

REPORT FOR THE FIRST THREE QUARTERS OF 1998

Dear Shareholder!

Your company has finished the first three Quarters of 1998 successfully and has clearly exceeded last years results. Despite a more difficult environment and seasonal impacts, the Group has achieved good results. The operating profit for the nine months ended September 30, 1998 increased by 18.0% to ATS 959 million (1997 was ATS 813 million). Net income rose to ATS 674 million, or 36.2% above the previous year's result (ATS 495 million). For the nine months ended September 30, 1998, consolidated sales increased by 12.1% to ATS 9,494 million (1997: ATS 8,468 million) after accounting for both the divestment of several German recycling companies and higher internal sales. About two thirds of this increase resulted from new acquisitions.

The growth of the Group results can primarily be attributed to the development of the Cartonboard Division which benefited from stable sale prices and low waste paper prices. Mayr-Melnhof Packaging contributed with both increased sales and high results to the Group's total profit. The impact of the Russian crisis especially on the cigarette packaging segment was previously addressed in our forecast for the second half-year of 1998. The situation of the Recycling Division continues to remain strained.

For the first three quarters of 1998, capital expenditures totalled ATS 508 million (1997: ATS 440 million).

MAIN EVENTS AND PROJECTS

Divestment of German recycling activities has started

In the frame of the current negotiations concerning a total divestment of the Group's recycling activities in Germany, three subsidiaries and their affiliated companies were sold during the past weeks.

Stock options on MMK Shares

Effective Monday, September 21, 1998, Mayr-Melnhof Karton AG stock options began trading on the options exchange of the Vienna Stock Exchange.

QUARTERLY RESULTS

Consolidated in ATS millions	4 th Qu.97	1 st Qu.98	2 nd Qu.98	3 rd Qu.98	1 st -3 rd Qu.98	1 st -3 rd Qu.97	Change in %
MAYR-MELNHOF GROUP							
Sales	3,057	3,106	3,517	2,871	9,494	8,468	+12.1%
Operating profit	233	322	344	293	959	813	+18.0%
in % sales	7.6%	10.4%	9.8%	10.2%	10.1%	9.6%	
Net income incl. min. interests	149	199	318	157	674	495	+36.2%
in % sales	4.9%	6.4%	9.0%	5.5%	7.1%	5.8%	
Net income after min. interests	152	194	318	149	661	485	+36.3%
in % sales	5.0%	6.2%	9.0%	5.2%	7.0%	5.7%	
Cash earnings	360	402	554	374	1,330	1,085	+22.6%
in % sales	11.8%	12.9%	15.8%	13.0%	14.0%	12.8%	
DIVISIONS							
Sales							
Cartonboard	1,732	1,795	2,074	1,872	5,741	5,031	+14.1%
MM-Packaging	1,300	1,271	1,329	1,185	3,785	3,219	+17.6%
Recycling	381	372	339	166	877	1,082	-18.9%
Operating profit							
Cartonboard	115	228	244	213	685	553	+23.9%
MM-Packaging	120	92	97	83	272	256	+6.3%
Recycling	-4	2	2	-2	2	6	
Operating margin							
Cartonboard	6.6%	12.7%	11.8%	11.4%	11.9%	11.0%	
MM-Packaging	9.2%	7.3%	7.3%	7.0%	7.2%	8.0%	
Recycling	-1.0%	0.5%	0.6%	-1.2%	0.2%	0.6%	
Tonnage produced (in '000)							
Cartonboard	257	259	313	293	865	774	+11.8%
Tonnage processed							
MM-Packaging	62	62	59	62	183	153	+19.6%
Tonnage sold							
Recycling	238	213	229	*)		736	

The above information is based on the Group's internal financial reports.

*) Due to the divestment of several German recycling companies, this figure is distorted
 Formal Group consolidated accounts will be prepared as of December 31, 1998.

GENERAL MARKET DEVELOPMENTS AND DEVELOPMENT BY DIVISIONS

CARTONBOARD

After a situation of stable demand during the first half-year of 1998, demand for cartonboard declined during the summer months more than seasonally expected. Due to the crisis in Russia and Asia, the order situation can be characterised as more careful planning from customers. Cartonboard prices in Europe continue to remain stable. In overseas markets, the pressure on prices accelerated as a consequence of strong export by Asian suppliers.

Prices for mixed waste paper, the main raw material for the production of recycled cartonboard, remain stable.

The **Cartonboard Division** recorded a significant increase in its operating profit of 23.9% from ATS 553 million to ATS 685 million for the first nine months ended September 30, 1998. Sales of ATS 5,741 million are 14.1% higher in comparison to the previous year's figure (1st-3rd quarter 1997: ATS 5,031 million). Approximately two thirds of this growth can be attributed to acquisitions.

Despite minor capacity reductions, results of the third quarter could be maintained within the seasonally expected range. The current order backlog amounts to 35,000 tonnes. The business has taken a short term perspective.

From today's point of view, capacities are not expected to be fully utilised during the fourth quarter.

PACKAGING

For the first three quarters of 1998, **MM-Packaging** recorded an operating profit of ATS 272 million which is equivalent to an increase of 6.3% compared to the previous year figure of ATS 256 million. Sales for the nine months ended September 30, 1998, of ATS 3,785 million rose 17.6% (1997: ATS 3,219 Million).

Due to continuous optimisations the operating margin could be maintained at the high level of 7% despite a clear reduction of sales in the third quarter of 1998 in comparison to the previous quarter.

The folding carton business is characterised by good utilisation of capacities and sustained strong competition.

MMP is indirectly affected by the Russian crisis: Russia covered a substantial share of its food and cigarette consumption through imports, which have been reduced sharply since August 1998. Customers affected by this development have tended to take a wait-and-see position. The impact on MMP will depend on both the extent and the duration of the crisis in Russia. Demand in the other Eastern European markets has been slightly decreasing.

RECYCLING

Results of the **Recycling Division** remain unsatisfactory. Lower sales in the third quarter of 1998 mainly result from company divestments during September. Regarding the remaining companies of the German Recycling Division, optimal individual solutions shall be found before the end of the current year. The Austrian affiliated companies will remain with the Group.

OUTLOOK

The good results of the first three quarters of 1998 confirm the Group's net income forecast of ATS 800 million for the 1998 total year. The expected result should allow for the possibility of an increased dividend.

The extent of the general economic downturn cannot be assessed currently. Mayr-Melnhof Karton AG is well prepared for such a scenario. Many cost-savings measures, during recent years, have substantially improved the company's competitiveness. The acquisition strategy in cartonboard and packaging will be continued.

UPCOMING EVENTS:

- March 9, 1999: - Preliminary Group Results 1998
- April 27, 1999: - Final Group Results 1998
- May 4, 1999: - Report for the first Quarter of 1999
- May 19, 1999: - 5th Annual Shareholder Meeting
- May 31, 1999: - Dividend Payment