1-2Q/18

HALF-YEAR FINANCIAL REPORT 2018
MAYR-MELNHOF KARTON AG

- Further profit growth
- High capacity utilization in both divisions
- Significant margin increase at MM Karton
- Costs weigh on profit at MM Packaging

Group Key Indicators

(according to IFRS for interim financial reporting, unaudited)

(consolidated, in millions of EUR)	1st - 2nd Quarter Jan. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2017	+/-
Consolidated sales	1,170.6	1,150.3	+ 1.8 %
EBITDA	168.4	150.9	+ 11.6 %
EBITDA margin (%)	14.4 %	13.1 %	
Operating profit	114.3	102.1	+ 11.9 %
Operating margin (%)	9.8 %	8.9 %	
Profit before tax	111.8	97.0	+ 15.3 %
Income tax expense	(28.1)	(25.1)	
Profit for the period	83.7	71.9	+ 16.4 %
Net profit margin (%)	7.2 %	6.3 %	
Basic and diluted earnings per share (in EUR)	4.17	3.58	+ 16.5 %
Cash earnings	140.3	121.1	+ 15.9 %
Cash earnings margin (%)	12.0 %	10.5 %	
Capital expenditures (CAPEX)	51.7	82.0	- 37.0 %
Depreciation and amortization	53.1	48.8	+ 8.8 %

	Balance sheet date Jun. 30, 2018	Dec. 31, 2017
Total equity (in millions of EUR)	1,327.7	1,318.6
Total assets (in millions of EUR)	2,015.1	2,013.4
Total equity to total assets (%)	65.9 %	65.5 %
Net debt (-) (in millions of EUR)	- 15.1	- 11.8
Enterprise value (in millions of EUR)	2,299.1	2,440.6
Employees	9,627	9,856

Group Report

DEAR SHAREHOLDERS,

Your Company was able to carry forward the positive development since the beginning of the year with a strong second quarter and therefore to conclude the first half-year of 2018 significantly above the previous year.

In a balanced market environment both divisions recorded continuing high capacity utilization. The operating profit of the Group rose by around 12 % compared to the previous year's period. Drivers derived from the cartonboard division, which benefited in particular from higher average prices. The packaging division was able to grow further, however a sharp rise in input costs, especially for cartonboard, weighed on the result. Necessary price increases are difficult to implement.

Despite a sound capacity utilization of the facilities sustaining the high earnings level will be a challenge for the second half of the year.

INCOME STATEMENT

The Group's consolidated sales increased by 1.8 % from EUR 1,150.3 million to EUR 1,170.6 million, with both divisions contributing.

Consolidated sales by destination (according to IFRS for interim financial reporting, unaudited)

	1st - 2nd Quarter	
(in %)	**Jan. 1 - Jun. 30, 2018**	**Jan. 1 - Jun. 30, 2017**
Western Europe	60.5 %	58.8 %
Eastern Europe	26.1 %	25.4 %
Asia and MENA	7.1 %	8.9 %
Latin America	4.8 %	5.3 %
Other	1.5 %	1.6 %
Total	**100.0 %**	**100.0 %**

At EUR 114.3 million, the operating profit was EUR 12.2 million or 11.9 % above the previous year's value (1st half of 2017: EUR 102.1 million). A considerable profit increase at the cartonboard division contrasted with a decline at the packaging division. The Group's operating margin reached 9.8 %, after 8.9 % in the first six months of 2017.

Financial income amounted to EUR 0.6 million (1st half of 2017: EUR 1.3 million), financial expenses to EUR -3.0 million (1st half of 2017: EUR -2.9 million). "Other financial result – net" decreased to EUR -0.1 million after a one-off expenditure due to an accumulated currency translation of EUR 2.3 million was reported in the previous year following the deconsolidation of the Tunisian packaging companies.

Profit before tax went up accordingly by 15.3 % to EUR 111.8 million (1st half of 2017: EUR 97.0 million). Income tax expense totaled EUR 28.1 million, following EUR 25.1 million in the first half of the previous year. The effective Group tax rate of 25.1 % (1st half of 2017: 25.9 %) remained largely unchanged.

At EUR 83.7 million, the profit for the period was up 16.4 % compared to the previous year's figure (1st half of 2017: EUR 71.9 million). This corresponds to 7.2 % (1st half of 2017: 6.3 %) of sales. Earnings per share increased from EUR 3.58 to EUR 4.17.

ASSETS, CAPITAL, AND LIQUID FUNDS

As of the end of June 2018, the Group's total assets at EUR 2,015.1 million were close to the comparative figure as of December 31, 2017 (EUR 2,013.4 million). Total equity rose from EUR 1,318.6 million to EUR 1,327.7 million, with the primarily profit-related growth being offset by the dividend payment as a deductible item.

Financial liabilities, mainly of a long-term character, went up slightly from EUR 212.5 million to EUR 215.7 million. The total funds available to the Group at EUR 200.6 million remained largely unchanged compared to the end of the last year (December 31, 2017: EUR 200.7 million). The Group's net debt increased accordingly from EUR 11.8 million as of December 31, 2017 to EUR 15.1 million as of June 30, 2018.

Non-current assets declined to EUR 1,004.6 million (December 31, 2017: EUR 1,013.1 million), primarily as a result of lower capital expenditures. At EUR 1,010.5 million, current assets were slightly above the value at the end of 2017 (EUR 1,000.3 million), mainly due to higher trade receivables.

