



## ANNUAL RESULTS 2016

- Growth in sales and profit
- High capacity utilization
- Growth driver MM Packaging
- Rise in recovered paper prices weighs on MM Karton margin
- Dividend increase

The Mayr-Melnhof Group was again able to maintain its position on the whole in 2016, a year characterized by little dynamics and intense competition on its European main market, increasing both sales and profit. Due to the wide geographical sales spectrum and close cooperation with customers from different consumer goods industries, both divisions achieved high levels of capacity utilization in spite of the weak market environment.

The packaging division provided noticeable growth and profit impulses, particularly as a result of the integration of the latest acquisition in France as well as a favorable product mix. In contrast, MM Karton's margins came under increasing pressure following a significant rise in the prices for recovered paper as from the third quarter. The objective is therefore to pass on the cost increase through higher cartonboard prices. In line with the positive profit development, a recommendation will be made to the 23<sup>rd</sup> Ordinary Shareholders' Meeting on April 26, 2017, to increase the dividend to EUR 3.00 per share for the financial year 2016, following EUR 2.80 per share (sum of EUR 1.60 interim dividend and EUR 1.20 dividend) for 2015.

consolidated, in millions of EUR, IFRS	2016	2015	+/-
<b>Sales</b>	<b>2,272.7</b>	2,181.5	+4.2 %
<b>Operating profit</b>	<b>213.7</b>	199.9	+6.9 %
Operating margin (in %)	9.4 %	9.2 %	
<b>Profit before tax</b>	<b>209.2</b>	190.6	+9.8 %
Income tax expense	(55.8)	(48.5)	
<b>Profit for the year</b>	<b>153.4</b>	142.1	+8.0 %
Net profit margin (in %)	6.7 %	6.5 %	
<b>Cash earnings</b>	<b>256.3</b>	238.4	+7.5 %
Cash earnings margin (in %)	11.3 %	10.9 %	
Earnings per share (in EUR)	<b>7.67</b>	7.08	
Employees	<b>9,927</b>	9,938	
Capital expenditures (CAPEX)	<b>144.2</b>	128.0	
Depreciation and amortization <sup>1)</sup>	<b>99.1</b>	99.6	

<sup>1)</sup> including impairment of property, plant and equipment, and intangible assets

The Group's consolidated sales rose by 4.2 % to EUR 2,272.7 million and were thus EUR 91.2 million above the previous year's amount (2015: EUR 2,181.5 million). This increase is primarily due to the acquisition-related higher business volume at MM Packaging.

At EUR 213.7 million, operating profit was 6.9 % or EUR 13.8 million higher than in the previous year (2015: EUR 199.9 million). A clear increase in profit in the packaging division contrasted with a decline in the cartonboard division. The Group's operating margin was thus 9.4 % (2015: 9.2 %). The return on capital employed amounted to 15.9 % (2015: 16.1 %).

With the persistent low euro key interest rate, financial income totaled EUR 3.1 million (2015: EUR 2.2 million) while financial expenses were EUR -6.1 million (2015: EUR -6.3 million).

Profit before tax increased by 9.8 % to EUR 209.2 million after EUR 190.6 million in the previous year. Income tax expense amounted to EUR 55.8 million (2015: EUR 48.5 million), resulting in an effective Group tax rate of 26.7 % (2015: 25.4 %).

Profit for the year thus rose by 8.0 % to EUR 153.4 million (2015: EUR 142.1 million), with the net profit margin increasing slightly from 6.5 % to 6.7 %.

## **CONSOLIDATED BALANCE SHEET**

As of December 31, 2016, the Group's total assets amounted to EUR 1,981.9 million and were thus EUR 81.6 million above the figure at the end of 2015. The Group's total equity increased from EUR 1,144.2 million to EUR 1,259.2 million, with the profit for the year being offset by the dividend for the financial year 2015. Total equity to total assets was therefore 63.5 % (December 31, 2015: 60.2 %), and the return on equity was 12.8 % (December 31, 2015: 12.7 %).

Financial liabilities, principally of a long-term character, decreased from EUR 293.3 million to EUR 260.9 million as a result of loan repayments. Provisions for non-current liabilities and charges relating to accruals for employee benefits rose from EUR 118.1 million to EUR 129.3 million, primarily due to the low interest level.

Over the course of the year, total funds available to the Group declined from EUR 258.3 million to EUR 253.7 million, while net debt was reduced from EUR 35.0 million (December 31, 2015) to EUR 7.2 million at the end of 2016.

## **OUTLOOK ON THE FINANCIAL YEAR 2017**

The general conditions in our main European markets remain challenging. Against the backdrop of weak dynamics in the general economic environment, demand for cartonboard packaging is still restrained. In contrast, there are sufficient supply capacities that are gradually growing as a result of constant optimization. The business climate in our sector is sustainably characterized by intense competition over prices and volumes. At the same time, significantly higher recovered paper prices compared to the beginning of 2016 have further increased tensions.

