



## PRESS RELEASE

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### Group Results 2008

- **Group result 2008 as expected below previous year's level**
- **Dividend of 1.70 EUR / share on last year's level**

In the financial year 2008, the Mayr-Melnhof Group was able to hold its ground even under increasingly difficult economic framework conditions. While the development of cartonboard production despite higher selling prices was characterized by continuous margin pressure as a result of a considerably higher extent of market-related downtime as well as higher energy costs, the production of folding cartons demonstrated high earnings stability due to increased sales and improved productivity. In line with the solid cash flow generation, a dividend for 2008 at previous year's level as well as the high self-financing strength could be secured.

### GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR	2008	2007	+/-
<b>Sales</b>	<b>1,731.2</b>	1,737.0	-0.3 %
<b>Operating profit</b>	<b>136.9</b>	169.4	-19.2 %
<b>Operating margin (%)</b>	<b>7.9 %</b>	9.8 %	
<b>Profit before tax</b>	<b>138.0</b>	170.9	-19.3 %
<b>Income tax expense</b>	<b>(41.1)</b>	(54.3)	
<b>Profit for the year</b>	<b>96.9</b>	116.6	-16.9 %
% of sales	<b>5.6 %</b>	6.7 %	
thereof minority interests	<b>2.2</b>	1.7	
Earnings per share (in EUR)	<b>4.38</b>	5.22	
<b>Cash earnings</b>	<b>175.6</b>	206.7	-15.0 %
% of sales	<b>10.1 %</b>	11.9 %	
Employees	<b>8,240</b>	8,657	

The Group's consolidated sales were EUR 1,731.2 million, almost equal to the previous year (2007: EUR 1,737.0 million).

The operating profit came in at EUR 136.9 million, a decrease of 19.2 % or EUR 32.5 million. This decrease resulted from the decline in profit contribution of cartonboard production due to a strong underutilization of capacities in the third and fourth quarter as well as due to a considerable increase in input factor costs and the discontinued results contribution from the divested participations in recovered paper companies. The Group's operating margin was thus 7.9 % (2007: 9.8 %), the return on capital employed stood at 16.1 % (2007: 20.4 %).

Profit before tax totaled EUR 138.0 million compared to EUR 170.9 million in the previous year.

The profit for the year of the Mayr-Melnhof Group amounted to EUR 96.9 million, compared to EUR 116.6 million in 2007.

## **CONSOLIDATED BALANCE SHEET**

The Group's total assets as of December 31, 2008 amounted to EUR 1,425.9 million and were lower by EUR 107.6 million compared to the year before (December 31, 2007: EUR 1,533.5 million). Equity decreased from EUR 933.9 million as of December 31, 2007 to EUR 913.7 million as of December 31, 2008. This decline was mainly the result of the purchase of treasury shares as well as of the dividend payments for the year 2007 and currency translations. Total equity to total assets increased from 60.9 % to 64.1 %.

The financial liabilities are mostly of current nature and were reduced by net redemptions of EUR 25.5 million to EUR 157.0 million (December 31, 2007: EUR 182.5 million).

As of the end of 2008, total funds available to the Group mainly consisted of cash in banks and short-term Austrian federal bonds and amounted to EUR 346.4 million (December 31, 2007: EUR 355.0 million). This results in an excess of EUR 189.4 million over interest-bearing liabilities (December 31, 2007: EUR 172.5 million), so that the Group continues to show a net liquidity.

## **CONSOLIDATED CASH FLOW**

Cash flow from operating activities amounted to EUR 176.6 million and was EUR 37.8 million above the previous year's level. This increase was mainly the result of a reduction of the working capital and lower income tax payments.

Cash flow from investing activities was EUR -220.2 million (2007: EUR -4.7 million). This difference is mainly due to the purchase of Austrian federal bonds in the amount of EUR 152.8 million. Net payments for investments in tangible and intangible fixed assets were EUR -96.6 million (2007: EUR -92.7 million). The payments for acquisitions were EUR -12.4 million (2007: EUR -4.6 million).

The investment expenditures of MM Karton totaled EUR -43.0 million (2007: EUR -38.1 million) and were mainly made in connection with projects for optimizing cost efficiency and quality.

The investment expenditures of MM Packaging were EUR -55.2 million (2007: EUR -58.6 million). Investing activities focused on site expansions in Poland and on new machines.

Cash flow from financing activities was EUR -115.2 million (2007: EUR -75.2 million). This difference is in particular due to net redemptions of interest-bearing financial liabilities as well as to higher payments for the purchase of treasury shares.

## **OUTLOOK**

In the course of the progressing recession on the main market Europe, we expect a noticeable reduction of the mass purchasing power during the following months, which will also affect the demand for cartonboard and folding cartons.

After a considerably declining order volume in the cartonboard area at the end of the year 2008, demand commenced late and only slowly with a high volatility at the end of January. Thus there are no indicators for a short-term improvement of utilization, which in turn indicates that further, market-related machine downtime is unavoidable. The incoming orders for folding cartons are in total still sufficient, but there are already strong differences by region and customer segment.

