



# Press Release

November 16, 2021

## Results for the first three quarters of 2021

- Strategic acquisitions Kwidzyn and Kotkamills closed in 3<sup>rd</sup> quarter
- Result impacted by one-off effects from transformation MM Board & Paper
- Lag in passing on massive input cost inflation weighs temporarily on margin
- Necessary price increases are implemented
- Ongoing high order backlog in both divisions
- Intensified capex program in efficiency and growth on track

The MM Group has structurally strengthened its competitiveness and created an attractive platform for further growth in sustainable and innovative fiber-based packaging solutions with the closing of the acquisitions of the cartonboard and paper mills Kwidzyn in Poland and Kotkamills in Finland in the 3<sup>rd</sup> quarter of 2021. With the acquisitions in the virgin fiber sector, MM has not only consolidated its position as the leading cartonboard and folding carton producer in Europe, but also acquired two new core products, kraft papers and uncoated fine papers. As part of the transformation, the two smaller cartonboard mills, Baiersbronn and Eerbeek, were sold. Furthermore, production at a packaging site in Germany was discontinued at the end of September for restructuring measures. As expected, the income statement for the 3<sup>rd</sup> quarter therefore includes various one-off effects.

In the current business of the first three quarters of 2021, sustained strong demand for cartonboard packaging and papers and thus high capacity utilization in both divisions was offset by an increase in raw material and energy costs, unprecedented in its sharpness. The price increases implemented in the first nine months have not yet been able to compensate the continuing rise in costs. Therefore, where possible, a new cartonboard price increase was fixed for the 4<sup>th</sup> quarter and a further price step for all cartonboard grades was announced as of the beginning of 2022.

### GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1-3Q/2021	1-3Q/2020	+/-
<b>Sales</b>	<b>2,107.1</b>	1,903.5	+10.7 %
<b>EBITDA</b>	<b>283.0</b>	307.1	-7.8 %
<b>Operating profit</b>	<b>177.2</b>	169.3	+4.7 %
Operating margin (in %)	8.4 %	8.9 %	-48 bp
<b>Profit before tax</b>	<b>162.4</b>	160.6	+1.1 %
Income tax expense	(34.0)	(44.3)	
<b>Profit for the period</b>	<b>128.4</b>	116.3	+10.4 %
Net profit margin (in %)	6.1 %	6.1 %	
Earnings per share (in EUR)	<b>6.37</b>	5.78	
Cash flow from operating activities	<b>165.8</b>	223.7	-25.9 %
Employees	<b>12,506</b>	9,938 <sup>1)</sup>	
Capital expenditures (CAPEX)	<b>181.9</b>	105.9	
Depreciation and amortization <sup>2)</sup>	<b>105.8</b>	137.8	

<sup>1)</sup> as of December 31, 2020

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

**The increase of 4.7 % in the Group's operating profit for the first three quarters of 2021 mainly results from one-off effects in MM Board & Paper, while MM Packaging recorded a rather robust ongoing development.**

**The objective for the coming months is to compensate for the continuing rise in raw material and energy costs by further price adjustments and structural cost reductions in order to catch up again in margins.**

## **INCOME STATEMENT**

The Group's consolidated sales increased basically acquisition-related by 10.7 % or EUR 203.6 million to EUR 2,107.1 million (1-3Q 2020: EUR 1,903.5 million).

At EUR 177.2 million, the operating profit was 4.7 % above the previous year's value (1-3Q 2020: EUR 169.3 million). The first three quarters include one-off expenses in the amount of EUR 58.0 million: From the initial consolidation of the mills Kwidzyn and Kotkamills EUR 31.9 million, which are mainly attributable to ancillary acquisition costs including transaction taxes as well as capitalization of order backlogs and the inventory valuation; and in the division MM Packaging EUR 26.1 million restructuring costs. This is offset by preliminary one-off income from the sale of the Eerbeek and Bayersbronn mills in the amount of EUR 50.1 million. The Group's operating margin was therefore at 8.4 % (1-3Q 2020: 8.9 %).

Financial income totaled EUR 1.9 million (1-3Q 2020: EUR 1.0 million). The increase in financial expenses from EUR -5.4 million to EUR -16.8 million resulted primarily from the issuance of Schuldschein loans and Namensschuldverschreibungen to finance the acquisitions and organic growth projects. "Other financial result – net" changed from EUR -4.2 million to EUR 0.1 million, in particular owing to currency translation.

