



1-2Q 20

**HALF-YEAR FINANCIAL REPORT 2020
MAYR-MELNHOF KARTON AG**

- Solid business performance
- Operating profit slightly below previous year
- Focus on optimizing structural costs and deepening market penetration through innovation and product portfolio adjustments
- Earnings in 2nd half-year expected to be further below previous year

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, 2020	Jan. 1 - Jun. 30, 2019	
Consolidated sales	1,266.5	1,275.5	- 0.7 %
Operating profit	122.5	124.0	- 1.2 %
Operating margin (%)	9.7 %	9.7 %	- 5 bp
Profit before tax	117.7	122.6	- 4.0 %
Income tax expense	(32.8)	(30.3)	
Profit for the period	84.9	92.3	- 8.0 %
Net profit margin (%)	6.7 %	7.2 %	
Basic and diluted earnings per share (in EUR)	4.23	4.59	- 7.9 %
Cash flow from operating activities	122.6	134.3	- 8.7 %
Capital expenditures (CAPEX)	56.4	61.2	- 7.8 %
Depreciation and amortization ¹⁾	89.2	67.6	+ 31.9 %

¹⁾including impairment of property, plant and equipment and intangible assets

	Balance sheet date	
	Jun. 30, 2020	Dec. 31, 2019
Total equity (in millions of EUR)	1,490.8	1,508.3
Total assets (in millions of EUR)	2,402.8	2,422.7
Equity ratio (%)	62.0 %	62.3 %
Net debt (-) (in millions of EUR)	- 222.8	- 218.6
Employees	10,000	10,014

Group Report

DEAR SHAREHOLDERS,

Your Company recorded an overall solid operating business performance also in the 2nd quarter of 2020 despite increasingly difficult macroeconomic conditions. Although the demand for our products, cartonboard and cartonboard packaging for consumer staples, shows a certain resilience, the increase in inventories at customers at the beginning of the pandemic and the significant economic downturn in several markets towards mid-year had an increasingly dampening effect.

At stable sales, the operating profit for the 1st half-year of 2020 was only slightly below the previous year despite impairments. In the cartonboard division, favorable raw material and energy costs as well as a good upkeep of cartonboard prices contributed to the positive development. In contrast, the packaging division performed slightly below the previous year's level, also due to the product mix.

Against the background of the global economic recession and rising competitive intensity, the Mayr-Melnhof Group will strengthen its focus on optimizing structural costs and deepening market penetration through innovation and product portfolio adjustments. Investments aimed at this are to be intensified.

The annual result is expected to be further below the previous year's level, as the intensified economic downturn and necessary adjustment measures may have a negative impact on results.

INCOME STATEMENT

The consolidated sales of the Group amounted to EUR 1,266.5 million and almost reached the previous year's level (1st half of 2019: EUR 1,275.5 million).

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

(in %)	1 st - 2 nd Quarter	
	Jan. 1 - Jun. 30, 2020	Jan. 1 - Jun. 30, 2019
Western Europe	56.2 %	55.5 %
Eastern Europe (incl. Turkey)	28.6 %	28.6 %
Asia and MENA	9.4 %	9.6 %
The Americas	4.5 %	5.2 %
Other	1.3 %	1.1 %
Total	100.0 %	100.0 %

The operating profit of EUR 122.5 million was 1.2 % or EUR 1.5 million below the previous year's figure (1st half of 2019: EUR 124.0 million) and includes expenses of EUR -8.6 million for the termination agreement with the former CEO, which were booked in equal shares in the divisions. Depreciation and amortization increased from EUR 67.6 million to EUR 89.2 million, which includes market-related impairments in the non-current assets of both divisions amounting to EUR 20.9 million.

In the 1st half of the previous year, one-off acquisition effects from the initial consolidation of the Tann-Group due to the recognition of the order backlog and inventory measurement were recorded in the amount of EUR -4.8 million.

The Group's operating margin thus remained unchanged at 9.7 % (1st half of 2019: 9.7 %).

