



1Q 21

**REPORT FOR THE 1ST QUARTER OF 2021
MAYR-MELNHOF KARTON AG**

- Ongoing good demand and capacity utilization
- Sales and result slightly below previous year
- Significant increase in input prices weighs on profit of MM Karton
- Price increases in both divisions in implementation
- Result of the 2nd quarter expected below 1st quarter

Group Key Indicators

(consolidated, in millions of EUR)	1 st Quarter		+/-
	Jan. 1 - Mar. 31, 2021	Jan. 1 - Mar. 31, 2020	
Consolidated sales	641.3	646.6	- 0.8 %
EBITDA	92.7	98.9	- 6.3 %
Operating profit	61.2	64.6	- 5.2 %
Operating margin (%)	9.6 %	10.0 %	- 44 bp
Profit before tax	58.6	62.8	- 6.7 %
Income tax expense	(14.7)	(17.7)	
Profit for the period	43.9	45.1	- 2.8 %
Net profit margin (%)	6.8 %	7.0 %	
Earnings per share (in EUR)	2.18	2.25	- 3.1 %
Cash flow from operating activities	77.8	84.5	- 7.9 %
Capital expenditures (CAPEX)	60.3	31.2	+ 93.3 %
Depreciation and amortization	31.5	34.3	- 8.4 %

	Balance sheet date	
	Mar. 31, 2021	Dec. 31, 2020
Total equity (in millions of EUR)	1,603.7	1,547.1
Total assets (in millions of EUR)	3,551.2	2,399.6
Equity ratio (%)	45.2 %	64.5 %
Net debt (-) (in millions of EUR)	- 110.3	- 122.2
Employees	10,022	9,938

Group Report

DEAR SHAREHOLDERS,

Your Company recorded overall high capacity utilization with robust demand for cartonboard packaging in the 1st quarter of 2021. Sales and operating profit were slightly below the previous year's level. An increase in result in the packaging division was offset by a significant decline in the cartonboard division.

In the cartonboard division, the drastically rising prices of recovered paper over the last few months, but also higher prices for energy, pulp, chemicals and logistics, led to a significant cost inflation after last year's cost deflation. For this reason, MM Karton has already increased the prices for recycled fiber-based cartonboard in two steps, effective in the 2nd quarter and again in the middle of the year. In the case of virgin fiber-based cartonboard, prices are also to be increased in the middle of the year where there is no longer-term validity. The cost increases for cartonboard, paper, inks and varnishes, which are clearly noticeable by MM Packaging in the 2nd quarter, will mainly be passed on from the middle of the year onwards.

The objective is to return in the second half of the year 2021 to the earnings level of the 1st quarter in the Group's current business after an expected decline in result in the 2nd quarter.

INCOME STATEMENT

Consolidated sales of the Group amounted to EUR 641.3 million in the first three months of 2021, almost reaching the previous year's level (1Q 2020: EUR 646.6 million).

At EUR 61.2 million, the operating profit was 5.2 % or EUR 3.4 million below the comparative value of the previous year (1Q 2020: EUR 64.6 million). An increase in the packaging division was contrasted by a decline in the cartonboard division. In the previous year, one-off expenses in the amount of EUR -8.6 million were included, which were divided equally between the two divisions. The Group's operating margin was at 9.6 % (1Q 2020: 10.0 %).

Financial income of EUR 0.5 million (1Q 2020: EUR 0.4 million) contrasted with financial expenses of EUR -3.6 million (1Q 2020: EUR -2.1 million). "Other financial result – net" amounted to EUR 0.5 million (1Q 2020: EUR -0.1 million).

Accordingly, profit before tax at EUR 58.6 million was 6.7 % below the previous year's value (1Q 2020: EUR 62.8 million). Income tax expense amounted to EUR 14.7 million (1Q 2020: EUR 17.7 million), resulting in an effective Group tax rate of 25.2 % (1Q 2020: 28.2 %).

Profit for the period decreased slightly from EUR 45.1 million to EUR 43.9 million and earnings per share from EUR 2.25 to EUR 2.18.

ASSETS, CAPITAL, AND LIQUID FUNDS

The Group's total assets amounted to EUR 3,551.2 million as of March 31, 2021, after EUR 2,399.6 million at the end of 2020. The Group's total equity grew mainly profit-related from EUR 1,547.1 million to EUR 1,603.7 million.

