1–2Q

HALF-YEAR FINANCIAL REPORT
MAYR-MELNHOF KARTON AG

2017

- Solid sales and volume
- Results as expected still below previous year
- Ordering situation is strengthening

Group Key Indicators

(according to IFRS for interim financial reporting, unaudited)

(consolidated, in millions of EUR)	1st - 2nd Quarter Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	+/-
Consolidated sales	1,150.3	1,142.2	+0.7 %
EBITDA	148.6	163.9	-9.3 %
EBITDA margin (%)	12.9 %	14.3 %	
Operating profit	102.1	110.8	-7.9 %
Operating margin (%)	8.9 %	9.7 %	
Profit before tax	97.0	108.9	-10.9 %
Income tax expense	(25.1)	(28.5)	
Profit for the period	71.9	80.4	-10.6 %
Net profit margin (%)	6.3 %	7.0 %	
Basic and diluted earnings per share (in EUR)	3.58	4.01	-10.7 %
Cash earnings	121.1	132.8	-8.8 %
Cash earnings margin (%)	10.5 %	11.6 %	
Capital expenditures (CAPEX)	82.0	67.4	+21.7 %
Depreciation and amortization	48.8	52.1	-6.3 %

	Balance sheet date Jun. 30, 2017	Dec. 31, 2016
Total equity (in millions of EUR)	1,247.8	1,259.2
Total assets (in millions of EUR)	1,958.3	1,981.9
Total equity to total assets (%)	63.7 %	63.5 %
Net debt (in millions of EUR)	(47.8)	(7.2)
Enterprise value (in millions of EUR)	2,244.6	2,013.6
Employees	9,761	9,927

Group Report

DEAR SHAREHOLDERS,

Your Company achieved overall high capacity utilization in the first six months of 2017 and was able to maintain the previous year's level in sales and volume. As expected, results are still below the previous year. In the cartonboard division strongly increased recovered paper prices were just gradually compensated through higher cartonboard prices. In the packaging division last year's second quarter earnings were supported by a favorable product mix.

The development of new organic growth opportunities in and outside Europe was consequently continued through ongoing investment activity.

INCOME STATEMENT

The Group's consolidated sales rose slightly from EUR 1,142.2 million to EUR 1,150.3 million. Both divisions contributed to this rise.

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

	1st - 2nd Quarter	
(in %)	**Jan. 1 - Jun. 30, 2017**	**Jan. 1 - Jun. 30, 2016**
Western Europe	58.8 %	60.1 %
Eastern Europe	25.4 %	25.3 %
Asia and MENA	8.9 %	8.6 %
Latin America	5.3 %	4.9 %
Other	1.6 %	1.1 %
Total	**100.0 %**	**100.0 %**

At EUR 102.1 million, operating profit was EUR 8.7 million or 7.9 % below the value for the first half of the previous year (EUR 110.8 million). Thus, the Group's operating margin was at 8.9 %, following 9.7 % in the first six months of 2016.

Financial income of EUR 1.3 million (1st half of 2016: EUR 1.6 million) was offset by financial expenses of EUR -2.9 million (1st half of 2016: EUR -3.2 million). Owing to the deconsolidation of the Tunisian packaging companies, a one-off expenditure of EUR 2.3 million was incurred due to the accumulated foreign currency translation, which is reported under "Other financial result – net".

As a result, profit before tax reached EUR 97.0 million (1st half of 2016: EUR 108.9 million). Income tax expense totaled EUR 25.1 million, following EUR 28.5 million in the first half of the previous year, resulting in an effective Group tax rate of 25.9 % (1st half of 2016: 26.2 %).

At EUR 71.9 million, the profit for the period was 10.6 % below the comparative figure for the previous year (1st half of 2016: EUR 80.4 million), representing 6.3 % of sales (1st half of 2016: 7.0 %). With 20,000,000 shares outstanding, earnings per share amounted to EUR 3.58 (1st half of 2016: EUR 4.01).

ASSETS, CAPITAL, AND LIQUID FUNDS

As of June 30, 2017, the Group's total assets amounted to EUR 1,958.3 million and were thus below the comparative figure as of December 31, 2016 (EUR 1,981.9 million). The decline is primarily due to the dividend payment. Accordingly, the Group's total equity, at EUR 1,247.8 million, was slightly below the value at the end of 2016 (EUR 1,259.2 million).

Financial liabilities, principally of a long-term character, decreased as a result of loan repayments to EUR 228.3 million (December 31, 2016: EUR 260.9 million). Therefore and due to the dividend payment total funds available to the Group went down from EUR 253.7 million at the end of 2016 to EUR 180.5 million. Thus, the Group's net debt as of June 30, 2017 increased to EUR -47.8 million (December 31, 2016: EUR -7.2 million).