Financial income of EUR 0.9 million (1st half of 2019: EUR 0.7 million) contrasted with financial expenses of EUR -3.8 million (1st half of 2019: EUR -4.0 million). The "Other financial result - net" amounted to EUR -1.9 million (1st half of 2019: EUR 1.9 million), mainly due to changes in the foreign currency result.

Profit before tax of EUR 117.7 million was thus 4.0 % below the previous year's figure (1st half of 2019: EUR 122.6 million). Income tax expense amounted to EUR 32.8 million (1st half of 2019: EUR 30.3 million), resulting in an effective Group tax rate of 27.9 % (1st half of 2019: 24.7 %). This increase is mainly due to tax effects of the termination agreement and the impairment.

Profit for the period accordingly went down 8.0 % to EUR 84.9 million (1st half of 2019: EUR 92.3 million) and earnings per share from EUR 4.59 to EUR 4.23.

ASSETS, CAPITAL, AND LIQUID FUNDS

The Group's total assets as of June 30, 2020 were EUR 2,402.8 million, which is EUR 19.9 million lower than the comparative figure as of December 31, 2019 (EUR 2,422.7 million). The Group's total equity changed from EUR 1,508.3 million to EUR 1,490.8 million, with the profit-related growth being offset by a reduction mainly due to the dividend payment of EUR 64.0 million. The equity ratio remained stable at 62.0 % (December 31, 2019: 62.3 %).

Financial liabilities, principally of a long-term character, decreased as a result of repayments to EUR 329.3 million as of June 30, 2020, compared to EUR 345.4 million at the end of the previous year. This includes lease liabilities in accordance with IFRS 16 in the amount of EUR 49.8 million (December 31, 2019: EUR 53.7 million). Total funds available to the Group amounted to EUR 106.5 million (December 31, 2019: EUR 126.8 million), resulting in net debt of EUR 222.8 million (December 31, 2019: EUR 218.6 million).

At EUR 1,014.5 million, current assets were above the figure as of the year-end 2019 (EUR 980.5 million), mainly due to increased trade receivables, while non-current assets decreased from EUR 1,442.2 million to EUR 1,388.3 million.

CASH FLOW DEVELOPMENT

Cash flow from operating activities amounted to EUR 122.6 million, compared to EUR 134.3 million in the 1st half of the previous year. This change primarily results from a higher increase in working capital and higher payments for income taxes compared to the same period of the previous year.

Cash flow from investing activities changed from EUR -309.2 million to EUR -56.9 million, mainly due to the payment of the purchase price for the acquisition of Tann-Group in the previous year. At EUR 65.7 million, payments for the acquisition of property, plant and equipment and intangible assets were slightly above the previous year's figure of EUR 62.8 million. The main focus of investment in both divisions was on increasing cost efficiency.

Cash flow from financing activities changed from EUR 48.6 million to EUR -82.9 million, primarily because of the use of short-term bank credit lines to finance the acquisition in the previous year.

DEVELOPMENT IN THE 2ND QUARTER

As a result of the Covid-19 pandemic and the associated impacts, an impairment test of non-current assets was carried out and a valuation loss of EUR 20.9 million was determined. Of this amount, which is largely reported under cost of sales, EUR 13.1 million is attributable to the cartonboard division and EUR 7.8 million to the packaging division.

The Group's operating profit amounted to EUR 57.9 million, compared to EUR 64.6 million in the 1st quarter of 2020 and EUR 66.8 million in the 2nd quarter of the previous year. Consolidated sales of EUR 619.9 million were slightly below the previous and previous year's quarter (1Q 2020: EUR 646.6 million; 2Q 2019: EUR 632.6 million). The Group's operating margin thus reached 9.3 % (1Q 2020: 10.0 %; 2Q 2019: 10.6 %). The profit for the period amounted to EUR 39.8 million (1Q 2020: EUR 45.1 million; 2Q 2019: EUR 48.6 million).

The cartonboard division achieved an operating margin of 9.6 % (1Q 2020: 12.5 %; 2Q 2019: 11.2 %) and registered a capacity utilization of 99 % (1Q 2020: 98 %; 2Q 2019: 98 %).

