



1Q | 19

**REPORT FOR THE 1ST QUARTER OF 2019
MAYR-MELNHOF KARTON AG**

- Significant increase in sales and EBITDA following acquisition of the Tann-Group
- High capacity utilization in both divisions
- Visibility of demand is shortening

Group Key Indicators

(according to IFRS for interim financial reporting, unaudited)

(consolidated, in millions of EUR)	1 st Quarter		+/-
	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018	
Consolidated sales	642.9	592.1	+ 8.6 %
EBITDA	90.9	83.6	+ 8.7 %
EBITDA margin (%)	14.1 %	14.1 %	
Operating profit	57.2	57.1	+ 0.2 %
Operating margin (%)	8.9 %	9.6 %	
Profit before tax	58.1	55.6	+ 4.5 %
Income tax expense	(14.4)	(13.9)	
Profit for the period	43.7	41.7	+ 4.8 %
Net profit margin (%)	6.8 %	7.0 %	
Basic and diluted earnings per share (in EUR)	2.17	2.08	+ 4.3 %
Cash earnings	74.1	69.5	+ 6.6 %
Cash earnings margin (%)	11.5 %	11.7 %	
Capital expenditures (CAPEX)	30.9	25.3	+ 22.1 %
Depreciation and amortization	33.7	26.6	+ 26.7 %

	Balance sheet date	
	Mar. 31, 2019	Dec. 31, 2018
Total equity (in millions of EUR)	1,434.4	1,384.8
Total assets (in millions of EUR)	2,440.8	2,065.7
Total equity to total assets (%)	58.8 %	67.0 %
Net debt ¹⁾ (-)/Net liquidity (+) (in millions of EUR)	- 298.5	49.4
Employees	10,215	9,445

¹⁾ incl. lease liabilities acc. to IFRS 16

Group Report

DEAR SHAREHOLDERS,

In the first quarter of 2019, your Company was able to maintain its position well in a market environment that was stable but intensely competitive due to a lack of momentum. The income statement and balance sheet are affected by the initial consolidation of the Tann-Group.

Sales as well as profit for the period exceeded the comparative value of the previous year. Both divisions reported overall high capacity utilization. While MM Packaging achieved a slight increase in result, MM Karton again reached the high level of the previous year with a robust price and volume development.

The substantial growth in sales and EBITDA largely results from the acquisition. Its inclusion into the Group and the MM Packaging division took effect as of January 15, 2019, under consideration of one-off effects relating to the initial consolidation from which no further profit impact is expected for the remaining financial year. Nevertheless, the EBITDA increased significantly.

The current situation on the markets is characterized by shorter visibility and increasing competitive intensity. Our focus remains on pursuing sound profit development through an attractive portfolio of products and consistent price and cost management.

INCOME STATEMENT

The Group's consolidated sales increased by EUR 50.8 million or 8.6 % to EUR 642.9 million (1Q 2018: EUR 592.1 million), the EBITDA by 8.7 % to EUR 90.9 million (1Q 2018: EUR 83.6 million).

Consolidated sales by destination (according to IFRS for interim financial reporting, unaudited)

(in %)	1 st Quarter	
	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
Western Europe	56.5 %	61.5 %
Eastern Europe	28.1 %	25.7 %
Asia and MENA	9.5 %	7.1 %
America	4.8 %	4.4 %
Other	1.1 %	1.3 %
Total	100.0 %	100.0 %

One-off acquisition effects from the initial consolidation of the Tann-Group were reported in the amount of around EUR -7 million due to recognition of order backlog and inventory measurement. Therefore, operating profit at EUR 57.2 million was at previous year's level (1Q 2018: EUR 57.1 million), resulting in an operating margin of 8.9 % (1Q 2018: 9.6 %).

Financial income totaling EUR 0.4 million (1Q 2018: EUR 0.3 million) contrasted with financial expenses amounting to EUR -2.0 million (1Q 2018: EUR -1.5 million). The "Other financial result – net" increased to EUR 2.5 million (1Q 2018: EUR -0.3 million), particularly as a result of foreign currency gains.

Profit before tax rose accordingly by 4.5 % to EUR 58.1 million (1Q 2018: EUR 55.6 million). Income tax expense totaled EUR 14.4 million (1Q 2018: EUR 13.9 million). The effective Group tax rate therefore remained unchanged at around 25 %.

Profit for the period thus went up by 4.8 % to EUR 43.7 million (1Q 2018: EUR 41.7 million), and earnings per share from EUR 2.08 to EUR 2.17.

