

**PRESS RELEASE**

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**ANNUAL RESULTS 2010**

- Sales +11.1 %
- Profit for the year of EUR 110.4 million +13.3 % above previous year
- Dividend increased to 1.95 EUR / Share

The Mayr-Melnhof Group was able to take advantage of the economic upturn in Europe in 2010 and finish the business year with a significant increase in sales and profit. In light of strong demand and full capacity utilization in cartonboard production, MM Karton succeeded in efficiently passing on the massive rise in raw material costs, particularly those of fiber, and ensured a noticeable recovery of the margin. MM Packaging also recorded good growth in terms of profit and volume, ensuring a high level of earnings again, which was slightly lower than the previous year due to the delayed transfer of the significant cartonboard price increases. In line with strategy, expansion into new markets continued with the acquisition of the largest Chilean folding carton manufacturer, Marinetti. Due to the positive results, the dividend is intended to be increased to EUR 1.95 per share (2009: EUR 1.70 per share).

**GROUP KEY INDICATORS – IFRS**

consolidated, in millions of EUR, IFRS	2010	2009	+/-
<b>Sales</b>	<b>1,778.9</b>	1,601.5	+11.1 %
<b>Operating profit</b>	<b>162.3</b>	149.9	+8.3 %
Operating margin	9.1 %	9.4 %	
<b>Profit before tax</b>	<b>151.7</b>	132.4	+14.6 %
<b>Income tax expense</b>	<b>(41.3)</b>	(35.0)	
<b>Profit for the year</b>	<b>110.4</b>	97.4	+13.3 %
Net profit margin	6.2 %	6.1 %	
thereof minority interests	2.3	3.2	
Earnings per share (in EUR)	5.39	4.44	
Cash earnings	187.7	184.9	+1.5 %
Cash earnings margin	10.6 %	11.5 %	
<b>Employees</b>	<b>8,679</b>	8,112	
Capital expenditures	86.6	61.6	
Depreciation and amortization	81.8	97.8	

The Group's consolidated sales reached EUR 1,778.9 million and are 11.1 % or EUR 177.4 million above last year's level. This increase is mainly attributable to higher quantities in both divisions, and also to increased cartonboard prices.

Operating profit reached EUR 162.3 million, up 8.3 % or EUR 12.4 million in comparison to last year (2009: EUR 149.9 million). This increase results from the significant growth in profit in cartonboard production. At 9.1 %, the Group's operating margin was slightly lower than in the last year (2009: 9.4 %). The return on capital employed amounted to 18.9 % (2009: 16.9 %).

Non-recurring expenses from the disposal of participations amounted to EUR 6.9 million and resulted mainly from the discontinuation of cartonboard production and sale of Karton Deisswil AG, Switzerland, in the second quarter.

Due to lower interest rates, both financial income decreased from EUR 7.1 million to EUR 2.5 million, and financial expenses were reduced from EUR -4.6 million to EUR -2.9 million.

Profit before tax improved by 14.6 % and reached EUR 151.7 million (2009: EUR 132.4 million).

The profit for the year of the Mayr-Melnhof Group significantly increased by 13.3 % to EUR 110.4 million (2009: EUR 97.4 million).

## **CONSOLIDATED BALANCE SHEET**

The Group's total assets as of December 31, 2010 amounted to EUR 1,520.9 million, which is EUR 132.3 million higher than the previous year (December 31, 2009: EUR 1,388.6 million). Total equity increased in comparison to the year-end 2009 (EUR 964.3 million) by EUR 18.8 million to EUR 983.1 million. This difference mainly results from the profit for the period, which is offset by the dividend payment for 2009 and share repurchases during the current year as deductible items. Total equity to total assets amounted to 64.6 % (December 31, 2009: 69.3 %).

The Group's financial liabilities, which are of current and non-current nature are almost in equal proportion, increased from EUR 67.8 million to EUR 129.7 million, particularly due to the raising of low interest-rate loans and acquisition-related operations.

Total funds available to the Group, mainly consisting of fixed deposits, decreased by EUR 21.3 million to EUR 332.3 million (December 31, 2009: EUR 353.6 million). They exceed the interest-bearing liabilities by EUR 202.6 million (December 31, 2009: EUR 285.8 million), which means that the Group still shows a net liquidity.

## **OUTLOOK**

The dynamics of the economy in our main market, Western Europe, are returning to a normal level after the strong upturn of the previous year. It can be concluded from the current quite stable employment situation that the positive impetus for private consumption will be maintained in the forthcoming months, in the same way as cartonboard and folding carton demand. Reservations include the slowing down of the global economy and the lack of consolidation of the public budget.

In light of these conditions, our order books have remained full since the beginning of the year and we have been able to maintain the high capacity utilization of the previous quarter in both divisions. It is not yet certain how sustainable this situation will be throughout 2011.

