



PRESS RELEASE

November 15, 2018

Results for the first three quarters of 2018

- Further profit increase
- High capacity utilization
- Significant growth in results at MM Karton
- Higher costs weigh on margin at MM Packaging
- Slowing demand dynamics
- Growth course with acquisition of TANN Group continued

The Mayr-Melnhof Group was able to carry on the improved profitability level of the earlier part of the year with a good third quarter and hence to conclude after three quarters above the previous year. Both divisions reported ongoing high capacity utilization despite increasingly slowing market dynamics.

Supported by a profit increase in the cartonboard division, particularly due to better prices, the Group's operating profit came in more than 8 % above the comparative period of the previous year. The packaging division continued to grow, however, a strong rise in input costs, especially for cartonboard, put considerable pressure on margins. Price increases aiming to pass on costs are difficult to impose, or only possible with delay. For the fourth quarter, maintaining the high level of profit remains a challenge.

In October, MM Packaging announced a significant growth step with the acquisition of the TANN Group. TANN prints on and finishes externally sourced fine paper to produce cigarette filter paper (tipping paper) and is the global market leader in this area technologically closely related to MM Packaging. The aim is to expand the value chain and strengthen the profitability of MM Packaging as well as to generate further growth. The acquisition is subject to the approval of the antitrust authorities. The transaction is expected to be closed at the beginning of 2019.

GROUP KEY INDICATORS

consolidated, in millions of EUR, IFRS	1-3Q/2018	1-3Q/2017	+/-
Sales	1,763.1	1,749.1	+0.8 %
Operating profit	172.3	158.9	+8.4 %
Operating margin (in %)	9.8 %	9.1 %	
Profit before tax	169.0	151.9	+11.3 %
Income tax expense	(42.6)	(38.6)	
Profit for the period	126.4	113.3	+11.6 %
Net profit margin (in %)	7.2 %	6.5 %	
Earnings per share (in EUR)	6.30	5.65	
Employees	9,558	9,856 ¹⁾	
Capital expenditures (CAPEX)	77.9	122.0	
Depreciation and amortization	79.8	73.3	

¹⁾ as of December 31, 2017

In the first nine months of 2018, the consolidated sales of the Group totaled EUR 1,763.1 million and were thus slightly above the previous year's value (1-3Q 2017: EUR 1,749.1 million). Both divisions contributed to this.

At EUR 172.3 million, operating profit was 8.4 % or EUR 13.4 million above the comparative value of the previous year (1-3Q 2017: EUR 158.9 million). A significant profit increase at the cartonboard division contrasted with a decrease at the packaging division. The Group's operating margin thus climbed to 9.8 % (1-3Q 2017: 9.1 %).

Financial income totaling EUR 1.0 million (1-3Q 2017: EUR 1.6 million) was offset by financial expenses of EUR -4.7 million (1-3Q 2017: EUR -4.5 million). "Other financial result – net" amounted to EUR 0.4 million (1-3Q 2017: EUR -4.1 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 at EUR 169.0 million was 11.3 % above the comparative figure of the previous year (1-3Q 2017: EUR 151.9 million). Income tax expense totaled EUR 42.6 million (1-3Q 2017: EUR 38.6 million), resulting in an effective Group tax rate of 25.2 % (1-3Q 2017: 25.4 %).

Profit for the period rose accordingly by 11.6 % to EUR 126.4 million (1-3Q 2017: EUR 113.3 million).

DEVELOPMENT IN THE THIRD QUARTER

In the third quarter of 2018, the company was successful in maintaining, both in sales and operating profit, the strong performance of this year's previous quarters as well as the good figures of the comparative quarter of last year. Capacity utilization of the facilities remained overall at a high level, although the positive momentum of the first half of this year was increasingly followed by a normalization of demand.

At around 99 % (1Q/2Q 2018: both 99 %; 3Q 2017: 98 %), the cartonboard division recorded continuing full capacity utilization. The division's operating margin amounting to 9.0 % did, however, not match the strong figures of the first two quarters of this year (1Q/2Q 2018: 10.3 % and 10.6 %), due to higher costs. Nevertheless, it remained significantly above the previous year (3Q 2017: 7.4 %).

