MM KARTON AG

Letter to Shareholders

Group Reporting in Accordance with US GAAP

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Dear Shareholder,

In this report, the Mayr-Melnhof Group presents for the first time consolidated financial statements in accordance with US GAAP (**U**nited **S**tates **G**enerally **A**ccepted **A**ccounting **P**rinciples), which in our opinion represents the world's most respected international accounting standard. The primary purpose of this disclosure is to further expand the world-wide acceptance of Mayr-Melnhof shares. The consolidated financial statements, carrying an independent and respected American auditors' opinion, shall facilitate an international comparison and thus fulfil the desire of many international investors and financial analysts.

At the same time, Mayr-Melnhof Karton AG also meets the Austrian Stock Exchange's requirement for companies listed in the ATX-Segment to publish consolidated accounts according to US GAAP or IAS from April 2001 onward.

Beginning with the first half-year 2000, Group reporting will exclusively be in accordance with US GAAP.

For the 1999 financial year, consolidated financial statements have already been established and published under Austrian GAAP. In order to accommodate an efficient transition, we have also provided you with parallel accounts for 1999 according to US GAAP. A separate presentation regarding the individual quarterly results of 1999 according to US GAAP shall familiarize you as to the dynamics of the Company's development throughout the year.

The individual financial statements of Mayr-Melnhof Karton AG, which continue to represent the legal base of the Group's dividend to shareholders, will continue to be established in accordance with Austrian GAAP.

US GAAP – Focus on the Investor

Austrian accounting standards are greatly influenced by the concept of creditor protection, applying principles of prudence and forbidding the recognition of unrealized gains. US GAAP, however, focuses on the provision of information to the investor.

US GAAP regulations require near market-rate valuations, as well as a strict periodic determination of results in conformance with managerial economic criteria. This approach not only facilitates comparability among different years, but also improves the investor's potential estimation of future cash flows.

This form of external reporting is therefore based on the same methodological foundation as the Group's internal value-oriented management parameters.

Also under US GAAP, our investors' yield demands will greatly influence the primary objectives applied to our business activities:

- Return on capital employed (ROCE) between 10 and 20 percent, with respect to the economic cycle
- Return on equity (ROE) between 8 and 13 percent
- Cash flow as a profitability indicator of our business on a multi-period basis

In contrast to Austrian GAAP, which showed 1999 ROCE and ROE at 15.2 % and 12.3 % respectively, returns under US GAAP level out at 15.2 % and 9.9 %.

These variations in 1999 can be attributed to the conceptual differences between US and Austrian GAAP.

The most important differences between US and Austrian GAAP relevant to MM

According to US GAAP, there are other structural requirements for the balance sheet and income statement than in Austrian GAAP. In order to ensure international comparability, Mayr-Melnhof must follow established industry standards.

The most significant modification regarding the disclosure according to US GAAP results from the treatment of **deferred taxes.**

The tax effect has to be shown in the period in which the income is earned, and not in the period in which the actual tax liability is recognized. According to US GAAP, this also results in the recognition of deferred tax assets if it is probable that tax loss carryforwards can be utilized in the future. In the period of the effective use of the tax loss carryforwards, the deferred taxes will be reversed.

In 1999, the Group's tax expense according to Austrian GAAP totaled EUR 15 million, as existing "old" tax loss carryforwards could be utilized. Under US GAAP, EUR 30.9 million was reported, as tax assets for loss carryforwards were expensed. However, the recognition of the increased expenses does not have any cash effect, therefore not influencing the Group's cash flow.

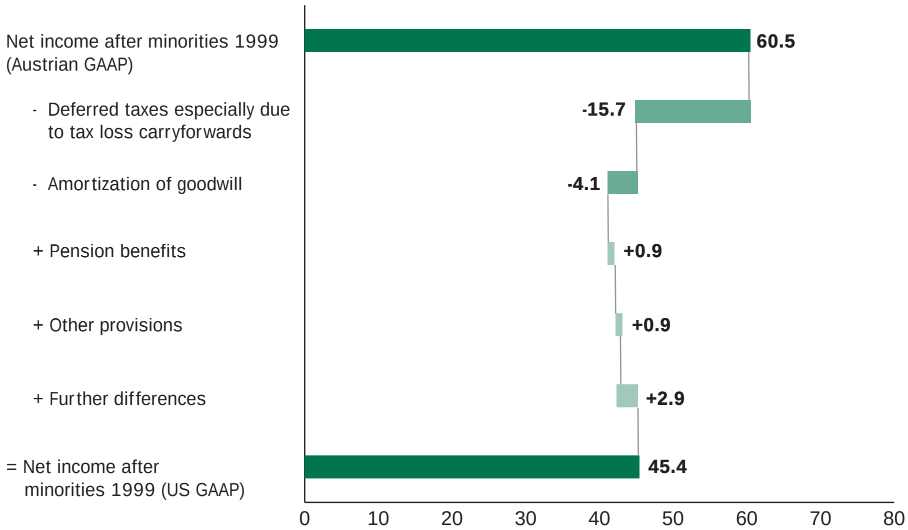
According to US GAAP regulations, **goodwill** must be capitalized and amortized over the estimated useful life. The netting of goodwills against equity without affecting the income statement in the year of an acquisition, which is possible under Austrian GAAP, is no longer applicable. Due to recent acquisitions, the income statement of the Packaging Division is particularly affected.

