



PRESS RELEASE

August 20, 2020

Results for the 1st Half-Year 2020

- Solid business performance
- Operating profit slightly below previous year
- Focus on optimizing structural costs and deepening market penetration through innovation and product portfolio adjustments
- Earnings in 2nd half-year expected to be further below previous year

The Mayr-Melnhof Group recorded an overall solid operating business performance also in the 2nd quarter of 2020 despite increasingly difficult macroeconomic conditions. Although the demand for our products, cartonboard and cartonboard packaging for consumer staples, shows a certain resilience, the increase in inventories at customers at the beginning of the pandemic and the significant economic downturn in several markets towards mid-year had an increasingly dampening effect.

At stable sales, the operating profit for the 1st half-year of 2020 was only slightly below the previous year despite impairments. In the cartonboard division, favorable raw material and energy costs as well as a good upkeep of cartonboard prices contributed to the positive development. In contrast, the packaging division performed slightly below the previous year's level, also due to the product mix.

Against the background of the global economic recession and rising competitive intensity, the Mayr-Melnhof Group will strengthen its focus on optimizing structural costs and deepening market penetration through innovation and product portfolio adjustments. Investments aimed at this are to be intensified.

The annual result is expected to be further below the previous year's level, as the intensified economic downturn and necessary adjustment measures may have a negative impact on results.

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1 st HY/2020	1 st HY/2019	+/-
Sales	1,266.5	1,275.5	-0.7 %
Operating profit	122.5	124.0	-1.2 %
Operating margin (in %)	9.7 %	9.7 %	-5 bp
Profit before tax	117.7	122.6	-4.0 %
Income tax expense	(32.8)	(30.3)	
Profit for the period	84.9	92.3	-8.0 %
Net profit margin (in %)	6.7 %	7.2 %	
Earnings per share (in EUR)	4.23	4.59	
Cash flow from operating activities	122.6	134.3	-8.7 %
Employees	10,000	10,014 ¹⁾	
Capital expenditures (CAPEX)	56.4	61.2	
Depreciation and amortization ²⁾	89.2	67.6	

¹⁾ as of December 31, 2019

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

The consolidated sales of the Group amounted to EUR 1,266.5 million and almost reached the previous year's level (1st half of 2019: EUR 1,275.5 million).

The operating profit of EUR 122.5 million was 1.2 % or EUR 1.5 million below the previous year's figure (1st half of 2019: EUR 124.0 million) and includes expenses of EUR -8.6 million for the termination agreement with the former CEO, which were booked in equal shares in the divisions. Depreciation and amortization increased from EUR 67.6 million to EUR 89.2 million, which includes market-related impairments in the non-current assets of both divisions amounting to EUR 20.9 million.

In the 1st half of the previous year, one-off acquisition effects from the initial consolidation of the Tann-Group due to the recognition of the order backlog and inventory measurement were recorded in the amount of EUR -4.8 million.

The Group's operating margin thus remained unchanged at 9.7 % (1st half of 2019: 9.7 %).

Financial income of EUR 0.9 million (1st half of 2019: EUR 0.7 million) contrasted with financial expenses of EUR -3.8 million (1st half of 2019: EUR -4.0 million). The "Other financial result - net" amounted to EUR -1.9 million (1st half of 2019: EUR 1.9 million), mainly due to changes in the foreign currency result.

Profit before tax of EUR 117.7 million was thus 4.0 % below the previous year's figure (1st half of 2019: EUR 122.6 million). Income tax expense amounted to EUR 32.8 million (1st half of 2019: EUR 30.3 million), resulting in an effective Group tax rate of 27.9 % (1st half of 2019: 24.7 %). This increase is mainly due to tax effects of the termination agreement and the impairment.

Profit for the period accordingly went down 8.0 % to EUR 84.9 million (1st half of 2019: EUR 92.3 million).

DEVELOPMENT IN THE 2ND QUARTER

As a result of the Covid-19 pandemic and the associated impacts, an impairment test of non-current assets was carried out and a valuation loss of EUR 20.9 million was determined. Of this amount EUR 13.1 million is attributable to the cartonboard division and EUR 7.8 million to the packaging division.

