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HALF-YEAR FINANCIAL REPORT 2019 MAYR-MELNHOF KARTON AG

- Significant increase in sales and results following acquisition
- Integration of Tann-Group meets expectations
- MM Karton with strong performance
- Muted demand increases pressure on prices
- Keeping up quality of results – goal and challenge at the same time

Group Key Indicators

(according to IFRS for interim financial reporting, unaudited)

(consolidated, in millions of EUR)	1 st - 2 nd Quarter		+/-
	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018	
Consolidated sales	1,275.5	1,170.6	+ 9.0 %
EBITDA	191.6	167.4	+ 14.5 %
EBITDA margin (%)	15.0 %	14.3 %	
Operating profit	124.0	114.3	+ 8.5 %
Operating margin (%)	9.7 %	9.8 %	
Profit before tax	122.6	111.8	+ 9.7 %
Income tax expense	(30.3)	(28.1)	
Profit for the period	92.3	83.7	+ 10.3 %
Net profit margin (%)	7.2 %	7.2 %	
Basic and diluted earnings per share (in EUR)	4.59	4.17	+ 10.1 %
Cash earnings	155.7	140.3	+ 11.0 %
Cash earnings margin (%)	12.2 %	12.0 %	
Capital expenditures (CAPEX)	61.2	51.7	+ 18.4 %
Depreciation and amortization	67.6	53.1	+ 27.3 %

	Balance sheet date	
	Jun. 30, 2019	Dec. 31, 2018
Total equity (in millions of EUR)	1,410.3	1,384.8
Total assets (in millions of EUR)	2,444.3	2,065.7
Total equity to total assets (%)	57.7 %	67.0 %
Net debt (-)/Net liquidity (+) (in millions of EUR)	- 333.5 ¹⁾	49.4
Employees	10,176	9,445

¹⁾ incl. lease liabilities acc. to IFRS 16 in the amount of EUR 53.0 million (see note 1b)

Group Report

DEAR SHAREHOLDERS,

Your Company was able to maintain well its position as a whole in the first half-year of 2019 in an environment marked by increasingly muted demand and growing competitive intensity. After six months, key profit figures of the MM Group are significantly above those of the previous year due to continued profit growth in the second quarter.

This development is affected, on the one hand, by the initial consolidation of the Tann-Group in the MM Packaging division and, on the other hand, by a strong performance of MM Karton as a result of solid volumes and prices.

Restrained demand and increasing pressure on prices still characterize the current market situation. Continuing the high level of profitability of the second quarter is therefore a challenge for the third quarter of this year.

INCOME STATEMENT

The consolidated sales of the Group rose by 9.0 %, or EUR 104.9 million, to EUR 1,275.5 million (1st half of 2018: EUR 1,170.6 million), with growth resulting primarily from the packaging division following the acquisition. EBITDA increased by 14.5 % to EUR 191.6 million (1st half of 2018: EUR 167.4 million).

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

(in %)	1 st - 2 nd Quarter	
	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
Western Europe	55.5 %	60.5 %
Eastern Europe	28.6 %	26.1 %
Asia and MENA	9.6 %	7.1 %
America	5.2 %	4.8 %
Other	1.1 %	1.5 %
Total	100.0 %	100.0 %

At EUR 124.0 million, the operating profit was 8.5 %, or EUR 9.7 million, above the previous year's value (1st half of 2018: EUR 114.3 million). One-off acquisition effects from the initial consolidation of the Tann-Group totaling EUR -4.8 million were reported due to recognition of order backlog and inventory measurement. The operating margin was at 9.7 % (1st half of 2018: 9.8 %).

Financial income of EUR 0.7 million (1st half of 2018: EUR 0.6 million) was offset by financial expenses of EUR -4.0 million (1st half of 2018: EUR -3.0 million). "Other financial result – net" rose to EUR 1.9 million (1st half of 2018: EUR -0.1 million), in particular as a result of foreign currency gains.

Profit before tax increased accordingly by 9.7 % to EUR 122.6 million (1st half of 2018: EUR 111.8 million). Income tax expense amounted to EUR 30.3 million (1st half of 2018: EUR 28.1 million). The effective Group tax rate at 24.7 % was slightly below the previous year's level (1st half of 2018: 25.1 %).

The profit for the period accordingly rose by 10.3 % to EUR 92.3 million (1st half of 2018: EUR 83.7 million), and earnings per share increased from EUR 4.17 to EUR 4.59.

ASSETS, CAPITAL, AND LIQUID FUNDS

At EUR 2,444.3 million, the Group's total assets as of June 30, 2019 were EUR 378.6 million above the comparative figure as of December 31, 2018 (EUR 2,065.7 million). This increase largely results from the initial consolidation. The Group's total equity rose from EUR 1,384.8 million to EUR 1,410.3 million, with the mainly profit-related growth being offset by a reduction due to the dividend payment of EUR 64.0 million. Total equity to total assets at 57.7 % (December 31, 2018: 67.0 %) remained at a very sound level even after the acquisition.

