



1-2Q|22

Half-Year Financial Report 2022
Mayr-Melnhof Karton AG

- ⊗ Strong demand for sustainable, fiber-based packaging
- ⊗ Growth strategy and improvement of operational efficiency on track
- ⊗ Development in the 2nd half-year hard to predict due to instabilities of supply chains and necessary adjustment measures

GROWING
TOGETHER

Group Key Indicators

(according to IFRS for interim financial reporting, unaudited)

(consolidated, in millions of EUR)	1 st - 2 nd Quarter		+/-
	Jan. 1 - Jun. 30, 2022	Jan. 1 - Jun. 30, 2021	
Consolidated sales	2,218.5	1,289.6	+ 72.0 %
EBITDA	375.8	155.5	+ 141.7 %
EBITDA margin (%)	16.9 %	12.1 %	+ 488 bp
Operating profit	285.0	92.1	+ 209.3 %
Operating margin (%)	12.8 %	7.1 %	+ 570 bp
Profit before tax	270.2	82.9	+ 225.7 %
Income tax expense	(64.4)	(20.7)	
Profit for the period	205.8	62.2	+ 231.0 %
Net profit margin (%)	9.3 %	4.8 %	
Earnings per share (in EUR)	10.24	3.07	+ 233.6 %
Cash flow from operating activities	138.3	112.3	+ 23.1 %
Capital expenditures (CAPEX)	173.8	105.7	+ 64.4 %
Depreciation and amortization ¹⁾	90.8	63.4	+ 43.4 %

¹⁾ incl. impairment of property, plant and equipment and intangible assets

	Balance sheet date	
	Jun. 30, 2022	Dec. 31, 2021
Total equity (in millions of EUR)	1,878.9	1,661.9
Total assets (in millions of EUR)	4,358.9	4,014.2
Equity ratio (%)	43.1 %	41.4 %
Net debt (-) (in millions of EUR)	- 1,259.4	- 1,063.5
Employees	13,008	12,492

Group Report

Dear Shareholders,

demand for the products of your Company is strong, as consumers prefer natural, recyclable packaging made from renewable, fiber-based raw materials. Our strategy of focused organic growth and value enhancing acquisitions combined with a strong grip on improvement of productivity is starting to pay off. In the 1st half-year organic growth of Packaging was close to 5 %, just limited by capacity restrictions, as our customers value our increased focus on innovation and sustainability as well as supply security due to our backward integration with cartonboard. The acquisition of Essentra Packaging, expected to be closed in the 4th quarter, will take MM to a global leadership position in secondary pharmaceutical packaging and position us for more organic growth and resilience throughout the business.

As already indicated, MM has delivered a good 1st half-year based on an exceptionally strong performance in the 2nd quarter. The enormous cost inflation was mitigated by price adjustments, cost control and a step-up in operational efficiencies. On top, our half-year income statement has been particularly influenced by the inclusion of the cartonboard and paper mills MM Kwidzyn and MM Kotkamills, which were acquired a year ago. At the same time, we significantly increased capex in order to reduce energy consumption, raise quality and increase output. We are convinced there is much we can improve through the enhanced focus on digitalization, sustainability and innovation.

As the continuous supply of our customers has top priority, we have undertaken several measures to mitigate a possible gas rationing, which would affect all cartonboard and paper mills except MM Kwidzyn: We have started to build up safety stocks for recycled fiber-based cartonboard, rented gas storage facilities in Austria, and are investing in alternative oil firing in Finland.

The second half-year will be impacted by planned capex-related downtime, necessary adjustment measures and supply chain disruptions, at an extent which seems quite unpredictable at this point in time.

Income Statement

The income statement as of the 1st half-year 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 increased by EUR 928.9 million to EUR 2,218.5 million (1st half of 2021: EUR 1,289.6 million). This growth results mainly from the previous year's acquisitions as well as the passing on of cost increases through higher prices.

At EUR 285.0 million, operating profit was EUR 192.9 million above the previous year's value (1st half of 2021: EUR 92.1 million). The significant rise primarily results from the division MM Board & Paper. In the previous year, one-off expenses from adjustment and restructuring measures amounting to EUR 26.1 million were recognized in the Packaging division. The Group's operating margin thus reached 12.8 % (1st half of 2021: 7.1 %).

Financial income amounted to EUR 2.3 million (1st half of 2021: EUR 1.0 million). The increase of financial expenses from EUR -10.3 million to EUR -15.6 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.

At EUR 270.2 million, profit before tax was also above the previous year's level (1st half of 2021: EUR 82.9 million). Income tax expense amounted to EUR 64.4 million (1st half of 2021: EUR 20.7 million), resulting in an effective Group tax rate of 23.8 % (1st half of 2021: 25.0 %).

Profit for the period rose by EUR 143.6 million to EUR 205.8 million (1st half of 2021: EUR 62.2 million) and earnings per share from EUR 3.07 to EUR 10.24.

Assets, Capital, and Liquid Funds

The Group's total assets amounted to EUR 4,358.9 million as of June 30, 2022, EUR 344.7 million higher than the comparable value as of December 31, 2021 (EUR 4,014.2 million). The Group's total equity grew from EUR 1,661.9 million to EUR 1,878.9 million, with the dividend payment of EUR 70.0 million diminishing the mainly profit-related increase.

Financial liabilities, primarily of a long-term character, increased to EUR 1,481.3 million after EUR 1,423.1 million at the end of the previous year. With lower total cash of EUR 221.9 million (December 31, 2021: EUR 359.5 million) net debt of the Group went up to EUR 1,259.4 million (December 31, 2021: EUR 1,063.5 million). The equity ratio was at 43.1 % (December 31, 2021: 41.4 %).