ASSETS, CAPITAL, AND LIQUID FUNDS

As of March 31, 2019, the Group's total assets amounted to EUR 2,440.8 million and were thus EUR 375.1 million above the comparative figure as of December 31, 2018 (EUR 2,065.7 million). This increase was largely the result of the initial consolidation. The Group's total equity rose profit-related from EUR 1,384.8 million to EUR 1,434.4 million, with total equity to total assets at 58.8 % (December 31, 2018: 67.0 %) remaining at a very solid level even after the acquisition.

Financial liabilities, principally of a long-term character, increased from EUR 211.7 million at year-end 2018 to EUR 445.4 million as of March 31, 2019, primarily due to the integration and financing of the company purchase and the first-time inclusion of lease liabilities according to IFRS 16. In the wake of the purchase price payment for the acquisition, total funds available to the Group decreased to EUR 146.9 million (December 31, 2018: EUR 261.1 million), resulting in net debt of EUR 298.5 million compared to a net liquidity of EUR 49.4 million as of December 31, 2018.

Non-current assets climbed from EUR 1,003.8 million to EUR 1,406.7 million, mainly as a result of the acquisition. Property, plant and equipment rose from EUR 852.6 million to EUR 1,006.1 million, with around two thirds of the increase being accounted for by the company acquisition and around EUR 54 million by the first-time adoption of IFRS 16 (Leases). Current assets at EUR 1,034.1 million were slightly below the value at the end of 2018 (EUR 1,061.9 million).

It should be noted that the purchase price allocation of the acquisition is not yet finalized at the publication date of this report, and that the values are of a provisional nature. Additional details about consolidation will be provided in subsequent financial reports.

CASH FLOW DEVELOPMENT

The cash flow from operating activities totaled EUR 76.1 million following EUR 48.8 million in the first quarter of the previous year. This rise primarily results from an increased cash-effective result and the Tann-Group, which were contrasted by higher income tax payments.

Cash flow from investing activities changed from EUR -26.4 million to EUR -282.3 million, in particular due to the payment of the preliminary purchase price for the acquisition of the Tann-Group in the amount of around EUR 270 million. Payments for the purchase of property, plant and equipment and intangible assets totaled EUR 32.2 million (1Q 2018: EUR 30.6 million). Investments mainly involved technological innovations in both divisions.

Cash flow from financing activities changed from EUR -1.5 million to EUR 89.7 million. The difference is primarily due to the use of short-term bank credit facilities to finance the acquisition.

SUBSEQUENT EVENTS

In the 25th Ordinary Shareholder's Meeting held on April 24, 2019 the Management Board was authorized to repurchase own shares up to 10 % of the Group's share capital, which remains valid until October 24, 2021.

RISK REPORT

Material single risks as well as the structure of the risk management system are described in our Annual Report of 2018. Further risks were not identified in the first quarter of 2019 and are also not expected for the remaining financial year.

OUTLOOK

Visibility of demand on our European main markets has decreased as a result of a more short-term planning of customers. Nevertheless, both divisions continue to report overall stable capacity utilization. It remains difficult to estimate the sustainability. Faced with largely solid fiber prices and increasing competitive intensity, the focus lies on maintaining our selling prices as best as possible while protecting our market shares. Consistent cost management and continuous optimization in the product range are aimed at maintaining the quality of the Group's results at a good level.

DIVISIONS

DIVISIONS

MM Karton

Demand on the European cartonboard market again normalized at the beginning of 2019 following the slowdown in the fourth quarter of the previous year. At 98 % (1Q 2018: 99 %), capacities of the division were again almost fully utilized.

The average order backlog of MM Karton totaled around 75,000 tons, following 85,000 tons in the first three months of the previous year.

At 430,000 tons and 421,000 tons respectively, production and sales in the first quarter of 2019 were slightly above the previous year's values (1Q 2018: 416,000 tons and 419,000 tons respectively). Around 82 % of this was sold in Europe and 18 % in markets outside Europe (1Q 2018: 83 %; 17 %).

The price increase for virgin fiber-based cartonboard announced as a result of higher prices for pulp and groundwood pulp took effect since the beginning of the year. In contrast, a steady pricing policy is being pursued for recycled fiber-based cartonboard along with the recovered paper market.

At EUR 271.3 million and EUR 27.3 million respectively, sales and operating profit reached again the good level of the previous year (1Q 2018: EUR 268.3 million and EUR 27.7 million respectively). The operating margin amounted to 10.1 % following 10.3 % in the comparative period.

