



Press Release

Vienna, November 3, 2022

MM reports results for the first three quarters of 2022

- Solid performance also in the 3rd quarter
- Growth strategy for Packaging executed
- Preserving profitability – priority in a slowing overall economy

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1-3Q/2022	1-3Q/2021	+/-
Sales	3,450.4	2,107.1	+63.7 %
EBITDA	591.2	283.0	+109.0 %
EBITDA margin (in %)	17.1 %	13.4 %	+371 bp
Operating profit	452.2	177.2	+155.2 %
Operating margin (in %)	13.1 %	8.4 %	+470 bp
Return on Capital Employed (in %)	18.7 %	12.7 %	+604 bp
Profit before tax	416.8	162.4	+156.7 %
Income tax expense	(101.6)	(34.0)	
Profit for the period	315.2	128.4	+145.4 %
Net profit margin (in %)	9.1 %	6.1 %	
Earnings per share (in EUR)	15.67	6.37	
Cash flow from operating activities	255.7	165.8	+54.2 %
Employees	13,070	12,492 ¹⁾	
Capital expenditures (CAPEX)	252.1	181.9	
Depreciation and amortization ²⁾	139.0	105.8	

¹⁾ as of December 31, 2021

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

Peter Oswald, MM CEO, comments: “The MM Group recorded organic growth of nearly 6 % in Packaging in the first three quarters. This demonstrates that demand for our natural, recyclable products from renewable fibers stayed high and that customers esteem our investments in competitive sites, innovation and sustainability.

The acquisition of Essentra Packaging, finalized at the beginning of October, marked a further milestone in the past two years transformation of MM concentrating on value enhancing acquisitions and focused organic growth combined with a strong emphasis on the improvement of productivity. This acquisition positions MM as a global player in secondary pharma packaging and contributes to more resilience and growth throughout our business.

Performance in the 3rd quarter remained strong, although behind the exceptional high level of the 2nd quarter, which allowed for an important rise in results for the first three quarters of 2022 in a very challenging cost and operating environment.

We continued to mitigate significant cost inflation through price adjustments, cost control and efficiency gains. Moreover, the inclusion of the cartonboard and paper mills MM Kwidzyn and MM Kotkamills, which we acquired at the beginning of August 2021, had a particular impact on the income statement. While Packaging registered an ongoing solid order intake, the order backlog of Board & Paper saw a significant reduction throughout the 3rd quarter towards a pre-pandemic level due to the filled supply chain. This required selective temporary downtime aside the rebuilding work for the production of more Absorbex® from MM Kotkamills. Despite recurring bottlenecks on our procurement markets, we managed to keep up a steady supply of our customers.

For the 4th quarter, we expect impacts from necessary adjustment measures and ongoing selective temporary downtime in the Board & Paper division. Although a recessionary scenario must be assumed for the economy as a whole, most of our business areas are expected to set forth a rather robust development despite further destocking in the supply chain filtering through. In the current rapidly changing environment safeguarding of profitability stays our top priority.”

INCOME STATEMENT

The income statement as of the first three quarters is particularly characterized by the inclusion of the cartonboard and paper mills MM Kwidzyn and MM Kotkamills, which were acquired at the beginning of August 2021.

The Group's consolidated sales amounted to EUR 3,450.4 million and were EUR 1,343.3 million above the previous year's value (1-3Q 2021: EUR 2,107.1 million). This rise mainly results from the previous year's acquisitions and passing on cost increases through higher prices.

At EUR 452.2 million, an operating profit EUR 275.0 million above the previous year's value was reached (1-3Q 2021: EUR 177.2 million). The significant rise primarily results from the division MM Board & Paper. The Group's operating margin thus rose to 13.1 % (1-3Q 2021: 8.4 %).

Financial income totaled EUR 3.1 million (1-3Q 2021: EUR 1.9 million). The increase of financial expenses from EUR -16.8 million to EUR -23.3 million is in particular due to the issuance of Schuldschein loans and Namensschuldverschreibungen in the previous year to finance the acquisitions and organic growth projects. "Other financial result – net" changed from EUR 0.1 million to EUR -15.2 million, in particular owing to currency translation.

