



## PRESS RELEASE

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**Results for the first three quarters of 2020**

- Continuous business development
- Sales close to the previous year's level
- Earnings below previous year due to market and structural one-off effects
- Resilience through concentration on system-relevant packaging products
- Strategic focus: cost optimization and growth

The Mayr-Melnhof Group was able to carry on the overall continuous business development in 2020 with solid volume and cash flow development in the 3<sup>rd</sup> quarter. The focus on system-relevant products, cartonboard and cartonboard packaging for consumer staples, shows a certain resilience despite challenging conditions. A sharp rise in orders at the start of the pandemic at the beginning of the 2<sup>nd</sup> quarter was followed by largely normalized demand over the course of the year.

While sales in the first three quarters almost reached again the previous year's level, the earnings figures are, as expected, below those of the previous year, due to one-off effects resulting mainly from necessary market and structural adjustments. As of the end of September 2020, these impact the operating result with accumulated EUR 57.5 million, a large part of which is attributable to depreciation and amortization of non-current assets.

In the cartonboard division, especially favorable raw material costs as well as a consistent pricing policy contributed to a positive development in the on-going business. The packaging division proved to be robust, mainly due to the overall good volume development.

Cost optimization and deeper market penetration are the focus of the MM Group with the aim of sustainably combining growth and profitability in a highly competitive market environment. The related investment, innovation and acquisition activities will be intensified. As already indicated, the annual result is expected to be lower than in the previous year due to one-off effects.

**GROUP KEY INDICATORS – IFRS**

consolidated, in millions of EUR, IFRS	1-3Q/2020	1-3Q/2019	+/-
<b>Sales</b>	<b>1,903.5</b>	1,924.3	-1.1 %
<b>EBITDA</b>	<b>307.1</b>	297.2	+3.3 %
<b>Operating profit</b>	<b>169.3</b>	195.6	-13.4 %
Operating margin (in %)	8.9 %	10.2 %	-127 bp
<b>Profit before tax</b>	<b>160.6</b>	194.2	-17.3 %
Income tax expense	(44.3)	(47.9)	
<b>Profit for the period</b>	<b>116.3</b>	146.3	-20.5 %
Net profit margin (in %)	6.1 %	7.6 %	
Earnings per share (in EUR)	5.78	7.29	
Cash flow from operating activities	223.7	222.6	+0.5 %
Employees	10,072	10,014 <sup>1)</sup>	
Capital expenditures (CAPEX)	105.9	96.7	
Depreciation and amortization <sup>2)</sup>	137.8	101.6	

<sup>1)</sup> as of December 31, 2019

<sup>2)</sup> including impairment of property, plant and equipment and intangible assets

At EUR 1,903.5 million, the Group's consolidated sales almost reached again the previous year's level (1-3Q 2019: EUR 1,924.3 million).

The operating profit of EUR 169.3 million was 13.4 % or EUR 26.3 million below last year's figure (1-3Q 2019: EUR 195.6 million). This includes one-off expenses of EUR 57.5 million from necessary market and structural adjustments as well as the termination agreement with the former CEO. Thereof, EUR 38.5 million is attributable to the cartonboard division and EUR 19.0 million to the packaging division. As a result, depreciation and amortization increased from EUR 101.6 million to EUR 137.8 million.

The Group's operating margin amounted to 8.9 % (1-3Q 2019: 10.2 %).

Financial income of EUR 1.0 million (1-3Q 2019: EUR 1.0 million) contrasted with financial expenses of EUR -5.4 million (1-3Q 2019: EUR -6.3 million). The "Other financial result - net" accounted for EUR -4.2 million (1-3Q 2019: EUR 3.9 million), mainly due to changes in the foreign currency result.

Profit before tax was thus EUR 160.6 million, compared to EUR 194.2 million in the previous year. Income tax expense amounted to EUR 44.3 million (1-3Q 2019: EUR 47.9 million), resulting in an effective Group tax rate of 27.6 % (1-3Q 2019: 24.7 %).

Profit for the period hence declined from EUR 146.3 million to EUR 116.3 million.

## **DEVELOPMENT IN THE 3<sup>rd</sup> QUARTER**

Due to a well-stocked supply chain, order intake at MM Karton has weakened as expected during the course of the 3<sup>rd</sup> quarter. At 95 %, the capacity utilization of the cartonboard division was below the level of the previous quarter and previous year (2Q 2020: 99 %; 3Q 2019: 98 %), however, mainly resulting from a planned rebuilt at the German Gernsbach mill. In contrast, MM Packaging's order situation remained overall stable, with growth in consumer staples (fast-moving consumer goods) being offset by lower volumes in high-value markets such as duty-free, premium and cosmetics.