Non-current assets changed mostly investment- and acquisition-related from EUR 2,460.0 million to EUR 2,635.5 million. Current assets of EUR 1,723.4 million were higher than at the end of 2021 (EUR 1,554.2 million), in particular due to increased trade receivables and inventories.

Cash Flow Development

Cash flow from operating activities increased from EUR 112.3 million to EUR 138.3 million in the 1st half -year. An increase in cash-effective result was offset by a sharp rise in working capital.

Cash flow from investing activities rose from EUR -106.2 million to EUR -226.1 million, mainly due to the payment of the preliminary purchase price for the acquisition of the pharma packaging group Eson Pac and higher payments for the acquisition of property, plant and equipment and intangible assets. Capital expenditures focused on expansions and growth projects in both divisions, with the aim of increasing both operational efficiencies and the offer of innovative and sustainable product solutions.

Cash flow from financing activities changed from EUR 925.5 million to EUR -49.9 million. This change results from the issuance of Schuldschein loans and Namensschuldverschreibungen in the previous year.

DEVELOPMENT IN THE 2nd QUARTER

In the course of very good demand as well as increased prices to compensate for the ongoing strong cost inflation, consolidated sales of EUR 1,158.1 million were above the value of the 1st quarter of 2022 (EUR 1,060.4 million). The increase compared to the previous year's level (2Q 2021: EUR 648.3 million) results primarily from the inclusion of MM Kotkamills and MM Kwidzyn as well as necessary price adjustments.

The Group's operating profit rose to EUR 173.9 million after EUR 111.1 million in the 1st quarter of 2022 and EUR 30.9 million in the 2nd quarter of the previous year. The latter was mainly characterized by one-off effects in the amount of EUR 26.1 million from restructuring measures in the packaging division as well as the strong burden from the enormous increase in input costs in the cartonboard sector. The operating margin was thus at 15.0 % (1Q 2022: 10.5 %; 2Q 2021: 4.8 %). Profit for the period increased to EUR 126.3 million (1Q 2022: EUR 79.5 million; 2Q 2021: EUR 18.3 million).

Capacities of the MM Board & Paper division at 99 % were again almost fully utilized in the 2nd quarter (1Q 2022: 99 %; 2Q 2021: 99 %). The operating margin amounted to 18.1 % and was thus above the values of both the previous quarter and the previous year (1Q 2022: 10.7 %; 2Q 2021: 4.6 %).

The 2nd quarter in the packaging division was mainly characterized by implemented cost passes, volume increases and the first-time inclusion of Eson Pac. The operating margin amounted to 8.4 % (1Q 2022: 9.0 %; 2Q 2021: 4.5 %).

Development Russia and Ukraine

MM has ceased cartonboard sales to Russia and shifted volumes to other countries. In Russia, packaging is produced for local demand of consumer staples. Regarding this exposure, MM continues to review all options. At the packaging site in Ukraine where production was stopped at the beginning of the war, it could be resumed in the 2nd quarter on a reduced scale. For the 2nd half of the year we aim to further increase production. Currently there is no need for impairment.

Outlook

We expect sustained solid demand for natural, renewable and recyclable cartonboard packaging. Any ongoing cost inflation will be mitigated by timely price adjustments in both divisions.

The 2nd half-year will be particularly impacted by planned capex-related downtime (rebuilt at Neuss board mill in Germany, and at Kotkamills in Finland for Absorbex), necessary adjustment measures and supply chain disruptions, at an extent which seems currently quite unpredictable. Ensuring business continuity and sustainable supply of our customers will stay top priority. We will follow up on this through flexible procurement and logistics management, continuous investment activity (EUR 250-300 million each in 2022 and 2023), and the safeguarding of profitability.

Our strategy to grow organically and inorganically in environmentally friendly, innovative fiber-based packaging products is paying off. The acquisition of Essentra Packaging, to be closed in the 4th quarter, as well as progress in operational efficiency, sustainability, and innovation are expected to feed both, more growth and resilience throughout the business.

Further Information on the Acquisitions of MM Packaging

Eson Pac

On April 11, 2022, the MM Group acquired 100 % of the shares in Eson Pac, located in Veddige, Sweden, from the majority shareholder Nalka Invest AB as well as family and management minority shareholders.

With annual sales of around EUR 48 million, Eson Pac develops, produces and distributes high-quality secondary packaging solutions for the pharmaceutical industry. The company has three production sites in Sweden and one in Denmark, focusing on folding carton, leaflets and labels. MM Eson Pac employs around 300 people.

Essentra Packaging

On June 24, 2022, the MM Group has agreed to acquire Essentra Packaging (100 % of the shares in ESNT Packaging & Securing Solutions Limited (UK) and the affiliated companies, as well as 100 % of the shares in Essentra Packaging US Inc (US)) from Essentra plc (UK) for a cash and debt free consideration of GBP 312 million (currently approx. EUR 370 million*).

Essentra Packaging has reported 2021 sales of approx. GBP 370 million (currently approx. EUR 440 million*). The company has 21 manufacturing sites in 10 countries in Europe and North America and delivers to a global customer base of more than 800 customers, including 19 of the top 20 pharma companies. Essentra Packaging employs more than 3,500 people.

The transaction is subject to the fulfilment of customary closing conditions (e.g. regulatory approvals). Closing of the transaction is expected in the 4th quarter of 2022.

These acquisitions will implement MM Packaging's strategy to grow in profitable and resilient segments such as pharma secondary packaging and strengthen her position in the pharma carton & leaflets market in Europe.