Financial liabilities, of a current and non-current character in almost equal parts, went up from EUR 211.7 million at the end of 2018 to EUR 470.1 million as of June 30, 2019, primarily due to the integration and financing of the company purchase and the first-time inclusion of lease liabilities according to IFRS 16. Total funds available to the Group decreased to EUR 136.6 million (December 31, 2018: EUR 261.1 million) mainly owing to the purchase price payment for the acquisition and the dividend payment. This leads to a net debt of EUR 333.5 million at mid-year 2019 following a net liquidity of EUR 49.4 million at the end of 2018.

Non-current assets rose largely acquisition-related from EUR 1,003.8 million to EUR 1,395.8 million. Property, plant and equipment went up by EUR 146.7 million to EUR 999.3 million (December 31, 2018: EUR 852.6 million), with around two thirds of the increase being accounted for by the company purchase and around EUR 53.0 million by the first-time adoption of IFRS 16 (Leases). Current assets totaled EUR 1,048.5 million and were thus below the value at the end of 2018 (EUR 1,061.9 million).

It should be noted that the purchase price allocation resulting from the acquisition has not been finally completed at the publication date of this report. Please refer to the notes to the half-year financial report for details about consolidation.

CASH FLOW DEVELOPMENT

Cash flow from operating activities totaled EUR 134.3 million, following EUR 114.6 million in the first half-year of 2018. The increase particularly results from the higher cash-effective result and the Tann-Group, which contrasted with higher income tax payments.

Cash flow from investing activities was EUR -309.2 million, after EUR -53.6 million in the previous year's period, largely owing to the purchase price payment of EUR 267.7 million for the acquisition. Payments for the purchase of property, plant and equipment and intangible assets rose from EUR 59.0 million to EUR 62.8 million. The focus of investment was on renewals in the machinery park of both divisions.

Cash flow from financing activities changed from EUR -60.9 million to EUR 48.6 million. The use of short-term bank credit facilities to finance the acquisition was contrasted in particular by the dividend payment for the financial year 2018.

DEVELOPMENT IN THE SECOND QUARTER

In the second quarter of 2019, both sales and operating profit were above the previous year's level owing to the acquisition as well as to an improvement in the current business of the cartonboard division.

A profit increase was also achieved compared to the first quarter of the present year despite slightly lower sales.

With a capacity utilization of 98 % (1Q 2019: 98 %; 2Q 2018: 99 %), stable average prices and optimized costs, the cartonboard division reached a favourable operating margin of 11.2 % (1Q 2019: 10.1 %; 2Q 2018: 10.6 %).

In the packaging division the initial inclusion of the Tann-Group influenced the development of key indicators again in the second quarter. The operating margin was 9.4 % (1Q 2019: 7.4 %; 2Q 2018: 8.6 %).

Consolidated sales of the Group were at EUR 632.6 million (1Q 2019: EUR 642.9 million; 2Q 2018: EUR 578.5 million).

The Group's operating profit reached EUR 66.8 million, after EUR 57.2 million in the first quarter of 2019 and EUR 57.2 million in the second quarter of the previous year. The Group's operating margin rose accordingly to 10.6 % (1Q 2019: 8.9 %; 2Q 2018: 9.9 %).

The profit for the period increased to EUR 48.6 million (1Q 2019: EUR 43.7 million; 2Q 2018: EUR 42.0 million).

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 or an increase of already described risks were not identified in the first half-year of 2019 and are also not expected for the remaining financial year from today's perspective.

OUTLOOK

Muted demand, short-term planning of customers and increasing pressure on prices continue to characterize the market environment. Nevertheless, the goal stays on maintaining the Group's quality of results the best possible through intensified market penetration as well as a consequent price policy and programs aimed at increasing cost efficiency. The investment activity is unabated geared towards this with a focus on the use of state-of-the-art technology and optimizations within the product portfolio. Special attention will be paid to the continuation of the long-term growth course. Maintaining the strong profitability of the second quarter is a challenge for the third quarter.

DIVISIONS

MM Karton

The demand situation on the European cartonboard markets developed increasingly subdued in the first half-year of 2019 as a result of more restrained planning of customers with a noticeable rise in competition over all product groups.

MM Karton nevertheless succeeded in maintaining well its position in terms of both volumes and result. The disciplined price policy and the focus on the sale of products with higher value added were consistently pursued. At 98 % (1st half of 2018: 99 %), capacity utilization in the division was at a sustained high level. The division's average order backlog was 77,000 tons, following 83,000 tons in the first half of the previous year.

On procurement markets stable recovered paper prices for mixed qualities contrasted with a gradual decline in prices for pulp-based raw materials from the high level at the beginning of the year.

Tonnage produced as well as tonnage sold, at 867,000 tons and 847,000 tons respectively, were slightly above the previous year's values (1st half of 2018: 842,000 tons and 837,000 tons respectively). As last year, around 82 % was sold in Europe and 18 % in markets outside of Europe.

Sales increased as a result of slightly improved volumes and average prices by 2.0 % to EUR 541.5 million (1st half of 2018: EUR 531.0 million). Operating profit rose by 3.6 % to EUR 57.6 million (1st half of 2018: EUR 55.6 million), whereby, at 10.6 %, the good operating margin of the previous year (1st half of 2018: 10.5 %) could be maintained.

