



## PRESS RELEASE

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### Results for the first three quarters of 2004:

#### FURTHER SIGNIFICANT INCREASE IN RESULTS

- *Successful sales performance*
- *High capacity utilization in all segments*
- *Cost-management successfully continued*
- *Seasonally lower capacity utilization at MM-Karton expected during 4<sup>th</sup> quarter*
- *Positive outlook for the full year*

With a very successful third quarter, your Company has significantly increased the results for the first three quarters of 2004 as compared to the previous year. At EUR 80.1 million (Q1-3 2003: EUR 64.7 million), net income for the period was up 23.8%.

Despite an ongoing lack of impulses from the major Western European economies, the MM Group registered an overall high utilization of capacities during the current financial year due to satisfactory market success in Europe and overall stable cartonboard sales outside Europe. While competition remained very strong, further increases in efficiency and cost reductions could be successfully implemented.

For several quarters, MM's cartonboard converting activities have significantly contributed to the Company's increase in sales and results, mainly resulting from new business as well as the positive development of the recent acquisitions.

### Group Key Indicators

US GAAP, unaudited

consolidated in EUR millions	1-9/2004	1-9/2003	+/-
Sales	<b>1,073.7</b>	1,007.9	+6.5%
Operating profit	<b>118.3</b>	105.3	+12.3%
Operating margin	<b>11.0%</b>	10.4%	
Result before income taxes and minority interests	<b>118.0</b>	101.7	+16.0%
Income taxes	<b>(36.4)</b>	(36.1)	
Net income	<b>80.1</b>	64.7	+23.8%
in % of sales	<b>7.5%</b>	6.4%	

In the first three quarters of 2004, the Mayr-Melnhof Group achieved consolidated sales of EUR 1,073.7 million (Q1-3 2003: EUR 1,007.9 million). This represents an increase of 6.5% or EUR 65.8 million, with half of that rise resulting from acquisitions.

At EUR 118.3 million, the operating profit was 12.3% above the same period in the previous year (Q1-3 2003: EUR 105.3 million). This improvement is mainly attributable to the positive development in the folding carton sector.

Both interest income and interest expense totaled EUR 4.2 million. "Other-net" amounted EUR -0.4 million. The previous year's level of EUR -3.0 million mainly included a non-recurring valuation adjustment of the shares held in Reno de Medici S.A. Income before income taxes and minority interests increased by 16.0% and stood at EUR 118.0 million (Q1-3 2003: EUR 101.7 million).

At EUR 36.4 million, income taxes were EUR 0.3 million above the previous year's figure (Q1-3 2003: EUR 36.1 million). The effective Group tax rate decreased to 30.8% (Q1-3 2003: 35.5%). This reduction mainly results from the discontinuation of non-taxable expenses as well as from previous years' taxable expenses. In view of the legislated decrease in the Austrian corporate income tax rate from 34% to 25%, which is scheduled to enter into effect at the beginning of 2005, a non-recurring deferred tax income estimated at approximately EUR 4.2 million will be recognized in 2004. EUR 1.4 million of this amount has been accounted for in both the second and third quarters.

### **Development in the Third Quarter**

In the third quarter of 2004, sales performance in the cartonboard sector continued at the high level of the previous quarters. The capacities of MM-Karton were utilized at 97% (Q2 2004: 99%; Q3 2003: 91%). Despite intensive competition, it has been possible, partly due to the price increase announced for fall, to stabilize European sales prices and to contract at higher levels in the overseas business. On the raw material markets, prices for recovered paper remained fairly unchanged due to the stable demand situation, while prices for input factors related to the crude oil price continued to climb. In the folding carton sector, MM-Packaging's acquisitions of the second quarter have already contributed to a noticeable increase in business volume.

Operating profit totaled EUR 42.4 million, compared to EUR 35.9 million in the second quarter of 2004 (Q3 2003: EUR 34.8 million). As in the previous quarter, deferred tax income of EUR 1.4 million was recognized. This resulted in a net income for the period of EUR 28.6 million compared to EUR 25.4 million in the second quarter of 2004 and EUR 25.8 million in the third quarter of 2003.

### **MM-KARTON**

In an environment which has been characterized by short-term but steady European demand for several quarters, MM-Karton's operations developed successfully during the first nine months of 2004. On the non-European markets it has been possible to considerably expand sales in comparison to the previous year. At approximately 80,000 tons, MM-Karton's average order backlog during the first three quarters was significantly above the level of the same period in the previous year (Q1-3 2003: approximately 50,000 tons). Both the volume dispatched and the volume produced increased by around 8% to 1,167,000 tons (Q1-3 2003: 1,082,000 tons) and 1,176,000 tons (Q1-3 2003: 1,088,000 tons) respectively. As a result, the capacities of MM-Karton were utilized at 97% in the period from January to September 2004 (Q1-3 2003: 89%). In addition to increased market activity, the capacity utilization rate also benefited from compensatory deliveries from other MM-mills following a fire at the Eerbeek mill.

