



Leading in
Consumer Packaging

1Q 23

Report for the 1st quarter of 2023
Mayr-Melnhof Karton AG

- Results below previous year's period as expected
- Sales growth due to acquisitions of the previous year in the pharma packaging sector
- Capex- and market-related significantly lower volume at MM Board & Paper
- High customer inventory levels and weaker purchasing power weigh on demand

CREATING
VALUE
TOGETHER

Group Key Indicators

(consolidated, in millions of EUR)	1 st Quarter		+/-
	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2022	
Consolidated sales	1,122.1	1,060.4	+ 5.8 %
EBITDA	116.6	155.0	- 24.8 %
EBITDA margin (%)	10.4 %	14.6 %	- 423 bp
Operating profit	61.6	111.1	- 44.6 %
Operating margin (%)	5.5 %	10.5 %	- 499 bp
Return on capital employed ¹⁾ (%)	13.9 %	13.4 %	+ 54 bp
Profit before tax	49.0	103.6	- 52.8 %
Income tax expense	(14.1)	(24.1)	
Profit for the period	34.9	79.5	- 56.1 %
Net profit margin (%)	3.1 %	7.5 %	
Earnings per share (in EUR)	1.71	3.95	- 56.7 %
Cash flow from operating activities	67.2	49.3	+ 36.2 %
Capital expenditures (CAPEX)	94.4	75.9	+ 24.5 %
Depreciation and amortization ²⁾	55.0	43.9	+ 25.3 %

¹⁾ the calculation is based on the average of the last 12 months

²⁾ incl. impairment of property, plant and equipment and intangible assets

	Balance sheet date	
	Mar. 31, 2023	Dec. 31, 2022
Total equity (in millions of EUR)	1,994.3	1,959.4
Total assets (in millions of EUR)	4,886.0	4,818.6
Equity ratio (%)	40.8 %	40.7 %
Net debt (in millions of EUR)	1,535.9	1,481.5
Employees	15,593	15,640

Group Report

Dear Shareholders,

As expected, your Company recorded a restrained start into the year in the MM Board & Paper division in the 1st quarter of 2023 against the background of a slow destocking of high customer inventory levels as well as inflation-related restrained demand. In addition to the planned capex-related shutdowns in the cartonboard mills Frohnleiten and Neuss, considerable market-related downtimes were necessary. In the division MM Packaging, demand tended to be weaker in the first months, but was overall still resilient. The significant growth of MM Packaging compared to the 1st quarter of the previous year results mainly from the inclusion of last year's acquisitions in the pharma packaging sector, Essentra Packaging and Eson Pac. Structural adjustments were continued and affected one packaging site in Germany.

As a result of ongoing weaker demand and the implementation of major investments in our cartonboard mills Frohnleiten, Neuss and Kolicevo in the first three quarters, a decline in volume and result is foreseeable in the Board & Paper division for 2023, as already indicated. At MM Packaging, the focus is primarily on the integration of the Ex-Essentra Packaging business with cost optimization and structural adjustments.

Accordingly, 2023 will be a transition year for MM Board & Paper on the one hand and an integration year for MM Packaging on the other hand. While profitability was above the trend line in 2022, it is expected to be below in 2023.

Income Statement

The Group's consolidated sales increased by EUR 61.7 million or 5.8 % to EUR 1,122.1 million (1Q 2022: EUR 1,060.4 million). This increase results mainly acquisition-related from the division MM Packaging.

At EUR 61.6 million, operating profit was EUR 49.5 million below the comparable figure of the previous year (1Q 2022: EUR 111.1 million). This decline is primarily due to market- and rebuild-related downtimes in the MM Board & Paper division and restructuring expenses in the amount of EUR 15.5 million in the Packaging division. The Group's operating margin was at 5.5 % (1Q 2022: 10.5 %).

Financial income amounted to EUR 1.3 million (1Q 2022: EUR 1.6 million). The increase in financial expenses from EUR -7.5 million to EUR -10.8 million is mainly due to higher interest expenses for *Schuldscheindarlehen* and financing of the accomplished acquisitions and organic growth projects. "Other financial result - net" changed from EUR -1.6 million to EUR -3.1 million, in particular owing to currency translation.