As expected, the cartonboard production industry, however, has been hit again by cost increases for recovered paper, chemicals and transportation. A selective realignment of cartonboard prices has therefore been planned for the remaining course of the year. In cartonboard processing, progress has been made in passing on the recent cartonboard price increases, although the impact will only become noticeable gradually due to delayed effectiveness.

Forthcoming planned investments in cartonboard production will particularly concentrate on measures to reduce direct costs and optimize the product range. In cartonboard processing, a central focus area will be the provision of necessary capacities to enable the continuation of our growth plans.

It remains our goal to use our attained funds to extend market leadership in both core business divisions, through high cost efficiency, leadership in expertise and continuous expansion. Other growth steps are in the planning phase and will be implemented in a risk-sensitive manner.

As a result of the limited forecasting abilities, it is not possible to provide a projected result for the financial year 2011 at the current time.

## **DEVELOPMENT IN THE 4<sup>TH</sup> QUARTER 2010**

In the fourth quarter the Mayr-Melnhof Group recorded a similarly good utilization as in the previous quarter, whereat the purchasing behavior of customers seasonally slowed down in December. The average MM Karton capacity utilization during this quarter was at 98 % (3<sup>rd</sup> quarter 2010: 99 %; 4<sup>th</sup> quarter 2009: 93 %).

As a result of the persisting price increase in input factors, in particular logistics and chemicals, the cartonboard prices have been adjusted to the increased cost level at the beginning of the fourth quarter. Thus we managed to maintain the operating margin of MM Karton with 8.8 % at the level of the third quarter (3<sup>rd</sup> quarter 2010: 8.8 %; 4<sup>th</sup> quarter 2009: 5.7 %). Due to the delayed effectiveness of passing on the higher cartonboard prices to customers, the operating margin of MM Packaging declined to 7.1 % (3<sup>rd</sup> quarter 2010: 9.9 %; 4<sup>th</sup> quarter 2009: 11.8 %).

The consolidated sales increased by 11.6 % to EUR 463.2 million (4<sup>th</sup> quarter 2009: EUR 415.0 million), whereat this growth resulted from increased volumes as well as from better average prices. The operating profit of EUR 39.0 million remained almost unchanged compared to the fourth quarter of the previous year (EUR 39.8 million). Thus, the operating margin was 8.4 % (4<sup>th</sup> quarter 2009: 9.6 %)

Due to the shortfall of impairment expenses of the previous year for the former mill Karton Deiswill AG, Switzerland, the profit for the year of EUR 27.2 million was significantly above the comparative value of the previous year (4<sup>th</sup> quarter 2009: EUR 17.1 million).

## DEVELOPMENT IN THE DIVISIONS

### MM Karton

in millions of EUR, IFRS	2010	2009	+/-
<b>Sales<sup>1)</sup></b>	<b>879.7</b>	766.0	+14.8 %
<b>Operating profit</b>	<b>65.1</b>	51.5	+26.4 %
<b>Operating margin</b>	<b>7.4 %</b>	6.7 %	
<b>Return on capital employed</b>	<b>19.9 %</b>	12.2 %	
Tonnage sold (in thousands of tons)	<b>1,564</b>	1,481	+5.6 %
Tonnage produced (in thousands of tons)	<b>1,579</b>	1,499	+5.3 %

<sup>1)</sup> including interdivisional sales

In line with the unexpected, strong economic recovery of the global economy in connection with the refilling of the supply chain, the cartonboard market within Europe was marked by a pleasant dynamic upturn in 2010. Against the background of recent shut-downs of capacity in the industry, cartonboard was temporarily considered a scarce commodity. As a result of these conditions, MM Karton was producing at almost full capacity throughout the year. 98 % of the capacities were utilized compared to 88 % in the previous year. MM Karton's average order backlog, representing 169,000 tons, was significantly higher than the value for the comparison period (2009: 56,000 tons).

Due to strong demand, the prices on the procurement market also showed a massive upsurge. In particular, prices for recovered paper and pulp increased significantly and stabilized at a high level from the third quarter onwards. In addition, chemicals and logistics were also characterized by a rise in prices. However, due to full capacity utilization and scarce availability, we were able to implement the planned cartonboard price increases in good time and reached an improved margin.

Approximately 1,579,000 tons of cartonboard were produced. This represents an increase of 5.3 % compared to the previous year (2009: 1,499,000 tons). In line with production, cartonboard sales increased by 5.6 % to 1,564,000 tons. As a result of a remarkable increase in average prices, sales rose at a greater rate than quantity, by 14.8 % to EUR 879.7 million. (2009: EUR 766.0 million). Approximately 68 % thereof were generated in Western Europe, 20 % in Eastern Europe and 12 % in non-European markets (2009: 70 %, 17 %, 13 %).

Operating profit increased by 26.4 % or EUR 13.6 million to EUR 65.1 million. The operating margin reached 7.4 %, compared to 6.7 % in the previous year. The return on capital employed rose to 19.9 % (2009: 12.2 %).