The packaging division succeeded in achieving an operating margin of 9.7 %, mainly as a result of increased value in the product mix and savings, following 8.3 % and 8.6 % in the first and second quarter of 2018, and 10.3 % in the third quarter of the previous year.

The Group's operating profit reached EUR 58.0 million (1Q/2Q 2018: EUR 57.1 million and EUR 57.2 million; 3Q 2017: EUR 56.8 million), with an operating margin of 9.8 % (1Q/2Q 2018: 9.6 % and 9.9 %; 3Q 2017: 9.5 %) being achieved.

At EUR 42.7 million, the profit for the period exceeded last year's figure (3Q 2017: EUR 41.4 million) as well as those of the previous quarters (1Q/2Q 2018: EUR 41.7 million and EUR 42.0 million).

OUTLOOK

As a result of a well-stocked supply chain, demand in our markets and therefore also incoming orders are currently showing an increasingly slower pattern. Accordingly, competitive pressure has again intensified. On the fiber markets prices for mixed recovered paper grades have bottomed out. Furthermore, the price hike in pulp and mechanical pulp prices requires a price increase for virgin fiber-based board. Discipline in price and product policy as well as further rationalization are directed on securing the Group's profit quality. Nevertheless, maintaining the high profit level of the previous quarters remains a challenge for the fourth quarter.

DEVELOPMENT IN THE DIVISIONS

MM Karton

in millions of EUR, IFRS	1-3Q/2018	1-3Q/2017	+/-
Sales¹⁾	799.9	788.9	+1.4 %
Operating profit	79.9	54.6	+46.3 %
Operating margin (in %)	10.0 %	6.9 %	
Tonnage sold (in thousands of tons)	1,260	1,266	-0.5 %
Tonnage produced (in thousands of tons)	1,271	1,269	+0.2 %

¹⁾ including interdivisional sales

The positive momentum on the cartonboard markets up to the middle of this year is being increasingly followed by a normalization in the demand dynamics. Accordingly, the market situation stays characterized by intense competition.

As a result of high capacity utilization, better prices, and a favorable product portfolio, MM Karton achieved a significant profit increase during the first three quarters compared to the previous year. The focus stayed consequently on a disciplined price policy while asserting market shares as well as on a growing proportion of new products with higher added value.

At 82,000 tons the average order backlog was at previous year's level (1-3Q 2017: 82,000 tons). Both cartonboard production as well as sales, at 1,271,000 tons and 1,260,000 tons respectively, were close to the comparative figures of the previous year (1-3Q 2017: 1,269,000 tons and 1,266,000 tons respectively). With a sales share of approximately 82 % to Europe and 18 % to markets outside of Europe, slightly more was sold to European markets (1-3Q 2017: 80 % and 20 % respectively). At around 99 % (1-3Q 2017: 98 %), capacities were again almost fully utilized.

On the fiber markets the decline in prices for mixed recovered paper was followed by a slight increase from the middle of the year. In contrast, products based on virgin fibers were subject to a continuing strong upward trend in prices.

Sales increased price-related to EUR 799.9 million (1-3Q 2017: EUR 788.9 million). As a result, and also owing to lower direct costs, the operating profit at EUR 79.9 million was significantly above the comparative period (1-3Q 2017: EUR 54.6 million), thus leading to an operating margin of 10.0 % (1-3Q 2017: 6.9 %).

MM Packaging

in millions of EUR, IFRS	1-3Q/2018	1-3Q/2017	+/-
Sales¹⁾	1,045.3	1,036.8	+0.8 %
Operating profit	92.4	104.3	-11.4 %
Operating margin (in %)	8.8 %	10.1 %	
Tonnage processed (in thousands of tons)	584	569	+2.6 %
Sheet equivalent (in millions)	1,730.8	1,707.0	+1.4 %

¹⁾ including interdivisional sales

Also on the European folding carton markets demand dynamics slowed from the beginning of the third quarter. Due to a well-stocked supply chain planning is now more restrained. Therefore, and also owing to sufficient production capacities in the industry, the competitive situation is still characterized by high intensity.

