Consolidated Financial Statements as of December 31, 1998

Mayr-Melnhof Group

Vienna

Consolidated Balance Sheet as of December 31, 1998

Mayr-Melnhof Karton Aktiengesellschaft

Vienna

ASSETS	Note	in ATS 000's	in ATS 000's	As of Dec. 31,1998 in ATS 000's	in ATS 000's	in ATS 000's	As of Dec. 31,1997 in ATS 000's
A. FIXED ASSETS	(5)						
I. Intangible Assets			348,298			493,947	
II. Tangible Assets			5,814,355			5,022,901	
III. Financial Assets	(6)		1,294,008	7,456.661		1,323,285	6,840,133
B. CURRENT ASSETS							
I. Inventories			1,502,673			1,392,908	
II. Accounts and other assets	(7)						
1. Trade debtors		1,604,249			1,577,780		
2. Receivables from companies in which the Group has participating interests		45,206			52,172		
3. Other receivables and assets		632,984	2,282,439		454,676	2,084,628	
III. Short-term Investments			73,123			80,291	
IV. Cash on Hand, cheques and deposits with banks			1,237,026	5,095,261		2,078,727	5,636,554
C. PREPAID EXPENSES				44,284			26,223
				12,596,206			**12,502,910**
Contingent claims	(11)			18,798			50,584

EQUITY CAPITAL AND LIABILITIES

	Note	in ATS 000's	in ATS 000's	As of Dec. 31,1998 in ATS 000's	in ATS 000's	in ATS 000's	As of Dec. 31,1997 in ATS 000's
A. EQUITY CAPITAL	(8)						
I. Nominal capital			1,200,000			1,200,000	
II. Capital reserves			2,446.202			2,446,202	
III. Revenue reserves			1,380,976			942,059	
IV. Balance sheet profit			292,149			255,401	
V. Minority interests in equity			34,112	5,353,439		63,251	4,906,913
B. PROVISIONS							
1. Severance pay			246,669			250,743	
2. Pensions			469,443			429,429	
3. Taxes			289,978			429,680	
4. Other	(9)		1,073,576	2,079,666		1,317,712	2,427,564
C. LIABILITIES	(10)						
-. Debenture loans			0			509	
1. Liabilities towards banks			3,310,258			3,459,098	
2. Advances from customers			3,453			3,118	
3. Trade creditors			1,011,447			1,009,983	
4. Notes payable including promissory notes			82,293			102,074	
5. Liabilities towards companies in which the Group has participating interests			18,059			13,391	
6. Other liabilities							
a) Taxes		198,210			84,374		
b) Social security		72,178			84,068		
c) Other		455,736	726,124	5,151,634	408,360	576,802	5,164,975
D. DEFERRED INCOME				11,467			3,458
				12,596,206			**12,502,910**
Contingent liabilities	(11)			97,038			50,584

Consolidated Profit and Loss Statement for the Financial Year January 1 to December 31, 1998

Mayr-Melnhof Karton Aktiengesellschaft

Vienna

	Note:	1998 in ATS 000's	1997 in ATS 000's
1. Sales	(12)	12,451,180	11,524,929
2. Increase in finished goods inventories and work in progress		64,546	68,569
3. Own work capitalised		4,505	2,501
4. Other operating income	(13)	475,549	304,780
5. Subtotal of items 1 to 4		**12,995,780**	**11,900,779**
6. Cost of materials and production services purchased	(14)	5,173,722	4,639,926
7. Personnel expenses	(15)	2,996,447	2,823,298
8. Depreciation and amortisation in respect of fixed, tangible and intangible assets	(16)	900,363	801,268
9. Other operating expenses	(17)	2,724,372	2,590,656
10. Subtotal of items 5 to 9 (operating profit)		**1,200,876**	**1,045,631**
11. Result from participating interests		8,269	2,677
12. Result from other financial activities		-94,497	-93,839
13. Subtotal of items 11 to 12 (financial result)	(18)	**-86,228**	**-91,162**
14. Result on ordinary activities		**1,114,648**	**954,469**
15. Result on extraordinary activities	(19)	**-125,554**	**-61,070**
16. Taxes on income		118,197	249,193
17. Net income for the year (including minority interests)		**870,897**	**644,206**
18. Minority interests		17,001	6,693
19. Net income for the year (excluding minority interests)		**853,896**	**637,513**
20. Changes in reserves and profit carried forward		-561,747	-382,112
21. Balance sheet profit		**292,149**	**255,401**