Sustainability Targets

Science-based climate targets of MM officially confirmed

The MM Group (MM) has committed itself to a reduction of greenhouse gas emissions in line with climate science. In April 2022, the ambitious targets have been officially approved by the Science Based Targets initiative (SBTi).

The commitment of MM Group to mitigating climate change includes the reduction of both direct and indirect emissions from operations (Scope 1 and 2) as well as emissions from the value chain (Scope 3):

- MM commits to reduce absolute scope 1 and 2 GHG emissions 50.4 % by 2031 from a 2019 base year.
- MM also commits to reduce scope 3 GHG emissions 58.1 % per Euro value added by 2031 from a 2019 base year.

The approval of the targets by SBTi confirms that MM's group-wide reduction pathway is in line with the Paris Climate Agreement in order to contribute to limiting global warming to below 1.5°C by 2050. For this purpose, MM not only determines GHG emissions of the Group, but also fosters sustainability initiatives of its customers and suppliers.

* Exchange rate as of August 8, 2022

Divisions

MM Board & Paper

Demand remained marked by strong order activity for cartonboard and paper also during the 1st half-year 2022. At the same time, however, working capital increased significantly due to delays in call-offs, customer portfolio shifts, and the considerable reduction in non-European business. This also reflects the current situation in the whole industry.

The division's average order backlog was 302,000 tonnes (1st half of 2021: 194,000 tonnes). As in the previous year, the division's capacities at 99 % (1st half of 2021: 99 %) were almost fully utilized, despite major challenges in the supply chain.

Due to severe cost inflation, in particular ongoing increases in raw material, energy and transport costs, and the difficulty of predicting future developments, the focus was on compensating for this burden by timely price increases to catch up on margins in order to safeguard supply capability, quality and continuous capex. Bottlenecks in purchasing have so far been overcome by high flexibility and alternative procurement.

For the ongoing major capex programs at the mills Frohnleiten, Neuss and Kolicevo with a focus on efficiency improvements, increased sustainability and higher volumes we expect minor cost overruns and some months deviation. Integration of MM Kwidzyn and MM Kotkamills, which were acquired a year ago, has been well accomplished.

At EUR 1,382.2 million, sales were acquisition- and price-related EUR 825.6 million above the comparable figure (1st half of 2021: EUR 556.6 million). Accordingly, operating profit rose to EUR 201.7 million (1st half of 2021: EUR 33.0 million), with an operating margin reaching 14.6 % (1st half of 2021: 5.9 %).

At 1,330,000 tonnes, tonnage produced was mainly acquisition-related above the previous year's figures (1st half of 2021: 831,000 tonnes).

Divisional indicators MM Board & Paper (according to IFRS for interim financial reporting, unaudited)

(in millions of EUR)	Jan. 1 - Jun. 30, 2022	Jan. 1 - Jun. 30, 2021	+/-
Sales ¹⁾	1,382.2	556.6	+ 148.3 %
EBITDA	253.5	59.5	+ 326.1 %
Operating profit	201.7	33.0	+ 512.2 %
Operating margin (%)	14.6 %	5.9 %	+ 867 bp
Cash flow from operating activities	102.1	16.7	+ 512.3 %
Tonnage sold (in thousands of tonnes)	1,280	854	+ 50.0 %
<i>Cartonboard</i>	<i>961</i>	<i>854</i>	<i>+ 12.4 %</i>
<i>Kraft Papers</i>	<i>128</i>	<i>n.a.</i>	
<i>Uncoated Fine Papers</i>	<i>191</i>	<i>n.a.</i>	
Tonnage produced (in thousands of tonnes)	1,330	831	+ 60.0 %

¹⁾ including interdivisional sales

MM Packaging

Demand and order intake remained at a high level in all business units of MM Packaging in the 1st half-year, with an attractive increase in volume compared to the previous year. At the same time, the sharp rise in input costs, especially for cartonboard, paper, energy and transport, has continued. As a result of the strong cost increase dynamics, the cycles for sales price adjustments were considerably reduced, with the objective of sustainably maintaining the delivery capability through a strict margin policy. In securing the supply of materials, the integrated positioning of MM has become increasingly important.

As already taken up, the growth course of MM Packaging has been accelerated both organically by expanding highly competitive sites as well as through acquisitions in attractive new markets such as pharmaceutical packaging (Eson Pac and Essentra Packaging*).

At the sites MM Neupack, Austria, and MM Packaging Romania capex in the expansion could be successfully completed in the 1st half-year 2022. The expansion of MMP Neupack Polska and MM Packaging UK has, however, been partially delayed to the 2nd half-year due to postponements of machine deliveries.

At EUR 957.3 million, sales were 21.0 % above the previous year's figure of EUR 791.4 million due to both significant price increases and higher volumes. The operating profit rose to EUR 83.3 million (1st half of 2021: EUR 59.1 million) after restructuring-related one-off effects in the previous year. The operating margin thus amounted to 8.7 % (1st half of 2021: 7.5 %).

The volume produced increased by 5.8 % to 1,913 million m² (1st half of 2021: 1,808 million m²).

