



Press Release

August 19, 2021

Results for the 1st Half-Year 2021

- **Transformational acquisitions of Kwidzyn and Kotkamills beginning of August executed**
- **Price increases lagging input cost inflation leave margins temporarily squeezed**
- **High orderbook in Cartonboard and Packaging**
- **Ongoing structural cost-adjustments**

The MM Group continued to record high capacity utilization in both divisions in the 2nd quarter of 2021 with good demand for cartonboard and cartonboard packaging. 1st half-year sales of the MM Group were thus slightly above the previous year's level. However, as expected, this was offset by a significant weight on results owing to the ongoing massive cost inflation for raw materials, energy and logistics. The time lag between the rapid cost increase and the implemented price increases led to a major squeeze in operating profit in the cartonboard business. By contrast, current business development in the packaging division was more robust. However, as already announced, necessary restructuring measures at a packaging site in Germany resulted in one-off expenses of approximately EUR 26 million.

Our goal is to compensate the significant cost increase the best possible by a further cartonboard price increase as of October. For the current 3rd quarter, however, ongoing pressure on margins is to be expected due to the lag in passing on of costs. In addition, the one-off effects from the initial consolidation of the acquisitions and deconsolidation of the disposals will impact 3rd quarter results.

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1 st HY/2021	1 st HY/2020	+/-
Sales	1,289.6	1,266.5	+1.8 %
EBITDA	155.5	211.7	-26.5 %
Operating profit	92.1	122.5	-24.8 %
Operating margin (in %)	7.1 %	9.7 %	-253 bp
Profit before tax	82.9	117.7	-29.5 %
Income tax expense	(20.7)	(32.8)	
Profit for the period	62.2	84.9	-26.7 %
Net profit margin (in %)	4.8 %	6.7 %	
Earnings per share (in EUR)	3.07	4.23	
Cash flow from operating activities	112.3	122.6	-8.4 %
Employees	9,973	9,938 ¹⁾	
Capital expenditures (CAPEX)	105.7	56.4	
Depreciation and amortization ²⁾	63.4	89.2	

¹⁾ as of December 31, 2020

²⁾ including impairment of property, plant and equipment and intangible assets

STRATEGIC UPDATE

Through the transformational acquisitions of the Kwidzyn mill in Poland, and Kotkamills, Finland, we have structurally strengthened the Group's competitiveness. Both mills offer us a growth platform for the next decade through innovations, especially in the area of sustainability, a favorable cost position and the strengthening of our leading position in European cartonboard. In addition, we acquired two new core businesses "Kraft Papers" and "Uncoated Fine Papers". In line with the expanded product portfolio, the division MM Karton has been renamed MM Board & Paper. Part of the transformation was the disposal of the smaller cartonboard mills Eerbeek, Netherlands, and Baiersbronn, Germany.

INCOME STATEMENT

The Group's consolidated sales increased slightly from EUR 1,266.5 million to EUR 1,289.6 million.

At EUR 92.1 million, operating profit was 24.8 % or EUR 30.4 million lower than in the previous year (1st half of 2020: EUR 122.5 million). This decline is mainly due to the rapid increase in costs in the cartonboard business, which can only be passed on with a time lag. At EUR 26.1 million, one-off expenses from adjustment and restructuring measures were at a similar level as the one-off effects in the 1st half of the previous year (1st half of 2020: EUR 29.5 million). The Group's operating margin was therefore at 7.1 % (1st half of 2020: 9.7 %).

Financial income of EUR 1.0 million (1st half of 2020: EUR 0.9 million) was offset by financial expenses of EUR -10.3 million (1st half of 2020: EUR -3.8 million). The latter increased in particular due to the issuance of Schuldschein loans and Namensschuldverschreibungen in the 1st quarter of 2021 to finance the acquisitions and organic growth projects. "Other financial result – net" amounted to EUR 0.1 million (1st half of 2020: EUR -1.9 million) mainly due to changes in the foreign exchange result.

Profit before tax totaled EUR 82.9 million, compared to EUR 117.7 million in the previous year. Income tax expense was at EUR 20.7 million (1st half of 2020: EUR 32.8 million), resulting in an effective Group tax rate of 25.0 % (1st half of 2020: 27.9 %).

Accordingly, profit for the period decreased from EUR 84.9 million to EUR 62.2 million.

DEVELOPMENT IN THE 2ND QUARTER

At EUR 648.3 million, consolidated sales were in line with the 1st quarter (EUR 641.3 million) and slightly above the previous year's level (2Q 2020: EUR 619.9 million).