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

(in millions of EUR)	1 st - 2 nd Quarter		+/-
	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018	
Sales ¹⁾	541.5	531.0	+ 2.0 %
Operating profit	57.6	55.6	+ 3.6 %
Operating margin (%)	10.6 %	10.5 %	
Tonnage sold (in thousands of tons)	847	837	+ 1.2 %
Tonnage produced (in thousands of tons)	867	842	+ 3.0 %

¹⁾ including interdivisional sales

MM Packaging

After a stable beginning of the year, demand on European main markets turned increasingly volatile and was thus below the strong first half of the previous year. Against the background of a commencing economic slowdown and capacity reserves in the industry, the market environment remained marked by strong competition.

In this environment, MM Packaging could not maintain capacity utilization of individual plants at a consistently high level, but reported an overall sustainable development. Necessary measures to acquire new business and increase cost efficiency were consequently implemented.

The income statement of MM Packaging is primarily characterized by the initial inclusion of the acquisition of the Tann-Group, which developed according to expectations.

Sales grew by 13.5 %, or EUR 94.0 million, from EUR 696.4 million to EUR 790.4 million. The number of processed standard sheets (sheet equivalent) went up by 17.6 % to 1,374.0 million (1st half of 2018: 1,168.3 million).

Operating profit, at EUR 66.4 million, was 13.1 % above the comparative period (1st half of 2018: EUR 58.7 million), with one-off effects from the initial consolidation of the Tann-Group in the amount of EUR -4.8 million reducing the result. The operating margin thus remained unchanged at 8.4 % (1st half of 2018: 8.4 %).

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

(in millions of EUR)	1 st - 2 nd Quarter		+/-
	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018	
Sales ¹⁾	790.4	696.4	+ 13.5 %
Operating profit	66.4	58.7	+ 13.1 %
Operating margin (%)	8.4 %	8.4 %	
Tonnage processed (in thousands of tons)	392	395	- 0.8 %
Sheet equivalent (in millions)	1,374.0	1,168.3	+ 17.6 %

¹⁾ including interdivisional sales

Consolidated Balance Sheets

(according to IFRS for interim financial reporting, unaudited)

(all amounts in thousands of EUR)	Notes	End of 2 nd Quarter	Year-end
		Jun. 30, 2019	Dec. 31, 2018
ASSETS			
Property, plant and equipment	3	999,338	852,607
Intangible assets including goodwill	3	364,377	122,868
Investments in associated companies, securities and other financial assets		5,151	4,766
Deferred income taxes		26,949	23,573
Non-current assets		1,395,815	1,003,814
Inventories	6	385,359	346,860
Trade receivables		442,925	367,531
Income tax receivables		9,630	10,516
Prepaid expenses and other current assets		74,550	76,002
Cash and cash equivalents		136,024	260,982
Current assets		1,048,488	1,061,891
TOTAL ASSETS		2,444,303	2,065,705
EQUITY AND LIABILITIES			
Share capital		80,000	80,000
Additional paid-in capital		172,658	172,658
Retained earnings		1,368,968	1,341,132
Other reserves		(217,253)	(211,195)
Equity attributable to shareholders of the Company		1,404,373	1,382,595
Non-controlling (minority) interests		5,919	2,164
Total equity		1,410,292	1,384,759
Financial liabilities	8	240,870	177,348
Provisions for non-current liabilities and charges		140,447	115,909
Deferred income taxes		43,050	14,397
Non-current liabilities		424,367	307,654
Financial liabilities	8	229,236	34,334
Current tax liabilities		20,989	13,974
Trade liabilities		220,869	205,114
Deferred income and other current liabilities		123,252	107,981
Provisions for current liabilities and charges		15,298	11,889
Current liabilities		609,644	373,292
Total liabilities		1,034,011	680,946
TOTAL EQUITY AND LIABILITIES		2,444,303	2,065,705

Consolidated Income Statements

(according to IFRS for interim financial reporting, unaudited)

	Notes	2 nd Quarter		1 st - 2 nd Quarter	
		Apr. 1 - Jun. 30, 2019	Apr. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
(all amounts in thousands of EUR, except per share data)					
Sales	11	632,567	578,538	1,275,498	1,170,636
Cost of sales		(471,322)	(438,946)	(965,870)	(894,487)
Gross margin		161,245	139,592	309,628	276,149
Other operating income		2,134	2,353	4,791	5,789
Selling and distribution expenses		(61,064)	(56,232)	(121,463)	(112,209)
Administrative expenses		(35,500)	(28,461)	(68,870)	(55,383)
Other operating expenses		(56)	(36)	(134)	(43)
Operating profit		66,759	57,216	123,952	114,303
Financial income		324	296	687	602
Financial expenses		(1,967)	(1,457)	(3,969)	(3,002)
Other financial result – net	9	(615)	172	1,906	(83)
Profit before tax		64,501	56,227	122,576	111,820
Income tax expense		(15,924)	(14,283)	(30,305)	(28,136)
Profit for the period		48,577	41,944	92,271	83,684
Attributable to:					
Shareholders of the Company		48,447	41,800	91,827	83,348
Non-controlling (minority) interests		130	144	444	336
Profit for the period		48,577	41,944	92,271	83,684
Earnings per share for profit attributable to the shareholders of the Company during the period:					
Basic and diluted earnings per share		2.42	2.09	4.59	4.17