CASH FLOW DEVELOPMENT

Cash flow from operating activities totaled EUR 114.6 million, following EUR 100.7 million at the end of the first half of 2017. The profit increase as well as lower income tax payments were major reasons.

Cash flow from investing activities changed from EUR -76.6 million to EUR -53.6 million, especially as a result of lower expenditures for the acquisition of property, plant and equipment. The focus of investments in the cartonboard division was on technological modernization and enhancements as well as the launch of the digital sales and service channel MMK digital. In the packaging division, major projects largely concentrated on renewals of machinery in Russia, Poland and at the German site MM Gravure, Trier.

Cash flow from financing activities changed from EUR -94.3 million to EUR -60.9 million, in particular as a result of the repayment of loans in the first half of 2017.

DEVELOPMENT IN THE SECOND QUARTER

Both sales and operating profit in the second quarter were above the previous year's level. Compared with the first quarter of the current year, a slight profit improvement could also be achieved, but with marginally lower sales.

At 99 % (1Q 2018: 99 %; 2Q 2017: 99 %) the cartonboard division reported continuing full capacity utilization and achieved with improved prices and costs a very good operating margin of 10.6 % (1Q 2018: 10.3 %; 2Q 2017: 7.3 %).

In the packaging division, higher volume and sales could only partially offset the significant increase in material costs, with the operating margin at 8.6 % arriving above the first quarter of the current year (8.3 %), but below the previous year's value (2Q 2017: 9.8 %).

The Group's operating profit reached EUR 57.2 million, after EUR 57.1 million in the first quarter of 2018 and EUR 51.5 million in the second quarter of the previous year. The Group's operating margin accordingly rose to 9.9 % (1Q 2018: 9.6 %; 2Q 2017: 9.1 %).

The profit for the period went up to EUR 42.0 million (1Q 2018: EUR 41.7 million; 2Q 2017: EUR 35.0 million).

RISK REPORT

Material single risks as well as the structure of the risk management system are described in our Annual Report of 2017. Further risks were not identified in the first half-year of 2018 and are also not expected for the remaining financial year from today's perspective.

OUTLOOK

Demand on our European main markets remains balanced, however without any fresh impulses. We therefore anticipate continuing high capacity utilization in both divisions, but also increasingly intense competition. Owing to the general cost pressure, our focus remains on a consequent price policy and further rationalization in order to maintain the quality of the Group's results. At the same time, structural improvements in the product portfolio and the strategic alignment of our plants will be further pursued, with ongoing investment activity following the long-term average. Maintaining the high profitability of the first half-year in the second half of the year is both goal and a challenge at the same time.

High emphasis remains on the continuation of our long-term growth course.

DIVISIONS

MM Karton

Development on the European cartonboard market in the first six months of 2018 was balanced and characterized by a positive momentum, however under continuing intense competition. With an attractive product portfolio, improved prices and high capacity utilization, MM Karton achieved a significant increase in profit compared to the previous year.

The disciplined price policy as well as the focus on increased sales of new products with high added value were consequently pursued. With MMK digital the first digital sales and service channel in the cartonboard industry was made available at the end of March, and has been received in the market with high customer acceptance since its launch.

The average order backlog of MM Karton was approximately 83,000 tons, following 76,000 tons in the same period of the previous year. At 99 % (1st half of 2017: 98 %) capacities in the division were again almost fully utilized.

With a primary focus on strict pricing, tonnage sold and produced, at 837,000 tons and 842,000 tons respectively, remained almost at the previous year's level (1st half of 2017: 844,000 tons and 844,000 tons respectively). Around 82 % of this was sold in Europe, and 18 % in markets outside Europe (1st half of 2017: 79 %; 21 %).

On procurement markets, a decline in prices for mixed recovered paper qualities, resulting from temporarily reduced exports from Europe to Asia, contrasted with a sharp price increase for virgin fiber-related products.

Sales increased due to higher selling prices, despite slightly lower volumes, by 1.3 % to EUR 531.0 million (1st half of 2017: EUR 524.2 million). Consequently, and also as a result of lower direct costs, operating profit rose from EUR 35.1 million to EUR 55.6 million. The operating margin thus totaled 10.5 %, after 6.7 % in the first half of the previous year.

Divisional indicators MM Karton (according to IFRS for interim financial reporting, unaudited)

	1st - 2nd Quarter		
(in millions of EUR)	Jan. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2017	+/-
Sales[1)]	531.0	524.2	+ 1.3 %
Operating profit	55.6	35.1	+ 58.4 %
Operating margin (%)	10.5 %	6.7 %	
Tonnage sold (in thousands of tons)	837	844	- 0.8 %
Tonnage produced (in thousands of tons)	842	844	- 0.2 %

[1)] including interdivisional sales

MM Packaging

Continuing high demand so far characterized the course of the year on European folding carton markets. However, due to sufficient production capacities in the industry, the competitive situation remains highly intense.

With a broad sales range in consumer goods packaging and the specialization on the requirements of single industries, MM Packaging achieved further growth in sales and volumes as well as an overall high capacity utilization at its plants in the first half of 2018.

At the same time, however, pressure on margins continued owing to previous rises in cartonboard prices and additional cost increases, in particular for transport and logistics, since appropriate price increases are difficult to be implemented in the market. Efficiency gains resulting from rationalization programs together with increased volumes were able to relieve the pressure on profits, however not in the position to fully absorb it.

