



Press Release

March 15, 2022

ANNUAL RESULTS 2021

- **Significant increase in sales and profit**
- **Strategic acquisitions Kwidzyn and Kotkamills integrated**
- **Dividend increase to EUR 3.50/share proposed**
- **Strong demand at Board & Paper and Packaging**
- **Massive input cost inflation passed on gradually**
- **Strategic focus on increased competitiveness, growth and profitability**

The MM Group was able to overall successfully close the financial year 2021, which was characterized by historically unprecedented cost increases, in particular for energy, recovered paper and pulp. The strong pressure on margins was successively compensated for by price increases, which could only be implemented with a time lag due to contractual commitments. The continuing strong demand for cartonboard packaging and papers and thus high capacity utilization in both divisions provided significant support in this respect.

The growth in operating profit by 16.5 % to EUR 269.6 million is attributable to both divisions. While MM Packaging recorded a rather robust ongoing development, the increase in profit of MM Board & Paper is mainly attributable to one-off effects of structural changes.

With the acquisition of the cartonboard and paper mills Kwidzyn in Poland and Kotkamills in Finland as well as the sale of the two smaller cartonboard mills, Baiersbronn and Eerbeek, and the launching of several major investments to increase efficiency, innovation, and sustainability, 2021 was a year of significant strategic transformations at MM in addition to operational challenges. The fundamental objective is to enable long-term growth in sustainable fiber-based packaging solutions as well as an increase in profitability through intensified competitiveness.

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	2021	2020	+/-
Sales	3,069.7	2,528.4	+21.4 %
EBITDA	421.0	398.9	+5.5 %
EBITDA margin (in %)	13.7 %	15.8 %	-206 bp
Operating profit	269.6	231.4	+16.5 %
Operating margin (in %)	8.8 %	9.2 %	-37 bp
Profit before tax	244.5	222.1	+10.1 %
Income tax expense	(53.8)	(59.8)	
Profit for the year	190.7	162.2	+17.5 %
Net profit margin (in %)	6.2 %	6.4 %	
Earnings per share (in EUR)	9.46	8.06	
Cash flow from operating activities	269.8	318.2	-15.2 %
Employees	12,492	9,938	
Capital expenditures (CAPEX)	257.8	157.6	
Depreciation and amortization ¹⁾	151.4	167.5	

¹⁾ including impairment of property, plant and equipment and intangible assets

Through the acquisitions in the virgin fiber sector, MM has not only strengthened its position as the leading cartonboard and folding carton producer in Europe, but also acquired two new core products, kraft papers and uncoated fine papers, which offer interesting potential and are managed in the division MM Board & Paper.

In line with the solid profit development, a dividend increase to EUR 3.50 per share (2020: EUR 3.20) for the financial year 2021 will be proposed to the 28th Annual General Meeting on April 27, 2022.

INCOME STATEMENT

The Group's consolidated sales reached EUR 3,069.7 million which is 21.4 % or EUR 541.3 million above the previous year's figure (2020: EUR 2,528.4 million). This increase was mainly acquisition-related from the division Board & Paper.

At EUR 269.6 million operating profit was 16.5 % or EUR 38.2 million above the previous year (2020: EUR 231.4 million). Around 55 % of this increase is attributable to MM Board & Paper and around 45 % to MM Packaging. One-off expenses from the initial consolidation of the mills Kwidzyn and Kotkamills in the amount of EUR 26.3 million, which are mainly attributable to ancillary acquisition costs including transaction taxes and inventory valuation, as well as restructuring expenses in the division MM Packaging of EUR 20.1 million were offset by one-off income from the sale of the Eerbeek and Baiersbronn mills in the amount of EUR 46.1 million (after incidental transaction costs). In 2020, one-off effects amounted to EUR -64.0 million. The Group's operating margin was therefore at 8.8 % (2020: 9.2 %), the return on capital employed at 12.8 % (2020: 13.7 %). EBITDA rose by 5.5 % or EUR 22.1 million to EUR 421.0 million (2020: EUR 398.9 million), the EBITDA margin reaching 13.7 % (2020: 15.8 %).

Financial income of EUR 3.3 million (2020: EUR 1.7 million) was contrasted with financial expenses of EUR -24.4 million (2020: EUR -7.9 million). The latter increased mainly due to the issuance of Schuldschein loans and Namensschuldverschreibungen to finance the acquisitions and organic growth projects. "Other financial result - net" amounted to EUR -4.0 million (2020: EUR -3.2 million), mainly attributable to changes in the foreign currency result.

Accordingly, profit before tax at EUR 244.5 million was 10.1 % higher than in the previous year (2020: EUR 222.1 million). Income tax expenses totaled EUR 53.8 million (2020: EUR 59.8 million), resulting in an effective Group tax rate of 22.0 % (2020: 27.0 %). The reduction compared to the previous year is mainly due to tax-free income from company disposals.