Non-current assets rose, primarily as a result of investing activities, to EUR 980.5 million (December 31, 2016: EUR 954.1 million). Current assets declined by EUR 50.0 million to EUR 977.8 million compared to year-end 2016 (December 31, 2016: EUR 1,027.8 million), primarily as a result of lower cash and cash equivalents.

CASH FLOW DEVELOPMENT

Cash flow from operating activities totaled EUR 100.7 million and was thus EUR 2.1 million above the comparative value for the previous year (1st half of 2016: EUR 98.6 million). The reason for this difference was primarily a lower rise in working capital contrasted with a lower profit.

Cash flow from investing activities, at EUR -76.6 million, remained almost unchanged compared with the previous year's figure (1st half of 2016: EUR -77.7 million). The focus of MM Karton's capital expenditures was on technological modernization at the Eerbeek cartonboard mill in the Netherlands as well as on the continuation of the construction of a new power station at the Austrian Frohnleiten cartonboard mill. MM Packaging concentrated its investment activities in particular on capacity expansions in Jordan, Iran, Vietnam, Chile and at the German site MM Graphia Bielefeld.

Cash flow from financing activities changed mainly as a result of the dividend payment and the repayment of bank loans from EUR -27.8 million to EUR -94.3 million.

DEVELOPMENT IN THE SECOND QUARTER

Sales in the second quarter were at the previous year's level, operating profit, however, was still below that although an improvement over the first quarter of the current year could be achieved.

At 99 % (1Q 2017: 98 %; 2Q 2016: 98 %) the cartonboard division reported almost full capacity utilization and achieved a good operating margin of 7.3 % (1Q 2017: 6.1 %; 2Q 2016: 7.3 %) as a result of successively improving prices as well as optimization measures despite ongoing high recovered paper prices.

Despite widely heterogeneous capacity utilization, the packaging division reached an operating margin of 9.8 % (1Q 2017: 10.1 %) after 11.1 % in the second quarter of the previous year, which was marked by a favourable product mix.

The Group's operating profit amounted to EUR 51.5 million following EUR 50.6 million in the first quarter of 2017 and EUR 55.6 million in the second quarter of the previous year. Accordingly, the operating margin was 9.1 % (1Q 2017: 8.7 %; 2Q 2016: 9.8 %).

The profit for the period reached EUR 35.0 million (1Q 2017: EUR 36.9 million; 2Q 2016: EUR 41.0 million).

RISK REPORT

Material single risks as well as the structure of the risk management system are described in our Annual Report of 2016. Further risks were not identified in the first half-year of 2017 and are also not expected for the remaining financial year from today's perspective.

OUTLOOK

Ordering behavior on our European main markets is strengthening. As a result, on the one hand the generally high capacity utilization of the plants should continue, and on the other hand the main focus of both divisions will be on passing on increasing input prices as well as on improving cost efficiency. The target for 2017 remains to match the 2016 results as best possible. Our long-term growth course will be consistently pursued.

DIVISIONS

MM Karton

Against the background of increasingly better demand on the European cartonboard market, the average order backlog of MM Karton in the first half of 2017 was around 76,000 tons, following 50,000 tons in the comparative period of the previous year. At around 98 % (1st half of 2016: 97 %) the division's capacities during the first six months of the year were almost fully utilized again.

A significant price increase of the strategic raw material recovered paper proved to be a special challenge that MM Karton successfully met with gradually improving cartonboard prices and a flexible sales policy. Recovered paper prices are in particular driven by strong demand from Asia as well as stockpiling for new European corrugated base paper plants and finally strengthening demand in Europe as well.

Both production and tonnage sold, each at 844,000 tons, were slightly above or matched the comparative figures of the previous year (1st half of 2016: 839,000 tons or 844,000 tons respectively). With a share in sales of approximately 79 % for Europe and 21 % for non-European markets (1st half of 2016: 82 % and 18 % respectively), slightly more was sold on markets outside of Europe.

Sales rose moderately to EUR 524.2 million (1st half of 2016: EUR 521.9 million) as the price increase for recycled cartonboard only began to take effect as of the second quarter. Operating profit, at EUR 35.1 million, was consequently below the comparative period of the previous year (1st half of 2016: EUR 39.1 million). The operating margin reached therefore 6.7 % (1st half of 2016: 7.5 %).