In the first half of 2018, tonnage processed increased by 5.3 % from 375,000 tons to 395,000 tons, the sheet equivalent by 4.4 % from 1,118.7 million to 1,168.3 million.

The growth in sales by 3.2 % from EUR 674.6 million to EUR 696.4 million largely reflected the volume development. At EUR 58.7 million, operating profit was 12.4 % below the comparative value of the previous year, mainly cost-related (1st half of 2017: EUR 67.0 million). The operating margin therefore came in at 8.4 % (1st half of 2017: 9.9 %).

Divisional indicators MM Packaging (according to IFRS for interim financial reporting, unaudited)

	1st - 2nd Quarter		
(in millions of EUR)	**Jan. 1 - Jun. 30, 2018**	**Jan. 1 - Jun. 30, 2017**	**+/-**
Sales[1]	696.4	674.6	+ 3.2 %
Operating profit	58.7	67.0	- 12.4 %
Operating margin (%)	8.4 %	9.9 %	
Tonnage processed (in thousands of tons)	395	375	+ 5.3 %
Sheet equivalent (in millions)	1,168.3	1,118.7	+ 4.4 %

[1] including interdivisional sales

Consolidated Balance Sheets

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	Notes	End of 2nd Quarter Jun. 30, 2018	Year-end Dec. 31, 2017
ASSETS			
Property, plant and equipment	2	849,482	858,875
Intangible assets including goodwill	2	126,968	126,263
Investments in associated companies, securities and other financial assets		6,826	7,429
Deferred income taxes		21,310	20,575
Non-current assets		**1,004,586**	**1,013,142**
Inventories	4	336,267	341,041
Trade receivables		402,743	386,200
Income tax receivables		7,695	10,855
Prepaid expenses, securities and other current assets		64,991	64,258
Cash and cash equivalents		198,834	197,910
Current assets		**1,010,530**	**1,000,264**
TOTAL ASSETS		**2,015,116**	**2,013,406**
EQUITY AND LIABILITIES			
Share capital		80,000	80,000
Additional paid-in capital		172,658	172,658
Retained earnings		1,260,763	1,239,415
Other reserves		(187,992)	(175,892)
Equity attributable to shareholders of the Company		**1,325,429**	**1,316,181**
Non-controlling (minority) interests		2,241	2,409
Total equity		**1,327,670**	**1,318,590**
Financial liabilities	6	198,372	191,890
Provisions for non-current liabilities and charges		110,741	121,355
Deferred income taxes		15,057	14,374
Non-current liabilities		**324,170**	**327,619**
Financial liabilities	6	17,303	20,578
Current tax liabilities		10,538	7,031
Trade liabilities		212,449	218,533
Deferred income and other current liabilities		107,942	97,689
Provisions for current liabilities and charges		15,044	23,366
Current liabilities		**363,276**	**367,197**
Total liabilities		**687,446**	**694,816**
TOTAL EQUITY AND LIABILITIES		**2,015,116**	**2,013,406**

Consolidated Income Statements

(according to IFRS for interim financial reporting, unaudited)

		2nd Quarter		1st - 2nd Quarter	
(all amounts in thousands of EUR, except per share data)	Notes	**Apr. 1 - Jun. 30, 2018**	**Apr. 1 - Jun. 30, 2017**	**Jan. 1 - Jun. 30, 2018**	**Jan. 1 - Jun. 30, 2017**
Sales	9	578,538	565,851	1,170,636	1,150,328
Cost of sales		(438,946)	(435,907)	(894,487)	(891,342)
Gross margin		**139,592**	**129,944**	**276,149**	**258,986**
Other operating income		2,353	2,742	5,789	5,475
Selling and distribution expenses		(56,232)	(53,964)	(112,209)	(107,158)
Administrative expenses		(28,461)	(27,268)	(55,383)	(55,207)
Other operating expenses		(36)	(11)	(43)	(36)
Operating profit		**57,216**	**51,443**	**114,303**	**102,060**
Financial income		296	507	602	1,269
Financial expenses		(1,457)	(1,525)	(3,002)	(2,884)
Other financial result – net	7	172	(2,584)	(83)	(3,403)
Profit before tax		**56,227**	**47,841**	**111,820**	**97,042**
Income tax expense		(14,283)	(12,790)	(28,136)	(25,140)
Profit for the period		**41,944**	**35,051**	**83,684**	**71,902**
Attributable to:					
Shareholders of the Company		41,800	34,930	83,348	71,671
Non-controlling (minority) interests		144	121	336	231
Profit for the period		**41,944**	**35,051**	**83,684**	**71,902**
Earnings per share for profit attributable to the shareholders of the Company during the period:					
Basic and diluted earnings per share		2.09	1.74	4.17	3.58

Consolidated Comprehensive Income Statements

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	2nd Quarter Apr. 1 - Jun. 30, 2018	2nd Quarter Apr. 1 - Jun. 30, 2017	1st - 2nd Quarter Jan. 1 - Jun. 30, 2018	1st - 2nd Quarter Jan. 1 - Jun. 30, 2017
Profit for the period	**41,944**	**35,051**	**83,684**	**71,902**
Other comprehensive income:				
Actuarial valuation of defined benefit pension and severance obligations	779	3,878	4,068	4,475
Effect of income taxes	(77)	(883)	(622)	(1,440)
Total of items that will not be reclassified subsequently to the income statement	**702**	**2,995**	**3,446**	**3,035**
Foreign currency translations	(7,903)	(17,567)	(15,505)	(15,611)
Total of items that will be reclassified subsequently to the income statement	**(7,903)**	**(17,567)**	**(15,505)**	**(15,611)**
Other comprehensive income (net)	**(7,201)**	**(14,572)**	**(12,059)**	**(12,576)**
Total comprehensive income	**34,743**	**20,479**	**71,625**	**59,326**
Attributable to:				
Shareholders of the Company	34,528	20,427	71,248	59,213
Non-controlling (minority) interests	215	52	377	113
Total comprehensive income	**34,743**	**20,479**	**71,625**	**59,326**