Notes to the 1998 Consolidated Financial Statements

of Mayr-Melnhof Karton Aktiengesellschaft

(1) Consolidated Cash Flow Statement

			1998 in ATS millions		1997 in ATS millions	
1.		Net income for the year (including minority interests)	871		644	
2.	+	Depreciation of fixed assets	946		803	
3.	–	Writing up of fixed assets	-11		-9	
4.	+	Increase in long-term provisions	30		36	
5.	–	Net profit from sale of fixed assets and participating interests	-101		-32	
6.	=	Cash flow from result	1,735		1,442	
7.	–	Increase in inventories, and prepaid expenses	-37		-25	
8.	+	Increase in advances from customers, and deferred income	8		2	
9.	–	Increase in receivables	-130		-94	
10.	+	Increase in liabilities (excluding loans)	143		225	
11.	–/+	Decrease/increase in short-term provisions	-339		230	
12.	+	Consolidation corrections	2		2	
13.	**=**	**Cash flow from operations**		**1,382**		**1,782**
14.	–	Investment in tangible fixed assets and intangible assets	-961		-816	
15.	+	Receipts from the disposal of tangible fixed assets	92		63	
16.	=	Cash flow from tangible and intangible fixed assets	-869		-753	
17.	+/–	Net change in financial assets	10		-37	
18.	–	Cash flow from changes in the consolidated Group	-821		-958	
19.	**=**	**Cash flow from investing activities**		**-1,680**		**-1,748**
20.	–	Payments to minority interests	-28		-13	
21.	–	Payments to shareholders	-204		-204	
22.	+/–	Net change in short-term loans	311		-113	
23.	–	Net repayments on long-term loans	-630		-179	
24.	**=**	**Cash flow from financing activities**		**-551**		**-509**
25.		Decrease in liquid resources (total of lines 13, 19 and 24)		**-849**		**-475**
26.	+/–	Currency translation difference on liquid resources		**0**		**10**
27.	+	Group's initial liquid resources		**2,159**		**2,624**
28.	**=**	**Group's total liquid resources**		**1,310**		**2,159**
29.		Group's total liquid resources		1,310		2,159
	+	Group's investment securities		958		949
		Total resources available to the Group		2,268		3,108

Liquid resources: cash on hand, cheques and deposits with banks, plus short-term investments

(2) General

The consolidated financial statements were prepared in accordance with *generally accepted accounting principles* and the *general requirement* to present a true and fair view of the Group's assets, liabilities, financial position and profit in accordance with the provisions of §§ 244 et seq. of the Austrian Commercial Code.

The annual financial statements of the consolidated companies were prepared in accordance with uniform group guidelines for accounting and valuation.

The *consolidated balance sheet date* is *December 31, 1998*. Without exception, the financial statements of all consolidated companies were prepared with a financial year ending December 31, 1998.

The figures for the Mayr-Melnhof Group are shown in thousands of Austrian schillings (ATS 000's).

The profit and loss statement was prepared in accordance with the total cost method.

(3) Principles of Consolidation, Reporting, and Valuation

1. Principles of Consolidation

1.1 Companies Included in the Consolidated Group

The consolidated financial statements are comprised of all affiliated companies in which Mayr-Melnhof Karton Aktiengesellschaft and/or its subsidiaries hold at least half the voting rights and which are material for the purpose of giving a true and fair view of the assets, liabilities, financial position, and profit.

The consolidated affiliated companies and associated companies are shown in the table of participating interests on pages 52-55.

1.1.1 Additions to the Consolidated Group

The following participating interests were acquired during the financial year and included in the consolidated financial statements.

- Količevo Karton Proizvodnja kartona, d.o.o., Domzale
- Euroguard Insurance Company Ltd., Gibraltar

The following companies were founded during the 1998 financial year:

- Mayr-Melnhof Karton GmbH & Co KG, Frohnleiten
- MM Količevo Holding d.o.o. i.G., Domzale
- Baiersbronn Frischfaser Karton GmbH & Co. KG, Baiersbronn
- Baiersbronn Frischfaser Karton Verwaltungs GmbH, Baiersbronn

Only the newly acquired companies had an effect on the consolidated Group. Other additions were the result of corporate restructuring. The additions to the consolidated Group were included in the consolidated financial statements at the time of acquisition. Others were included retroactively effective from January 1, 1998 or the date of incorporation (where later).

