

May 15, 2019

Results for the 1st Quarter of 2019

- Significant increase in sales and EBITDA following acquisition of the Tann-Group
- High capacity utilization in both divisions
- Visibility of demand is shortening

In the first quarter of 2019, the Mayr-Melnhof Group was able to maintain its position well in a market environment that was stable but intensely competitive due to a lack of momentum. The income statement and balance sheet are affected by the initial consolidation of the Tann-Group. Sales as well as profit for the period exceeded the comparative value of the previous year. Both divisions reported overall high capacity utilization. While MM Packaging achieved a slight increase in result, MM Karton again reached the high level of the previous year with a robust price and volume development.

The substantial growth in sales and EBITDA largely results from the acquisition. Its inclusion into the Group and the MM Packaging division took effect as of January 15, 2019, under consideration of one-off effects relating to the initial consolidation from which no further profit impact is expected for the remaining financial year. Nevertheless, the EBITDA increased significantly.

The current situation on the markets is characterized by shorter visibility and increasing competitive intensity. Our focus remains on pursuing sound profit development through an attractive portfolio of products and consistent price and cost management.

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1Q/2019	1Q/2018	+/-
Sales	642.9	592.1	+8.6 %
EBITDA	90.9	83.6	+8.7 %
EBITDA margin (in %)	14.1 %	14.1 %	
Operating profit	57.2	57.1	+0.2 %
Operating margin (in %)	8.9 %	9.6 %	
Profit before tax	58.1	55.6	+4.5 %
Income tax expense	(14.4)	(13.9)	
Profit for the period	43.7	41.7	+4.8 %
Net profit margin (in %)	6.8 %	7.0 %	
Earnings per share (in EUR)	2.17	2.08	
Employees	10,215	9,445 ¹⁾	
Capital expenditures (CAPEX)	30.9	25.3	
Depreciation and amortization	33.7	26.6	

¹⁾ as of December 31, 2018

The Group's consolidated sales increased by EUR 50.8 million or 8.6 % to EUR 642.9 million (1Q 2018: EUR 592.1 million), the EBITDA by 8.7 % to EUR 90.9 million (1Q 2018: EUR 83.6 million).

One-off acquisition effects from the initial consolidation of the Tann-Group were reported in the amount of around EUR -7 million due to recognition of order backlog and inventory measurement. Therefore, operating profit at EUR 57.2 million was at previous year's level (1Q 2018: EUR 57.1 million), resulting in an operating margin of 8.9 % (1Q 2018: 9.6 %).

Financial income totaling EUR 0.4 million (1Q 2018: EUR 0.3 million) contrasted with financial expenses amounting to EUR -2.0 million (1Q 2018: EUR -1.5 million). The "Other financial result – net" increased to EUR 2.5 million (1Q 2018: EUR -0.3 million), particularly as a result of foreign currency gains.

Profit before tax rose accordingly by 4.5 % to EUR 58.1 million (1Q 2018: EUR 55.6 million). Income tax expense totaled EUR 14.4 million (1Q 2018: EUR 13.9 million). The effective Group tax rate therefore remained unchanged at around 25 %.

Profit for the period thus went up by 4.8 % to EUR 43.7 million (1Q 2018: EUR 41.7 million).

OUTLOOK

Visibility of demand on our European main markets has decreased as a result of a more short-term planning of customers. Nevertheless, both divisions continue to report overall stable capacity utilization. It remains difficult to estimate the sustainability. Faced with largely solid fiber prices and increasing competitive intensity, the focus lies on maintaining our selling prices as best as possible while protecting our market shares. Consistent cost management and continuous optimization in the product range are aimed at maintaining the quality of the Group's results at a good level.

DEVELOPMENT IN THE DIVISIONS

MM Karton

in millions of EUR, IFRS	1Q/2019	1Q/2018	+/-
Sales¹⁾	271.3	268.3	+1.1 %
Operating profit	27.3	27.7	-1.4 %
Operating margin (in %)	10.1 %	10.3 %	
Tonnage sold (in thousands of tons)	421	419	+0.5 %
Tonnage produced (in thousands of tons)	430	416	+3.4 %

¹⁾ including interdivisional sales

Demand on the European cartonboard market again normalized at the beginning of 2019 following the slowdown in the fourth quarter of the previous year. At 98 % (1Q 2018: 99 %), capacities of the division were again almost fully utilized.

The average order backlog of MM Karton totaled around 75,000 tons, following 85,000 tons in the first three months of the previous year.

At 430,000 tons and 421,000 tons respectively, production and sales in the first quarter of 2019 were slightly above the previous year's values (1Q 2018: 416,000 tons and 419,000 tons respectively). Around 82 % of this was sold in Europe and 18 % in markets outside Europe (1Q 2018: 83 %; 17 %).

The price increase for virgin fiber-based cartonboard announced as a result of higher prices for pulp and groundwood pulp took effect since the beginning of the year. In contrast, a steady pricing policy is being pursued for recycled fiber-based cartonboard along with the recovered paper market.

At EUR 271.3 million and EUR 27.3 million respectively, sales and operating profit reached again the good level of the previous year (1Q 2018: EUR 268.3 million and EUR 27.7 million respectively). The operating margin amounted to 10.1 % following 10.3 % in the comparative period.

MM Packaging

in millions of EUR, IFRS	1Q/2019	1Q/2018	+/-
Sales¹⁾	402.4	354.3	+13.6 %
Operating profit	29.9	29.4	+1.7 %
Operating margin (in %)	7.4 %	8.3 %	
Tonnage processed (in thousands of tons)	200	199	+0.5 %
Sheet equivalent (in millions)	683.1	587.0	+16.4 %

¹⁾ including interdivisional sales

Demand on the European folding carton markets developed steadily at a normal level in the first quarter of 2019, however, without any signs of dynamics. Since the market has sufficient capacity reserves, the environment remained very competitive.

Against this background, MM Packaging succeeded in maintaining the capacity utilization of its plants at an overall high level, however with increased heterogeneity among the sites. Necessary rises in productivity were systematically pursued in all areas.

The first-time integration of the Tann-Group acquisition into the division particularly characterized the key indicators' development.

Sales increased by 13.6 % from EUR 354.3 million to EUR 402.4 million, the number of processed standard sheets (sheet equivalent) rose by 16.4 % to 683.1 million (1Q 2018: 587.0 million).

Due to the recognition of one-off effects from the initial consolidation of the Tann-Group in the first quarter, the operating profit at EUR 29.9 million remained yet unchanged compared to the previous year (1Q 2018: EUR 29.4 million), resulting in a lower operating margin of 7.4 % (1Q 2018: 8.3 %).

QUARTERLY OVERVIEW

MAYR-MELNHOF GROUP

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

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
Sales²⁾	268.3	262.7	268.9	262.3	271.3
Operating profit	27.7	27.9	24.3	16.5	27.3
Operating margin (in %)	10.3 %	10.6 %	9.0 %	6.3 %	10.1 %
Tonnage sold (in thousands of tons)	419	418	423	403	421
Tonnage produced (in thousands of tons)	416	426	429	393	430

²⁾ including interdivisional sales

MM PACKAGING

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

²⁾ including interdivisional sales

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

Forthcoming Results:

August 20, 2019 Half-Year Results 2019

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