Financial liabilities, principally of a long-term character, increased from EUR 268.4 million at the end of the previous year to EUR 1,339.2 million as of March 31, 2021. This rise results in particular from the issue of Schuldschein loans and Namensschuldverschreibungen in the amount of EUR 1,000 million to finance the acquisitions and organic growth projects. In parallel, total cash available to the Group increased from EUR 146.2 million to EUR 1,228.9 million. Net debt thus amounted to EUR 110.3 million (December 31, 2020: EUR 122.2 million). The equity ratio went down to 45.2 % (December 31, 2020: 64.5 %).

Non-current assets rose from EUR 1,397.9 million to EUR 1,427.0 million, mainly due to higher capital expenditures. At EUR 2,124.2 million, current assets were above the end of 2020 (EUR 1,001.7 million), in particular due to the growth in cash and cash equivalents.

CASH FLOW DEVELOPMENT

Cash flow from operating activities amounted to EUR 77.8 million, after EUR 84.5 million in the first three months of the previous year. This change resulted in particular from a lower cash-effective result.

Cash flow from investing activities changed from EUR -36.7 million to EUR -64.1 million, mainly as a result of higher payments for the acquisition of property, plant and equipment and intangible assets. Investments focused on expansions and growth projects in both divisions.

Cash flow from financing activities changed from EUR -28.7 million to EUR 1,066.2 million, primarily due to the issue of Schuldschein loans and Namensschuldverschreibungen.

OUTLOOK

With well-filled order books, we see growing demand for cartonboard and packaging also in 2021. In view of the continuing increase in input prices for fibers, energy, chemicals and logistics, the focus is currently on passing them on. The objective is to return in the second half of the year 2021 to the earnings level of the 1st quarter in the Group's current business after an expected decline in result in the 2nd quarter.

In addition to the necessary price increases, our intensified investments in the future and growth projects in several mills of MM Karton and MM Packaging got off to a good start. As reported, the main emphasis is on improving cost structures and increasing market penetration with sustainable, innovative fiber-based packaging solutions. However, this is also accompanied by selective adjustment and restructuring measures in the portfolio, as currently planned at MM Graphia Bielefeld in the 2nd quarter. By relocating the production volume to other MM Packaging sites in Germany, but also in Russia, Ukraine and Asia, competitiveness is to be increased. This measure is expected to result in one-off expenses of EUR 25 – 30 million in the 2nd quarter.

The closing of the Kotkamills acquisition in Finland continues to be expected in the middle of the year and that of Kwidzyn in Poland in the 3rd quarter of 2021.

FURTHER INFORMATION ON THE ACQUISITIONS OF MM KARTON

Kotkamills

In December 2020, the Mayr-Melnhof Group has agreed to acquire Kotkamills Group Oyj ("Kotkamills") from its shareholders for an Enterprise Value of around EUR 425 million less net debt.

Kotkamills operates two board/paper machines at its integrated mill in Kotka (Southern-Finland): a virgin fiber-based board machine which started up in 2016 with recent sales volumes of around 260,000 tons and a planned capacity of 400,000 tons; a Saturating Kraft paper machine with 170,000 tons capacity in which the company is a leading global supplier. Kotkamills employs about 500 people and lately generated an EBITDA of approx. EUR 55 million on sales of approx. EUR 380 million. Closing of the transaction is expected by mid of 2021.

Kwidzyn

Mid-February 2021, the Mayr-Melnhof Group has agreed to acquire International Paper (Poland) Holding sp. z o.o. ("Kwidzyn") from International Paper for a debt and cash free amount of around EUR 670 million and additionally assuming approx. EUR 33 million of usufruct and operating lease liabilities.

At its integrated pulp and paper site in Poland, Kwidzyn operates a pulp mill with an annual capacity of around 400,000 tons and four integrated cartonboard/paper machines: The flagship is a virgin fiber-based cartonboard machine with 260,000 tons annual capacity. In addition, Kwidzyn has recently entered the MF kraft paper segment through the conversion of one of its paper machines to serve the growing demand for flexible fiber-based packaging products. Production of this machine is increasing up to an annual capacity of 75,000 tons. Finally, Kwidzyn operates two of the most attractive copy paper machines (UWF) in Europe with an annual total capacity of 410,000 tons. About 2,300 people are working at the mill. In 2020 it generated an adjusted EBITDA of approx. EUR 92 million on sales of approx. EUR 510 million. Closing of the acquisition is expected in the 3rd quarter of 2021.

