(132,286)**
Change in debt		54,329	19,949
Capital contribution		500	0
Dividends paid by Constantia Packaging AG		(11,424)	(8,736)
Dividends paid to minority shareholders		(4,787)	(4,983)
Cash flow from financing activities		**38,618**	**6,230**
Change in cash and cash equivalents		**6,955**	**(34,651)**
Effect of exchange rate changes		(718)	389
Cash and cash equivalents at the beginning of the period		38,092	72,354
Cash and cash equivalents at the end of the period		44,329	38,092
Change in cash and cash equivalents		**6,955**	**(34,651)**

The following Notes to the Consolidated Financial Statements are an integral part of this Consolidated Cash Flow Statement.

Consolidated Equity Statement for the year ended December 31, 2005

€ thousands	Notes	Capital Stock	Additional paid-in capital	Hedging reserve	Available-for-sale reserve	Currency translation differences	Retained earnings	Total	Minority interests	Total equity
		Attributable to equity holders of the parent								
Balance as of January 1, 2004		17,448	142,415	263	0	5,500	23,040	**188,666**	26,890	**215,556**
Change in hedging reserve	K			1,458				**1,458**	0	**1,458**
Change in available-for-sale reserve	K				1,398			**1,398**	0	**1,398**
Currency translation differences						3,722		**3,722**	885	**4,607**
Net income after tax							37,730	**37,730**	9,758	**47,488**
Additions to minority interests								**0**	227	**227**
Other capital contributions			500					**500**	0	**500**
Dividend payout	8						(8,736)	**(8,736)**	(4,359)	**(13,095)**
Balance as of December 31, 2004		17,448	142,915	1,721	1,398	9,222	52,034	**224,738**	33,401	**258,139**
Balance as of January 1, 2005		17,448	142,915	1,721	1,398	9,222	52,034	**224,738**	33,401	**258,139**
Change in hedging reserve	K			1,658				**1,658**	0	**1,658**
Change in available-for-sale reserve	K				(1,120)			**(1,120)**	54	**(1,066)**
Currency translation differences						6,069		**6,069**	596	**6,665**
Net income after tax							45,828	**45,828**	12,377	**58,205**
Additions to minority interests								**0**	2,428	**2,428**
Elimination of minority interests								**0**	(739)	**(739)**
Other capital contributions								**0**	20	**20**
Dividend payout	8						(11,424)	**(11,424)**	(4,787)	**(16,211)**
Balance as of December 31, 2005		17,448	142,915	3,379	278	15,291	86,438	**265,749**	43,350	**309,099**

The following Notes to the Consolidated Financial Statements are an integral part of this Consolidated Equity Statement.

Notes to the Consolidated Financial Statements for the year ended December 31, 2005

A. General information

The business purpose of Constantia Packaging AG (1010 Vienna, Opernring 17, Vienna Commercial Registry number FN 88214b) and its subsidiaries is mainly the production and sale of packaging products made from aluminum, plastic, paper and corrugated board for consumer and commercial products.

The Managing Board is responsible for the preparation of the consolidated financial statements, which are reviewed by the Supervisory Board. Numerous figures in the consolidated financial statements have been rounded, thus creating potential rounding differences.

B. Accounting principles and valuation methods

The following accounting principles and valuation methods were applied in the preparation of Constantia Packaging AG's consolidated financial statements.

a) General

The 2005 consolidated financial statements were produced in accordance with International Financial Reporting Standards (IFRS), as formulated by the International Accounting Standards Board (IASB) and adopted by the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), whose application was mandatory in 2005. The mandatory IFRS and IFRIC provisions beginning January 1, 2006 were not applied.

Assets were entered at their historical acquisition or production cost, with the exception of securities and other financial assets, which were entered at fair value.

b) Reporting currency

The consolidated financial statements are presented in thousands of euros. For their preparation, the financial statements of foreign subsidiaries using a different reporting currency were converted using the middle exchange rate on December 31 for the consolidated balance sheet and the average annual exchange rate for the consolidated income statement. All resulting conversion differences are recorded directly as currency translation differences under equity on the balance sheet.

c) Consolidation principles

The consolidated financial statements include Constantia Packaging AG and the companies over which it exercises control. Such control is usually presumed if Constantia Packaging AG, either directly or indirectly, possesses more than 50% of the voting shares of a company and is thus able to exert significant influence over the financial and company policies so as to profit from their activities.

The capital consolidation is carried out in accordance with the principles of IAS 27 (Consolidated and Separate Financial Statements). The book value of the shares belonging to Constantia Packaging AG in each individual subsidiary and the share of Constantia Packaging AG in the equity of each subsidiary are offset by elimination. The share of equity and net income attributable to minority shareholders is shown separately in the balance sheet and income statement, respectively.

Companies that are not fully controlled by Constantia Packaging AG for lack of a direct or indirect voting rights majority but over which Constantia Packaging AG nevertheless exercises significant influence (more than 20% of the voting rights) are accounted for under the equity method. Under the equity method applied, the shares are entered at their acquisition cost and subsequently adjusted to reflect Constantia Packaging AG's interest in the changing net asset value of the associated company. Constantia Packaging AG's results include the respective income contribution from the associated company.

The purchase method of IFRS 3 applies to company acquisitions. Companies acquired or disposed of in the course of the fiscal year are included in the consolidated financial statements from the time to obtain control or until the time of the sale, respectively. For business combinations, the excess of acquisition cost over the market value of the identifiable assets, liabilities and contingent liabilities at the time to obtain control is recognized as goodwill.

As part of debt consolidation, intragroup accounts receivable and other receivables are netted against the corresponding liabilities. All intragroup expenses and revenues are eliminated as part of the expense and revenue consolidation. Intermediate results from the intragroup delivery of goods and services were eliminated from current and fixed assets.

d) Significant differences between Austrian Accounting Standards (öHGB) and IFRS

Balance sheet structuring: In accordance with IFRS, the balance sheet is structured by maturities. Accrued items are entered under other receivables or other liabilities.

Goodwill arising from the capital consolidation: Goodwill resulting from acquisitions is capitalized and, in accordance with IFRS 3 in connection with IAS 36, tested for impairment at least once a year or when circumstances for impairment exist. According to öHGB, goodwill may be capitalized and amortized according to schedule or offset directly against retained earnings.

Tangible and intangible fixed assets: Under IFRS 5, scheduled depreciation is not taken for certain non-current assets held for sale. Instead, they are subject to an impairment test.

Leasing: According to IAS 17, a lease asset is shown in the balance sheet of the lessor or the lessee according to the classification criteria that take into account all the risks and rewards incident to ownership. A lease asset may therefore be classified differently under öHGB.

Deferred taxes: According to IAS 12, all temporary differences between the reporting for tax purposes and the IFRS reporting are recognized as deferred taxes based on current statutory tax rates. Deferred tax assets are shown both for loss carryforwards that have not yet been used as well as for unused tax credits, insofar as these may foreseeably be used against future taxable earnings. According to öHGB, deferred tax liabilities are recognized for timing differences if these differences lead to a tax expense that is too low in comparison to the reported earnings and which in later business years is expected to reverse. For the recognition of deferred tax assets, an alternative treatment exists whereby deferred tax assets are not permitted to be shown for loss carryforwards. Deferred tax assets and liabilities are to be netted according to öHGB.

Pension, severance and service anniversary bonus reserves: According to IAS 19, the recognition of social capital reserves is based on the projected unit credit method after applying a discount factor determined by the market yield for high-grade debt and after due consideration of anticipated rates of pension and salary increases.

According to öHGB, the reserve calculation is based on actuarial principles. A valuation under IAS 19 is an authorized actuarial method according to the Fachsenat für Handelsrecht und Revision (Commercial Law and Auditing Association). The Constantia Packaging Group applies the valuation methods and parameters of IAS 19 to financial statements prepared in accordance with öHGB.

Other reserves and valuation adjustments: The öHGB and IFRS interpret the conservative principle differently with regard to reserves and valuation adjustments. In general, IFRS has stricter requirements regarding the probability of the relevant event and the ability to determine the amount of the reserve or allowance.

Securities: According to Austrian accounting principles, securities are valued at the lower of acquisition cost or market. Consistent with IAS 39, long- and short-term securities were classified as available-for-sale securities and entered at their market value. Changes in the market value of securities classified as available-for-sale are entered directly on the balance sheet under the available-for-sale reserve in equity.

Foreign currency transactions: Austrian accounting principles and IFRS differ with regard to the recognition of unrealized gains resulting from the valuation of foreign currency amounts using market rates as of the closing date. Under Austrian law, only unrealized losses must be recognized, while under IFRS unrealized gains must also be taken into account.

Hedging transactions: The Constantia Packaging Group has classified its exchange rate transactions as cash flow hedges and entered them at fair value. Changes in the fair value of the hedging instruments, which can qualify as an effective hedge of future cash flows, are shown directly in shareholders' equity (hedging reserve). ÖHGB does not prescribe an immediate valuation of the hedging transaction.

e) Changes in accounting and valuation methods

In the income statement, the interest component of the social capital reserves for personnel expenses was reclassified under interest income. The previous year's figures were also adjusted to reflect this reclassification. This reporting change led to a €3,232 thousand decrease in the 2004 personnel expenses as well as a corresponding decrease in financial income. Earnings before tax and consolidated net income remained unchanged. This change was made in the interest of clarity and greater transparency, and to provide a more accurate presentation of the financial result.

In addition, the following changes based on new IFRS or revised IAS, which must be applied to the fiscal year beginning January 1, 2005, were taken:

IAS 1: The revised version requires that the presentation of consolidated net income and equity include minority interests beginning in 2005. In the future, the earnings per share will also be presented based on consolidated net income attributable to Constantia Packaging shareholders.

IAS 39: In the revised version, changes in the fair value of available-for-sale financial assets must now be recognized directly on the balance sheet under equity, as the alternative of entering them on the income statement was eliminated. No adjustment was made with regard to changes in fair value previously recorded on the income statement, since the amounts involved had no material impact on the consolidated financial statements.

Under the revised version of IAS 39, hedges on firm commitments are classified as fair value hedges. Foreign currency risk hedges on firm commitments were reported under cash flow hedges, as authorized.

IFRS 3 in connection with IAS 36 and IAS 38: Since March 31, 2004, all business combinations must be recognized under the purchase method, as the pooling of interests method is no longer authorized. Beginning with the 2005 fiscal year, existing goodwill is no longer amortized according to schedule, but is tested for impairment at least once a year or when circumstances for impairment exist. Goodwill for business combinations with a transaction closing date prior to March 31, 2004 was still amortized using the straight-line method over 14 to 15 years up until December 31, 2004.

IFRS 5: Non-current assets held for sale and associated liabilities of assets held for sale are presented separately on the balance sheet. The assets and liabilities are valued at the lower of carrying amount or fair value less costs to sell and are not subject to any scheduled depreciation.

C. Acquisitions and other changes in the consolidation scope

Last year, the consolidation scope was changed through the acquisition of a 60% equity interest in Akerlund & Rausing Kuban ZAO, Russia, in July 2005 (the acquisition price including related costs totaled €3,444 thousand) and 95.4% of Trakia Papir AD, Bulgaria, in November 2005 (the acquisition price including related costs totaled €42,160 thousand). These acquisitions were settled in cash.

Akerlund & Rausing Kuban ZAO was founded in 1986 in Timashevsk in the Krasnodar region and produces flexible packaging for the dairy industry, pouches for instant soups, coffee and tea and laminates for confectionary packaging. The company has a comprehensive range of production equipment and know-how: extrusion coating, laminating, varnishing, gravure printing and flexo printing. Akerlund & Rausing Kuban ZAO has approximately 200 employees. The acquisition produced goodwill of €1,667 thousand. The purchase agreement includes an option to acquire the remaining 40%.

Trakia Papir was founded in 1939 in Pazardjik, and privatized in 1998. Trakia Papir AD is the leading producer of corrugated board and paper in the Bulgarian market, with 670 employees and an annual production capacity of 55,000 metric tons. The production range comprises mainly testliner and waste-based fluting with a basis weight of 125–200 g/m^2. The acquisition of Trakia Papir AD created €16,141 thousand in goodwill.

Goodwill related to the Akerlund & Rausing Kuban ZAO and Trakia Papir AD acquisitions breaks down as follows:

€ thousands	Book value	Fair value adjustment	Fair value
Non-current assets	19,430	8,415	27,845
Current assets	10,517	(42)	10,475
Liabilities and reserves	(7,365)	(3,159)	(10,524)
	22,582	5,214	27,796
Goodwill			17,808
Acquisition price			**45,604**

Had the Akerlund & Rausing Kuban ZAO (Russia) and Trakia Papir AD (Bulgaria) acquisitions closed on January 1, 2005, Constantia Packaging Group would have consolidated sales of €1,025,527 thousand and EBITDA of €140,491 thousand.

