



PRESS RELEASE

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Results for the first three quarters of 2019

- Significant increase in sales and earnings
- Good capacity utilization and profit growth in both divisions
- Integration of the Tann-Group according to plan
- Muted market dynamics and pressure on prices persist
- Positive expectations for the 2019 full year remain intact

The Mayr-Melnhof Group was able to maintain with a good third quarter the growth in sales and results in the first three quarters of 2019 despite slowed 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 stable average prices and cost reductions, the increased result in the packaging division was largely attributed to the initial inclusion of the Tann-Group.

For the fourth quarter continuing price pressure and lower business volume towards the end of the year are to be expected with the continuation of the so far attained profit level becoming a challenge. Nevertheless, the positive expectations for the entire year 2019 remain intact.

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1-3Q/2019	1-3Q/2018	+/-
Sales	1,924.3	1,763.1	+9.1 %
EBITDA	297.2	252.1	+17.9 %
EBITDA margin (in %)	15.4 %	14.3 %	
Operating profit	195.6	172.3	+13.5 %
Operating margin (in %)	10.2 %	9.8 %	
Profit before tax	194.2	169.0	+14.9 %
Income tax expense	(47.9)	(42.6)	
Profit for the period	146.3	126.4	+15.7 %
Net profit margin (in %)	7.6 %	7.2 %	
Earnings per share (in EUR)	7.29	6.30	
Employees	10,141	9,445 ¹⁾	
Capital expenditures (CAPEX)	96.7	77.9	
Depreciation and amortization	101.6	79.8	

¹⁾ as of December 31, 2018

The consolidated sales of the Group totaled EUR 1,924.3 million and were thus 9.1 % or EUR 161.2 million above the previous year's value (1-3Q 2018: EUR 1,763.1 million). This increase primarily resulted acquisition-related from the packaging division. EBITDA rose by 17.9 % to EUR 297.2 million (1-3Q 2018: EUR 252.1 million).

At EUR 195.6 million, an operating profit 13.5 % or EUR 23.3 million above the previous year's value was achieved (1-3Q 2018: EUR 172.3 million), with MM Packaging accounting for two thirds and MM Karton for one third of the increase. In the course of the initial consolidation of the Tann-Group one-off expenses from acquisition effects totaling EUR -4.8 million were reported due to recognition of order backlog and inventory measurement. The operating margin amounted to 10.2 % (1-3Q 2018: 9.8 %).

Financial income of EUR 1.0 million (1-3Q 2018: EUR 1.0 million) contrasted with financial expenses of EUR -6.3 million (1-3Q 2018: EUR -4.7 million). "Other financial result – net" increased to EUR 3.9 million (1-3Q 2018: EUR 0.4 million), in particular as a result of foreign currency gains.

Profit before tax went up accordingly by 14.9 % from EUR 169.0 million to EUR 194.2 million. Income tax expense amounted to EUR 47.9 million (1-3Q 2018: EUR 42.6 million), resulting in an effective Group tax rate of 24.7 % (1-3Q 2018: 25.2 %).

Profit for the period thus rose by 15.7 % to EUR 146.3 million (1-3Q 2018: EUR 126.4 million).

DEVELOPMENT IN THE THIRD QUARTER

At EUR 648.8 million and EUR 71.6 million respectively, Group sales and operating profit in the third quarter of 2019 were above the level of the previous year (3Q 2018: EUR 592.5 million and EUR 58.0 million respectively) due to the acquisition and improvements in current business of both divisions, whereby an operating margin of 11.0 % (1Q/2Q 2019: 8.9 % and 10.6 % respectively; 3Q 2018: 9.8 %) was achieved.

The further growth in operating profit compared with the second quarter of the current year (1Q/2Q 2019: EUR 57.2 million and EUR 66.8 million respectively) can be primarily attributed to an increase in sales and cost reductions at MM Packaging.

The profit for the period at EUR 54.0 million was significantly above the comparative figure of the previous year (3Q 2018: EUR 42.7 million) as well as above those of the preceding quarters (1Q/2Q 2019: EUR 43.7 million and EUR 48.6 million respectively).

With sustained good capacity utilization of 98 % (1Q/2Q 2019: each 98 %; 3Q 2018: 99 %), largely stable average prices, and optimized costs, the cartonboard division reached an operating margin of 11.0 % (1Q/2Q 2019: 10.1 % and 11.2 % respectively; 3Q 2018: 9.0 %).

Due to the acquisition and cost savings in particular, the packaging division achieved an operating margin of 10.3 % (1Q/2Q 2019: 7.4 % and 9.4 % respectively; 3Q 2018: 9.7 %).

OUTLOOK

Against the background of continuing weak economic conditions, our European main markets remain characterized by short-term planning of customers and intense competition. Although we still anticipate sustainable demand of our end markets, increasing price pressure and the usually reduced level of business activity at the end of the year must be expected. Even with continuity on raw material markets, the continuation of the profit level so far attained will be a challenge in the fourth quarter. Based on the strong earnings development in the first nine months the positive prospects for the whole financial year 2019 remain however in place. Measures necessary to improve cost efficiency, product optimizations and continuous investments in state-of-the-art technologies stay directed towards gaining market shares and maintaining margins the best possible.

DEVELOPMENT IN THE DIVISIONS

MM Karton

in millions of EUR, IFRS	1-3Q/2019	1-3Q/2018	+/-
Sales¹⁾	813.0	799.9	+1.6 %
Operating profit	87.4	79.9	+9.4 %
Operating margin (in %)	10.8 %	10.0 %	
Tonnage sold (in thousands of tons)	1,279	1,260	+1.5 %
Tonnage produced (in thousands of tons)	1,303	1,271	+2.5 %

¹⁾ including interdivisional sales

MM Karton was able to maintain its position well in the first three quarters of 2019 in an environment marked by more restrained demand and intensified competition on the European cartonboard markets. Market shares were retained or increased slightly, and the product portfolio further developed in line with the market's demand for attractive, highly functional, efficient, and sustainable packaging solutions.