Profit for the year rose by 17.5 % or EUR 28.5 million to EUR 190.7 million (2020: EUR 162.2 million).

CONSOLIDATED BALANCE SHEET

The Group's total assets of EUR 4,014.2 million by December 31, 2021 were EUR 1,614.6 million above the figure at year-end 2020 (EUR 2,399.6 million). This increase is mainly due to the initial consolidation of the acquisitions. The Group's total equity rose from EUR 1,547.1 million (December 31, 2020) to EUR 1,661.9 million, with the profit for the year being offset by the dividend payment. Return on equity was 11.9 % after 10.6 % in the previous year.

Financial liabilities are largely of a long-term nature and increased from EUR 268.4 million at year-end 2020 to EUR 1,423.1 million as of December 31, 2021. This rise resulted in particular from the issuance of Schuldschein loans and Namensschuldverschreibungen in the amount of EUR 1,125.0 million. With an equity ratio of 41.4 % (December 31, 2020: 64.5 %), the MM Group remains solidly financed.

With cash available to the Group totaling EUR 359.5 million (December 31, 2020: EUR 146.2 million), net debt increased from EUR 122.2 million to EUR 1,063.5 million at the end of 2021.

OUTLOOK ON THE FINANCIAL YEAR 2022

Demand and order situation for the products of both divisions have remained in good shape since the beginning of the year. The price increases necessary in view of massive cost increases, especially the extraordinary rise in energy prices, could be implemented for the 1st quarter. In addition, a further cartonboard price increase is planned for the 2nd quarter in order to compensate for the cost inflation which has been going on since the beginning of the year. Also in Packaging we are continuously increasing prices. Due to some long-term contracts with price indices not covering all costs and delays of passing on higher costs, we expect a lower operating margin at least for the first half of 2022. As a result of widely booked capacities and longer delivery times, our customers continue to focus on supply security, a demand that we meet with the highest possible flexibility and transparency.

Due to capacity limitations, the Group's sales volume can only increase gradually. However, the expansions recently initiated at several MM Packaging plants should enable more business in the course of the year. At MM Board & Paper, where the investment focus is on efficiency improvements and optimization of the product portfolio, the expansive effects will only gradually take effect from 2023 onwards.

As already indicated, due to intensified investment activity in increasing competitiveness and growth, investments in a range of EUR 250 - 300 million p.a. can also be assumed for 2022 and 2023. At MM Board & Paper, in addition to the major investments in Frohnleiten, Neuss, and Količevo, the focus is also placed on projects at the new acquisitions MM Kotkamills and MM Kwidzyn in order to be able to utilize attractive potentials in a timely manner. At MM Packaging, in Poland we are pursuing a doubling of the large site in Bydgoszcz as well as the construction of a new packaging plant near Warsaw in order to participate in the market growth in Central-Eastern Europe and to take advantage of more favorable costs. In addition, sites in Great Britain, Austria and Romania are expanded to critical size.

The orientation of the MM Group towards a long-term moderate growth course has proven successful and will be further pursued. While at MM Board & Paper the emphasis is currently on the integration of the new acquisitions, the market presence of MM Packaging is also to be expanded through acquisitions. The focus on optimizing cost structures, digitalization, and innovative, sustainable packaging products to replace plastic packaging will be consistently continued.

In view of ongoing cost inflation and further developments that are difficult to predict, the focus remains on compensating this weight by increasing selling prices as quickly as possible and reducing structural costs in order to catch up again in terms of margins.

The MM Group closely monitors the developments in Russia and Ukraine as well as the international measures and possible impacts on the Group. MM cumulatively generates approx. 9 % of the Group's EBITDA in Russia and Ukraine. In Russia, packaging products for the local demand of daily consumer goods are produced at two sites, St. Petersburg and Pskov. A downtime has to be expected. MM has stopped all cartonboard deliveries to Russia. In Ukraine, where MM produces packaging at the Cherkassy site in the center of the country, operations are currently very limited.

DEVELOPMENT IN THE 4TH QUARTER

The 4th quarter 2021 was characterized by continuous strong demand in both divisions. Consolidated sales of EUR 962.6 million were mainly acquisition-related above last year's period (4th quarter 2020: EUR 624.9 million).

The Group's operating profit increased to EUR 92.4 million (4th quarter 2020: EUR 62.1 million), while the operating margin at 9.6 % was slightly below previous year's level (4th quarter 2020: 9.9 %). Profit before tax amounted to EUR 82.1 million (4th quarter 2020: EUR 61.5 million), profit for the period to EUR 62.3 million (4th quarter 2020: EUR 45.9 million).

