



# Press Release

Vienna, August 11, 2022

## MM reports half-year results for 2022

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

### GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1 <sup>st</sup> HY/2022	1 <sup>st</sup> HY/2021	+/-
<b>Sales</b>	<b>2,218.5</b>	1,289.6	+72.0 %
<b>EBITDA</b>	<b>375.8</b>	155.5	+141.7 %
EBITDA margin (in %)	<b>16.9 %</b>	12.1 %	+488 bp
<b>Operating profit</b>	<b>285.0</b>	92.1	+209.3 %
Operating margin (in %)	<b>12.8 %</b>	7.1 %	+570 bp
<b>Profit before tax</b>	<b>270.2</b>	82.9	+225.7 %
Income tax expense	<b>(64.4)</b>	(20.7)	
<b>Profit for the period</b>	<b>205.8</b>	62.2	+231.0 %
Net profit margin (in %)	<b>9.3 %</b>	4.8 %	
Earnings per share (in EUR)	<b>10.24</b>	3.07	
Cash flow from operating activities	<b>138.3</b>	112.3	+23.1 %
Employees	<b>13,008</b>	12,492 <sup>1)</sup>	
Capital expenditures (CAPEX)	<b>173.8</b>	105.7	
Depreciation and amortization <sup>2)</sup>	<b>90.8</b>	63.4	

<sup>1)</sup> as of December 31, 2021

<sup>2)</sup> including impairment of property, plant and equipment and intangible assets

Peter Oswald, MM CEO, comments: „Demand for our products 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 1<sup>st</sup> 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 4<sup>th</sup> 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 1<sup>st</sup> half-year based on an exceptionally strong performance in the 2<sup>nd</sup> 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 1<sup>st</sup> 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 (1<sup>st</sup> 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 (1<sup>st</sup> 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 % (1<sup>st</sup> half of 2021: 7.1 %).

Financial income amounted to EUR 2.3 million (1<sup>st</sup> 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 (1<sup>st</sup> half of 2021: EUR 82.9 million). Income tax expense amounted to EUR 64.4 million (1<sup>st</sup> half of 2021: EUR 20.7 million), resulting in an effective Group tax rate of 23.8 % (1<sup>st</sup> half of 2021: 25.0 %).

Profit for the period rose by EUR 143.6 million to EUR 205.8 million (1<sup>st</sup> half of 2021: EUR 62.2 million).

## DEVELOPMENT IN THE 2<sup>ND</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> quarter of 2022 and EUR 30.9 million in the 2<sup>nd</sup> 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 2<sup>nd</sup> 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 2<sup>nd</sup> 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 %).

## 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 2<sup>nd</sup> 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. Regarding our Russia-exposure in packaging we continue to review all options.

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 4<sup>th</sup> quarter, as well as progress in operational efficiency, sustainability, and innovation are expected to feed both, more growth and resilience throughout the business.

## DEVELOPMENT IN THE DIVISIONS

### MM BOARD & PAPER

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

<sup>1)</sup> including interdivisional sales

Demand remained marked by strong order activity for cartonboard and paper also during the 1<sup>st</sup> 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 (1<sup>st</sup> half of 2021: 194,000 tonnes). As in the previous year, the division's capacities at 99 % (1<sup>st</sup> 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 Kolicvevo 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 (1<sup>st</sup> half of 2021: EUR 556.6 million). Accordingly, operating profit rose to EUR 201.7 million (1<sup>st</sup> half of 2021: EUR 33.0 million), with an operating margin reaching 14.6 % (1<sup>st</sup> half of 2021: 5.9 %).

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

## **MM PACKAGING**

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

<sup>1)</sup> including interdivisional sales

Demand and order intake remained at a high level in all business units of MM Packaging in the 1<sup>st</sup> 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 1<sup>st</sup> half-year 2022. The expansion of MMP Neupack Polska and MM Packaging UK has, however, been partially delayed to the 2<sup>nd</sup> 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 (1<sup>st</sup> 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 % (1<sup>st</sup> half of 2021: 7.5 %).

The volume produced increased by 5.8 % to 1,913 million m<sup>2</sup> (1<sup>st</sup> half of 2021: 1,808 million m<sup>2</sup>).

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

## QUARTERLY OVERVIEW

### MM GROUP

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

## DIVISIONS

### MM BOARD & PAPER

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

<sup>1)</sup> including interdivisional sales

### MM PACKAGING

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

<sup>1)</sup> including interdivisional sales

**The Half-Year Financial Report 2022 as well as the CEO video statement and the details for today's CEO Conference Call are available on our website: <https://www.mm.group>.**

Forthcoming results:

November 3, 2022      Results for the first three quarters of 2022

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