Since the acquisitions, the newly acquired companies contributed a total of €14,119 thousand to sales and €2,098 to EBITDA.

For the acquisition of Trakia Papir AD, goodwill was determined on the basis of preliminary fair value estimates as of December 31, 2005. Because the assessed valuations have yet to be completed for this date, it is possible that the fair values and therefore goodwill may change in the 2006 financial statements.

As part of its streamlining efforts in 2005, Constantia Packaging Group disposed of SIED Emballage SA, Tunisia, a non-core business located outside of the Group's strategic area of interest. The company produced yogurt lids and labels for the Central and North African market.

D. Accounting and valuation principles

Goodwill

The excess of the purchase price of an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the time of the acquisition is capitalized as goodwill in accordance with IFRS 3 and tested for impairment at least once a year and when circumstances for impairment exist. Any impairment is immediately charged against income. No subsequent reinstatement of the original values is made.

For the impairment test, a potential unit disposal or liquidation value is estimated based on the respective cash flow generating unit. An impairment requirement that exceeds the goodwill of the cash-flow generating unit is charged against the remaining assets. In accordance with IFRS 3, goodwill depreciated on a one-time basis as a result of an impairment is no longer written back.

When a company is sold, the allocated goodwill is included in the determination of a gain or loss on disposal.

Intangible assets

Intangible assets consist of commercial property rights and similar rights with limited useful lives acquired in exchange for consideration. The intangible assets are valued at cost, in accordance with IAS 38. Following their initial capitalization, they are valued at cost less accumulated amortization and any non-recurring impairment charges related to impairment tests. Intangible assets are amortized using the straight-line method over their expected useful life. The expected useful life is between 4 and 10 years. The amortization period and method are reviewed at the end of each business year.

Tangible fixed assets

Under IAS 16, fixed assets are recorded at cost less accumulated depreciation and impairment charges based on an impairment test. If an asset is sold or otherwise disposed of, the acquisition cost and accumulated depreciation are written off, and any resulting gain or loss is recognized on the income statement.

Capital expenditures comprise the purchase price, including import duties, non-refundable taxes and all directly attributable transportation and installation costs. As a rule, expenditures resulting after the asset has been put into service, such as repairs, maintenance, and refurbishing are expensed. They are capitalized when it is probable that they will lead to additional future economic benefits deriving from the use of the asset.

Fixed asset production costs comprise direct costs as well as the pro rata share of materials and overhead production costs allocated to production. Administrative expenses and interest expense are not capitalized.

Depreciation is calculated using the straight-line method over the expected useful economic life:

Commercial buildings, plants and other buildings	25 to 50 years
Machinery and equipment	6 to 15 years
Other equipment and fixtures	4 to 12 years

The useful life and the depreciation methods are reviewed periodically in accordance with IAS 36 in order to ensure that they correspond to the expected useful economic life of the asset.

Subsidies granted for assets are shown as a reduction in the cost of acquisition or production.

Work in progress comprises fixed assets that are not yet functional and that are valued at the cost of acquisition or production. Depreciation is not started until the completion and effective use of the respective asset.

Under IAS 17, leased assets of material importance, which from an economic viewpoint can be viewed as an asset purchased with long-term financing (financing lease), are recorded at the start of the lease agreement at the lower of fair value or the present value of the minimum lease payments. Regular depreciation is made over the useful economic life. Payment obligations related to future lease payments are carried as liabilities.

Assets received under other leasing or rental contracts are treated as operating leases and shown on the books of the lessor. The lease payments are recognized as expenses.

Shares in associated companies

Associated companies are those in which the Group owns a 20% to 50% equity interest and exercises significant influence. These shares are recorded using the equity method. The book value of the shares in associated companies is then reviewed, and a corresponding impairment charge or revaluation is recorded depending on whether the grounds for impairment still exist.

For transactions between subsidiaries and associated companies, intragroup results are eliminated in proportion to the group share in the corresponding associated company.

Other financial assets

Securities included under other financial assets are classified as available for sale and measured at fair value. Changes in fair value are recognized directly on the balance sheet under the available-for-sale reserve under equity until the financial assets are sold or an impairment is determined. At that time, the accumulated gains and losses previously recorded under equity are reported on the income statement for the period.

In accordance with IAS 39, loans are recorded as originated loans granted by the company at their amortized cost using the effective interest rate method.

Unconsolidated equity interests and other financial assets are reported at cost less any impairment charges.

Interest on securities and loans is reported under interest income and accrued over the appropriate period. Income from unconsolidated interests and other financial assets are recorded under other financial income.

In accordance with IAS 39, the purchase or sale of other financial assets is accounted for on the settlement date.

Inventories

Raw materials and supplies are valued using moving average prices, with acquisition and related costs capitalized and adjusted to reflect lower market prices.

Work in progress, finished goods and deferred income items are capitalized based on the lower of variable and fixed production costs or net realizable value. The production costs include direct costs as well as the pro rata costs of materials and overhead related to production based on a normal production basis. General administrative and sales costs are not capitalized. The net realizable value is the sales price attainable in the normal course of business less costs necessary to complete the product, including any sales costs. These costs are established primarily using the FIFO method. Interest is not capitalized.

Inventory risks resulting from time in inventory or reduced marketability are taken into account through appropriate valuation adjustments.

Receivables

Receivables are accounted for at face value, less any bonuses, discounts or specific allowances. Receivables denominated in foreign currencies are valued using the middle exchange rate on December 31. Appropriate valuation adjustments are established for identifiable risks. Non-interest bearing or low-interest bearing receivables with an expected maturity of more than one year are discounted.

Securities

Securities consist of government bonds, investment funds and other stocks and bonds traded in liquid markets. These securities serve as investments for liquid funds and are generally not intended to be held for the long term. Securities are classified as available-for-sale financial assets and reported at their respective market values. Any resulting valuation adjustments are recognized directly on the balance sheet in the available-for-sale reserve under equity, after allowing for deferred taxes, until the securities are sold or an impairment charge is recorded. At that time, accumulated gains and losses previously recorded under equity are reported on the income statement for the period.

In accordance with IAS 39, securities purchases and sales are accounted for on the settlement date. Interest received from securities is presented as interest income.

Cash and cash equivalents

Cash and cash equivalents include cash balances and capital investments with original maturity of less than three months. The valuation is market to market on the balance sheet date.

Deposits with credit institutions and financial liabilities with equal maturities at the same credit institution are netted at the level of the respective subsidiaries.

Non-current assets and business units held for sale

In accordance with IFRS 5, an impairment test is carried out when appropriate under the circumstances. When necessary, the assets are written down to the disposal value less any disposal costs, and subsequently no longer depreciated until the time of disposal.

Gains and losses from non-amortized business units are entered in the period in which they occur and reported separately in the income statement as discontinued business units. The income statement for the previous period is adjusted accordingly.

Capital stock

The capital stock consists exclusively of common shares, all of which have been issued and carry the same rights.

Additional paid-in capital

In accordance with Austrian Law, additional paid-in capital includes premiums paid by shareholders in conjunction with the issuance of shares and other contributions.

Reserves

A reserve is established if a company has a current obligation (of a legal or contractual nature) arising from a past event that is more likely than not to result in an outflow of economic resources to fulfill this obligation whose size can be reliably estimated. Reserves are reviewed at the end of each year and adjusted accordingly. Where the interest effect is material, the reserve is established based on the present value of the expected cash outflow needed to satisfy the obligation.

Pension reserve

Some group companies have defined benefit pension plans for designated employees. The obligations are valued annually by a qualified and independent actuary. The obligation and the expense related to pension payments are calculated by applying the projected unit credit method in accordance with IAS 19. This method assumes that an additional part of the final benefit claim is earned in each year of service and values each of these parts separately in order to accrue the final obligation. Prior service costs are distributed linearly over the average time remaining until the pension claim is fully vested. Gains and losses resulting from the curtailment or cancellation of a defined benefit plan are recognized at the time of the curtailment or cancellation. Actuarial gains or losses are, with the exception of the U.K. pension plans, recognized immediately. For the U.K. pension plan, we apply the corridor method. Actuarial gains or losses that exceed 10% of the corridor are recognized on the income statement beginning the following year and spread over 15 years. The present value of the future pension obligation payments is calculated using discount rates in the respective countries (the benchmark interest rate is that of highest-rated medium-term bonds in the local market).

Pension plans that meet the requirements for netting of the plan assets with the reserves under IAS 19 are netted accordingly. For all other pension plans, the plan assets are reported under other financial assets and entered at their replacement value. Interest expense on defined benefit pension obligations and increases in the net worth of plan assets are reported under financial result.

Some Group companies have defined contribution plans for designated employees. Since no obligation exists beyond the amount of the contribution, this amount is expensed in the relevant period.

Severance reserve

In some countries, the company is legally obligated to pay severance benefits in certain cases after termination of the employment relationship. In the case of a voluntary resignation by the employee, no severance benefits need to be paid.

In accordance with IAS 19, reserves are established for these long-term obligations to employees. These reserves are calculated actuarially by applying the projected unit credit method, using assumptions about certain country-specific interest rates (the highest-rated medium-term bonds), salary growth and weighted employee turnover rates. The interest expense is reported under the financial result.

Service anniversary bonus reserve

Based on legal regulations, Austrian and German companies are obligated to make extra payments to employees after they reach designated service years. This payment depends on the number of service years attained and the monthly salary at the time of the service anniversary. A reserve is established for this obligation according to IAS 19. The obligation is calculated through application of the projected unit credit method using assumptions about certain country-specific interest rates (for the highest-rated medium-term bonds), salary growth rates and weighted employee turnover rates. The interest expense is reported under the financial result.

Financial instruments

Financial assets and liabilities on the balance sheet include cash and cash equivalents, securities, accounts receivable and payable, other receivables and liabilities, long-term receivables, interest-bearing debt, equity interests and other financial assets. The accounting principles with respect to the recognition and valuation of these positions are described in the corresponding notes to these consolidated financial statements.

The financial instruments are removed from the books when the rights to cash flows from the financial instrument expire, or if all risks and opportunities or disposal authority are transferred to a third party.

Hedging

Constantia Packaging AG uses interest rate swaps to hedge interest rate risk. With these swaps, Constantia Packaging AG pays a fixed interest rate on the face value of the swap and in return receives variable interest rates on the same capital amount. These interest rate swaps offset the impact on cash flows of the underlying variable-rate financial liabilities caused by future changes in interest rates. The interest rate swaps are reported on the balance sheet at fair value. Changes in the fair value of interest swaps classified as cash flow hedges are netted directly against equity under hedging reserves. When interest payments begin on the hedged underlying transaction, it is reclassified from the hedging reserve under equity to the income statement and entered under interest income.

The Flexible Packaging segment uses forwards and options in order to hedge foreign currency and price risks arising from aluminum purchases. According to group-wide guidelines, forwards and options are used for purchases to hedge future cash flows. These derivative instruments can therefore be classified as cash flow hedges. Changes in the fair value of the hedging instruments that qualify as future cash flow hedges are recorded directly in shareholders' equity as hedging reserves. When the hedged cash flow results in the recognition of an asset or liability, all gains or losses previously shown directly in shareholders' equity are factored into the calculation of the acquisition costs or book value of the asset or liability in question. Otherwise, all gains or losses from cash flow hedges that were originally recorded in shareholders' equity are transferred from the hedging reserve in shareholders' equity to the income statement of that period in which the hedging obligation or expected transaction occurs.

If a hedging obligation or expected transaction is no longer considered likely, the cumulative gains or losses previously recorded in shareholders' equity are transferred to the income statement.

All equity interests in foreign companies are long-term investments and are not likely to be sold in the foreseeable future. According to group-wide guidelines for foreign currency hedging, equity interests denominated in foreign currencies are not hedged.

Derivative financial instruments

The Group uses only currency forwards and options to hedge currency risk, commodity price risk and interest rate risk.

Derivative financial instruments that do not meet the criteria for hedge accounting under IAS 39 with respect to documentation and effectiveness are classified as trading instruments. Changes in the fair value of these derivative financial instruments are recorded on the income statement.

Research and development costs

Expenditures for research and development are recognized as expenses in the period in which they occur, since the criteria for their capitalization (IAS 38) have not been fulfilled. In total, €6,037 thousand and €6,274 thousand were recognized as expenses in 2005 and 2004, respectively.

Revenue recognition

Revenues are recognized when delivery has been made and the ownership risk has been transferred.

Revenue-providing government grants to cover expenses are principally recognized on the income statement in the year in which they are extended.

Interest is accrued in proportion to the respective interest rates. Dividend income is reported as soon as the right of the shareholders to receive payment is received.

Borrowing costs

In accordance with IAS 23, borrowing costs are recognized immediately when incurred.

