

March 17, 2020

ANNUAL RESULTS 2019

- **Further profit increase**
- **Dividend increase to EUR 3.60/share proposed**
- **High capacity utilization**
- **Significant growth in results in both divisions**
- **Good start into 2020 – challenges increase**

The Mayr-Melnhof Group was able to conclude the year 2019 with a further profit increase in succession despite slower market dynamics. Both divisions made a significant contribution to this and reported overall good capacity utilization in a competitive environment.

While the cartonboard division benefited from largely stable average prices and cost reductions, the profit in the packaging division was significantly higher than in the previous year, mainly due to the initial inclusion of the Tann-Group, which met the expectations. At 10 %, the Group's operating margin again developed at a high level.

In line with the sound profit development, a recommendation will be made to the 26th Ordinary Shareholders' Meeting to increase the dividend for the financial year 2019 to EUR 3.60 per share (2018: EUR 3.20).

consolidated, in millions of EUR, IFRS	2019	2018	+/-
Sales	2,544.4	2,337.7	+8.8 %
EBITDA	389.6	324.4	+20.1 %
EBITDA margin (in %)	15.3 %	13.9 %	
Operating profit	255.3	217.1	+17.6 %
Operating margin (in %)	10.0 %	9.3 %	
Profit before tax	251.1	217.9	+15.2 %
Income tax expense	(60.9)	(53.7)	
Profit for the year	190.2	164.2	+15.8 %
Net profit margin (in %)	7.5 %	7.0 %	
Cash earnings	310.4	269.7	+15.1 %
Cash earnings margin (in %)	12.2 %	11.5 %	
Earnings per share (in EUR)	9.49	8.18	
Employees	10,014	9,445	
Capital expenditures (CAPEX)	151.0	124.4	
Depreciation and amortization	134.3	107.3	

The consolidated sales of the Group reached EUR 2,544.4 million and were thus 8.8 %, or EUR 206.7 million, above the previous year's value (2018: EUR 2,337.7 million). This increase was mainly acquisition-related from the packaging division and to a lesser extent from the cartonboard division.

EBITDA rose by 20.1 %, or EUR 65.2 million, to EUR 389.6 million (2018: EUR 324.4 million), the EBITDA margin to 15.3 % (2018: 13.9 %). At EUR 255.3 million, operating profit was 17.6 %, or EUR 38.2 million, above the previous year (2018: EUR 217.1 million), with MM Packaging accounting for around 60 % and MM Karton for around 40 % of this growth. In the course of the initial consolidation of the Tann-Group, one-off expenses from acquisition effects of EUR -4.8 million were reported due to the recognition of order backlog and inventory measurement. The Group's operating margin totaled 10.0 % (2018: 9.3 %), the return on capital employed amounted to 15.4 % (2018: 15.0 %).

Financial income totaling EUR 1.4 million (2018: EUR 1.3 million) was offset by financial expenses of EUR -8.4 million (2018: EUR -6.1 million). "Other financial result – net" changed to EUR 2.8 million (2018: EUR 5.6 million) in particular due to higher foreign currency gains in the previous year.

Profit before tax increased accordingly by 15.2 % to EUR 251.1 million (2018: EUR 217.9 million). Income tax expense amounted to EUR 60.9 million (2018: EUR 53.7 million), resulting in an effective Group tax rate of 24.3 % (2018: 24.7 %).

Profit for the year went up by 15.8 % to EUR 190.2 million (2018: EUR 164.2 million).

CONSOLIDATED BALANCE SHEET

As of December 31, 2019, the Group's total assets amounted to EUR 2,422.7 million and were thus EUR 357.0 million above the value at the end of 2018 (EUR 2,065.7 million). This increase is primarily due to the initial consolidation of the Tann-Group. The Group's total equity rose from EUR 1,384.8 million (December 31, 2018) to EUR 1,508.3 million, mainly as a result of profit. The equity ratio maintained a sound level at 62.3 % (December 31, 2018: 67.0 %). Return on equity was at 13.1 %, after 12.1 % in the previous year.

Financial liabilities, primarily of a long-term character, increased from EUR 211.7 million at year-end 2018 to EUR 345.4 million on December 31, 2019, due to the acquisition and the financing of the company purchase as well as the first-time inclusion of lease liabilities according to IFRS 16.

At EUR 126.8 million, total funds available to the Group were below the comparative figure for the previous year (December 31, 2018: EUR 261.1 million), mainly owing to the purchase price payment for the acquisition of the Tann-Group and the dividend payment. Net debt thus amounted to EUR 218.6 million at the end of 2019 (December 31, 2018: net liquidity of EUR 49.4 million).