The acquisitions strengthen the competitive position of MM Karton in the attractive market for high-quality virgin fiber-based cartonboard with innovative, sustainable qualities as well as more efficiency compared to the two market leaders and complement the established market position in recycled fiber-based cartonboard. The entry into new business areas and the integration of pulp and paper at one site also create new perspectives.

The acquisitions will be financed by Schuldschein loans and Namensschuldverschreibungen totaling EUR 1 billion and are subject to customary closing conditions and regulatory approval.

DIVISIONS

MM Karton

Demand on the European cartonboard markets has been characterized by strong order activity since the beginning of the year. Therefore, the division's average order backlog of 149,000 tons in the 1st quarter of 2021 was significantly above the comparative figure of the previous year (1Q 2020: 94,000 tons). At 99 % (1Q 2020: 98 %), the division's capacities were almost fully utilized.

Due to the drastic price increase on the procurement markets, in particular for fibers (recovered paper, pulp), MM Karton has been implementing price increases effective from the 2nd quarter of 2021, respectively the middle of the year. Reasons for the significant rise in prices of recovered paper are mainly the strong demand from the corrugated board industry, higher demand from Asia, as well as the decline in volumes of magazine papers and newsprint.

Both the volume produced and sold were slightly below the previous year's period at 410,000 tons and 432,000 tons, respectively (1Q 2020: 435,000 tons and 444,000 tons, respectively). This decline mainly results from the shutdown of cartonboard production at the Hirschwang site in fall of the previous year. With a sales share of approx. 87 % in Europe and 13 % in markets outside Europe, slightly more was sold again in the European markets (1Q 2020: 85 % and 15 %, respectively).

At EUR 271.4 million, sales almost reached the previous year's level (1Q 2020: EUR 273.5 million). The decline in the operating profit from EUR 34.1 million to EUR 19.8 million is particularly attributable to the significant increase in direct costs, which will be offset by gradually higher prices from the 2nd quarter onwards. Thus, the operating margin amounted to 7.3 % (1Q 2020: 12.5 %).

Divisional indicators MM Karton

(in millions of EUR)	1 st Quarter		+/-
	Jan. 1 - Mar. 31, 2021	Jan. 1 - Mar. 31, 2020	
Sales ¹⁾	271.4	273.5	- 0.8 %
Operating profit	19.8	34.1	- 41.9 %
Operating margin (%)	7.3 %	12.5 %	- 518 bp
Cash flow from operating activities	23.1	30.4	- 23.8 %
Tonnage sold (in thousands of tons)	432	444	- 2.6 %
Tonnage produced (in thousands of tons)	410	435	- 5.7 %

¹⁾ including interdivisional sales

DIVISIONS

MM Packaging

The good sales development of cartonboard packaging for consumer staples (fast moving consumer goods and e-commerce) also continued in the 1st quarter of 2021. In addition, the markets Health, Beauty & Personal Care show a lasting improvement, respectively a recovery.

On the other hand, the clearly progressing cost inflation is also becoming an increasing challenge for MM Packaging. While the effects of this were manageable in the 1st quarter, the current significant rise in input costs, such as for cartonboard, paper, inks, varnishes and packaging material requires a passing on to customers, which will largely take place from the middle of the year onwards in accordance with contractual agreements.

Our expansion investments in sites with cost advantages and the focus on growth markets such as sustainable plastic-free packaging or e-commerce applications were successfully launched in Austria, Poland, Romania and the United Kingdom. At the same time, necessary structural adjustment measures to increase competitiveness and secure the existing business are being continued. Thereby, MM is committed to socially responsible solutions.

While sales at EUR 399.3 million were at the previous year's level (1Q 2020: EUR 401.7 million), operating profit increased significantly by 36.0 % or EUR 10.9 million to EUR 41.4 million (1Q 2020: EUR 30.5 million). The operating margin went up accordingly to 10.4 % (1Q 2020: 7.6 %).