Accordingly, profit before tax, at EUR 416.8 million, was EUR 254.4 million above the previous year's value (1-3Q 2021: EUR 162.4 million). Income tax expense amounted to EUR 101.6 million (1-3Q 2021: EUR 34.0 million), resulting in an effective Group tax rate of 24.4 % (1-3Q 2021: 20.9 %).

Profit for the period rose by EUR 186.8 million to EUR 315.2 million after EUR 128.4 million in the first three quarters of the previous year.

DEVELOPMENT IN THE 3RD QUARTER

In the course of continuous strong demand throughout most of the quarter and only selective necessary downtime at Board & Paper towards the end of the quarter as well as further price increases to compensate for the ongoing strong cost inflation consolidated sales of EUR 1,231.9 million were above the previous quarter's value (EUR 1,158.1 million). The increase compared to the previous year's level (3Q 2021: EUR 817.5 million) results primarily from the inclusion of MM Kotkamills and MM Kwidzyn as well as necessary price adjustments.

At EUR 167.2 million, the Group's operating profit was below the 2nd quarter of 2022 (EUR 173.9 million) but above the value of the 3rd quarter of the previous year (EUR 85.1 million). The latter was mainly characterized by the income from the sale of the Eerbeek and Baiersbronn mills in the amount of EUR 50.1 million and by one-off expenses from the acquisition of the mills Kwidzyn and Kotkamills in the amount of EUR 31.9 million. The operating margin amounted to 13.6 % (2Q 2022: 15.0 %; 3Q 2021: 10.4 %). Profit for the period reached EUR 109.4 million (2Q 2022: EUR 126.3 million; 3Q 2021: EUR 66.2 million).

Capacity utilization of the division MM Board & Paper at 91 % in the 3rd quarter was lower than in the previous quarter (2Q 2022: 99 %; 3Q 2021: 95 %), mainly due to planned maintenance shut-downs and selective market-related downtime. The operating margin amounted to 15.6 % (2Q 2022: 18.1 %; 3Q 2021: 9.5 %).

The 3rd quarter in the packaging division was mainly characterized by volume increases and implemented cost passes. In addition, one-off ancillary acquisition costs for the purchase of Essentra Packaging had to be recognized. The operating margin was at 9.2 % (2Q 2022: 8.4 %; 3Q 2021: 10.4 %).

OUTLOOK

Against the backdrop of a looming recession, we expect selective downtime measures to continue, predominantly in Board & Paper due to further destocking. However, our end markets are resilient and non-cyclical since they are focusing on products of daily needs.

In the current rapidly changing environment, we place top priority on preserving profitability while closely following up on necessary structural adjustment measures for more efficiency, sustainability and innovation. In the 4th quarter a particular focus has been directed on the planned reorganization of production at the Slovenian MM Kolicvevo mill to concentrate production from the small board machine 2 on the larger and advanced board machine 3 which is strengthened by significant current investments. For the acquisition of Essentra Packaging, the positive contribution from the current result is expected to be offset by one-off expenses from the initial consolidation.

As already indicated, capex for the Group will be on a high level also in 2023 in order to reduce energy consumption, raise quality and increase output. In Board & Paper all machine rebuilds, which are an integral part of the current major investment programs, at Frohnleiten in Austria, Neuss in Germany and Kolicvevo in Slovenia are now scheduled for implementation during 2023. In Packaging top priority is the post merger integration of Essentra Packaging while major capex will focus on expansions for further specializations in Poland and France. Intended improvements, optimization of the product portfolio as well as expansive effects will gradually take effect from 2024 onwards. Looking forward, we aim to increase the share of renewable energies and to expand further in order to meet the growing demand for innovative, sustainable fiber-based packaging. Although 2023 will most likely be a difficult year, we are well positioned to further develop our business.