Divisional indicators MM Packaging (according to IFRS for interim financial reporting, unaudited)

(in millions of EUR)	Jan. 1 - Jun. 30, 2022	Jan. 1 - Jun. 30, 2021	+/-
Sales ¹⁾	957.3	791.4	+ 21.0 %
EBITDA	122.3	96.0	+ 27.4 %
Operating profit	83.3	59.1	+ 40.7 %
Operating margin (%)	8.7 %	7.5 %	+ 122 bp
Cash flow from operating activities	36.2	95.6	- 62.2 %
Produced volume (in millions of m ²)	1,913	1,808	+ 5.8 %

¹⁾ including interdivisional sales

* Eson Pac has been included in consolidated companies since April 2022; closing of Essentra Packaging is expected in the 4th quarter of 2022

Consolidated Balance Sheets

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	Notes	End of 2 nd Quarter	Year-end
		Jun. 30, 2022	Dec. 31, 2021
ASSETS			
Property, plant and equipment	4	1,628,078	1,490,031
Intangible assets including goodwill	4	964,940	914,793
Investments accounted for using the equity method, securities and other financial assets		9,368	8,415
Deferred tax assets		33,109	46,763
Non-current assets		2,635,495	2,460,002
Inventories	7	634,540	477,263
Trade receivables		670,114	541,603
Income tax receivables		20,744	32,212
Prepaid expenses and other current assets		169,896	136,807
Cash and cash equivalents		221,914	359,546
Non-current assets held for sale		6,230	6,785
Current assets		1,723,438	1,554,216
TOTAL ASSETS		4,358,933	4,014,218
EQUITY AND LIABILITIES			
Share capital		80,000	80,000
Additional paid-in capital		172,658	172,658
Retained earnings		1,822,795	1,687,923
Other reserves		(203,209)	(284,750)
Equity attributable to shareholders of the Company		1,872,244	1,655,831
Non-controlling (minority) interests		6,705	6,047
Total equity		1,878,949	1,661,878
Non-current financial liabilities	9	1,423,071	1,349,074
Provisions for non-current liabilities and charges		95,779	149,834
Deferred tax liabilities		79,236	70,486
Non-current liabilities		1,598,086	1,569,394
Current financial liabilities	9	58,269	74,003
Current tax liabilities		43,395	24,371
Trade liabilities		509,488	437,726
Deferred income and other current liabilities		220,912	198,628
Provisions for current liabilities and charges		49,834	48,218
Current liabilities		881,898	782,946
Total liabilities		2,479,984	2,352,340
TOTAL EQUITY AND LIABILITIES		4,358,933	4,014,218

Consolidated Income Statements

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR, except per share data)	Notes	2 nd Quarter		1 st - 2 nd Quarter	
		Apr. 1 - Jun. 30, 2022	Apr. 1 - Jun. 30, 2021	Jan. 1 - Jun. 30, 2022	Jan. 1 - Jun. 30, 2021
Sales	12	1,158,122	648,303	2,218,529	1,289,575
Cost of sales		(828,068)	(525,436)	(1,637,525)	(1,012,976)
Gross margin		330,054	122,867	581,004	276,599
Other operating income		10,036	7,786	21,003	10,893
Selling and distribution expenses		(103,032)	(60,405)	(198,155)	(121,214)
Administrative expenses		(62,623)	(39,343)	(117,996)	(74,099)
Other operating expenses		(588)	(26)	(876)	(56)
Operating profit		173,847	30,879	284,980	92,123
Financial income		777	539	2,337	1,042
Financial expenses		(8,081)	(6,702)	(15,563)	(10,336)
Other financial result – net	10	(3)	(364)	(1,590)	114
Profit before tax		166,540	24,352	270,164	82,943
Income tax expense		(40,193)	(6,025)	(64,348)	(20,766)
Profit for the period		126,347	18,327	205,816	62,177
Attributable to:					
Shareholders of the Company		125,949	17,953	204,872	61,453
Non-controlling (minority) interests		398	374	944	724
Profit for the period		126,347	18,327	205,816	62,177
Earnings per share for profit for the period attributable to the shareholders of the Company:					
Earnings per share		6.29	0.89	10.24	3.07

Consolidated Comprehensive Income Statements

(according to IFRS for interim financial reporting, unaudited)

	2 nd Quarter		1 st - 2 nd Quarter	
	Apr. 1 - Jun. 30, 2022	Apr. 1 - Jun. 30, 2021	Jan. 1 - Jun. 30, 2022	Jan. 1 - Jun. 30, 2021
(all amounts in thousands of EUR)				
Profit for the period	126,347	18,327	205,816	62,177
Other comprehensive income:				
Actuarial valuation of defined benefit pension and severance obligations	29,629	(1,365)	52,909	6,934
Effect of income taxes	(6,637)	1	(11,887)	(1,300)
Total of items that will not be reclassified subsequently to the income statement	22,992	(1,364)	41,022	5,634
Foreign currency translations ¹⁾	52,957	(852)	41,440	5,301
Effect of income taxes	(955)	(288)	(753)	(699)
Total of items that will be reclassified subsequently to the income statement	52,002	(1,140)	40,687	4,602
Other comprehensive income (net)	74,994	(2,504)	81,709	10,236
Total comprehensive income	201,341	15,823	287,525	72,413
Attributable to:				
Shareholders of the Company	200,869	15,479	286,413	71,551
Non-controlling (minority) interests	472	344	1,112	862
Total comprehensive income	201,341	15,823	287,525	72,413

¹⁾ In the 1st half-year of 2022, an amount of thous. EUR 0 (1st half of 2021: thous. EUR -62) was reclassified from other comprehensive income to profit for the period.