Tonnage processed rose by 3.2 % from 209,000 tons to 216,000 tons, mainly due to shifts in the product mix.

Divisional indicators MM Packaging

(in millions of EUR)	1 st Quarter		
	Jan. 1 - Mar. 31, 2021	Jan. 1 - Mar. 31, 2020	+/-
Sales ¹⁾	399.3	401.7	- 0.6 %
Operating profit	41.4	30.5	+ 36.0 %
Operating margin (%)	10.4 %	7.6 %	+ 279 bp
Cash flow from operating activities	54.7	54.1	+ 1.1 %
Tonnage processed (in thousands of tons)	216	209	+ 3.2 %

¹⁾ including interdivisional sales

Consolidated Balance Sheets

(all amounts in thousands of EUR)	End of 1 st Quarter	Year-end
	Mar. 31, 2021	Dec. 31, 2020
ASSETS		
Property, plant and equipment	1,029,094	996,472
Intangible assets including goodwill	345,141	346,347
Investments accounted for using the equity method, securities and other financial assets	7,692	7,404
Deferred tax assets	45,025	47,700
Non-current assets	1,426,952	1,397,923
Inventories	341,485	349,621
Trade receivables	456,256	415,804
Income tax receivables	12,175	12,158
Assets held for sale	5,333	5,230
Prepaid expenses and other current assets	80,121	72,593
Cash and cash equivalents	1,228,853	146,241
Current assets	2,124,223	1,001,647
TOTAL ASSETS	3,551,175	2,399,570
EQUITY AND LIABILITIES		
Share capital	80,000	80,000
Additional paid-in capital	172,658	172,658
Retained earnings	1,607,665	1,564,165
Other reserves	(261,905)	(274,477)
Equity attributable to shareholders of the Company	1,598,418	1,542,346
Non-controlling (minority) interests	5,270	4,752
Total equity	1,603,688	1,547,098
Financial liabilities	1,215,990	215,511
Provisions for non-current liabilities and charges	132,389	143,001
Deferred tax liabilities	34,152	38,684
Non-current liabilities	1,382,531	397,196
Financial liabilities	123,221	52,915
Current tax liabilities	26,518	19,809
Trade liabilities	239,542	220,437
Deferred income and other current liabilities	152,422	140,183
Provisions for current liabilities and charges	23,253	21,932
Current liabilities	564,956	455,276
Total liabilities	1,947,487	852,472
TOTAL EQUITY AND LIABILITIES	3,551,175	2,399,570

Consolidated Income Statements

	1 st Quarter	
	Jan. 1 - Mar. 31, 2021	Jan. 1 - Mar. 31, 2020
(all amounts in thousands of EUR, except per share data)		
Sales	641,273	646,640
Cost of sales	(487,541)	(478,486)
Gross margin	153,732	168,154
Other operating income	3,107	4,926
Selling and distribution expenses	(60,809)	(63,603)
Administrative expenses	(34,756)	(44,883)
Other operating expenses	(30)	(19)
Operating profit	61,244	64,575
Financial income	503	374
Financial expenses	(3,634)	(2,085)
Other financial result – net	478	(34)
Profit before tax	58,591	62,830
Income tax expense	(14,741)	(17,724)
Profit for the period	43,850	45,106
Attributable to:		
Shareholders of the Company	43,500	44,979
Non-controlling (minority) interests	350	127
Profit for the period	43,850	45,106
Earnings per share for profit attributable to the shareholders of the Company during the period:		
Earnings per share	2.18	2.25

Consolidated Comprehensive Income Statements

	1 st Quarter	
	Jan. 1 - Mar. 31, 2021	Jan. 1 - Mar. 31, 2020
(all amounts in thousands of EUR)		
Profit for the period	43,850	45,106
Other comprehensive income:		
Actuarial valuation of defined benefit pension and severance obligations	8,299	214
Effect of income taxes	(1,301)	(58)
Total of items that will not be reclassified subsequently to the income statement	6,998	156
Foreign currency translations ¹⁾	6,153	(43,001)
Effect of income taxes	(411)	0
Total of items that will be reclassified subsequently to the income statement	5,742	(43,001)
Other comprehensive income (net)	12,740	(42,845)
Total comprehensive income	56,590	2,261
Attributable to:		
Shareholders of the Company	56,072	2,105
Non-controlling (minority) interests	518	156
Total comprehensive income	56,590	2,261

¹⁾ In the first quarter of 2021, an amount of thous. EUR -49 (1Q 2020: thous. EUR 0) was reclassified from other comprehensive income to profit for the period.