Consolidated Statements of Changes in Equity

(according to IFRS for interim financial reporting, unaudited)

		Equity attributable to shareholders of the Company								
					Other comprehensive income					
(all amounts in thousands of EUR)	Notes	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translations	Actuarial gains and losses	**Other reserves**	**Total**	Non-controlling (minority) interests	**Total equity**
Balance at January 1, 2018		**80,000**	**172,658**	**1,239,415**	**(125,335)**	**(50,557)**	**(175,892)**	**1,316,181**	**2,409**	**1,318,590**
Profit for the period		0	0	83,348	0	0	0	83,348	336	83,684
Other comprehensive income		0	0	0	(15,548)	3,448	(12,100)	(12,100)	41	(12,059)
Total comprehensive income		**0**	**0**	**83,348**	**(15,548)**	**3,448**	**(12,100)**	**71,248**	**377**	**71,625**
Transactions with shareholders:										
Dividends paid	5	0	0	(62,000)	0	0	0	(62,000)	(545)	(62,545)
Change in majority interests		0	0	0	0	0	0	0	0	0
Balance at June 30, 2018		**80,000**	**172,658**	**1,260,763**	**(140,883)**	**(47,109)**	**(187,992)**	**1,325,429**	**2,241**	**1,327,670**
Balance at January 1, 2017		**80,000**	**172,658**	**1,150,995**	**(98,040)**	**(53,235)**	**(151,275)**	**1,252,378**	**6,784**	**1,259,162**
Profit for the period		0	0	71,671	0	0	0	71,671	231	71,902
Other comprehensive income		0	0	0	(15,487)	3,029	(12,458)	(12,458)	(118)	(12,576)
Total comprehensive income		**0**	**0**	**71,671**	**(15,487)**	**3,029**	**(12,458)**	**59,213**	**113**	**59,326**
Transactions with shareholders:										
Dividends paid	5	0	0	(60,000)	0	0	0	(60,000)	(269)	(60,269)
Change in majority interests		0	0	(6,152)	0	0	0	(6,152)	(4,267)	(10,419)
Balance at June 30, 2017		**80,000**	**172,658**	**1,156,514**	**(113,527)**	**(50,206)**	**(163,733)**	**1,245,439**	**2,361**	**1,247,800**

Consolidated Cash Flow Statements

(condensed version according to IFRS for interim financial reporting, unaudited)

	1st - 2nd Quarter	
(all amounts in thousands of EUR)	Jan. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2017
Profit for the period	83,684	71,902
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid	73,494	73,224
Net cash from profit	**157,178**	**145,126**
Changes in working capital	(21,436)	(20,052)
Cash flow from operating activities excluding interest and taxes paid	**135,742**	**125,074**
Income taxes paid	(21,119)	(24,359)
CASH FLOW FROM OPERATING ACTIVITIES	**114,623**	**100,715**
Payments for property, plant and equipment, and intangible assets (incl. payments on account)	(58,973)	(80,365)
Other items	5,421	3,740
CASH FLOW FROM INVESTING ACTIVITIES	**(53,552)**	**(76,625)**
Change in financial liabilities	3,233	(32,376)
Dividends paid to the shareholders of the Company	(62,000)	(60,000)
Other items	(2,149)	(1,972)
CASH FLOW FROM FINANCING ACTIVITIES	**(60,916)**	**(94,348)**
Effect of exchange rate changes on cash and cash equivalents	769	(2,402)
Change in cash and cash equivalents	**924**	**(72,660)**
Cash and cash equivalents at the beginning of the period (according to the consolidated balance sheet)	**197,910**	**251,138**
Cash and cash equivalents at the end of the period (according to the consolidated balance sheet)	**198,834**	**178,478**
Adjustments to reconcile cash and cash equivalents to total funds available to the Group:		
Current and non-current securities	1,724	1,982
Total funds available to the Group	**200,558**	**180,460**

Notes to the Consolidated Half-year Financial Statements

1 — PRINCIPLES OF PREPARING THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

a — General

These condensed consolidated half-year financial statements and notes thereto of Mayr-Melnhof Karton AG and its controlled subsidiaries have been prepared in accordance with IFRS for interim financial reporting (IAS 34) as adopted by the European Union and were neither voluntarily audited nor reviewed by an auditor. The condensed consolidated half-year financial statements do not include all obligatory information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements as of December 31, 2017.

The present condensed consolidated half-year financial statements have been prepared using the same accounting principles as for the consolidated financial statements as of December 31, 2017, except the below mentioned new accounting regulations.

The business performance of Mayr-Melnhof Karton AG is generally not affected by any significant seasonal effects. Information regarding the cyclical influences on the business activity of the Group can be found in the presentation of the divisions in the half-year management report on page 6f.