MM Board & Paper recorded a capacity utilization of 97 % after 96 % in the 4th quarter of the previous year. Due to acquisitions, the operating profit of the division reached EUR 33.4 million after EUR 18.3 million. The 4th quarter was again characterized by a significant rise in costs, particularly for energy, which could not be compensated for by the price increases implemented so far. The operating margin therefore amounted to 5.9 % (4th quarter 2020: 7.2 %).

With a solid volume development, the operating profit of MM Packaging at EUR 59.0 million was above the previous year's figure in particular due to a better product mix and the adjustment of the restructuring provision (4th quarter 2020: EUR 43.8 million). The operating margin amounted to 13.7 % (4th quarter 2020: 11.0 %).

DEVELOPMENT IN THE DIVISIONS

MM BOARD & PAPER*

in millions of EUR, IFRS	2021	2020	+/-
Sales¹⁾	1,561.1	1,050.8	+48.6 %
EBITDA	185.2	164.7	+12.5 %
Operating profit	107.7	86.7	+24.2 %
Operating margin (in %)	6.9 %	8.3 %	-135 bp
Cash flow from operating activities	108.7	126.3	-13.9 %
Tonnage sold (in thousands of tons)	2,092	1,704	+22.7 %
<i>Cartonboard</i>	1,834	1,704	+7.6 %
<i>Kraft Papers</i>	93	<i>n.a.</i>	
<i>Uncoated Fine Papers</i>	165	<i>n.a.</i>	
Tonnage produced (in thousands of tons)	2,069	1,710	+21.0 %

¹⁾ including interdivisional sales

European cartonboard markets as well as the markets for kraft paper and uncoated fine paper were characterized by strong demand in 2021. On the one hand, this is due to a restocking of the supply chain, which had been reduced during the pandemic, and, on the other hand, to securing volumes as a result of strongly increased delivery times and partly the lack of imports from Asia. Consequently, and owing to the initial inclusion of the acquisitions, the average order backlog of 340,000 tons was higher than the comparable figure of the previous year (2020: 100,000 tons). Despite individual delivery delays due to a lack of transport resources (e.g. truck drivers), production and supplies to our customers were guaranteed. Similar to the previous year, capacity utilization amounted to 97 %.

As a result of strong demand- and supply-related rises in raw material costs (especially fibers, chemicals, packaging materials, transport) as well as energy, several price increases were implemented. However, due to contractual commitments, these often take place with a time lag in relation to the price increases on the procurement markets. Pulp and recovered paper prices continued their upward trend in the second half of the year after a rapid increase in the first half-year. Main reasons for the significant rise in recovered paper prices continue to be the strong demand from the corrugated board industry and the decline in the volume of magazine papers and newsprint.

Particular focus in 2021 was placed on the integration of the strategic acquisitions of the cartonboard and paper mills Kwidzyn, Poland, and Kotkamills, Finland. With the acquisitions, MM Board & Paper not only strengthened its position in virgin fiber-based cartonboard, but also acquired two new core products, kraft papers and uncoated fine papers. As part of the transformation, the two smaller cartonboard mills, Baiersbronn and Eerbeek, were sold. In addition, major investments focusing on strengthening competitiveness through efficiency, innovation and sustainability were launched at the sites at Frohnleiten, Austria, Neuss, Germany, and Kolicveo, Slovenia.

The development of the division's key figures is particularly affected by the changes in consolidated companies.

* Division name change from MM Karton to MM Board & Paper after completion of the Kwidzyn acquisition and the resulting expansion of the product portfolio to include "Kraft Papers" and "Uncoated Fine Papers".

Production at 2,069,000 tons was acquisition-related 21.0 % higher than in the previous year (2020: 1,710,000 tons). Sales volumes increased in line with production by 22.7 % to 2,092,000 tons (2020: 1,704,000 tons).

At EUR 1,561.1 million, sales were mainly acquisition-related 48.6 % or EUR 510.3 million above the comparative figure (2020: EUR 1,050.8 million). The operating profit was particularly impacted by higher raw material and energy costs, which could only be compensated with a time lag through higher selling prices. In total it increased, however, by 24.2 % to EUR 107.7 million (2020: EUR 86.7 million), mainly as a result of the recognition of one-off effects of the changes in consolidated companies. The operating margin amounted to 6.9 % (2020: 8.3 %) and the return on capital employed to 11.0 % (2020: 14.5 %). Cash flow from operating activities totaled EUR 108.7 million, compared to EUR 126.3 million in the previous year.