## **MM Packaging**

in millions of EUR, IFRS	<b>2010</b>	2009	+/-
<b>Sales<sup>1)</sup></b>	<b>1,020.7</b>	952.0	+7.2 %
<b>Operating profit</b>	<b>97.2</b>	98.4	-1.2 %
<b>Operating margin</b>	<b>9.5 %</b>	10.3 %	
<b>Return on capital employed</b>	<b>18.3 %</b>	20.0 %	
Tonnage processed (in thousands of tons)	<b>675</b>	630	+7.1 %

<sup>1)</sup> including interdivisional sales

The economic recovery and the regain of consumer confidence in 2010 had a positive, long-term effect on demand for folding cartons within Europe. As a result of these conditions, MM Packaging production sites have experienced constantly high capacity utilization throughout the whole year. Market shares were maintained within Europe, whilst further market shares were acquired outside of Europe. Long delivery periods and bottlenecks in cartonboard procurement presented a large challenge in terms of ensuring a continuous supply for our customers.

Passing on the rapid and significant cartonboard price increases to our customers remained a top priority. As the market is characterized by relentlessly strong competition, this could only be achieved gradually, however the strong market demand had a supportive effect.

With the construction and startup of MMP Tehran, together with the acquisition of the leading Chilean folding carton producer, Marinetti S.A., located in Santiago de Chile, we managed to continue our expansion path into new markets in line with strategy.

The main focus of our operations continued to concentrate on measures to increase productivity and maximize cost efficiency.

Within a generally positive market environment, we were able to increase the tonnage processed from 630,000 tons to 675,000 tons. This equates to an increase of 7.1 %, or 45,000 tons, compared to the previous year.

Analogously with the increase in quantity, sales amounted to EUR 1,020.7 million, a plus of 7.2 % compared to the previous year (EUR 952.0 million). To a large extent, the regional distribution remained constant with 69 % for Western Europe, 27 % for Eastern Europe and 4 % for non-European markets (2009: 70 %, 27 %, 3 %).

With EUR 97.2 million, operating profit managed to remain close to the level of the previous year (2009: EUR 98.4 million). However, as a result of delayed passing on the high cartonboard price increases, operating margin of 9.5 % was lower than in the previous year (2009: 10.3 %). The return on capital employed amounted to 18.3 % (2009: 20.0 %).

## QUARTERLY OVERVIEW

### MAYR-MELNHOF GROUP

consolidated, in millions of EUR, IFRS	4Q/2009	1Q/2010	2Q/2010	3Q/2010	4Q/2010
<b>Sales</b>	415.0	439.2	423.8	452.7	463.2
<b>EBITDA</b>	57.3	58.9	48.8	66.4	62.4
EBITDA margin	13.8 %	13.4 %	11.5 %	14.7 %	13.5 %
<b>Operating profit</b>	39.8	40.2	37.4	45.7	39.0
Operating margin	9.6 %	9.2 %	8.8 %	10.1 %	8.4 %
<b>Profit before tax</b>	22.2	39.0	28.5	46.4	37.8
Income tax expense	(5.1)	(11.2)	(7.4)	(12.1)	(10.6)
<b>Profit for the period</b>	17.1	27.8	21.1	34.3	27.2
<b>Net profit margin</b>	4.1 %	6.3 %	5.0 %	7.6 %	5.9 %
Earnings per share (basic and diluted in EUR)	0.75	1.33	1.04	1.67	1.35
Cash earnings	42.3	46.1	37.3	54.6	49.7
Cash earnings margin	10.2 %	10.5 %	8.8 %	12.1 %	10.7 %

### DIVISIONS:

#### MM Karton

in millions of EUR, IFRS	4Q/2009	1Q/2010	2Q/2010	3Q/2010	4Q/2010
<b>Sales<sup>1)</sup></b>	200.4	219.9	207.4	225.0	227.4
<b>Operating profit</b>	11.4	12.2	13.0	19.8	20.1
Operating margin	5.7 %	5.5 %	6.3 %	8.8 %	8.8 %
Tonnage sold (in thousands of tons)	391	415	387	392	370
Tonnage produced (in thousands of tons)	395	404	381	397	397

<sup>1)</sup> including interdivisional sales

#### MM Packaging

in millions of EUR, IFRS	4Q/2009	1Q/2010	2Q/2010	3Q/2010	4Q/2010
<b>Sales<sup>1)</sup></b>	240.8	249.6	245.1	260.5	265.5
<b>Operating profit</b>	28.4	28.0	24.4	25.9	18.9
Operating margin	11.8 %	11.2 %	10.0 %	9.9 %	7.1 %
Tonnage processed (in thousands of tons)	159	170	163	171	171

<sup>1)</sup> including interdivisional sales

The Annual Report 2010 will be available on April 6, 2011.

### Forthcoming Results:

May 12, 2011      Results for the first quarter of 2011

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