Consolidated Statements of Changes in Equity

	Equity attributable to shareholders of the Company						Total	Non-controlling (minority) interests	Total equity
	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translations	Actuarial gains and losses	Other reserves			
(all amounts in thousands of EUR)									
Balance at January 1, 2021	80,000	172,658	1,564,165	(207,173)	(67,304)	(274,477)	1,542,346	4,752	1,547,098
Profit for the period	0	0	43,500	0	0	0	43,500	350	43,850
Other comprehensive income	0	0	0	5,564	7,008	12,572	12,572	168	12,740
Total comprehensive income	0	0	43,500	5,564	7,008	12,572	56,072	518	56,590
Transactions with shareholders:									
Change in majority interests	0	0	0	0	0	0	0	0	0
Balance at March 31, 2021	80,000	172,658	1,607,665	(201,609)	(60,296)	(261,905)	1,598,418	5,270	1,603,688
Balance at January 1, 2020	80,000	172,658	1,466,884	(150,580)	(65,928)	(216,508)	1,503,034	5,275	1,508,309
Profit for the period	0	0	44,979	0	0	0	44,979	127	45,106
Other comprehensive income	0	0	0	(43,021)	147	(42,874)	(42,874)	29	(42,845)
Total comprehensive income	0	0	44,979	(43,021)	147	(42,874)	2,105	156	2,261
Transactions with shareholders:									
Change in majority interests	0	0	0	0	0	0	0	0	0
Balance at March 31, 2020	80,000	172,658	1,511,863	(193,601)	(65,781)	(259,382)	1,505,139	5,431	1,510,570

Consolidated Cash Flow Statements

	1 st Quarter	
	Jan. 1 - Mar. 31, 2021	Jan. 1 - Mar. 31, 2020
(all amounts in thousands of EUR)		
Profit for the period	43,850	45,106
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid	44,954	58,815
Net cash from profit	88,804	103,921
Changes in working capital	843	(5,982)
Cash flow from operating activities excluding interest and taxes paid	89,647	97,939
Income taxes paid	(11,809)	(13,461)
CASH FLOW FROM OPERATING ACTIVITIES	77,838	84,478
Payments for property, plant and equipment, and intangible assets (incl. payments on account)	(65,255)	(38,122)
Other items	1,186	1,421
CASH FLOW FROM INVESTING ACTIVITIES	(64,069)	(36,701)
Change in financial liabilities	1,067,985	(27,315)
Other items	(1,781)	(1,366)
CASH FLOW FROM FINANCING ACTIVITIES	1,066,204	(28,681)
Effect of exchange rate changes on cash and cash equivalents	2,639	(4,870)
Change in cash and cash equivalents	1,082,612	14,226
Cash and cash equivalents at the beginning of the period (according to the consolidated balance sheet)	146,241	126,807
Cash and cash equivalents at the end of the period (according to the consolidated balance sheet)	1,228,853	141,033

Quarterly Overview

MAYR-MELNHOF GROUP

(consolidated, in millions of EUR)	1 st Quarter 2020	2 nd Quarter 2020	3 rd Quarter 2020	4 th Quarter 2020	1 st Quarter 2021
Sales	646.6	619.9	637.0	624.9	641.3
EBITDA	98.9	112.8	95.4	91.8	92.7
Operating profit	64.6	57.9	46.8	62.1	61.2
Operating margin (%)	10.0 %	9.3 %	7.3 %	9.9 %	9.6 %
Profit before tax	62.8	54.9	42.9	61.5	58.6
Income tax expense	(17.7)	(15.1)	(11.5)	(15.6)	(14.7)
Profit for the period	45.1	39.8	31.4	45.9	43.9
Net profit margin (%)	7.0 %	6.4 %	4.9 %	7.4 %	6.8 %
Earnings per share (in EUR)	2.25	1.98	1.55	2.28	2.18
Cash flow from operating activities	84.5	38.1	101.1	94.5	77.8