Profit before tax of EUR 49.0 million was EUR 54.6 million lower than the previous year's value (1Q 2022: EUR 103.6 million). Income tax expense amounted to EUR 14.1 million (1Q 2022: EUR 24.1 million), resulting in an effective Group tax rate of 28.7 % (1Q 2022: 23.3 %).

Profit for the period decreased by EUR 44.6 million to EUR 34.9 million (1Q 2022: EUR 79.5 million) and earnings per share from EUR 3.95 to EUR 1.71.

Assets, Capital, and Liquid Funds

The Group's total assets amounted to EUR 4,886.0 million as of March 31, 2023, which is EUR 67.4 million higher than the comparable value as of December 31, 2022 (EUR 4,818.6 million). The Group's total equity rose mainly profit-related from EUR 1,959.4 million to EUR 1,994.3 million.

Financial liabilities, primarily of a long-term character, amounted to EUR 1,774.1 million compared to EUR 1,761.6 million at the end of the previous year. With total cash available to the Group amounting to EUR 238.2 million (December 31, 2022: EUR 280.1 million), net debt went up to EUR 1,535.9 million (December 31, 2022: EUR 1,481.5 million). The equity ratio remained almost unchanged at 40.8 % (December 31, 2022: 40.7 %).

Non-current assets increased mostly investment-related from EUR 2,884.3 million to EUR 2,922.3 million. Current assets of EUR 1,963.7 million were slightly higher than the value at the end of 2022 (EUR 1,934.3 million), in particular due to increased inventories and trade receivables.

Cash Flow Development

Cash flow from operating activities went up from EUR 49.3 million to EUR 67.2 million. This rise mainly results from a lower increase in working capital in the current year.

Cash flow from investing activities rose from EUR -80.5 million to EUR -94.7 million, mainly due to higher payments for the acquisition of property, plant and equipment and intangible assets. Capital expenditures focused on modernization projects in both divisions.

Cash flow from financing activities changed from EUR -38.8 million to EUR -13.2 million. This change primarily results from the utilization of short-term credit lines in the current year, which was offset by higher repayments in the previous year.

Outlook

Demand for our cartonboard and paper products is noticeable restrained due to continued high customer inventory levels and the increasingly restraining effect of inflation on private consumption. Therefore, in addition to the planned capex-related machine downtimes, there will also be market-related downtimes in the MM Board & Paper division in the 2nd quarter. The development of price levels continues to be heterogeneous by product area. In addition, the weakening in private consumption is also reflected in several sales markets of MM Packaging. The increased investment activity to strengthen the competitiveness and growth ability of MM is being implemented according to plan, as well as the integration of last year's acquisitions in the pharma packaging sector. Under the tightened market conditions, structural adjustment measures and cost optimizations will be pushed forward with both a short- and medium-term perspective in order to ensure a good long-term development. As already indicated, 2023 will be a transition year for MM Board & Paper and an integration year for MM Packaging with profitability below the trend line after being above in 2022.

Divisions

MM Board & Paper

The reduction of high inventory levels in the supply chain continued on the cartonboard markets in the 1st quarter of 2023 as already in the last months of the previous year, resulting in a persistent weak demand with low visibility. The volume decline of around 20 % in Europe in the 1st quarter was historically unusual and also driven by the loss of the Russian market and weak or highly competitive overseas markets. In addition, the Frohnleiten and Neuss mills experienced the planned major capex-related downtimes, resulting in a significant decrease in volumes and results compared with the record levels of the previous year.

On the procurement markets some input prices decreased due to the currently lower demand (e.g. recovered paper), so that gradually more pressure was built up on the sales prices of individual product grades.

As part of the three strategic machine modernizations scheduled for this year at the Frohnleiten, Neuss and Kolicvevo mills, the modernized board machine 3 in Frohnleiten resumed production as planned at the end of the 1st quarter. The aim is to provide our customers with higher quality and better sustainability by lower basis weight, reduced energy and water consumption, as well as more innovation and improved efficiency through these projects.

The division's average order backlog in the 1st quarter was 143,000 tonnes, compared with 184,000 tonnes in the previous year's period.

Sales at EUR 521.2 million were volume-related EUR 135.1 million below the comparable figure (1Q 2022: EUR 656.3 million). The operating profit amounted to EUR 27.7 million (1Q 2022: EUR 70.1 million), while the operating margin was 5.3 % (1Q 2022: 10.7 %).

