



PRESS RELEASE

November 15, 2016

Results for the first three quarters of 2016

- Increased sales and profit
- Solid volume development in both divisions
- Increase of recovered paper prices weighs on MM Karton margin
- European market development remains restrained
- Prospects for the financial year 2016 intact

The Mayr-Melnhof Group was able to increase sales as well as profit in the first three quarters of 2016 compared to the reference period in an increasingly challenging economic environment lacking direction. Due to the broad geographical sales spectrum and the focus on various consumer goods industries it was possible to maintain capacity utilization at a high level in both divisions despite restrained overall conditions.

As expected, the situation on the European cartonboard and folding carton markets started to get more challenging due to a lack of momentum. Nevertheless, MM Packaging was able to grow further, primarily through last year's acquisition in France, and to maintain its high profit level with a favorable product mix. In contrast, the pressure on margins at MM Karton strengthened particularly due to a significant rise in recovered paper prices during the third quarter. Accordingly, we aim to continue the consequent price policy in Europe and to pass on the cost increase through higher cartonboard prices in a timely manner.

For the fourth quarter pressure on margins and volumes is expected still to persist mainly as a result of seasonality. However, based on the strong development in the first half-year, the positive prospects for 2016 as a whole remain intact.

GROUP KEY INDICATORS - IFRS

consolidated, in millions of EUR, IFRS	1-3Q/2016	1-3Q/2015	+/-
Sales	1,713.8	1,617.8	+5.9 %
Operating profit	160.2	154.6	+3.6 %
Operating margin (in %)	9.3 %	9.6 %	
Profit before tax	155.9	146.8	+6.2 %
Income tax expense	(40.4)	(38.6)	
Profit for the period	115.5	108.2	+6.7 %
Net profit margin (in %)	6.7 %	6.7 %	
Earnings per share (in EUR)	5.76	5.36	
Employees	9,936	9,938 ¹⁾	
Capital expenditures (CAPEX)	94.6	84.0	
Depreciation and amortization	76.5	71.9	

¹⁾ as of December 31, 2015

The Group's consolidated sales totaled EUR 1,713.8 million and were thus 5.9 % or EUR 96.0 million above the previous year's value (1-3Q 2015: EUR 1,617.8 million). This rise is primarily due to the acquisition-related higher business volume at MM Packaging.

At EUR 160.2 million, operating profit was 3.6 % or EUR 5.6 million above the comparative value of the previous year (1-3Q 2015: EUR 154.6 million). A significant increase at MM Packaging was contrasted with a decrease at MM Karton. The Group's operating margin reached 9.3 % (1-3Q 2015: 9.6 %).

Financial income totaled EUR 2.3 million (1-3Q 2015: EUR 1.4 million), while financial expenses amounted to EUR -4.7 million (1-3Q 2015: EUR -4.7 million).

Profit before tax went up by 6.2 % to EUR 155.9 million, after EUR 146.8 million in the first three quarters of the previous year. Income tax expense amounted to EUR 40.4 million (1-3Q 2015: EUR 38.6 million), resulting in an effective Group tax rate of 25.9 % (1-3Q 2015: 26.3 %).

Thus, profit for the period rose by 6.7 % to EUR 115.5 million (1-3Q 2015: EUR 108.2 million) and earnings per share from EUR 5.36 to EUR 5.76.

DEVELOPMENT IN THE THIRD QUARTER

As expected, the entire supply chain on the European cartonboard packaging market weakened in the third quarter although general economic indicators remained unchanged.

Accordingly, in the cartonboard division the order backlog from Europe did not improve and had to be supplemented with volumes from overseas, hence capacity utilization at 98 % remained at a high level (2Q 2016: 98 %; 3Q 2015: 99 %). Thus, average prices were however lower than in the comparative period of the previous year despite a consequent price policy in Europe. At the same time, European recovered paper prices recorded a sharp rise within a short period, however not as a result of a market recovery but due to increased stockpiling in the European recovered paper processing industry. Thereby the operating margin of MM Karton decreased to 6.0 %, after 7.3 % in the second quarter of 2016 and 9.6 % in the third quarter of 2015.