Impairments

Tangible and intangible fixed assets are tested for impairment in accordance with IAS 36 as soon as events or a change of conditions indicate that the book value of the asset may be higher than its net realizable value. As soon as the book value of an asset exceeds both the net realizable value and value in use, an impairment charge is recorded. Net realizable values are estimated for the individual assets; if this is not possible, then the cash-generating ability of the senior unit is evaluated.

Foreign currency transactions

Foreign currency transactions are principally presented in the reporting currency by application of the exchange rate between the reporting currency and the foreign currency at the time of the transaction. Monetary foreign currency positions are valued using the closing price on the balance sheet date. Currency gains and losses as of the balance sheet date are recorded on the income statement.

Foreign subsidiaries

Fully consolidated foreign subsidiaries are considered independent companies, since they are independent financially, economically and organizationally. Their reporting currencies are the respective local currencies. Apart from shareholders' equity, all balance sheet items are converted using the middle exchange rate on December 31. Income and expenses are converted using the average annual exchange rate. All resulting translation differences are shown in "Currency translation differences" under consolidated equity on the balance sheet. Beginning in 2005, goodwill arising from the acquisition of foreign subsidiaries is allocated to the acquired company using the exchange rate at the time of the acquisition and translated to the consolidated financial statements using the corresponding year-end exchange rate.

Currency differences arising from the netting of monetary accounts, which mainly reflect a portion of the net investment in a foreign subsidiary of the group, are classified as shareholders' equity in the consolidated financial statements until the respective subsidiary is no longer consolidated.

Income taxes

The income tax liability is based on the annual profit and takes deferred taxes into account. Deferred taxes are calculated using the balance sheet liability method. They reflect the tax effect of temporary differences between the book values shown for assets and liabilities and the corresponding amounts based on the relevant tax regulations.

The deferred tax asset and liability calculations are based on the estimated future tax rates (and regulations) either in effect or announced on December 31. The extent of the deferred tax asset or liability reflects the tax effects which, according to company estimates, would have applied on December 31 if the book value of assets were realized and the liabilities settled.

Deferred tax assets and liabilities take into account all temporary differences without regard to when the effect is likely to reverse. The deferred tax asset is taken into account if it is probable that sufficient taxable earnings will exist when the deferred tax asset is used. At the end of each year, any previously unrecognized value as well as the book value of the deferred tax asset is reevaluated. Deferred tax claims that have not yet been capitalized are taken into account to the extent that it is probable that the future taxable earnings will allow the deferred tax asset to be used. Conversely, the book value of deferred tax assets is adjusted to the extent that sufficient taxable income is not likely to be available in the future to make use of the deferred tax asset.

Deferred taxes are debited or credited directly to shareholders' equity if they relate to a position that will be debited or credited directly to shareholders' equity in the same or another period, including foreign exchange differences resulting from the translation of intragroup loans.

Non-current and current assets and liabilities

Assets and liabilities with maturities of up to one year were classified as short term, while those with maturities of more than one year were classified as long term. The determination of the maturities was always based as of the year-end date.

Earnings per share

Earnings per share is calculated in accordance with IAS 33 by dividing consolidated net income by the weighted average number of shares outstanding. Newly issued or repurchased shares during the period are valued on a pro rata basis for the period in which they are outstanding. In the period under review, no dilution impact or business disposals occurred.

Discretionary decisions

In preparing the consolidated financial statements, some estimates are necessary and assumptions must be made that have an impact on assets, reserves and liabilities, the reporting of other commitments at year-end and of income and expenses for the year under review. Actual future results may vary from these estimates, which may lead to significant discrepancies in the consolidated financial statements.

The estimates and underlying assumptions are continuously updated. Changes in the estimates are recorded during the period in which they are made. The main assumptions of estimates are detailed in the notes to the corresponding items.

E. Segment information

Business segments

The Group's organizational and management structure is based on two divisions – Flexible Packaging and Corrugated Board – which therefore make up the primary reporting segment.

The Flexible Packaging business produces packaging material for, among others, the confectionary, food production, pet food, pharmaceutical and beverage industries.

The Corrugated Board business produces corrugated board, shipping packaging, displays, special corrugated board for hazardous materials and heavy-duty board.

Geographical segments

Geographical segments have been identified as the secondary reporting format. The revenues, expenses and results of the various segments include eliminations between the business and geographic segments. Inter-segment elimination prices are based on market conditions.

F. Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the balance sheet. They are disclosed when the possibility of a material adverse effect on company resources is possible, but the conditions for establishing a reserve do not exist. Contingent assets are not recognized in the consolidated financial statements, but are disclosed if a material positive effect is probable.

G. Notes to the consolidated balance sheet

1. Consolidated fixed asset table

Costs

€ thousands	As of 1/1/2005	Currency translation differences	Additions	Disposals	Change in consolidation scope	Reclassification	Reclassification as non-current assets held for sale	As of 12/31/2005
Goodwill	**37,803**	**0**	**17,808**	**0**	**0**	**0**	**0**	**55,611**
Intangible assets	**10,053**	**155**	**1,315**	**2,652**	**181**	**109**	**1,025**	**8,136**
Land	19,882	146	6	66	(29)	1	108	19,832
Buildings	167,126	1,726	8,081	685	10,148	2,370	3,839	184,927
Undeveloped land	1,875	6	19	0	414	0	0	2,314
Machinery and equipment	534,997	4,864	29,780	8,090	19,748	7,609	13,278	575,630
Other equipment, fixtures and furniture	81,522	457	6,630	4,985	1,541	357	1,807	83,715
Prepayments for construction in progress	14,484	63	26,021	213	693	(10,446)	56	30,546
Tangible fixed assets	**819,886**	**7,262**	**70,537**	**14,039**	**32,515**	**(109)**	**19,088**	**896,964**

The expansion of the consolidation scope comprises mainly the asset values of Trakia Papir AD. In accordance with the newly implemented IFRS 3, goodwill is no longer subject to scheduled depreciation as of January 1, 2005. Under IFRS 3, accumulated depreciated goodwill is netted against its historical cost.

€ thousands	As of 1/1/2004	Currency translation differences	Additions	Disposals	Change in consolidation scope	Reclassification	Reclassification as non-current assets held for sale	As of 12/31/2004
Goodwill	**69,200**	**(6)**	**0**	**383**	**0**	**0**	**0**	**68,811**
Intangible assets	**9,254**	**79**	**774**	**64**	**0**	**10**	**0**	**10,053**
Land	18,927	160	1,632	914	452	(375)	0	19,882
Buildings	151,426	918	12,935	3,739	4,785	801	0	167,126
Undeveloped land	794	24	682	0	0	375	0	1,875
Machinery and equipment	507,437	3,420	37,751	21,324	4,043	3,670	0	534,997
Other equipment, fixtures and furniture	85,225	428	8,913	14,224	39	1,141	0	81,522
Prepayments for construction in progress	8,243	221	13,420	1,870	92	(5,622)	0	14,484
Tangible fixed assets	**772,052**	**5,171**	**75,333**	**42,071**	**9,411**	**(10)**	**0**	**819,886**

Depreciation and amortization

€ thousands	As of 1/1/2005	Currency translation differences	Additions	Disposals	Change in consolidation scope	Reclassification	Reclassification as non-current assets held for sale	As of 12/31/2005
Goodwill	**8,601**	**1**	**1,002**	**0**	**0**	**0**	**0**	**9,604**
Intangible assets	**8,516**	**129**	**706**	**2,564**	**50**	**0**	**726**	**6,111**
Land	64	20	53	0	189	0	19	307
Buildings	84,834	375	7,116	487	141	0	2,935	89,044
Undeveloped land	0	0	0	0	0	0	0	0
Machinery and equipment	369,185	3,182	36,858	7,425	4,755	(176)	10,309	396,070
Other equipment, fixtures and furniture	57,602	281	7,958	4,787	727	176	1,444	60,513
Prepayments for construction in progress	70	(10)	0	0	0	0	0	60
Tangible fixed assets	**511,755**	**3,848**	**51,985**	**12,699**	**5,812**	**0**	**14,707**	**545,994**

In accordance with the newly implemented IFRS 3, goodwill is no longer subject to scheduled depreciation as of January 1, 2005. Under IFRS 3, accumulated depreciated goodwill is netted against its historical cost.

€ thousands	As of 1/1/2004	Currency translation differences	Additions	Disposals	Change in consolidation scope	Reclassification	Reclassification as non-current assets held for sale	As of 12/31/2004
Goodwill	**32,238**	**(6)**	**7,760**	**383**	**0**	**0**	**0**	**39,609**
Intangible assets	**7,636**	**29**	**911**	**60**	**0**	**0**	**0**	**8,516**
Land	333	4	49	322	0	0	0	64
Buildings	76,119	580	5,445	1,542	4,087	145	0	84,834
Undeveloped land	0	0	0	0	0	0	0	0
Machinery and equipment	353,747	2,025	32,041	21,763	3,743	(608)	0	369,185
Other equipment, fixtures and furniture	63,180	221	6,643	12,919	14	463	0	57,602
Prepayments for construction in progress	0	0	0	0	70	0	0	70
Tangible fixed assets	**493,379**	**2,830**	**44,178**	**36,546**	**7,914**	**0**	**0**	**511,755**

Book value

€ thousands	Cost as of 12/31/2005	Accumulated depreciation as of 12/31/2005	Book value as of 12/31/2005	Book value as of 12/31/2004
Goodwill	**55,611**	**9,604**	**46,007**	**29,202**
Intangible assets	**8,136**	**6,111**	**2,025**	**1,537**
Land	19,832	307	19,525	19,818
Buildings	184,927	89,044	95,883	82,292
Undeveloped land	2,314	0	2,314	1,875
Machinery and equipment	575,630	396,070	179,560	165,812
Other equipment, fixtures and furniture	83,715	60,513	23,202	23,920
Prepayments for construction in progress	30,546	60	30,486	14,414
Tangible fixed assets	**896,964**	**545,994**	**350,970**	**308,131**

Impairment charges

In 2005, an impairment charge of €1 million was recorded on the goodwill of G&A Healthcare Packaging Ltd. UK, compared with a charge of €3 million in 2004.

The valuation of G&A Healthcare Packaging Ltd. is based on the Managing Board's estimate of future cash flows over the next four years. An 8% discount rate was derived from the company's weighted average cost of capital.

Following impairment tests, the Flexible Packaging segment recorded an impairment charge of €4,087 thousand (compared with €0 in 2004) at the following subsidiaries: Rotoflex Technology Inc., USA; H & N (Suzhou) Packaging Materials Co. Ltd., China; Haendler & Natermann GmbH, Germany; G&A Healthcare Packaging Ltd., UK; and Wanfried-Druck Kalden GmbH, Germany.

Goodwill

€ thousands	2005	2004
G&A Healthcare Packaging Ltd.	3,808	4,808
K. Heyer GesmbH	3,197	3,197
Haendler & Natermannn GmbH	4,447	4,447
Drukkerij Verstraete N.V.	9,327	9,327
J.S.P. S.A. (Sim´Edit)	3,764	3,764
Duropack Bupak Obaly a.s.	3,644	3,644
Akerlund & Rausing Kuban ZAO	1,667	0
Trakia Papir AD	16,141	0
Other	12	15
	46,007	**29,202**

Finance lease agreements

Fixed assets includes leased assets attributed to the Group based on the economic substance of the lease agreements.

The underlying interest rate on the finance lease transactions is set contractually for the entire lease period.

These assets comprise mainly buildings and machinery. The capitalized amounts are shown in the balance sheet position tangible fixed assets. The book value of the assets accounted for as financing leases are shown as follows:

€ thousands	2005	2004
Buildings	10,447	14,351
Machinery	24,400	28,052

The future minimum lease payments as of December 31 are as follows:

		Minimum lease payments		Present value of minimum lease payments
€ thousands	**2005**	**2004**	**2005**	**2004**
Up to 1 year	5,937	8,215	5,698	7,885
From 1 to 5 years	13,179	18,794	10,537	15,214
More than 5 years	15,918	15,312	10,463	10,218
	35,034	**42,321**	**26,698**	**33,317**
Less future financing costs	(8,336)	(9,004)		
Present value of lease obligations	**26,698**	**33,317**		

2. Shares in associated companies

In April 2004, Constantia Packaging B.V., based in Vaassen, the Netherlands, acquired a 25% plus one share equity interest in Austria Metall AG for €75 million. An earn-out clause was also negotiated for the period 2007 to 2012. With a cap of €28,125 thousand, this earn-out clause is linked to income from ordinary operations as reported in Austria Metall AG's consolidated financial statements, which are prepared in accordance with the Austrian Commercial Code.