The figures given below show the effects of the inclusion of the additions on the consolidated balance sheet due to their consolidation for the first time, the effects on the consolidated profit and loss statement for the financial year 1998, and the change in the number of employees as of December 31, 1998 (in ATS 000's):

Fixed assets	872,238	Equity capital	-156,578
Current assets	-588,126	Provisions	1,521
Prepaid expenses	3,290	Liabilities	442,459
Total assets	**287,402**	Total equity capital and liabilities	**287,402**

Sales	612,623
Operating profit	39,000
Result on ordinary activities	17,279
Net income for the year	9,601
Employees	336

The reduction in current assets results from the outflow of liquid resources during the financial year as a result of the acquisitions made, offset against the current assets of the subsidiaries acquired.

1.1.2 Disposals from Consolidated Group

The following participating interests were disposed of during the financial year and were therefore eliminated from the consolidated Group:

- Hermann Weinbrecht Rohstoffe für die Papierindustrie GmbH, Karlsruhe
- Knoll Entsorgungs GmbH Vogtland, Großfriesen
- Ostthüringer Recycling- und Handels-GmbH, Gera
- Reitner & Böhle Altpapierverwertung GmbH, Essen
- ROWE Gesellschaft für Rohstoffhandel, Wertstoffrecycling Entsorgung mbH, Nuremberg
- RSI Recyclinganlagen und Handels-GmbH Serviceleistungen, Instandsetzungen, Gera
- SRS Stadtwirtschaft und Recycling GmbH Schmölln, Schmölln
- Nürnberger Gewerbemüllverwertung GmbH & Co KG, Nuremberg
- Nürnberger Gewerbemüllverwertung Beteiligungs GmbH, Nuremberg
- OtE Entsorgung GmbH, Gera
- Mayr-Melnhof – Korimpeks S.A., Geneva

These companies were eliminated from the consolidated group effective from the date of disposal or liquidation. The effects of their elimination are shown under "result on extraordinary activities."

The companies eliminated from the consolidated group were shown in the consolidated financial statements for the previous year with the following figures (in ATS 000's):

December 31, 1997:

Fixed assets	301,596	Equity capital	85,933
Current assets	144,532	Provisions	53,500
		Liabilities	306,695
Total assets	**446,128**	Total equity capital and liabilities	**446,128**

January 1 to December 31, 1997:

Sales	578,731
Operating profit	-415
Result on ordinary activities	1,798
Net loss for the year	-2,308
Employees as of December 31, 1997	374

Companies eliminated from the consolidated Group are included in the consolidated financial statements for 1998 through the date of disposal with the following amounts:

Sales	225,875
Operating profit	-10,223
Result on ordinary activities	-10,870
Net loss for the year	-11,595

The following companies were liquidated in the 1998 financial year:

- PacAsia Paper Board Industries Pte. Limited, Singapore
- United Mayr-Melnhof Packaging Industries Pte. Ltd, Singapore

These liquidations have no effect on the consolidated financial statements since neither of these companies were consolidated due to their immateriality.

1.2 Capital Consolidation

Capital consolidation is done using the book-value method. Under this method, the book value of the shares in a consolidated subsidiary are offset against the value of the prorated equity capital of the subsidiary at the time of acquisition, or at the time of initial consolidation (for acquisitions generally as of January 1, for incorporations the date of incorporation, where later). Consolidation differences that occur are first allocated to the assets, as far as identifiable. Any remaining positive consolidation differences are interpreted as goodwill and offset against the revenue reserves. Negative consolidation differences resulting from retained earnings are allocated to revenue reserves, with any others allocated to provisions for future losses by the company involved.

1.3 Consolidation of Liabilities

Consolidation of liabilities is done by offsetting intercompany lendings, receivables from trade, other receivables, and prepaid expenses against the corresponding liabilities and provisions.

1.4 Consolidation of Income and Expenditure

All intercompany income and expenditures are eliminated.

1.5 Consolidation of Intercompany Profits

Results from intercompany sales of fixed assets are eliminated. Intercompany profits relating to trade arising from inventory valuation are eliminated, taking into consideration the principle of materiality.