The valuation of defined benefit pension and severance obligations is determined on the basis of an actuarial opinion as of the respective annual reporting date. If any significant changes in the actuarial assumptions arise during the current financial year, a remeasurement of the recognized net defined benefit liability will be recorded.

The change in provisions for non-current liabilities and charges was primarily due to an adjustment of the discount rate for defined benefit pension respectively severance obligations to 2.02 % respectively 2.18 % as of June 30, 2018 (December 31, 2017: 1.88 % respectively 2.38 %) as well as payments into plan assets.

b — New accounting regulations

As of January 1 2018, the following new respectively revised accounting regulations are initially applicable:

New standards	Content	Effective
IFRS 9	Financial Instruments	Jan. 1, 2018
IFRS 15	Revenue from contracts with customers incl. amendments to IFRS 15: effective date	Jan. 1, 2018
IFRS 15	Revenues from contracts with customers – Clarifications	Jan. 1, 2018
Revised standards	**Content**	
IAS 40	Transfers of Investment Property	Jan. 1, 2018
	Annual Improvements to IFRSs – 2014-2016 Cycle	Jan. 1, 2017/ Jan. 1, 2018
IFRS 2	Classification and Measurement of Share-Based Payment Transactions	Jan. 1, 2018
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Jan. 1, 2018
New interpretations	**Content**	
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan. 1, 2018

If individually applicable, the effective regulations were adopted in the present consolidated half-year financial statements. The impacts of the newly applicable standards IFRS 15 and IFRS 9 are described as follows:

IFRS 15 "Revenue from contracts with customers" is to be mandatory applied for the first time as of January 1, 2018. The newly introduced 5-step model is used to assess the amount and timing respectively period for the revenue recognition.

Regarding the transition options the MM Group has decided to use the modified retrospective approach for the first time adoption. Accordingly, no restatement of the comparative period 2017 was made.

The following table presents the effects of first adoption of IFRS 15 "Revenue from contracts with customers" on the opening balance as of January 1, 2018:

(all amounts in thousands of EUR)	Dec. 31, 2017	Adjustments of IFRS 15	Jan. 1, 2018
TOTAL EQUITY AND LIABILITIES			
Deferred income and other current liabilities	97,689	8,904	106,593
Provisions for current liabilities and charges	23,366	(8,904)	14,462

Bonuses are set up in a way, that customers receive a retrospective reimbursement, if a certain purchase volume was reached within an invoicing period. The previous provision for customer rebates and bonuses is now shown as "liability for customer rebates and bonuses" under "deferred income and other current liabilities" because of the new IFRS 15 regulations. The calculation is based on the bonus and rebates claims of customers included in the underlying customer arrangements.

The disaggregation of performance obligations under certain circumstances according to IFRS 15 results for the first half-year 2018, depending on the individual terms of delivery agreed with customers, in a separation of performance obligations related to rendered transportation services in an amount of thous. EUR 22,782 for the division MM Karton and thous. EUR 597 for the division MM Packaging. Compared to the total sales of each division, these sales are considered immaterial, therefore no separate disclosure of sales from goods and sales from transportation services is carried out. A potential accrual resulting from this beyond the balance sheet date was not recognized due to immateriality. Apart from this, no further material multiple-component contracts covering, for example, the performance of services besides delivery of goods were identified. Revenues from manufacturing and selling cartonboard and folding cartons are recognized at a point in time based on the agreed individual terms of delivery.

IFRS 9 "Financial Instruments" was applied for the first time with effect as of January 1, 2018. Only minor adjustments in presentation resulted from the changes in classification and valuation. Financial assets are measured at amortized cost or at fair value (either through other comprehensive income or through profit or loss). Most financial assets fulfill the requirements for the valuation at amortized cost.

As a result of the new impairment model, which is based on expected credit losses, there are basically impacts on the valuation of financial assets of the Group, in particular on trade receivables. The future-oriented expected loss model of IFRS 9 has replaced the incurred loss model used in IAS 39. The Group has prepared a framework for determination of simplified expected credit losses from trade receivables, which provides reliable results by using suitable parameters. There is no concentration of default risks owing to the broad and diversified structure of the customer base, existing credit insurances, and the fact that trade receivables only exist with customers with good and very good credit worthiness.

The application of impairment principles of IFRS 9 does not result in different allowances concerning trade receivables. The Group considers the other financial assets as insignificant regarding a potential impairment.

The original classification categories according to IAS 39 as of December 31, 2017, and the new categories according to IFRS 9 at the time of their initial recognition as of January 1, 2018, together with the corresponding carrying amounts, are as follows:

Financial Instruments (all amounts in thousands of EUR)	**Category**		**Carrying amount**	
	IAS 39	**IFRS 9**	**IAS 39 at Dec. 31, 2017**	**IFRS 9 at Jan. 1, 2018**
Other investments *(Securities and other financial assets)*	Available-for-sale financial assets	At fair value through profit or loss[1]	1,698	1,698
Non-current securities *(Securities and other financial assets)*	Held-to-maturity investments	At amortized cost	1,223	1,223
Other financial assets *(Securities and other financial assets)*	Loans and receivables	At amortized cost	1,333	1,333
Trade receivables	Loans and receivables	At amortized cost	386,200	386,200
Derivative assets *(Other receivables and assets, including derivatives)*	At fair value through profit or loss	At fair value through profit or loss	2,063	2,063
Current securities *(Other receivables and assets)*	Held-to-maturity investments	At amortized cost	1,559	1,559
Other receivables *(Other receivables and assets)*	Loans and receivables	At amortized cost	12,527	12,527
Cash and cash equivalents	Loans and receivables	At amortized cost	197,910	197,910
Interest-bearing financial liabilities	Other financial liabilities	At amortized cost	212,468	212,468
Trade liabilities	Other financial liabilities	At amortized cost	218,533	218,533
Other liabilities	Other financial liabilities	At amortized cost	7,400	7,400
Derivative liabilities	At fair value through profit or loss	At fair value through profit or loss	995	995