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

	1st - 2nd Quarter		
(in millions of EUR)	**Jan. 1 - Jun. 30, 2017**	**Jan. 1 - Jun. 30, 2016**	**+/-**
Sales[1)]	524.2	521.9	+0.4 %
Operating profit	35.1	39.1	-10.2 %
Operating margin (%)	6.7 %	7.5 %	
Tonnage sold (in thousands of tons)	844	844	+0.0 %
Tonnage produced (in thousands of tons)	844	839	+0.6 %

1) including interdivisional sales

MM Packaging

Demand on the European folding carton market was restrained throughout the first few months of the year, and started to show signs of improvement just at the end of the second quarter. The first half-year was therefore characterized by continued strong price competition due to sufficient production capacities as well as heterogeneous capacity utilization between our production sites, which, however, diminished.

In this challenging industry environment, MM Packaging succeeded in solidly maintaining its position due to the focus on cost leadership and by covering a wide spectrum of sectors and countries.

Sales recorded a slight increase from EUR 671.3 million to EUR 674.6 million. With operating profit totaling EUR 67.0 million, it was not possible to entirely match the strong figure set in the comparative period of the previous year related to the product mix (1st half of 2016: EUR 71.7 million). Nevertheless, the operating margin, at 9.9 % (1st half of 2016: 10.7 %) stayed at a good level.

Tonnage processed, at 375,000 tons, remained almost unchanged (1st half of 2016: 380,000 tons), as did the sheet equivalent at 1,118.8 million (1st half of 2016: 1,128.0 million).

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

	1st - 2nd Quarter		
(in millions of EUR)	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	+/-
Sales[1]	674.6	671.3	+0.5 %
Operating profit	67.0	71.7	-6.6 %
Operating margin (%)	9.9 %	10.7 %	
Tonnage processed (in thousands of tons)	375	380	-1.3 %
Sheet equivalent (in millions)	1,118.8	1,128.0	-0.8 %

[1] including interdivisional sales

Expansion in Iran and Vietnam

The development and expansion of our sites in Tehran, Iran, and Ho Chi Minh City, Vietnam, continued with the extension of the machinery in technology and capacities focusing on high performance and quality.

Broadening of production base in Jordan

In Jordan, capacities in Amman were extended as well as technologically enhanced in order to allow a further growth step with international customers.

New set-up in Tunisia

In Tunisia, the production of MM Packaging was transferred to the local market leader, Société Tunisienne des Emballages Modernes, in return for a share of 45 % in that company in order to exploit synergies.

Consolidated Balance Sheets

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	Notes	End of 2nd Quarter Jun. 30, 2017	Year-end Dec. 31, 2016
ASSETS			
Property, plant and equipment	3	825,158	792,650
Intangible assets including goodwill	3	124,688	129,207
Investments in associated companies, securities and other financial assets		7,500	5,085
Deferred income taxes		23,099	27,203
Non-current assets		**980,445**	**954,145**
Inventories	6	346,423	332,134
Trade receivables		379,544	362,410
Income tax receivables		6,736	8,247
Prepaid expenses, securities and other current assets		66,634	73,823
Cash and cash equivalents		178,478	251,138
Current assets		**977,815**	**1,027,752**
TOTAL ASSETS		**1,958,260**	**1,981,897**
EQUITY AND LIABILITIES			
Share capital		80,000	80,000
Additional paid-in capital		172,658	172,658
Retained earnings		1,156,514	1,150,995
Other reserves		(163,733)	(151,275)
Equity attributable to shareholders of the Company		**1,245,439**	**1,252,378**
Non-controlling (minority) interests		2,361	6,784
Total equity		**1,247,800**	**1,259,162**
Financial liabilities	8	212,477	211,997
Provisions for non-current liabilities and charges		121,665	129,318
Deferred income taxes		14,176	16,739
Non-current liabilities		**348,318**	**358,054**
Financial liabilities	8	15,829	48,903
Current tax liabilities		7,299	8,532
Trade liabilities		224,455	192,648
Deferred income and other current liabilities		89,073	88,830
Provisions for current liabilities and charges		25,486	25,768
Current liabilities		**362,142**	**364,681**
Total liabilities		**710,460**	**722,735**
TOTAL EQUITY AND LIABILITIES		**1,958,260**	**1,981,897**