Divisional indicators MM Karton (according to IFRS for interim financial reporting, unaudited)

(in millions of EUR)	1 st Quarter		+/-
	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018	
Sales ¹⁾	271.3	268.3	+ 1.1 %
Operating profit	27.3	27.7	- 1.4 %
Operating margin (%)	10.1 %	10.3 %	
Tonnage sold (in thousands of tons)	421	419	+ 0.5 %
Tonnage produced (in thousands of tons)	430	416	+ 3.4 %

¹⁾ including interdivisional sales

MM Packaging

Demand on the European folding carton markets developed steadily at a normal level in the first quarter of 2019, however, without any signs of dynamics. Since the market has sufficient capacity reserves, the environment remained very competitive.

Against this background, MM Packaging succeeded in maintaining the capacity utilization of its plants at an overall high level, however with increased heterogeneity among the sites. Necessary rises in productivity were systematically pursued in all areas.

The first-time integration of the Tann-Group acquisition into the division particularly characterized the key indicators' development.

Sales increased by 13.6 % from EUR 354.3 million to EUR 402.4 million, the number of processed standard sheets (sheet equivalent) rose by 16.4 % to 683.1 million (1Q 2018: 587.0 million).

Due to the recognition of one-off effects from the initial consolidation of the Tann-Group in the first quarter, the operating profit at EUR 29.9 million remained yet unchanged compared to the previous year (1Q 2018: EUR 29.4 million), resulting in a lower operating margin of 7.4 % (1Q 2018: 8.3 %).

Divisional indicators MM Packaging (according to IFRS for interim financial reporting, unaudited)

(in millions of EUR)	1 st Quarter		+/-
	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018	
Sales ¹⁾	402.4	354.3	+ 13.6 %
Operating profit	29.9	29.4	+ 1.7 %
Operating margin (%)	7.4 %	8.3 %	
Tonnage processed (in thousands of tons)	200	199	+ 0.5 %
Sheet equivalent (in millions)	683.1	587.0	+ 16.4 %

¹⁾ including interdivisional sales

Consolidated Balance Sheets

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	End of 1 st Quarter	Year-end
	Mar. 31, 2019	Dec. 31, 2018
ASSETS		
Property, plant and equipment	1,006,135	852,607
Intangible assets including goodwill	369,579	122,868
Investments in associated companies, securities and other financial assets	5,140	4,766
Deferred income taxes	25,862	23,573
Non-current assets	1,406,716	1,003,814
Inventories	369,915	346,860
Trade receivables	435,202	367,531
Income tax receivables	10,824	10,516
Prepaid expenses, securities and other current assets	71,780	76,002
Cash and cash equivalents	146,366	260,982
Current assets	1,034,087	1,061,891
TOTAL ASSETS	2,440,803	2,065,705
EQUITY AND LIABILITIES		
Share capital	80,000	80,000
Additional paid-in capital	172,658	172,658
Retained earnings	1,384,512	1,341,132
Other reserves	(209,067)	(211,195)
Equity attributable to shareholders of the Company	1,428,103	1,382,595
Non-controlling (minority) interests	6,254	2,164
Total equity	1,434,357	1,384,759
Financial liabilities	254,269	177,348
Provisions for non-current liabilities and charges	135,809	115,909
Deferred income taxes	43,782	14,397
Non-current liabilities	433,860	307,654
Financial liabilities	191,177	34,334
Current tax liabilities	18,311	13,974
Trade liabilities	219,926	205,114
Deferred income and other current liabilities	129,340	107,981
Provisions for current liabilities and charges	13,832	11,889
Current liabilities	572,586	373,292
Total liabilities	1,006,446	680,946
TOTAL EQUITY AND LIABILITIES	2,440,803	2,065,705

Consolidated Income Statements

(according to IFRS for interim financial reporting, unaudited)

	1 st Quarter	
	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
(all amounts in thousands of EUR, except per share data)		
Sales	642,931	592,098
Cost of sales	(494,548)	(455,541)
Gross margin	148,383	136,557
Other operating income	2,657	3,436
Selling and distribution expenses	(60,399)	(55,977)
Administrative expenses	(33,370)	(26,922)
Other operating expenses	(78)	(7)
Operating profit	57,193	57,087
Financial income	363	306
Financial expenses	(2,002)	(1,545)
Other financial result – net	2,521	(255)
Profit before tax	58,075	55,593
Income tax expense	(14,381)	(13,853)
Profit for the period	43,694	41,740
Attributable to:		
Shareholders of the Company	43,380	41,548
Non-controlling (minority) interests	314	192
Profit for the period	43,694	41,740
Earnings per share for profit attributable to the shareholders of the Company during the period:		
Basic and diluted earnings per share	2.17	2.08