1.6 Deferred Taxes

Any deferred taxes resulting from consolidation are shown in accordance with § 258 of the Austrian Commercial Code.

1.7 Proportional Consolidation

The 52.45% interests in

- Wall MM Gravure Krakow Sp.z o.o., Krakow
- Premium Packaging Tiefdruck Produktions-GmbH, Graz

the 50% interests in

- C. P. Schmidt Verpackungs-Werk GmbH. & Co. KG, Kaiserslautern
- C. P. Schmidt Verpackungs-Werk Beteiligungsgesellschaft mbH, Kaiserslautern
- VTV Verpackungstechnische Verfahren GmbH, Kaiserslautern

and the 48.4% interest in

- Copacarton S.A., St. Avold

were consolidated on a proportional basis in the consolidated financial statements. The principles of consolidation for fully-consolidated companies apply analogously.

1.8 Currency Translation

Given that all material companies are domiciled in hard currency countries, all balance sheet and profit and loss statement items are translated at the mean exchange rate as of the balance sheet date and converted into Euro at the rate of exchange announced by the EU Commission on December 31, 1998. Differences from the currency translation of non-monetary items are offset against the revenue reserves.

(4) Principles of Reporting and Valuation

1. Fixed Assets

1.1 Intangible and tangible assets

Additions are shown at either purchase cost plus incidental costs, or in the case of manufactured assets at the manufacturing cost (cost of purchased services plus own services). Self-produced intangible assets are not capitalised.

Scheduled depreciation is primarily based on the following useful lives:

	useful life
Licences, industrial property rights and similar rights, and benefits and licences derived therefrom	5 – 10 years
Goodwill	5 – 15 years
Land, land rights and buildings, including buildings on third-party land	10 – 50 years
Technical machinery and equipment	8 – 15 years
Other equipment, fixtures and fittings	4 – 10 years

1.2 Financial assets

Shares in affiliated and associated companies, participating interests, lendings and securities are valued at cost. Unscheduled depreciation is taken for material reductions in value which are likely to be lasting.

2. Current Assets

2.1 Inventories

Raw materials, and manufacturing and operating supplies are valued at cost using an average price method. Work in progress, and finished goods and inventories are valued at purchase or manufacturing cost. The strict principle of valuation at the lower of cost or market was applied.

Use was made of the option under § 251 (2) Austrian Commercial Code of summarising inventories in a single line item.

2.2 Receivables and other assets

Valuation is at nominal value. Value adjustments were made for all identifiable risks. The strict principle of valuation at the lower of cost or market applied.

3. Untaxed Reserves

Untaxed reserves from the individual financial statements of the consolidated companies are shown under revenue reserves net of deferred taxes.

4. Provisions

Provisions are formed in the amount of the likely expense in accordance with the principle of prudence.

Provisions for severance payments are predominantly calculated using discounted cash value methods. In instances where the resulting value for Austrian subsidiaries is lower than the value given by applying § 14 of the 1988 Income Tax Act (50% or 60% of the potential claims), the latter value is taken. The discount rate predominantly applied is 3.5%.

Provisions for pensions are predominantly calculated using actuarial principles, with a discount rate between 3.5% and 6%.
Provisions for long service bonuses are predominantly calculated using discounted cash value methods with a discount rate of 3.5%.

The provision for deferred taxes is calculated on the basis of prevailing national taxation rates. In accordance with §198 of the Austrian Commercial Code, deferred taxes were not capitalised.

5. Liabilities

Liabilities are shown at the higher of repayment value or maximum potential value.

Notes to the Consolidated Financial Statements

Notes to the Individual Items of the Group Balance Sheet and Profit and Loss Statement

