



## PRESS RELEASE

August 14, 2018

**Results for the 1<sup>st</sup> Half-Year 2018**

- Further profit growth
- High capacity utilization in both divisions
- Significant margin increase at MM Karton
- Costs weigh on profit at MM Packaging

The Mayr-Melnhof Group was able to carry forward the positive development since the beginning of the year with a strong second quarter and therefore to conclude the first half-year of 2018 significantly above the previous year.

In a balanced market environment both divisions recorded continuing high capacity utilization. The operating profit of the Group rose by around 12 % compared to the previous year's period. Drivers derived from the cartonboard division, which benefited in particular from higher average prices. The packaging division was able to grow further, however a sharp rise in input costs, especially for cartonboard, weighed on the result. Necessary price increases are difficult to implement.

Despite a sound capacity utilization of the facilities sustaining the high earnings level will be a challenge for the second half of the year.

**GROUP KEY INDICATORS - IFRS**

consolidated, in millions of EUR, IFRS	1 <sup>st</sup> HY/2018	1 <sup>st</sup> HY/2017	+/-
<b>Sales</b>	<b>1,170.6</b>	1,150.3	+1.8 %
<b>Operating profit</b>	<b>114.3</b>	102.1	+11.9 %
Operating margin (in %)	9.8 %	8.9 %	
<b>Profit before tax</b>	<b>111.8</b>	97.0	+15.3 %
Income tax expense	(28.1)	(25.1)	
<b>Profit for the period</b>	<b>83.7</b>	71.9	+16.4 %
Net profit margin (in %)	7.2 %	6.3 %	
Earnings per share (in EUR)	4.17	3.58	
<b>Employees</b>	<b>9,627</b>	9,856 <sup>1)</sup>	
Capital expenditures (CAPEX)	51.7	82.0	
Depreciation and amortization	53.1	48.8	

<sup>1)</sup> as of December 31, 2017

The Group's consolidated sales increased by 1.8 % from EUR 1,150.3 million to EUR 1,170.6 million, with both divisions contributing.

At EUR 114.3 million, the operating profit was EUR 12.2 million or 11.9 % above the previous year's value (1<sup>st</sup> half of 2017: EUR 102.1 million). A considerable profit increase at the cartonboard division contrasted with a decline at the packaging division. The Group's operating margin reached 9.8 %, after 8.9 % in the first six months of 2017.

Financial income amounted to EUR 0.6 million (1<sup>st</sup> half of 2017: EUR 1.3 million), financial expenses to EUR -3.0 million (1<sup>st</sup> half of 2017: EUR -2.9 million). "Other financial result – net" decreased to EUR -0.1 million after a one-off expenditure due to an accumulated currency translation of EUR 2.3 million was reported in the previous year following the deconsolidation of the Tunisian packaging companies.

Profit before tax went up accordingly by 15.3 % to EUR 111.8 million (1<sup>st</sup> half of 2017: EUR 97.0 million). Income tax expense totaled EUR 28.1 million, following EUR 25.1 million in the first half of the previous year. The effective Group tax rate of 25.1 % (1<sup>st</sup> half of 2017: 25.9 %) remained largely unchanged.

At EUR 83.7 million, the profit for the period was up 16.4 % compared to the previous year's figure (1<sup>st</sup> half of 2017: EUR 71.9 million). This corresponds to 7.2 % (1<sup>st</sup> half of 2017: 6.3 %) of sales.

## **DEVELOPMENT IN THE SECOND QUARTER**

Both sales and operating profit in the second quarter were above the previous year's level. Compared with the first quarter of the current year, a slight profit improvement could also be achieved, but with marginally lower sales.

At 99 % (1Q 2018: 99 %; 2Q 2017: 99 %) the cartonboard division reported continuing full capacity utilization and achieved with improved prices and costs a very good operating margin of 10.6 % (1Q 2018: 10.3 %; 2Q 2017: 7.3 %).

In the packaging division, higher volume and sales could only partially offset the significant increase in material costs, with the operating margin at 8.6 % arriving above the first quarter of the current year (8.3 %), but below the previous year's value (2Q 2017: 9.8 %).