OUTLOOK ON THE FINANCIAL YEAR 2020

European economies are showing low momentum. Nevertheless, private consumption continues to show a stable development and, thus, also the demand for cartonboard packaging. Against this background, the Group's cartonboard and packaging production facilities have overall again been highly utilized since the beginning of the year. Sales markets, however, remain characterized by intense competition due to sufficient capacities in the industry.

MM Karton continues to focus on maintaining price levels. The goal for both divisions is to continue to grow in 2020 and maintain profit quality at a high level.

Ongoing investment in state-of-the-art technological innovations and ongoing measures to improve cost efficiency and optimize the product and sales program are intended to make this possible also in the future.

The aim is to follow up the record year 2019 in the best possible way in 2020. After a good beginning of the year we consider the challenges in the course of the year increasing. As in the past, we will continue to pay high attention to the future-orientated development of our production facilities and products and the risk-conscious continuation of our global acquisition course.

DEVELOPMENT IN THE 4TH QUARTER 2019

Market dynamics traditionally slowed towards the end of the year but remained overall more solid than in the previous year's quarter which had been characterized by a noticeable weakening due to a reduction in stocks along the supply chain.

MM Karton recorded a capacity utilization of 95 % after 90 % in the fourth quarter of the previous year. Operating profit of the division totaled EUR 23.1 million after EUR 16.5 million. The operating margin reached 8.7 % (4th quarter 2018: 6.3 %).

Operating profit of MM Packaging at EUR 36.6 million was mainly acquisition-related above the previous year's value (4th quarter 2018: EUR 28.3 million), resulting in an increase of the operating margin to 9.5 % (4th quarter 2018: 8.4 %).

Consolidated sales at EUR 620.1 million were around 7.9 % higher than in the previous year's period (4th quarter 2018: EUR 574.6 million). This growth is mainly due to the initial inclusion of the Tann-Group.

The Group's operating profit rose to EUR 59.7 million (4th quarter 2018: EUR 44.8 million), the operating margin to 9.6 % (4th quarter 2018: 7.8 %).

Profit before tax increased to EUR 56.9 million (4th quarter 2018: EUR 48.9 million), the profit for the period to EUR 43.9 million (4th quarter 2018: EUR 37.8 million).

DEVELOPMENT IN THE DIVISIONS

MM Karton

in millions of EUR, IFRS	2019	2018	+/-
Sales¹⁾	1,078.3	1,062.2	+1.5 %
Operating profit	110.5	96.4	+14.6 %
Operating margin (in %)	10.2 %	9.1 %	
Tonnage sold (in thousands of tons)	1,705	1,663	+2.5 %
Tonnage produced (in thousands of tons)	1,723	1,664	+3.5 %

¹⁾ including interdivisional sales

Restrained demand and intensified competition characterized the general conditions on the European cartonboard markets in 2019. Against this background, MM Karton was nevertheless able to solidly maintain its position, retain or increase market shares and convince with attractive, highly functional and sustainable packaging solutions. We continued to attach high priority to price discipline and the pursuit of a selective sales policy. The specialization of the mills as well as growth with an optimized product portfolio and the expansion of our focus on European business were pursued consistently.

Prices for mixed grades of recovered paper on the fiber markets declined gradually, while those for products based on virgin fibers decreased from a high level.

At 97 % (2018: 97 %), capacities in the division were again highly utilized. Investments focused on enabling further growth through continuous technological development of our mills and increasing product and service performance. Since 2018, we have attached special priority to digitalizing our business processes, and today, we benefit from high speed, perfection, and efficiency.

Owing to more short-term planning of customers, the average order backlog of 68,000 tons was below the comparative figure of the previous year (2018: 77,000 tons).

Cartonboard production grew by 3.5 %, or 59,000 tons, to 1,723,000 tons (2018: 1,664,000 tons). 1,382,000 tons (80 %) were attributable to recycled fiber-based cartonboard and 341,000 tons (20 %) to virgin fiber-based cartonboard (2018: 1,313,000 tons or 79 % and 351,000 tons or 21 %, respectively). At 1,705,000 tons, cartonboard sold was slightly below production and 2.5 % above the previous year (2018: 1,663,000 tons).

Sales increased in line with sold volumes to EUR 1,078.3 million (2018: EUR 1,062.2 million). As in the previous year, sales to European markets were slightly higher, with a share of around 65 % in Western Europe (2018: 63 %) and 22 % in Eastern Europe (2018: 21 %), resulting in the sales share in countries outside Europe decreasing to 13 % (2018: 16 %).

