

March 19, 2019

## ANNUAL RESULTS 2018

- Further profit increase
- Dividend increase to EUR 3.20/share proposed
- High capacity utilization
- Significant growth in results at MM Karton
- Higher costs weigh on margin at MM Packaging
- Demand again normalized after slowdown in 4Q/2018

The Mayr-Melnhof Group was able to conclude the year 2018 with a further profit increase in succession. A strong development in the first three quarters contrasted with a noticeable market- and production-related decrease in volumes in the final quarter, which reduced the lead over the previous year. The company nevertheless succeeded in maintaining capacity utilization and volumes at a high level on a whole year perspective. The cartonboard division was the main driver of profit growth, in particular as a result of improved average prices. In contrast, a sharp rise in input costs, in particular for cartonboard, put pressure on the margin, as this increase could only be passed on with delay.

In line with the sound profit development, a recommendation will be made to the 25<sup>th</sup> Ordinary Shareholders' Meeting on April 24, 2019, to increase the dividend for the financial year 2018 to EUR 3.20 per share (2017: EUR 3.10).

With the acquisition of the Tann-Group, which was successfully closed on January 15, 2019, MM Packaging took an important growth step. The aim is to expand value added and strengthen the profitability of MM Packaging as well as to achieve further growth.

consolidated, in millions of EUR, IFRS	2018	2017	+/-
<b>Sales</b>	<b>2,337.7</b>	2,336.8	+0.0 %
<b>Operating profit</b>	<b>217.1</b>	215.0	+1.0 %
Operating margin (in %)	9.3 %	9.2 %	
<b>Profit before tax</b>	<b>217.9</b>	205.5	+6.0 %
Income tax expense	(53.7)	(50.5)	
<b>Profit for the year</b>	<b>164.2</b>	155.0	+5.9 %
Net profit margin (in %)	7.0 %	6.6 %	
<b>Cash earnings</b>	<b>269.7</b>	257.1	+4.9 %
Cash earnings margin (in %)	11.5 %	11.0 %	
Earnings per share (in EUR)	<b>8.18</b>	7.73	
Employees	<b>9,445</b>	9,856	
Capital expenditures (CAPEX)	<b>124.4</b>	159.1	
Depreciation and amortization	<b>107.3</b>	99.7	

Consolidated sales of the Group totaled EUR 2,337.7 million and thus were at previous year's level (2017: EUR 2,336.8 million). A price-related increase in sales at the cartonboard division contrasts with a slight decrease at the packaging division.

At EUR 217.1 million, an operating profit above the previous year's level was achieved (2017: EUR 215.0 million). The Group's operating margin reached 9.3 % (2017: 9.2 %), the return on capital employed 15.5 % (2017: 15.1 %).

Financial income of EUR 1.3 million (2017: EUR 2.0 million) contrasted with financial expenses of EUR -6.1 million (2017: EUR -6.2 million). "Other financial result – net" went up to EUR 5.6 million (2017: EUR -5.3 million), in particular as a result of foreign currency gains, after one-time expenses due to accumulated currency translations of EUR 2.6 million had been reported in the previous year following the deconsolidation of subsidiaries.

Profit before tax increased by 6.0 % to EUR 217.9 million (2017: EUR 205.5 million). Income tax expenses totaled EUR 53.7 million (2017: EUR 50.5 million), with the effective Group tax rate for 2018 remaining constant at 24.7 % (2017: 24.6 %).

Profit for the year rose by 5.9 % to EUR 164.2 million (2017: EUR 155.0 million).

## **CONSOLIDATED BALANCE SHEET**

As of December 31, 2018, the Group's total assets amounted to EUR 2,065.7 million and were thus EUR 52.3 million higher than the respective figure at the end of 2017 (December 31, 2017: EUR 2,013.4 million). The Group's total equity rose from EUR 1,318.6 million to EUR 1,384.8 million, mainly as a result of profit. Total equity to total assets was therefore at 67.0 % (December 31, 2017: 65.5 %), return on equity at 12.1 % (December 31, 2017: 12.0 %).

Financial liabilities at EUR 211.7 million (December 31, 2017: EUR 212.5 million) remained almost unchanged and are primarily of a long-term character. Provisions for non-current liabilities and charges related to accruals for employee benefits decreased to EUR 115.9 million (December 31, 2017: EUR 121.4 million).

Total funds available went up to EUR 261.1 million (December 31, 2017: EUR 200.7 million), resulting in the Group reporting a net liquidity of EUR 49.4 million (December 31, 2017: net debt of EUR 11.8 million) at the end of 2018.

## **OUTLOOK ON THE FINANCIAL YEAR 2019**

Since the beginning of 2019, demand for cartonboard packaging has once again normalized following the weakening in the fourth quarter of last year, though without any noticeable momentum. Against this background, the plants are reporting overall good capacity utilization, however competition in the markets remains very intense.