DEVELOPMENT IN THE DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	1-3Q/2022	1-3Q/2021	+/-
Sales¹⁾	2,129.5	991.4	+114.8 %
EBITDA	396.4	124.6	+218.1 %
Operating profit	318.2	74.3	+328.3 %
Operating margin (in %)	14.9 %	7.5 %	+745 bp
Cash flow from operating activities	227.0	39.0	+481.0 %
Tonnage sold (in thousands of tonnes)	1,895	1,421	+33.3 %
<i>Cartonboard</i>	1,430	1,327	+7.8 %
<i>Kraft Papers</i>	179	31	+484.8 %
<i>Uncoated Fine Papers</i>	286	63	+351.8 %
Tonnage produced (in thousands of tonnes)	1,941	1,391	+39.5 %

¹⁾ including interdivisional sales

In general, the markets were characterized by high demand and good order activity until the end of the summer months. However, by the end of the 3rd quarter, the order backlog decreased considerably to pre-pandemic levels due to reductions of high market inventories and better availability in the supply chain. The division's average order backlog was 279,000 tonnes (1-3Q 2021: 354,000 tonnes). Despite selective investment- and market-related machine downtime in the 3rd quarter, as in the previous year the division's capacity at 97 % was almost fully utilized in the first three quarters (1-3Q 2021: 97 %).

The strong cost inflation which persisted into the 3rd quarter, particularly for energy and raw materials, was compensated for by timely price adjustments to safeguard supply capability, quality and continuous capex. Despite bottlenecks in purchasing and the entire supply chain over long periods of the current year, supplies to customers remained secure due to high flexibility and alternative procurement. Since September, the availability of recovered paper, pulp, and chemicals in particular has improved, through which our mills are currently experiencing a good supply situation and the input price peaks of the past months have been overcome. The risk of a possible gas rationing, which would affect all cartonboard and paper mills except MM Kwidzyn, was mitigated by building up cartonboard stocks, rented gas storage facilities in Austria and investments in alternative oil firing in Finland.

With regard to the ongoing major capex in the Frohnleiten, Neuss and Kolicvevo mills focusing on efficiency improvements, increased sustainability and higher volumes, all machine conversions are now scheduled for 2023. In addition, production at the Kolicvevo mill is to be concentrated on the state-of-the-art and larger cartonboard machine 3, as it is not possible to economically continue production on the smaller cartonboard machine 2. Integration of MM Kwidzyn and MM Kotkamills, which were acquired a year ago, has been well accomplished.

Sales rose acquisition- and price-related to EUR 2,129.5 million and were EUR 1,138.1 million above the comparable figure (1-3Q 2021: EUR 991.4 million). Accordingly, operating profit increased to EUR 318.2 million (1-3Q 2021: EUR 74.3 million). The previous year included positive one-off effects from changes in consolidated companies. The operating margin reached 14.9 % (1-3Q 2021: 7.5 %). At 1,941,000 tonnes, tonnage produced was mainly acquisition-related above the previous year's figures (1-3Q 2021: 1,391,000 tonnes).

MM PACKAGING

in millions of EUR, IFRS	1-3Q/2022	1-3Q/2021	+/-
Sales¹⁾	1,510.2	1,209.6	+24.8 %
EBITDA	194.8	158.4	+23.0 %
Operating profit	134.0	102.9	+30.2 %
Operating margin (in %)	8.9 %	8.5 %	+37 bp
Cash flow from operating activities	28.7	126.8	-77.4 %
Produced volume (in millions of m ²)	2,928	2,736	+7.0 %

¹⁾ including interdivisional sales

MM Packaging recorded good demand and order intake at a high level throughout all business units in the first three quarters of 2022. Against this backdrop, a favorable increase in volumes was achieved, to which the recently successfully completed investments in capacity expansion also contributed. The sharp cost increases since the beginning of the year, particularly for cartonboard, paper, energy and transport, could be gradually passed on. In addition, the cycles for sales price adjustments were considerably reduced with the objective of maintaining the delivery capability through a strict margin policy. This has been achieved on an ongoing basis. Regarding safeguarding the supply of materials, the integrated positioning of MM has become increasingly important in 2022.

Establishment of a global position in the Healthcare & Pharma market

With the acquisitions of Essentra Packaging and Eson Pac, MM Packaging has expanded its position in the Healthcare & Pharma market to a global footprint with focus on Europe and North America*. The highly synergistic customer portfolio, including the world's top pharmaceutical companies, the expanded product portfolio, in particular for leaflets and labels, and the operational synergies are expected to accelerate growth in volume and earnings in the coming years.