Balance Sheet

(5) Table of the Group's Fixed Assets

	Purchase and /		
	As of Jan. 1, 1998	Currency translation differences 1998	Change in the consolidated group in 1998
	in ATS 000's	in ATS 000's	in ATS 000's
I. Intangible assets			
1. Licences, industrial property rights and similar rights, and benefits and licences derived therefrom	539,975	-3,270	-31,291
2. Goodwill	132,311	-59	-46,981
Subtotal I	672,286	-3,329	-78,272
II. Tangible assets			
1. Land, land rights and buildings, including buildings on third-party land			
Value of land [1]	725,408	-23,968	221,712
Value of buildings [1]	3,071,947	-19,793	156,871
	3,797,355	-43,761	378,583
2. Technical machinery and equipment	11,258,271	-106,357	581,531
3. Other equipment, fixtures, and fittings	1,138,306	-6,580	-112,685
4. Payments on account and plant under construction	277,655	-42,127	1,686
Subtotal II	16,471,587	-198,825	849,115
Subtotal I and II	17,143,873	-202,154	770,843
III. Financial assets			
1. Participating interests in affiliated companies	7,859	-44	0
2. Participating interests in associated companies	110,439	-2	-281
3. Other participating interests	211,800	-397	13,510
4. Investment securities	964,169	-7	-272
5. Other lendings	49,636	-670	12,681
Subtotal III	1,343,903	-1,120	25,638
TOTAL	**18,487,776**	**-203,274**	**796,481**

[1] The columns "Change in the consolidated group in 1998" and "Accumulated depreciation and amortisation" include a valuation adjustment in accordance with § 208, paragraph 1 of the Austrian Commercial Code.

o r m a n u f a c t u r i n g c o s t s				Accumulated			Deprecation
Additions in 1998	Disposals in 1998	Reclassifications in 1998	As of Dec. 31, 1998	depreciation and amortisation of assets as of Dec. 31, 1998	Net book value As of Dec. 31, 1998	Net book value As of Dec. 31, 1998	and amortisation in financial year 1998
in ATS 000's	in ATS 000's	in ATS 000's	in ATS 000's	in ATS 000's	in ATS 000's	in ATS 000's	in ATS 000's
9,243	35	172	514,794	167,801	346,993	437,774	79,832
3,441	356	0	88,356	87,051	1,305	56,173	49,371
12,684	391	172	603,150	254,852	348,298	493,947	129,203
1,258	5,252	34	919,192	6,363	912,829	719,277	156
17,089	6,690	104,535	3,323,959	1,925,364	1,398,595	1,201,277	102,453
18,347	11,942	104,569	4,243,151	1,931,727	2,311,424	1,920,554	102,609
378,514	312,957	238,440	12,037,442	9,099,739	2,937,703	2,600,504	578,771
101,973	36,990	16,262	1,100,286	859,423	240,863	224,279	89,780
449,378	815	-361,318	324,459	94	324,365	277,564	0
948,212	362,704	-2,047	17,705,338	11,890,983	5,814,355	5,022,901	771,160
960,896	363,095	-1,875	18,308,488	12,145,835	6,162,653	5,516,848	900,363
0	5,083	0	2,732	32	2,700	7,228	0
1,412	482	0	111,086	45,327	65,759	110,439	45,320
20,231	4,596	0	240,548	4,204	236,344	207,509	0
13,839	8,091	3,650	973,288	15,555	957,733	948,546	80
15,488	45,593	0	31,542	70	31,472	49,563	0
50,970	63,845	3,650	1,359,196	65,188	1,294,008	1,323,285	45,400
1,011,866	**426,940**	**1,775**	**19,667,684**	**12,211,023**	**7,456,661**	**6,840,133**	**945,763**

(6) Financial Assets

This item is broken down as follows (in ATS 000's):

Participating interests in affiliated companies	2,700
Participating interests in associated companies	65,759
Other participating interests	236,344
Investment securities	957,733
Other lendings	31,472
	1,294,008

An extraordinary devaluation in the amount of ATS 45.3 million was made for the investment in Servall Engineering Industries Limited, Coimbatore, during the financial year.

Other lendings include those items with a residual term of less than one year totalled ATS 0.2 million (1997: ATS 3.1 million).

(7) Table of Receivables

		Total Amounts in ATS 000's	Of which residual term > 1 year in ATS 000's	Of which secured by promissory notes in ATS 000's	Less general valuation allowance in ATS 000's
1.	Trade debtors	**1,604,249**	0	22,813	25,017
2.	Receivables from companies in which the Group has participating interests				
	a) Trade debtors	27,495	0	0	0
	b) Other receivables	17,711	0	0	0
		45,206	0	0	0
3.	Other receivables and assets	**632,984**	31,053	0	0
	Total receivables	**2,282,439**	31,053	22,813	25,017

(8) Equity capital

The nominal capital represents the capital stock of Mayr-Melnhof Karton AG, Vienna. Capital reserves also correspond to the individual financial statements of the parent company. The consolidated balance sheet profit corresponds to the balance sheet profit of Mayr-Melnhof Karton AG.