Operating profit grew by 14.6 %, or EUR 14.1 million, to EUR 110.5 million (2018: EUR 96.4 million), primarily due to lower direct costs and slightly better average prices. The operating margin reached 10.2 % following 9.1 % in 2018.

MM Packaging

in millions of EUR, IFRS	2019	2018	+/-
Sales¹⁾	1,578.0	1,384.2	+14.0 %
Operating profit	144.8	120.7	+20.0 %
Operating margin (in %)	9.2 %	8.7 %	
Tonnage processed (in thousands of tons)	785	766	+2.5 %

¹⁾ including interdivisional sales

In the course of weaker economic conditions in 2019, planning on the European folding carton market was also more restrained and stocks were reduced along the entire supply chain. Consequently, and due to still sufficient capacity reserves, the high level of competitive intensity and consolidation in the industry continued.

Despite temporary heterogeneous capacity utilization among the plants, MM Packaging reported a stable overall development as a result of the good order backlog. Measures aimed at improving cost efficiency and value added as well as gaining new business were pursued and implemented systematically. In this connection, the strategic focus remains on maintaining strength and exploiting growth opportunities on individual markets such as FMCG (fast moving consumer goods), packaging for tobacco products, pharmaceuticals, and personal care with specialized plants through maximum cost efficiency and quality.

Particular focus in 2019 was placed on integrating the Tann-Group acquired at the beginning of the year into the division. This developed according to plan using synergies arising from technological proximity and organizational integration. Like the development in the course of the year, the annual result of MM Packaging is mainly characterized by the initial inclusion of the Tann-Group.

Processed tonnage of cartonboard and paper increased acquisition-related by 2.5 % to 785,000 tons (2018: 766,000 tons).

Sales went up by 14.0 %, or EUR 193.8 million, to EUR 1,578.0 million (2018: EUR 1,384.2 million), of which 49 % and 33 % were accounted for by Western and Eastern Europe and 18 % by business outside Europe (2018: 57 %; 32 %; 11 %).

Operating profit increased by 20.0 %, or EUR 24.1 million, to EUR 144.8 million (2018: EUR 120.7 million), with one-off expenses of EUR -4.8 million being recorded as a result of the initial consolidation. The operating margin therefore only rose slightly from 8.7 % to 9.2 %.

QUARTERLY OVERVIEW

MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	4Q/2018	1Q/2019	2Q/2019	3Q/2019	4Q/2019
Sales	574.6	642.9	632.6	648.8	620.1
EBITDA¹⁾	72.3	90.9	100.7	105.6	92.4
EBITDA margin (in %)	12.6 %	14.1 %	15.9 %	16.3 %	14.9 %
Operating profit	44.8	57.2	66.8	71.6	59.7
Operating margin (in %)	7.8 %	8.9 %	10.6 %	11.0 %	9.6 %
Profit before tax	48.9	58.1	64.5	71.6	56.9
Income tax expense	(11.1)	(14.4)	(15.9)	(17.6)	(13.0)
Profit for the period	37.8	43.7	48.6	54.0	43.9
Net profit margin (in %)	6.6 %	6.8 %	7.7 %	8.3 %	7.1 %
Cash earnings	66.1	74.1	81.6	83.7	71.0
Cash earnings margin (in %)	11.5 %	11.5 %	12.9 %	12.9 %	11.4 %
Earnings per share (in EUR)	1.88	2.17	2.42	2.70	2.20

¹⁾ Operating profit plus depreciation and amortization

DIVISIONS

MM KARTON

in millions of EUR, IFRS	4Q/2018	1Q/2019	2Q/2019	3Q/2019	4Q/2019
Sales²⁾	262.3	271.3	270.2	271.5	265.3
Operating profit	16.5	27.3	30.3	29.8	23.1
Operating margin (in %)	6.3 %	10.1 %	11.2 %	11.0 %	8.7 %
Tonnage sold (in thousands of tons)	403	421	426	432	426
Tonnage produced (in thousands of tons)	393	430	437	436	420

²⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	4Q/2018	1Q/2019	2Q/2019	3Q/2019	4Q/2019
Sales²⁾	338.9	402.4	388.0	404.2	383.4
Operating profit	28.3	29.9	36.5	41.8	36.6
Operating margin (in %)	8.4 %	7.4 %	9.4 %	10.3 %	9.5 %
Tonnage processed (in thousands of tons)	182	200	192	199	194

²⁾ including interdivisional sales

A video presentation by the Management Board on the Annual Results 2019 is available on our Homepage at www.mayr-melnhof.com.

The Annual Report 2019 will be available as of April 8, 2020.

Forthcoming Results:

May 14, 2020 Results for the 1st quarter of 2020

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