Consolidated Income Statements

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR, except per share data)	Notes	2nd Quarter Apr. 1 - Jun. 30, 2017	2nd Quarter Apr. 1 - Jun. 30, 2016	1st - 2nd Quarter Jan. 1 - Jun. 30, 2017	1st - 2nd Quarter Jan. 1 - Jun. 30, 2016
Sales	11	565,851	566,142	1,150,328	1,142,177
Cost of sales		(435,907)	(433,230)	(891,342)	(874,994)
Gross margin		**129,944**	**132,912**	**258,986**	**267,183**
Other operating income		2,742	4,319	5,475	6,592
Selling and distribution expenses		(53,964)	(54,128)	(107,158)	(107,617)
Administrative expenses		(27,268)	(27,414)	(55,207)	(55,263)
Other operating expenses		(11)	(20)	(36)	(47)
Operating profit		**51,443**	**55,669**	**102,060**	**110,848**
Financial income		507	858	1,269	1,560
Financial expenses		(1,525)	(1,514)	(2,884)	(3,157)
Other financial result – net	9	(2,584)	682	(3,403)	(383)
Profit before tax		**47,841**	**55,695**	**97,042**	**108,868**
Income tax expense		(12,790)	(14,603)	(25,140)	(28,431)
Profit for the period		**35,051**	**41,092**	**71,902**	**80,437**
Attributable to:					
Shareholders of the Company		34,930	41,008	71,671	80,165
Non-controlling (minority) interests		121	84	231	272
Profit for the period		**35,051**	**41,092**	**71,902**	**80,437**
Earnings per share for profit attributable to the shareholders of the Company during the period:					
Basic and diluted earnings per share		1.74	2.05	3.58	4.01

Consolidated Comprehensive Income Statements

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	2nd Quarter Apr. 1 - Jun. 30, 2017	2nd Quarter Apr. 1 - Jun. 30, 2016	1st - 2nd Quarter Jan. 1 - Jun. 30, 2017	1st - 2nd Quarter Jan. 1 - Jun. 30, 2016
Profit for the period	**35,051**	**41,092**	**71,902**	**80,437**
Other comprehensive income:				
Actuarial valuation of defined benefit pension and severance obligations	3,878	(8,159)	4,475	(18,977)
Effect of income taxes	(883)	1,144	(1,440)	3,669
Total of items that will not be reclassified subsequently to the income statement	**2,995**	**(7,015)**	**3,035**	**(15,308)**
Foreign currency translations	(17,567)	5,552	(15,611)	2,166
Total of items that will be reclassified subsequently to the income statement	**(17,567)**	**5,552**	**(15,611)**	**2,166**
Other comprehensive income (net)	**(14,572)**	**(1,463)**	**(12,576)**	**(13,142)**
Total comprehensive income	**20,479**	**39,629**	**59,326**	**67,295**
Attributable to:				
Shareholders of the Company	20,427	39,470	59,213	67,236
Non-controlling (minority) interests	52	159	113	59
Total comprehensive income	**20,479**	**39,629**	**59,326**	**67,295**

Consolidated Statements of Changes in Equity

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	Notes	Equity attributable to shareholders of the Company: Share capital	Additional paid-in capital	Retained earnings	Other comprehensive income: Foreign currency translations	Actuarial gains and losses	**Other reserves**	**Total**	Non-controlling (minority) interests	**Total equity**
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	7	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**
Balance at January 1, 2016		**80,000**	**172,658**	**1,020,442**	**(98,220)**	**(39,330)**	**(137,550)**	**1,135,550**	**8,605**	**1,144,155**
Profit for the period		0	0	80,165	0	0	0	80,165	272	80,437
Other comprehensive income		0	0	0	2,371	(15,300)	(12,929)	(12,929)	(213)	(13,142)
Total comprehensive income		**0**	**0**	**80,165**	**2,371**	**(15,300)**	**(12,929)**	**67,236**	**59**	**67,295**
Transactions with shareholders:										
Dividends paid	7	0	0	(24,000)	0	0	0	(24,000)	(319)	(24,319)
Change in majority interests		0	0	1,260	0	0	0	1,260	(1,347)	(87)
Balance at June 30, 2016		**80,000**	**172,658**	**1,077,867**	**(95,849)**	**(54,630)**	**(150,479)**	**1,180,046**	**6,998**	**1,187,044**