The annual net income of the fully and proportionally consolidated companies is shown in revenue reserves, after allowing for consolidation events. The change in the number of consolidated companies in the financial year resulted in an offset of goodwill against revenue reserves totalling ATS 152.2 million (1997: ATS 385.4 million) and an allocation of negative goodwill to revenue reserves in the amount of ATS 4.4 million (1997: ATS 3.1 million). At the balance sheet date, goodwill totalling ATS 1,212.0 million (1997: ATS 1,059.8 million) had been offset against the revenue reserves, and negative goodwill totalling ATS 420.9 million (1997: ATS 416.5 million) had been allocated to revenue reserves.

The *revenue reserves* changed as follows during the 1998 financial year (in ATS 000's):

As of January 1, 1998	**942,059**
Additions to the consolidated Group	-156,578
Disposal from the consolidated Group	51,393
Changes in Group's portion of equity in subsidiaries	-42,379
Currency translation differences having no impact on result	-14,045
Allocation from net profit (after deduction of minority interests)	561,747
Allocation from net profit 1997	51,401
Other changes	-12,622
As of December 31, 1998	**1,380,976**

The untaxed reserves shown in the individual financial statements are included in the revenue reserves, net of deferred taxes.

(9) Other Provisions

Other provisions include personnel liabilities (accrued vacation, long service bonuses, other bonuses, etc), additional costs, potential losses from risks and pending transactions, and restructuring costs, together with provisions for future losses from the assignment of negative goodwill from the capital consolidation totalling ATS 25.7 million (1997: 25.7 million). This item also contains provisions for deferred taxes in the amount of ATS 67.2 million (1997: ATS 84.2 million).

(10) Table of Liabilities

	Total amounts in ATS 000's	Of which residual term < 1 year in ATS 000's	Of which residual term 1 to 5 years in ATS 000's	Of which residual term > 5 years in ATS 000's	Residual term > 1 year secured by mortgages in ATS 000's
1. Liabilities towards banks *)	**3,310,258**	1,020,807	1,413,280	876,171	1,679,934
2. Advances from customers	**3,453**	3,453	0	0	0
3. Trade creditors	**1,011,447**	1,011,447	0	0	0
4. Notes payable, including promissory notes	82,293	82,293	0	0	5,539
5. Liabilities towards companies in which the Group has participating interests					
a) trade creditors	17,235	17,235	0	0	0
b) other liabilities	824	824	0	0	0
	18,059	18,059	0	0	0
6. Other liabilities					
a) Taxes	198,210	198,210	0	0	0
b) Social security	72,178	70,251	1,927	0	0
c) Other	455,736	326,943	36,361	92,432	0
	726,124	595,404	38,288	92,432	0
Total liabilities	**5,151,634**	2,731,463	1,451,568	968,603	1,685,473

*) Short-term liabilities towards banks with a residual term of less than one year include revolving foreign trade financing loans totalling ATS 447 million, which are considered long-term from an economic point of view.

(11) Contingent Liabilities

Contingent liabilities consist of liabilities from the issuance and transfer of promissory notes totalling ATS 18.0 million (1997: ATS 46.5 million), from guaranteed obligations totalling ATS 0.0 million (1997: ATS 0.6 million), and from guarantees to third-parties totalling ATS 79.0 million (1997: ATS 3.5 million). There are contingent claims in the amount of ATS 18.8 million (1997: ATS 50.6).

Profit and Loss Statement

(12) Sales

	1998 in ATS millions	1997 in ATS millions
Austria	860	902
EU countries (excluding Austria)	9,131	8,698
Eastern Europe (including Russia)	1,197	660
Asia	344	386
Other	919	879
	12,451	**11,525**

(13) Other Operating Income

	1998 in ATS millions	1997 in ATS millions
Income from disposal and writing up of fixed assets excluding financial assets	59.8	43.1
Income from written-back provisions	149.0	70.2
Other operating income	266.7	191.5
	475.5	**304.8**

(14) Cost of Materials and Production Services Purchased

The cost of materials accounted for ATS 4,599.4 million (1997: ATS 4,274.7 million), while expenses for purchased services amounted to ATS 574.3 million (1997: ATS 365.2 million).

