

March 20, 2018

**ANNUAL RESULTS 2017**

- Sales and profit above previous year
- High capacity utilization
- Profit growth at MM Karton
- MM Packaging maintains high level
- Dividend increase to EUR 3.10/share proposed

Despite a restrained start, the Mayr-Melnhof Group was able to conclude the year 2017 slightly above the challenging result level of the previous year. As the second half year was stronger mainly due to prices, it was possible to successfully counter the weaker first six months affected by a significant rise in recovered paper prices. Both divisions contributed to maintaining the result quality of the Group with an overall high capacity utilization as well as consistent price and cost management. While MM Karton was able to gain ground again in terms of result and margin, MM Packaging developed at a high level with an operating margin over ten percent.

In line with the positive profit development, it will be recommended to the 24<sup>th</sup> Ordinary Shareholders' Meeting on April 25, 2018, to distribute a dividend of EUR 3.10 per share (2016: EUR 3.00) for the financial year 2017.

consolidated, in millions of EUR, IFRS	2017	2016	+/-
<b>Sales</b>	<b>2,336.8</b>	2,272.7	+2.8 %
<b>Operating profit</b>	<b>215.0</b>	213.7	+0.6 %
Operating margin (in %)	9.2 %	9.4 %	
<b>Profit before tax</b>	<b>205.5</b>	209.2	-1.8 %
Income tax expense	(50.5)	(55.8)	
<b>Profit for the year</b>	<b>155.0</b>	153.4	+1.0 %
Net profit margin (in %)	6.6 %	6.7 %	
<b>Cash earnings</b>	<b>257.1</b>	256.3	+0.3 %
Cash earnings margin (in %)	11.0 %	11.3 %	
Earnings per share (in EUR)	<b>7.73</b>	7.67	
Employees	<b>9,856</b>	9,927	
Capital expenditures (CAPEX)	<b>159.1</b>	144.2	
Depreciation and amortization	<b>99.7</b>	99.1	

The consolidated sales of the Group totaled EUR 2,336.8 million and were thus 2.8 % or EUR 64.1 million higher than the value for the previous year (2016: EUR 2,272.7 million). Both divisions contributed to the slight increase which is primarily price-related.

At EUR 215.0 million an operating profit slightly above the previous year's figure was achieved (2016: EUR 213.7 million). A clear profit growth at the cartonboard division contrasted with a slight decrease at the packaging division. The Group's operating margin reached 9.2 % (2016: 9.4 %), and return on capital employed amounted to 15.1 % (2016: 15.9 %).

In line with the continuing low interest level, financial income amounted to EUR 2.0 million (2016: EUR 3.1 million) and financial expenses to EUR -6.2 million (2016: EUR -6.1 million). As a result of the deconsolidation of the Tunisian packaging companies in the second quarter, a one-time expense of EUR 2.3 million was incurred due to accumulated currency translation, which is reported under "other financial result – net", totaling accordingly EUR -5.3 million (2016: EUR -1.5 million).

Profit before tax at EUR 205.5 million was slightly below the previous year's value (2016: EUR 209.2 million). Income tax expenses totaled EUR 50.5 million (2016: EUR 55.8 million), which resulted in an effective Group tax rate of 24.6 % (2016: 26.7 %).

Profit for the year rose slightly to EUR 155.0 million (2016: EUR 153.4 million). The net profit margin remained almost unchanged at 6.6 % (2016: 6.7 %).

## **CONSOLIDATED BALANCE SHEET**

As of December 31, 2017, the Group's total assets amounted to EUR 2,013.4 million and were thus EUR 31.5 million higher than the figure at the end of 2016 (December 31, 2016: EUR 1,981.9 million). The Group's total equity rose from EUR 1,259.2 million to EUR 1,318.6 million, mainly profit-related. Total equity to total assets was therefore 65.5 % (December 31, 2016: 63.5 %) and the return on equity stood at 12.0 % (December 31, 2016: 12.8 %).

Financial liabilities, principally of a long-term character, went down by EUR 48.4 million to EUR 212.5 million (December 31, 2016: EUR 260.9 million) as a result of loan repayments. Provisions for non-current liabilities and charges related to accruals for employee benefits decreased to EUR 121.4 million (December 31, 2016: EUR 129.3 million).

Total funds available to the Group declined to EUR 200.7 million (December 31, 2016: EUR 253.7 million) in particular due to loan repayments. At the end of 2017, net debt therefore amounted to EUR 11.8 million (December 31, 2016: EUR 7.2 million).

## **OUTLOOK ON THE FINANCIAL YEAR 2018**

Since the beginning of the year, the general conditions on our European main markets have shown a continuation of the positive momentum of the previous year. It is, however, very difficult to predict whether this development will remain sustainable.

Accordingly, both divisions currently report a continuously robust demand and good capacity utilization. Due to sufficient supply capacities in both cartonboard production and processing, the competitive situation remains characterized by a high intensity. Nevertheless, importance is still attached to passing on the demand-related cost increases in input factors and logistics.