By consistently pursuing a selective sales policy, it was possible to sell a higher volume and to hold up the average price level. Capacities in the division, at 98 % (1-3Q 2018: 99 %), remained almost fully utilized. Due to more short-term planning of customers, the average order backlog at 71,000 tons was below the comparative figure of the previous year (1-3Q 2018: 82,000 tons).

Both cartonboard production as well as sales, at 1,303,000 tons and 1,279,000 tons respectively, were slightly above the previous year's period (1-3Q 2018: 1,271,000 tons and 1,260,000 tons respectively). At around 84 % the share of European business rose further while sales to markets outside Europe came down to 16 % (1-3Q 2018: 82 % and 18 % respectively).

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

Sales increased in line with sold volumes to EUR 813.0 million (1-3Q 2018: EUR 799.9 million). At EUR 87.4 million, operating profit was 9.4 % above the comparative figure of the previous year (1-3Q 2018: EUR 79.9 million), resulting in an operating margin of 10.8 % (1-3Q 2018: 10.0 %).

MM Packaging

in millions of EUR, IFRS	1-3Q/2019	1-3Q/2018	+/-
Sales¹⁾	1,194.6	1,045.3	+14.3 %
Operating profit	108.2	92.4	+17.1 %
Operating margin (in %)	9.1 %	8.8 %	
Tonnage processed (in thousands of tons)	591	584	+1.2 %
Sheet equivalent (in millions)	2,077.8	1,730.8	+20.0 %

¹⁾ including interdivisional sales

As a result of weaker economic conditions, planning on the European folding carton market was increasingly restrained in the first three quarters, and stocks were reduced over the entire supply chain. Because of this and due to existing capacity reserves, the industry remains characterized by high competition and ongoing consolidation.

However, MM Packaging plants reported overall stable development as a result of the good order backlog despite temporary heterogeneous capacity utilization. Measures aimed at improving cost efficiency and value added as well as gaining new business are at consequent focus and implemented continuously.

Like in the course of the year so far, MM Packaging's income statement remains predominantly characterized by the initial inclusion of the Tann-Group, whose integration and development are continuing according to plan.

Sales consequently went up by 14.3 %, or EUR 149.3 million, to EUR 1,194.6 million (1-3Q 2018: EUR 1,045.3 million). The number of processed standard sheets (sheet equivalent) grew by 20.0 % to 2,077.8 million (1-3Q 2018: 1,730.8 million).

Operating profit increased by 17.1 %, or EUR 15.8 million, to EUR 108.2 million (1-3Q 2018: EUR 92.4 million), with one-off expenses of EUR -4.8 million being recorded as a result of the initial consolidation. The operating margin therefore increased only slightly from 8.8 % to 9.1 %.

QUARTERLY OVERVIEW

MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2018	2Q/2018	3Q/2018	4Q/2018	1Q/2019	2Q/2019	3Q/2019
Sales	592.1	578.5	592.5	574.6	642.9	632.6	648.8
EBITDA¹⁾	83.6	83.8	84.7	72.3	90.9	100.7	105.6
EBITDA margin (in %)	14.1 %	14.5 %	14.3 %	12.6 %	14.1 %	15.9 %	16.3 %
Operating profit	57.1	57.2	58.0	44.8	57.2	66.8	71.6
Operating margin (in %)	9.6 %	9.9 %	9.8 %	7.8 %	8.9 %	10.6 %	11.0 %
Profit before tax	55.6	56.2	57.2	48.9	58.1	64.5	71.6
Income tax expense	(13.9)	(14.2)	(14.5)	(11.1)	(14.4)	(15.9)	(17.6)
Profit for the period	41.7	42.0	42.7	37.8	43.7	48.6	54.0
Net profit margin (in %)	7.0 %	7.3 %	7.2 %	6.6 %	6.8 %	7.7 %	8.3 %
Earnings per share (in EUR)	2.08	2.09	2.13	1.88	2.17	2.42	2.70

¹⁾ Operating profit plus depreciation and amortization

DIVISIONS

MM KARTON

in millions of EUR, IFRS	1Q/2018	2Q/2018	3Q/2018	4Q/2018	1Q/2019	2Q/2019	3Q/2019
Sales²⁾	268.3	262.7	268.9	262.3	271.3	270.2	271.5
Operating profit	27.7	27.9	24.3	16.5	27.3	30.3	29.8
Operating margin (in %)	10.3 %	10.6 %	9.0 %	6.3 %	10.1 %	11.2 %	11.0 %
Tonnage sold (in thousands of tons)	419	418	423	403	421	426	432
Tonnage produced (in thousands of tons)	416	426	429	393	430	437	436

²⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	1Q/2018	2Q/2018	3Q/2018	4Q/2018	1Q/2019	2Q/2019	3Q/2019
Sales²⁾	354.3	342.1	348.9	338.9	402.4	388.0	404.2
Operating profit	29.4	29.3	33.7	28.3	29.9	36.5	41.8
Operating margin (in %)	8.3 %	8.6 %	9.7 %	8.4 %	7.4 %	9.4 %	10.3 %
Tonnage processed (in thousands of tons)	199	196	189	182	200	192	199
Sheet equivalent (in millions)	587.0	581.3	562.5	539.9	683.1	690.9	703.8

²⁾ including interdivisional sales

The Interim Report for the first three quarters of 2019 is available on our website:
www.mayr-melnhof.com

Forthcoming results:

March 17, 2020 Financial results for 2019

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