Another difference concerns the **valuation of pensions and other post-employment benefits.** The projected unit credit method used under US GAAP acknowledges future salary increases and discounts for fluctuations. The obligations are calculated using the actual long-term yield of government bonds. The current values of the obligations are recognized together with available plan assets. In 1999, there was a small positive effect for both divisions according to US GAAP.

The **accrual of provisions** according to US GAAP is based on the fulfillment of stringent requirements in respect to the probability of an event, as well as the estimation of the possible amount. In contrast, Austrian GAAP recognizes the value of a provision according to the prudence principle. In 1999, this difference lead primarily to an improvement in the results of the Cartonboard Division.

According to Austrian GAAP, only the recognition of unrealized losses is permitted, whereas US GAAP also moderately recognizes **unrealized gains.** This particularly concerns the mark-to-market valuation of certain assets and liabilities denominated in foreign currencies.

Significant Income Effects due to the Change to US GAAP
in EUR million



In contrast to Austrian GAAP, **extraordinary income and expense** is only reported under exceptional circumstances which are unrelated to the ordinary and typical activities of the Company. There was no such event in 1999.

In closing, it can be stated that the results according to US GAAP primarily differ from the results under Austrian GAAP in respect to the accounting for deferred effects originating from prior periods, which in the long-run will even out, with the exception of goodwill amortization.

Dear shareholder, we are proud to present to you also under US GAAP an attractive picture of the high profitability and solid financial foundation of your Company, as well as providing you with a widely accepted basis for your investment decision in Mayr-Melnhof Karton AG.

The Managing Board of
Mayr-Melnhof Karton AG

Quarterly Overview

Unaudited

Mayr-Melnhof Group consolidated in EUR millions	I/99	II/99	III/99	IV/99	1999
Sales	214.1	220.2	231.9	240.4	906.6
Operating profit	19.4	19.1	19.4	22.5	80.4
Operating margin	9.1 %	8.7 %	8.4 %	9.4 %	8.9 %
Net interest expense	(2.3)	(1.9)	(1.7)	1.0	(4.9)
Income before income taxes and minority interests	17.4	17.5	18.0	23.6	76.5
Income taxes	(7.1)	(7.0)	(7.0)	(9.8)	(30.9)
Net income	10.2	10.5	10.9	13.8	45.4
in % of sales	4.8 %	4.8 %	4.7 %	5.7 %	5.0 %
Basic and diluted earnings per share	0.85	0.88	0.91	1.15	3.78
Investments in fixed assets	20.8	17.7	13.4	23.0	74.9
Depreciation and amortization					70.2
EBITDA					151.6
Cash earnings incl. deferred taxes					130.8
Group Balance Sheet Indicators					
Enterprise value					621.7
Shareholders' equity					474.6
Total assets					1,023.3
Equity to total assets					46.4 %
Net debt					65.3
Net debt to equity					13.8 %
Group Profitability Indicators					
EBITDA margin					16.7 %
Cash earnings margin					14.4 %
Return on equity					9.9 %
Return on capital employed					15.2 %

Divisions

in EUR millions	I/99	II/99	III/99	IV/99	1999
CARTONBOARD					
Sales	139.8	145.4	148.3	154.5	588.0
Operating profit	14.5	14.7	14.8	15.8	59.8
Operating margin	10.4 %	10.1 %	10.0 %	10.2 %	10.2 %
Tonnage produced (in 000's of tons)	282	301	314	317	1,214
EBITDA					107.3
Cash earnings incl. deferred taxes					96.6
EBITDA margin					18.2 %
Cash earnings margin					16.4 %
Return on capital employed					17.1 %
PACKAGING					
Sales	90.0	91.9	101.1	107.4	390.4
Operating profit	4.9	4.4	4.6	6.7	20.6
Operating margin	5.4 %	4.8 %	4.5 %	6.2 %	5.3 %
Tonnage processed (in 000's of tons)	69	63	78	81	291
EBITDA					44.3
Cash earnings incl. deferred taxes					34.2
EBITDA margin					11.3 %
Cash earnings margin					8.8 %
Return on capital employed					11.3 %

Glossary

Financial Indicator Definitions

Cash earnings
Net income before minority interests, depreciation and amortization, and deferred taxes.

Cash earnings margin
Cash earnings divided by sales.

EBITDA
Net income before minority interests, net interest expense, income taxes, and depreciation and amortization.

EBITDA margin
EBITDA divided by sales.

Equity to total assets
Stockholders' equity divided by total assets.

Return on equity
Net income divided by the average stockholders' equity.

Enterprise value
The sum of market capitalization, minority interests, and net debt.

Net debt
The sum of short-term borrowings and total long-term debt subtracted by the sum of marketable securities, cash, and cash equivalents.

Net debt to equity
Net debt divided by stockholders' equity.

Operating margin
Operating profit divided by sales.

Return on capital employed
Net income before minority interests, income taxes, and net interest expense divided by the average sum of stockholders' equity, minority interests, and net debt.

Net profit margin
Net income divided by sales.

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