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, 2017	Jan. 1 - Jun. 30, 2016
Profit for the period	71,902	80,437
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid	73,224	78,702
Net cash from profit	**145,126**	**159,139**
Changes in working capital	(20,052)	(30,360)
Cash flow from operating activities excluding interest and taxes paid	**125,074**	**128,779**
Income taxes paid	(24,359)	(30,150)
CASH FLOW FROM OPERATING ACTIVITIES	**100,715**	**98,629**
Payments for property, plant and equipment, and intangible assets (incl. payments on account)	(80,365)	(76,154)
Other items	3,740	(1,550)
CASH FLOW FROM INVESTING ACTIVITIES	**(76,625)**	**(77,704)**
Change in financial liabilities	(32,376)	(1,732)
Dividends paid to the shareholders of the Company	(60,000)	(24,000)
Other items	(1,972)	(2,025)
CASH FLOW FROM FINANCING ACTIVITIES	**(94,348)**	**(27,757)**
Effect of exchange rate changes on cash and cash equivalents	(2,402)	486
Change in cash and cash equivalents	**(72,660)**	**(6,346)**
Cash and cash equivalents at the beginning of the period (according to the consolidated balance sheet)	**251,138**	**254,953**
Cash and cash equivalents at the end of the period (according to the consolidated balance sheet)	**178,478**	**248,607**
Adjustments to reconcile cash and cash equivalents to total funds available to the Group:		
Current and non-current securities	1,982	2,843
Total funds available to the Group	**180,460**	**251,450**

Notes to the Consolidated Half-year Financial Statements

1 — 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, 2016.

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, 2016.

As of January 2017, following interpretation was published by IASB but has not yet been endorsed by the EU:

New Interpretation	Content	Effective
IFRIC 23	Uncertainty over Income Tax Treatments	Jan. 1, 2019

Furthermore, there are no changes in applicable accounting regulations resulting from new or revised standards in comparison to the disclosures in the consolidated financial statements as of December 31, 2016.

The status of the expectations described as of December 31, 2016 regarding the effects of accounting standards to be applied in the future can be updated as follows:

IFRS 9 "Financial Instruments" will change classification and valuation of all types of financial instruments, thus completely replaces reporting according to IAS 39. The first mandatory application of IFRS 9 is planned for financial years starting on or after January 1, 2018.

The impairment methods which will be applied in accordance with IFRS 9 have not yet been finally specified within the Group. The Group is currently preparing the implementation of a framework for determination of the expected credit losses from trade receivables which will provide reliable results by using suitable parameters. Currently no reliable quantitative disclosures can be made, however no substantial effects are expected. The new classification requirements of IFRS 9 have no material impact on the valuation of financial assets. The classification and valuation of financial liabilities will remain unchanged under IFRS 9.

IFRS 15 "Revenue from Contracts with Customers" replaces existing provisions for the recognition of sales, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". The new standard establishes a comprehensive framework for the determination of the amount, timing and period for revenue recognition. The standard sets up a single, five-step model which can be basically used for all contracts with customers. The application of the standard in the Group is mandatory for reporting periods starting on or after January 1, 2018.

As described in the consolidated financial statements as of December 31, 2016 MM launched a Group-wide project to determine the required adjustments due to IFRS 15. During the initial phase, various possible scenarios were identified in both divisions and individual elements of contracts with major customers analyzed. Since this phase has not yet been completed, no qualitative statements regarding any adjustments can be currently made. However, the qualitative analysis focused on the following subjects.

Currently in both divisions, the contractually agreed delivery terms are being analyzed to determine whether beside delivery satisfied at a point in time also transport obligations satisfied over time exist which would be eventually accounted for as a separate performance obligation.

In the MM Packaging division, detailed analysis is still in progress to decide on the possibility to recognize sales over time according to the "output-oriented method". In addition to the analysis of different framework agreements, general legal principles are assessed under IFRS 15 and single contracts are being examined.

As the project is not yet in the phase of quantitative determination, currently no reliable quantitative disclosures can be made for the previous described subjects.

IFRS 16 "Leases" replaces IAS 17 and 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 in accordance with the criteria of IAS 17 is involved. The application of the standard is mandatory for reporting periods starting on or after January 1, 2019. There are no changes in the project status of IFRS 16 implementation in the Group compared to the consolidated financial statements as of December 31, 2016.

Regarding the first-time application and transition requirements of the new standards there are no changes in comparison to the consolidated financial statements as of December 31, 2016.

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 increase in inventories, trade receivables as well as trade liabilities was caused by higher business activity. The decline in current financial liabilities results from the repayment of a revolving bank loan.

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 2.05 % respectively 2.49 % as of June 30, 2017 (December 31, 2016: 1.90 % respectively 2.21 %).

2 — FURTHER INFORMATION

In January 2017, the division MM Packaging increased its majority interest in the Vietnamese folding carton producer MM Packaging Vidon Limited Liability Company, located in Ho Chi Minh City, for a price of thous. EUR 10,344 from 65.10 % to 100 %.