At 8.4 %, the operating margin in the packaging division was higher than in the 1st quarter of the current year (1Q 2020: 7.6 %), but lower than in the previous year (2Q 2019: 9.4 %).

OUTLOOK

The macroeconomic consequences of the Covid-19 pandemic are manifesting themselves in the most severe downturn in the global economy so far. The effects on purchasing power and private consumption, and thus on our business, remain difficult to assess, as the duration and extent of the recession are uncertain. Order backlogs and increasing competitive pressure reflect more cautious disposition of customers, although we have so far recorded a certain resilience. In contrast, the recovered paper markets are slowly easing after the strong price increase in the 2nd quarter.

Today more than ever, our cost structures and market positioning are decisive for the continuation of MM's long-term course of success and are therefore increasingly in the focus of our optimization steps. Economies of scale are to be increased, the related investments intensified and the sales spectrum broadened or deepened. A special focus is on increased efforts for innovations.

The annual result is expected to be further below the previous year's level, as the intensified economic downturn and necessary adjustment measures may have a negative impact on results.

DIVISIONS

MM Karton

In the 1st half-year of 2020 the demand situation on the European cartonboard markets was characterized by significantly increased order activity from the end of the 1st quarter onward, due to the outbreak of the Covid-19 pandemic. This was followed by a gradual slowdown towards mid-year due to the filled supply chain and restrained planning of customers. At 115,000 tons, the division's average order backlog was significantly higher than in the 1st half of the previous year (1st half of 2019: 77,000 tons). Market shares were gained selectively. At 99 % (1st half of 2019: 98 %), the division's capacities were almost fully utilized.

On the procurement markets prices for mixed recovered paper grades recorded a sharp rise due to the collection holdups caused by the corona lockdown after a downward trend at the beginning of the year. However, this was tackled with price increases for recycled fiber-based cartonboard.

At 877,000 tons and 871,000 tons both the tonnage produced and sold were slightly above the previous year's figures (1st half of 2019: 867,000 tons and 847,000 tons respectively). Approximately 85 % was sold in Europe and 15 % on non-European markets (1st half of 2019: 82 % and 18 % respectively).

Sales of EUR 533.0 million were price-related slightly below the comparative figure (1st half of 2019: EUR 541.5 million). In contrast, operating profit increased by 2.8 % to EUR 59.2 million (1st half of 2019: EUR 57.6 million) due to a favorable cost situation, resulting in an operating margin of 11.1 % (1st half of 2019: 10.6 %).

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, 2020	Jan. 1 - Jun. 30, 2019	
Sales ¹⁾	533.0	541.5	- 1.6 %
Operating profit	59.2	57.6	+ 2.8 %
Operating margin (%)	11.1 %	10.6 %	+ 47 bp
Cash flow from operating activities	52.7	58.9	- 10.7 %
Tonnage sold (in thousands of tons)	871	847	+ 2.8 %
Tonnage produced (in thousands of tons)	877	867	+ 1.2 %

¹⁾ including interdivisional sales

MM Packaging

The development on the European folding carton markets showed a similar picture as for cartonboard during the 1st half-year of 2020. Against this background, MM Packaging recorded a record level in the order intake at the beginning of the Covid-19 pandemic which declined again during the course of the 2nd quarter. The situation was heterogeneous by product groups. From the beginning, growth in consumer staples was offset by a sharp decrease in high-value markets such as duty-free, luxury and cosmetics. Temporary plant shutdowns were therefore unavoidable at some production sites, while other plants had to cope with major challenges in terms of production, procurement and transport logistics.

The price increase for recycled fiber-based cartonboard grades could only be partially passed on to customers or with a delay. Cost reduction programs through investments and portfolio adjustments were consistently pursued.

Sales went up by EUR 3.2 million from EUR 790.4 million to EUR 793.6 million. At EUR 63.3 million, operating profit was 4.6 % below the same period of the previous year (1st half of 2019: EUR 66.4 million).