Consolidated Comprehensive Income Statements

(according to IFRS for interim financial reporting, unaudited)

	2 nd Quarter		1 st - 2 nd Quarter	
	Apr. 1 - Jun. 30, 2019	Apr. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
(all amounts in thousands of EUR)				
Profit for the period	48,577	41,944	92,271	83,684
Other comprehensive income:				
Actuarial valuation of defined benefit pension and severance obligations	(4,645)	779	(16,947)	4,068
Effect of income taxes	1,192	(77)	3,752	(622)
Total of items that will not be reclassified subsequently to the income statement	(3,453)	702	(13,195)	3,446
Foreign currency translations	(4,951)	(7,903)	7,087	(15,505)
Total of items that will be reclassified subsequently to the income statement	(4,951)	(7,903)	7,087	(15,505)
Other comprehensive income (net)	(8,404)	(7,201)	(6,108)	(12,059)
Total comprehensive income	40,173	34,743	86,163	71,625
Attributable to:				
Shareholders of the Company	40,261	34,528	85,769	71,248
Non-controlling (minority) interests	(88)	215	394	377
Total comprehensive income	40,173	34,743	86,163	71,625

Consolidated Statements of Changes in Equity

(according to IFRS for interim financial reporting, unaudited)

	Equity attributable to shareholders of the Company							Non-controlling (minority) interests	Total equity
	Share capital	Additional paid-in capital	Retained earnings	Other comprehensive income			Total		
(all amounts in thousands of EUR) Notes				Foreign currency translations	Actuarial gains and losses	Other reserves			
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	91,827	0	0	0	91,827	444	92,271
Other comprehensive income	0	0	0	7,123	(13,181)	(6,058)	(6,058)	(50)	(6,108)
Total comprehensive income	0	0	91,827	7,123	(13,181)	(6,058)	85,769	394	86,163
Transactions with shareholders:									
Dividends paid 7	0	0	(64,000)	0	0	0	(64,000)	(377)	(64,377)
Change in majority interests 2	0	0	9	0	0	0	9	3,738	3,747
Balance at June 30, 2019	80,000	172,658	1,368,968	(152,661)	(64,592)	(217,253)	1,404,373	5,919	1,410,292
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	83,348	0	0	0	83,348	336	83,684
Other comprehensive income	0	0	0	(15,548)	3,448	(12,100)	(12,100)	41	(12,059)
Total comprehensive income	0	0	83,348	(15,548)	3,448	(12,100)	71,248	377	71,625
Transactions with shareholders:									
Dividends paid 7	0	0	(62,000)	0	0	0	(62,000)	(545)	(62,545)
Change in majority interests	0	0	0	0	0	0	0	0	0
Balance at June 30, 2018	80,000	172,658	1,260,763	(140,883)	(47,109)	(187,992)	1,325,429	2,241	1,327,670

Consolidated Cash Flow Statements

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

	Notes	1 st - 2 nd Quarter	
		Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
(all amounts in thousands of EUR)			
Profit for the period		92,271	83,684
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid		97,295	73,494
Net cash from profit		189,566	157,178
Changes in working capital		(25,954)	(21,436)
Cash flow from operating activities excluding interest and taxes paid		163,612	135,742
Income taxes paid		(29,338)	(21,119)
CASH FLOW FROM OPERATING ACTIVITIES		134,274	114,623
Payments for property, plant and equipment, and intangible assets (incl. payments on account)		(62,757)	(58,973)
Payments for acquisition of companies or other business entities, net of cash and cash equivalents acquired (1 st HY 2019: thous. EUR 19,392; 1 st HY 2018: thous. EUR 0)	2	(248,326)	0
Other items		1,927	5,421
CASH FLOW FROM INVESTING ACTIVITIES		(309,156)	(53,552)
Change in financial liabilities		115,462	3,233
Dividends paid to the shareholders of the Company	7	(64,000)	(62,000)
Other items		(2,826)	(2,149)
CASH FLOW FROM FINANCING ACTIVITIES		48,636	(60,916)
Effect of exchange rate changes on cash and cash equivalents		1,288	769
Change in cash and cash equivalents		(124,958)	924
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)		136,024	198,834
Adjustments to reconcile cash and cash equivalents to total funds available to the Group:			
Current and non-current securities		534	1,724
Total funds available to the Group		136,558	200,558

Notes to the Consolidated Half-year Financial Statements

1 — PRINCIPLES OF PREPARING THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

a — General

These condensed consolidated half-year financial statements and notes thereto of Mayr-Melnhof Karton AG and its controlled subsidiaries have been prepared in accordance with IFRS for interim financial reporting (IAS 34) as adopted by the European Union and were neither voluntarily audited nor reviewed by an auditor. The condensed consolidated half-year financial statements do not include all obligatory information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual financial statements as of December 31, 2018.

The present condensed consolidated half-year financial statements have been prepared using the same accounting principles as for the consolidated financial statements as of December 31, 2018, except the below mentioned new accounting regulations.

The business performance of Mayr-Melnhof Karton AG is generally not affected by any significant seasonal effects. Information regarding the cyclical influences on the business activity of the Group can be found in the presentation of the divisions in the half-year management report on page 7f.

