

REPORT FOR THE FIRST QUARTER OF 1999

Dear Shareholder,

As in the previous year, the European market for recycled cartonboard experienced a seasonal increase in demand during the 1999 first quarter. However, the impact of the development in Eastern Europe on the total market could not be compensated by the stabilisation of the overseas markets. This change in the sales mix led to a slight decline in the average price level.

The market volume of the European folding carton business was considerably influenced by the weakness of the Russian and Central European markets. As a consequence, competition has intensified. However, the focus on strategic partnerships with multinational customers enabled Mayr-Melnhof Packaging to further increase volume as well as market share.

GROUP RESULTS

Due to a more difficult market situation, Mayr-Melnhof Group achieved an operating profit of ATS 285 million in the first quarter of 1999, which does not match the outstanding performance of the first quarter of 1998, as expected. The operating margin was 9.6%, in comparison to 10.4% in the previous year. The reduction in the operating level was also due to the standstill of a high volume machine at the Frohnleiten mill during its rebuilding period.

The consolidated net income was ATS 204 million, a slight increase above the previous year's first quarter (ATS 199 million), after extraordinary expenses. Sales totalled ATS 2,961 million (1st Quarter 1998: ATS 3,106 million).

The capital invested in tangible fixed assets totalled ATS 282 million.

MODERNISATION OF CARTONBOARD MACHINE III IN FROHNLEITEN MEETS HIGH EXPECTATIONS

After being rebuilt in a record time of just four weeks, the cartonboard machine III at the Frohnleiten mill has been brought into line with the latest technology standards. This has further improved both the mill's cartonboard quality and competitiveness. The machine was put into operation at the end of January 1999 and meets all expectations.

RESULTS 1st QUARTER 1999

consolidated in ATS millions 2nd Qu.'98 3rd Qu.'98 4th Qu.'98 **1st Qu.'99** 1st Qu.'98 **Change in %**

MAYR-MELNHOF GROUP

Sales	3,517	2,871	2,957	2,961	3,106	-4.7%
Operating profit	344	293	242	285	322	-11.5%
% of sales	9.8%	10.2%	8.2%	9.6%	10.4%	
Net profit including. min. int.	318	157	197	204	199	+2.5%
% of sales	9.0%	5.5%	6.7%	6.9%	6.4%	
Net profit excluding. min. int.	318	149	193	202	194	+4.1%
% of sales	9.0%	5.2%	6.5%	6.8%	6.2%	

DIVISIONS

Sales

Cartonboard Division	2,306	1,931	1,831	1,937	2,060	-6.0%
MM-Packaging	1,329	1,185	1,272	1,250	1,271	-1.7%

Operating profit

Cartonboard Division	246	211	165	205	230	-10.9%
MM-Packaging	97	83	77	80	92	-13.0%

Operating margins

Cartonboard Division	10.7%	10.9%	9.0%	10.6%	11.2%	
MM-Packaging	7.3%	7.0%	6.1%	6.4%	7.3%	

Tonnage produced

(in 000's of tonnes)

Cartonboard Division	313	293	259	282	259	+8.9%
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Tonnage processed

(in 000's of tonnes)

MM-Packaging	59	62	65	69	62	+11.3%
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The above information is based on the Group's internal financial reports. Formal Group consolidated accounts will be prepared as of June 30, 1999.

DEVELOPMENT BY DIVISIONS

The companies of the **Cartonboard Division** achieved sales totalling ATS 1,937 million, compared to ATS 2,060 million in the first quarter of 1998. The operating profit was ATS 205 million, which is 10.9% below the previous year's level of ATS 230 million. The downtime during the January rebuilding process of BM III was primarily responsible for this reduction.

The volume produced increased by approximately 9%, compared to the previous year. This growth is a consequence of higher capacities in the Division, which were achieved by both the acquisition in 1998 and technical optimisations.

The order backlog has been increasing steadily since the end of 1998 to reach a satisfactory level of 50,000 tonnes.

Mayr-Melnhof Packaging achieved sales of ATS 1,250 million (1st Quarter 1998: 1,271 million ATS) and an operating profit of ATS 80 million (1st Quarter 1998: ATS 92 million): This is approximately equivalent to the level of the previous two quarters, which have also been affected by the weak demand in Eastern Europe.

As a consequence of growing strategic partnerships with multinational customers, the tonnage converted increased by more than 11%.

OUTLOOK

In view of the present economic climate in Europe, both demand and volume of production are expected to remain steady at a high level through mid 1999. However, the development in Eastern Europe is more difficult to predict.

As long as raw materials don't show a significant upward trend, Western European prices should continue to remain stable. In the overseas business, a slight rise in prices from a very low level has already appeared. For the second quarter of 1999, utilisation of capacities is expected to remain at the current high level. Thanks to on-going rationalisation it should be possible to maintain margins in the MM Packaging Division.

From a current perspective, the Company has the ability to reach approximately the previous year's satisfactory Group income results, due to its strong market presence and on-going cost reduction measures.

UPCOMING EVENTS:

May 19, 1999	5 th Annual General Meeting
May 25, 1999	Ex-Dividend Day
June 1, 1999	Dividend payment date
August 31, 1999	Results for the 1 st half-year of 1999

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