The tonnage processed rose by 7.1 % from 392,000 tons to 420,000 tons, mainly due to shifts in the product mix. The operating margin decreased to 8.0 % (1st half of 2019: 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, 2020	Jan. 1 - Jun. 30, 2019	
Sales ¹⁾	793.6	790.4	+ 0.4 %
Operating profit	63.3	66.4	- 4.6 %
Operating margin (%)	8.0 %	8.4 %	- 42 bp
Cash flow from operating activities	69.9	75.4	- 7.2 %
Tonnage processed (in thousands of tons)	420	392	+ 7.1 %

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, 2020	Dec. 31, 2019
ASSETS			
Property, plant and equipment	2	988,134	1,034,471
Intangible assets including goodwill	2	349,722	358,996
Investments accounted for using the equity method, securities and other financial assets		6,180	6,227
Deferred tax assets		44,304	42,454
Non-current assets		1,388,340	1,442,148
Inventories	5	367,160	363,539
Trade receivables		460,675	418,733
Income tax receivables		10,263	7,924
Prepaid expenses and other current assets		69,906	63,502
Cash and cash equivalents		106,488	126,807
Current assets		1,014,492	980,505
TOTAL ASSETS		2,402,832	2,422,653
EQUITY AND LIABILITIES			
Share capital		80,000	80,000
Additional paid-in capital		172,658	172,658
Retained earnings		1,487,425	1,466,884
Other reserves		(254,504)	(216,508)
Equity attributable to shareholders of the Company		1,485,579	1,503,034
Non-controlling (minority) interests		5,270	5,275
Total equity		1,490,849	1,508,309
Financial liabilities	7	225,915	232,540
Provisions for non-current liabilities and charges		142,793	147,539
Deferred tax liabilities		37,711	39,692
Non-current liabilities		406,419	419,771
Financial liabilities	7	103,375	112,843
Current tax liabilities		31,562	27,185
Trade liabilities		221,950	219,562
Deferred income and other current liabilities		133,811	122,793
Provisions for current liabilities and charges		14,866	12,190
Current liabilities		505,564	494,573
Total liabilities		911,983	914,344
TOTAL EQUITY AND LIABILITIES		2,402,832	2,422,653

Consolidated Income Statements

(according to IFRS for interim financial reporting, unaudited)

	Notes	2 nd Quarter		1 st - 2 nd Quarter	
		Apr. 1 - Jun. 30, 2020	Apr. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2020	Jan. 1 - Jun. 30, 2019
(all amounts in thousands of EUR, except per share data)					
Sales	10	619,817	632,567	1,266,457	1,275,498
Cost of sales		(470,634)	(471,322)	(949,120)	(965,870)
Gross margin		149,183	161,245	317,337	309,628
Other operating income		4,663	2,134	9,589	4,791
Selling and distribution expenses		(62,477)	(61,064)	(126,080)	(121,463)
Administrative expenses		(33,455)	(35,500)	(78,338)	(68,870)
Other operating expenses		(14)	(56)	(33)	(134)
Operating profit		57,900	66,759	122,475	123,952
Financial income		506	324	880	687
Financial expenses		(1,707)	(1,967)	(3,792)	(3,969)
Other financial result – net	8	(1,849)	(615)	(1,883)	1,906
Profit before tax		54,850	64,501	117,680	122,576
Income tax expense		(15,100)	(15,924)	(32,824)	(30,305)
Profit for the period		39,750	48,577	84,856	92,271
Attributable to:					
Shareholders of the Company		39,562	48,447	84,541	91,827
Non-controlling (minority) interests		188	130	315	444
Profit for the period		39,750	48,577	84,856	92,271
Earnings per share for profit attributable to the shareholders of the Company during the period:					
Basic and diluted earnings per share		1.98	2.42	4.23	4.59

Consolidated Comprehensive Income Statements

(according to IFRS for interim financial reporting, unaudited)