Consolidated Comprehensive Income Statements

(according to IFRS for interim financial reporting, unaudited)

	1 st Quarter	
	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
(all amounts in thousands of EUR)		
Profit for the period	43,694	41,740
Other comprehensive income:		
Actuarial valuation of defined benefit pension and severance obligations	(12,302)	3,289
Effect of income taxes	2,560	(545)
Total of items that will not be reclassified subsequently to the income statement	(9,742)	2,744
Foreign currency translations	12,038	(7,602)
Total of items that will be reclassified subsequently to the income statement	12,038	(7,602)
Other comprehensive income (net)	2,296	(4,858)
Total comprehensive income	45,990	36,882
Attributable to:		
Shareholders of the Company	45,508	36,720
Non-controlling (minority) interests	482	162
Total comprehensive income	45,990	36,882

Consolidated Statements of Changes in Equity

(according to IFRS for interim financial reporting, unaudited)

	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, 2019	80,000	172,658	1,341,132	(159,784)	(51,411)	(211,195)	1,382,595	2,164	1,384,759
Profit for the period	0	0	43,380	0	0	0	43,380	314	43,694
Other comprehensive income	0	0	0	11,862	(9,734)	2,128	2,128	168	2,296
Total comprehensive income	0	0	43,380	11,862	(9,734)	2,128	45,508	482	45,990
Transactions with shareholders:									
Dividends paid	0	0	0	0	0	0	0	(5)	(5)
Change in majority interests	0	0	0	0	0	0	0	3,613	3,613
Balance at March 31, 2019	80,000	172,658	1,384,512	(147,922)	(61,145)	(209,067)	1,428,103	6,254	1,434,357
Balance at January 1, 2018	80,000	172,658	1,239,415	(125,335)	(50,557)	(175,892)	1,316,181	2,409	1,318,590
Profit for the period	0	0	41,548	0	0	0	41,548	192	41,740
Other comprehensive income	0	0	0	(7,572)	2,744	(4,828)	(4,828)	(30)	(4,858)
Total comprehensive income	0	0	41,548	(7,572)	2,744	(4,828)	36,720	162	36,882
Transactions with shareholders:									
Change in majority interests	0	0	0	0	0	0	0	0	0
Balance at March 31, 2018	80,000	172,658	1,280,963	(132,907)	(47,813)	(180,720)	1,352,901	2,571	1,355,472

Consolidated Cash Flow Statements

(condensed version according to IFRS for interim financial reporting, unaudited)

	1 st Quarter	
	Jan. 1 - Mar. 31, 2019	Jan. 1 - Mar. 31, 2018
(all amounts in thousands of EUR)		
Profit for the period	43,694	41,740
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid	46,092	32,983
Net cash from profit	89,786	74,723
Changes in working capital	2,828	(14,026)
Cash flow from operating activities excluding interest and taxes paid	92,614	60,697
Income taxes paid	(16,485)	(11,905)
CASH FLOW FROM OPERATING ACTIVITIES	76,129	48,792
Payments for property, plant and equipment, and intangible assets (incl. payments on account)	(32,197)	(30,586)
Payments for acquisition of companies or other business entities, net of cash and cash equivalents acquired (1Q 2019: thous. EUR 19,145; 1Q 2018: thous. EUR 0)	(250,946)	0
Other items	893	4,179
CASH FLOW FROM INVESTING ACTIVITIES	(282,250)	(26,407)
Change in financial liabilities	90,899	(603)
Other items	(1,186)	(859)
CASH FLOW FROM FINANCING ACTIVITIES	89,713	(1,462)
Effect of exchange rate changes on cash and cash equivalents	1,792	180
Change in cash and cash equivalents	(114,616)	21,103
Cash and cash equivalents at the beginning of the period (according to the consolidated balance sheet)	260,982	197,910
Cash and cash equivalents at the end of the period (according to the consolidated balance sheet)	146,366	219,013
Adjustments to reconcile cash and cash equivalents to total funds available to the Group:		
Current and non-current securities	519	1,977
Total funds available to the Group	146,885	220,990

Quarterly Overview

(according to IFRS for interim financial reporting, unaudited)