(15) Personnel Expenses

	1998 in ATS millions	1997 in ATS millions
Wages	1,520.0	1,400.1
Salaries	836.6	809.3
Severance pay	29.7	47.2
Pensions	104.2	75.3
Compulsory social security contributions, and payroll-related taxes and social security costs	449.9	456.1
Other welfare expenditures	56.0	35.3
	2,996.4	**2,823.3**

Breakdown of expenses for severance payments and pensions

	1998 in ATS millions	1997 in ATS millions
Managing Board and executives	18.3	41.5
other employees	115.6	81.0
Total	133.9	122.5
less: Income from adjustment to repurchase value of reinsurance contracts	-5.9	-5.3
Total	**128.0**	**117.2**

The reinsurance contracts were concluded exclusively for members of the Managing Board and senior executives in accordance with § 80 of the Austrian Commercial Code.

Average number of employees

	1998	1997
Employee in fully consolidated companies		
Factory workers	3,575	3,594
Office staff	1,286	1,276
Employees in proportionally consolidated companies		
Factory workers	240	273
Office staff	85	79
Total	**5,186**	**5,222**

The emoluments of members of the Managing Board in the financial year amounted to ATS 32.2 million (1997: ATS 26.6 million).

The emoluments of members of the Supervisory Board for the 1998 financial year totalled ATS 0.7 million (1997: ATS 0.7 million).

(16) Depreciation and Amortisation on Fixed Tangible and Intangible Assets

Scheduled depreciation amounted to ATS 863.3 million (1997: ATS 801.3 million) and extraordinary depreciation was ATS 37.1 million (1997: ATS 0.0 million).

(17) Other Operating Expenses

The item other operating expenses includes production expenses in the amount of ATS 1,196.7 million, administrative expenses of ATS 319.2 million, selling expenses of ATS 1,030.4 million, and restructuring expenses of ATS 55.0 million.

As well, it includes ”taxes not shown under item 16” in the amount of ATS 39.3 million (1997: ATS 65.4 million).

(18) Financial Result

	1998 in ATS millions	1997 in ATS millions
Result from participating interests		
Income from participating interests	**8.3**	**2.7**
Result from other financial activities		
Other interest and similar income	61.0	63.5
Income from other securities and lendings	54.3	51.8
Income from the disposal of financial assets	3.0	0.1
Expenses from financial assets	-2,0	-1.5
Interest and similar expenses	-210.8	-207.8
	-94.5	**-93.9**
Total	**-86.2**	**-91.2**

(19) Result on Extraordinary Activities

The item extraordinary income in the amount of ATS 42.3 million consists mainly of profit from the sale of the German waste paper companies.

Extraordinary expenses relate to the extraordinary devaluation of the participating interest in Servall Engineering Industries Limited, Coimbatore, in the amount of ATS 45.3 million, and provisions for restructuring totalling ATS 122.6 million (1997: ATS 61.1 million).

(20) Other Financial Obligations

	1998 in ATS millions	1997 in ATS millions
Liabilities from use of the tangible fixed assets not shown in the balance sheet:		
for the next five financial years	154.4	166.3
thereof for the following financial year	49.9	53.8
Purchase commitments for technical equipment and machinery:		
for the next five financial years	108.7	0.0
thereof for the following financial year	108.1	0.0

Vienna, March 25, 1999

Managing Board

Michael GRÖLLER Alfred FOGARASSY

Wilhelm HÖRMANSEDER

Auditors' Report

on the Consolidated Financial Statements for 1998 of
Mayr-Melnhof Karton Aktiengesellschaft
Vienna

"After due examination of the books and records, the consolidated financial statements comply with the provisions laid down by law. In our opinion, the consolidated financial statements, which have been prepared in accordance with generally accepted Austrian accounting principles, give a true and fair view of the assets, liabilities, financial position, and profit of the Group. The report of the Managing Board is in conformity with the Group's consolidated financial statements."

Vienna, April 7, 1999

U N I T R E U
Wirtschaftstreuhandgesellschaft m.b.H.
Wirtschaftsprüfungs- und Steuer-
beratungsgesellschaft

Werner LEITER   Christian PAJER
Chartered Accountants