DIVISIONS

MM Karton

(in millions of EUR)	1 st Quarter 2020	2 nd Quarter 2020	3 rd Quarter 2020	4 th Quarter 2020	1 st Quarter 2021
Sales ¹⁾	273.5	259.5	264.4	253.4	271.4
Operating profit	34.1	25.1	9.2	18.3	19.8
Operating margin (%)	12.5 %	9.6 %	3.5 %	7.2 %	7.3 %
Cash flow from operating activities	30.4	22.3	45.5	28.1	23.1
Tonnage sold (in thousands of tons)	444	427	423	410	432
Tonnage produced (in thousands of tons)	435	442	421	412	410

¹⁾ including interdivisional sales

MM Packaging

(in millions of EUR)	1 st Quarter 2020	2 nd Quarter 2020	3 rd Quarter 2020	4 th Quarter 2020	1 st Quarter 2021
Sales ¹⁾	401.7	391.9	401.9	398.7	399.3
Operating profit	30.5	32.8	37.6	43.8	41.4
Operating margin (%)	7.6 %	8.4 %	9.3 %	11.0 %	10.4 %
Cash flow from operating activities	54.1	15.8	55.6	66.4	54.7
Tonnage processed (in thousands of tons)	209	211	215	212	216

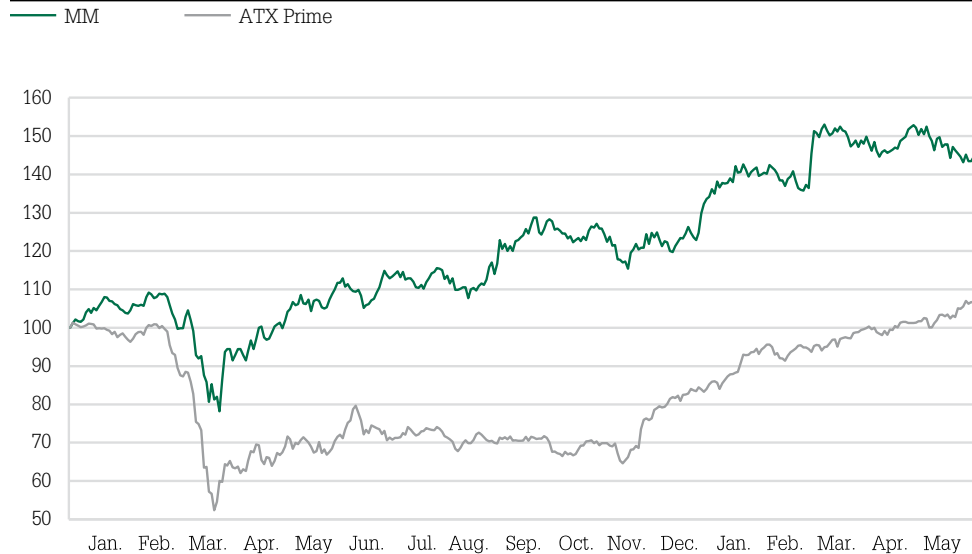
¹⁾ including interdivisional sales

***The Management Board
of Mayr-Melnhof Karton AG***

The results of the first half-year of 2021 will be published on August 19, 2021.

Mayr-Melnhof Shares

Relative performance of MM shares 2020/2021 (December 30, 2019 = 100)



Share price (closing price)	
as of May 14, 2021	173.40
2021 High	183.00
2021 Low	162.40
Stock performance (Year-end 2020 until May 14, 2021)	+ 5.09 %
Number of shares issued	20 million
Market capitalization as of May 14, 2021 (in millions of EUR)	3,468
Trading volume (average per day 1Q 2021 in millions of EUR)	2.87

We have prepared this report and reviewed the figures with the greatest possible care. Nevertheless, rounding, typographical and printing errors cannot be excluded. The aggregation of rounded amounts and percentages may result in rounding differences due to the use of automated computational aids. This report also contains forward-looking estimates and statements based on the information currently available to us. Please note that a wide variety of factors could cause actual circumstances – and hence actual results – to deviate from the expectations contained in this report.

The determination of key indicators, which cannot be reconciled directly from the quarterly financial report, can be found on our website under section “For Investors/Key Indicators”.

Statements referring to people are valid for both men and women.

This report is also available in German. In case of doubt, the German version takes precedence.

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