Nevertheless, the aim for 2017 is to continue the long-term course of success in both cartonboard production as well as cartonboard processing and to grow further while maintaining margins the best possible. In the cartonboard division, the focus is on volume increases, especially through product optimizations as well as on passing on the higher recovered paper prices. In the packaging division particularly measures to raise productivity are intended to strengthen the profit level of the business with higher throughput.

We will continue our usual scope of investment activity focusing on reducing direct costs. The special investment project started last year, new gas and steam turbine power station at the cartonboard mill in Frohnleiten, will be completed on schedule in the course of the year and put into operation at the beginning of 2018. Costs will amount to between EUR 40 and 45 million.

Owing to the short-term nature of the business, it is not yet possible to provide a forecast for the result of 2017. However, the record result achieved in 2016 presents a challenging new level for our ambitions.

Our growth course applies unchanged in both core business areas, cartonboard and folding cartons, and will be pursued value-oriented, organically as well as through acquisitions.

## **DEVELOPMENT IN THE 4<sup>TH</sup> QUARTER 2016**

The fourth quarter was marked by continuity in the cartonboard division and a strong development in the packaging division, particularly as a result of a favorable product mix.

At 97 %, capacity utilization at MM Karton was at the level of the comparative period of the previous year (4<sup>th</sup> quarter 2015: 96 %). The division's operating margin amounted to 5.6 % (4<sup>th</sup> quarter 2015: 6.2 %).

MM Packaging achieved an operating margin of 11.7 % following 8.8 % in the fourth quarter of 2015.

Consolidated sales at EUR 558.9 million were slightly below the value of the previous year's period (4<sup>th</sup> quarter 2015: EUR 563.8 million). Higher sales in the packaging division contrasted with lower sales in the cartonboard division, primarily caused by the country mix at the end of the year.

The Group's operating profit totaled EUR 53.5 million (4<sup>th</sup> quarter 2015: EUR 45.3 million), resulting in an operating margin of 9.6 % (4<sup>th</sup> quarter 2015: 8.0 %).

Profit before tax amounted to EUR 53.3 million after EUR 43.8 million in the final quarter of 2015.

Profit for the period rose to EUR 37.9 million (4<sup>th</sup> quarter 2015: EUR 33.9 million).

## DEVELOPMENT IN THE DIVISIONS

### MM Karton

in millions of EUR, IFRS	2016	2015	+/-
<b>Sales<sup>1)</sup></b>	<b>1,023.0</b>	1,046.7	-2.3 %
<b>Operating profit</b>	<b>68.1</b>	82.6	-17.6 %
<b>Operating margin (in %)</b>	<b>6.7 %</b>	7.9 %	
Tonnage sold (in thousands of tons)	<b>1,671</b>	1,660	+0.7 %
Tonnage produced (in thousands of tons)	<b>1,669</b>	1,677	-0.5 %

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

The situation on the European cartonboard market in 2016 was more restrained than in the previous year for both recycled and virgin fiber-based cartonboard with an increased pressure on prices. Under tougher general conditions, MM Karton focused on a consequent price policy in Europe and on supplying established export markets outside Europe, thus succeeding in keeping volumes at the previous year's level. While market shares for recycled fiber-based cartonboard were maintained, the general higher level of competition in the area of virgin fiber-based cartonboard was clearly noticeable.

The increasingly short-term nature of the business was shown by a decline of the average order backlog of MM Karton to 47,000 tons after 80,000 tons in the previous year. Nevertheless, the cartonboard division again achieved almost full capacity utilization at 97 % (2015: 98 %) due to a selective sales policy.

On the procurement markets, an overall stable development in energy and chemicals contrasted with a sharp increase in recovered paper prices as of the middle of the year primarily caused by the commissioning of new machinery for corrugated base paper. Accordingly, a price increase for all recycled fiber-based cartonboard products was announced in the fourth quarter, which was initially applied only selectively owing to a generally weak demand and high competitive pressure.

Production as well as tonnage sold, at 1,669,000 tons and 1,671,000 tons, respectively, almost matched the comparative figures of the previous year (2015: 1,677,000 tons and 1,660,000 tons, respectively).

Average prices were a little lower, meaning that sales at EUR 1,023.0 million did not fully reach the value of the previous year (2015: EUR 1,046.7 million). Around 64 % of this was achieved in the markets of Western Europe (2015: 63 %) and 19 % in Eastern Europe (2015: 20 %), with the share of business outside Europe remaining unchanged at 17 % (2015: 17 %).

Operating profit decreased mainly due to the sharp rise in recovered paper prices from EUR 82.6 million to EUR 68.1 million. The operating margin was accordingly at 6.7 % (2015: 7.9 %).

### Market launch of **FOODBOARD™**

FOODBOARD™, a new cartonboard with a unique functional barrier for safe primary food packaging, was launched in the first quarter of 2016 and is already available in the retail trade in Europe.

