

**PRESS RELEASE**

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**GROUP RESULTS 2007****2007 – FURTHER RECORD RESULTS**

- Profit for the year increases by 8.7 % to EUR 116.6 million
- Rise in dividend from 1.40 EUR to 1.70 EUR per share

As expected, the Mayr-Melnhof Group succeeded in 2007 in benefiting from the positive economic situation in Western Europe, as well as from the cyclical dynamism in Eastern Europe and the adjoining regions. Both the production of cartonboard and the manufacture of folding cartons recorded high levels of incoming orders and a high capacity utilization. With new record performances in production and sales, both divisions managed to benefit more than proportionally from the overall economic conditions and gained further market shares. In the wake of the strong demand for raw materials, many industrial input factors were characterized by significant price increases that persisted for several quarters. However, correspondingly higher prices for cartonboard and folding cartons made it possible to largely compensate the higher costs and to stabilize margins. The Mayr-Melnhof Group therefore succeeded in closing the 2007 business year once again with new record results, which was primarily due to the strong growth in volume.

**GROUP KEY INDICATORS - IFRS**

consolidated, in millions of EUR	2007	2006	+ / -
<b>Sales</b>	<b>1,737.0</b>	1,512.5	+14.8 %
<b>Operating profit</b>	<b>169.4</b>	158.6	+6.8 %
<b>Operating margin (%)</b>	<b>9.8 %</b>	10.5 %	
<b>Profit before tax</b>	<b>170.9</b>	159.2	+7.3 %
<b>Income tax expense</b>	<b>(54.3)</b>	(51.9)	
<b>Profit for the year</b>	<b>116.6</b>	107.3	+8.7 %
% of sales	<b>6.7 %</b>	7.1 %	
thereof minority interests	1.7	1.7	
Earnings per share (in EUR)	<b>5.22</b>	4.79 <sup>1)</sup>	
<b>Cash earnings</b>	<b>206.7</b>	191.4	+8.0 %
% of sales	<b>11.9 %</b>	12.7 %	
Employees	<b>8,657</b>	7,969	

1) adapted to number of shares after split 1:2

The Group's consolidated sales amounted to EUR 1,737.0 million and were thus 14.8 % or EUR 224.5 million above the figure for the previous year (2006: EUR 1,512.5 million). This increase is mainly due to larger volumes sold by both divisions, as well as higher carton-

board prices. About 21 % of the growth is attributable to the most recent acquisitions of MM Packaging, made in the previous year.

The operating profit amounted to EUR 169.4 million and thus improved by 6.8 % or EUR 10.8 million (2006: EUR 158.6 million). This increase is due to higher results achieved by both divisions. The Group's operating margin amounted to 9.8 % (2006: 10.5 %). The return on capital employed reached 18.7 % (2006: 19.5 %).

Profit before tax reached EUR 170.9 million (2006: EUR 159.2 million). This corresponds to an increase of 7.3 %.

The profit for the year of the Mayr-Melnhof Group before minorities thus clearly went up by 8.7 % to EUR 116.6 million (2006: EUR 107.3 million).

In accordance with the positive profit development during the 2007 business year, the Management Board will propose to the 14<sup>th</sup> Annual Shareholders' Meeting on May 7, 2008 to increase the dividend by EUR 0.30 to EUR 1.70 per share (after share split).

### **Consolidated Balance Sheet**

As compared to the previous year, total assets of the Group increased by EUR 37.5 million to EUR 1,533.5 million as at December 31, 2007. The increase in equity from EUR 851.5 million to EUR 933.9 million is mainly attributable to the profit for the year, less the dividend. The equity ratio stood at 60.9 % (December 31, 2006: 56.9 %), the return on equity amounted to 13.1 % (December 31, 2006: 13.3 %).

The largest part of the financial liabilities is of a non-current character; they were decreased by net redemptions in the amount of EUR 34.5 million to EUR 182.5 million.

The funds available to the Group decreased by EUR 11.9 million and totaled EUR 355.0 million. They exceed the interest-bearing liabilities by EUR 172.5 million (December 31, 2006: EUR 149.9 million), hence, the Group continues to show net liquidity.

### **Consolidated Cash Flows**

The cash flow from operating activities amounted to EUR 138.8 million which is below the value of EUR 154.7 million obtained for the previous year. This difference resulted on the one hand from the increase in stocks, as a consequence of the larger business volume at higher prices, and on the other hand from tax payments for previous periods.