The valuation of defined benefit pension and severance obligations is determined on the basis of an actuarial opinion as of the respective annual reporting date. If any significant changes in the actuarial assumptions arise during the current financial year, a remeasurement of the recognized net defined benefit liability will be recorded. The discount rate for defined benefit pension respectively severance obligations was at 1.38 % respectively 2.00 % as of June 30, 2019 (December 31, 2018: 2.10 % respectively 2.64 %).

The first-time adoption of IFRS 16 as of January 1, 2019 and the inclusion of the Tann-Group into the MM Group as of January 15, 2019 influence the Group's assets, liabilities, financial position and profit or loss. Detailed explanations regarding the respective impacts can be found in the notes 1 b) and 2).

b — New accounting regulations

As of January 1, 2019, the following new respectively revised accounting regulations are initially applicable:

New Standards	Content	Effective
IFRS 16	Leases	Jan. 1, 2019
Revised Standards	Content	
IFRS 9	Prepayment Features with Negative Compensation	Jan. 1, 2019
	Annual Improvements to IFRSs – 2015-2017 Cycle	Jan. 1, 2019
IAS 19	Plan Amendment, Curtailment and Settlement	Jan. 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	Jan. 1, 2019
New Interpretations	Content	
IFRIC 23	Uncertainty over Income Tax Treatments	Jan. 1, 2019

If individually applicable, the effective regulations were adopted in the present consolidated half-year financial statements. The impacts of the newly applicable standard IFRS 16 are described as follows:

IFRS 16 “Leases” was issued in January 2016, replacing the former IAS 17 and related interpretations. IFRS 16 sets out new rules for the accounting of leases and introduces a standardized reporting model according to which leases are recognized in the lessee’s balance sheet. A lessee recognizes a right-of-use asset to the underlying asset of the lease agreement and a liability representing the lease payment obligations.

Right-of-use assets, which are included in property, plant and equipment, are measured at cost less any accumulated depreciation and, if necessary, any required impairment. The cost of a right-of-use asset comprises the present value of all future lease payments (lease liabilities), adjusted for any prepaid or accrued lease payments. The right-of-use assets are depreciated on a straight-line basis over the shorter of the asset’s useful life and the lease term.

Lease liabilities with a term of more than twelve months are measured at the present value of the remaining lease payments. All contracts, which were identified as leases according to IAS 17 as of December 31, 2018, are taken over into IFRS 16. Hence, leases previously classified as finance leases were carried forward without changes. For the recognition of lease liabilities, certain extension or termination options were taken into account, if the Group was reasonably certain that the options will be exercised in the future. If the duration of the contract is indefinite, the lease term is determined based on expectations.

The Group has applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective approach. Comparative amounts for the year prior to the first-time adoption have not been restated. The right-of-use asset, reported under property, plant and equipment, was recognized in the same amount as the corresponding lease liability as of the first-time adoption date on January 1, 2019. Thus, there is no impact on equity.

The Group applies the exceptions governing leases relating to low-value assets and short-term leases. Therefore, these transactions are not reported in the balance sheet, but as expense as incurred. Low-value assets are defined as assets with a value of maximum thous. EUR 5. A short-term lease is defined as a lease with a term of up to twelve months. The option to account lease contracts, that have a duration of up to twelve months from initial application, as short-term lease contracts, is also being exercised. Furthermore, initial direct costs were not included in the measurement of the right-of-use asset at the time of the first-time-application.

In principle, the implicit interest rate based on the lease contract is applied, if it can be determined. Otherwise, leases are discounted using the lessee's incremental borrowing rate, i.e. the interest rate that a lessee would have to pay for comparable transactions. Hence, at initial application of IFRS 16 within the Group lease liabilities were discounted with the incremental borrowing rates as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities as of January 1, 2019, was 3.08 %. The interest expense is recognized in the income statement over the lease period based on the remaining lease liability.

The Group mainly rents and leases buildings, land, warehouses, offices, and other facilities, that are necessary for the operating business. The majority of right-of-use assets relates to buildings. The Group has assessed and taken into account the underlying extension and termination options. The assumptions made may differ in the future from the original estimates and may have an impact on the right-of-use assets and lease liabilities.

The following table shows the reconciliation of presented future minimum payments for lease commitments as of December 31, 2018 to the lease liabilities as of January 1, 2019:

(all amounts in thousands of EUR)

Total amount of future minimum lease payments under operating leases at Dec. 31, 2018	75,629
- Exemptions for short-term leases	(1,350)
- Exemptions for leases of low-value assets	(1,831)
- Adaptions related to options to extend or terminate a lease	(562)
+/- Other adaptions	(577)
Liabilities from operating leases at Jan. 1, 2019 (undiscounted)	71,309
- Discounting effects	(18,354)
Liabilities from operating leases at Jan. 1, 2019 (discounted)	52,955
Liabilities from finance leases acc. to IAS 17 at Dec. 31, 2018	1,301
Total amount of lease liabilities acc. to IFRS 16 at Jan. 1, 2019	54,256
Thereof non-current lease liabilities	47,061
Thereof current lease liabilities	7,195

As of January 1, 2019, as a result of the first-time application of IFRS 16, property, plant and equipment increased by thous. EUR 52,955 due to the recognition of right-of-use assets. Accordingly, lease liabilities, which are reported under financial liabilities, increased in the same amount.

