

## **REPORT FOR THE FIRST QUARTER OF 1998**

### **VERY GOOD DEVELOPMENT OF BUSINESS ACTIVITIES**

**Dear Shareholder,**

Your company ended the first quarter of 1998 with consolidated sales of ATS 3,107 million (1<sup>st</sup> Quarter 1997: ATS 2,581 million). An operating profit of ATS 322 million was achieved compared to ATS 217 million in the previous year resulting in an operating margin of 10.4% (1<sup>st</sup> Quarter '97: 8.4%). Net income totalled ATS 199, an increase of 55.5% over the previous year's level.

The increase on the operative level was primarily due to the acquisitions in the previous year. Further, prices for cartonboard could be set at a higher level with raw material costs remaining consistently low.

The capital invested in tangible fixed assets totalled ATS 91 million.

#### **GENERAL MARKET DEVELOPMENT**

Due to good demand, the market for recycled cartonboard in Europe can be perceived as strong in the 1998 first quarter. The Eastern European market even recorded double digit rate-increases. The current European economic climate leads us to expect that demand and production will remain at a consistently high level through mid 1998.

The market for folding cartons can still be described as a competitive price environment. However, Mayr-Melnhof Packaging is well prepared. With its supply chain management strategy, MMP offers a program for sustainable cost reductions within all stages of the value-added chain. MMP, and its multinational customers, will be beneficiaries of this program. Markets in Eastern Europe, as well as the segment of cigarette packaging, continue to experience an ongoing good demand.

Owing to the difficult market situation in the waste paper business, the results of the Recycling Division are still not satisfactory.

#### **DEVELOPMENT BY DIVISIONS**

The companies of the **Cartonboard Division** achieved sales totalling ATS 1,795 million compared to ATS 1,625 million in the first quarter of 1997. Slightly higher prices and good demand in Europe were primarily responsible for this increase in sales. With raw material costs remaining low at the same time, the operating profit could improve even further. Cartonboard production amounted to approximately 259,000. Capacities were almost fully utilised.

Operating profit amounted to ATS 228 million which is 42.5% above the previous year's level of ATS 160 million.

Following the weakness of the Indian cartonboard market a provision of approximately one third of the book value was recorded into the accounts. (The total book value of this venture as of December 31, 1997 was approx. ATS 90 million).

**Mayr-Melnhof Packaging** achieved sales of ATS 1,271 million (1<sup>st</sup> Quarter 1997: ATS 901 million) and an operating profit of ATS 92 million (1<sup>st</sup> Quarter 1997: ATS 57 million). The bulk of this difference was accounted for by the acquisitions in the previous year. The higher operating profit in the 4<sup>th</sup> quarter 1997 is due to the recording of customer rebates, which are quantified and realised at year end based on annual quantities.

The low prices for waste paper had a negative impact on both the sales and results of the **Recycling Division**. The operating profit totalled ATS 2 million (1<sup>st</sup> Quarter '97 ATS 1 million).

## QUARTERLY RESULTS

Consolidated in ATS millions	2 <sup>nd</sup> Qu.97	3 <sup>rd</sup> Qu.97	4 <sup>th</sup> Qu.97	1 <sup>st</sup> Qu.98	1 <sup>st</sup> Qu.97	Change in %
<b>MAYR-MELNHOF GROUP</b>						
Sales	2,947	2,940	3,057	<b>3,106</b>	2,581	<b>+20.3%</b>
Operating profit	284	312	233	<b>322</b>	217	<b>+48.4%</b>
in % sales	9.6%	10.6%	7.6%	<b>10.4%</b>	8.4%	
Net income incl. min. interests	170	197	149	<b>199</b>	128	<b>+55.5%</b>
in % sales	5.8%	6.7%	4.9%	<b>6.4%</b>	5.0%	
Net income after min. interests	170	194	152	<b>194</b>	121	<b>+60.3%</b>
in % sales	5.8%	6.6%	5.0%	<b>6.2%</b>	4.7%	
<b>DIVISION</b>						
<b>Sales</b>						
Cartonboard	1,706	1,700	1,732	<b>1,795</b>	1,625	<b>+10.5%</b>
Packaging	1,156	1,162	1,300	<b>1,271</b>	901	<b>+41.1%</b>
Recycling	405	360	381	<b>372</b>	317	<b>+17.4%</b>
<b>Operating profit</b>						
Cartonboard	186	207	115	<b>228</b>	160	<b>+42.5%</b>
Packaging	99	100	120	<b>92</b>	57	<b>+61.4%</b>
Recycling	-1	6	-4	<b>2</b>	1	<b>+100.0%</b>
<b>Operating margin</b>						
Cartonboard	10.9%	12.2%	6.6%	<b>12.7%</b>	9.8%	
Packaging	8.6%	8.6%	9.2%	<b>7.3%</b>	6.3%	
Recycling	-0.2%	1.7%	-1.0%	<b>0.5%</b>	0.3%	
<b>Tonnage produced</b>						
Cartonboard	258	267	257	<b>259</b>	249	<b>+4.0%</b>
<b>Tonnage processed</b>						
Packaging	54	52	62	<b>62</b>	47	<b>+31.9%</b>
<b>Tonnage sold</b>						
Recycling	287	247	238	<b>213</b>	202	<b>+5.4%</b>

The above information is based on the Group's internal financial reports. Formal Group consolidated accounts will be prepared as of June 30, 1998.

**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 1998. The order backlog in the Cartonboard Division is approximately 75,000 tonnes which equals more than three weeks of full production. Prices for waste paper are likely to remain low.

It is not possible at the present time to assess the long-term effects of the developments in South-East Asia on the cartonboard markets. New markets for the overcapacities from this region have to be found for a certain period of time.

**UPCOMING EVENTS:**

- **29.04.1998:** 4th Annual General Meeting of Mayr-Melnhof Karton AG at 11:00 a.m. in the Vienna Stock Exchange, Wipplingerstraße 34, 1010 Vienna
- **04.05.1998:** Ex-Dividend Day
- **05.05.1998:** Dividend payment
- **Calendar Week 36:** Results for the 1998 first half-year

For further information please call:

Investor Relations, Mayr-Melnhof Karton AG, Brahmplatz 6, A-1040 Vienna

Tel.: (+43/1) 50136, Fax: (+43/1) 50136 – 67 or 95, e-mail: [investor.relations@mayr-melnhof.co.at](mailto:investor.relations@mayr-melnhof.co.at)