Austria Metall AG's contribution to shareholders' equity is not reported in accordance with IFRS, but rather pursuant to the provisions of the Austrian Commercial Code, since the company neither prepares its financial statements under IFRS nor provides pro forma IFRS information. In this respect, the company notes that the conservative principle of the Austrian Commercial Code does not recognize profits until they are realized, whereas IFRS tend toward fair values.

Given the data provided by the company, a reasonable estimate of the company's equity contribution under IFRS is not feasible.

Austria Metall AG's key results were as follows:

€ thousands	2005	2004
Revenues	722,662	612,394
Income from ordinary operations	38,398	28,388
Net income	24,503	25,001
Total assets	798,032	704,329
Capital stock	58,400	58,400
Shareholders' equity	362,816	329,914
Equity ratio	**45.5%**	**46.8%**
Debt	435,216	374,415
Capital expenditures	55,600	94,100
Employees as of 12/31	**1,530**	**1,551**

Changes in equity were as follows:

€ thousands	2005	2004
Book value as of 1/1	80,218	0
Additions	0	75,000
Net income for the year (öHGB)	5,840	3,976
Dividend payout	(1,947)	0
Currency translation differences	5,225	1,242
Book value as of 12/31	**89,336**	**80,218**

3. Other financial assets

€ thousands	2005	2004
Unconsolidated equity interests	919	2,330
Loans	1,245	143
Securities	7,247	6,736
Other financial assets	3,285	3,219
Reclassification to non-current assets held for sale	(457)	0
	12,239	**12,428**

In early 2005, the equity interest in "Der Grüne Punkt" – Duales System Deutschland GmbH was sold, after being marked to its fair value of €1,398 thousand directly under equity in 2004. The proceeds from this disposal were included in other financial income on the income statement.

The securities are used mainly to cover pension and severance reserves as required under Austrian tax law and consist mainly of investment funds and bonds.

Other financial assets consist mainly of the coverage assets for pension collateral.

4. Inventories

€ thousands	2005	2004
Raw materials and supplies	36,681	33,699
Work in progress	24,395	24,747
Finished goods, merchandise	45,796	43,095
Reclassification to non-current assets held for sale	(1,849)	0
	105,023	**101,541**

This position includes impairment charges of €3,843 thousand (compared with €3,083 thousand in 2004). These expenses are recognized on the income statement under cost of materials.

5. Accounts receivable

€ thousands	2005	2004
Receivables	137,826	133,563
Reclassification to non-current assets held for sale	(1,817)	0
Impairment charge	(4,092)	(5,388)
	131,917	**128,175**

This item includes €2,325 thousand in receivables from affiliated companies, down from €2,436 thousand the previous year, and €545 thousand in receivables from associated companies, compared with €645 thousand the previous year.

6. Other receivables

€ thousands	2005	2004
Other tax receivables	4,420	3,206
Forwards and options	4,580	2,700
Accruals	1,288	1,210
Miscellaneous receivables	6,361	7,736
Reclassification to non-current assets held for sale	(70)	0
	16,579	**14,852**

7. Non-current assets held for sale

After receiving authorization from the Supervisory Board, the Managing Board of Constantia Packaging AG announced the disposal of the Wanfried Group on December 22, 2005. Haendler & Natermann GmbH, Germany, a wholly owned subsidiary of Constantia Packaging AG and part of the Flexible Packaging division, concluded an agreement to sell 100% of its stake in Wanfried-Druck Kalden GmbH, Germany. The disposal was tied to some conditions, which were fulfilled in the first quarter of 2006.

The buyer is Druckerei-Holding Arquana International Print & Media AG based in Starnberg, Germany. The purchase price includes the assumption of all debt, a €700 thousand payment and 25,000 shares in Arquana International Print & Media AG.

In addition to labels and packaging systems, the Wanfried Group manufactures mainly folding cartons for customers in the beverage, food, confectionary and pharmaceutical industries. With sales offices in Austria, France, the United Kingdom, Russia and Switzerland, the company generates annual sales of approximately €28 million.

In the context of the overall strategic orientation of the Constantia Packaging Group, the products and related sales markets of the Wanfried Group no longer fit into the portfolio of the Flexible Packaging division. As the sole producer of folding cartons in the Group, the company does not generate any synergy effects and lacks critical mass in the marketplace.

In December 2005, a preliminary agreement was signed with Union Roto-Graving Inc., USA, regarding the sale of the production facility of Rotoflex Technology Inc., USA. The final sales agreement was signed on February 22, 2006.

For all non-current assets and liabilities held for sale, an impairment of €1,591 thousand was recognized and expensed accordingly. Current and non-current liabilities of €5,211 thousand along with current and non-current receivables of €642 thousand associated with non-current assets held for sale are recorded under liabilities and receivables, respectively. The remaining amounts are presented separately in the notes to the respective items.

8. Shareholders' equity

Changes in shareholders' equity are presented separately in the consolidated equity statement.

Capital stock

The capital stock comprises 16,800,000 no-par shares.

The Group owns a 12.83% equity interest in the associated company Austria Metall AG. The Managing Board is authorized until May 31, 2007 to increase the capital stock from the current par value of €17,448,000 by issuing 8,400,000 new bearer shares representing up to €8,724,000 in return for cash or payments in-kind with a minimum issue price of 100% of par value on one or more occasions, with the issue price and terms to be established in agreement with the Supervisory Board. Similarly, the Managing Board is authorized, with approval from the Supervisory Board, to waive the pre-emptive rights of shareholders if the capital stock is increased by payments in-kind from companies, business operations, by individual companies or shares in one or more companies located in Austria or abroad.

The Supervisory Board is authorized to amend the by-laws as part of the issuance of shares from authorized capital.

Dividends

The proposed dividend payout on 2005 net income is €13,104 thousand (the dividend payout on 2004 net income was €11,424 thousand), which corresponds to a €0.78 dividend per share (up from €0.68 per share).

The Shareholders' General Meeting of May 18, 2005 approved a dividend payout of €11,424 thousand on 2004 net income.

The consolidated financial statements were presented to the Supervisory Board for review and to the Shareholders' General Meeting exclusively for information purposes, which acknowledged them.

Additional paid-in capital

Additional paid-in capital consists of €21,947 thousand in tied-up additional paid-in capital and €120,968 thousand in freely disposable additional paid-in capital. Both amounts were unchanged from the previous year. In 2004, the freely disposable additional paid-in capital was reclassified from retained earnings to additional paid-in capital. This change was made to enhance the clarity of the information presented.

Retained earnings

Retained earnings include the legal reserve based on the annual net income reported in the financial statements of the parent company, the untaxed reserves on the annual net income established in accordance with tax regulations and the cumulative retained earnings from previous years and the current year.

Minority interests

Minority interests consist mainly of the 40% interest in the Duropack Group and the 49% interest in Drukkerij Verstraete N.V.

9. Long-term reserves

€ thousands	2005	2004
Severance	24,689	22,225
Pension	11,832	13,649
Service anniversary bonus	4,287	5,464
Sales agents	1,431	1,884
Other long-term reserves	30	0
	42,269	**43,222**

Severance reserve

€ thousands	2005	2004
Present value of the obligations as of 1/1	22,225	20,786
Loss on foreign exchange	6	21
Change in consolidation scope	121	273
Current service cost	973	907
Interest expense	1,200	1,027
Benefits paid	(1,437)	(1,448)
Reclassification of anniversary bonus reserve	996	0
Actuarial loss	605	659
Present value of the obligations as of 12/31	**24,689**	**22,225**

€ thousands	2005	2004
Current service cost	973	907
Indemnity expense	730	2,820
Payments (defined contribution plan)	119	43
Actuarial losses	605	659
Severance expense	**2,427**	**4,429**

The severance reserve covers mainly severance benefits in Austria.

The main assumptions for the actuarial calculation were:

	12/31/2005	12/31/2004
Salary increases	2.50%	2.50%
Discount rate	4.75%	5.00%

The biometric accounting principles are based on Pagler & Pagler's 1999 life expectancy data for "salaried employees", in accordance with the Austrian Actuarial Association (AVÖ). A potential employee turnover discount rate is applied on a company-specific basis.

Pension reserve

2005 € thousands	Other	UK	Total
Present value of obligations as of 1/1	11,902	26,694	38,596
Loss on foreign exchange	0	745	745
Current service costs (employer and employees)	127	430	557
Interest expense	594	1,479	2,073
Benefits paid	(929)	(1,304)	(2,233)
Additions to consolidation scope	124	0	124
Actuarial (gains)/losses	(5)	1,184	1,179
Reclassification to liabilities held for disposal	(2,031)	0	(2,031)
Present value of obligations as of 12/31	**9,782**	**29,228**	**39,010**

reduced by the assets designated to cover pension obligations

2005 € thousands	Other	UK	Total
Fair value of plan assets as of 1/1	0	19,637	19,637
Gain on foreign exchange	0	541	541
Expected return on plan assets	0	1,410	1,410
Contributions (employer and employee)	0	426	426
Benefits paid	0	(1,304)	(1,304)
Actuarial gains	0	2,543	2,543
Fair value of plan assets as of 12/31	**0**	**23,253**	**23,253**

2005 € thousands	Other	UK	Total
Present value of obligations as of 12/31	9,782	29,228	39,010
Fair value of plan assets as of 12/31	0	23,253	23,253
Unfunded obligations	**9,782**	**5,975**	**15,757**
Unrecognized portion	0	(3,925)	(3,925)
Pension reserves as of 12/31	**9,782**	**2,050**	**11,832**

2005 € thousands	Other	UK	Total
Current service cost (employer)	127	301	428
Pension fund payments (defined contribution plans)	2,066	7	2,073
Actuarial (gains) / losses	(5)	181	176
Pension expense	**2,188**	**489**	**2,677**

2004 € thousands	Other	UK	Total
Present value of obligations as of 1/1	10,304	25,689	35,993
Loss on foreign exchange	0	48	48
Current service costs (employer and employees)	149	456	605
Interest expense	526	1,438	1,964
Benefits paid	(678)	(772)	(1,450)
Additions to consolidation scope	1,718	0	1,718
Actuarial gains	(117)	(165)	(282)
Present value of obligations as of 12/31	**11,902**	**26,694**	**38,596**

reduced by the assets designated to cover pension obligations

2004 € thousands	Other	UK	Total
Fair value of plan assets as of 1/1	0	18,106	18,106
Gain on foreign exchange	0	7	7
Expected return on plan assets	0	1,396	1,396
Contributions (employer and employee)	0	440	440
Benefits paid	0	(743)	(743)
Actuarial gains	0	431	431
Fair value of plan assets as of 12/31	**0**	**19,637**	**19,637**

2004 € thousands	Other	UK	Total
Present value of obligations as of 12/31	11,902	26,694	38,596
Fair value of plan assets as of 12/31	0	19,637	19,637
Unfunded obligations	**11,902**	**7,057**	**18,959**
Unrecognized portion	0	(5,310)	(5,310)
Pension reserve as of 12/31	**11,902**	**1,747**	**13,649**

2004 € thousands	Other	UK	Total
Current service cost (employer)	149	318	467
Expected return on plan assets	0	(1,396)	(1,396)
Contributions to plan assets (employer)	0	307	307
Pension fund payments (defined contribution plans)	1,375	0	1,375
Actuarial gains	(117)	(473)	(590)
Pension expense	**1,407**	**(1,244)**	**163**

Essentially, pension reserves cover pension obligations in Austria, Germany and the United Kingdom.

In the United Kingdom, Constantia (UK) Ltd. offers all full-time employees a defined benefit pension plan known as the “Teich Flexibles Retirement Benefits Scheme”, with securities held in a separately managed trust fund.

The related plan costs are set in accordance with the advice of an actuary. For the U.K. pension plan, the reserve was netted against the plan assets.

The main assumptions used in the actuarial calculations were as follows:

Austria and Germany	12/31/2005	12/31/2004
Salary increase	2.50%	2.50%
Pension increase	2.00%	2.00%
Discount rate	4.75%	5.00%

U.K.	12/31/2005	12/31/2004
Salary increase	2.95%	3.60%
Pension increase	2.60%	2.80%
Discount rate	4.85%	5.60%
Expected return on plan assets	6.80%	7.35%

The biometric accounting principles are based on Pagler & Pagler’s 1999 life expectancy data for “salaried employees”, in accordance with the Austrian Actuarial Association (AVÖ). A potential employee turnover discount rate is applied on a company-specific basis.

Service anniversary bonus reserve

€ thousands	2005	2004
Present value of the obligations as of 1/1	5,464	4,672
Loss on foreign exchange	27	14
Current service cost	181	235
Interest expense	154	241
Benefits paid	(313)	(168)
Reclassification to severance reserves	(996)	0
Actuarial (gains) / losses	(141)	470
Reclassification to liabilities held for sale	(89)	0
Present value of obligations as of 12/31	**4,287**	**5,464**

€ thousands	2005	2004
Current service cost	181	235
Actuarial (gains) / losses	(141)	470
Service anniversary bonus expense	**40**	**705**

The main assumptions used in the actuarial calculation were as follows:

	12/31/2005	12/31/2004
Salary increase	2.50%	2.50%
Discount rate	4.75%	5.00%

The biometric accounting principles are based on Pagler & Pagler's 1999 life expectancy data for "salaried employees", in accordance with the Austrian Actuarial Association (AVÖ). A potential employee turnover discount rate is applied on a company-specific basis.