MAYR-MELNHOF GROUP

(consolidated, in millions of EUR)	1 st Quarter 2018	2 nd Quarter 2018	3 rd Quarter 2018	4 th Quarter 2018	1 st Quarter 2019
Sales	592.1	578.5	592.5	574.6	642.9
EBITDA ¹⁾	83.6	83.8	84.7	72.3	90.9
EBITDA margin (%)	14.1 %	14.5 %	14.3 %	12.6 %	14.1 %
Operating profit	57.1	57.2	58.0	44.8	57.2
Operating margin (%)	9.6 %	9.9 %	9.8 %	7.8 %	8.9 %
Profit before tax	55.6	56.2	57.2	48.9	58.1
Income tax expense	(13.9)	(14.2)	(14.5)	(11.1)	(14.4)
Profit for the period	41.7	42.0	42.7	37.8	43.7
Net profit margin (%)	7.0 %	7.3 %	7.2 %	6.6 %	6.8 %
Earnings per share (basic and diluted in EUR)	2.08	2.09	2.13	1.88	2.17

¹⁾ Operating profit plus depreciation and amortization

DIVISIONS

MM Karton

(in millions of EUR)	1 st Quarter 2018	2 nd Quarter 2018	3 rd Quarter 2018	4 th Quarter 2018	1 st Quarter 2019
Sales ²⁾	268.3	262.7	268.9	262.3	271.3
Operating profit	27.7	27.9	24.3	16.5	27.3
Operating margin (%)	10.3 %	10.6 %	9.0 %	6.3 %	10.1 %
Tonnage sold (in thousands of tons)	419	418	423	403	421
Tonnage produced (in thousands of tons)	416	426	429	393	430

²⁾ including interdivisional sales

MM Packaging

(in millions of EUR)	1 st Quarter 2018	2 nd Quarter 2018	3 rd Quarter 2018	4 th Quarter 2018	1 st Quarter 2019
Sales ²⁾	354.3	342.1	348.9	338.9	402.4
Operating profit	29.4	29.3	33.7	28.3	29.9
Operating margin (%)	8.3 %	8.6 %	9.7 %	8.4 %	7.4 %
Tonnage processed (in thousands of tons)	199	196	189	182	200
Sheet equivalent (in millions)	587.0	581.3	562.5	539.9	683.1

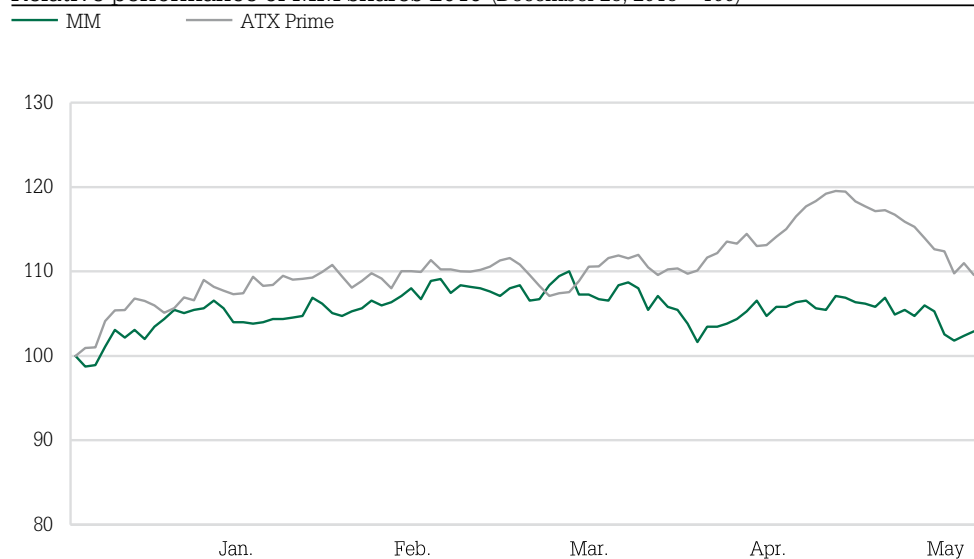
²⁾ including interdivisional sales

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

The results of the first half-year of 2019 will be published on August 20, 2019.

Mayr-Melnhof Shares

Relative performance of MM shares 2019 (December 28, 2018 = 100)



Share price (closing price)	
as of May 13, 2019	113.20
2019 High	121.00
2019 Low	108.60
Stock performance (Year-end 2018 until May 13, 2019)	+ 2.91 %
Number of shares issued	20 million
Market capitalization as of May 13, 2019 (in millions of EUR)	2,264.00
Trading volume (average per day 1Q 2019 in millions of EUR)	1.08

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

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