

**PRESS RELEASE**

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HALF-YEAR RESULTS 2005

- *Results for the period slightly below last year*
- *Increased price competition as a result of persistently weak consumer confidence*
- *As expected, market-related downtime at MM Karton in the second quarter*
- *Positive business trend in cartonboard converting*
- *Cost-cutting and rationalization intensified*
- *Forecast horizon remains short-term*

Persistently weak consumer confidence in Western Europe has been the determining factor on the cartonboard and folding carton markets since the beginning of this year, resulting in significantly increased competition. Nevertheless, the Mayr-Melnhof Group was able to achieve good period results for the first half of 2005 due to targeted market development and focused cost management. The profit for the period reached EUR 49.3 million and was therefore EUR 3.0 million or -5.7 % below last year's figure.

In the cartonboard processing segment, MM Packaging, the path of expansion was continued according to schedule. Growth in the first six months resulted both from last year's acquisitions as well as new business. In cartonboard production, selective downtime was pursued in line with strategy, due to a considerable increase of price pressure. However, the price increase realized at the end of last year could not be sustained due to a lack of demand. Therefore, the earnings contribution from the cartonboard division decreased significantly compared with the corresponding period for the previous year.

GROUP INDICATORS - IFRS

consolidated, in millions of EUR	HY 1 / 2005	HY 1 / 2004	+/-
Sales	715.4	709.0	+0.9%
Operating profit	70.6	75.9	-7.0%
Operating margin (%)	9.9%	10.7%	
Profit before tax	73.0	75.9	-3.8%
Profit for the period	49.3	52.3	-5.7%
Net profit margin (%)	6.9%	7.4%	
Earnings per share (in EUR)	4.36	4.68	
Cash earnings	93.1	98.4	-5.4%
Cash earnings margin (%)	13.0%	13.9%	
Employees	7,450	7,580 ¹	

¹ as of Dec 31, 2004

Sales of the Mayr-Melnhof Group rose by EUR 6.4 million or 0.9 % to EUR 715.4 million. Significant growth at MM Packaging was more than able to compensate for the decline at MM Karton.

Operating profit reached EUR 70.6 million, and was therefore EUR 5.3 million or 7.0 % below last year's figure (1st half of 2004: EUR 75.9 million). This difference resulted essentially from lower capacity utilization in the cartonboard division. Consequently, the operating margin came to 9.9 % (1st half of 2004: 10.7 %).

Profit before tax amounted to EUR 73.0 million. This corresponds to a decrease of 3.8 % compared with last year's figure. Income tax expense of EUR 23.7 million stood largely at the previous year's level (1st half of 2004: EUR 23.6 million). After the discontinuation of nonrecurring deferred tax income from last year, the group tax rate rose from 31.1 % to 32.5 %.

The profit for the period therefore reached EUR 49.3 million (1st half of 2004: EUR 52.3 million), resulting in basic earnings per share of EUR 4.36 (1st half of 2004: EUR 4.68).

Development in the second quarter

As expected, it was also necessary to adjust cartonboard production according to demand in the second quarter. Capacity utilization at MM Karton amounted to 94 % (Q1 2005: 93 %, Q2 2004: 99 %). In line with the overall market situation, European prices of recovered paper remained however largely stable.

MM Packaging was able to further stand its ground very well on the highly competitive folding carton market. However, due to non-recurring expenses relating to the relocation at MM Packaging Iberica and rationalization measures, operating profit was lower than for the previous quarter.

The Group's operating profit totaled EUR 34.2 million after EUR 36.4 million for the first quarter of 2005 (Q2 2004: EUR 36.0 million). The profit for the period reached EUR 24.0 million (Q1 2005: EUR 25.3 million, Q2 2004: EUR 25.7 million).

Report on the Divisions

MM KARTON

Due to a lack of demand stimulation from Western Europe and increasing volume pressure on cartonboard markets outside Europe, resulting from massive capacity expansion in Asia, price competition has significantly intensified since the beginning of the year. In this way, customer planning has become noticeably more short-term. The average order backlog for the first six months was at approximately 60,000 tons after approximately 80,000 tons in the first half of 2004.

As a result of the ramp-up of the modernized machine at the Eerbeek mill and rebuilding at the Nikopol mill in the first quarter as well as market-related downtime in the second quarter, cartonboard production of 762,000 tons was around 3.6 % lower than in the previous year (1st half of 2004: 790,000 tons). Capacity utilization therefore leveled at 94 % after 97 % for the comparative period. Cost-cutting measures were enhanced on a broad scale.

Cartonboard sales reached 744,000 tons (1st half of 2004: 783,000 tons), of which approximately 78 % were accounted for Europe and 22 % for non-European markets (1st half of 2004: 76 %, 24 %).

While recovered paper price remained largely constant, a continued rising trend was noted in energy prices.

In line with the volume development, sales declined by 5.9 % to EUR 375.9 million. At the same time operating profit decreased from EUR 41.7 million to EUR 33.4 million. The operating margin consequently amounted to 8.9 % (1st half of 2004: 10.4 %).

MM PACKAGING

In consistency with the overall economic situation in Western Europe, sales of many consumer goods producers have become sluggish. For the folding carton industry with existing overcapacity this means an overall weak and uneven level of country specific demand as well as high competitive pressure.

Due to the concentration on high-performance facilities with state-of-the-art technology and ongoing increases in productivity, MM Packaging was able to stand its ground very well also in the first half of 2005. Growth was delivered by both the acquisitions of the previous year as well as deepened market penetration. Cigarette packaging registered an unbroken positive development and continued to profit from sustained growth in Eastern Europe.

The tonnage processed totaled 250,000 tons. This corresponds to a rise of 14.2 % compared with the first half of 2004 (219,000 tons). Sales increased by 8.4 % from EUR 366.7 million to EUR 397.4 million, with approximately 60 % of this growth resulting from acquisitions. Operating profit was increased by 8.8 % to EUR 37.2 million, leading to an operating margin of 9.4 % (1st half of 2004: 9.3 %).

Investment in rotogravure for expansion in cigarette packaging

With the investment decision to acquire three rotogravure printing machines for the sites in Trier (Germany), Izmir (Turkey) and Cherkassy (Ukraine), expansion in cigarette packaging will be further accelerated. The new machines will commence operation at the beginning of next year.

OUTLOOK

With further increasing uncertainty on the economic development and the existing overcapacities on the supply side, no pick up in the main Western European markets can be expected in the near future. For now, Eastern European markets remain attractive, with sluggish demand in Western Europe imposing increasing restraint here, too. The main focus of the cartonboard division is on retaining our market shares under the highest price discipline possible. In accordance with selectively necessary production downtime, special focus is laid on cost-cutting measures. In the folding carton business, further market penetration is at the forefront, backed by continuing increases in productivity. On the recovered paper markets, we expect no significant changes from a present-day perspective. The upward trend of energy and input factors dependent on crude-oil prices will nevertheless continue. In view of the short-term nature of the business, forecasting possibilities remain significantly limited. For the third quarter of 2005, our expectations are at least based on continuity. The acquisition strategy will be retained, and applies equally to both MM Karton and to MM Packaging.

- The report on the 1st half-year of 2005 is available on our homepage <http://www.mayr-melnhof.com>.
- Results of the 3rd Quarter of 2005 will be published on November 22, 2005.

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