MM Packaging achieved an operating margin of 10.0 % after 11.1 % in the second quarter of 2016 and 10.5 % in the comparative period of the previous year.

The Group's operating profit totaled EUR 49.4 million (2Q 2016: EUR 55.6 million; 3Q 2015: EUR 58.1 million), translating into an operating margin of 8.6 % (2Q 2016: 9.8 %; 3Q 2015: 10.6 %).

The profit for the period amounted to EUR 35.1 million (2Q 2016: EUR 41.0 million; 3Q 2015: EUR 41.0 million).

OUTLOOK

The economic trend for our main markets shows only slight growth without any increase in the consumption share. The situation on the European cartonboard packaging market therefore remains challenging. Sufficient available capacities and ongoing optimization at our customer industries keep competition high, setting continuous pressure on margins and volumes. Our immediate focus is on passing on the increased recovered paper prices. Moreover, we expect raw material costs now to remain on a high level.

The fourth quarter is likely to follow the level of the third quarter, especially owing to usually reduced business activity at year-end. Based on the strong profit development in the first half-year, the positive prospects for the financial year 2016 remain in place.

Due to short-term visibility and general economic uncertainties, a forecast for 2017 is not yet possible. However, the annual result for 2016 appears to become a challenge for 2017 from today's perspective. According to strategy, we will continue our growth course risk-consciously as hitherto.

DEVELOPMENT IN THE DIVISIONS

MM Karton

in millions of EUR, IFRS	1-3Q/2016	1-3Q/2015	+/-
Sales¹⁾	777.5	787.4	-1.3 %
Operating profit	54.4	66.4	-18.1 %
Operating margin (in %)	7.0 %	8.4 %	
Tonnage sold (in thousands of tons)	1,258	1,252	+0.5 %
Tonnage produced (in thousands of tons)	1,255	1,259	-0.3 %

¹⁾ including interdivisional sales

On the European cartonboard market demand development for both recycling and virgin fiber-based board proved to be more restrained over the course of the year than in the comparative period of the previous year. Under these framework conditions, MM Karton concentrates on the continuation of the consequent price policy in Europe and supplying established export markets outside of Europe.

At 98 % (1-3Q 2015: 99 %), capacity utilization remained at a high level in the first three quarters. However, as a result of the increasingly short-term nature of business, the average order backlog of MM Karton decreased to 47,000 tons, after 88,000 tons in the previous year's period.

While procurement markets were characterized by fairly unchanged input prices in the first half-year, prices for the strategic raw material of recovered paper rose significantly in the third quarter. Consequently, a price increase for all recycling cartonboard products has been announced for the fourth quarter.

At 1,255,000 tons, tonnage produced was slightly below the previous year's level (1-3Q 2015: 1,259,000 tons), while tonnage sold, at 1,258,000 tons, was somewhat higher than in the same period a year ago (1-3Q 2015: 1,252,000 tons). Around 82 % of this was sold in Europe and 18 % in markets outside of Europe (1-3Q 2015: 84 %; 16 %).

Average prices were slightly lower owing to the country mix, thus sales, at EUR 777.5 million, did not fully reach the previous year's value (1-3Q 2015: EUR 787.4 million). Connected with the sharp price increase for recovered paper, operating profit decreased from EUR 66.4 million to EUR 54.4 million. The operating margin was therefore 7.0 % after 8.4 % in the comparative period of the previous year.

MM Packaging

in millions of EUR, IFRS	1-3Q/2016	1-3Q/2015	+/-
Sales¹⁾	1,013.4	907.9	+11.6 %
Operating profit	105.8	88.2	+20.0 %
Operating margin (in %)	10.4 %	9.7 %	
Tonnage processed (in thousands of tons)	570	545	+4.6 %
Sheet equivalent (in millions)	1,689.3	1,532.4	+10.2 %

¹⁾ including interdivisional sales

Similar to the consumer goods market, the European folding carton market was marked by low growth and intense competition in the first three quarters of the year. This overall picture could be seen across all countries and sectors and was therefore not limited to single developments. Even large economies like Germany were unable to provide any sustainable stimulus so far. Furthermore, global brand producers increasingly emphasize cost reduction.