The price increase for virgin fiber-based cartonboard announced by MM Karton as a result of higher prices for pulp and groundwood pulp took effect at the beginning of the year. In contrast, a continuous pricing policy is pursued for recycled fiber-based cartonboard due to stable recovered paper markets. The focus at MM Packaging remains on passing on increases in input factors promptly.

The aim of both divisions in 2019 is to continue to grow with the market as well as through displacement and to maintain the profit quality at a high level. Therefore, the focus on products with high value added and productivity gains in manufacture will be pursued consistently. In 2019, the largest contribution to growth will result from the acquisition of the Tann-Group, which will be integrated into the Group following the successful closing in the first quarter of 2019. We will continue our investment activities on a long-term scale focusing on growth and cost reduction through the use of state-of-the-art technology.

After another record result was achieved in 2018, our goal is to make 2019 another year of success.

High attention will also be paid to the continuation of our acquisition course.

## **DEVELOPMENT IN THE 4<sup>TH</sup> QUARTER 2018**

After a solid development during the first quarters, demand for cartonboard packaging showed a noticeable weakening in the fourth quarter, especially due to a reduction in stocks along the supply chain.

MM Karton recorded, market- and production-related, a lower capacity utilization of 90 % after 99 % in the fourth quarter of the previous year. The operating margin of the division was at 6.3 % (4<sup>th</sup> quarter 2017: 7.3 %).

MM Packaging reached an operating margin of 8.4 % (4<sup>th</sup> quarter 2017: 10.5 %).

Consolidated sales at EUR 574.6 million were around 2.2 % lower than in the previous year's period (4<sup>th</sup> quarter 2017: EUR 587.7 million). While MM Karton was able to keep up sales due to better prices, MM Packaging faced a reduction.

The Group's operating profit totaled EUR 44.8 million (4<sup>th</sup> quarter 2017: EUR 56.1 million), resulting in an operating margin of 7.8 % (4<sup>th</sup> quarter 2017: 9.5 %).

Profit before tax was at EUR 48.9 million after EUR 53.6 million in the last quarter of 2017. Profit for the period amounted to EUR 37.8 million (4<sup>th</sup> quarter 2017: EUR 41.7 million).

## DEVELOPMENT IN THE DIVISIONS

### MM Karton

in millions of EUR, IFRS	2018	2017	+/-
<b>Sales<sup>1)</sup></b>	<b>1,062.2</b>	1,048.7	+1.3 %
<b>Operating profit</b>	<b>96.4</b>	73.5	+31.2 %
<b>Operating margin (in %)</b>	<b>9.1 %</b>	7.0 %	
Tonnage sold (in thousands of tons)	<b>1,663</b>	1,675	-0.7 %
Tonnage produced (in thousands of tons)	<b>1,664</b>	1,685	-1.2 %

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

Good demand characterized development on the European cartonboard markets in the first three quarters of 2018. However, this was followed by a noticeable weakening in the final quarter due to seasonal factors and the filled supply chain.

On procurement markets, a fall in prices for mixed recovered paper qualities due to reduced exports from Europe to Asia, contrasted with a sharp price increase for virgin fiber-based products, with the need to adjust prices for virgin fiber-based cartonboard.

MM Karton was able to maintain its position very well in 2018 through better prices, a sound volume development, and an optimized product portfolio and concluded the year with a significant increase in profit compared to the previous year. We continued to implement our proven strategy of a disciplined price policy while maintaining market shares.

The average order backlog totaled 77,000 tons and was thus below the previous year's level (2017: 85,000 tons). At 97 %, capacities in the division were however still well utilized (2017: 98 %).

Cartonboard production, at 1,664,000 tons, was 1.2 % below the previous year (2017: 1,685,000 tons). 1,313,000 tons (79 %) thereof were attributable to recycled fiber-based cartonboard and 351,000 tons (21 %) to virgin fiber-based cartonboard (2017: 1,345,000 tons or 80 % and 340,000 tons or 20 %, respectively). Cartonboard sold developed in line with production, totaling 1,663,000 tons (2017: 1,675,000 tons).

Sales increased, driven by prices, from EUR 1,048.7 million to EUR 1,062.2 million. With a share of around 63 % in Western Europe (2017: 62 %) and 21 % in Eastern Europe (2017: 21 %), slightly more was sold on the European markets, thus the sales share in countries outside Europe decreased to 16 % (2017: 17 %).

Operating profit increased significantly by 31.2 % or EUR 22.9 million to EUR 96.4 million compared with the previous year (2017: EUR 73.5 million) owing to better average prices and lower direct costs. The operating margin amounted to 9.1 % after 7.0 % in 2017.