MM is planning to grow further in 2018, both with the market as well as through displacement. The quality of the Group's results is to be maintained at a high level in both divisions, firstly through pursuing products with higher value added and optimizing the regional sales mix and, secondly, through productivity increases and a further reduction in fixed costs. The Group is well-positioned for this.

Investment activity will remain focused on cost reduction initiatives and growth possibilities over the long term.

Despite the currently good order situation, it is not yet possible to provide a forecast for the result of 2018 owing to the short-term visibility of our business. With the new record result achieved in 2017, ambitions, but also tensions remain high for 2018.

We continue to pay great attention to the Company's further growth through acquisitions, focusing on our core business and creating sustainable added value at a manageable risk.

## **DEVELOPMENT IN THE 4<sup>TH</sup> QUARTER 2017**

In the fourth quarter the Group was able to continue the solid development of the previous quarters.

The capacity utilization at MM Karton of 99 % was close to the level of the comparative period of the previous year (4<sup>th</sup> quarter 2016: 97 %). The division's operating margin amounted to 7.3 % (4<sup>th</sup> quarter 2016: 5.6 %).

MM Packaging achieved an operating margin of 10.5 % after 11.7 % in the fourth quarter of the previous year.

Consolidated sales at EUR 587.7 million were by around 5.2 % higher than in the previous year's period (4<sup>th</sup> quarter 2016: EUR 558.9 million). Both divisions contributed to this increase. The Group's operating profit totaled EUR 56.1 million (4<sup>th</sup> quarter 2016: EUR 53.5 million), resulting in an operating margin of 9.5 % (4<sup>th</sup> quarter 2016: 9.6 %). Profit before tax at EUR 53.6 million remained close to the value of the final quarter of 2016 (4<sup>th</sup> quarter 2016: EUR 53.3 million). Profit for the period rose to EUR 41.7 million (4<sup>th</sup> quarter 2016: EUR 37.9 million).

## DEVELOPMENT IN THE DIVISIONS

### MM Karton

in millions of EUR, IFRS	2017	2016	+/-
<b>Sales<sup>1)</sup></b>	<b>1,048.7</b>	1,023.0	+2.5 %
<b>Operating profit</b>	<b>73.5</b>	68.1	+7.9 %
<b>Operating margin (in %)</b>	<b>7.0 %</b>	6.7 %	
Tonnage sold (in thousands of tons)	<b>1,675</b>	1,671	+0.2 %
Tonnage produced (in thousands of tons)	<b>1,685</b>	1,669	+1.0 %

<sup>1)</sup> including interdivisional sales

Demand on the European cartonboard market was still restrained at the beginning of the year, but showed gradual improvement in the course of the year. This was also demonstrated by the increase in the average order backlog of MM Karton to 85,000 tons after 47,000 tons in the previous year. As in the past, the focus was placed on consistent price discipline, which was the highest priority due to the significant rise in recovered paper prices that lasted for the first three quarters. The positive profit development in 2017 shows that this course was successfully implemented.

Markets for recovered paper were largely influenced by strong demand from Asia during the first half-year as well as by stockpiling for new European corrugated base paper machinery and an increasingly firmer demand from Europe.

By pursuing a selective sales policy, the division succeeded in achieving an almost full capacity utilization of 98 % (2016: 97 %) and in maintaining our market shares.

At 1,685,000 tons, the cartonboard mills produced slightly more than in the previous year (2016: 1,669,000 tons). 1,345,000 tons (80 %) thereof were attributable to recycled fiber-based cartonboard and 340,000 tons (20 %) to virgin fiber-based cartonboard (2016: 1,352,000 tons or 81 % and 317,000 tons or 19 %, respectively). Cartonboard sold developed in line with the production and totaled 1,675,000 tons (2016: 1,671,000 tons).

Sales rose, primarily driven by prices, from EUR 1,023.0 million to EUR 1,048.7 million. Around 62 % thereof was achieved in Western Europe (2016: 64 %) and 21 % in Eastern Europe (2016: 19 %), with the share of business in countries outside Europe remaining at the same level at 17 % (2016: 17 %).

Operating profit was increased by 7.9 % or EUR 5.4 million to EUR 73.5 million (2016: EUR 68.1 million), especially due to better prices and cost efficiency. The operating margin reached 7.0 % following 6.7 % in 2016.

## MM Packaging

in millions of EUR, IFRS	2017	2016	+/-
<b>Sales<sup>1)</sup></b>	<b>1,392.7</b>	1,352.6	+3.0 %
<b>Operating profit</b>	<b>141.5</b>	145.6	-2.8 %
<b>Operating margin (in %)</b>	<b>10.2 %</b>	10.8 %	
Tonnage processed (in thousands of tons)	<b>767</b>	761	+0.8 %
Sheet equivalent (in millions)	<b>2,289.9</b>	2,240.1	+2.2 %

<sup>1)</sup> including interdivisional sales

The demand situation on the European folding carton market recorded a slight upturn following a restrained start at the beginning of the year. Incoming orders at MM Packaging reflected this development, resulting in an overall improved capacity utilization despite a certain heterogeneity among the sites. As a result of high optimization and cost pressure in our consumer markets and constantly sufficient capacities for folding cartons in Europe, price competition remained intense. Furthermore, it proved necessary to pass on the price increase for recycled fiber-based cartonboard to customers.