At EUR 162.4 million, profit before tax was slightly above the previous year (1-3Q 2020: EUR 160.6 million). Income tax expense totaled EUR 34.0 million (1-3Q 2020: EUR 44.3 million), resulting in an effective Group tax rate of 20.9 % (1-3Q 2020: 27.6 %). The reduction compared to the previous year is primarily due to tax-free income from company disposals.

Accordingly, profit for the period increased from EUR 116.3 million to EUR 128.4 million.

It should be noted that the purchase price allocation from the acquisitions had not yet been completed as of the publication date of this report and that the figures are therefore preliminary. Further consolidation details are planned for subsequent reporting at year-end.

## DEVELOPMENT IN THE 3<sup>RD</sup> QUARTER

In addition to the structural changes at MM Board & Paper, the development in the 3<sup>rd</sup> quarter of 2021 was characterized by strongly increasing input costs, which could only be partially compensated by higher sales prices. At EUR 817.5 million, consolidated sales were acquisition-related above the figure of the previous quarter (EUR 648.3 million) and the previous year's level (3Q 2020: EUR 637.0 million).

The Group's operating profit reached EUR 85.1 million after EUR 30.9 million in the 2<sup>nd</sup> quarter of 2021 and EUR 46.8 million in the 3<sup>rd</sup> quarter of the previous year. The preliminary income from the sale of the Eerbeek and Baiersbronn mills in the amount of EUR 50.1 million was offset by one-off expenses from the acquisition of the mills Kwidzyn and Kotkamills in the amount of EUR 31.9 million. The Group's operating margin was thus 10.4 % (2Q 2021: 4.8 %; 3Q 2020: 7.3 %). Profit for the period totaled EUR 66.2 million (2Q 2021: EUR 18.3 million; 3Q 2020: EUR 31.4 million).

Capacity utilization of the division MM Board & Paper at 95 % in the 3<sup>rd</sup> quarter was lower than in the previous quarter (2Q 2021: 99 %; 3Q 2020: 95 %), mainly owing to the planned annual maintenance shutdowns at Kwidzyn and Kotkamills. Due to one-off income, the division's operating margin increased to 9.5 % (2Q 2021: 4.6 %; 3Q 2020: 3.5 %).

MM Packaging's operating margin of 10.4 % was in line with the figure for the 1<sup>st</sup> quarter of 2021 and thus also above the figure for the 2<sup>nd</sup> quarter of 2021 of 4.5 %, which was impacted by restructuring expenses, as well as the previous year's level (3Q 2020: 9.3 %).

## OUTLOOK

Demand and order situation continue to be in good shape for both divisions. Nevertheless, in view of existing capacity limitations, sales volume can currently only increase slightly. However, the expansions recently initiated in several plants of MM Packaging will stepwise enable more business from the beginning of next year. At MM Board & Paper, where the focus of investments is on efficiency improvements and optimization of the product portfolio, the expansive effects will only gradually take effect from 2023 onwards.

In view of the continuing cost inflation for raw materials and energy, the focus remains on compensating this weight by increasing sales prices as soon as possible and by structural cost reductions in order to catch up again in terms of margins. After MM Board & Paper has fixed a new cartonboard price increase for the 4<sup>th</sup> quarter, where possible, a further price increase for cartonboard and paper has been announced for the beginning of 2022. In contrast, rising cartonboard and paper prices mean new cost challenges for MM Packaging, which can only be passed on with a time lag.

The operating performance of the newly acquired mills Kwidzyn and Kotkamills is in line with expectations. Similar to the MM Board & Paper division as a whole, profitability in the 4<sup>th</sup> quarter is primarily impacted by the extraordinary energy price increases and delayed passing on through sales prices.

