

**PRESS RELEASE**

August 19, 2008

**1<sup>ST</sup> HALF-YEAR RESULTS 2008**

- *Result for the period as expected slightly below previous year*
- *Persistent cost pressure weighs on margin of MM Karton as addressed*
- *MM Packaging stands its grounds*
- *No improvement of markets but reversal of trend at costs expected by year-end*
- *Earnings and ongoing high cash flow allow continuation of dynamic dividend policy*

The Mayr-Melnhof Group closed the first half-year of 2008 with a profit for the period of EUR 55.4 million. As expected, this figure came in just slightly below the previous year (1<sup>st</sup> half of 2007: EUR 59.2 million) providing for the non-recurring effect from the closing down of the Nikopol board mill as well as the loss of earnings contribution from the divested stake in recovered paper companies.

The coincidence of economic slow-down and inflation, already heralded in previous periods, is now an undisputed fact. No ending of the ongoing cost pressure and upcoming price squeeze due to demand can be noted so far. This development specifically affected cartonboard production and has led to the forecasted noticeable decrease in the operating profit whereas the Packaging segment could stand its ground due to capturing market shares and increasing productivity.

**GROUP INDICATORS - IFRS**

consolidated, in millions of EUR	1 <sup>st</sup> HY / 2008	1 <sup>st</sup> HY / 2007	+ / -
<b>Sales</b>	<b>894.9</b>	837.2	+6.9
<b>Operating profit</b>	<b>80.3</b>	85.	-6.1
Operating margin (%)	9,0%	10.2	
<b>Profit before tax</b>	<b>81.3</b>	87.1	-6.7
Income tax expense	-25.9	-27.9	
<b>Profit for the period</b>	<b>55.4</b>	59.	-6.4
Net profit margin (%)	6.2%	7.1	
thereof minority interest	1.0	0.7	
Basic and diluted earnings per share (in EUR)	2.4	2.6	
<b>Cash</b>	<b>96.6</b>	100.9	-4.3
Cash earnings margin (%)	10.8%	12.1%	
Employees	8,466	8,657	

Consolidated sales increased by 6.9 % or EUR 57.7 million to EUR 894.9 million. This growth results mainly from volume gains in both divisions as well as higher prices.

The operating profit decreased with EUR 80.3 million by 6.1 % below the previous year's level (1<sup>st</sup> half of 2007: EUR 85.5 million). This difference resulted mainly from a lower profit contribution from MM Karton due to increased cost and the lacking profit contribution from the recovered paper companies sold.

Expenses for the closure of the Bulgarian board mill Nikopol, recorded in the first quarter, amounted to EUR 22.6 million. Furthermore the divestment of the recovered paper company Joh. Spiehs and the stake in the recovered paper companies "Papyrus Group" and Parek resulted in a EUR 20.0 million gain from disposal of businesses.

Profit before tax reached EUR 81.3 million, compared to EUR 87.1 million in the reference period of the previous year. Income tax expense amounted to EUR 25.9 million (1<sup>st</sup> half of 2007: EUR 27.9 million). Therefore, the Group tax rate levels at 31.9 % (1<sup>st</sup> half of 2007: 32.0 %). This minimal rate change, despite a lower German corporate tax rate in 2008, results mainly from the taxation of non-recurring income from the sale of businesses during the first quarter.

The profit for the period attained EUR 55.4 million, compared to EUR 59.2 million in the first half-year 2007. With a basic weighted average of 21,857,118 shares outstanding, the earnings per share amounted to EUR 2.49 (1<sup>st</sup> half of 2007: EUR 2.66).

## **Development in the 2<sup>nd</sup> quarter**

Cost increases in all input factors related to the price for crude oil as well as lower prices, due to foreign exchange development (British Pound) and demand, characterized the development of MM Karton during the second quarter. An easing in the prices for the most important raw material, recovered paper, was only slowly observable. At 96 % (Q2 2007: 99 %), average capacity utilization of MM Karton was still at the high level of the previous quarter, but market related downtime increased significantly towards the end of the quarter. Based on these parameters the operating margin decreased to 5.3 % (Q1 2008: 7.7 %; Q2 2007: 8.4 %).

The development of MM Packaging during the second quarter was steady as expected. Nevertheless, full compensation for the general trend of inflation in the procuring markets was no more achievable by productivity gains. At 9.6 % the operating margin therefore came in below the previous quarter (Q1 2008: 10.5 %; Q2 2007: 10.6 %).