	2 nd Quarter		1 st - 2 nd Quarter	
	Apr. 1 - Jun. 30, 2020	Apr. 1 - Jun. 30, 2019	Jan. 1 - Jun. 30, 2020	Jan. 1 - Jun. 30, 2019
(all amounts in thousands of EUR)				
Profit for the period	39,750	48,577	84,856	92,271
Other comprehensive income:				
Actuarial valuation of defined benefit pension and severance obligations	(558)	(4,645)	(344)	(16,947)
Effect of income taxes	(228)	1,192	(286)	3,752
Total of items that will not be reclassified subsequently to the income statement	(786)	(3,453)	(630)	(13,195)
Foreign currency translations	5,562	(4,951)	(37,439)	7,087
Total of items that will be reclassified subsequently to the income statement	5,562	(4,951)	(37,439)	7,087
Other comprehensive income (net)	4,776	(8,404)	(38,069)	(6,108)
Total comprehensive income	44,526	40,173	46,787	86,163
Attributable to:				
Shareholders of the Company	44,440	40,261	46,545	85,769
Non-controlling (minority) interests	86	(88)	242	394
Total comprehensive income	44,526	40,173	46,787	86,163

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) Notes									
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	84,541	0	0	0	84,541	315	84,856
Other comprehensive income	0	0	0	(37,365)	(631)	(37,996)	(37,996)	(73)	(38,069)
Total comprehensive income	0	0	84,541	(37,365)	(631)	(37,996)	46,545	242	46,787
Transactions with shareholders:									
Dividends paid 6	0	0	(64,000)	0	0	0	(64,000)	(247)	(64,247)
Change in majority interests	0	0	0	0	0	0	0	0	0
Balance at June 30, 2020	80,000	172,658	1,487,425	(187,945)	(66,559)	(254,504)	1,485,579	5,270	1,490,849
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 6	0	0	(64,000)	0	0	0	(64,000)	(377)	(64,377)
Change in majority interests	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

Consolidated Cash Flow Statements

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

(all amounts in thousands of EUR)	Notes	1 st - 2 nd Quarter	
		Jan. 1 - Jun. 30, 2020	Jan. 1 - Jun. 30, 2019
Profit for the period		84,856	92,271
Adjustments to reconcile profit for the period to net cash from operating activities excluding interest and taxes paid		118,666	97,295
Net cash from profit		203,522	189,566
Changes in working capital		(46,640)	(25,954)
Cash flow from operating activities excluding interest and taxes paid		156,882	163,612
Income taxes paid		(34,325)	(29,338)
CASH FLOW FROM OPERATING ACTIVITIES		122,557	134,274
Payments for property, plant and equipment, and intangible assets (incl. payments on account)		(65,669)	(62,757)
Payments for acquisition of companies or other business entities, net of cash and cash equivalents acquired (1 st HY 2020: thous. EUR 0; 1 st HY 2019: thous. EUR 19,392)		0	(248,326)
Other items		8,802	1,927
CASH FLOW FROM INVESTING ACTIVITIES		(56,867)	(309,156)
Change in financial liabilities		(16,245)	115,462
Dividends paid to the shareholders of the Company	6	(64,000)	(64,000)
Other items		(2,625)	(2,826)
CASH FLOW FROM FINANCING ACTIVITIES		(82,870)	48,636
Effect of exchange rate changes on cash and cash equivalents		(3,139)	1,288
Change in cash and cash equivalents		(20,319)	(124,958)
Cash and cash equivalents at the beginning of the period (according to the consolidated balance sheet)		126,807	260,982
Cash and cash equivalents at the end of the period (according to the consolidated balance sheet)		106,488	136,024

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, 2019.

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, 2019, except the below mentioned revised 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.

b — New accounting regulations

As of January 1, 2020, the following revised accounting regulations are initially applicable.

Revised Standards	Content	Effective
IAS 1/IAS 8	Definition of Material	Jan. 1, 2020
	References to the Conceptual Framework in IFRS Standards	Jan. 1, 2020
IFRS 9/IAS 39/IFRS 7	Interest Rate Benchmark Reform	Jan. 1, 2020
IFRS 3	Definition of a Business	Jan. 1, 2020

If applicable, the effective regulations were applied in the present condensed consolidated half-year financial statements. However, this has not had any significant impact on the presentation of the Group's financial situation and profitability.