## DEVELOPMENT IN THE DIVISIONS

### MM BOARD & PAPER\*

in millions of EUR, IFRS	1-3Q/2021	1-3Q/2020	+/-
<b>Sales<sup>1)</sup></b>	<b>991.4</b>	797.4	+24.3 %
<b>EBITDA</b>	<b>124.6</b>	136.3	-8.5 %
<b>Operating profit</b>	<b>74.3</b>	68.4	+8.7 %
Operating margin (in %)	7.5 %	8.6 %	-109 bp
Cash flow from operating activities	39.0	98.2	-60.3 %
Tonnage sold (in thousands of tons)	1,421	1,294	+9.8 %
<i>Cartonboard</i>	1,327	1,294	+2.6 %
<i>Kraft Papers</i>	31	<i>n.a.</i>	
<i>Uncoated Fine Papers</i>	63	<i>n.a.</i>	
Tonnage produced (in thousands of tons)	1,391	1,298	+7.1 %

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

The European cartonboard markets remained characterized by strong demand during the first three quarters of 2021. On the one hand, this is due to a restocking of the supply chain, which was reduced during the pandemic, and on the other hand to securing volume as a result of strongly increased delivery times. Consequently, and due to the initial inclusion of the acquisitions, the division's average order backlog of 354,000 tons was significantly higher than the previous year's value (1-3Q 2020: 104,000 tons). At 97 % (1-3Q 2020: 97 %), the division's capacities continued to be almost fully utilized.

Due to strong demand- and supply-related rises in raw material costs (especially fibers, chemicals, packaging materials, transport) as well as energy, several price increases have been implemented since the 2<sup>nd</sup> quarter of 2021. Following a rapid upward movement in the 1<sup>st</sup> half of the year, pulp and recovered paper prices are still at record highs. Main reasons for the significant increase in recovered paper prices continue to be the strong demand from the corrugated board industry as well as the decline in magazine paper and newsprint volumes.

The development of the division's key figures is particularly affected by the changes in consolidated companies.

Both the volume of cartonboard and paper produced and sold at 1,391,000 tons and 1,421,000 tons were above the previous year's figures due to acquisitions (1-3Q 2020: 1,298,000 tons and 1,294,00 tons).

At EUR 991.4 million, sales were mainly acquisition-related above the comparable figure (1-3Q 2020: EUR 797.4 million). In the 3<sup>rd</sup> quarter, the operating profit was impacted by the planned annual shut-downs for maintenance in Kwidzyn and Kotkamills. In total, it rose by 8.7 % to EUR 74.3 million (1-3Q 2020: EUR 68.4 million) in particular as a result of the recognition of one-off effects from the changes in consolidated companies. The operating margin amounted to 7.5 % (1-3Q 2020: 8.6 %).

\*Division name change from MM Karton 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	<b>1-3Q/2021</b>	1-3Q/2020	+/-
<b>Sales<sup>1)</sup></b>	<b>1,209.6</b>	1,195.5	+1.2 %
<b>EBITDA</b>	<b>158.4</b>	170.8	-7.3 %
<b>Operating profit</b>	<b>102.9</b>	100.9	+2.0 %
Operating margin (in %)	<b>8.5 %</b>	8.4 %	+6 bp
Cash flow from operating activities	<b>126.8</b>	125.5	+1.1 %
Tonnage processed (in thousands of tons)	<b>639</b>	635	+0.5 %

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

An equally positive picture as for cartonboard also characterized the demand situation on the European folding carton markets in the first three quarters of 2021. Against this background, MM Packaging recorded a stable high order intake in both food and non-food application areas, while the recovery of the sales situation in Health, Beauty & Personal Care continued. At the same time, however, all business units are affected by a continued strong increase in input costs such as cartonboard, paper, inks, varnishes and packaging materials. Maintaining the supply of materials and passing on cost increases to customers are therefore the focus of current business. The latter are carried out successively in accordance with contractual conditions, but often with a time lag due to ongoing further cost increases.

Expansion investments in locations with cost advantages and a focus on growth markets such as sustainable, plastic-free packaging are being successfully implemented in Austria, Poland, Romania and Great Britain. At the same time, necessary structural adjustment measures to increase competitiveness and secure the existing business were continued. This concerned in particular the German packaging site MM Graphia Bielefeld, which ceased operations at the end of September 2021. In this context, one-off expenses in the amount of EUR 26.1 million were recorded in the 2<sup>nd</sup> quarter.

At EUR 1,209.6 million and EUR 102.9 million respectively, both sales and operating profit were slightly above the previous year's figures of EUR 1,195.5 million and EUR 100.9 million. The good current operating profit was mainly weighted down by the restructuring expenses in the 2<sup>nd</sup> quarter. The operating margin thus amounted to 8.5 % (1-3Q 2020: 8.4 %).

At 639,000 tons, the tonnage processed was close to the previous year's level (1-3Q 2020: 635,000 tons).

