

**PRESS RELEASE**

May 31, 2005

RESULTS FOR THE FIRST QUARTER OF 2005

- **Good period results**
- **Cartonboard sales below last year's period all time high due to ramp-up of the modernized Eerbeek machine and investment at Nikopol**
- **Sluggish demand in Western Europe increases price competition**
- **Price discipline necessitates selective downtime at MM Karton in 2nd quarter**

Group Key Indicators

IFRS, unaudited

consolidated in millions of EUR	Q1/2005	Q1/2004	+/-
Sales	357.1	367.1	-2.7%
Operating profit	36.4	39.9	-8.8%
Operating margin	10.2%	10.9%	
Profit before tax	37.4	39.9	-6.3%
Income tax expense	(12.1)	(13.3)	
Profit for the period	25.3	26.6	-4.9%
in % sales	7.1%	7.2%	

The Mayr-Melnhof Group successfully held its ground in the first quarter of 2005, which, as previous quarters, was characterized by intensive price competition and customers' cautious planning in line with the sluggish economic development. Good period results were achieved as expected, with a profit for the period of EUR 25.3 million being slightly below last year's period (Q1 2004: EUR 26.6 million). Business volume at MM Packaging rose due to last year's acquisitions as well as new business. Cartonboard sales, however, did not reach the previous year's all time high due to the ramp-up of the modernized cartonboard machine at the Dutch Eerbeek mill and investment related downtime at the Bulgarian Nikopol mill registered high.

Consolidated sales of the Mayr-Melnhof Group amounted to EUR 357.1 million and thus were EUR 10.0 million or 2.7 % below the same period in the previous year (Q1 2004: EUR 367.1 million). This difference results from the cartonboard sector which recorded consolidated sales below the previous year's record level due to the ramp-up of production on the modernized cartonboard machine in Eerbeek and investment related downtime in Nikopol.

Operating profit came to EUR 36.4 million after EUR 39.9 million for the same period in the previous year, with the reduction being mainly attributable to the lower capacity utilization at MM Karton. Consequently, the Group operating margin reached 10.2 % (Q1 2004: 10.9 %).

Financial expenses approximately equalled financial income.

As a result, profit before tax came to EUR 37.4 million (Q1 2004: EUR 39.9 million). Income taxes amounted to EUR 12.1 million (Q1 2004: EUR 13.3 million). Accordingly, the effective Group tax rate decreased from 33.3 % for the first quarter of 2004 to 32.4 % for the first quarter of 2005. This reduction is particularly attributable to lower tax rates.

The profit for the period amounted to EUR 25.3 million (Q1 2004: EUR 26.6 million) resulting in basic earnings per share of EUR 2.23 (Q1 2004: EUR 2.38).

As from the interim report for the first quarter of 2005, group reporting has been changed from US GAAP to IFRS. The adjustments made in this regard have no significant impact on the presentation of the financial position and financial performance of the Group and the Divisions (see Explanatory Report in the Interim Report).

DIVISIONS

MM KARTON

Along with ongoing stable and short-term demand, cartonboard markets in the 2005 first quarter were characterized by stronger competition and price pressure. Focused market development and cost reductions therefore dominated the ongoing business of MM Karton. Due to the ramp-up of the modernized cartonboard machine at the Eerbeek mill (Eerbeek operated two machines in Q1 2004) and an investment related shutdown at the Bulgarian Nikopol mill, cartonboard sales arrived at 362,000 tons in the first quarter of 2005 which is 9.3 % below the historic all time high in the first quarter of 2004 (399,000 tons). Approximately 78 % of the sales volume was marketed in Europe and 22 % on overseas markets (Q1 2004: 77 %; 23 %). At approximately 70,000 tons, the average order backlog was in line with last year's level.

Cartonboard production amounted to 373,000 tons (Q1 2004: 401,000 tons), leading to a capacity utilization of 93 % (Q1 2004: 96 %; Q4 2004: 88 %).

European recovered paper markets registered the usual slight seasonal price increase as compared to the beginning of the year. All crude oil related input costs remained at a high level.

The decline in sales from EUR 206.8 million to EUR 185.5 million (-10.3 %) primarily resulted from a lower sales volume. Correspondingly, operating profit decreased from EUR 21.8 million to EUR 16.9 million resulting in an operating margin of 9.1 % (Q1 2004: 10.5 %).

MM PACKAGING

In line with restrained private consumption in Western Europe, folding carton markets during the first quarter of 2005 were still characterized by a weak development in volume and intensive price competition. In Eastern Europe, growth in the consumer goods area is markedly more favorable and benefits from production transfers.

In the first quarter, MM Packaging again remained strong under these circumstances and registered gains in both sales and earnings. Due to the high competition intensity, special focus was laid on productivity improvement measures within the operating business. In this connection, the production volumes of three small-scale plants in France, Romania and Germany will be concentrated on high-performance facilities of MM Packaging.

The tonnage converted totaled 125.000 tons, which is 16.8 % above the previous year's level. Sales increased by 6.3 % from EUR 188.9 million to EUR 200.8 million, with this rise mainly being the result of the previous year's acquisitions. Due to the optimization measures implemented, operating profit could be improved by 7.7 % to EUR 19.5 million. This led to an operating margin of 9.7 % (Q1 2004: 9.6 %).

OUTLOOK

Due to the uncertain economic development we still do not expect a pick up in private consumption in the main Western European market and accordingly in the demand for cartonboard and folding cartons. Eastern European markets, however, remain dynamic but hardfought.

Under these circumstances stabilization of prices has become more difficult. At MM Karton price discipline is a clear priority, leading to selective downtime measures already in the second quarter. The folding carton business of MM Packaging is still characterized by overall stability, although our customers increasingly perceive the weak European demand situation. Focused market development to secure market share and cost reductions therefore remain top priority.

In regard to raw material prices we assume continuity from today's perspective. Due to the expected lower capacity utilization at MM Karton (1st half of 2004: 97 %) we anticipate period results for the 2005 first half-year to be below last year's record level. The acquisition strategy will be continued with a focus on targets in Western and Eastern Europe.

Please find our detailed Interim Report for the 1st Quarter of 2005 on the Internet at <http://www.mayr-melnhof.com>.

Forthcoming results:

August 24, 2005 Results for the 1st half -year of 2005

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