The Group's operating profit amounted to EUR 57.9 million, compared to EUR 64.6 million in the 1st quarter of 2020 and EUR 66.8 million in the 2nd quarter of the previous year. Consolidated sales of EUR 619.9 million were slightly below the previous and previous year's quarter (1Q 2020: EUR 646.6 million; 2Q 2019: EUR 632.6 million). The Group's operating margin thus reached 9.3 % (1Q 2020: 10.0 %; 2Q 2019: 10.6 %). The profit for the period amounted to EUR 39.8 million (1Q 2020: EUR 45.1 million; 2Q 2019: EUR 48.6 million).

The cartonboard division achieved an operating margin of 9.6 % (1Q 2020: 12.5 %; 2Q 2019: 11.2 %) and registered a capacity utilization of 99 % (1Q 2020: 98 %; 2Q 2019: 98 %).

At 8.4 %, the operating margin in the packaging division was higher than in the 1st quarter of the current year (1Q 2020: 7.6 %), but lower than in the previous year (2Q 2019: 9.4 %).

OUTLOOK

The macroeconomic consequences of the Covid-19 pandemic are manifesting themselves in the most severe downturn in the global economy so far. The effects on purchasing power and private consumption, and thus on our business, remain difficult to assess, as the duration and extent of the recession are uncertain. Order backlogs and increasing competitive pressure reflect more cautious disposition of customers, although we have so far recorded a certain resilience. In contrast, the recovered paper markets are slowly easing after the strong price increase in the 2nd quarter.

Today more than ever, our cost structures and market positioning are decisive for the continuation of MM's long-term course of success and are therefore increasingly in the focus of our optimization steps. Economies of scale are to be increased, the related investments intensified and the sales spectrum broadened or deepened. A special focus is on increased efforts for innovations.

The annual result is expected to be further below the previous year's level, as the intensified economic downturn and necessary adjustment measures may have a negative impact on results.

DEVELOPMENT IN THE DIVISIONS

MM Karton

in millions of EUR, IFRS	1 st HY/2020	1 st HY/2019	+/-
Sales¹⁾	533.0	541.5	-1.6 %
Operating profit	59.2	57.6	+2.8 %
Operating margin (in %)	11.1 %	10.6 %	+47 bp
Cash flow from operating activities	52.7	58.9	-10.7 %
Tonnage sold (in thousands of tons)	871	847	+2.8 %
Tonnage produced (in thousands of tons)	877	867	+1.2 %

¹⁾ including interdivisional sales

In the 1st half-year of 2020 the demand situation on the European cartonboard markets was characterized by significantly increased order activity from the end of the 1st quarter onward, due to the outbreak of the Covid-19 pandemic. This was followed by a gradual slowdown towards mid-year due to the filled supply chain and restrained planning of customers. At 115,000 tons, the division's average order backlog was significantly higher than in the 1st half of the previous year (1st half of 2019: 77,000 tons). Market shares were gained selectively. At 99 % (1st half of 2019: 98 %), the division's capacities were almost fully utilized.

On the procurement markets prices for mixed recovered paper grades recorded a sharp rise due to the collection holdups caused by the corona lockdown after a downward trend at the beginning of the year. However, this was tackled with price increases for recycled fiber-based cartonboard.

At 877,000 tons and 871,000 tons both the tonnage produced and sold were slightly above the previous year's figures (1st half of 2019: 867,000 tons and 847,000 tons respectively). Approximately 85 % was sold in Europe and 15 % on non-European markets (1st half of 2019: 82 % and 18 % respectively).

Sales of EUR 533.0 million were price-related slightly below the comparative figure (1st half of 2019: EUR 541.5 million). In contrast, operating profit increased by 2.8 % to EUR 59.2 million (1st half of 2019: EUR 57.6 million) due to a favorable cost situation, resulting in an operating margin of 11.1 % (1st half of 2019: 10.6 %).

