

Interim Report **2001**



- Best ever half-year results
- Scheduled downtime adjusted cartonboard production to decrease in market demand
- Satisfactory capacity utilization in the Packaging Division
- Demand in Q3 and Q4 highly dependent on economic development

Mayr-Melnhof Group

Dear Shareholders,

Despite a significantly weaker economic environment in the first half-year of 2001 in comparison to the previous year as well as a considerable slow down of economic growth in Western Europe, the Mayr-Melnhof Group's primary market, your Company maintained a successful development of business during the first six months of 2001.

Half-year result hits new peak

Reporting a net income of EUR 48.5 million – equivalent to a 47 % increase compared with the first half-year of 2000 (EUR 33 million) – your Company registered its best ever half-year result during the period January to June 2001.

At EUR 558.9 million, consolidated sales were up 6.1 % (first half of 2000: EUR 527 million). This rise primarily originates from improved prices compared with the first half-year of 2000.

The operating profit registered an increase of 27.2 % to EUR 70.6 million (first half of 2000: EUR 55.5 million). This led to a Group operating margin of 12.6 % (first half of 2000: 10.5 %).

Net interest expense improved from EUR 2.5 million to EUR 1.1 million. This net change primarily results from higher interest income on larger bank deposits.

Other-net (including equity income) reached EUR 5.2 million (first half of 2000: EUR -0.3 million) largely due to gains from the disposal of businesses and an increased amount of equity income.

Income before income taxes and minority interests increased by 41.7 % to EUR 74.7 million (first half of 2000: EUR 52.7 million). The Group's corporate tax rate was approximately 34 % (36 % in the first half of 2000).

At 16.8 % and 26.8 % respectively, both return on equity and return on capital employed clearly surpassed the long-term targets of 8-13 % and 10-20 %.

Cash earnings reached EUR 86.5 million or 15.5 % of sales (first half of 2000: EUR 71.6 million; 13.6 %). Capital expenditures totaled EUR 24.6 million (first half of 2000: EUR 31.3 million), which is in conformance with the Group-wide target which stipulates that investment should not exceed 50 % of cash earnings in the medium-term. Investment activities were focused on replacing old machinery.

With an equity ratio of 48.5 % (2000: 49.5 %), Group financing remains on a very solid basis.

Development in the 2nd quarter

- *Decrease in demand necessitates curtailment of cartonboard production*
- *Net income for the period exceeds expectations due to the disposal of "Wall-Shareholdings"*

In line with the declining order intake, Mayr-Melnhof adjusted cartonboard production to demand during the 2nd quarter by taking downtime as scheduled. At 17 % of the period's manufacturing capacity, this planned curtailment of production was equivalent to approximately 64,000 tons. Due to generally constant raw materials prices, European cartonboard prices could be held stable.

As was the case in the 1st quarter of 2001, the Packaging Division again registered a positive development of demand in the 2nd quarter, resulting in a satisfactory utilization of machinery during the entire first half-year of 2001.

As expected, the Group's 2nd quarter operating profit of EUR 33.7 million fell below that of the first quarter (EUR 36.9 million). This can be primarily attributed to the production curtailment in the Cartonboard Division.

Within the scope of the termination of the cooperation and legal disputes between Mayr-Melnhof and Wall, Mayr-Melnhof sold the 4.9 % interest in Alfred Wall AG as well as the 50 % shareholding in the printing plant Wall MM Gravure, Krakow, which specializes in cigarette packaging. This disposal, however, does not alter the target of further developing the "Cigarette Packaging" business.

Primarily due to the income from the disposal of these shareholdings and higher equity income, your Company registered a net income for the period of EUR 24.9 million, clearly exceeding expectations.

Further events

- At the beginning of May, Mayr-Melnhof acquired the German board mill Gruber+Weber Karton. This mill is well established on the European markets and produces approximately 150,000 tons of recycled fiber based board per annum.
- As a result of the acquisition of the Swiss cartonboard producer Emil Christ AG at the end of June and merging the sales organization with that of the Deisswil mill, Mayr-Melnhof Karton has created the basis for optimally serving its customers in the Swiss market. A further step should be the restructuring of production capacities. Negotiations concerning the discontinuation of operations at Emil Christ AG have already begun.

The persistent reduction of cartonboard customers' stocks as well as a progressively more evident slowdown of economic growth resulted in weaker demand for recycled fiber based board from the European market during the first half-year of 2001. During this period however, prices have remained stable. In line with the aforementioned development, the Cartonboard Division's average order backlog has fallen from approximately 126,000 tons during the first half-year of 2000 to 50,000 tons in the first half year of 2001. At 627,000 tons, the total sales volume was 6.3 % below the previous year's level. Approximately 82 % of this amount was sold in Europe and the remaining 18 % went to overseas markets (first half of 2000: 83 %; 17 %).