Mainly due to the one-off expenses for restructuring measures in the packaging division as well as the strong increase in input costs in the cartonboard sector the Group's operating profit decreased to EUR 30.9 million after EUR 61.2 million in the 1st quarter of 2021 and EUR 57.9 million in the 2nd quarter of the previous year. The operating margin was thus at 4.8 % (1Q 2021: 9.6%; 2Q 2020: 9.3 %). Profit for the period totaled EUR 18.3 million (1Q 2021: EUR 43.9 million; 2Q 2020: EUR 39.8 million).

Cartonboard capacities were again almost fully utilized in the 2nd quarter at 99 % (1Q 2021: 99 %; 2Q 2020: 99 %). The division's operating margin amounted to 4.6 % (1Q 2021: 7.3 %; 2Q 2020: 9.6 %).

The operating margin of the packaging division decreased to 4.5 % (1Q 2021: 10.4 %; 2Q 2020: 8.4 %) due to the one-off expenses.

OUTLOOK

Along with ongoing good demand on our sales markets, the strong cost inflation on the procurement markets has been persisting also in the 3rd quarter. Thus, the margins of MM remain under pressure despite improved selling prices. Although recovered paper prices stayed stable at a peak level at the beginning of the summer, it is unclear whether this will result in a cap. In contrast, the strong price increase for many other input factors continues unabated. A further cartonboard price increase from October onwards is intended to compensate for the cost increase in the cartonboard sector the best possible. On the other hand, higher cartonboard prices mean new cost weight for MM Packaging, which can only be passed on with a time lag.

For the acquisitions of Kwidzyn and Kotkamills, the positive contribution from the current result will be offset by one-off expenses this year due to the capitalization of high order backlogs and inventory valuation in the course of initial consolidation. As a result, the new mills' earnings will only be fully reflected from 2022 onwards. On the other hand, the disposal of the Eerbeek and Baiersbronn mills is expected to generate a deconsolidation gain of between EUR 45 – 55 million in the 3rd quarter, which will be partly offset by acquisition costs including transaction taxes.

DEVELOPMENT IN THE DIVISIONS

MM BOARD & PAPER* (MM Karton)

in millions of EUR, IFRS	1 st HY/2021	1 st HY/2020	+/-
Sales¹⁾	556.6	533.0	+4.4 %
Operating profit	33.0	59.2	-44.3 %
Operating margin (in %)	5.9 %	11.1 %	-518 bp
Cash flow from operating activities	16.7	52.7	-68.3 %
Tonnage sold (in thousands of tons)	854	871	-2.0 %
Tonnage produced (in thousands of tons)	831	877	-5.3 %

¹⁾ including interdivisional sales

Demand on the European cartonboard markets remained characterized by strong order activity during the 1st half of 2021. On the one hand, this has been due to a restocking of the supply chain, which was reduced during the pandemic, and on the other hand to securing volumes as a result of increasing delivery times. As a result, the division's average order backlog of 194,000 tons was significantly higher than the comparable figure of the previous year (1st half of 2020: 115,000 tons). At 99 % (1st half of 2020: 99 %), the division's capacities continued to be almost fully utilized.

As a result of the massive price increase on the procurement markets for many input factors, in particular fibers (recovered paper, pulp), energy, chemicals, packaging materials, and transport, price increases were implemented effective from the 2nd quarter of 2021 or mid-year. The reasons for the significant increase in recovered paper prices are mainly the strong demand from the corrugated board industry and from Asia, as well as the decline in volumes of magazine papers and newsprint.

At 831,000 tons and 854,000 tons, respectively, both the volume produced and sold were below the previous year's level (1st half of 2020: 877,000 tons and 871,000 tons, respectively). This is in particular attributable to the closure of the small cartonboard machine at the Hirschwang site during the 4th quarter of last year. With a sales share of approximately 87 % in Europe and 13 % in markets outside Europe, there was again slightly more sold on European markets (1st half of 2020: 85 % and 15 %, respectively).

Sales of EUR 556.6 million were price-related above the comparative figure (1st half of 2020: EUR 533.0 million). In contrast, the operating profit declined by 44.3 % to EUR 33.0 million (1st half of 2020: EUR 59.2 million), mainly due to the significant rise in direct costs. The operating margin amounted to 5.9 % (1st half of 2020: 11.1 %).