MM Packaging

in millions of EUR, IFRS	1st HY/2020	1 st HY/2019	+/-
Sales¹⁾	793.6	790.4	+0.4 %
Operating profit	63.3	66.4	-4.6 %
Operating margin (in %)	8.0 %	8.4 %	-42 bp
Cash flow from operating activities	69.9	75.4	-7.2 %
Tonnage processed (in thousands of tons)	420	392	+7.1 %

¹⁾ including interdivisional sales

The development on the European folding carton markets showed a similar picture as for cartonboard during the 1st half-year of 2020. Against this background, MM Packaging recorded a record level in the order intake at the beginning of the Covid-19 pandemic which declined again during the course of the 2nd quarter. The situation was heterogeneous by product groups. From the beginning, growth in consumer staples was offset by a sharp decrease in high-value markets such as duty-free, luxury and cosmetics. Temporary plant shutdowns were therefore unavoidable at some production sites, while other plants had to cope with major challenges in terms of production, procurement and transport logistics.

The price increase for recycled fiber-based cartonboard grades could only be partially passed on to customers or with a delay. Cost reduction programs through investments and portfolio adjustments were consistently pursued.

Sales went up by EUR 3.2 million from EUR 790.4 million to EUR 793.6 million. At EUR 63.3 million, operating profit was 4.6 % below the same period of the previous year (1st half of 2019: EUR 66.4 million).

The tonnage processed rose by 7.1 % from 392,000 tons to 420,000 tons, mainly due to shifts in the product mix. The operating margin decreased to 8.0 % (1st half of 2019: 8.4 %).

QUARTERLY OVERVIEW

MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2019	2Q/2019	3Q/2019	4Q/2019	1Q/2020	2Q/2020
Sales	642.9	632.6	648.8	620.1	646.6	619.9
Operating profit	57.2	66.8	71.6	59.7	64.6	57.9
Operating margin (in %)	8.9 %	10.6 %	11.0 %	9.6 %	10.0 %	9.3 %
Profit before tax	58.1	64.5	71.6	56.9	62.8	54.9
Income tax expense	(14.4)	(15.9)	(17.6)	(13.0)	(17.7)	(15.1)
Profit for the period	43.7	48.6	54.0	43.9	45.1	39.8
Net profit margin (in %)	6.8 %	7.7 %	8.3 %	7.1 %	7.0 %	6.4 %
Earnings per share (in EUR)	2.17	2.42	2.70	2.20	2.25	1.98
Cash flow from operating activities	76.1	58.2	88.4	108.8	84.5	38.1

DIVISIONS

MM KARTON

in millions of EUR, IFRS	1Q/2019	2Q/2019	3Q/2019	4Q/2019	1Q/2020	2Q/2020
Sales¹⁾	271.3	270.2	271.5	265.3	273.5	259.5
Operating profit	27.3	30.3	29.8	23.1	34.1	25.1
Operating margin (in %)	10.1 %	11.2 %	11.0 %	8.7 %	12.5 %	9.6 %
Cash flow from operating activities	31.9	27.0	35.1	61.3	30.4	22.3
Tonnage sold (in thousands of tons)	421	426	432	426	444	427
Tonnage produced (in thousands of tons)	430	437	436	420	435	442

¹⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	1Q/2019	2Q/2019	3Q/2019	4Q/2019	1Q/2020	2Q/2020
Sales¹⁾	402.4	388.0	404.2	383.4	401.7	391.9
Operating profit	29.9	36.5	41.8	36.6	30.5	32.8
Operating margin (in %)	7.4 %	9.4 %	10.3 %	9.5 %	7.6 %	8.4 %
Cash flow from operating activities	44.2	31.2	53.3	47.5	54.1	15.8
Tonnage processed (in thousands of tons)	200	192	199	194	209	211

¹⁾ including interdivisional sales

The Half-Year Financial Report 2020 as well as the CEO video statement and the details for today's CEO Conference Call are available on our website: www.mayr-melnhof.com

Forthcoming results:

November 12, 2020 Results for the first three quarters of 2020

For further information, please contact:

Stephan Sweerts-Sporck, Investor Relations, Mayr-Melnhof Karton AG,
Brahmsplatz 6, A-1040 Vienna
Tel.: +43 1 501 36-91180, Fax: +43 1 501 36-191195
E-Mail: investor.relations@mm-karton.com, Website: <https://www.mayr-melnhof.com>