Reserve for sales agents and other long-term reserves

€ thousands	2005	2004
Book value as of 1/1	1,884	2,408
Use	(270)	(277)
Write-back	(231)	(253)
Additions (including interest)	321	6
Reclassification to liabilities held for sale	(243)	0
Book value as of 12/31	**1,461**	**1,884**

10. Short-term reserves

€ thousands	2005	2004
Book value as of 1/1	10,365	4,785
Currency translation difference	(20)	6
Use	(701)	(3,738)
Write-back	(3,493)	(126)
Additions	755	9,438
Reclassification to liabilities held for sale	(105)	0
Book value as of 12/31	**6,801**	**10,365**

Short-term reserves consist mainly of guarantees and warranties. In 2004, €2,869 thousand was allocated for an outsourcing project of non-core business activities and €6,493 thousand was allocated for proceeds still pending in connection with the sale of a property in Derby (GB).

In 2005, the reserve established for the outsourcing project in 2004 was written back in full, and €498 thousand was written back with respect to the reserve for proceeds still pending in connection with the sale of a property in Derby.

11. Liabilities

2005 € thousands	Total	less than 1 year to maturity	1 to 5 years to maturity	more than 5 years to maturity
Debt	339,402	105,926	116,620	116,856
Accounts payable	83,723	83,723	0	0
Tax liabilities	5,692	5,692	0	0
Other liabilities	46,287	46,287	0	0
	475,104	**241,628**	**116,620**	**116,856**

2004 € thousands	Total	less than 1 year to maturity	1 to 5 years to maturity	more than 5 years to maturity
Debt	282,166	115,184	163,061	3,921
Accounts payable	82,126	82,126	0	0
Tax liabilities	5,310	5,310	0	0
Other liabilities	56,115	56,115	0	0
	425,717	**258,735**	**163,061**	**3,921**

Of the debt, €7,897 thousand (2004: €11,505 thousand) is secured by mortgages.

Long-term debt includes liabilities to affiliated companies (Danapak A/S of the Arla Group is the creditor) in the amount of €12,075 thousand (2004: €11,739 thousand), while short-term debt totaled €1,200 thousand (2004: €1,680 thousand).

Long-term debt includes the following three profit-sharing certificates:

Haendler & Natermann GmbH has distributed €7,682 thousand in bearer profit-sharing certificates and €10,124 thousand in profit-sharing certificates in perpetuity to VBV Anlagen Vermietungs- und Beteiligungs-Aktiengesellschaft. The profit-sharing agreement can be cancelled by either party at the earliest on December 31, 2010 and December 31, 2011, respectively. The profit-sharing certificates entitle the holder to receive a share of the annual profit, within upper and lower limits, and are subordinated to other liabilities. In December 2005, a mutual agreement was reached for their write-back and repayment effective December 31, 2005.

Duropack AG has issued €29 thousand in profit-sharing certificates to Smurfit Kappa Interwell GmbH & Co KG. The profit-sharing capital was subsequently increased by an additional contribution of €2,878 thousand. These are obligatory profit-sharing certificates with a maturity of December 31, 2010. Claims on a share of the company profit are linked with the profit-sharing right, with a distribution following only at maturity. A reserve was established for this year's claim on profit.

In May 2005, Duropack AG subscribed a long-term loan in the amount of €17,200 thousand. The loan has a five-year term on the 2.575% (including margin) fixed-rate portion, which represents 70% of the total, and an 18 month term on the variable-rate portion, which makes up the remaining 30%.

In June 2005, Duropack AG subscribed a 10-year loan with a 3.52% (including margin) fixed-rate long-term loan in the amount of €40,000 thousand. The semi-annual repayments are scheduled to begin on June 30, 2007.

Long-term debt also includes a €50,000 thousand variable-rate bond issued by Constantia Packaging AG. The seven-year bond was issued on December 23, 2005. Constantia Packaging AG reserved the right to call in the bond early at each coupon date (June 23 and December 23) with three months prior notice. By purchasing interest rate swaps with matching maturities, a fixed-rate of interest was achieved on the variable-rate bond. The resulting fixed rate was 3.33%, not including the margin established in the bond terms. The additional margin, which is calculated based on the ratio of net debt to EBITDA, may range between 0.30% and 0.75%, and as of December 31, 2005 stood at 0.35%.

In June 2005, an existing U.S. dollar credit line of USD 18 million was increased by USD 10 million to USD 28 million. As of December 31, 2005, USD 20 million of this credit line was subscribed and reported under short-term debt.

Accounts payable includes liabilities to associated companies in the amount of €14,160 thousand (2004: €9,617 thousand).

Payables related to investments in other companies accounted for €9,034 thousand (2004: €9,302 thousand) of accounts payable.

12. Other liabilities

€ thousands	2005	2004
Staff charges	13,986	14,690
Accrued unused vacations	11,028	10,921
Medical insurance fund	4,860	4,939
Other taxes	4,787	4,821
Forwards, options and swaps	652	877
Deferred income	649	773
Thorn Lighting Group purchase price	0	10,000
Other liabilities	10,325	9,094
	46,287	**56,115**

H. Notes to the consolidated income statement

13. Revenues

Through its diversified product range, Constantia Packaging Group is not subject to any customer dependency risk. The top 10 customers accounted for 22.6% of consolidated sales, with the largest customer accounting for 4.6%. Additional information concerning revenues is contained in the segment report.

14. Other operating income

€ thousands	2005	2004
Gains on fixed asset disposals	1,032	3,374
Gains on deconsolidation	221	0
Insurance proceeds	681	977
Foreign exchange gains	1,943	1,636
Other	6,270	8,303
	10,147	**14,290**

15. Personnel expenses

€ thousands	2005	2004
Wages	106,961	109,942
Salaries	69,410	62,576
Severance expense and allocations to severance reserves	2,427	4,429
Pension expense	2,677	163
Expenses for payroll taxes and other mandatory payroll benefits	38,094	37,704
Other personnel expenses	5,178	5,154
	224,747	**219,968**
Average number of wage earners	3,969	3,693
Average number of salaried employees	1,662	1,510
	5,631	**5,203**

In 2005, the Managing Board of the parent company received compensation (including additions to severance and pension reserves) of €870 thousand (2004: €696 thousand), of which €283 thousand was performance-related (2004: €240 thousand).

The variable compensation component for the Managing Board members and executives of the Constantia Packaging Group has always been a function of the company's earnings. The performance-related compensation therefore ranges between approximately 50% and 80% of the fixed compensation and is tied to the achievement of specific earnings targets. These earnings targets are determined through a multi-year budget established in conjunction with the Supervisory Board.

Direct pension benefits that give rise to pension reserves carried as liabilities are no longer granted. The pension plan for Managing Board members consists exclusively of defined contribution plans, for which the company does not incur any defined benefit obligation.

Last year, the Supervisory Board received total compensation of €60 thousand, compared with €50 thousand in 2004. In 2004, a public relations consulting agreement was concluded with a member of the Supervisory Board. The consulting fee paid in 2005 totaled €15 thousand, compared with €11 thousand the previous year.

Compensation for Supervisory Board members is determined annually by the Shareholders' General Meeting and takes the members' responsibilities and activities into account. Particular attention is paid to the size and organizational structure of the company and the decision-making scope of the Supervisory Board. The company's business performance, however, is only of marginal importance (in contrast to the benchmarks used to determine Managing Board compensation). The Supervisory Board's activities do not lend themselves to earnings-based compensation.

The Supervisory Board distributes the overall compensation among its respective members as it sees fit, although traditionally there are few differences in the compensation of the individual members. No attendance fees are paid.

16. Other operating expenses

€ thousands	**2005**	**2004**
Freight	36,712	34,910
Maintenance	24,849	23,998
Other third-party expenses and consultant fees	14,630	15,039
Advertising expense	2,885	2,827
Foreign exchange differences	267	1,044
Rentals, leases	7,943	7,240
Travel and vehicle expenses	7,178	7,227
Commissions	6,991	6,602
Risk provisions	2,678	4,737
Insurance	5,600	5,446
Communications expenses	2,626	2,424
Other taxes	2,529	2,525
Other	11,879	13,854
	126,767	**127,873**

17. Income from equity affiliate

The income from equity affiliate totaled €5,840 thousand, compared with €3,976 thousand in 2004, and consisted exclusively of Austria Metall AG's contribution. In 2004, the equity income covered the period from April 1 through December 31.

18. Net interest income

€ thousands	2005	2004
Interest income	6,107	2,447
Interest expense	(17,238)	(15,844)
	(11,131)	**(13,397)**

19. Income tax

€ thousands	2005	2004
Current taxes	19,268	19,531
Deferred taxes	1,291	2,666
	20,559	**22,197**

Effective January 1, 2005, the statutory tax rate applicable to Constantia Packaging AG was reduced from 34% to 25%.

The 2005 Austrian tax reform allows companies to create consolidated tax groups. As part of its group tax management, Constantia Packaging Group consolidated the Austrian companies into a tax group pursuant to §9 of the Corporate Tax Law (KStG).

Taxable income of group members is allocated to Constantia Packaging AG (lead company) after being netted against their own pre-consolidation losses.

As part of the consolidated tax-sharing agreement, a tax assessment for the companies in the tax group was calculated using the stand-alone method. This assessment corresponds to the taxable income allocated to the lead company. In 2005, uncapitalized tax loss carryforwards in the amount of €2,934 thousand were applied.

Tax reconciliation (€ thousands)	2005	2004
Earnings before tax (EBT)	78,764	69,685
Tax at the statutory 25% rate (2004: 34%)	19,691	23,693
Goodwill amortization/impairment	251	2,638
Unassessed losses	3,164	6,295
Other non-deductible expenses	641	677
Tax-free income	(1,754)	(3,137)
Impact of other tax rates	2,686	(996)
Deferred tax write-backs/allocations, auditing fees, withholding tax	856	(130)
Change in tax rates	57	39
Tax credits	(293)	(1,701)
Tax on income from equity affiliate	(1,460)	(1,352)
Tax on first-time consolidation of Thorn	0	(4,000)
Application of uncapitalized tax loss carryforwards	(2,934)	0
Other	(346)	171
	20,559	**22,197**

20. Deferred taxes

€ thousands	2005 Deferred taxes Assets	2005 Deferred taxes Liabilities	2004 Deferred taxes Assets	2004 Deferred taxes Liabilities
Intangible assets	900	116	1,138	58
Tangible fixed assets	1,475	15,119	881	14,384
Financial assets	742	2,024	218	1,483
Inventories	522	311	247	343
Receivables	572	735	614	3,812
Securities, cash and cash equivalents	3	2	0	0
Loss carryforward	19,823	0	15,460	0
Available-for-sale and hedging reserves	137	516	195	297
Untaxed reserves	99	1,560	0	1,545
Reserves	4,691	254	7,110	127
Liabilities	4,063	804	3,499	473
	33,027	**21,441**	**29,362**	**22,522**
Tax credits with the same tax authority	(10,608)	(10,608)	(12,409)	(12,409)
Net deferred tax assets and liabilities	**22,419**	**10,833**	**16,953**	**10,113**

Last year, the change in deferred taxes resulting from the change in consolidation scope amounted to €1,540 thousand (2004: €12,612 thousand). This increase was attributable to the acquisitions of Trakia Papir AD (€1,732 thousand) and Akerlund & Rausing Kuban ZAO (€192 thousand). Last year, €8,039 thousand in deferred tax assets were capitalized as part of a contractual payment in connection with an acquisition from previous years.

I. Segment reporting

a) Business segments

2005 (€ thousands)	Flexible Packaging	Corrugated Board	Total	Holding reconciliation	Group
Revenues					
External revenues	745,149	246,473	991,622	0	991,622
Internal revenues	0	801	801	(801)	0
	745,149	**247,274**	**992,423**	**(801)**	**991,622**
Income					
Earnings before interest and taxes (EBIT)	62,925	24,361	87,286	(4,300)	82,986
Income from equity affiliate				5,840	5,840
Net interest income					(11,131)
Other financial income					1,069
Net financial income					**(4,222)**
Earnings before tax					78,764
Income tax					(20,559)
Net income after tax					**58,205**
attributable to:					
Equity holder of the parent					45,828
Minority interests					12,377
Balance sheet					
Segment assets	500,717	193,388	694,105	157,674	851,779
of which, shares in associated companies	0	0	0	89,336	89,336
Segment liabilities	164,189	43,971	208,160	334,520	542,680
Other information					
Depreciation	40,600	11,939	52,539	152	52,691
of which, impairment	4,087	0	4,087	0	4,087
Goodwill amortization (impairment)	1,002	0	1,002	0	1,002
Capital expenditures	52,090	19,118	71,208	644	71,852
Employees	3,681	1,931	5,612	19	5,631

Since the Group holding company is exclusively responsible for the equity interest in Austria Metall AG, this interest was allocated to the holding company.