In April 2017, the division MM Packaging incorporated 100 % of its interest in TEC MMP SARL, Sfax, Tunisia and MM Packaging Tunisie S.A.R.L, Tunis, Tunisia into the Société Tunisienne des Emballages Modernes (STEM), Tunis, Tunisia in exchange for a capital increase and an interest of 45 % in the thereby created associated company. This transaction is regarded as insignificant by the Group. The deconsolidation of the two entities results in a loss of thous. EUR 2,283 that derives from the reclassification of accumulated foreign currency translation from the other comprehensive income to the income statement recorded under "Other financial result – net". The addition of the participation in STEM in the amount of thous. EUR 3,628 exceeds the disposed net assets and results in an income of thous. EUR 90 that is accounted for in "Other operating income". STEM represents an associated company and is accounted for using the equity method. As of June 30, 2017, STEM is reported under "Investments in associated companies, securities and other financial assets" with an amount of thous. EUR 3,528. Since inclusion into the Group expenses of thous. EUR 100 were incurred that are accounted for under "Other financial result – net".

3 — DEVELOPMENT OF FIXED ASSETS

The Group spent a total of thous. EUR 82,008 (1st half of 2016: thous. EUR 67,393) on acquiring property, plant and equipment and intangible assets in the first half-year of 2017. The carrying amount of disposals of property, plant and equipment and intangible assets amounted to thous. EUR 776 (1st half of 2016: thous. EUR 1,990).

Depreciation and amortization on property, plant and equipment and intangible assets amounted to thous. EUR 48,766 (1st half of 2016: thous. EUR 52,076).

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, 2017**	**Dec. 31, 2016**
Lands, similar land rights and buildings	271,349	276,577
Technical equipment and machines	406,145	408,145
Other equipment, fixtures and fittings	38,359	39,542
Construction in progress	109,305	68,386
Property, plant and equipment	**825,158**	**792,650**

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	**Jun. 30, 2017**	**Dec. 31, 2016**
Concessions, licenses and similar rights	6,698	7,399
Goodwill	108,003	109,937
Other intangible assets	9,987	11,871
Intangible assets including goodwill	**124,688**	**129,207**

4 — PURCHASE COMMITMENTS

As of June 30, 2017 purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 42,803 (December 31, 2016: thous. EUR 61,010).

5 — FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities and are recognized in different categories, which determine the subsequent measurement method and thus also the resulting type of income and expense.

Financial assets of the Group consist of securities, other financial assets, loans, trade receivables, other receivables and assets (except for certain positions which do not represent financial instruments, such as receivables regarding taxes and other charges), cash and cash equivalents as well as derivative financial instruments with a positive balance.

Financial liabilities of the Group comprise interest-bearing financial liabilities including finance lease, trade liabilities, other liabilities (except for certain positions, which do not represent financial instruments, such as liabilities regarding taxes and other charges) as well as derivative financial instruments with a negative balance.

The financial assets and financial liabilities are measured either at fair value or at amortized cost.

a — Measurement at fair value

The amounts of financial assets, which are recorded in the consolidated balance sheet under the position "Prepaid expenses, securities and other current assets" as well as of financial liabilities, recorded in the consolidated balance sheet under the position "Deferred income and other current liabilities", which are recognized at their fair value, are as follows:

	Level 2	
	End of 2nd Quarter	**Year-end**
(all amounts in thousands of EUR)	**Jun. 30, 2017**	**Dec. 31, 2016**
Financial assets:		
Derivative financial instruments	542	496
Financial liabilities:		
Derivative financial instruments	543	961

Measurement methods

Depending on the availability of market price information, the Group uses the following hierarchy for the determination of the measurement method and presentation of fair values of financial instruments:

Availability of information, broken down by levels	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 methods by applying directly or indirectly observable market data

The fair values of derivative financial instruments (level 2 measurement) are mostly measured according to the spot rates at the balance sheet date considering forward premiums and discounts with corresponding maturities.

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 exists (level 3 measurement). Currently there are no such financial instruments in the Mayr-Melnhof Group, for which these measurement methods would be applicable.

b — Measurement at amortized costs

The amounts of trade receivables, held-to-maturity securities measured at amortized cost, cash and cash equivalents as well as financial liabilities, except for fixed-interest-bearing financial liabilities, disclosed in the consolidated balance sheets represent a proper approximation to the fair value. The fair value of fixed-interest-bearing financial liabilities is solely presented in the notes and totals thous. EUR 115,545 as of June 30, 2017 (December 31, 2016: thous. EUR 115,975). The calculation is based on the present value of future cash-flows discounted by the currently observable interest curve (Level 2).