As scheduled, production was adapted to lower demand by taking downtime during the second quarter. This resulted in a reduction of capacity utilization from 98 % in the first quarter to 83 % in the second quarter. The tonnage produced totaled 619,000 tons for the first half-year of 2001. Due to the acquisition of the German board mill, Gruber+Weber Karton, the total output was only slightly lower (-4.5 %) than the previous year's level (648,000 tons), which at that time fully included the already closed Colthrop board mill.

Generally steady raw materials prices allowed for stable European cartonboard prices during the first half-year of 2001. Resulting from a decline in demand, sales prices in Asia, the most important overseas market, have fallen to an unsatisfactory level compared to the first half-year of 2000.

The increase in sales by 3.2 % to EUR 359 million (first half of 2000: EUR 347.7 million) can primarily be attributed to better prices in comparison with the previous year. Mainly due to improved efficiencies and other operating income, the operating profit increased by 31.3 % to EUR 54.6 million. Consequently, the Division's operating margin reached 15.2 % (first half of 2000: 12.0 %).

E-Commerce – MM-Community®, for all customers

At the end of June 2001, the online information system, MM-Community®, was made available to all customers. The transparency of all business processes as well as the interactive data exchange provide new possibilities for optimizing the Supply Chain in close cooperation with our customers. Internet transactions shall be made possible in 2002.

Performance Indicators Cartonboard

(US GAAP, unaudited)

(in EUR millions)	1-6/2001	1-6/2000	+/-
Sales ¹⁾	359.0	347.7	+3.2%
Operating profit	54.6	41.6	+31.3%
Operating margin	15.2%	12.0%	
Tonnage produced (in thousands of tons)	619	648	(4.5%)
Employees	2,485	2,181 ²⁾	

¹⁾ incl. interdivisional sales

²⁾ as of December 31, 2000

Mayr-Melnhof Packaging Division

The Packaging Division registered good demand during the first half-year of 2001 resulting in a generally satisfactory utilization of capacities. In some regional markets however, and in particular Great Britain, the order intake has weakened since the second quarter. The tonnage processed during the first six months of 2001 reached 165,000 tons, slightly greater than the previous year's level (162,000 tons).

Largely due to a positive development in Cigarette Packaging and improved prices in the General Packaging area, divisional sales increased by 10.2 % to EUR 249.3 million. The operating profit rose by 15.1 % and reached EUR 16.0 million (first half of 2000: EUR 13.9 million). This resulted in an increased operating margin of 6.4 % (first half of 2000: 6.1 %).

Continued site optimization

Cost pressures and severe competition in the European folding carton industry necessitate continuous rationalization and cost cutting measures. For this reason, Mayr-Melnhof Packaging concentrates its folding carton production on the most efficient sites with the aim of securing European cost leadership.

In line with this development, a decision was made in July 2001 to cease production at the Hermann Schött GmbH printing plant, located in Mönchengladbach, by the beginning of 2002. Order volumes will be transferred to the other German MMP-facilities. A social plan affecting all 50 employees was finalized.

Performance Indicators Packaging

(US GAAP, unaudited)

(in EUR millions)	1-6/2001	1-6/2000	+/-
Sales ¹⁾	249.3	226.2	+10.2%
Operating profit	16.0	13.9	+15.1%
Operating margin	6.4%	6.1%	
Tonnage processed (in thousands of tons)	165	162	+1.9%
Employees	2,802	2,780 ²⁾	

¹⁾ incl. interdivisional sales

²⁾ as of December 31, 2000

Outlook/MM Shares

Outlook– 2nd half-year 2001

Due to recent economic forecasts, a weakening of demand can be expected during the second half-year, and particularly in the Western European markets.

As the decrease in cartonboard customers' inventories has come to a halt, cartonboard demand until year-end will largely depend on economic conditions.

At approximately 60,000 tons in mid-August, the Cartonboard Division's order backlog remained at a low level. Therefore, Mayr-Melnhof will continue to adapt cartonboard production to demand by taking downtime similar to that of the second quarter. Until recently, short-time work could be avoided, although it cannot be ruled out as a possibility for the remaining six months.

From a current perspective, stable prices can generally be expected on the procurement markets. The goal is to therefore hold Western and Eastern European cartonboard prices steady.

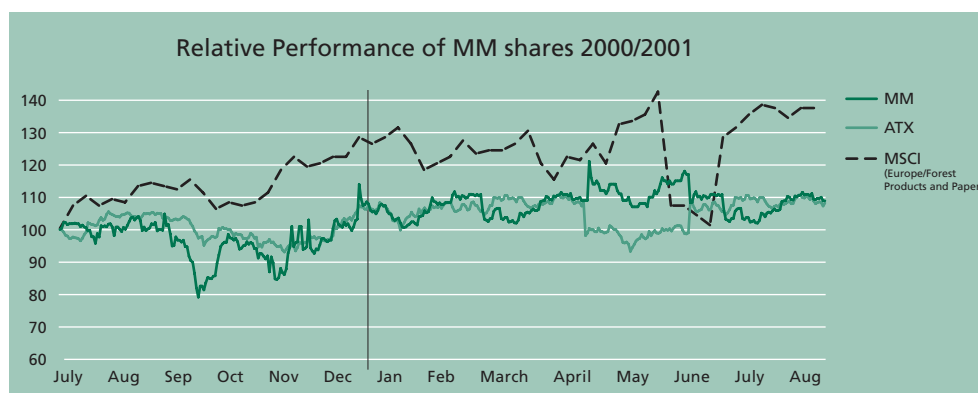
The slowing economy is expected to affect demand and utilization within the Packaging Division.