Consolidated Statements of Changes in Equity

(according to IFRS for interim financial reporting, unaudited)

	Notes	Equity attributable to shareholders of the Company							Non-controlling (minority) interests	Total equity
		Share capital	Additional paid-in capital	Retained earnings	Other comprehensive income			Total		
					Foreign currency translations	Actuarial gains and losses	Other reserves			
(all amounts in thousands of EUR)										
Balance at January 1, 2022		80,000	172,658	1,687,923	(218,254)	(66,496)	(284,750)	1,655,831	6,047	1,661,878
Profit for the period		0	0	204,872	0	0	0	204,872	944	205,816
Other comprehensive income		0	0	0	40,562	40,979	81,541	81,541	168	81,709
Total comprehensive income		0	0	204,872	40,562	40,979	81,541	286,413	1,112	287,525
Transactions with shareholders:										
Dividends paid	8	0	0	(70,000)	0	0	0	(70,000)	(454)	(70,454)
Balance at June 30, 2022		80,000	172,658	1,822,795	(177,692)	(25,517)	(203,209)	1,872,244	6,705	1,878,949
Balance at January 1, 2021		80,000	172,658	1,564,165	(207,173)	(67,304)	(274,477)	1,542,346	4,752	1,547,098
Profit for the period		0	0	61,453	0	0	0	61,453	724	62,177
Other comprehensive income		0	0	0	4,454	5,644	10,098	10,098	138	10,236
Total comprehensive income		0	0	61,453	4,454	5,644	10,098	71,551	862	72,413
Transactions with shareholders:										
Dividends paid	8	0	0	(64,000)	0	0	0	(64,000)	(665)	(64,665)
Balance at June 30, 2021		80,000	172,658	1,561,618	(202,719)	(61,660)	(264,379)	1,549,897	4,949	1,554,846

Consolidated Cash Flow Statements

(condensed version according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	Notes	1 st - 2 nd Quarter	
		Jan. 1 - Jun. 30, 2022	Jan. 1 - Jun. 30, 2021
Profit for the period		205,816	62,177
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid		164,329	85,980
Net cash from profit		370,145	148,157
Changes in working capital		(200,408)	(4,500)
Cash flow from operating activities excluding interest and taxes paid		169,737	143,657
Income taxes paid		(31,479)	(31,349)
CASH FLOW FROM OPERATING ACTIVITIES		138,258	112,308
Payments for property, plant and equipment, and intangible assets (incl. payments on account)		(169,297)	(114,190)
Payments for acquisition of companies or other business entities, net of cash and cash equivalents acquired (1 st HY 2022: thous. EUR 915; 1 st HY 2021: thous. EUR 0)	2	(60,499)	0
Other items		3,688	7,959
CASH FLOW FROM INVESTING ACTIVITIES		(226,108)	(106,231)
Change in financial liabilities		38,299	993,950
Dividends paid to the shareholders of the Company	8	(70,000)	(64,000)
Interest paid		(17,698)	(3,817)
Other items		(525)	(665)
CASH FLOW FROM FINANCING ACTIVITIES		(49,924)	925,468
Effect of exchange rate changes on cash and cash equivalents		142	1,673
Change in cash and cash equivalents		(137,632)	933,218
Cash and cash equivalents at the beginning of the period (according to the consolidated balance sheet)		359,546	146,241
Cash and cash equivalents at the end of the period (according to the consolidated balance sheet)		221,914	1,079,459

Notes to the Consolidated Half-Year Financial Statements

1 PRINCIPLES OF PREPARING THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1.1 General

These condensed consolidated half-year financial statements and notes thereto of Mayr-Melnhof Karton AG and its controlled subsidiaries have been prepared in accordance with IFRS for interim financial reporting (IAS 34) as adopted by the European Union and were neither voluntarily audited nor reviewed by an auditor. The condensed consolidated half-year financial statements do not include all obligatory information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements as of December 31, 2021.

The present condensed consolidated half-year financial statements have been prepared using the same accounting principles as for the consolidated financial statements as of December 31, 2021, except the below mentioned revised accounting regulations.

The business performance of Mayr-Melnhof Karton AG is generally not affected by any significant seasonal effects. Information regarding the cyclical influences on the business activity of the Group can be found in the presentation of the divisions in the half-year management report on page 7f.

The increase in inventories, trade receivables and trade liabilities was caused by higher business activity and delays in call-offs.

1.2 New accounting regulations

As of January 1, 2022, the following revised accounting regulations are applicable:

Revised Standards	Content	Effective
IFRS 3	Reference to the Conceptual Framework in IFRS	2022
IAS 16	Proceeds before Intended Use	2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	2022
	Annual Improvements to IFRS 2018 – 2020	2022

If applicable, the effective regulations were applied in the present condensed consolidated half-year financial statements. However, this has not had any significant impact on the presentation of the Group's financial situation and profitability.

2 SIGNIFICANT CHANGES IN THE CONSOLIDATED COMPANIES

In April 2022, the MM Group acquired 100 % of the shares in Eson Pac, located in Veddige, Sweden, from the majority shareholder Nalka Invest AB as well as family and management minority shareholders.

Eson Pac produces and distributes high-quality secondary packaging solutions for the pharmaceutical industry. The company has three production sites in Sweden and one in Denmark, focusing on folding cartons, leaflets and labels.

The closing of the acquisition was completed on April 11, 2022. The preliminary purchase price amounts to thous. EUR 59,570, of which thous. EUR 52,066 were paid in cash on the closing date and the remaining amount was recognized as contingent purchase price liability of thous. EUR 7,504, based on the current estimated EBITDA 2022 according to local law. The purchase price was financed by cash on hand.