The Group's operating profit reached EUR 57.2 million, after EUR 57.1 million in the first quarter of 2018 and EUR 51.5 million in the second quarter of the previous year. The Group's operating margin accordingly rose to 9.9 % (1Q 2018: 9.6 %; 2Q 2017: 9.1 %). The profit for the period went up to EUR 42.0 million (1Q 2018: EUR 41.7 million; 2Q 2017: EUR 35.0 million).

## **OUTLOOK**

Demand on our European main markets remains balanced, however without any fresh impulses. We therefore anticipate continuing high capacity utilization in both divisions, but also increasingly intense competition. Owing to the general cost pressure, our focus remains on a consequent price policy and further rationalization in order to maintain the quality of the Group's results. At the same time, structural improvements in the product portfolio and the strategic alignment of our plants will be further pursued, with ongoing investment activity following the long-term average. Maintaining the high profitability of the first half-year in the second half of the year is both goal and a challenge at the same time. High emphasis remains on the continuation of our long-term growth course.

## DEVELOPMENT IN THE DIVISIONS

### MM Karton

in millions of EUR, IFRS	1 <sup>st</sup> HY/2018	1 <sup>st</sup> HY/2017	+/-
<b>Sales<sup>1)</sup></b>	<b>531.0</b>	524.2	+1.3 %
<b>Operating profit</b>	<b>55.6</b>	35.1	+58.4 %
<b>Operating margin (in %)</b>	<b>10.5 %</b>	6.7 %	
Tonnage sold (in thousands of tons)	<b>837</b>	844	-0.8 %
Tonnage produced (in thousands of tons)	<b>842</b>	844	-0.2 %

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

Development on the European cartonboard market in the first six months of 2018 was balanced and characterized by a positive momentum, however under continuing intense competition. With an attractive product portfolio, improved prices and high capacity utilization, MM Karton achieved a significant increase in profit compared to the previous year.

The disciplined price policy as well as the focus on increased sales of new products with high added value were consequently pursued. With MMK digital the first digital sales and service channel in the cartonboard industry was made available at the end of March, and has been received in the market with high customer acceptance since its launch.

The average order backlog of MM Karton was approximately 83,000 tons, following 76,000 tons in the same period of the previous year. At 99 % (1<sup>st</sup> half of 2017: 98 %) capacities in the division were again almost fully utilized.

With a primary focus on strict pricing, tonnage sold and produced, at 837,000 tons and 842,000 tons respectively, remained almost at the previous year's level (1<sup>st</sup> half of 2017: 844,000 tons and 844,000 tons respectively). Around 82 % of this was sold in Europe, and 18 % in markets outside Europe (1<sup>st</sup> half of 2017: 79 %; 21 %).

On procurement markets, a decline in prices for mixed recovered paper qualities, resulting from temporarily reduced exports from Europe to Asia, contrasted with a sharp price increase for virgin fiber-related products.

Sales increased due to higher selling prices, despite slightly lower volumes, by 1.3 % to EUR 531.0 million (1<sup>st</sup> half of 2017: EUR 524.2 million). Consequently, and also as a result of lower direct costs, operating profit rose from EUR 35.1 million to EUR 55.6 million. The operating margin thus totaled 10.5 %, after 6.7 % in the first half of the previous year.

## **MM Packaging**

in millions of EUR, IFRS	<b>1<sup>st</sup> HY/2018</b>	1 <sup>st</sup> HY/2017	+/-
<b>Sales<sup>1)</sup></b>	<b>696.4</b>	674.6	+3.2 %
<b>Operating profit</b>	<b>58.7</b>	67.0	-12.4 %
<b>Operating margin (in %)</b>	<b>8.4 %</b>	9.9 %	
Tonnage processed (in thousands of tons)	<b>395</b>	375	+5.3 %
Sheet equivalent (in millions)	<b>1,168.3</b>	1,118.7	+4.4 %

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

Continuing high demand so far characterized the course of the year on European folding carton markets. However, due to sufficient production capacities in the industry, the competitive situation remains highly intense.

With a broad sales range in consumer goods packaging and the specialization on the requirements of single industries, MM Packaging achieved further growth in sales and volumes as well as an overall high capacity utilization at its plants in the first half of 2018.