Due to a decrease in cartonboard demand and further downtime in the Cartonboard Division, the Group's operating profit in the second half-year 2001 will fall below that which was seen in the first half-year.

Altogether, very satisfactory results can currently be expected for the 2001 year.

***The Management Board of
Mayr-Melnhof Karton AG***

Mayr-Melnhof Shares



Share price (closing price)	as of August 16, 2001	EUR 54.00
	High 2001	EUR 56.50
	Low 2001	EUR 45.97
Number of shares outstanding		12,000,000
Market capitalization		EUR 648.00 million

Share Repurchase Program

Since March 19, 2001, Mayr-Melnhof Karton AG has been purchasing own shares within a share repurchase program which remains valid until November 24, 2001. Until June 30, 2001, 199,852 shares – equivalent to 1.67 % of the Company's capital stock and approximately 16.65 % of the maximum repur-

chase volume were purchased at a total cost of EUR 10.37 million. The average purchase price amounted to approximately EUR 51.91. At the seventh ordinary Shareholders Meeting, held on May 22, 2001, the authorization to repurchase shares until November 23, 2002 was given to the Management Board of Mayr-Melnhof Karton AG.

Results for the first three quarters of 2001 will be released November 20, 2001

Group Key Indicators (US GAAP, unaudited)

(consolidated in EUR millions)	1-6/2001	1-6/2000	+/-
Statement of Income			
Sales	558.9	527.0	+6.1%
EBITDA	111.7	91.2	+22.5%
in % of sales	20.0%	17.3%	
Operating profit	70.6	55.5	+27.2%
Operating margin	12.6%	10.5%	
Net interest expense	(1.1)	(2.5)	
Other (including equity income) - net	5.2	(0.3)	
Income before income taxes and minority interests	74.7	52.7	+41.7%
Income taxes	(25.6)	(18.8)	
Net income	48.5	33.0	+47%
in % of sales	8.7%	6.3%	
Basic and diluted earnings per share (in EUR)	4.04	2.75	
Cash earnings	86.5	71.6	+20.8%
in % of sales	15.5%	13.6%	
Capital expenditures (in property, plant and equipment)	24.6	31.3	
Depreciation and amortization	35.9	36.0	
	June 30, 2001	Dec 31, 2000	
Employees	5,287	4,961	
Balance Sheet			
Current assets	524.6	485.8	
Total assets	1,108.8	1,050.5	
Capital stock	87.2	87.2	
Stockholders' equity	538.2	520.2	
Total liabilities	570.6	530.3	
Balance Sheet Indicators			
Enterprise value	614.2	556.6	
Equity to total assets	48.5%	49.5%	
Net debt	(16.6)	(10.3)	
Profitability Indicators			
Return on equity ¹⁾	16.8%	13.4%	
Return on capital employed ¹⁾	26.8%	19.4%	

¹⁾ annualized

Quarterly Overview
Mayr-Melnhof Group (US GAAP, unaudited)

(consolidated in EUR millions)	II/2000	III/2000	IV/2000	I/2001	II/2001
Sales	272.3	275.4	275.9	277.8	281.1
Operating profit	28.1	28.7	20.0	36.9	33.7
Operating margin	10.3%	10.4%	7.2%	13.3%	12.0%
Net interest expense	(1.2)	(1.3)	0.4	(0.6)	(0.5)
Income before income taxes and minority interests	26.8	29.1	17.4	37.0	37.7
Income taxes	(9.5)	(9.5)	(2.7)	(13.0)	(12.6)
Net income	16.9	19.0	14.7	23.6	24.9
in % of sales	6.2%	6.9%	5.3%	8.5%	8.9%
Basic and diluted earnings per share (in EUR)	1.41	1.58	1.23	1.97	2.07

Divisions (US GAAP, unaudited)

(in EUR millions)	II/2000	III/2000	IV/2000	I/2001	II/2001
Cartonboard					
Sales ¹⁾	181.5	175.4	178.2	177.5	181.5
Operating profit	20.9	19.3	11.5	29.3	25.3
Operating margin	11.5%	11.0%	6.5%	16.5%	13.9%
Tonnage produced (in thousands of tons)	319	319	283	311	308
Packaging					
Sales ¹⁾	116.0	126.1	124.8	127.0	122.3
Operating profit	7.2	9.4	8.5	7.6	8.4
Operating margin	6.2%	7.5%	6.8%	6.0%	6.9%
Tonnage processed (in thousands of tons)	84	78	80	87	78

¹⁾ incl. interdivisional sales

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