The preliminary fair values of the acquired assets and liabilities according to IFRS at the acquisition date are as follows:

(in thousands of EUR)	Apr. 11, 2022
Property, plant and equipment	21,351
Intangible assets	15,528
Deferred tax assets	1,937
Inventories	4,366
Trade receivables	10,699
Prepaid expenses and other current assets	875
Cash and cash equivalents	915
Deferred tax liabilities	(5,331)
Provisions for non-current liabilities and charges	(496)
Financial liabilities	(10,375)
Trade liabilities	(4,758)
Prepaid expenses, other current liabilities and provisions	(5,457)
Net assets	29,254
Goodwill	30,316

The fair values of machinery and technical equipment are currently determined by an independent external expert using a cost-based approach based on replacement costs for comparable machinery. Real estate was measured at fair value by an independent external expert using the market-based respectively income-based approach, depending on available market data.

Intangible assets include, in particular, a customer relationship in an amount of thous. EUR 14,593, based on long-term customer relations.

For trade receivables amounting to thous. EUR 10,699 as well as prepaid expenses and other current assets in the amount of thous. EUR 875 the fair values correspond to the gross amounts. Due to the short-term nature of the receivables, the Group assumes that the future cash flows correspond to the fair value. The Group has not recognized any contingent consideration in the course of the transaction.

Financial liabilities mainly include liabilities from lease transactions accounted for in accordance with IFRS 16.

The remaining goodwill of thous. EUR 30,316 mainly reflects the expansion and strengthening of the market position in the pharmaceutical sector. Recognized goodwill is not deductible for tax purposes.

In the 1st half-year 2022, acquisition-related costs amounting to thous. EUR 1,143 were recorded as expense and reported under administrative expenses in the consolidated income statement.

Sales and profit before tax from the time the business belonged to the Group and the division in the 1st half-year 2022 amounted to thous. EUR 13,285 and thous. EUR 922, respectively. If the business combination had been concluded on January 1, 2022, Eson Pac would have additionally contributed approximately EUR 16 million to the Group's sales or approximately EUR 1.3 million to the Group's profit before tax.

The purchase price allocation has not yet been completed, as the valuations, in particular for property, plant and equipment and the customer relationship, have not yet been finalized and the final settlement with the seller is still outstanding. No further significant changes are expected for the Group as a result of this process.

In addition, there was one other acquisition that was immaterial for the Group.

3 DISCRETIONARY DECISIONS, ASSUMPTIONS, AND ESTIMATES

The valuation of defined benefit pension and severance obligations is determined on the basis of an actuarial calculation as of the respective annual reporting date. If any significant changes in the actuarial assumptions arise during the current financial year, a remeasurement of the recognized net defined benefit liability will be recorded.

The change in provisions for non-current liabilities and charges was primarily due to an adjustment of the discount rate for defined benefit pension and severance obligations to 3.41 % respectively 4.57 % as of June 30, 2022 (December 31, 2021: 1.24 % respectively 1.85 %).

As of June 30, 2022, the Group assessed whether there was any indication of impairment of assets due to the Covid-19 pandemic and the associated uncertainties. Both external and internal sources of information were used for the analysis. Based on the currently available information, the Group does not expect any material negative effects on the future cash flows of its operating divisions MM Board & Paper and MM Packaging.

The division MM Packaging produces packaging products for consumer staples at two sites in Russia and at one site in Ukraine. As of June 30, 2022, there was no need for impairment of non-current assets. However, as presented in the interim Group management report, there was a strong increase in input costs, such as energy and raw materials, which had a corresponding impact on the financial situation and profitability of the MM Group.

The requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" were taken into account for the subsidiaries in Turkey.

4 DEVELOPMENT OF FIXED ASSETS

The Group spent a total of thous. EUR 173,753 (1st half of 2021: thous. EUR 105,716) on acquiring property, plant and equipment and intangible assets in the 1st half-year of 2022. The carrying amount of disposals of property, plant and equipment and intangible assets amounted to thous. EUR 466 (1st half of 2021: thous. EUR 2,771).

Depreciation and amortization on property, plant and equipment and intangible assets amounted to thous. EUR 90,861 (1st half of 2021: thous. EUR 63,356).

Net book values of property, plant and equipment and intangible assets including goodwill are composed as follows:

(all amounts in thousands of EUR)	End of 2 nd Quarter	Year-end
	Jun. 30, 2022	Dec. 31, 2021
Lands, similar land rights and buildings	520,842	480,212
Technical equipment and machines	843,577	820,390
Other equipment, fixtures and fittings	46,104	41,187
Construction in progress	217,555	148,242
Property, plant and equipment	1,628,078	1,490,031

(all amounts in thousands of EUR)	End of 2 nd Quarter	Year-end
	Jun. 30, 2022	Dec. 31, 2021
Concessions, licenses and similar rights	37,814	18,188
Goodwill	697,022	668,759
Customer relationships and other intangible assets	230,104	227,846
Intangible assets including goodwill	964,940	914,793

5 PURCHASE COMMITMENTS

As of June 30, 2022 purchase obligations for fixed assets regarding planned capital expenditures amounted to thous. EUR 162,188 (December 31, 2021: thous. EUR 136,440).

6 FINANCIAL INSTRUMENTS DISCLOSURES

6.1 Measurement at fair value

The amounts of financial assets and financial liabilities which are recognized at fair value are as follows:

(all amounts in thousands of EUR)	End of 2 nd Quarter	Year-end
	Jun. 30, 2022	Dec. 31, 2021
Financial assets:		
Derivative financial instruments (Level 2)	3,692	4,441
Securities (Level 1)	305	350
Financial liabilities:		
Derivative financial instruments (Level 2)	4,175	5,957
Contingent purchase price liability (Level 3)	7,504	0

Measurement methods

The Group applies the following hierarchy to determine the measurement method and to identify the fair value of financial instruments, depending on the availability of information about market prices:

Availability of information, sorted by level	Measurement method used
Level 1 – Quoted market prices are available	Measurement based on quoted market prices for identical financial instruments
Level 2 – Quoted market prices for identical instruments are not available but all required measurement parameters can be derived from active markets	Measurement based on valuation method by applying directly or indirectly observable market data
Level 3 – There are no (derived) market prices available	Measurement based on valuation models by using input factors, which cannot be observed on the market

The fair value of securities (Level 1 measurement) is based on the quoted price on the active market.