[1] Other investments are equity shares in unconsolidated companies. As of June 30, 2018, these total thous. EUR 1,698 (December 31, 2017: thous. EUR 1,698). Generally, these are to be measured at fair value. As the acquisition costs represent a proper approximation to the fair value, and the amount is insignificant for the Group, these are recognized at cost.

All financial instruments measured at amortized cost meet the criteria of IFRS 9 that the contractual cash flows represent solely payments of principal and interest.

The revised standards and interpretations listed here for IFRS 2, IFRS 4, IAS 40 and IFRIC 22 did not materially impact the consolidated half-year financial statements.

c — Accounting regulations applicable in the future

Following additional information was disclosed in comparison to the information reported as of December 31, 2017 regarding the effects of the new accounting standards, which will be applicable in the future:

IFRS 16 "Leases" was issued in January 2016, replacing IAS 17, IFRIC 4, SIC-15 as well as SIC-27 and modifying the way leases are reported. IFRS 16 introduces a standardized reporting model according to which leases will be recognized in future on the lessee's balance sheet regardless of whether an operating or finance lease is involved in accordance with the criteria of IAS 17. A lessee will recognize a right-of-use to the underlying asset of the lease agreement and a liability representing the lease payment obligations. There are exceptions governing short-term leases and leases relating to low-value assets. Reporting for the lessor remains almost unchanged compared to the current standard.

Based on the analyses, which has started in the previous year, we have performed in the current project phase a more detailed evaluation of each component of agreement in regard to IFRS 16. Additionally, a Group-wide IFRS 16 transition project has begun in the first half-year of 2018. The documentation for diverse accounting policies and relevant assumptions according to IFRS 16, as for example determination of the lease term as well as exercising and not exercising of the extension or termination option, will be prepared in the next phase. In the final phase a Group-wide program solution for recording and valuation of the relevant agreements will be introduced and existing processes will be adapted and new processes established.

The regulations of IFRS 16 in comparison to the current regulations for lease accounting will lead to extension of the balance sheet, reduction of the operating expense and increase of depreciation and interest expense (especially at the beginning of the lease term of the respective agreement). The actual effect on the consolidated financial statements after the adoption of IFRS 16 will depend on future economic conditions, for example the Group's incremental borrowing rate as of January 1, 2019, the composition of the Group's lease portfolio at that date, the Group's assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical exceptions and recognition exemptions. Due to the current information status, it is not possible to make a reliable assumption of the quantitative effects of the first-time adoption of IFRS 16.

The Group plans the first application of IFRS 16 as of January 1, 2019 using the modified retrospective approach. Comparative amounts for the year prior to first-time adoption will not be restated.

d — Measurement at fair value

The amounts of financial assets and financial liabilities which are recognized at fair value are as follows:

	Level 2	
	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2018	Dec. 31, 2017
Financial assets:		
Derivative financial instruments	1,166	2,063
Financial liabilities:		
Derivative financial instruments	1,066	995

Measurement methods

The Group applies the following hierarchy to determine the measurement method and to identify the fair value of financial instruments, depending on the availability of information about market prices:

Availability of information, sorted by level	Measurement method used
Level 2 – Quoted market prices for identical instruments are not available but all required measurement parameters can be derived from active markets	Measurement based on valuation method by applying directly or indirectly observable market data

The fair value of derivative financial instruments (Level 2 measurement) is mostly determined on the basis of spot prices as of the balance sheet date, taking into account forward premiums or discounts with relevant maturity.

In general, there are also financial instruments measured at fair value based on the prices quoted on active markets (Level 1 measurement) or using parameters for which no observable market data exist (Level 3 measurement). There are currently no financial instruments for which this measurement method would be applicable in the Group.

The fair value of fixed-interest-bearing financial liabilities totals thous. EUR 116,093 as of June 30, 2018 (December 31, 2017: thous. EUR 113,531). The calculation is based on the present value of future cash flows discounted by the currently observable interest curve (Level 2).

2 — DEVELOPMENT OF FIXED ASSETS

The Group spent a total of thous. EUR 51,677 (1st half of 2017: thous. EUR 82,008) on acquiring property, plant and equipment and intangible assets in the first half-year of 2018. The carrying amount of disposals of property, plant and equipment and intangible assets amounted to thous. EUR 363 (1st half of 2017: thous. EUR 776).

Depreciation and amortization on property, plant and equipment and intangible assets amounted to thous. EUR 53,105 (1st half of 2017: thous. EUR 48,766).