MM PACKAGING

in millions of EUR, IFRS	2021	2020	+/-
Sales¹⁾	1,641.6	1,594.2	+3.0 %
EBITDA	235.8	234.2	+0.7 %
Operating profit	161.9	144.7	+11.9 %
Operating margin (in %)	9.9 %	9.1 %	+79 bp
Cash flow from operating activities	161.1	191.9	-16.1 %
Tonnage processed (in thousands of tons)	853	847	+0.7 %

¹⁾ including interdivisional sales

Similar to Board & Paper, the European folding carton markets were also characterized by sustained strong demand in 2021. Against this background, MM Packaging recorded high order volumes in all food and non-food application areas. Sales volumes were significantly above the previous year's level, especially in the pharmaceutical, beauty & personal care sectors. At the same time, however, all business units were affected by an increasingly dynamic rise in input costs such as cartonboard, paper, inks, coatings and packaging materials. Passing on these cost increases to customers as well as maintaining the supply of materials and the ability to deliver were therefore the focus of the current business. MM Packaging succeeded in both, although the costs were passed on successively according to contractual conditions, but often with a time delay due to ongoing further increases.

In order to participate in market growth in Central-Eastern Europe and take advantage of more favorable costs, the doubling of the largest Polish plant MMP Neupack Polska Petersona in Bydgoszcz was driven forward and the construction of a new packaging plant Emerald in Poland near Warsaw was initiated. In addition, expansion investments to expand sites to critical size and focus on growth markets, such as sustainable, plastic-free packaging in Austria, Romania and Great Britain, are being successfully implemented. At the same time, necessary structural adjustment measures to increase competitiveness and safeguard the existing business were continued. This concerned in particular the German packaging site MM Graphia Bielefeld, which ceased operations at the end of September 2021. In this context, one-off expenses in the amount of EUR 20.1 million had to be recognized.

The tonnage of cartonboard and paper processed at 853,000 tons was slightly above the previous year's level (2020: 847,000 tons).

Sales increased by 3.0 % to EUR 1,641.6 million (2020: EUR 1,594.2 million), primarily due to higher volumes. Operating profit rose by 11.9 % or EUR 17.2 million to EUR 161.9 million (2020: EUR 144.7 million), mainly due to higher volumes and increased cost efficiency. Accordingly, the operating margin totaled 9.9 % (2020: 9.1 %). Return on capital employed amounted to 14.4 % (2020: 13.2 %) cash flow from operating activities to EUR 161.1 million after EUR 191.9 million in 2020.

QUARTERLY OVERVIEW

MM GROUP

consolidated, in millions of EUR, IFRS	4Q/2020	1Q/2021	2Q/2021	3Q/2021	4Q/2021
Sales	624.9	641.3	648.3	817.5	962.6
EBITDA	91.8	92.7	62.8	127.5	138.0
EBITDA margin (in %)	14.7 %	14.5 %	9.7 %	15.6 %	14.3 %
Operating profit	62.1	61.2	30.9	85.1	92.4
Operating margin (in %)	9.9 %	9.6 %	4.8 %	10.4 %	9.6 %
Profit before tax	61.5	58.6	24.3	79.5	82.1
Income tax expense	(15.6)	(14.7)	(6.0)	(13.3)	(19.8)
Profit for the period	45.9	43.9	18.3	66.2	62.3
Net profit margin (in %)	7.4 %	6.8 %	2.8 %	8.1 %	6.5 %
Earnings per share (in EUR)	2.28	2.18	0.89	3.30	3.09
Cash flow from operating activities	94.5	77.8	34.5	53.5	104.0

DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	4Q/2020	1Q/2021	2Q/2021	3Q/2021	4Q/2021
Sales¹⁾	253.4	271.4	285.2	434.8	569.7
EBITDA	28.4	33.0	26.5	65.1	60.6
Operating profit	18.3	19.8	13.2	41.3	33.4
Operating margin (in %)	7.2 %	7.3 %	4.6 %	9.5 %	5.9 %
Cash flow from operating activities	28.1	14.3	2.4	22.3	69.7
Tonnage sold (in thousands of tons)	410	432	422	567	671
<i>Cartonboard</i>	410	432	422	473	507
<i>Kraft Papers</i>	n.a.	n.a.	n.a.	31	62
<i>Uncoated Fine Papers</i>	n.a.	n.a.	n.a.	63	102
Tonnage produced (in thousands of tons)	412	410	421	560	678

¹⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	4Q/2020	1Q/2021	2Q/2021	3Q/2021	4Q/2021
Sales¹⁾	398.7	399.3	392.1	418.2	432.0
EBITDA	63.4	59.7	36.3	62.4	77.4
Operating profit	43.8	41.4	17.7	43.8	59.0
Operating margin (in %)	11.0 %	10.4 %	4.5 %	10.4 %	13.7 %
Cash flow from operating activities	66.4	63.5	32.1	31.2	34.3
Tonnage processed (in thousands of tons)	212	216	208	215	214

¹⁾ including interdivisional sales

A video statement by the Management Board on the Annual Results 2021 is available on our Homepage at <https://www.mm.group>.

The Annual Report 2021 will be available as of April 6, 2022.

Forthcoming Results:

April 26, 2022 Results for the 1st quarter of 2022

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