Due to a lack in impulses for demand and the subsequent rise in the level of competition, pressure on sales prices has markedly increased during the first half of 2004. In the third quarter, however, it had been possible to stop further price erosion, due to the announcement of a cartonboard price increase for the fall of this year following the strong surge in the prices of crude oil price related input factors.

In the first nine months of 2004, sales went up by 2.5% and came to EUR 593.3 million (Q1-3 2003: EUR 579.0 million). This rise is the exclusive result of a higher volume dispatched. The average sales price was below the previous year's level, primarily as a consequence of an increased share of sales to overseas markets with structurally lower prices (Q1-3 2004: 24%, Q1-3 2003: 21%). Supported by successful cost management, operating profit could be improved by 2.6% to EUR 63.8 million (Q1-3 2003: EUR 62.2 million). This led to an operating margin of 10.8% (Q1-3 2003: 10.7%).

## **MM-PACKAGING**

Despite the continuing gloomy climate on the European market for folding carton, the operations of MM-Packaging registered an overall favorable capacity utilization during the first three quarters of 2004. This resulted from additional business activities in Eastern and Western Europe on the one hand and on the other hand from the high share of sales in the food sector, which exhibits significantly stronger demand than the non-food sector. The trend towards concentrating packaging procurement on a smaller number of suppliers has been continuing among key multinational customers. In this connection, MM-Packaging has been successful in winning new business. At the same time, however, competition has intensified. Productivity increases and cost reduction programs, therefore, remain an absolute necessity. The tonnage converted came to 272,000 tons. This is a rise of approximately 16% compared to the previous year's period (Q1-3 2003: 235,000 tons). Sales went up by EUR 48.1 million or 16.0% and stood at EUR 349.4 million. About two thirds of this increase can be attributed to acquisitions. The operating profit was improved by 36.3% to EUR 25.9 million (Q1-3 2003: EUR 19.0 million) resulting in an operating margin of 7.4% (Q1-3 2003: 6.3%).

In addition to the strong development in current business operations, MM-Packaging was also successful in consolidating its leading position on the European folding carton market, finalizing three acquisitions in Spain, Poland and Romania during the first nine months of 2004.

Furthermore, the acquisition of MM-Packaging's first folding carton plant in Russia, ZAO Polygraph Center, located in St. Petersburg, was successfully completed at the beginning of October.

## **MM-GRAPHIA**

Continued dynamic growth in Eastern and South-Eastern Europe as well as a slight tax-induced decline in demand in some Western European countries characterized the European market for cigarette packaging during the first three quarters of 2004. Cigarette manufacturers tend to plan on a cautious basis. The main reasons for this are the second tax increase in Germany, which shall enter into effect in November, and the announced changeover to packages with warning labels, which has not been implemented yet.

Under these circumstances, MM-Graphia demonstrated a successful development in both the cigarette and the confectionary packaging area during the first nine months of 2004.

The converted tonnage of cartonboard and paper totaled 73,000 tons, which is 4.3% above the previous year's level (Q1-3 2003: 70,000 tons). Sales increased by 9.2% to EUR 218.6 million (Q1-3 2003: EUR 200.1 million). The operating profit was improved by 18.7% to EUR 28.6 million (Q1-3 2003: EUR 24.1 million), resulting in an operating margin of 13.1% (Q1-3 2003: 12.0%).

Construction of the new folding carton plant in Izmir, for the Turkish growth market, as well as the expansion of capacities at Graphia Ukraina are progressing according to schedule. Both projects will commence production in 2005.

## OUTLOOK

Also in the coming months, low growth in consumption and cautious planning on the part of our customers will determine the demand situation for cartonboard and folding cartons in our main market of Western Europe. Hence, the forecast horizon will remain very short-term. Impulses for growth, therefore, will continue to derive mainly from further expansion. Due to a very competitive environment and the increase in prices for crude oil related input factors, efficiency improvements as well as cost reductions will remain imperative in all business segments. On the non-European cartonboard markets, the price situation has become more stable although the uncertain development in the Far East still has to be observed. In the fourth quarter of 2004, capacity utilization in the cartonboard segment is expected to fall below the figure of the third quarter due to seasonal reasons. Overall, the outlook for the 2004 financial year remains positive.

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- The report for the first three quarters of 2004 is available on the Company website <http://www.mayr-melnhof.com>
- Preliminary results for 2004 will be released March 3, 2005.

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