Selective adjustments of the number of employees to the lower utilization levels of individual sites are unavoidable, however, such measures will not reduce the Group's long-term performance.

The recent considerable decline in the costs of raw materials will not be able to support the margins but will instead tighten the existing demand-related price pressure. The prior target is thus to maintain and gain market shares.

On a Group-wide basis, production concentrates on measures which contribute to an improved cost structure and add to productivity. Investing activities are continued with a focus on projects with short-term payback.

Sufficient liquidity and financing facilities in connection with the leading position as to costs form a solid basis for us to continue to strengthen our position within the industry, even under the current circumstances.

As a result of the insecure economic development, we are not able to make any results forecasts for 2009 at this time.

## **DEVELOPMENT IN THE 4<sup>TH</sup> QUARTER 2008**

As announced, extensive temporary close-down measures had to be effected in the entire Group in the second half of December.

In cartonboard production, the average utilization showed a considerable decline from 86 % in the third quarter to 68 % in the fourth quarter (4<sup>th</sup> quarter 2007: 94 %). As a result of higher average prices, due to price increases and one-time effects, as well as of a reduction in fixed costs, MM Karton managed to achieve a positive result nonetheless.

However, the downward price trend for fibers and energy did not make an appreciable contribution thereto.

Consolidated sales decreased by 11.7 % to EUR 392.4 million (4<sup>th</sup> quarter 2007: EUR 444.5 million) essentially as the consequence of declining quantities. Due to the significantly lower result of MM Karton, the operating profit declined from EUR 37.2 million in the fourth quarter 2007 to EUR 26.0 million. Thus, the Group's operating margin was at 6.6 % (4<sup>th</sup> quarter 2007: 8.4 %).

The profit for the period was EUR 18.5 million, compared to EUR 24.7 million in the fourth quarter of 2007.

## **DEVELOPMENT IN THE DIVISIONS**

### **Divisonal Overview MM Karton**

Against the backdrop of the accelerating economic downswing, demand for cartonboard showed, as expected, a considerable decline during the entire year. However, despite the difficult market environment, we largely managed to realize the price increases which became necessary due to cost inflation.

As a result of our pricing policy and our customers' increasingly careful planning, which was marked by a strong volatility especially in the second half of the year, the average order backlog declined significantly from 172,000 tons in the previous year to 48,000 tons.

The first half of the year still showed a persistently high utilization of the cartonboard machines, however, the second half of the year was marked by a considerable increase in market-related downtime. In total, MM Karton's capacities were utilized on an annual average of 86 % in 2008 (2007: 97 %). Production reached 1,527,000 tons and was thus 9.2 % lower than the year before (2007: 1,682,000 tons).

Despite the fact that price development of some recovered paper qualities commenced to ease, the cost burden increased in the first months of 2008, in particular due to the price increase in all crude-oil-related input factors. Therefore, cartonboard prices were increased starting in autumn. However, as a result of the accelerating weakness of the market and extended machine downtime, this was not sufficient for cost compensation.

The volume sold declined by roughly 108,000 tons or 6.5 % to 1,547,000 tons. As a result of this volume development and the sale of the recovered paper companies, sales amounted to EUR 876.7 million and were 5.2 % lower than in the previous year despite higher average prices. Western Europe accounts for roughly 68 % thereof, Eastern Europe for 18 % and the non-European markets for 14 % (2007: 70 %; 19 %; 11 %).

Resulting from significantly higher costs and the lacking earnings contribution from the sold recovered paper participations, operating profit declined considerably by 46.1 % from EUR 72.6 million to EUR 39.1 million. The operating margin was thus 4.5 % compared to 7.9 % in the previous year.

## **Divisional Overview MM Packaging**

In line with the economic downswing, customers on the European folding carton market also planned much more carefully during the financial year. Within the wide MM Packaging site network focusing on various sales segments within the consumer goods industry, utilization was very heterogeneous by region and market segment towards the end of the year. However, we achieved an above-average market growth and were able to gain market shares due to the acquisition of new business.

Programs to increase productivity on all levels of the value-added process were the core of our operational measures again in 2008. Savings and optimization potential within the site network was continued to be utilized.

In a market environment which is marked by crowding out competition, we managed to keep the tonnage processed with 652,000 tons almost at previous year's level (2007: 653,000 tons).

The cost for cartonboard and crude-oil-dependent input factors increased compared to the previous year and was passed on to the customers by sales prices. As a result, sales rose by 3.3 % or EUR 31.4 million to EUR 990.0 million. The allocation of sales to the regions remained constant: Western Europe accounted for roughly 70 %, Eastern Europe for 28 % and the non-European markets for 2 %.

The operating profit amounted to EUR 97.8 million and showed a slight increase in comparison to the previous year's EUR 96.8 million. The operating margin was thus 9.9 % (2007: 10.1 %).

The Annual Report for the financial year 2008 will be available on April 8, 2009.

### **Forthcoming Results:**

May 14, 2009      Results for the first quarter of 2009

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