An overview of leases in the Group recognized in the balance sheet as of June 30, 2019 is presented as follows:

	End of 2nd Quarter
(all amounts in thousands of EUR)	Jun. 30, 2019
Right-of-use asset: Land, similar land rights	1,790
Right-of-use asset: Buildings	49,279
Right-of-use asset: Technical equipment and machines	3,336
Right-of-use asset: Other equipment, fixtures and fittings	2,301
Total right-of-use assets	56,706

	End of 2nd Quarter
(all amounts in thousands of EUR)	Jun. 30, 2019
Non-current lease liabilities	44,982
Current lease liabilities	7,992
Total lease liabilities	52,974

The income statement is affected by the replacement of operating lease expenses previously recognized in operating profit through amortization of right-of-use assets as well as interest expenses on lease liabilities presented in the financial result.

2 — SIGNIFICANT CHANGES IN CONSOLIDATED COMPANIES

In January 2019, the division MM Packaging acquired 100 % of the shares in Eurasia Invest Holding AG including its subsidiaries, i.e. the Tann-Group. The Tann-Group, headquartered in Traun, Austria, finishes within a gravure printing process externally sourced fine paper to produce cigarette filter paper (tipping paper) and is a global market leader in this field. Through the acquisition, MM Packaging expands the existing production of cigarette packaging by the technologically related production of tipping paper. Based on technological similarities and long-standing cooperation with the same top-customers, the acquisition fits strategically well into the division MM Packaging. The aim is to strengthen the profitability of the division through extended value added. Additionally, the development of the plants should be used to exploit new potential.

The cash-paid, preliminary purchase price amounts to thous. EUR 267,718 and was financed by cash as well as using available credit lines in an amount of thous. EUR 120,000. Inclusion into the Group and division was effected on January 15, 2019.

The acquired assets and liabilities according to IFRS at the acquisition date were preliminary presented as follows:

Acquired assets and liabilities at the acquisition date acc. to IFRS 3 (preliminary)

(all amounts in thousands of EUR)	Jan. 15, 2019
Property, plant and equipment	98,476
Intangible assets	114,212
Securities	355
Deferred tax assets	1,902
Inventories	33,293
Trade receivables	29,520
Prepaid expenses and other current assets	12,474
Cash and cash equivalents	19,392
Non-controlling (minority) interests	(3,762)
Deferred tax liabilities	(35,291)
Provisions for non-current liabilities and charges	(11,241)
Financial liabilities	(90,604)
Current tax liabilities	(3,212)
Trade liabilities	(12,084)
Deferred income, provisions for current liabilities and charges and other current liabilities	(17,640)
Goodwill	131,928
Net assets	267,718

Trade receivables comprise gross contractual receivables amounting to thous. EUR 30,196 as of the acquisition date, of which thous. EUR 676 are estimated as presumably irrecoverable, resulting in a fair value of thous. EUR 29,520. In case of tax receivables in the amount of thous. EUR 5,945 as well as other receivables of thous. EUR 4,196 the fair values correspond to the gross amounts. Due to the short-term nature of receivables, the Group assumes that the future cash flows correspond to the fair value.

The remaining preliminary goodwill of thous. EUR 131,928 mainly reflects expected synergies achieved by portfolio expansion, network effects of the acquired sites and the leading market position in the field of tipping paper. The non-controlling (minority) interests of thous. EUR 3,762 have been determined as a proportionate share of the identifiable net assets of the respective subsidiaries. The recognized goodwill is not deductible for tax purposes.

Of the acquisition-related costs in an amount of thous. EUR 1,396, thous. EUR 983 were recorded as expense in the financial year 2018 and thous. EUR 413 in the first half-year of 2019 and reported under administrative expenses in the consolidated income statement.

Sales and profit before tax for the time the business belonged to the Group and division amounted to thous. EUR 113,167 and thous. EUR 16,841 in the first half-year of 2019. Profit before tax was reduced by a non-recurring effect amounting to thous. EUR 4,800, which results from the valuation of inventory and order backlog in the course of the purchase price allocation and was recognized as cost of sales in the first half-year. If the acquisition had been concluded as of January 1, 2019, the Tann-Group would have contributed thous. EUR 7,481 to the Group's sales and thous. EUR 1,320 to the Group's profit before tax.

The purchase price allocation has not been finally completed as the valuations, especially for property, plant and equipment and customer relationship, have not been definitely finalized.

Additionally, there were further insignificant changes in individual subsidiaries.

3 — DEVELOPMENT OF FIXED ASSETS

The Group spent a total of thous. EUR 61,185 (1st half of 2018: thous. EUR 51,677) on acquiring property, plant and equipment and intangible assets in the first half-year of 2019. The carrying amount of disposals of property, plant and equipment and intangible assets amounted to thous. EUR 1,617 (1st half of 2018: thous. EUR 363).

Depreciation and amortization on property, plant and equipment and intangible assets amounted to thous. EUR 67,603 (1st half of 2018: thous. EUR 53,105).