The available-for-sale financial assets include equity shares in non-consolidated companies as of June 30, 2017 in amount of thous. EUR 1,567 (December 31, 2016: thous. EUR 1,699). There is no active market for these equity shares. As in this regard the future cash flows cannot be reliably measured, a market value cannot be determined by valuation models. The equity shares in these companies are therefore reported at amortized cost. There is basically no intention to sell these equity shares. No derecognition or valuation results were recorded.

6 — INVENTORIES

In the first half-year of 2017, the write-downs of inventories recognized as an expense amounted to thous. EUR 5,190 (1st half of 2016: thous. EUR 4,926), the reversal of write-downs of inventories recognized as income amounted to thous. EUR 392 (1st half of 2016: thous. EUR 154) both under cost of goods sold.

7 — EQUITY

Dividend

By the 23rd Ordinary Shareholder's Meeting, a dividend of EUR 3.00 per voting share after EUR 2.80 for 2015 (total of EUR 1.60 interim dividend and EUR 1.20 dividend) was resolved for the year 2016, which was due on May 9, 2017. On schedule a total of thous. EUR 60,000 (pervious year: thous. EUR 56,000) was distributed to the shareholders.

8 — FINANCIAL LIABILITIES

Financial liabilities of the Group are as follows:

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2017	Dec. 31, 2016
Non-current interest-bearing financial liabilities	210,928	210,000
Current interest-bearing financial liabilities	14,501	47,127
Interest-bearing financial liabilities	**225,429**	**257,127**
Non-current finance lease liabilities	1,549	1,997
Current finance lease liabilities	1,328	1,776
Finance lease liabilities	**2,877**	**3,773**
Financial liabilities	**228,306**	**260,900**

9 — OTHER FINANCIAL RESULT – NET

	1st - 2nd Quarter	
(all amounts in thousands of EUR)	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016
Foreign currency exchange rate gains (losses) – net	(327)	420
Net interest cost from benefit obligations	(1,165)	(1,334)
Recycling of foreign currency translation	(2,283)	0
Result from associated companies	(100)	0
Dividend income	472	593
Valuation of (contingent) share purchase price and option liabilities	0	(62)
Other financial result – net	**(3,403)**	**(383)**

10 — DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 4,164 were purchased from other related companies in the first half-year of 2017 (1st half of 2016: thous. EUR 2,208). As of June 30, 2017, trade liabilities with other related companies amounted to thous. EUR 1,022 (December 31, 2016: thous. EUR 1,037).

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

11 — 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 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]	977,981	1,064,158	(83,879)	1,958,260
Segment liabilities[1]	274,319	520,020	(83,879)	710,460

[1] as of June 30, 2017

	1st - 2nd Quarter 2016			
(all amounts in thousands of EUR)	**MM Karton**	**MM Packaging**	**Eliminations**	**Consolidated**
Sales to external customers	471,242	670,935	0	1,142,177
Intersegment sales	50,645	349	(50,994)	0
Total sales	**521,887**	**671,284**	**(50,994)**	**1,142,177**
Operating profit	39,096	71,752	0	110,848
Profit for the period	29,061	51,376	0	80,437
Segment assets[1]	1,012,229	1,049,562	(79,894)	1,981,897
Segment liabilities[1]	310,293	492,336	(79,894)	722,735

[1] as of December 31, 2016

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.

12 — SIGNIFICANT SUBSEQUENT EVENTS

No events that require disclosure took place between the balance sheet date June 30, 2017 and the publication approval on August 16, 2017.

Statement of the Management Board

according to section 87 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 16, 2017

The Management Board

Wilhelm Hörmanseder m. p.
Chairman of the Management Board

Andreas Blaschke m. p.
Member of the Management Board

Gotthard Mayringer 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 2016	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016	1st Quarter 2017	2nd Quarter 2017
Sales	576.0	566.2	571.6	558.9	584.5	565.8
EBITDA	80.3	83.6	72.9	77.2	74.8	73.8
EBITDA margin (%)	13.9 %	14.8 %	12.8 %	13.8 %	12.8 %	13.0 %
Operating profit	55.2	55.6	49.4	53.5	50.6	51.5
Operating margin (%)	9.6 %	9.8 %	8.6 %	9.6 %	8.7 %	9.1 %
Profit before tax	53.2	55.7	47.0	53.3	49.2	47.8
Income tax expense	(13.8)	(14.7)	(11.9)	(15.4)	(12.3)	(12.8)
Profit for the period	39.4	41.0	35.1	37.9	36.9	35.0
Net profit margin (%)	6.8 %	7.2 %	6.1 %	6.8 %	6.3 %	6.2 %
Earnings per share (basic and diluted in EUR)	1.96	2.05	1.75	1.91	1.84	1.74