The fair value of derivative financial instruments (Level 2 measurement) is mostly determined on the basis of spot prices as of the balance sheet date, taking into account forward premiums or discounts with relevant maturity.

In addition, there are financial instruments measured at fair value based on parameters for which no observable market data exist (Level 3 measurement). As part of the acquisition of Eson Pac, a contingent purchase price liability was recognized in the Group, of which the calculation is based on the current estimated EBITDA 2022 according to local law.

7 INVENTORIES

In the 1st half-year of 2022, the write-downs of inventories recognized as an expense amounted to thous. EUR 6,297 (1st half of 2021: thous. EUR 4,504), the reversal of write-downs of inventories recognized as income amounted to thous. EUR 1,765 (1st half of 2021: thous. EUR 728), both under cost of sales.

8 EQUITY

Dividend

By the 28th Ordinary Shareholder's Meeting, a dividend of EUR 3.50 per voting share was resolved for the year 2021 after EUR 3.20 for 2020, which was due on May 11, 2022. On schedule a total of thous. EUR 70,000 (previous year: thous. EUR 64,000) was distributed to the shareholders.

9 FINANCIAL LIABILITIES AND LEASES

Financial liabilities of the Group are as follows:

(all amounts in thousands of EUR)	End of 2 nd Quarter	Year-end
	Jun. 30, 2022	Dec. 31, 2021
Non-current interest-bearing financial liabilities	1,340,934	1,275,096
Long-term lease liabilities	82,137	73,978
Non-current financial liabilities	1,423,071	1,349,074
Current interest-bearing financial liabilities	45,146	63,216
Short-term lease liabilities	13,123	10,787
Current financial liabilities	58,269	74,003
Financial liabilities	1,481,340	1,423,077

10 OTHER FINANCIAL RESULT – NET

(all amounts in thousands of EUR)	1 st - 2 nd Quarter	
	Jan. 1 - Jun. 30, 2022	Jan. 1 - Jun. 30, 2021
Foreign currency exchange rate gains (losses) - net	(1,491)	74
Net interest cost from benefit obligations	(833)	(660)
Result from investments accounted for using the equity method	609	107
Dividend income	408	554
Other financial income	4	90
Other financial expenses	(287)	(51)
Other financial result – net	(1,590)	114

11 DISCLOSURES ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 3,418 were purchased from other related companies in the 1st half-year of 2022 (1st half of 2021: thous. EUR 2,502). As of June 30, 2022, trade liabilities with other related companies amounted to thous. EUR 395 (December 31, 2021: thous. EUR 606).

In the 1st half-year of 2022 sales from transactions with associated companies amounted to thous. EUR 1,038 (1st half of 2021: thous. EUR 304). As of June 30, 2022, trade receivables with associated companies amounted to thous. EUR 604 (December 31, 2021: thous. EUR 45). There were no trade payables either as of June 30, 2022 or as of December 31, 2021.

The cost of raw materials purchased from joint ventures amounted to thous. EUR 2,780 in the 1st half-year of 2022 (1st half of 2021: thous. EUR 674). As of June 30, 2022, trade liabilities with joint ventures amounted to thous. EUR 919 (December 31, 2021: thous. EUR 826).

Transactions with these companies are carried out on an arm's length basis.

Key management personnel of the Group (active Management Board and Supervisory Board members of Mayr-Melnhof Karton AG) and their close relatives are considered as related parties.

Expenses for consulting services rendered by a member of the Supervisory Board amounted to thous. EUR 60 in the 1st half-year of 2022 (1st half of 2021: thous. EUR 86). As of June 30, 2022, liabilities of thous. EUR 0 (December 31, 2021: thous. EUR 30) were recognized in this context. Standard market rates were charged for these consulting services.

12 SEGMENT REPORTING INFORMATION

The Group measures the performance of its operating segments through the assessment of operating profit and profit for the period, as they are presented in the consolidated income statements.

The Group's operating segments can be illustrated as follows:

(all amounts in thousands of EUR)	1st - 2nd Quarter 2022			
	MM Board & Paper	MM Packaging	Eliminations	Group
Sales to external customers	1,261,682	956,847	0	2,218,529
Intersegment sales	120,473	457	(120,930)	0
Total sales	1,382,155	957,304	(120,930)	2,218,529
Operating profit	201,732	83,248	0	284,980
Profit for the period	145,039	60,777	0	205,816
Segment assets ¹⁾	2,966,176	1,956,120	(563,363)	4,358,933
Segment liabilities ¹⁾	1,959,674	1,083,673	(563,363)	2,479,984

¹⁾ as of June 30, 2022

(all amounts in thousands of EUR)	1 st - 2 nd Quarter 2021			
	MM Board & Paper	MM Packaging	Eliminations	Group
Sales to external customers	498,410	791,165	0	1,289,575
Intersegment sales	58,140	271	(58,411)	0
Total sales	556,550	791,436	(58,411)	1,289,575
Operating profit	32,954	59,169	0	92,123
Profit for the period	18,302	43,875	0	62,177
Segment assets ¹⁾	2,747,648	1,597,304	(330,734)	4,014,218
Segment liabilities ¹⁾	1,865,433	817,637	(330,730)	2,352,340

¹⁾ as of December 31, 2021

The operating profit and profit for the period in the total column "Group" correspond to the consolidated income statements. The reconciliation from operating profit to profit for the period can therefore be derived from the consolidated income statements.