2004 (€ thousands)	Flexible Packaging	Corrugated Board	Total	Holding reconciliation	Group
Revenues					
External revenues	710,608	234,399	945,007	0	945,007
Internal revenues	0	759	759	(759)	0
	710,608	**235,158**	**945,766**	**(759)**	**945,007**
Income					
Earnings before interest and taxes (EBIT)	58,865	24,214	83,079	(4,265)	78,814
Income from equity affiliate				3,976	3,976
Net interest income					(13,397)
Other financial income					292
Net financial income					**(9,129)**
Earnings before tax					69,685
Income tax					(22,197)
Net income after tax					**47,488**
attributable to:					
Equity holder of the parent					37,730
Minority interests					9,758
Balance sheet					
Segment assets	448,915	132,811	581,726	165,830	747,556
of which, shares in associated companies	0	0	0	80,218	80,218
Segment liabilities	138,459	36,405	174,864	314,553	489,417
Other information					
Depreciation	34,487	10,418	44,905	184	45,089
of which, impairment	0	0	0	0	0
Goodwill amortization	6,484	1,276	7,760	0	7,760
Capital expenditures	58,318	16,208	74,526	1,581	76,107
Employees	3,544	1,643	5,187	16	5,203

b) Geographical segments

2005 (€ thousands)	Austria	Rest of Europe	Other countries	Total	Holding reconciliation	Group
Revenues						
Austrian market	75,529	14,337	0	89,866	(8,372)	81,494
Other European markets	256,126	587,297	130	843,553	(33,489)	810,064
Other markets	28,161	36,917	38,298	103,376	(3,312)	100,064
	359,816	**638,551**	**38,428**	**1,036,795**	**(45,173)**	**991,622**
Income						
Earnings before interest and taxes (EBIT)	26,710	60,619	(4,585)	82,744	242	82,986
Balance sheet						
Segment assets	302,684	468,335	24,558	795,577	56,202	851,779
of which, shares in associated companies	89,336	0	0	89,336	0	89,336
Segment liabilities	82,350	127,276	4,027	213,653	329,027	542,680
Other information						
Capital expenditures	31,852	37,680	2,320	71,852	0	71,852

2004 (€ thousands)	Austria	Rest of Europe	Other countries	Total	Holding reconciliation	Group
Revenues						
Austrian market	75,548	31,900	245	107,693	(29,835)	77,858
Other European markets	247,720	557,950	0	805,670	(35,258)	770,412
Other markets	29,526	32,410	40,993	102,929	(6,192)	96,737
	352,794	**622,260**	**41,238**	**1,016,292**	**(71,285)**	**945,007**
Income						
Earnings before interest and taxes (EBIT)	28,698	55,677	(6,848)	77,527	1,287	78,814
Balance sheet						
Segment assets	184,618	376,959	26,087	587,664	159,892	747,556
of which, shares in associated companies	80,218	0	0	80,218	0	80,218
Segment liabilities	92,913	94,692	4,223	191,828	297,589	489,417
Other information						
Capital expenditures	22,677	51,156	2,274	76,107	0	76,107

J. Notes to the consolidated cash flow statement

The cash flow statement shows changes in the Group's cash over the course of the year. It is constructed using the indirect method, and classifies payment flows into operating, investing and financing activities.

The liquidity shown in the cash flow statement includes cash on hand and financial instruments with original maturity of less than three months, and thus reflects the position cash and cash equivalents.

a) Acquisitions

In 2005, cash flow from the acquisition of subsidiaries involved the acquired shares of Trakia Papir AD (95.4%) in the amount of €42,160 thousand, Akerlund & Rausing Kuban ZAO (60%) in the amount of €3,444 thousand and other acquisitions totaling €9 thousand as well as payments related to acquisitions of previous years.

In 2004, the cash flow involved the acquisitions of Dušan Petronijević A.D. (51%) and Thorn Lighting Group (100%).

€ thousands	**2005**	**2004**
Non-current assets	(30,347)	(14,112)
Current assets	(12,438)	(4,736)
Liabilities and reserves	12,552	4,384
Acquired net assets	(30,233)	(14,464)
Cash and cash equivalents	626	608
Negative goodwill	0	4,000
Goodwill	(17,808)	0
Change in minority interests	2,428	227
	(44,987)	(9,629)
Supplementary purchase price	(8,039)	0
Change in purchase price liability	(10,000)	10,000
Net cash flow	**(63,026)**	**371**

b) Disposal of subsidiaries

In 2005, cash flow from the disposal of subsidiaries involved the sale of shares in Tunisia-based SIED Emballage SA. Through a sales agreement dated May 24, 2005, all shares in SIED Emballage SA (52%) were sold to Cogitel based in Sfax, Tunisia.

€ thousands	2005	2004
Non-current assets	1,015	0
Current assets	2,027	0
Liabilities and reserves	(2,551)	0
Net assets sold	491	0
Cash and cash equivalents	0	0
Proceeds from disposal	221	0
Change in minority interests	(235)	0
	477	0
Change in purchase price receivable	0	0
Net cash flow	**477**	**0**

K. Financial instruments

a) Risk management strategies

Foreign currency risk

Currency risk arises from the impact of exchange rate fluctuations on financial instrument valuations. The Group uses currency forwards and options to hedge foreign exchange risk related to cash flow from operating activities (cash flow hedge).

The fair value of assets and liabilities reported on the balance sheet is hedged through currency forwards (fair value hedge).

Transaction risk is calculated for each foreign currency. Foreign currency receivables and liabilities arising from transactions recognized on the balance sheet at the time that the contract is concluded are taken into account, as are certain off-balance sheet positions, which include mainly recurring operating transactions (future planned materials purchases and sales proceeds).

Constantia Packaging Group is exposed to foreign currency risks through its foreign operations, production facilities and sales. Given the Group's decentralized organizational structure, debt financing and raw materials purchases are typically made in the respective local currencies.

Similarly, the Group's invoices are largely billed in the respective local currencies, which results in a closed currency position and a significant decrease in the identifiable currency risk.

As of December 31, originated financial instruments, which include accounts receivable and payable, loans and debt, broke down by currency as follows:

Originated financial instrument assets	Currency	2005 (€ thousands)	Share	Currency	2004 (€ thousands)	Share
	EUR	149,060	72.1%	EUR	139,210	72.7%
	USD	16,577	8.0%	USD	12,077	6.3%
	CZK	5,916	2.9%	CZK	7,759	4.0%
	DKK	5,889	2.8%	DKK	5,593	2.9%
	GBP	5,758	2.8%	GBP	3,324	1.7%
	SIT	5,198	2.5%	SIT	5,740	3.0%
	SKK	4,241	2.1%	SKK	6,960	3.6%
	PLN	3,519	1.7%	PLN	3,595	1.9%
	HUF	2,146	1.0%	HUF	3,182	1.7%
	BGN	1,634	0.8%	BGN	0	0.0%
	CSD	1,347	0.7%	CSD	0	0.0%
	CHF	357	0.2%	CHF	169	0.1%
	other	5,187	2.5%	other	3,992	2.1%
		206,829	**100.0%**		**191,601**	**100.0%**

Originated financial instrument liabilities	Currency	2005 (€ thousands)	Share	Currency	2004 (€ thousands)	Share
	EUR	363,026	85.8%	EUR	303,563	83.3%
	USD	27,171	6.4%	USD	25,336	7.0%
	DKK	8,086	1.9%	DKK	13,504	3.7%
	CZK	5,832	1.4%	CZK	6,088	1.7%
	PLN	5,198	1.2%	PLN	5,832	1.6%
	GBP	2,265	0.5%	GBP	1,117	0.3%
	BGN	1,987	0.5%	BGN	0	0.0%
	CSD	1,629	0.4%	CSD	0	0.0%
	HUF	1,093	0.3%	HUF	1,285	0.4%
	SIT	970	0.2%	SIT	1,274	0.3%
	SKK	701	0.2%	SKK	2,426	0.7%
	CHF	123	0.0%	CHF	534	0.1%
	other	5,044	1.2%	other	3,333	0.9%
		423,125	**100.0%**		**364,292**	**100.0%**

Liquidity risk

Liquidity risk designates the risk of not being able to raise funds when necessary in order to settle financial obligations. To cover this risk, the Group ensures that sufficient liquid funds are available or that the necessary financing can be obtained through existing borrowing facilities.

Liquid assets are invested in highly rated marketable instruments, primarily diversified mixed investment funds, fixed-interest bonds, and short-term money market instruments.

Credit risk

Credit risk, namely the risk of delayed payments by the contractual partner, are controlled through the use of credit checks, credit limits and routine audits. Where possible, the Group receives export guarantees from the State or similar private institutions in order to reduce the risk of payment default. Credit risk, together with the investments in liquid funds and securities, is limited by the fact that the Group only works with creditworthy financial partners.

For assets, the reported amounts of originated financial instruments represent both the maximum credit and default risk.

Allowances are made for all existing risks. The Management is of the opinion that no other credit risks will arise.

Interest rate risk

As of December 31, Constantia Packaging AG had euro-denominated interest rate swaps that qualified as cash flow hedges. With these swaps, Constantia Packaging AG pays a fixed interest rate on the face value of the swap and in return receives variable interest payments on the same capital amount. These interest rate swaps offset the impact on cash flows of the underlying variable-rate financial liabilities caused by future changes in interest rates. The interest rate swaps are reported on the balance sheet at fair value. Changes in the fair value of interest swaps classified as cash flow hedges are netted directly against equity under hedging reserves. When interest payments begin on the hedged underlying transaction, it is reclassified from the equity hedging reserve to the income statement and entered under net interest income.

The average interest rate paid on debt increased from 3.11% in 2004 to 3.38% in 2005.

Sensitivity analysis: A 1% rise in interest rates would increase the Group’s net interest expense on variable-rate financial instruments by €0.8 million.

As of December 31, the weighted average effective interest rates were as follows:

	2005 fixed	2005 variable	2005 average	2004 fixed	2004 variable	2004 average
Demand deposits		1.14%	1.14%		1.65%	1.65%
Short-term investments		2.80%	2.80%	2.52%	1.98%	2.45%
Short-term securities	6.63%	3.65%	4.57%	5.86%	2.76%	5.11%
Long-term securities	6.63%	2.23%	2.46%	6.63%	2.50%	2.89%
Short-term debt	3.24%	3.06%	3.23%	3.33%	2.66%	2.77%
Long-term debt	3.36%	3.85%	3.42%	3.83%	2.85%	3.49%

Commodity price risk

The Flexible Packaging business uses commodity derivatives to minimize aluminum price volatility. These derivative contracts with brokers are commonly used in the industry. As of December 31, there were no such contracts outstanding.

b) Valuation of originated financial instruments

The volume of originated financial instruments is presented directly on the balance sheet and corresponding notes. Financial instruments not entered at fair value comprise essentially accounts receivable, other receivables, other financial assets, accounts payable, bank overdrafts and long-term loans. An impairment test is carried out using the effective interest rate method.

Cash and cash eqivalents

The book value of liquid funds corresponds approximately to market values.

Securities included in non-current and current assets

The fair value of publicly traded securities is based on their current prices. All securities held by the Group are classified as available for sale and measured at fair value as of December 31. Any resulting valuation adjustments are recognized directly on the balance sheet in the available-for-sale reserve under equity, after allowing for deferred taxes, until the securities are sold or an impairment charge is recorded. At that time, accumulated gains and losses previously recorded under equity are reported on the income statement for the period.

As of December 31, the book value of the Group's long- and short-term securities corresponded to their market value and broke down as follows:

Book value (€ thousands)	2005	2004
Fund shares	19,035	11,228
Debt from financial institutions	5,936	6,030
Debt from the Austrian Republic and from municipalities	0	1,880
Debt from foreign countries	376	380
Equities	244	124
	25,591	**19,642**

Receivables and liabilities

The book value of receivables and liabilities – all with standard payment terms – corresponds approximately to their fair value.

Short-term debt

Due to the short maturity of these liabilities, the book value corresponds approximately to the fair value.

Long-term debt

The fair value of long-term liabilities is based on current interest rates for liabilities with comparable maturities. The fair value of long-term loans and other liabilities with variable interest rates corresponds approximately to their book value.