Both tonnage produced and sold at 488,000 tonnes and 473,000 tonnes, respectively, were below previous year's figures (1Q 2022: 659,000 tonnes and 657,000 tonnes, respectively).

Divisional indicators MM Board & Paper

(in millions of EUR)	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2022	+/-
Sales ¹⁾	521.2	656.3	- 20.6 %
EBITDA	54.3	95.7	- 43.3 %
Operating profit	27.7	70.1	- 60.4 %
Operating margin (%)	5.3 %	10.7 %	- 535 bp
Cash flow from operating activities	10.0	18.5	- 45.7 %
Tonnage sold (in thousands of tonnes)	473	657	- 28.0 %
<i>Cartonboard</i>	375	494	- 23.9 %
<i>Kraft Papers</i>	40	64	- 36.8 %
<i>Uncoated Fine Papers</i>	58	99	- 40.7 %
Tonnage produced (in thousands of tonnes)	488	659	- 26.0 %

¹⁾ including interdivisional sales

MM Packaging

The 1st quarter 2023 was overall characterized by continuous capacity utilization, although demand in some markets gradually weakened against the backdrop of declining consumer purchasing power. The significant growth compared to the previous year's period resulted primarily from the inclusion of the prior-year acquisitions in the pharma packaging sector, Essentra Packaging and Eson Pac, which contrasted with the sale of the Russian sites.

Necessary structural adjustments were continued as announced and affected a packaging site in Germany. This resulted in one-off expenses of EUR 15.5 million. Even though we are still in the early stages of integrating Ex-Essentra Packaging, it can be confirmed that we are on the right track with the turnaround and the leveraging of synergies. In contrast, Eson Pac, acquired in April last year, has already far exceeded our expectations. In addition, the recent expansion of competitive sites has further contributed to organic growth.

At EUR 656.7 million, sales were mainly acquisition-related EUR 201.8 million above the previous year's figure of EUR 454.9 million.

The operating profit of EUR 33.9 million (1Q 2022: EUR 41.0 million) was influenced in particular by the aforementioned one-off expenses but also the discontinuation of the profitable business in Russia. The operating margin thus amounted to 5.2 % (1Q 2022: 9.0 %).

At 1,094 million m², produced volume was 14.1 % above the previous year's level (1Q 2022: 959 million m²). After eliminating the acquisition effects, MM Packaging recorded organic growth of approximately 2 %.

Divisional indicators MM Packaging

(in millions of EUR)	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2022	+/-
Sales ¹⁾	656.7	454.9	+ 44.3 %
EBITDA	62.3	59.3	+ 5.0 %
Operating profit	33.9	41.0	- 17.6 %
Operating margin (%)	5.2 %	9.0 %	- 387 bp
Cash flow from operating activities	57.2	30.8	+ 85.9 %
Produced volume (in millions of m ²)	1,094	959	+ 14.1 %

¹⁾ including interdivisional sales

Consolidated Balance Sheets

(all amounts in thousands of EUR)	End of 1 st Quarter	Year-end
	Mar. 31, 2023	Dec. 31, 2022
ASSETS		
Property, plant and equipment	1,856,039	1,813,214
Intangible assets including goodwill	1,011,673	1,017,117
Investments accounted for using the equity method, securities and other financial assets	13,354	13,153
Deferred tax assets	41,186	40,793
Non-current assets	2,922,252	2,884,277
Inventories	764,469	730,086
Trade receivables	725,857	695,242
Income tax receivables	39,066	27,129
Prepaid expenses and other current assets	193,177	198,875
Cash and cash equivalents	238,209	280,063
Non-current assets held for sale	2,956	2,966
Current assets	1,963,734	1,934,361
TOTAL ASSETS	4,885,986	4,818,638
EQUITY AND LIABILITIES		
Share capital	80,000	80,000
Additional paid-in capital	172,658	172,658
Retained earnings	1,996,224	1,961,929
Other reserves	(260,599)	(260,716)
Equity attributable to shareholders of the Company	1,988,283	1,953,871
Non-controlling (minority) interests	6,030	5,480
Total equity	1,994,313	1,959,351
Non-current financial liabilities	1,673,192	1,674,040
Provisions for non-current liabilities and charges	121,593	121,396
Deferred tax liabilities	94,513	93,950
Non-current liabilities	1,889,298	1,889,386
Current financial liabilities	100,885	87,549
Current tax liabilities	51,014	55,705
Trade liabilities	471,700	499,677
Deferred income and other current liabilities	326,528	296,703
Provisions for current liabilities and charges	52,248	30,267
Current liabilities	1,002,375	969,901
Total liabilities	2,891,673	2,859,287
TOTAL EQUITY AND LIABILITIES	4,885,986	4,818,638