The cash flow from investing activities amounted to EUR -4.7 million (2006: EUR -127.4 million). This significant change is largely due to the sale of available-for-sale financial assets and other financial assets in the amount of EUR +80.3 million (2006: EUR +6.5 million). The net payments for investments in tangible and intangible fixed assets stood at EUR -92.7 million (2006: EUR -110.9 million). Net payments for acquisitions, which amounted to EUR -4.6 million (2006: EUR -27.8 million), were also under previous year's level.

The investment expenditures of MM Karton amounted to EUR -38.1 million (2006: EUR -43.5 million). Larger projects related to optimizing energy and production efficiency, as well as improving fire protection.

The investment expenditures of MM Packaging amounted to EUR -58.6 million (2006: EUR -74.7 million) and concerned primarily capacity expansions and/or building measures at the rotogravure locations in Turkey and Ukraine, as well as at the plants in Russia, France and Poland.

The cash flow from financing activities amounted to EUR -75.2 million (2006: EUR 2.3 million). The higher net outflow of funds compared to the previous year was essentially due to the redemption of interest-bearing financial liabilities, amounting to EUR -59.4 million

(2006: EUR -32.0 million), combined with a lower inflow of funds from financial liabilities in the amount of EUR +25.1 million (2006: EUR +71.9 million).

## **OUTLOOK**

As was already noticeable during the last quarter of 2007, order levels returned to their normal level after reaching historical peak values at mid-year 2007. The first months of 2008 therefore continued to ensure a solid utilization of our capacities and demand for cartonboard and folding cartons.

However, since the beginning of the year 2008, the sentiment about cyclical trends has clearly become more moderate. The obvious inflation affects mass buying power, while keeping prices for raw materials at a high level. Business operations during the first half of the year 2008 will therefore be characterized by unchanged high costs and demand-driven price pressure. However, further gains of market shares and in productivity within the folding carton area as well as selective capacity adjustments at the cartonboard mills should support the overall profitability of our business operations.

The Mayr-Melnhof Group will continue its growth course in both divisions, focusing on Europe and the adjoining regions.

Investments into expansion, in order to accommodate growing market shares, as well as projects to reduce direct costs will constitute a major priority of our ongoing investment activities.

Due to the limited forecast horizon it is currently not possible to give an estimate of the profit in 2008.

## **DEVELOPMENT IN THE 4<sup>TH</sup> QUARTER 2007**

As foreseen and expected, the fourth quarter of 2007 was characterized by a seasonally lower order intake, compared to the earlier quarters. Therefore all imminent annual investment projects to increase efficiency as well as all annual inspection work were carried out, as planned, at MM Karton. As a result capacities were utilized at a rate of 94 %, after 99.5 % in third quarter (3<sup>rd</sup> and 4<sup>th</sup> quarter 2006: 93 %; 88 %).

The stable development on recovered paper markets, which had started already in the third quarter, continued.

Consolidated sales went up by 11.5 % to EUR 444.5 million (4<sup>th</sup> quarter 2006: EUR 398.8 million), with the increase resulting both from larger quantities sold and better average prices. Inversely, the operating profit declined to EUR 37.2 million (4<sup>th</sup> quarter 2006: EUR 41.3 million). The main reasons for this decrease were concentrated maintenance expenses, higher depreciation and amortization, as well as startup costs in connection with the substantial capacity expansion at a Polish packaging site. The Group's operating margin thus amounted to 8.4 % after 10.4 % for the previous year's last quarter.

The profit for the period followed with EUR 24.7 million after EUR 27.4 million for the fourth quarter 2006.

## DEVELOPMENT IN THE DIVISIONS

### Divisional Overview: MM Karton

in millions of EUR, IFRS	2007	2006	+ / -
<b>Sales</b>	<b>924.4</b>	808.8	+14.3 %
<b>Operating profit</b>	<b>72.6</b>	65.0	+11.7 %
<b>Operating margin (%)</b>	<b>7.9 %</b>	8.0 %	
<b>Return on capital employed</b>	<b>12.6 %</b>	12.3 %	
Tonnage produced (in 000's of tons)	<b>1,682</b>	1,553	+8.3 %
Tonnage sold (in 000's of tons)	<b>1,655</b>	1,542	+7.3 %

Against the background of the positive development of demand, especially at mid-year, the average order level of the division amounted to 172,000 tons in 2007, which is clearly above the figure for the previous year (2006: 89,000 tons). On this very solid basis, MM Karton succeeded in obtaining new record levels both with regard to sales and production.