Net book values of property, plant and equipment and intangible assets including goodwill are composed as follows:

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2018	Dec. 31, 2017
Lands, similar land rights and buildings	282,540	279,520
Technical equipment and machines	458,081	442,025
Other equipment, fixtures and fittings	39,137	40,531
Construction in progress	69,724	96,799
Property, plant and equipment	**849,482**	**858,875**

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2018	Dec. 31, 2017
Concessions, licenses and similar rights	10,070	6,619
Goodwill	107,538	107,677
Other intangible assets	9,360	11,967
Intangible assets including goodwill	**126,968**	**126,263**

3 — PURCHASE COMMITMENTS

As of June 30, 2018 purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 35,546 (December 31, 2017: thous. EUR 31,521).

4 — INVENTORIES

In the first half-year of 2018, the write-downs of inventories recognized as an expense amounted to thous. EUR 5,505 (1st half of 2017: thous. EUR 5,190), the reversal of write-downs of inventories recognized as income amounted to thous. EUR 911 (1st half of 2017: thous. EUR 392), both under cost of goods sold.

5 — EQUITY

Dividend

By the 24th Ordinary Shareholder's Meeting, a dividend of EUR 3.10 per voting share was resolved for the year 2017 after EUR 3.00 for 2016, which was due on May 9, 2018. On schedule a total of thous. EUR 62,000 (previous year: thous. EUR 60,000) was distributed to the shareholders.

6 — FINANCIAL LIABILITIES

Financial liabilities of the Group are as follows:

(all amounts in thousands of EUR)	End of 2nd Quarter Jun. 30, 2018	Year-end Dec. 31, 2017
Non-current interest-bearing financial liabilities	197,313	190,589
Current interest-bearing financial liabilities	16,715	19,800
Interest-bearing financial liabilities	**214,028**	**210,389**
Non-current finance lease liabilities	1,059	1,301
Current finance lease liabilities	588	778
Finance lease liabilities	**1,647**	**2,079**
Financial liabilities	**215,675**	**212,468**

7 — OTHER FINANCIAL RESULT – NET

	1st - 2nd Quarter	
(in thousands of EUR)	Jan. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2017
Foreign currency exchange rate gains (losses) - net	620	(327)
Net interest cost from benefit obligations	(1,105)	(1,165)
Recycling of foreign currency translation	0	(2,283)
Result from associated companies	64	(100)
Dividend income	338	472
Other financial result – net	**(83)**	**(3,403)**

8 — DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 3,619 were purchased from other related companies in the first half-year of 2018 (1st half of 2017: thous. EUR 4,164). As of June 30, 2018, trade liabilities with other related companies amounted to thous. EUR 382 (December 31, 2017: thous. EUR 950).

In the first half-year of 2018 sales from transactions with associated companies amounted to thous. EUR 313 (1st half of 2017: thous. EUR 0). As of June 30, 2018, trade receivables with associated companies amounted to thous. EUR 293 (December 31, 2017: thous. EUR 440), trade liabilities with associated companies amounted to thous. EUR 0 (December 31, 2017: thous. EUR 9).

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

9 — SEGMENT REPORTING INFORMATION

The Group measures the performance of its operating segments through the assessment of operating profit and profit for the period, as they are presented in the consolidated income statements.

The Group's operating segments can be illustrated as follows:

	1st - 2nd Quarter 2018			
(all amounts in thousands of EUR)	**MM Karton**	**MM Packaging**	**Eliminations**	**Consolidated**
Sales to external customers	474,568	696,068	0	1,170,636
Intersegment sales	56,402	305	(56,707)	0
Total sales	**530,970**	**696,373**	**(56,707)**	**1,170,636**
Operating profit	55,552	58,751	0	114,303
Profit for the period	42,683	41,001	0	83,684
Segment assets[1]	1,017,334	1,074,771	(76,989)	2,015,116
Segment liabilities[1]	268,110	496,325	(76,989)	687,446

[1] as of June 30, 2018

	1st - 2nd Quarter 2017			
(all amounts in thousands of EUR)	**MM Karton**	**MM Packaging**	**Eliminations**	**Consolidated**
Sales to external customers	476,202	674,126	0	1,150,328
Intersegment sales	47,960	426	(48,386)	0
Total sales	**524,162**	**674,552**	**(48,386)**	**1,150,328**
Operating profit	35,114	66,946	0	102,060
Profit for the period	26,522	45,380	0	71,902
Segment assets[1]	1,003,562	1,091,080	(81,236)	2,013,406
Segment liabilities[1]	275,370	500,682	(81,236)	694,816

[1] as of December 31, 2017

The operating profit and profit for the period in the total column "consolidated" correspond to the consolidated income statements. The reconciliation from operating profit to profit for the period can therefore be derived from the consolidated income statements.

10 — SIGNIFICANT SUBSEQUENT EVENTS

No events that require disclosure took place between the balance sheet date June 30, 2018 and the publication approval on August 13, 2018.

Statement of the Management Board

according to section 125 of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year as well as of the major related party transactions to be disclosed.

