

**PRESS RELEASE**

May 15, 2008

**RESULTS FOR THE 1<sup>ST</sup> QUARTER OF 2008**

- Growth in sales and operating profit continued
- Expansion program for high performance sites intensified
  - Closure of the Bulgarian board mill Nikopol
- Focus on price stability necessitates downtime at MM Karton in the 2<sup>nd</sup> quarter
- Gains in market share and productivity support positive development at MM Packaging
- 2008 first half-year results expected to come in slightly below last year's level

**Group Key Indicators**

(in accordance with IFRS, unaudited)

(consolidated in millions of EUR)	Q1/2008	Q1/2007	+/-
Sales	<b>452.9</b>	421.3	+7.5%
Operating profit	<b>44.4</b>	42.2	+5.2%
Operating margin (%)	<b>9.8%</b>	10.0%	
Profit before tax	<b>42.4</b>	42.9	-1.2%
Income tax expense	<b>(15.1)</b>	(14.2)	
Profit for the period	<b>27.3</b>	28.7	-4.9%
Net profit margin (%)	<b>6.0%</b>	6.8%	
thereof minority interests	<b>0.2</b>	0.3	

The Mayr-Melnhof Group stood its ground and continued growth in sales and operating profit in the first quarter of 2008 in spite of the noticeable decline of the general economic setting. At EUR 27.3 million profit for the period came in slightly below last year's level of EUR 28.7 million due to non-recurring effects.

As already reported, the order backlog has come down again after the all-time high in mid-2007. Against this backdrop the Mayr-Melnhof Group recorded however still sound demand and high capacity utilization both in cartonboard and folding carton production during the first months of 2008.

In the course of persistently high prices of raw materials and increasing inflation-triggered slackening of private consumption the economy in Western Europe is visibly continuing to slow down. Under these more challenging conditions MM relies on additional productivity gains and price discipline to support high profitability for the Group.

**Within this context the expansion program for high performance sites is intensified by concentrating volumes and investments on these units.**

**In this connection production will be shut down at the Bulgarian cartonboard mill in Nikopol (capacity ~60,000 tons p.a.) and transferred to more cost efficient high performance mills of MM Karton. Expenses for wound up activities amounting to EUR 22.6 million have been recorded in the first quarter.**

**The divestment of the recovered paper company Joh. Spiels as well as the stake in the recovered paper companies "Papyrus-Group" and Perek was finalized. The gain from the disposal of businesses totals EUR 20.0 million.**

Consolidated sales increased by 7.5 % or EUR 31.6 million to EUR 452.9 million. This increase resulted from rises in volume in both divisions and higher cartonboard prices.

The operating profit increased by 5.2 % to EUR 44.4 million. This improvement is attributable to a rise in profit at both MM Karton and MM Packaging. The operating margin reached 9.8 % (Q1 2007: 10.0 %).

Profit before tax came in at EUR 42.4 million which is slightly below the previous year's figure (Q1 2007: EUR 42.9 million). Income tax expense was at EUR 15.1 million after EUR 14.2 million in the first quarter of 2007. The effective Group tax rate went up from 33.1 % to 35.6 %. This rise is mainly attributable to the taxation of non-recurring income from the disposal of businesses. For the following quarters a decrease in the effective Group tax rate may be expected due to the lower German corporate tax rate in 2008.

## **OUTLOOK**

In the course of progressing inflation and the strong appreciation of the Euro, the European economy has noticeably slowed down during the first months of this year. Against this backdrop our customers are planning clearly at shorter notice. As already indicated in mid-March, business development during the first half-year of 2008 will be characterized by unchanged high costs as well as demand and currency (British Pound) driven price pressure.

In cartonboard production first quarter capacity utilization could still be sustained at a very high level due to increased sales to non-European markets. However, for the second quarter more downtime is inescapable as we focus on price stability and sales possibilities outside Europe are limited. On the cost side prices for the strategic raw material recovered paper have started easing only at a very slow pace. In contrast, all crude oil price related input factors are expected to face an upward trend. The first quarter operating margin will therefore not be reached in the second quarter.

The overall utilization rate of the Western European folding carton industry is gradually presenting a more heterogeneous picture. At MM Packaging we are however confident to keep profitability at a consistently high level also in the second quarter due to gains of further market shares and additional improvement in productivity.

From today's perspective 2008 first half-year results are therefore expected to come in slightly below last year's level.

The path of expansion will be continued. The prospects are good.

## **DIVISIONS**

### **MM KARTON**

As cartonboard customers are clearly planning at shorter notice compared to the previous year, the average order backlog of MM Karton resettled at a normal level of approximately 76,000 tons in the first quarter of 2008 along with a stable order intake after the atypically high level in the comparative period of the last year (Q1 2007: 149,000 tons).

During the first months of 2008 the costs of recovered paper and energy remained high, and therefore price discipline was a priority issue. Short market-related downtime occurred only selectively in smaller mills during the first quarter, whereas the high performance units were running at full capacity.

The tonnage produced increased by 5.7 % to 430,000 tons (Q1 2007: 407,000 tons), resulting in a capacity utilization of approximately 96 % (Q1 2007: 96 %).

Cartonboard sales reached approximately 427,000 tons, surpassing last year's level by 6.0 % (Q1 2007: 403,000 tons). With a sales share of some 21 % (Q1 2007: 15 %), the volume sold to non-European markets had to be significantly increased in order to support the mills' operating grade. 79 % went to the primary market, Europe, compared to 85 % in the first quarter of 2007.

Sales rose by 9.2 % from EUR 219.7 million to EUR 240.0 million. This increase resulted both from the increase in sales volume and higher average prices. By contrast, the operating profit came up from EUR 17.5 million to EUR 18.4 million. At 7.7 % the operating margin was therefore lower than last year (Q1 2007: 8.0 %).

### **MM PACKAGING**

Under increasingly cautious market conditions MM Packaging nevertheless recorded high capacity utilization of its folding carton plants both in Western and in Eastern Europe during the first three months of 2008.

An overall satisfactory development of business as well as gradually starting production for new contracts provided positive impetus.

The ongoing task remains to use further savings and productivity potentials within our network of locations to reduce the cost per unit by highest possible industrialization of processes. Thereby we ensure the competitiveness of our production base for continuously expanding our business with predominantly multinational manufacturers of consumer goods.

The tonnage processed in the first quarter was approximately 165,000 tons and therefore slightly above last year's level (Q1 2007: 162,000 tons).

Sales rose by 5.4 % from EUR 236.0 million to EUR 248.7 million. The operating profit increased almost to the same extent by 5.3 % from EUR 24.7 million to EUR 26.0 million. Thus, the operating margin amounted to 10.5 % as in the first quarter last year.

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Please find our detailed Interim Report on the 1<sup>st</sup> Quarter of 2008 on the Internet at <http://www.mayr-melnhof.com>.

Forthcoming results: August 19, 2008 - Results for the 1<sup>st</sup> Half-Year of 2008

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