## QUARTERLY OVERVIEW

### MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2020	2Q/2020	3Q/2020	4Q/2020	1Q/2021	2Q/2021	3Q/2021
<b>Sales</b>	646.6	619.9	637.0	624.9	<b>641.3</b>	<b>648.3</b>	<b>817.5</b>
<b>EBITDA</b>	98.9	112.8	95.4	91.8	<b>92.7</b>	<b>62.8</b>	<b>127.5</b>
<b>Operating profit</b>	64.6	57.9	46.8	62.1	<b>61.2</b>	<b>30.9</b>	<b>85.1</b>
Operating margin (in %)	10.0 %	9.3 %	7.3 %	9.9 %	<b>9.6 %</b>	<b>4.8 %</b>	<b>10.4 %</b>
<b>Profit before tax</b>	62.8	54.9	42.9	61.5	<b>58.6</b>	<b>24.3</b>	<b>79.5</b>
Income tax expense	(17.7)	(15.1)	(11.5)	(15.6)	<b>(14.7)</b>	<b>(6.0)</b>	<b>(13.3)</b>
<b>Profit for the period</b>	45.1	39.8	31.4	45.9	<b>43.9</b>	<b>18.3</b>	<b>66.2</b>
Net profit margin (in %)	7.0 %	6.4 %	4.9 %	7.4 %	<b>6.8 %</b>	<b>2.8 %</b>	<b>8.1 %</b>
Earnings per share (in EUR)	2.25	1.98	1.55	2.28	<b>2.18</b>	<b>0.89</b>	<b>3.30</b>
Cash flow from operating activities	84.5	38.1	101.1	94.5	<b>77.8</b>	<b>34.5</b>	<b>53.5</b>

## DIVISIONS

### MM BOARD & PAPER

in millions of EUR, IFRS	1Q/2020	2Q/2020	3Q/2020	4Q/2020	1Q/2021	2Q/2021	3Q/2021
<b>Sales<sup>1)</sup></b>	273.5	259.5	264.4	253.4	<b>271.4</b>	<b>285.2</b>	<b>434.8</b>
<b>EBITDA</b>	47.5	51.8	37.0	28.4	<b>33.0</b>	<b>26.5</b>	<b>65.1</b>
<b>Operating profit</b>	34.1	25.1	9.2	18.3	<b>19.8</b>	<b>13.2</b>	<b>41.3</b>
Operating margin (in %)	12.5 %	9.6 %	3.5 %	7.2 %	<b>7.3 %</b>	<b>4.6 %</b>	<b>9.5 %</b>
Cash flow from operating activities	30.4	22.3	45.5	28.1	<b>14.3</b>	<b>2.4</b>	<b>22.3</b>
Tonnage sold (in thousands of tons)	444	427	423	410	<b>432</b>	<b>422</b>	<b>567</b>
<i>Cartonboard</i>	444	427	423	410	<b>432</b>	<b>422</b>	<b>473</b>
<i>Kraft Paper</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<b>31</b>
<i>Uncoated Fine Papers</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<b>63</b>
Tonnage produced (in thousands of tons)	435	442	421	412	<b>410</b>	<b>421</b>	<b>560</b>

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

### MM PACKAGING

in millions of EUR, IFRS	1Q/2020	2Q/2020	3Q/2020	4Q/2020	1Q/2021	2Q/2021	3Q/2021
<b>Sales<sup>1)</sup></b>	401.7	391.9	401.9	398.7	<b>399.3</b>	<b>392.1</b>	<b>418.2</b>
<b>EBITDA</b>	51.4	61.0	58.4	63.4	<b>59.7</b>	<b>36.3</b>	<b>62.4</b>
<b>Operating profit</b>	30.5	32.8	37.6	43.8	<b>41.4</b>	<b>17.7</b>	<b>43.8</b>
Operating margin (in %)	7.6 %	8.4 %	9.3 %	11.0 %	<b>10.4 %</b>	<b>4.5 %</b>	<b>10.4 %</b>
Cash flow from operating activities	54.1	15.8	55.6	66.4	<b>63.5</b>	<b>32.1</b>	<b>31.2</b>
Tonnage processed (in thousands of tons)	209	211	215	212	<b>216</b>	<b>208</b>	<b>215</b>

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

The Report for the first three quarters of 2021 as well as the CEO Audio-Q&A-Webcast are available on our website: <https://www.mm.group>.

#### Forthcoming results:

March 15, 2022                      Financial Results for 2021

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