Net book values of property, plant and equipment and intangible assets including goodwill are composed as follows:

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2019	Dec. 31, 2018
Lands, similar land rights and buildings	367,444	279,151
Technical equipment and machines	503,184	476,480
Other equipment, fixtures and fittings	47,295	42,849
Construction in progress	81,415	54,127
Property, plant and equipment	999,338	852,607

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2019	Dec. 31, 2018
Concessions, licenses and similar rights	9,227	8,812
Goodwill	238,776	106,464
Other intangible assets	116,374	7,592
Intangible assets including goodwill	364,377	122,868

4 — PURCHASE COMMITMENTS

As of June 30, 2019 purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 34,812 (December 31, 2018: thous. EUR 47,103).

5 — FINANCIAL INSTRUMENTS DISCLOSURES

a — Measurement at fair value

The amounts of financial assets and financial liabilities which are recognized at fair value are as follows:

(all amounts in thousands of EUR)	End of 2 nd Quarter	Year-end
	Jun. 30, 2019	Dec. 31, 2018
Financial assets:		
Derivative financial instruments (Level 2)	2,275	717
Securities (Level 1)	373	0
Financial liabilities:		
Derivative financial instruments (Level 2)	1,529	963

As of June 30, 2019 there were neither financial assets nor financial liabilities measured at fair value through other comprehensive income.

Measurement methods

The Group applies the following hierarchy to determine the measurement method and to identify the fair value of financial instruments, depending on the availability of information about market prices:

Availability of information, sorted by level	Measurement method used
Level 1 – Quoted market prices are available	Measurement based on quoted market prices for identical financial instruments
Level 2 – Quoted market prices for identical instruments are not available but all required measurement parameters can be derived from active markets	Measurement based on valuation method by applying directly or indirectly observable market data

The fair value of securities (Level 1 measurement) is based on the quoted price on the active market.

The fair value of derivative financial instruments (Level 2 measurement) is mostly determined on the basis of spot prices as of the balance sheet date, taking into account forward premiums or discounts with relevant maturity.

In general, there are also financial instruments measured at fair value based on parameters for which no observable market data exist (Level 3 measurement). There are currently no financial instruments for which this measurement method would be applicable in the Group.

As of June 30, 2019, other financial assets classified as “at fair value through profit or loss” include investments in unconsolidated companies in the amount of thous. EUR 1,265 (December 31, 2018: thous. EUR 1,188). In general, these must be measured at fair value. However, cost represents an appropriate estimate of fair value as of the balance sheet date and the amount is of low significance for the Group.

Of the reported interest-bearing financial liabilities, loans in the amount of thous. EUR 149,291 (December 31, 2018: thous. EUR 110,000) are subject to a fixed interest rate, whose fair value amounts to thous. EUR 155,045 as of June 30, 2019 (December 31, 2018: thous. EUR 113,203). The calculation is based on the present value of future cash flows discounted by the currently observable yield curve (Level 2).

6 — INVENTORIES

In the first half-year of 2019, the write-downs of inventories recognized as an expense amounted to thous. EUR 6,782 (1st half of 2018: thous. EUR 5,505), the reversal of write-downs of inventories recognized as income amounted to thous. EUR 404 (1st half of 2018: thous. EUR 911), both under cost of goods sold.

7 — EQUITY

Dividend

By the 25th Ordinary Shareholder’s Meeting, a dividend of EUR 3.20 per voting share was resolved for the year 2018 after EUR 3.10 for 2017, which was due on May 8, 2019. On schedule a total of thous. EUR 64,000 (previous year: thous. EUR 62,000) was distributed to the shareholders.

Furthermore, 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. As of June 30, 2019, the Management Board has made no use of this authorization.

8 — FINANCIAL LIABILITIES

Financial liabilities of the Group are as follows:

(all amounts in thousands of EUR)	End of 2nd Quarter	Year-end
	Jun. 30, 2019	Dec. 31, 2018
Non-current interest-bearing financial liabilities	195,888	176,539
Current interest-bearing financial liabilities	221,244	33,842
Interest-bearing financial liabilities	417,132	210,381
Non-current lease liabilities	44,982	809
Current lease liabilities	7,992	492
Lease liabilities	52,974	1,301
Financial liabilities	470,106	211,682

9 — OTHER FINANCIAL RESULT – NET

(all amounts in thousands of EUR)	1st - 2nd Quarter	
	Jan. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2018
Foreign currency exchange rate gains (losses) - net	3,037	620
Net interest cost from benefit obligations	(1,278)	(1,105)
Result from associated companies	(120)	64
Dividend income	249	338
Income from securities	18	0
Other financial result – net	1,906	(83)

10 — DISCLOSURES ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 3,873 were purchased from other related companies in the first half-year of 2019 (1st half of 2018: thous. EUR 3,619). As of June 30, 2019, trade liabilities with other related companies amounted to thous. EUR 1,037 (December 31, 2018: thous. EUR 954).

In the first half-year of 2019 sales from transactions with associated companies amounted to thous. EUR 769 (1st half of 2018: thous. EUR 313). As of June 30, 2019, trade receivables with associated companies amounted to thous. EUR 385 (December 31, 2018: thous. EUR 148) and trade liabilities amounted to thous. EUR 67 (December 31, 2018: thous. EUR 160).

Transactions with these companies are carried out on an arm's length basis.