Consolidated sales of EUR 637.0 million were slightly above the preceding quarter, however, below the previous year's figure (2Q 2020: EUR 619.9 million; 3Q 2019: EUR 648.8 million). Operating profit reached EUR 46.8 million (2Q 2020: EUR 57.9 million; 3Q 2019: EUR 71.6 million) and was affected by one-off expenses of EUR 28.0 million. Thereof, EUR 21.0 million is attributable to the cartonboard division due to decommissioning of the board machine in Hirschwang, Austria, and about EUR 7.0 million to the packaging division owing to structural adjustment measures. The Group's operating margin thus amounted to 7.3 % (2Q 2020: 9.3 %; 3Q 2019: 11.0 %). The profit for the period was at EUR 31.4 million (2Q 2020: EUR 39.8 million; 3Q 2019: EUR 54.0 million).

The cartonboard division achieved an operating margin of 3.5 % (2Q 2020: 9.6 %; 3Q 2019: 11.0 %). The operating margin of the packaging division was 9.3 % (2Q 2020: 8.4 %; 3Q 2019: 10.3 %).

## **OUTLOOK**

The impact of the Covid-19 pandemic and the associated sharp economic downturn on our business and supply chain still remain difficult to assess. However, due to the focus of our business activities on system-relevant packaging products for consumer staples, a certain resilience should continue to prevail. The current development of the order backlog at normal levels signals continuity but also short-term visibility. For the strategic raw material recovered paper, increasing price volatility is anticipated due to the corona situation.

The annual result continues to be expected below the previous year due to one-off effects.

The focus on optimizing cost structures and increasing market penetration will be consistently continued. Related investment, innovation and acquisition activities will be intensified.

## DEVELOPMENT IN THE DIVISIONS

### MM Karton

in millions of EUR, IFRS	1-3Q/2020	1-3Q/2019	+/-
<b>Sales<sup>1)</sup></b>	<b>797.4</b>	813.0	-1.9 %
<b>Operating profit</b>	<b>68.4</b>	87.4	-21.7 %
Operating margin (in %)	<b>8.6 %</b>	10.8 %	-217 bp
Cash flow from operating activities	<b>98.2</b>	94.0	+4.5 %
Tonnage sold (in thousands of tons)	<b>1,294</b>	1,279	+1.2 %
Tonnage produced (in thousands of tons)	<b>1,298</b>	1,303	-0.4 %

<sup>1)</sup> including interdivisional sales

With a look on the first three quarters of 2020, demand on the European cartonboard markets was characterized by overall continuity. During the course of the year, increased order activity at the beginning of the pandemic was followed by a gradual normalization. At 104,000 tons, the division's average order backlog was therefore still above the previous year's level (1-3Q 2019: 71,000 tons). Market shares were gained selectively despite strict price discipline. At 97 % (1-3Q 2019: 98 %), the division's capacities were almost fully utilized.

After a sharp rise due to collection holdups during the lockdown in spring, prices for mixed recovered paper grades experienced a volatile movement at a lower level.

At 1,298,000 tons, cartonboard production was slightly below the previous year's period (1-3Q 2019: 1,303,000 tons), while sales were slightly above at 1,294,000 tons (1-3Q 2019: 1,279,000 tons). As in the previous year, around 84 % was sold in Europe and 16 % on non-European markets.

At EUR 797.4 million, sales were price-related slightly below the previous year's level (1-3Q 2019: EUR 813.0 million). Operating profit declined from EUR 87.4 million to EUR 68.4 million due to one-off effects. The operating margin thus amounted to 8.6 % (1-3Q 2019: 10.8 %).

### **Shutdown of cartonboard production in Hirschwang, Austria**

At the beginning of September, information was provided about the decommissioning of the small board machine at the Hirschwang mill in Austria. Upcoming high expenses for the 70-year-old, low competitive machine were not justifiable. The result of the cartonboard division was thus charged with around EUR 21 million, of which the major part is attributable to depreciation and amortization. A social plan was agreed for the employees affected. For the future, the Hirschwang site will concentrate on the existing folding carton production, which is to be strengthened by investments.

## **MM Packaging**

in millions of EUR, IFRS	<b>1-3Q/2020</b>	1-3Q/2019	+/-
<b>Sales<sup>1)</sup></b>	<b>1,195.5</b>	1,194.6	+0.1 %
<b>Operating profit</b>	<b>100.9</b>	108.2	- 6.8 %
Operating margin (in %)	<b>8.4 %</b>	9.1 %	- 62 bp
Cash flow from operating activities	<b>125.5</b>	128.6	-2.5 %
Tonnage processed (in thousands of tons)	<b>635</b>	591	+7.6 %

<sup>1)</sup> including interdivisional sales

Similar to the cartonboard market, the European folding carton markets were characterized by a high degree of continuity during the first three quarters of 2020. Following a record level of incoming orders at the beginning of the pandemic at the end of the 1<sup>st</sup> quarter, this has largely normalized. Due to Covid-19, however, the situation by product groups remained heterogeneous. The growth in consumer staples was somewhat offset by a decline in high-value markets such as duty-free, premium and cosmetics. Due to the corona situation, plant shutdowns took place only for a short time at some production sites so far.