Group operating profit amounted to EUR 35.9 million, compared to EUR 44.4 million in the first quarter of 2008 (Q2 2007: EUR 43.3 million). In comparison to the previous quarter the profit for the period increased from EUR 27.3 million to EUR 28.1 million (Q2 2007: EUR 30.5 million). This difference primarily results from one-time tax effects concerning the sale of participations in the first quarter of 2008.

## **OUTLOOK**

The real economy now definitely faces the effects of the financial crises. We are confronted with a throughout shorter-term and volatile planning of our customers and prepare for a very cautious demand in the Western European core markets for the following months.

Cost pressure comes along with the increase for crude oil related input factors, in particular for natural gas. MM Karton will therefore pursue a cartonboard price increase in autumn. At the same time we also have to prepare for selective board machine down-time. MM Packaging will continue focusing on cost cutting by means of increase in productivity and optimization within the site network. We will continue to set particular attention on the procurement of new business. This should also be supported by acquisitions. The prospects are good.

Considering the limited forecast horizon it is currently impossible to give an estimation for the full-year. Earnings and persistently robust cash flow will continue to enable a dynamic dividend policy.

The strong balance sheet based on a high equity ratio and interest rate insensitive net liquidity in combination with cost leadership and our strong market position is set to further strengthen our position in the industry under current conditions.

## **SEGMENTS:**

### **MM KARTON**

Based on the clearly shorter-term order activity of our customers, the average order backlog of MM Karton has peaked off to 63,000 tons during the first half-year of 2008 after the atypically high level of the last year (1<sup>st</sup> half of 2007: 181,000 tons).

Nevertheless, subsequent to the good sales performance and stable orders during the first months of the year, cartonboard sales increased by 3.4 % to 848,000 tons (1<sup>st</sup> half of 2007: 820,000 tons). Accounting for approximately 21 % of the volume (1<sup>st</sup> half of 2007: 14 %) the increased sale to non-European markets was necessary to ensure capacity utilization. 79 % went to the primary market, Europe, compared to 86 % in the first half-year of 2007.

The quantity produced increased in parallel to sales by 3.3 % to 857,000 tons (1<sup>st</sup> half of 2007: 830,000 tons). Capacity utilization of MM Karton stood at 96 % (1<sup>st</sup> half of 2007: 97 %) and was clearly below the average level by the end of the first half-year. During the first months market-related downtime occurred only in small mills, however subsequently several high performance units were also affected.

Despite the beginning price easing for several grades of recovered paper, the cost load has significantly increased in the course of the year due to the ongoing increase of all crude oil related input factors and downtime of machinery.

Sales increased mainly due to volume by 4.7 % to EUR 470.3 million. In contrast the operating profit declined from EUR 36.8 million to EUR 30.5 million due to significantly higher cost and the loss of the profit contribution from the divested recovered paper companies. The operating margin amounted to 6.5 %, compared to 8.2 % in the comparative period.

## MM PACKAGING

Parallel to the ongoing economic slowdown, also the European folding carton industry perceives the successive consumption restraint by clearly more cautious planning of their customers. MM Packaging was so far able to successfully antagonize this general trend in particular due to its new contracts acquired in the previous year and grow faster than the market.

The tonnage processed in the first half-year was approx. 336,000 tons. This corresponds to an increase of 5.3 % in comparison to the previous year.

The ongoing challenging general cost-inflation was successfully met by improvements in productivity and material efficiency during the first half-year of 2008. Nevertheless, further compensation of the increasing dynamics of cost will become gradually more difficult and may subsequently require also structural measures.

Due to the increase in volume, MM Packaging achieved improvements in the first half-year, both in sales and operating profit.

Sales rose by 7.1 % or EUR 32.8 million to EUR 495.9 million. Due to higher cost and shifts in the sales mix, the operating profit however increased disproportionately to sales by 2.3 % to EUR 49.8 million. Thus, the operating margin reached 10.0 % (1<sup>st</sup> half of 2007: 10.5 %).

- The report on the 1<sup>st</sup> Half-year of 2008 is available on our homepage <http://www.mayr-melnhof.com>.

An interview on the results with the CEO Mr. Wilhelm Hörmanseder will be available as a Webcast [http://www.thomson-webcast.net/de/dispatching/?mayr\\_melnhof\\_karton\\_080819](http://www.thomson-webcast.net/de/dispatching/?mayr_melnhof_karton_080819) by approx. 15.00 CET as well as on the company's homepage <http://www.mayr-melnhof.com>

- Results of the 3<sup>rd</sup> Quarter of 2008 will be published on November 13, 2008.

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