Against this background, the focus of MM Packaging's operating activities was on the continuous improvement of cost efficiency, safeguarding of market shares as well as the development of new potential in terms of product technology and geography. The latter is currently presented especially by increased capital expenditure at the production sites in Iran and Vietnam.

On the whole, MM Packaging recorded a solid general development over the reporting period, however with heterogeneity in the contribution from individual markets and sites.

Major growth driver in 2016 remained last year's acquisition in France, which has been a part of the division since October 2015. The integration of the company specialized in packaging for pharmaceuticals and luxury goods, has proceeded according to schedule and meets the expectations.

Accordingly, sales increased by 11.6 % or EUR 105.5 million to EUR 1,013.4 million (1-3Q 2015: EUR 907.9 million). Supported by a favorable product mix, operating profit at EUR 105.8 million was 20.0 % above the comparative value of the previous year (1-3Q 2015: EUR 88.2 million). The operating margin thus reached 10.4 % (1-3Q 2015: 9.7 %).

Tonnage processed went up by 4.6 % from 545,000 tons to 570,000 tons, the sheet equivalent by 10.2 % to 1,689.3 million (1-3Q 2015: 1,532.4 million).

QUARTERLY OVERVIEW

MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2015	2Q/2015	3Q/2015	4Q/2015	1Q/2016	2Q/2016	3Q/2016
Sales	533.9	535.7	548.1	563.8	576.0	566.2	571.6
EBITDA	74.0	70.1	81.4	73.2	80.3	83.6	72.9
EBITDA margin (in %)	13.9 %	13.1 %	14.9 %	13.0 %	13.9 %	14.8 %	12.8 %
Operating profit	50.8	45.7	58.1	45.3	55.2	55.6	49.4
Operating margin (in %)	9.5 %	8.5 %	10.6 %	8.0 %	9.6 %	9.8 %	8.6 %
Profit before tax	47.6	43.2	56.0	43.8	53.2	55.7	47.0
Income tax expense	(12.1)	(11.5)	(15.0)	(9.9)	(13.8)	(14.7)	(11.9)
Profit for the period	35.5	31.7	41.0	33.9	39.4	41.0	35.1
Net profit margin (in %)	6.6 %	5.9 %	7.5 %	6.0 %	6.8 %	7.2 %	6.1 %
Earnings per share (in EUR)	1.77	1.56	2.03	1.72	1.96	2.05	1.75

DIVISIONS

MM KARTON

in millions of EUR, IFRS	1Q/2015	2Q/2015	3Q/2015	4Q/2015	1Q/2016	2Q/2016	3Q/2016
Sales¹⁾	258.9	263.5	265.0	259.3	263.4	258.5	255.6
Operating profit	18.6	22.3	25.5	16.2	20.2	18.9	15.3
Operating margin (in %)	7.2 %	8.5 %	9.6 %	6.2 %	7.7 %	7.3 %	6.0 %
Tonnage sold (in thousands of tons)	421	413	418	408	427	417	414
Tonnage produced (in thousands of tons)	415	422	422	418	419	420	416

¹⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	1Q/2015	2Q/2015	3Q/2015	4Q/2015	1Q/2016	2Q/2016	3Q/2016
Sales¹⁾	300.7	297.5	309.7	329.4	339.2	332.1	342.1
Operating profit	32.2	23.4	32.6	29.1	35.0	36.7	34.1
Operating margin (in %)	10.7 %	7.9 %	10.5 %	8.8 %	10.3 %	11.1 %	10.0 %
Tonnage processed (in thousands of tons)	182	176	187	184	189	191	190
Sheet equivalent (in millions)	503.0	498.3	531.1	526.9	562.2	565.8	561.3

¹⁾ including interdivisional sales

The Interim Report for the first three quarters of 2016 is available on our website:
www.mayr-melnhof.com

Forthcoming results:

March 21, 2017 Financial results of 2016

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