2 — DEVELOPMENT OF FIXED ASSETS

The Group spent a total of thous. EUR 56,442 (1st half of 2019: thous. EUR 61,185) on acquiring property, plant and equipment and intangible assets in the first half-year of 2020. The carrying amount of disposals of property, plant and equipment and intangible assets amounted to thous. EUR 1,086 (1st half of 2019: thous. EUR 1,617).

Depreciation and amortization on property, plant and equipment and intangible assets amounted to thous. EUR 89,179 (1st half of 2019: thous. EUR 67,603).

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, 2020	Dec. 31, 2019
Lands, similar land rights and buildings	360,681	375,645
Technical equipment and machines	496,840	533,276
Other equipment, fixtures and fittings	44,622	46,874
Construction in progress	85,991	78,676
Property, plant and equipment	988,134	1,034,471

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2020	Dec. 31, 2019
Concessions, licenses and similar rights	8,996	10,256
Goodwill	235,022	236,850
Customer relationships and other intangible assets	105,704	111,890
Intangible assets including goodwill	349,722	358,996

Impairment of non-current assets

As of June 30, 2020 the Group assessed whether there was any indication of impairment of assets due to the Covid-19 pandemic and its related uncertainties. Both external and internal sources of information were used for the analysis and the detailed planning for 2020-2024 was reviewed and updated. Based on the currently available information, the Group does not expect any material negative effects on the future cash flows of its operating divisions MM Karton and MM Packaging.

However, due to the challenging economic conditions and individual temporary plant shutdowns, the future cash flow forecasts for individual cash generating units had to be adjusted. In addition, a group of separable assets at the Frohnleiten cartonboard mill were subjected to an impairment test. In order to determine the impairment loss, the respective recoverable amount of the tested unit was identified and compared to the carrying amounts.

Based on these new assumptions and estimates in conjunction with increased weighted average cost of capital (WACC), impairment losses of thous. EUR 20,934 were recorded in the first half-year of 2020, of which thous. EUR 19,137 were related to property, plant and equipment and recognized in cost of sales and thous. EUR 1,797 to intangible assets (customer relationships), which were recorded in selling expenses.

In the cartonboard division, a group of separable assets at the Austrian Frohnleiten cartonboard mill was subjected to an impairment test, as market demand for a product line remained significantly below expectations and sales forecasts for the coming years are estimated to be declining. The calculated present value of estimated future cash flows before taxes according to the discounted cash flow method (discount rate 8.93 %; growth rate - 3 %) amounted to thous. EUR 20,173. In contrast, the group of assets had carrying amounts of thous. EUR 33,324 and were consequently written down to the lower recoverable amount. The impairment loss of thous. EUR 13,151, which is entirely attributable to property, plant and equipment, was recognized in cost of sales.

Impairments in the packaging division in the amount of thous. EUR 7,783 primarily related to the production site in Amman, Jordan, and a Polish site in Bydgoszcz. The impairment loss resulting from the comparison of the carrying amounts of the units with their respective recoverable amounts was allocated proportionally to the assets of the units based on the carrying amounts of each asset. The individual assets were not reduced below their fair value less costs to sell. The fair values less costs to sell were determined by external appraisers on the basis of internationally accepted valuation methods. In the case of the Polish production site, in addition to impairment losses on property, plant and equipment, the related customer relationships were also fully written off.

For the goodwill within the Group, which is monitored at the level of the operating segments MM Karton and MM Packaging, the impairment test carried out did not reveal any need for impairment as of June 30, 2020.

3 — PURCHASE COMMITMENTS

As of June 30, 2020 purchase obligations for fixed assets regarding planned capital expenditures maturing within one year amounted to thous. EUR 56,989 (December 31, 2019: thous. EUR 36,059).

4 — FINANCIAL INSTRUMENTS DISCLOSURES

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 2nd Quarter	Year-end
	Jun. 30, 2020	Dec. 31, 2019
Financial assets:		
Derivative financial instruments (Level 2)	2,051	1,660
Securities (Level 1)	369	367
Financial liabilities:		
Derivative financial instruments (Level 2)	1,117	1,840

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, 2020, other financial assets classified as “at fair value through profit or loss” include investments in unconsolidated companies in the amount of thous. EUR 1,353 (December 31, 2019: thous. EUR 1,315). In general, these must be measured at fair value. However, cost represents an appropriate estimate of fair value. Due to the minor importance of these entities, particularly with regard to their low business volume and their significance to the Group, fair value has not been calculated.