Revenues from manufacturing and selling products are recognized at a point in time based on the agreed individual terms of delivery.

13 SIGNIFICANT SUBSEQUENT EVENTS AND FURTHER INFORMATION

On June 24, 2022, the MM Group has agreed to acquire Essentra Packaging (100 % of the shares in ESNT Packaging & Securing Solutions Limited (UK) and the affiliated companies, as well as 100 % of the shares in Essentra Packaging US Inc (US)) from Essentra plc (UK) for a cash and debt free consideration of GBP 312 million (currently approx. EUR 370 million*).

Essentra Packaging has reported 2021 sales of approx. GBP 370 million (currently approx. EUR 440 million*). The company has 21 manufacturing sites in 10 countries in Europe and North America and delivers to a global customer base of more than 800 customers, including 19 of the top 20 pharma companies. Essentra Packaging employs more than 3,500 people.

The transaction is subject to the fulfilment of customary closing conditions (e.g. regulatory approvals). Closing of the transaction is expected in the 4th quarter of 2022.

A transaction-dependent EUR/GBP foreign currency forward transaction ("deal contingent forward") with a nominal amount of GBP 200 million was concluded to hedge the majority of the foreign currency risks arising from the purchase price obligation of the planned acquisition of Essentra Packaging. The negative valuation effect as of June 30, 2022 of approximately EUR 1 million was recognized in profit or loss.

No events that require disclosure took place between the balance sheet date June 30, 2022 and the publication approval on August 10, 2022.

* Exchange rate as of August 8, 2022

Statement of the Management Board

according to section 125 of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year as well as of the major related party transactions to be disclosed.

Vienna, August 10, 2022

The Management Board

Peter Oswald m. p.
Chairman of the Management Board

Franz Hiesinger m. p.
Member of the Management Board

Andreas Blaschke m. p.
Member of the Management Board

Quarterly Overview

MM Group

(consolidated, in millions of EUR)	1 st Quarter 2021	2 nd Quarter 2021	3 rd Quarter 2021	4 th Quarter 2021	1 st Quarter 2022	2 nd Quarter 2022
Sales	641.3	648.3	817.5	962.6	1,060.4	1,158.1
EBITDA	92.7	62.8	127.5	138.0	155.0	220.8
Operating profit	61.2	30.9	85.1	92.4	111.1	173.9
Operating margin (%)	9.6 %	4.8 %	10.4 %	9.6 %	10.5 %	15.0 %
Profit before tax	58.6	24.3	79.5	82.1	103.6	166.6
Income tax expense	(14.7)	(6.0)	(13.3)	(19.8)	(24.1)	(40.3)
Profit for the period	43.9	18.3	66.2	62.3	79.5	126.3
Net profit margin (%)	6.8 %	2.8 %	8.1 %	6.5 %	7.5 %	10.9 %
Earnings per share (in EUR)	2.18	0.89	3.30	3.09	3.95	6.29
Cash flow from operating activities	77.8	34.5	53.5	104.0	49.3	89.0

Divisions

MM Board & Paper

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

¹⁾ including interdivisional sales

MM Packaging

(in millions of EUR)	1 st Quarter 2021	2 nd Quarter 2021	3 rd Quarter 2021	4 th Quarter 2021	1 st Quarter 2022	2 nd Quarter 2022
Sales ¹⁾	399.3	392.1	418.2	432.0	454.9	502.4
EBITDA	59.7	36.3	62.4	77.4	59.3	63.0
Operating profit	41.4	17.7	43.8	59.0	41.0	42.3
Operating margin (%)	10.4 %	4.5 %	10.4 %	13.7 %	9.0 %	8.4 %
Cash flow from operating activities	63.5	32.1	31.2	34.3	30.8	5.4
Produced volume (in millions of m ²)	910	898	928	936	959	954

¹⁾ including interdivisional sales

MM Shares

Relative performance of MM shares 2022
(December 30, 2021 = 100)



Share price (closing price)

as of August 8, 2022	155.20
2022 High	192.00
2022 Low	147.60
Stock performance (Year-end 2021 until August 8, 2022)	- 12.12 %
Number of shares issued	20 million
Market capitalization as of August 8, 2022 (in millions of EUR)	3,104
Trading volume (average per day 1 st HY 2022 in millions of EUR)	2.81

We have prepared this report and reviewed the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids. This report also contains forward-looking estimates and statements based on the information currently available to us. Please note that a wide variety of factors could cause actual circumstances – and hence actual results – to deviate from the expectations contained in this report.

The determination of key indicators, which cannot be reconciled directly from the interim financial report, can be found on our website under section “For Investors/Key Indicators”.

Statements referring to people are valid for both men and women.

This report is also available in German. In case of doubt, the German version takes precedence.

Financial Calendar 2022/2023

November 3, 2022	Results for the first three quarters of 2022
March 14, 2023	Financial results for 2022
April 16, 2023	Record date “Ordinary Shareholders’ Meeting”
April 25, 2023	Results for the 1 st quarter of 2023
April 26, 2023	29 th Ordinary Shareholders’ Meeting – Vienna
May 3, 2023	Ex-dividend day
May 4, 2023	Record date “Dividends”
May 10, 2023	Dividend payment date
August 10, 2023	Results for the 1 st half-year of 2023
November 7, 2023	Results for the first three quarters of 2023

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