Compared to the year before, production went up by 8.3 % to 1,682,000 tons (2006: 1,553,000 tons), which resulted in a capacity utilization of 97 % (2006: 92 %). This improvement partly resulted from resuming continuous production at the cartonboard mill in Nikopol, Bulgaria, which was oriented successfully to manufacturing uncoated technical cartonboard (plasterboard).

On account of the marked rise in prices for almost all input factors, especially recovered paper, cartonboard prices were increased at mid-year, which made it possible to compensate the earlier price hikes to a large extent.

The tonnage sold went up by about 113,000 tons or 7.3 % to 1,655,000 tons. Sales increased due to both better prices and larger sales volumes by 14.3 % to EUR 924.4 million (2006: EUR 808.8 million). About 70 % was realized in Western Europe, 19 % in Eastern Europe and 11 % in markets outside of Europe (2006: 73 %; 15 %; 12 %). With a delivery share of 265,000 tons (2006: 223,000 tons), MM Packaging was once again the largest customer of MM Karton in 2007. Altogether, more than 1,000 customers receive our deliveries, most of which are medium-sized cartonboard converting companies.

Operating profit rose by 11.7 % or EUR 7.6 million to EUR 72.6 million. The operating margin therefore amounted to 7.9 % after 8.0 % in the previous year.

### Divisional Overview: MM Packaging

in millions of EUR, IFRS	2007	2006	+ / -
<b>Sales</b>	<b>958.6</b>	821.6	+16.7 %
<b>Operating profit</b>	<b>96.8</b>	93.6	+3.4 %
<b>Operating margin (%)</b>	<b>10.1 %</b>	11.4 %	
<b>Return on capital employed</b>	<b>23.6 %</b>	29.1 %	
Tonnage processed (in 000's of tons)	<b>653</b>	538	+ 21.4 %

The positive overall economic conditions and the consistent pursuit of our expansion course marked the development of business activities at MM Packaging in 2007. In spite of the unabated fierce competition on European folding carton markets, we succeeded in generating new business and in achieving an altogether very good capacity utilization of our folding carton plants.

We further strengthened our market position in the growth regions of North Africa and the Middle East through new plants in Jordan and Tunisia. The rotogravure capacities in Ukraine and Turkey were expanded by a second printing line each, in reaction to vigorous demand.

Productivity gains at all stages of the value-added chain continued to be at the center of our plant-level measures. We placed special focus on swiftly optimizing the three rotogravure plants that were built in 2006 (Trier, Izmir, Cherkassy) for their operation at full capacity. Passing on to customers the higher costs, which were caused by significant price increases on procurement markets, especially concerning cartonboard – our main raw material, was another major focus in the course of business.

The tonnage processed amounted to 653,000 tons, which was higher by 21.4 % or 115,000 tons than in the previous year (2006: 538,000 tons). The full capacity utilization and the expansion of the new rotogravure plants, the acquisitions in Russia and Tunisia in 2006, as well as generating new business were the main growth factors.

Besides the significant growth in volume, sales also experienced a clear increase of 16.7 % or EUR 137.0 million to EUR 958.6 million. Western Europe accounted for 70 % of the sales, Eastern Europe for 28 % and markets outside of Europe for 2 % (2006: 73 %; 26 %, 1 %).

MM Packaging has a broad customer base comprising about 2,000 customers in various sales areas. More than two thirds of the business is done with multinational manufacturers of consumer goods. In 2007, the five largest customers generated about 43 % of sales (2006: 42 %).

The operating profit could be increased by 3.4 % to EUR 96.8 million (2006: EUR 93.6 million). The operating margin therefore stood at 10.1 %, after 11.4 % in the year before. The main reasons for this margin decrease were non-recurring income from the sale of a real-estate property in the previous year and startup costs at the new rotogravure locations, as well as higher cartonboard prices and scheduled depreciation and amortization.

The Annual Report for the financial year 2007 will be available on April 8, 2008.

#### **Forthcoming Results:**

May 15, 2008 Results for the first quarter of 2008

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