DIVISIONS

MM Karton

(in millions of EUR)	1st Quarter 2016	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016	1st Quarter 2017	2nd Quarter 2017
Sales[1]	263.4	258.5	255.6	245.5	261.9	262.3
Operating profit	20.2	18.9	15.3	13.7	15.9	19.2
Operating margin (%)	7.7 %	7.3 %	6.0 %	5.6 %	6.1 %	7.3 %
Tonnage sold (in thousands of tons)	427	417	414	413	426	418
Tonnage produced (in thousands of tons)	419	420	416	414	421	423

[1] including interdivisional sales

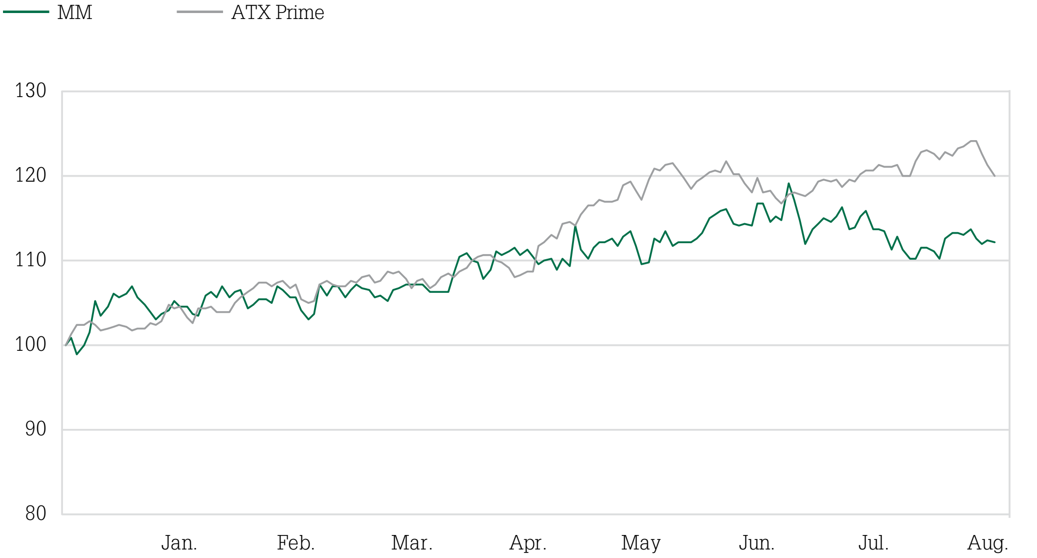
MM Packaging

(in millions of EUR)	1st Quarter 2016	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016	1st Quarter 2017	2nd Quarter 2017
Sales[1]	339.2	332.1	342.1	339.2	344.6	330.0
Operating profit	35.0	36.7	34.1	39.8	34.7	32.3
Operating margin (%)	10.3 %	11.1 %	10.0 %	11.7 %	10.1 %	9.8 %
Tonnage processed (in thousands of tons)	189	191	190	191	190	185
Sheet equivalent (in millions)	562.2	565.8	561.3	550.8	569.9	548.9

[1] including interdivisional sales

Mayr-Melnhof Shares

Relative performance of MM shares 2017 (December 30, 2016 = 100)



Share price (closing price)	
as of August 11, 2017	113.00
2017 High	119.90
2017 Low	99.50
Stock performance (Year-end 2016 until August 11, 2017)	+12.21 %
Number of shares issued	20 million
Market capitalization as of August 11, 2017 (in millions of EUR)	2,260.00
Trading volume (average per day 1st HY 2017 in millions of EUR)	1.06

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 2017/2018

November 15, 2017	Results for the first three quarters of 2017
March 20, 2018	Financial results for 2017
April 15, 2018	Record date "Ordinary Shareholders' Meeting"
April 25, 2018	24th Ordinary Shareholders' Meeting – Vienna
May 2, 2018	Ex-dividend day
May 3, 2018	Record date "Dividends"
May 9, 2018	Dividend payment date
May 17, 2018	Results for the 1st quarter of 2018
August 14, 2018	Results for the 1st half-year of 2018
November 15, 2018	Results for the first three quarters of 2018

Editorial information

Editor (publisher):
Mayr-Melnhof Karton AG
Brahmsplatz 6
A-1040 Vienna

For further information, please contact:

Stephan Sweerts-Sporck
Investor Relations
Phone: +43 1 50136-91180
Fax: +43 1 50136-91195
e-mail: investor.relations@mm-karton.com
Website: http://www.mayr-melnhof.com