## MM Packaging

in millions of EUR, IFRS	2018	2017	+/-
<b>Sales<sup>1)</sup></b>	<b>1,384.2</b>	1,392.7	-0.6 %
<b>Operating profit</b>	<b>120.7</b>	141.5	-14.7 %
<b>Operating margin (in %)</b>	<b>8.7 %</b>	10.2 %	
Tonnage processed (in thousands of tons)	<b>766</b>	767	-0.1 %
Sheet equivalent (in millions)	<b>2,270.7</b>	2,289.9	-0.8 %

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

European packaging demand for consumer goods was high from the beginning of 2018 and showed just in the fourth quarter a noticeable weakening as a result of a successive reduction in stocks along the supply chain. Competitive intensity remained very high, as capacities in the industry continued to be sufficient.

Against this background, it was largely possible to maintain plant capacity utilization at a high level. At the same time, however, the margin was under pressure due to previous cartonboard price increases and further cost rises, especially for transport and logistics, since corresponding price increases are difficult to be realized in the market or are only possible with delay. While the efficiency gains achieved in the course of rationalization programs were able to alleviate the pressure on the result, they could not fully compensate these developments.

The strategic focus of maintaining strength and exploiting growth opportunities in individual markets such as FMCG (fast-moving consumer goods), cigarette packaging, pharmaceuticals as well as personal care with dedicated locations on the basis of maximum cost efficiency and quality was pursued consistently and implemented in the course of the investment program. High priority was attributed to automation and digitalization projects.

Tonnage processed, at 766,000 tons, was close to the previous year's figure (2017: 767,000 tons). The sheet equivalent developed largely in parallel to this, with 2,270.7 million sheets in 2018 after 2,289.9 million sheets in the previous year.

At EUR 1,384.2 million, sales developed steadily compared to the previous year (2017: EUR 1,392.7 million). The geographical distribution of sales was also characterized by continuity, with 57 % and 32 % accounted for by Western and Eastern Europe, respectively, and 11 % by business outside Europe (2017: 58 %; 30 %; 12 %).

The decrease in operating profit by 14.7 % to EUR 120.7 million (2017: EUR 141.5 million) resulted primarily from the significant increase in direct costs. The operating margin accordingly amounted to 8.7 % (2017: 10.2 %).

## QUARTERLY OVERVIEW

### MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	4Q/2017	1Q/2018	2Q/2018	3Q/2018	4Q/2018
<b>Sales</b>	587.7	592.1	578.5	592.5	574.6
<b>EBITDA</b>	82.1	83.9	84.5	85.7	78.0
EBITDA margin (in %)	14.0 %	14.2 %	14.6 %	14.5 %	13.6 %
<b>Operating profit</b>	56.1	57.1	57.2	58.0	44.8
Operating margin (in %)	9.5 %	9.6 %	9.9 %	9.8 %	7.8 %
<b>Profit before tax</b>	53.6	55.6	56.2	57.2	48.9
Income tax expense	(11.9)	(13.9)	(14.2)	(14.5)	(11.1)
<b>Profit for the year</b>	41.7	41.7	42.0	42.7	37.8
Net profit margin (in %)	7.1 %	7.0 %	7.3 %	7.2 %	6.6 %
Cash earnings	68.7	69.5	70.8	63.3	66.1
Cash earnings margin (in %)	11.7 %	11.7 %	12.2 %	10.7 %	11.5 %
Earnings per share (in EUR)	2.08	2.08	2.09	2.13	1.88

## DIVISIONS

### MM KARTON

in millions of EUR, IFRS	4Q/2017	1Q/2018	2Q/2018	3Q/2018	4Q/2018
<b>Sales<sup>1)</sup></b>	259.8	268.3	262.7	268.9	262.3
<b>Operating profit</b>	18.9	27.7	27.9	24.3	16.5
Operating margin (in %)	7.3 %	10.3 %	10.6 %	9.0 %	6.3 %
Tonnage sold (in thousands of tons)	409	419	418	423	403
Tonnage produced (in thousands of tons)	416	416	426	429	393

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

### MM PACKAGING

in millions of EUR, IFRS	4Q/2017	1Q/2018	2Q/2018	3Q/2018	4Q/2018
<b>Sales<sup>1)</sup></b>	355.9	354.3	342.1	348.9	338.9
<b>Operating profit</b>	37.2	29.4	29.3	33.7	28.3
Operating margin (in %)	10.5 %	8.3 %	8.6 %	9.7 %	8.4 %
Tonnage processed (in thousands of tons)	198	199	196	189	182
Sheet equivalent (in millions)	582.9	587.0	581.3	562.5	539.9

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

A video presentation by the Management Board on the Annual Results 2018 is available on our Homepage at [www.mayr-melnhof.com](http://www.mayr-melnhof.com).

The Annual Report 2018 will be available as of April 3, 2019.

### Forthcoming Results:

May 15, 2019      Results for the 1<sup>st</sup> quarter of 2019

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