Due to a good order backlog, the MM Packaging plants reported an overall high capacity utilization during the first three quarters. Through specialization in the requirements of various consumer goods sectors and the broad geographical presence, MM Packaging was able to grow further in volume and sales.

However, margins came clearly under pressure owing to cartonboard price increases and further cost rises, especially for transport and logistics, since passing on costs through higher selling prices is difficult to be realized or only possible with delay. With targeted cost-saving programs and increased volumes it was nevertheless possible to cushion the impact on the result. In the third quarter profitability benefited in particular from a higher value in the product mix.

Tonnage processed went up over the first three quarters of 2018 by 2.6 % from 569,000 tons to 584,000 tons, the sheet equivalent by 1.4 % to 1,730.8 million (1-3Q 2017: 1,707.0 million).

At EUR 1,045.3 million, sales were 0.8 % above the comparative value of the previous year (1-3Q 2017: EUR 1,036.8 million), mainly due to volumes. The decline in the operating profit by 11.4 % to EUR 92.4 million (1-3Q 2017: EUR 104.3 million) largely resulted from the sharp rise in direct costs. Accordingly, the operating margin was 8.8 % (1-3Q 2017: 10.1 %).

QUARTERLY OVERVIEW

MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2017	2Q/2017	3Q/2017	4Q/2017	1Q/2018	2Q/2018	3Q/2018
Sales	584.5	565.8	598.8	587.7	592.1	578.5	592.5
EBITDA	74.8	76.1	81.3	82.1	83.9	84.5	85.7
EBITDA margin (in %)	12.8 %	13.4 %	13.6 %	14.0 %	14.2 %	14.6 %	14.5 %
Operating profit	50.6	51.5	56.8	56.1	57.1	57.2	58.0
Operating margin (in %)	8.7 %	9.1 %	9.5 %	9.5 %	9.6 %	9.9 %	9.8 %
Profit before tax	49.2	47.8	54.9	53.6	55.6	56.2	57.2
Income tax expense	(12.3)	(12.8)	(13.5)	(11.9)	(13.9)	(14.2)	(14.5)
Profit for the period	36.9	35.0	41.4	41.7	41.7	42.0	42.7
Net profit margin (in %)	6.3 %	6.2 %	6.9 %	7.1 %	7.0 %	7.3 %	7.2 %
Earnings per share (in EUR)	1.84	1.74	2.07	2.08	2.08	2.09	2.13

DIVISIONS

MM KARTON

in millions of EUR, IFRS	1Q/2017	2Q/2017	3Q/2017	4Q/2017	1Q/2018	2Q/2018	3Q/2018
Sales¹⁾	261.9	262.3	264.7	259.8	268.3	262.7	268.9
Operating profit	15.9	19.2	19.5	18.9	27.7	27.9	24.3
Operating margin (in %)	6.1 %	7.3 %	7.4 %	7.3 %	10.3 %	10.6 %	9.0 %
Tonnage sold (in thousands of tons)	426	418	422	409	419	418	423
Tonnage produced (in thousands of tons)	421	423	425	416	416	426	429

¹⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	1Q/2017	2Q/2017	3Q/2017	4Q/2017	1Q/2018	2Q/2018	3Q/2018
Sales¹⁾	344.6	330.0	362.2	355.9	354.3	342.1	348.9
Operating profit	34.7	32.3	37.3	37.2	29.4	29.3	33.7
Operating margin (in %)	10.1 %	9.8 %	10.3 %	10.5 %	8.3 %	8.6 %	9.7 %
Tonnage processed (in thousands of tons)	190	185	194	198	199	196	189
Sheet equivalent (in millions)	569.8	548.9	588.3	582.9	587.0	581.3	562.5

¹⁾ including interdivisional sales

The Interim Report for the first three quarters of 2018 is available on our website: www.mayr-melnhof.com

Forthcoming results:

March 19, 2019 Financial results for 2018

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