5 — INVENTORIES

In the first half-year of 2020, the write-downs of inventories recognized as an expense amounted to thous. EUR 7,021 (1st half of 2019: thous. EUR 6,782), the reversal of write-downs of inventories recognized as income amounted to thous. EUR 544 (1st half of 2019: thous. EUR 404), both under cost of sales.

6 — EQUITY

Dividend

By the 26th Ordinary Shareholder's Meeting, a dividend of EUR 3.20 per voting share was resolved for the year 2019 after EUR 3.20 for 2018, which was due on May 13, 2020. On schedule a total of thous. EUR 64,000 (previous year: thous. EUR 64,000) 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, 2020, the Management Board has made no use of this authorization.

7 — FINANCIAL LIABILITIES AND LEASES

Financial liabilities of the Group are as follows:

	End of 2nd Quarter	Year-end
(all amounts in thousands of EUR)	Jun. 30, 2020	Dec. 31, 2019
Non-current interest-bearing financial liabilities	183,706	187,226
Long-term lease liabilities	42,209	45,314
Non-current financial liabilities	225,915	232,540
Current interest-bearing financial liabilities	95,792	104,494
Short-term lease liabilities	7,583	8,349
Current financial liabilities	103,375	112,843
Financial liabilities	329,290	345,383

8 — OTHER FINANCIAL RESULT – NET

(all amounts in thousands of EUR)	1 st - 2 nd Quarter	
	Jan. 1 - Jun. 30, 2020	Jan. 1 - Jun. 30, 2019
Foreign currency exchange rate gains (losses) - net	(1,543)	3,037
Net interest cost from benefit obligations	(756)	(1,278)
Result from investments accounted for using the equity method	31	(120)
Dividend income	302	249
Income from securities	2	18
Other financial income	81	0
Other financial result – net	(1,883)	1,906

9 — DISCLOSURES ON TRANSACTIONS WITH RELATED PARTIES

Raw materials for the production of cartonboard amounting to thous. EUR 2,974 were purchased from other related companies in the first half-year of 2020 (1st half of 2019: thous. EUR 3,873). As of June 30, 2020, trade liabilities with other related companies amounted to thous. EUR 475 (December 31, 2019: thous. EUR 1,100).

In the first half-year of 2020 sales from transactions with associated companies amounted to thous. EUR 657 (1st half of 2019: thous. EUR 769). As of June 30, 2020, trade receivables with associated companies amounted to thous. EUR 464 (December 31, 2019: thous. EUR 468), other receivables amounted to thous. EUR 154 (December 31, 2019: thous. EUR 0) and trade liabilities amounted to thous. EUR 23 (December 31, 2019: thous. EUR 311).

The cost of raw materials purchased from joint ventures amounted to thous. EUR 457 in the first half-year of 2020 (1st half of 2019: thous. EUR 0). As of June 30, 2020, trade liabilities with joint ventures amounted to thous. EUR 211 (December 31, 2019: thous. EUR 297).

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

10 — 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 2020			
	MM Karton	MM Packaging	Eliminations	Consolidated
Sales to external customers	473,076	793,381	0	1,266,457
Intersegment sales	59,957	176	(60,133)	0
Total sales	533,033	793,557	(60,133)	1,266,457
Operating profit	59,149	63,326	0	122,475
Profit for the period	41,520	43,336	0	84,856
Segment assets ¹⁾	1,203,531	1,470,165	(270,864)	2,402,832
Segment liabilities ¹⁾	380,893	801,954	(270,864)	911,983

¹⁾ as of June 30, 2020

(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⁾	1,195,247	1,486,206	(258,800)	2,422,653
Segment liabilities ¹⁾	380,896	792,248	(258,800)	914,344

¹⁾ as of December 31, 2019

In the first half-year of 2020, impairment losses of thous. EUR 20,934 were recorded, of which thous. EUR 13,151 were attributable to the cartonboard division and thous. EUR 7,783 to the packaging division. As a result of the termination agreement with the former CEO, a total of thous. EUR 8,575 was booked in administrative expenses in equal shares in the divisions.