Consolidated Income Statements

	1 st Quarter	
	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2022
(all amounts in thousands of EUR, except per share data)		
Sales	1,122,125	1,060,408
Cost of sales	(895,737)	(809,458)
Gross margin	226,388	250,950
Other operating income	11,817	10,967
Selling and distribution expenses	(104,063)	(95,123)
Administrative expenses	(72,418)	(55,373)
Other operating expenses	(128)	(288)
Operating profit	61,596	111,133
Financial income	1,282	1,559
Financial expenses	(10,842)	(7,482)
Other financial result – net	(3,082)	(1,586)
Profit before tax	48,954	103,624
Income tax expense	(14,054)	(24,154)
Profit for the period	34,900	79,470
Attributable to:		
Shareholders of the Company	34,295	78,924
Non-controlling (minority) interests	605	546
Profit for the period	34,900	79,470
Earnings per share for profit attributable to the shareholders of the Company during the period:		
Earnings per share	1.71	3.95

Consolidated Comprehensive Income Statements

	1 st Quarter	
	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2022
(all amounts in thousands of EUR)		
Profit for the period	34,900	79,470
Other comprehensive income:		
Actuarial valuation of defined benefit pension and severance obligations	(675)	23,280
Effect of income taxes	121	(5,250)
Total of items that will not be reclassified subsequently to the income statement	(554)	18,030
Currency translations	4,378	(11,521)
Cash flow hedge	(4,702)	0
Effect of income taxes	940	205
Total of items that will be reclassified subsequently to the income statement	616	(11,316)
Other comprehensive income (net)	62	6,714
Total comprehensive income	34,962	86,184
Attributable to:		
Shareholders of the Company	34,412	85,544
Non-controlling (minority) interests	550	640
Total comprehensive income	34,962	86,184

Consolidated Statements of Changes in Equity

	Equity attributable to shareholders of the Company							Non-controlling (minority) interests	Total equity	
	Share capital	Additional paid-in capital	Retained earnings	Other comprehensive income						
(all amounts in thousands of EUR)				Currency translations	Actuarial gains and losses	Cash flow hedge	Other reserves			
Balance at January 1, 2023	80,000	172,658	1,961,929	(195,617)	(41,366)	(23,733)	(260,716)	1,953,871	5,480	1,959,351
Profit for the period	0	0	34,295	0	0	0	0	34,295	605	34,900
Other comprehensive income	0	0	0	4,432	(553)	(3,762)	117	117	(55)	62
Total comprehensive income	0	0	34,295	4,432	(553)	(3,762)	117	34,412	550	34,962
Transactions with shareholders:										
Change in majority interests	0	0	0	0	0	0	0	0	0	0
Balance at March 31, 2023	80,000	172,658	1,996,224	(191,185)	(41,919)	(27,495)	(260,599)	1,988,283	6,030	1,994,313
Balance at January 1, 2022	80,000	172,658	1,687,923	(218,254)	(66,496)	0	(284,750)	1,655,831	6,047	1,661,878
Profit for the period	0	0	78,924	0	0	0	0	78,924	546	79,470
Other comprehensive income	0	0	0	(11,389)	18,009	0	6,620	6,620	94	6,714
Total comprehensive income	0	0	78,924	(11,389)	18,009	0	6,620	85,544	640	86,184
Transactions with shareholders:										
Change in majority interests	0	0	0	0	0	0	0	0	0	0
Balance at March 31, 2022	80,000	172,658	1,766,847	(229,643)	(48,487)	0	(278,130)	1,741,375	6,687	1,748,062