At the same time, however, pressure on margins continued owing to previous rises in cartonboard prices and additional cost increases, in particular for transport and logistics, since appropriate price increases are difficult to be implemented in the market. Efficiency gains resulting from rationalization programs together with increased volumes were able to relieve the pressure on profits, however not in the position to fully absorb it.

In the first half of 2018, tonnage processed increased by 5.3 % from 375,000 tons to 395,000 tons, the sheet equivalent by 4.4 % from 1,118.7 million to 1,168.3 million.

The growth in sales by 3.2 % from EUR 674.6 million to EUR 696.4 million largely reflected the volume development. At EUR 58.7 million, operating profit was 12.4 % below the comparative value of the previous year, mainly cost-related (1<sup>st</sup> half of 2017: EUR 67.0 million). The operating margin therefore came in at 8.4 % (1<sup>st</sup> half of 2017: 9.9 %).

## QUARTERLY OVERVIEW

### MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	1Q/2017	2Q/2017	3Q/2017	4Q/2017	1Q/2018	2Q/2018
<b>Sales</b>	584.5	565.8	598.8	587.7	<b>592.1</b>	<b>578.5</b>
<b>EBITDA</b>	74.8	76.1	81.3	82.1	<b>83.9</b>	<b>84.5</b>
EBITDA margin (in %)	12.8 %	13.4 %	13.6 %	14.0 %	<b>14.2 %</b>	<b>14.6 %</b>
<b>Operating profit</b>	50.6	51.5	56.8	56.1	<b>57.1</b>	<b>57.2</b>
Operating margin (in %)	8.7 %	9.1 %	9.5 %	9.5 %	<b>9.6 %</b>	<b>9.9 %</b>
<b>Profit before tax</b>	49.2	47.8	54.9	53.6	<b>55.6</b>	<b>56.2</b>
Income tax expense	(12.3)	(12.8)	(13.5)	(11.9)	<b>(13.9)</b>	<b>(14.2)</b>
<b>Profit for the period</b>	36.9	35.0	41.4	41.7	<b>41.7</b>	<b>42.0</b>
Net profit margin (in %)	6.3 %	6.2 %	6.9 %	7.1 %	<b>7.0 %</b>	<b>7.3 %</b>
Earnings per share (in EUR)	1.84	1.74	2.07	2.08	<b>2.08</b>	<b>2.09</b>

## DIVISIONS

### MM KARTON

in millions of EUR, IFRS	1Q/2017	2Q/2017	3Q/2017	4Q/2017	1Q/2018	2Q/2018
<b>Sales<sup>1)</sup></b>	261.9	262.3	264.7	259.8	<b>268.3</b>	<b>262.7</b>
<b>Operating profit</b>	15.9	19.2	19.5	18.9	<b>27.7</b>	<b>27.9</b>
Operating margin (in %)	6.1 %	7.3 %	7.4 %	7.3 %	<b>10.3 %</b>	<b>10.6 %</b>
Tonnage sold (in thousands of tons)	426	418	422	409	<b>419</b>	<b>418</b>
Tonnage produced (in thousands of tons)	421	423	425	416	<b>416</b>	<b>426</b>

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

### MM PACKAGING

in millions of EUR, IFRS	1Q/2017	2Q/2017	3Q/2017	4Q/2017	1Q/2018	2Q/2018
<b>Sales<sup>1)</sup></b>	344.6	330.0	362.2	355.9	<b>354.3</b>	<b>342.1</b>
<b>Operating profit</b>	34.7	32.3	37.3	37.2	<b>29.4</b>	<b>29.3</b>
Operating margin (in %)	10.1 %	9.8 %	10.3 %	10.5 %	<b>8.3 %</b>	<b>8.6 %</b>
Tonnage processed (in thousands of tons)	190	185	194	198	<b>199</b>	<b>196</b>
Sheet equivalent (in millions)	569.8	548.9	588.3	582.9	<b>587.0</b>	<b>581.3</b>

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

The Half-Year Financial Report 2018 as well as the CEO video presentation and the details for today's CEO Conference Call are available on our website: [www.mayr-melnhof.com](http://www.mayr-melnhof.com)

### Forthcoming results:

November 15, 2018      Results for the first three quarters of 2018

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