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.

11 — SIGNIFICANT SUBSEQUENT EVENTS

No events that require disclosure took place between the balance sheet date June 30, 2020 and the publication approval on August 19, 2020.

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, 2020

The Management Board

Peter Oswald 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 2019	2 nd Quarter 2019	3 rd Quarter 2019	4 th Quarter 2019	1 st Quarter 2020	2 nd Quarter 2020
Sales	642.9	632.6	648.8	620.1	646.6	619.9
Operating profit	57.2	66.8	71.6	59.7	64.6	57.9
Operating margin (%)	8.9 %	10.6 %	11.0 %	9.6 %	10.0 %	9.3 %
Profit before tax	58.1	64.5	71.6	56.9	62.8	54.9
Income tax expense	(14.4)	(15.9)	(17.6)	(13.0)	(17.7)	(15.1)
Profit for the period	43.7	48.6	54.0	43.9	45.1	39.8
Net profit margin (%)	6.8 %	7.7 %	8.3 %	7.1 %	7.0 %	6.4 %
Earnings per share (basic and diluted in EUR)	2.17	2.42	2.70	2.20	2.25	1.98
Cash flow from operating activities	76.1	58.2	88.4	108.8	84.5	38.1

DIVISIONS

MM Karton

(in millions of EUR)	1 st Quarter 2019	2 nd Quarter 2019	3 rd Quarter 2019	4 th Quarter 2019	1 st Quarter 2020	2 nd Quarter 2020
Sales ¹⁾	271.3	270.2	271.5	265.3	273.5	259.5
Operating profit	27.3	30.3	29.8	23.1	34.1	25.1
Operating margin (%)	10.1 %	11.2 %	11.0 %	8.7 %	12.5 %	9.6 %
Cash flow from operating activities	31.9	27.0	35.1	61.3	30.4	22.3
Tonnage sold (in thousands of tons)	421	426	432	426	444	427
Tonnage produced (in thousands of tons)	430	437	436	420	435	442

¹⁾ including interdivisional sales

MM Packaging

(in millions of EUR)	1 st Quarter 2019	2 nd Quarter 2019	3 rd Quarter 2019	4 th Quarter 2019	1 st Quarter 2020	2 nd Quarter 2020
Sales ¹⁾	402.4	388.0	404.2	383.4	401.7	391.9
Operating profit	29.9	36.5	41.8	36.6	30.5	32.8
Operating margin (%)	7.4 %	9.4 %	10.3 %	9.5 %	7.6 %	8.4 %
Cash flow from operating activities	44.2	31.2	53.3	47.5	54.1	15.8
Tonnage processed (in thousands of tons)	200	192	199	194	209	211

¹⁾ including interdivisional sales

Mayr-Melnhof Shares

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



Share price (closing price)

as of August 17, 2020	134.60
2020 High	138.20
2020 Low	93.50
Stock performance (Year-end 2019 until August 17, 2020)	+ 12.54 %
Number of shares issued	20 million
Market capitalization as of August 17, 2020 (in millions of EUR)	2,692.00
Trading volume (average per day 1 st HY 2020 in millions of EUR)	2.98

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 2020/2021

November 12, 2020	Results for the first three quarters of 2020
March 16, 2021	Financial results for 2020
April 18, 2021	Record date "Ordinary Shareholders' Meeting"
April 28, 2021	27 th Ordinary Shareholders' Meeting – Vienna
May 5, 2021	Ex-dividend day
May 6, 2021	Record date "Dividends"
May 12, 2021	Dividend payment date
May 18, 2021	Results for the 1 st quarter of 2021
August 19, 2021	Results for the 1 st half-year of 2021
November 16, 2021	Results for the first three quarters of 2021

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