Sales increased price- and volume-related by 24.8 % or EUR 300.6 million to EUR 1,510.2 million (1-3Q 2021: EUR 1,209.6 million). The operating profit rose to EUR 134.0 million (1-3Q 2021: EUR 102.9 million) after restructuring-related one-off effects in the previous year. The operating margin thus amounted to 8.9 % (1-3Q 2021: 8.5 %).

The volume produced increased by 7.0 % to 2,928 million m² (1-3Q 2021: 2,736 million m²), of which approximately 1 percentage point is attributable to the acquisition of Eson Pac. Investments in the expansion of the sites MM Neupack, Austria, MM Packaging Romania as well as MM Packaging UK were successfully completed in the first nine months. With regard to the packaging exposure in Russia, all options continue to be examined.

* Eson Pac has been included in consolidated companies since April 2022; closing of Essentra Packaging took place at the beginning of October 2022

QUARTERLY OVERVIEW

MM GROUP

consolidated, in millions of EUR, IFRS	1Q/2021	2Q/2021	3Q/2021	4Q/2021	1Q/2022	2Q/2022	3Q/2022
Sales	641.3	648.3	817.5	962.6	1,060.4	1,158.1	1,231.9
EBITDA	92.7	62.8	127.5	138.0	155.0	220.8	215.4
EBITDA margin (in %)	14.5 %	9.7 %	15.6 %	14.3 %	14.6 %	19.1 %	17.5 %
Operating profit	61.2	30.9	85.1	92.4	111.1	173.9	167.2
Operating margin (in %)	9.6 %	4.8 %	10.4 %	9.6 %	10.5 %	15.0 %	13.6 %
Profit before tax	58.6	24.3	79.5	82.1	103.6	166.6	146.6
Income tax expense	(14.7)	(6.0)	(13.3)	(19.8)	(24.1)	(40.3)	(37.2)
Profit for the period	43.9	18.3	66.2	62.3	79.5	126.3	109.4
Net profit margin (in %)	6.8 %	2.8 %	8.1 %	6.5 %	7.5 %	10.9 %	8.9 %
Earnings per share (in EUR)	2.18	0.89	3.30	3.09	3.95	6.29	5.43
Cash flow from operating activities	77.8	34.5	53.5	104.0	49.3	89.0	117.4

DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	1Q/2021	2Q/2021	3Q/2021	4Q/2021	1Q/2022	2Q/2022	3Q/2022
Sales¹⁾	271.4	285.2	434.8	569.7	656.3	725.9	747.3
EBITDA	33.0	26.5	65.1	60.6	95.7	157.8	142.9
Operating profit	19.8	13.2	41.3	33.4	70.1	131.6	116.5
Operating margin (in %)	7.3 %	4.6 %	9.5 %	5.9 %	10.7 %	18.1 %	15.6 %
Cash flow from operating activities	14.3	2.4	22.3	69.7	18.5	83.6	124.9
Tonnage sold (in thousands of tonnes)	432	422	567	671	657	623	615
<i>Cartonboard</i>	432	422	473	507	494	467	469
<i>Kraft Papers</i>	<i>n.a.</i>	<i>n.a.</i>	31	62	64	64	51
<i>Uncoated Fine Papers</i>	<i>n.a.</i>	<i>n.a.</i>	63	102	99	92	95
Tonnage produced (in thousands of tonnes)	410	421	560	678	659	671	611

¹⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	1Q/2021	2Q/2021	3Q/2021	4Q/2021	1Q/2022	2Q/2022	3Q/2022
Sales¹⁾	399.3	392.1	418.2	432.0	454.9	502.4	552.9
EBITDA	59.7	36.3	62.4	77.4	59.3	63.0	72.5
Operating profit	41.4	17.7	43.8	59.0	41.0	42.3	50.7
Operating margin (in %)	10.4 %	4.5 %	10.4 %	13.7 %	9.0 %	8.4 %	9.2 %
Cash flow from operating activities	63.5	32.1	31.2	34.3	30.8	5.4	(7.5)
Produced volume (in millions of m ²)	910	898	928	936	959	954	1,015

¹⁾ including interdivisional sales

The Report for the first three quarters of 2022 as well as the CEO Audio-Q&A-Webcast are available on our website: <https://www.mm.group>.

Forthcoming results:

March 14, 2023

Financial Results for 2022

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