## MM Packaging

in millions of EUR, IFRS	2016	2015	+/-
<b>Sales<sup>1)</sup></b>	<b>1,352.6</b>	1,237.3	+9.3 %
<b>Operating profit</b>	<b>145.6</b>	117.3	+24.1 %
<b>Operating margin (in %)</b>	<b>10.8 %</b>	9.5 %	
Tonnage processed (in thousands of tons)	<b>761</b>	729	+4.4 %
Sheet equivalent (in millions)	<b>2,240.1</b>	2,059.3	+8.8 %

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

Market saturation and overall economic uncertainty characterized the situation on the European consumer goods market in 2016, resulting in many consumer goods manufacturers continuing to optimize their product and plant portfolio. Accordingly, the general situation on the European folding carton market was characterized by strong competition and decreasing prices.

However, dynamics varied depending on the market segment and geographical location, thus proving to be an advantage for MM Packaging to produce for various consumer markets in a broad network of sites. Thereby, plant capacity could be utilized at a generally high level, with a still heterogeneous profit contribution by different sites.

Against this background, the primary focus of operating activities was on a continuous improvement of cost efficiency, safeguarding market shares and developing technological and geographical potentials. The latter clearly appeared in the increased investment program at the production sites in Iran and in Vietnam.

On the whole, MM Packaging succeeded in continuing its long-term course of growth in sales and profit in 2016. A major growth driver was the first full year inclusion of a leading French folding carton producer in the fields of pharmaceutical and luxury goods packaging acquired at the end of October 2015. Integration proceeded according to schedule and met expectations.

Tonnage processed reached 761,000 tons and was thus 4.4 % above the comparative value of the previous year (2015: 729,000 tons). In line with this, the number of printed sheets (sheet equivalent) could be increased by 8.8 % from 2,059.3 million to 2,240.1 million.

Sales went up mainly acquisition-related by 9.3 % to EUR 1,352.6 million (2015: EUR 1,237.3 million). In geographic terms, 57 % related to Western Europe, 30 % to Eastern Europe and 13 % to business outside Europe (2015: 55 %; 32 %; 13 %), demonstrating a high degree of continuity.

Due to volume growth, assisted by a favorable product mix, operating profit rose to EUR 145.6 million and was thus 24.1 % higher than in the previous year (2015: EUR 117.3 million). The operating margin totaled 10.8 % (2015: 9.5 %).

## QUARTERLY OVERVIEW

### MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	4Q/2015	1Q/2016	2Q/2016	3Q/2016	4Q/2016
<b>Sales</b>	563.8	576.0	566.2	571.6	558.9
<b>EBITDA</b>	73.2	80.3	83.6	72.9	77.2
EBITDA margin (in %)	13.0 %	13.9 %	14.8 %	12.8 %	13.8 %
<b>Operating profit</b>	45.3	55.2	55.6	49.4	53.5
Operating margin (in %)	8.0 %	9.6 %	9.8 %	8.6 %	9.6 %
<b>Profit before tax</b>	43.8	53.2	55.7	47.0	53.3
Income tax expense	(9.9)	(13.8)	(14.7)	(11.9)	(15.4)
<b>Profit for the period</b>	33.9	39.4	41.0	35.1	37.9
Net profit margin (in %)	6.0 %	6.8 %	7.2 %	6.1 %	6.8 %
Cash earnings	57.9	64.7	68.1	59.7	63.8
Cash earnings margin (in %)	10.3 %	11.2 %	12.0 %	10.4 %	11.4 %
Earnings per share (in EUR)	1.72	1.96	2.05	1.75	1.91

### DIVISIONS

#### MM KARTON

in millions of EUR, IFRS	4Q/2015	1Q/2016	2Q/2016	3Q/2016	4Q/2016
<b>Sales<sup>1)</sup></b>	259.3	263.4	258.5	255.6	245.5
<b>Operating profit</b>	16.2	20.2	18.9	15.3	13.7
Operating margin (in %)	6.2 %	7.7 %	7.3 %	6.0 %	5.6 %
Tonnage sold (in thousands of tons)	408	427	417	414	413
Tonnage produced (in thousands of tons)	418	419	420	416	414

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

#### MM PACKAGING

in millions of EUR, IFRS	4Q/2015	1Q/2016	2Q/2016	3Q/2016	4Q/2016
<b>Sales<sup>1)</sup></b>	329.4	339.2	332.1	342.1	339.2
<b>Operating profit</b>	29.1	35.0	36.7	34.1	39.8
Operating margin (in %)	8.8 %	10.3 %	11.1 %	10.0 %	11.7 %
Tonnage processed (in thousands of tons)	184	189	191	190	191
Sheet equivalent (in millions)	526.9	562.2	565.8	561.3	550.8

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

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

The Annual Report 2016 will be available on April 5, 2017.

#### Forthcoming Results:

May 18, 2017      Results for the 1<sup>st</sup> quarter of 2017

#### For further information, please contact:

Stephan Sweerts-Sporck, Investor Relations, Mayr-Melnhof Karton AG,  
Brahmsplatz 6, A-1040 Vienna  
Tel.: +43 1 501 36-91180, Fax: +43 1 501 36-191195  
E-Mail: [investor.relations@mm-karton.com](mailto:investor.relations@mm-karton.com), Website: <http://www.mayr-melnhof.com>