11 — SEGMENT REPORTING INFORMATION

The Group measures the performance of its operating segments through the assessment of operating profit and profit for the period, as they are presented in the consolidated income statements.

The Group's operating segments can be illustrated as follows:

(all amounts in thousands of EUR)	1 st - 2 nd Quarter 2019			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	485,498	790,000	0	1,275,498
Intersegment sales	56,028	399	(56,427)	0
Total sales	541,526	790,399	(56,427)	1,275,498
Operating profit	57,561	66,391	0	123,952
Profit for the period	41,777	50,494	0	92,271
Segment assets ¹⁾	1,174,143	1,502,149	(231,989)	2,444,303
Segment liabilities ¹⁾	396,584	869,416	(231,989)	1,034,011

¹⁾ as of June 30, 2019

(all amounts in thousands of EUR)	1 st - 2 nd Quarter 2018			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	474,568	696,068	0	1,170,636
Intersegment sales	56,402	305	(56,707)	0
Total sales	530,970	696,373	(56,707)	1,170,636
Operating profit	55,552	58,751	0	114,303
Profit for the period	42,683	41,001	0	83,684
Segment assets ¹⁾	1,091,208	1,051,896	(77,399)	2,065,705
Segment liabilities ¹⁾	318,632	439,713	(77,399)	680,946

¹⁾ as of December 31, 2018

The assets, liabilities, financial position and profit or loss of MM Packaging division in the financial year 2019 are particularly affected by the inclusion of the Tann-Group.

The operating profit and profit for the period in the total column "consolidated" correspond to the consolidated income statements. The reconciliation from operating profit to profit for the period can therefore be derived from the consolidated income statements.

Revenues from manufacturing and selling products are recognized at a point in time based on the agreed individual terms of delivery.

12 — SIGNIFICANT SUBSEQUENT EVENTS

No events that require disclosure took place between the balance sheet date June 30, 2019 and the publication approval on August 19, 2019.

Statement of the Management Board

according to section 125 of the Austrian Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year as well as of the major related party transactions to be disclosed.

Vienna, August 19, 2019

The Management Board

Wilhelm Hörmanseder m. p.
Chairman of the Management Board

Andreas Blaschke m. p.
Member of the Management Board

Franz Hiesinger m. p.
Member of the Management Board

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	2 nd Quarter 2019
Sales	592.1	578.5	592.5	574.6	642.9	632.6
EBITDA ¹⁾	83.6	83.8	84.7	72.3	90.9	100.7
EBITDA margin (%)	14.1 %	14.5 %	14.3 %	12.6 %	14.1 %	15.9 %
Operating profit	57.1	57.2	58.0	44.8	57.2	66.8
Operating margin (%)	9.6 %	9.9 %	9.8 %	7.8 %	8.9 %	10.6 %
Profit before tax	55.6	56.2	57.2	48.9	58.1	64.5
Income tax expense	(13.9)	(14.2)	(14.5)	(11.1)	(14.4)	(15.9)
Profit for the period	41.7	42.0	42.7	37.8	43.7	48.6
Net profit margin (%)	7.0 %	7.3 %	7.2 %	6.6 %	6.8 %	7.7 %
Earnings per share (basic and diluted in EUR)	2.08	2.09	2.13	1.88	2.17	2.42

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	2 nd Quarter 2019
Sales ²⁾	268.3	262.7	268.9	262.3	271.3	270.2
Operating profit	27.7	27.9	24.3	16.5	27.3	30.3
Operating margin (%)	10.3 %	10.6 %	9.0 %	6.3 %	10.1 %	11.2 %
Tonnage sold (in thousands of tons)	419	418	423	403	421	426
Tonnage produced (in thousands of tons)	416	426	429	393	430	437

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	2 nd Quarter 2019
Sales ²⁾	354.3	342.1	348.9	338.9	402.4	388.0
Operating profit	29.4	29.3	33.7	28.3	29.9	36.5
Operating margin (%)	8.3 %	8.6 %	9.7 %	8.4 %	7.4 %	9.4 %
Tonnage processed (in thousands of tons)	199	196	189	182	200	192
Sheet equivalent (in millions)	587.0	581.3	562.5	539.9	683.1	690.9

²⁾ including interdivisional sales

Mayr-Melnhof Shares

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



Share price (closing price)

as of August 14, 2019	109.60
2019 High	121.00
2019 Low	108.60
Stock performance (Year-end 2018 until August 14, 2019)	- 0.36 %
Number of shares issued	20 million
Market capitalization as of August 14, 2019 (in millions of EUR)	2,192.00
Trading volume (average per day 1 st HY 2019 in millions of EUR)	1.30

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.

Financial Calendar 2019/2020

November 14, 2019	Results for the first three quarters of 2019
March 17, 2020	Financial results for 2019
April 19, 2020	Record date "Ordinary Shareholders' Meeting"
April 29, 2020	26 th Ordinary Shareholders' Meeting – Vienna
May 6, 2020	Ex-dividend day
May 7, 2020	Record date "Dividends"
May 13, 2020	Dividend payment date
May 14, 2020	Results for the 1 st quarter of 2020
August 20, 2020	Results for the 1 st half-year of 2020
November 12, 2020	Results for the first three quarters of 2020

Editorial information

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