*Division name change to MM Board & Paper after completion of the Kwidzyn acquisition and the resulting expansion of the product portfolio to include "Kraft Papers" and "Uncoated Fine Papers".

MM PACKAGING

in millions of EUR, IFRS	1st HY/2021	1 st HY/2020	+/-
Sales¹⁾	791.4	793.6	-0.3 %
Operating profit	59.1	63.3	-6.6 %
Operating margin (in %)	7.5 %	8.0 %	-50 bp
Cash flow from operating activities	95.6	69.9	+36.8 %
Tonnage processed (in thousands of tons)	424	420	+0.9 %

¹⁾ including interdivisional sales

Demand on the European folding carton markets showed an equally positive picture in the 1st half of 2021 as for cartonboard. Good sales development resulted from daily consumer goods as well as a recovery of the health, beauty & personal care markets. At the same time, however, all business areas have been affected by a significant increase in input costs such as cartonboard & paper, inks, coatings, and packaging materials. In addition, suppliers are increasingly experiencing supply bottlenecks. Accordingly, the focus was and still is on maintaining material supply and passing on the cost increases to the customers. This was largely done from the middle of the year in accordance with contractual agreements.

In addition, expansion investments in locations with cost advantages and the focus on growth markets such as sustainable, plastic-free packaging were successfully started in Austria, Poland, Romania and Great Britain. On the other hand, necessary structural adjustment measures to increase competitiveness and safeguard the existing business are being continued. In the 2nd quarter, this affected in particular the packaging site MM Graphia Bielefeld, for which one-off expenses in the amount of EUR 26.1 million were recorded.

At EUR 791.4 million, sales were close to the prior-year figure of EUR 793.6 million. The good current operating profit was reduced to EUR 59.1 million (1st half of 2020: EUR 63.3 million), mainly due to restructuring expenses. The operating margin thus amounted to 7.5 % (1st half of 2020: 8.0 %).

Tonnage processed increased from 420,000 tons to 424,000 tons, primarily owing to shifts in the product mix.

QUARTERLY OVERVIEW

MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2020	2Q/2020	3Q/2020	4Q/2020	1Q/2021	2Q/2021
Sales	646.6	619.9	637.0	624.9	641.3	648.3
EBITDA	98.9	112.8	95.4	91.8	92.7	62.8
Operating profit	64.6	57.9	46.8	62.1	61.2	30.9
Operating margin (in %)	10.0 %	9.3 %	7.3 %	9.9 %	9.6 %	4.8 %
Profit before tax	62.8	54.9	42.9	61.5	58.6	24.3
Income tax expense	(17.7)	(15.1)	(11.5)	(15.6)	(14.7)	(6.0)
Profit for the period	45.1	39.8	31.4	45.9	43.9	18.3
Net profit margin (in %)	7.0 %	6.4 %	4.9 %	7.4 %	6.8 %	2.8 %
Earnings per share (in EUR)	2.25	1.98	1.55	2.28	2.18	0.89
Cash flow from operating activities	84.5	38.1	101.1	94.5	77.8	34.5

DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	1Q/2020	2Q/2020	3Q/2020	4Q/2020	1Q/2021	2Q/2021
Sales¹⁾	273.5	259.5	264.4	253.4	271.4	285.2
Operating profit	34.1	25.1	9.2	18.3	19.8	13.2
Operating margin (in %)	12.5 %	9.6 %	3.5 %	7.2 %	7.3 %	4.6 %
Cash flow from operating activities	30.4	22.3	45.5	28.1	14.3	2.4
Tonnage sold (in thousands of tons)	444	427	423	410	432	422
Tonnage produced (in thousands of tons)	435	442	421	412	410	421

¹⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	1Q/2020	2Q/2020	3Q/2020	4Q/2020	1Q/2021	2Q/2021
Sales¹⁾	401.7	391.9	401.9	398.7	399.3	392.1
Operating profit	30.5	32.8	37.6	43.8	41.4	17.7
Operating margin (in %)	7.6 %	8.4 %	9.3 %	11.0 %	10.4 %	4.5 %
Cash flow from operating activities	54.1	15.8	55.6	66.4	63.5	32.1
Tonnage processed (in thousands of tons)	209	211	215	212	216	208

¹⁾ including interdivisional sales

The Half-Year Financial Report 2021 as well as the CEO video statement and the details for today's CEO Conference Call are available on our website: <https://www.mm.group>.

Forthcoming results:

November 16, 2021

Results for the first three quarters of 2021

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