



Press Release

Vienna, April 25, 2023

MM reports results for the first quarter of 2023

- 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

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1Q/2023	1Q/2022	+/-
Sales	1,122.1	1,060.4	+5.8 %
EBITDA	116.6	155.0	-24.8 %
EBITDA margin (in %)	10.4 %	14.6 %	-423 bp
Operating profit	61.6	111.1	-44.6 %
Operating margin (in %)	5.5 %	10.5 %	-499 bp
Return on Capital Employed ¹⁾ (in %)	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 (in %)	3.1 %	7.5 %	
Earnings per share (in EUR)	1.71	3.95	
Cash flow from operating activities	67.2	49.3	+36.2 %
Employees	15,593	15,640 ²⁾	
Capital expenditures (CAPEX)	94.4	75.9	
Depreciation and amortization ³⁾	55.0	43.9	

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

²⁾ as of December 31, 2022

³⁾ including impairment of property, plant and equipment and intangible assets

Peter Oswald, MM CEO, comments: "As expected, the MM Group 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 Kolicvevo 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).

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.

DEVELOPMENT IN THE DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	1Q/2023	1Q/2022	+/-
Sales¹⁾	521.2	656.3	-20.6 %
EBITDA	54.3	95.7	-43.3 %
Operating profit	27.7	70.1	-60.4 %
Operating margin (in %)	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

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 Kolicevo 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).

MM PACKAGING

in millions of EUR, IFRS	1Q/2023	1Q/2022	+/-
Sales¹⁾	656.7	454.9	+44.3 %
EBITDA	62.3	59.3	+5.0 %
Operating profit	33.9	41.0	-17.6 %
Operating margin (in %)	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

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 %.

QUARTERLY OVERVIEW

MM GROUP

consolidated, in millions of EUR, IFRS	1Q/2022	2Q/2022	3Q/2022	4Q/2022	1Q/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
EBITDA margin (in %)	14.6 %	19.1 %	17.5 %	11.3 %	10.4 %
Operating profit	111.1	173.9	167.2	58.1	61.6
Operating margin (in %)	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 (in %)	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, IFRS	1Q/2022	2Q/2022	3Q/2022	4Q/2022	1Q/2023
Sales¹⁾	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 (in %)	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, IFRS	1Q/2022	2Q/2022	3Q/2022	4Q/2022	1Q/2023
Sales¹⁾	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 (in %)	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 Report for the 1st quarter of 2023 as well as the CEO Audio-Q&A-Webcast are available on our website: <https://www.mm.group>.

Forthcoming results:

August 10, 2023

Half-Year Results 2023

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