Management is of the opinion that the risk of interest rate changes on financial assets and liabilities is not material. With respect to profit-sharing capital, further information is provided in the notes to the corresponding balance sheet item.

c) Available-for-sale reserve

The following table presents the changes in the equity with respect to securities classified as available-for-sale.

€ thousands	Available-for-sale reserve
Reserve as of 12/31/2003	**0**
Changes during the period:	
Gains/(losses) through changes in fair value	1,398
Reserve as of 12/31/2004	**1,398**
Changes during the period:	
Gains/(losses) through changes in fair value	371
Deferred taxes incurred	(93)
Reserve transferred to income statement	(1,398)
Reserve as of 12/31/2005	**278**

d) Valuation of derivatives

As part of the Group's risk management strategy, derivative financial instruments are used to minimize currency, commodity price and interest rate risks. To the extent that these instruments meet the criteria for hedge accounting with respect to documentation and effectiveness under IAS 39, they are classified as cash flow hedges or fair value hedges. Accordingly, they are reported at fair value under other receivables or other liabilities. Changes in the fair value of cash flow hedges are recorded directly on the balance sheet under equity, while changes in fair value hedges are recorded on the income statement.

Only standard market instruments with sufficient liquidity are used for this purpose.

Cash flow hedges

Currency derivatives are used to hedge future cash flows on highly probable forecasted foreign currency transactions and foreign currency risk of firm commitments. In particular, the Group uses currency forwards in order to hedge U.S. dollar risk.

The Group also uses commodity derivatives to hedge commodity price risk (aluminum) on highly probable forecasted transactions.

Since 2003, a EUR-denominated interest rate swap has been used to hedge interest rate risk. Last year, interest rate swaps were used in connection with the bond issue. The negative market value of the derivatives is mainly due to yield curve trends since the derivatives were first contracted.

As of December 31, gains and losses relative to the recorded fair value are entered directly on the balance sheet under the equity hedging reserve until such time as the hedged underlying transaction is realized. At such time, the accumulated gains and losses are transferred to the income statement.

Fair value hedges

U.S. dollar currency forwards are used to hedge the currency risk on foreign currency receivables. They are recorded as fair value hedges. Changes in the market value of these currency derivatives are reported under sales revenues.

In 2005, an EUR/CHF interest rate/currency swap used to hedge interest rate risk reached maturity. Changes in the market value on the interest rate/ currency swaps were reported under net interest income.

Trading

Commodity derivatives (aluminum) that do not meet the criteria for hedge accounting with respect to documentation and effectiveness under IAS 39 are classified as trading derivatives. Changes in the fair value of these derivative instruments are recorded on the income statement.

Derivatives qualifying as cash flow hedges and recorded in the hedging reserve were as follows:

	Currency		Notional value in the contract currency	2005 market value (€ thousands)	Notional value in the contract currency	2004 market value (€ thousands)
Currency derivatives						
Currency forwards	USD	purchase	17,735	(63)	8,300	(547)
		sale	0	0	1,970	41
	PLN	sale	250	(2)	1,100	(16)
Currency options	USD	Call	10,600	162	0	0
Commodity derivatives						
Forwards	EUR	purchase	10,550	1,162	15,648	1,352
		sale	0	0	2,409	(166)
	USD	purchase	15,251	2,652	11,870	1,337
Options	USD	Call	13,450	551	0	0
Interest rate derivatives						
Interest rate swaps	EUR		57,500	(406)	7,500	(178)
				4,056		**1,823**

Derivatives qualifying as fair value hedges or trading and recorded on the income statement were as follows:

	Currency		Notional value in the contract currency	2005 market value (€ thousands)	Notional value in the contract currency	2004 market value (€ thousands)
HEDGING						
Interest rate derivatives						
Interest rate/currency swap	EUR		0		7,669	
	to CHF		0	0	12,344	(450)
Currency derivatives						
Currency forwards	USD	purchas	1,325	(52)	4,300	301
				(52)		**(149)**
TRADING						
Currency derivatives						
Currency forwards	USD	purchas	2,250	(59)	0	0
Commodity derivatives						
Options	USD	Put	21,200	(17)	0	0
				(76)		**(0)**

The notional value is based on the total underlying amount of all derivative purchase and sale transactions.

The market values are derived from the trading amounts of the underlying financial transactions that are traded as of December 31. For commodity derivatives, the market values are based on the LME's official listed aluminum prices. The fair value of currency forwards is based on forward prices as of December 31. For currency options, standard options pricing models are used. For interest rate swaps, the market value is determined by discounting future cash flows, based on market interest rates over the remaining term of the contract.

As a rule, term periods for hedging transactions correspond to those of the underlying transactions. Currency and commodity derivatives have terms of no more than one year. The term periods of interest rate derivatives are longer. In 2007, an interest rate swap in the amount of €7,500 thousand matures. The interest rate swaps used to hedge the €50 million bond mature in 2012.

e) Hedging reserve

Changes in the reserve for derivatives used to hedge cash flows and reported under equity are presented in the following table.

€ thousands	Hedging reserve
Reserve as of 12/31/2003	**263**
Changes in the period:	
Gains/(losses) from adjustments to fair value	1,823
Related deferred taxes	(102)
Transfer from reserve to income statement	(108)
Related deferred taxes	(155)
Reserve as of 12/31/2004	**1,721**
Changes in the period:	
Gains/(losses) from adjustments to fair value	3,665
Related deferred taxes	(286)
Transfer from reserve to income statement	(1,823)
Related deferred taxes	102
Reserve as of 12/31/2005	**3,379**

L. Other financial obligations

a) Operating lease agreements

The Group has entered into several operating lease agreements for buildings, machinery, office space and other assets. These agreements do not contain any limitations on the activities of the Group with respect to dividends, additional debt or further lease agreements.

The future payments arising from operating lease agreements are as follows:

€ thousands	2005	2004
Up to 1 year	3,531	6,285
From 1 to 5 years	6,620	6,804
More than 5 years	2,931	2,703
	13,082	**15,792**

b) Obligations related to capital expenditures

In 2005, obligations related to capital expenditures totaled €23,372 thousand (2004: €9,058 thousand) and consisted mainly of obligations related to the new rolling mill at the Mühlhofen facility.

M. Contingent liabilities

a) Litigation

As of December 31, 2005, there were no pending lawsuits that could have a material adverse effect on normal business activities, nor did management know of any legally significant conditions that could lead to such a lawsuit.

b) Environmental impact

The Duropack Bupak Papirna s.r.o. plant in Ceske Budejovice, Czech Republic, contains a depot for inert material from paper production, which was used until 1996. In accordance with regulatory requirements, the site was restored according to Western standards in earlier years and from now on is to be controlled annually with soil measurements.

During construction work at the headquarters building of Petruzalek GmbH in Vösendorf near Vienna, contaminated soil was discovered from a former heating oil storage depot in World War II. The State ordered additional test excavations, and a large contaminated area was identified, which affects several other companies. Given the dense development in the area, the authorities are not expected to order a clean-up of the site in the foreseeable future, nor is this site likely to present a financial burden for the industrial and commercial operations located there. As part of the Group's sale of Petruzalek GmbH in 2003, the buyer did not acquire the underlying property of the site.

During routine soil testing, toxic chemical contamination was discovered at the site of the H & N Packaging Inc. plant in Colmar, U.S. This contamination was caused around 20 years ago by an unaffiliated company. A so-called environmental indemnification agreement was concluded, under which the unaffiliated company gave the property owner an unconditional guarantee to bear any environmental costs related to the site.

The relevant environmental authorities have stated that from a legal perspective, all claims to cover the clean-up cost would be directed to the party that caused the contamination. In that context, negotiations are currently under way with the authorities to waive all liability claims against H&N Packaging Inc. in exchange for a lump-sum installment payment of no more than €500 thousand, but for which no recourse would be possible against the party that caused the contamination.

At this point, the total estimated cost to decontaminate and clean up the property is not possible.

c) Other

€ thousands	2005	2004
Discounted bills of exchange	393	143
Other contractual obligations	825	1,510
	1,218	**1,653**

Other contractual obligations comprise investment guarantees toward the Serbian privatization agency, which were given for Dušan Petronijević A.D., Serbia.

The previous owners of Drukkerij Verstraete N.V. can offer until 2016 the remaining 49% share in the company to the Group, while the Group has the right after 2006 until 2016 to purchase the remaining shares. The purchase price depends on the future profits, but at a minimum amounts to €17,500 thousand.

N. Related party disclosures

Constantia Packaging BV, with headquarters in Vaassen, the Netherlands, is the main shareholder of the Group. Constantia Packaging B.V. is the majority owner of Constantia Privatbank AG, Vienna, and holds 15% less one share of AMAG Group. The business transactions among affiliates are conducted under arms-length conditions.

Turnauer Industriestiftung, located in Vaduz, Liechtenstein, holds a controlling interest in Constantia Packaging BV.

In 2005, sales volume with the AMAG Group comprised €46,018 thousand in purchases (2004 €38,896 thousand) and €5,065 in sales (2004: €6,186 thousand). As of December 31, 2005, receivables from this Group totaled €545 thousand (2004: €645 thousand) and liabilities were €14,160 thousand (2004: €9,617 thousand).

Sales to Arla Group were €21,420 thousand (2004: €24,030 thousand). As of December 31, 2005, receivables from and liabilities to this company amounted to €2,325 thousand and €13,275 thousand, respectively, compared with €2,436 thousand and €13,419 thousand, respectively, the previous year.

Sales (management fees & real estate leasing) to the Paverco Group, which owns 49% of the shares in Drukkerij Verstraete N.V., totaled €1,166 thousand in 2005 (€1,104 thousand in 2004), and as of December 31, 2005 receivables from this Group totaled €6,555 thousand (2004: €6,841 thousand).

Purchasing volume with the Smurfit Kappa Group was €0 in 2005 as in 2004. As of December 31, 2005, liabilities to this group from a profit-sharing agreement including accrued claims on earnings totaled €5,835 thousand, compared with €5,142 thousand in 2004.

No loans have been granted to members of either the Managing Board or the Supervisory Board, nor have guarantees been entered into in their favor. Transactions of other types, especially purchase contracts for material assets, have not been entered into, with one exception.

In 2005, a public relations consulting agreement was concluded with a member of the Supervisory Board. The consulting fee paid in 2005 totaled €15 thousand (2004: €11 thousand).

O. Group companies

Name	Head office	Share in percent direct*	Share in percent indirect**
FULLY CONSOLIDATED			
Duropack Aktiengesellschaft	**Vienna, Austria**	**60.0**	**60.0**
Duropack Wellpappe Ansbach GmbH	Ansbach, Germany	100.0	60.0
Duropack Starpack Kft.	Füzesabony, Hungary	100.0	60.0
Duropack Tespack Tovarna embalaze Brestanica d.o.o.	Brestanica, Slovenia	100.0	60.0
Duropack Bupak Obaly a.s.	Ceske Budejovice, Czech Republic	100.0	60.0
Duropack Bupak Papirna s.r.o.	Ceske Budejovice, Czech Republic	100.0	60.0
Duropack Bupak Service s.r.o.	Ceske Budejovice, Czech Republic	100.0	60.0
Duropack Turpak Obaly a.s.	Martin, Slovakia	97.3	58.4
Duropack Karton d.o.o.	Buzin, Croatia	100.0	60.0
Dušan Petronijević A.D.	Kruševac, Serbia	51.0	30.6
Trakia Papir AD	Pazardjik, Bulgaria	95.4	57.3
Constantia Flexibles Holding GmbH	**Weinburg, Austria**	**100.0**	**100.0**
Teich Aktiengesellschaft	Weinburg, Austria	99.9	99.9
Constantia Imballaggi SRL	Schio, Italy	100.0	99.9
Constantia Packaging AB	Stockholm, Sweden	100.0	99.9
Constantia Packaging Inc.	Barrington, USA	100.0	99.9
Constantia Packaging Ltd.	Girvan, United Kingdom	100.0	99.9
Constantia Packaging Sales GmbH	Vienna, Austria	100.0	99.9
Constantia Verpackungen Deutschland GmbH	Baldham, Germany	100.0	99.9
Danapak Flexibles A/S	Odense, Denmark	60.0	59.9
Corona Packaging A/S	Ishoej, Denmark	100.0	59.9
Constantia (UK) Ltd.	Derby, United Kingdom	100.0	59.9
Danapak Flexibles (UK) Ltd.	Derby, United Kingdom	100.0	59.9
Teich Aluminium (UK) Ltd.	Derby, United Kingdom	100.0	59.9
Teich Flexible Packaging (UK) Ltd.	Derby, United Kingdom	100.0	59.9
Teich Packaging Films (UK) Ltd.	Dundee, United Kingdom	100.0	59.9
K. Heyer GesmbH	Natschbach-Loipersbach, Austria	100.0	99.9
Constantia Inter Aktiengesellschaft	Baar, Switzerland	100.0	99.9
Alucommerz Aktiengesellschaft	Baar, Switzerland	100.0	99.9
Constantia Emballage France SARL	Versailles, France	100.0	99.9
G&A Investments A/S	Copenhagen, Denmark	100.0	99.9
G&A Healthcare Packaging Ltd.	Sittingbourne, United Kingdom	100.0	99.9
G&A Printers Ltd.	Sittingbourne, United Kingdom	100.0	99.9
Jeanne d'Arc Emballages S.A.	Joinville, France	99.3	99.2
Ludwig Nusser GmbH	Wangen, Germany	100.0	99.9
Multifilm Packaging Corp.	Elgin, USA	100.0	99.9
Petruzalek International B.V.	Amsterdam, Netherlands	100.0	99.9