Vienna, August 13, 2018

The Management Board

Wilhelm Hörmanseder m. p.
Chairman of the Management Board

Andreas Blaschke m. p.
Member of the Management Board

Franz Hiesinger m. p.
Member of the Management Board

Franz Rappold m. p.
Member of the Management Board

Quarterly Overview

(according to IFRS for interim financial reporting, unaudited)

MAYR-MELNHOF GROUP

(consolidated, in millions of EUR)	1st Quarter 2017	2nd Quarter 2017	3rd Quarter 2017	4th Quarter 2017	1st Quarter 2018	2nd Quarter 2018
Sales	584.5	565.8	598.8	587.7	592.1	578.5
EBITDA	74.8	76.1	81.3	82.1	83.9	84.5
EBITDA margin (%)	12.8 %	13.4 %	13.6 %	14.0 %	14.2 %	14.6 %
Operating profit	50.6	51.5	56.8	56.1	57.1	57.2
Operating margin (%)	8.7 %	9.1 %	9.5 %	9.5 %	9.6 %	9.9 %
Profit before tax	49.2	47.8	54.9	53.6	55.6	56.2
Income tax expense	(12.3)	(12.8)	(13.5)	(11.9)	(13.9)	(14.2)
Profit for the period	36.9	35.0	41.4	41.7	41.7	42.0
Net profit margin (%)	6.3 %	6.2 %	6.9 %	7.1 %	7.0 %	7.3 %
Earnings per share (basic and diluted in EUR)	1.84	1.74	2.07	2.08	2.08	2.09

DIVISIONS

MM Karton

(in millions of EUR)	1st Quarter 2017	2nd Quarter 2017	3rd Quarter 2017	4th Quarter 2017	1st Quarter 2018	2nd Quarter 2018
Sales[1]	261.9	262.3	264.7	259.8	268.3	262.7
Operating profit	15.9	19.2	19.5	18.9	27.7	27.9
Operating margin (%)	6.1 %	7.3 %	7.4 %	7.3 %	10.3 %	10.6 %
Tonnage sold (in thousands of tons)	426	418	422	409	419	418
Tonnage produced (in thousands of tons)	421	423	425	416	416	426

[1] including interdivisional sales

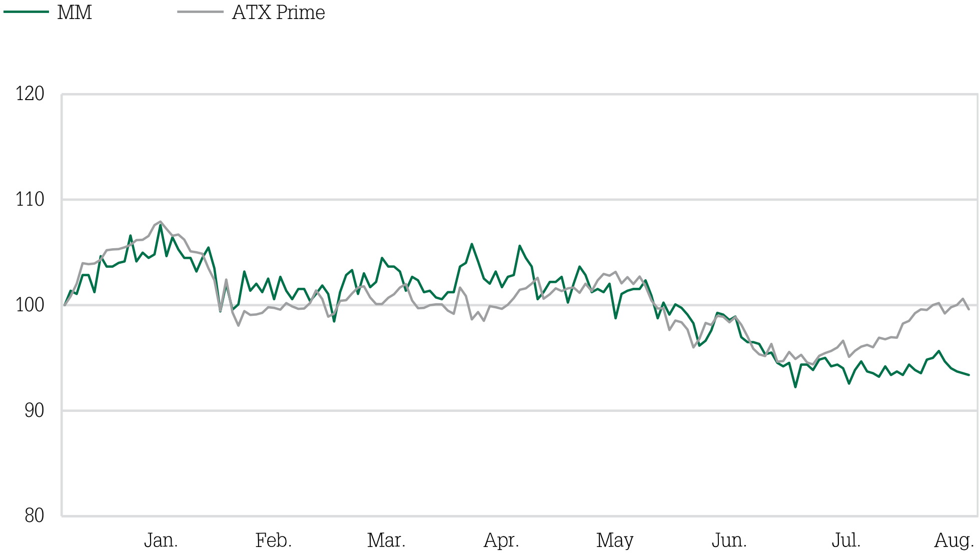
MM Packaging

(in millions of EUR)	1st Quarter 2017	2nd Quarter 2017	3rd Quarter 2017	4th Quarter 2017	1st Quarter 2018	2nd Quarter 2018
Sales[1]	344.6	330.0	362.2	355.9	354.3	342.1
Operating profit	34.7	32.3	37.3	37.2	29.4	29.3
Operating margin (%)	10.1 %	9.8 %	10.3 %	10.5 %	8.3 %	8.6 %
Tonnage processed (in thousands of tons)	190	185	194	198	199	196
Sheet equivalent (in millions)	569.8	548.9	588.3	582.9	587.0	581.3

[1] including interdivisional sales

Mayr-Melnhof Shares

Relative performance of MM shares 2018 (December 29, 2017 = 100)



Share price (closing price)	
as of August 8, 2018	114.40
2018 High	131.80
2018 Low	113.00
Stock performance (Year-end 2017 until August 8, 2018)	- 6.61 %
Number of shares issued	20 million
Market capitalization as of August 8, 2018 (in millions of EUR)	2,288.00
Trading volume (average per day 1st HY 2018 in millions of EUR)	0.83

We have prepared this report and reviewed the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids. This report also contains forward-looking estimates and statements based on the information currently available to us. Please note that a wide variety of factors could cause actual circumstances – and hence actual results – to deviate from the expectations contained in this report.

The determination of key indicators, which cannot be reconciled directly from the quarterly financial report, can be found on our website under section "investors/key indicators".

Statements referring to people are valid for both men and women.

This interim report is also available in German. In case of doubt, the German version takes precedence.

Financial Calendar 2018/2019

November 15, 2018	Results for the first three quarters of 2018
March 19, 2019	Financial results for 2018
April 14, 2019	Record date "Ordinary Shareholders' Meeting"
April 24, 2019	25th Ordinary Shareholders' Meeting – Vienna
April 30, 2019	Ex-dividend day
May 1, 2019	Record date "Dividends"
May 8, 2019	Dividend payment date
May 15, 2019	Results for the 1st quarter of 2019
August 20, 2019	Results for the 1st half-year of 2019
November 14, 2019	Results for the first three quarters of 2019

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