Consolidated Cash Flow Statements

(all amounts in thousands of EUR)	1 st Quarter	
	Jan. 1 - Mar. 31, 2023	Jan. 1 - Mar. 31, 2022
Profit for the period	34,900	79,470
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid	78,241	70,894
Net cash from profit	113,141	150,364
Changes in working capital	(17,520)	(86,755)
Cash flow from operating activities excluding interest and taxes paid	95,621	63,609
Income taxes paid	(28,393)	(14,265)
CASH FLOW FROM OPERATING ACTIVITIES	67,228	49,344
Payments for property, plant and equipment, and intangible assets (incl. payments on account)	(96,392)	(74,954)
Other items	1,673	(5,594)
CASH FLOW FROM INVESTING ACTIVITIES	(94,719)	(80,548)
Change in financial liabilities	7,295	(22,866)
Interest paid	(20,568)	(15,931)
Other items	45	7
CASH FLOW FROM FINANCING ACTIVITIES	(13,228)	(38,790)
Effect of exchange rate changes on cash and cash equivalents	(1,135)	2,497
Change in cash and cash equivalents	(41,854)	(67,497)
Cash and cash equivalents at the beginning of the period (in the consolidated balance sheet)	280,063	359,546
Cash and cash equivalents at the end of the period (in the consolidated balance sheet)	238,209	292,049

Quarterly Overview

MM Group

(consolidated, in millions of EUR)	1 st Quarter 2022	2 nd Quarter 2022	3 rd Quarter 2022	4 th Quarter 2022	1 st Quarter 2023
Sales	1,060.4	1,158.1	1,231.9	1,231.7	1,122.1
EBITDA	155.0	220.8	215.4	138.7	116.6
Operating profit	111.1	173.9	167.2	58.1	61.6
Operating margin (%)	10.5 %	15.0 %	13.6 %	4.7 %	5.5 %
Profit before tax	103.6	166.6	146.6	50.1	49.0
Income tax expense	(24.1)	(40.3)	(37.2)	(20.1)	(14.1)
Profit for the period	79.5	126.3	109.4	30.0	34.9
Net profit margin (%)	7.5 %	10.9 %	8.9 %	2.4 %	3.1 %
Earnings per share (in EUR)	3.95	6.29	5.43	1.52	1.71
Cash flow from operating activities	49.3	89.0	117.4	44.0	67.2

Divisions

MM Board & Paper

(in millions of EUR)	1 st Quarter 2022	2 nd Quarter 2022	3 rd Quarter 2022	4 th Quarter 2022	1 st Quarter 2023
Sales ¹⁾	656.3	725.9	747.3	620.5	521.2
EBITDA	95.7	157.8	142.9	102.9	54.3
Operating profit	70.1	131.6	116.5	62.8	27.7
Operating margin (%)	10.7 %	18.1 %	15.6 %	10.1 %	5.3 %
Cash flow from operating activities	18.5	83.6	124.9	17.4	10.0
Tonnage sold (in thousands of tonnes)	657	623	615	494	473
<i>Cartonboard</i>	494	467	469	373	375
<i>Kraft Papers</i>	64	64	51	41	40
<i>Uncoated Fine Papers</i>	99	92	95	80	58
Tonnage produced (in thousands of tonnes)	659	671	611	492	488

¹⁾ including interdivisional sales

MM Packaging

(in millions of EUR)	1 st Quarter 2022	2 nd Quarter 2022	3 rd Quarter 2022	4 th Quarter 2022	1 st Quarter 2023
Sales ¹⁾	454.9	502.4	552.9	658.5	656.7
EBITDA	59.3	63.0	72.5	35.8	62.3
Operating profit	41.0	42.3	50.7	(4.7)	33.9
Operating margin (%)	9.0 %	8.4 %	9.2 %	-0.7 %	5.2 %
Cash flow from operating activities	30.8	5.4	(7.5)	26.6	57.2
Produced volume (in millions of m ²)	959	954	1,015	1,128	1,094

¹⁾ including interdivisional sales

***The Management Board
of Mayr-Melnhof Karton AG***

MM Shares

Relative performance of MM shares 2022/2023
(December 30, 2021 = 100)



Share price (closing price)

as of April 21, 2023	149.00
2023 High	161.60
2023 Low	147.40
Stock performance (Year-end 2022 until April 21, 2023)	- 1.46 %
Number of shares issued	20 million
Market capitalization as of April 21, 2023 (in millions of EUR)	2,980
Trading volume (average per day 1Q 2023 in millions of EUR)	1.91

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 interim financial report, can be found on our website under section “For Investors/Key Indicators”.

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

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

Imprint

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