Name	Head office	Share in percent direct*	indirect**
Teich Poland Sp. z.o.o.	Rogowiec, Poland	100.0	99.9
TS Flex Ltd	Kalynivka, Ukraine	60.0	59.9
Teich Spedition Gesellschaft m.b.H.	Weinburg, Austria	100.0	99.9
Teich Russia UnternehmensbeteiligungsgesmbH	Weinburg, Austria	100.0	99.9
Akerlund & Rausing Kuban ZAO	Timashevsk, Russia	60.0	59.9
H & N Holding GmbH	Weinburg, Austria	100.0	100.0
H & N Packaging Inc.	Colmar, USA	100.0	100.0
H & N (Suzhou) Packaging Materials Co. Ltd.	Taicang, China	100.0	100.0
Rotoflex Technology Inc.	Colmar, USA	100.0	100.0
Haendler & Natermann GmbH	Hann. Münden, Germany	90.0	100.0
Haendler & Natermann Sport GmbH	Hann. Münden, Germany	100.0	100.0
gft repro studio GmbH	Hann. Münden, Germany	100.0	100.0
AVI-GmbH, Kunststoff-Verpackungen	Scheden. Germany	100.0	100.0
S.A. Haendler et Natermann Benelux N.V.	Brussels, Belgium	100.0	100.0
Drukkerij Verstraete N.V.	Ursel-Knesselare, Belgium	51.0	51.0
Haendler & Natermann Iberica S.A.	Sevilla, Spain	100.0	100.0
J.S.P. S.A. (Sim´Edit)	Magny-les-Hameaux, France	98.3	98.3
Wanfried-Druck Kalden GmbH	Wanfried, Germany	100.0	100.0
Wanfried-Sojus-Polygraphia OOO	St. Petersburg, Russia	100.0	100.0
Haendler & Natermann Packaging Ltd.	St. Petersburg, Russia	100.0	100.0
Thorn Lighting Österreich Holding GmbH	**Dornbirn, Austria**	**100.0**	**100.0**
Thorn Licht GmbH	Lemgo, Germany	100.0	100.0
Thorn Lighting Belgium SA	Liege, Belgium	100.0	100.0
Thorn Europhane S.A.	Madrid, Spain	100.0	100.0
Thorn Lighting B.V.	Amsterdam, Netherlands	100.0	100.0
Thorn Airfield Lighting (Mauritius) Holding Ltd.	Mauritius	100.0	100.0
CONSTANTIA PACKAGING Management Services GmbH	Vienna, Austria	100.0	100.0
EQUITY CONSOLIDATION			
Austria Metall Aktiengesellschaft	Ranshofen, Austria	25.0	25.0
NON-CONSOLIDATED COMPANIES			
Teich Dippa Aktiengesellschaft	Sofia, Bulgaria	51.0	51.0

* viewed directly from the parent company

** viewed from Constantia Packaging AG

P. Other information

a) Events after the Balance Sheet date

On February 16, 2006, the conditions for the disposal of shares in Wanfried-Druck Kalden GmbH, Germany, were met. This disposal generated net proceeds of €1,561 thousand. The disposal of Rotoflex Technology Inc., USA, was set through an agreement dated February 22, 2006 and concluded on February 26, 2006. This disposal generated net proceeds of USD 250 thousand. Both disposals involved the Flexible Packaging segment.

In mid-February 2006, Constantia Packaging AG announced its interest in acquiring the 40% equity interest of Klaus Hammerer GmbH in Austria Metall AG, Ranshofen, and began negotiations. The outcome is expected in the second half of 2006.

b) Company boards

Supervisory board

Guido N. Schmidt-Chiari, Chairman
Christine de Castelbajac, Deputy Chairwoman
Michael Prinz von und zu Liechtenstein, Deputy Chairman
Alfred Fogarassy
Herbert Krejci
Rainer Zellner
Max Turnauer (through May 18, 2005)

Managing Board

Michael Götz
Helmut Schwager

The Managing Board

Michael Götz | Helmut Schwager

Vienna, March 30, 2006

Audit Opinion

We audited the Consolidated Financial Statements of Constantia Packaging AG, Vienna, for the year ended December 31, 2005. The presentation and contents of these financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as applied in the European Union, and of the Group Management Report, prepared in accordance with the provisions of the Austrian Commercial Code, are the responsibility of the statutory representative of the parent company.

Our duty is to issue an audit opinion on the Consolidated Financial Statements based on our audit as well as a statement on whether the Group Management Report is consistent with the Consolidated Financial Statements.

We performed our audit in accordance with statutory provisions and generally accepted auditing principles in Austria and the International Standards on Auditing (ISA) of the International Federation of Accountants (IFAC). These standards require us to plan and implement the audit in such a manner as to provide reasonable assurance that the Consolidated Financial Statements are free of material misstatements and that the Group Management Report can be declared consistent with the Consolidated Financial Statements.

In determining the audit procedures, knowledge about the Group's business activities and its business and legal environment as well as foreseeable errors are taken into account. As part of the audit, the amounts and information presented in the Consolidated Financial Statements are verified mainly through test sampling.

The audit also expresses an opinion on the accounting principles applied and the material estimates made by the statutory representatives, and an assessment of the overall presentation. We believe that our audit provides a sufficient basis for our audit opinion.

The equity interest in Austria Metall Aktiengesellschaft acquired April 1, 2004 is accounted for under the equity method. The shareholders' equity contribution is recorded in accordance with the principles of the Austrian Commercial Code, not IFRS.

Our audit did not raise any objections. Based on the findings of our audit, we believe that the Consolidated Financial Statements are consistent with the statutory provisions and provide a true and fair view of the Constantia Packaging Group's net worth and financial situation as of December 31, 2005 and of its earnings and cash flows for the year ended December 31, 2005, in accordance with International Financial Reporting Standards (IFRS) applicable in the European Union.

The Group Management Report is consistent with the Consolidated Financial Statements. We refer to the previous paragraph and Item 2 in the Notes to the Consolidated Financial Statements.

Vienna, March 31, 2006

AUDITOR TREUHAND GMBH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Manfred GERITZER Elisabeth KEIBLINGER

Auditors

AUDITOR TREUHAND GMBH is a member of

Deloitte.

Supervisory Board Report

For the year ended December 31, 2005

In 2005, the Supervisory Board monitored the management of the company in accordance with statutory provisions and company by-laws. It remained informed as to the company's status through ongoing and detailed written and oral communications with the Managing Board. The Supervisory Board was involved in all important decisions and consulted with the Managing Board. These decisions notably included budgeting, strategic planning and major acquisitions and investments.

The Chairman of the Supervisory Board remained in regular contact with the Managing Board, and they met to discuss the company's current situation.

Between the Supervisory Board meetings, the Managing Board also informed the Supervisory Board of major events. The Supervisory Board discussed key individual events that are of particular importance to the company's future development and took decisions on legal matters and measures pursuant to its duties under Austrian law, the company's by-laws and procedural rules.

Key points discussed

In addition to the authorization of ongoing investment projects and the annual budget for 2006, the Supervisory Board approved the following transactions:

1. Acquisition of Akerlund & Rausing Kuban ZAO, Russia
2. Acquisition of Trakia Papir AD, Bulgaria
3. Sale of Wanfried-Druck Kalden GmbH, Germany

Supervisory Board Committees

The Supervisory Board has established a Praesidium, Personnel Committee and Audit Committee. The Praesidium is responsible for the tasks that would otherwise be performed by a compensation committee. These committees are all chaired by the Chairman of the Supervisory Board. Last year, there were no personnel changes among the members of the Supervisory Board or its committees.

The Personnel Committee was concerned primarily with the new appointment to the Managing Board, while the Audit Committee oversaw the audit of the financial statements and the issuance of the €50 million bond in December 2005.

Supervisory Board meetings

Last year, the Supervisory Board met a total of four times. All Supervisory Board members consistently fulfilled their attendance requirements. At all but one meeting, the Supervisory Board was fully represented.

Personnel

The Supervisory Board unanimously approved the following Managing Board changes.

Hanno M. Bästlein, 42, was appointed Chief Executive Officer effective April 1, 2006. His Managing Board term runs through March 31, 2009.

Effective May 31, 2006, Michael Götz, 48, is resigning from the Managing Board. The Supervisory Board would expressly like to thank him for his extraordinary efforts and achievements for Constantia Packaging.

Review and Approval of the 2005 Financial Statements

The Financial Statements and the Consolidated Financial Statements for the year ending December 31, 2005 and the Management Report and Group Management Report were audited by Auditor Treuhand GmbH, which was appointed in accordance with § 270 of the Austrian Commercial Code (HGB), and they received an unqualified opinion. The Supervisory Board reviewed the Financial Statements, Consolidated Financial Statements, Management Report and Group Management Report, proposed profit appropriation of Constantia Packaging AG and the Management Letter with the audit findings in the presence of the auditor, in accordance with § 96 of the Austrian Stock Corporation Law (AktG), and approved them on April 7, 2006. The Financial Statements are hereby established in accordance with § 125 para. 2 of the Austrian Stock Corporation Law (AktG). The annual internal audit report thus presented a satisfactory result, since no risks beyond the company's control were apparent that could have a significant impact on the company's assets or results. Therefore there were no grounds for objections.

Thanks to our employees

Finally, the Supervisory Board would like to thank all Group employees for their efforts in 2005. The company would never be successful without their dedication and commitment.

The Chairman of the Supervisory Board

Guido N. Schmidt-Chiari

Vienna, April 7, 2006

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Disclaimer:
This annual report was prepared with all due care and all information contained therein was reviewed. Rounding, typographical and printing errors may nevertheless appear.

The annual report contains information and forecasts based on the future development of Constantia Packaging Group. The forecasts present estimates based on all available information at the time the annual report was published. Should the assumptions underlying the forecasts turn out to be wrong, actual results may vary.

This annual report is available in English and German. In case of discrepancies, the German text is binding.

Company organization

Constantia Packaging

Corrugated Board	Flexible Packaging	AMAG Ranshofen, Austria **25% + 1 share**

Corrugated Board

Duropack
Vienna, Austria
60%

Starpack Füszesabony, Hungary **100%**	**Wellpappe Ansbach** Ansbach, Germany **100%**
Bupak Ceske Budejovice, Czech Republic **100%**	**Tespack** Brestanica, Slovenia **100%**
Turpak Martin, Slovenia **97.3%**	**Werk Kalsdorf** Kalsdorf, Austria **100%**
Dušan Petronijević Kruševac, Serbia **51%**	**Trakia Papir** Pazardjik, Bulgaria **95.4%**

Flexible Packaging

Constantia Flexibles Holding
Weinburg, Austria
100%

Teich Weinburg, Austria **99,9%**	**G&A Healthcare Packaging** Sittingbourne, U.K. **100%**	**Heyer** Natschbach-Loipersbach, Austria **100%**	**Haendler & Natermann** Hannoversch Münden, Germany **100%**	**Drukkerij Verstraete** Ursel-Knesselare, Belgium **51%**	**SIM'EDIT** Magny-les Hameaux, France **98.3%**
Danapak Flexibles Odense, Denmark **60%**	**Danapak Flexibles (UK)** Derby, U.K. **100%**	**Multifilm** Elgin, USA **100%**	**AVI** Scheden, Germany **100%**	**Werk Ebert** Wiesbaden, Germany **100%**	**H&N Suzhou** Taicang, China **100%**
Corona Packaging Ishøj, Denmark **100%**	**Teich Poland** Rogowiec, Poland **100%**	**Jeanne d'Arc** Joinville, France **99.3%**	**H&N Packaging** Colmar, USA **100%**	**Rotoflex Technology*** Colmar, USA **100%**	**GFT** Hannoversch Münden, Germany **100%**
Nusser Wangen, Germany **100%**	**Akerlund & Rausing Kuban** Timashevsk, Russia **60%**	**Wanfried-Druck Kalden*** Wanfried, Germany **100%**			

Situation as of 12/31/2005
simplified presentation
* sale in 2005


AMSTEL