Cost-reduction programs through investments and portfolio adjustments were consistently pursued. As a result, expenses were recognized in the 3<sup>rd</sup> quarter for structural adjustments.

At EUR 1,195.5 million (1-3Q 2019: EUR 1,194.6 million), sales were at the previous year's level. The operating profit decreased to EUR 100.9 million (1-3Q 2019: EUR 108.2 million) due to one-off effects. The operating margin went down accordingly to 8.4 % (1-3Q 2019: 9.1 %).

The tonnage processed increased by 7.6 % from 591,000 tons to 635,000 tons mainly due to shifts in the product mix.

## QUARTERLY OVERVIEW

### MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2019	2Q/2019	3Q/2019	4Q/2019	1Q/2020	2Q/2020	3Q/2020
<b>Sales</b>	642.9	632.6	648.8	620.1	<b>646.6</b>	<b>619.9</b>	<b>637.0</b>
<b>EBITDA</b>	90.9	100.7	105.6	92.4	<b>98.9</b>	<b>112.8</b>	<b>95.4</b>
<b>Operating profit</b>	57.2	66.8	71.6	59.7	<b>64.6</b>	<b>57.9</b>	<b>46.8</b>
Operating margin (in %)	8.9 %	10.6 %	11.0 %	9.6 %	<b>10.0 %</b>	<b>9.3 %</b>	<b>7.3 %</b>
<b>Profit before tax</b>	58.1	64.5	71.6	56.9	<b>62.8</b>	<b>54.9</b>	<b>42.9</b>
Income tax expense	(14.4)	(15.9)	(17.6)	(13.0)	<b>(17.7)</b>	<b>(15.1)</b>	<b>(11.5)</b>
<b>Profit for the period</b>	43.7	48.6	54.0	43.9	<b>45.1</b>	<b>39.8</b>	<b>31.4</b>
Net profit margin (in %)	6.8 %	7.7 %	8.3 %	7.1 %	<b>7.0 %</b>	<b>6.4 %</b>	<b>4.9 %</b>
Earnings per share (in EUR)	2.17	2.42	2.70	2.20	<b>2.25</b>	<b>1.98</b>	<b>1.55</b>
Cash flow from operating activities	76.1	58.2	88.4	108.8	<b>84.5</b>	<b>38.1</b>	<b>101.1</b>

## DIVISIONS

### MM KARTON

in millions of EUR, IFRS	1Q/2019	2Q/2019	3Q/2019	4Q/2019	1Q/2020	2Q/2020	3Q/2020
<b>Sales<sup>1)</sup></b>	271.3	270.2	271.5	265.3	<b>273.5</b>	<b>259.5</b>	<b>264.4</b>
<b>Operating profit</b>	27.3	30.3	29.8	23.1	<b>34.1</b>	<b>25.1</b>	<b>9.2</b>
Operating margin (in %)	10.1 %	11.2 %	11.0 %	8.7 %	<b>12.5 %</b>	<b>9.6 %</b>	<b>3.5 %</b>
Cash flow from operating activities	31.9	27.0	35.1	61.3	<b>30.4</b>	<b>22.3</b>	<b>45.5</b>
Tonnage sold (in thousands of tons)	421	426	432	426	<b>444</b>	<b>427</b>	<b>423</b>
Tonnage produced (in thousands of tons)	430	437	436	420	<b>435</b>	<b>442</b>	<b>421</b>

<sup>1)</sup> including interdivisional sales

### MM PACKAGING

in millions of EUR, IFRS	1Q/2019	2Q/2019	3Q/2019	4Q/2019	1Q/2020	2Q/2020	3Q/2020
<b>Sales<sup>1)</sup></b>	402.4	388.0	404.2	383.4	<b>401.7</b>	<b>391.9</b>	<b>401.9</b>
<b>Operating profit</b>	29.9	36.5	41.8	36.6	<b>30.5</b>	<b>32.8</b>	<b>37.6</b>
Operating margin (in %)	7.4 %	9.4 %	10.3 %	9.5 %	<b>7.6 %</b>	<b>8.4 %</b>	<b>9.3 %</b>
Cash flow from operating activities	44.2	31.2	53.3	47.5	<b>54.1</b>	<b>15.8</b>	<b>55.6</b>
Tonnage processed (in thousands of tons)	200	192	199	194	<b>209</b>	<b>211</b>	<b>215</b>

<sup>1)</sup> including interdivisional sales

The Report for the first three quarters of 2020 as well as the CEO Audio-Webcast are available on our website: [www.mayr-melnhof.com](http://www.mayr-melnhof.com)

### Forthcoming results:

March 16, 2021 Financial Results for 2020

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