With a systematic focus on cost efficiency and on product and market development, MM Packaging succeeded in maintaining a high level of profitability under challenging market conditions, however.

Intensified investing activities concentrated on the expansion of the technological basis for potential growth in and outside Europe and on the launch of new cost reduction initiatives.

In this context, the development of our sites in Tehran, Iran, and Ho Chi Minh City, Vietnam, continued with the technological and capacity-related enhancement of machinery focusing on a high performance and quality.

In Jordan, capacities at the site in Amman were extended and technologically enhanced to accommodate growth with international customers by providing facilities for gravure printing.

With the acquisition of a packaging site for cosmetic and personal care products in Bydgoszcz, Poland, MM Packaging continues expanding its portfolio in the high-value product segment. The aim consists in generating new growth and a potential for value creation by integrating and by increasing productivity at currently four packaging locations in Poland.

Tonnage processed, at 767,000 tons, slightly exceeded the figure of the previous year (2016: 761,000 tons). The number of printed sheets (sheet equivalent) developed in parallel to this from 2,240.1 million to 2,289.9 million sheets.

Sales rose by 3.0 % to EUR 1,392.7 million (2016: EUR 1,352.6 million). The geographical distribution of sales remained constant, with 58 % and 30 % accounted for by Western and Eastern Europe, respectively, and 12 % by business outside Europe (2016: 57 %; 30 %; 13 %).

At EUR 141.5 million, operating profit was not quite able to reach the strong figure of the previous year (2016: EUR 145.6 million). The operating margin, however, remained solid at a high level of 10.2 % (2016: 10.8 %).

## QUARTERLY OVERVIEW

### MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	4Q/ 2016	1Q/ 2017	2Q/ 2017	3Q/ 2017	4Q/ 2017
<b>Sales</b>	558.9	584.5	565.8	598.8	587.7
<b>EBITDA</b>	77.2	74.8	76.1	81.3	82.1
EBITDA margin (in %)	13.8 %	12.8 %	13.4 %	13.6 %	14.0 %
<b>Operating profit</b>	53.5	50.6	51.5	56.8	56.1
Operating margin (in %)	9.6 %	8.7 %	9.1 %	9.5 %	9.5 %
<b>Profit before tax</b>	53.3	49.2	47.8	54.9	53.6
Income tax expense	(15.4)	(12.3)	(12.8)	(13.5)	(11.9)
<b>Profit for the period</b>	37.9	36.9	35.0	41.4	41.7
Net profit margin (in %)	6.8 %	6.3 %	6.2 %	6.9 %	7.1 %
Cash earnings	63.8	61.9	59.2	67.3	68.7
Cash earnings margin (in %)	11.4 %	10.6 %	10.5 %	11.2 %	11.7 %
Earnings per share (in EUR)	1.91	1.84	1.74	2.07	2.08

### DIVISIONS

#### MM KARTON

in millions of EUR, IFRS	4Q/ 2016	1Q/ 2017	2Q/ 2017	3Q/ 2017	4Q/ 2017
<b>Sales<sup>1)</sup></b>	245.5	261.9	262.3	264.7	259.8
<b>Operating profit</b>	13.7	15.9	19.2	19.5	18.9
Operating margin (in %)	5.6 %	6.1 %	7.3 %	7.4 %	7.3 %
Tonnage sold (in thousands of tons)	413	426	418	422	409
Tonnage produced (in thousands of tons)	414	421	423	425	416

<sup>1)</sup> including interdivisional sales

#### MM PACKAGING

in millions of EUR, IFRS	4Q/ 2016	1Q/ 2017	2Q/ 2017	3Q/ 2017	4Q/ 2017
<b>Sales<sup>1)</sup></b>	339.2	344.6	330.0	362.2	355.9
<b>Operating profit</b>	39.8	34.7	32.3	37.3	37.2
Operating margin (in %)	11.7 %	10.1 %	9.8 %	10.3 %	10.5 %
Tonnage processed (in thousands of tons)	191	190	185	194	198
Sheet equivalent (in millions)	550.8	569.8	548.9	588.3	582.9

<sup>1)</sup> including interdivisional sales

A video presentation by the Management Board on the Annual Results 2017 is available on our Homepage at [www.mayr-melnhof.com](http://www.mayr-melnhof.com).

The Annual Report 2017 will be available as of April 4, 2018.

#### Forthcoming Results:

May 17, 2018      Results for the 1<sup>st</sup> quarter of 2018

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