Annual Report **2000**

KARTON AG

Overview Mayr-Melnhof Group

consolidated (in millions of EUR)	**2000**	1999	+/–
Consolidated sales	1,078.3	906.6	+18.9%
EBITDA	172.5	151.6	+13.8%
Operating profit	104.2	80.4	+29.6%
Income before income taxes and minority interests	99.2	76.5	+29.7%
Net income	66.7	45.4	+46.9%
Cash earnings	145.1	130.8	+10.9%
Return on equity	13.4%	9.9%	
Operating margin	9.7%	8.9%	
Return on capital employed	19.4%	15.2%	
Stockholders' equity	520.2	474.6	
Total liabilities and stockholders' equity	1,050.5	1,023.3	
Capital expenditures (in property, plant and equipment)	70.3	74.9	
Depreciation and amortization	69.9	70.2	
Employees	4,961	5,077	
Basic and diluted earnings per share (in EUR)	5.56	3.78	
Dividend per share (in EUR)	1.65	1.55	

Contents

Foreword by the Chairman of the Management Board

Dear Shareholders,

For the year 2000, we set forth, communicated and achieved very ambitious targets. A great deal of courage and motivation as well as a strong will were required in order to remain the "best in business". On behalf of my colleagues of the Managing Board, I would like to warmly express my gratitude to all employees of the Mayr-Melnhof Group for their high level of performance, whereby this success was made possible. We would also like to thank our shareholders for the great amount of trust and confidence they placed in the decisions taken by management.

Due to positive European economic conditions, the Mayr-Melnhof Group enjoyed unexpected high demand for cartonboard and folding cartons in the financial year 2000. This allowed for the high utilization of capacity created by investments in recent years. However, during the fourth quarter, the Cartonboard Division experienced a distinct decline in new orders owing to the increased de-stocking by cartonboard customers. It was therefore appropriate to adapt production to market conditions by closing down all recycled cartonboard machinery from mid-December until the end of the year. Despite the closure of the Colthrop Board Mill and market-related production standstills in the Cartonboard Division, new record manufacturing levels were achieved in both divisions.

In connection with the high demand, prices of major raw materials used in the production of cartonboard and folding cartons rose drastically, necessitating cartonboard price increases at the beginning of April and July. Although fiber prices noticeably decreased in September, there has been no relief on the procurement front, owing to the sharp increases in energy costs, coating chemicals, transportation and packaging. This has resulted in the necessary stabilization of European cartonboard prices.

Best Company results so far - dividend increases

A distinct increase in performance, the rapid adjustment of selling prices to the trend in raw materials costs and the consistent implementation of cost-reduction measures all contributed to the most successful year in Mayr-Melnhof Group history. I am particularly pleased to report that this improvement was made possible by a convincing contribution from both divisions. ROCE and ROE, at 19.4 % and 13.4 %, reached the upper tier of our targeted corridors (10-20 and 8-13 %, respectively).

In consideration of these excellent results and our dividend policy which over the long-term visualizes a distribution of approximately one-third of the consolidated annual net income, the Managing Board will propose an increase in the dividend from EUR 1.55 to EUR 1.65 per share.

Despite a continuous information flow to shareholders and increased transparency in connection with the reporting switchover to US GAAP, the price of Mayr-Melnhof shares did not reflect the success achieved during the year. It did, however, clearly outperform comparable companies on the stock market and sector indices.

MM remains on course

The significant increase in Mayr-Melnhof Group results since our initial public offering clearly illustrates that Mayr-Melnhof is well positioned and that our strategy has created economically convincing potential for the future.

We shall therefore continue to operate as a “pure player” in the production of cartonboard and folding cartons and to fully concentrate our efforts on the further development of these two segments. By employing state-of-the-art technology and optimizing logistics, we are in the position to optimally supply our customers. Our primary objective is to always remain the “best in business”. With rigorous market observations, we therefore continue to invest in our mills and equipment according to ambitious profitability targets, although such investments in the medium-term would not exceed 50 % of cash earnings.

We are convinced that increases in efficiency and sustained improvements are only possible by corresponding incentive and development programs for our employees. In our Group of companies, we therefore promote active involvement by offering performance-related remuneration and corresponding training and development programs.

Good starting position for e-commerce

With the introduction of new information systems and the standardization of our business processes, we have created a solid basis for future e-commerce solutions. Mayr-Melnhof will act quickly with regards to this opportunity, directly increasing communication capabilities with our customers. In April 2001, all relevant cartonboard sector data will be made available online to our customers, and in 2002 we will introduce online transactions. The Packaging Division has participated in a platform for multinational producers of consumer goods and will be involved in the development of an e-supply chain. Our e-commerce endeavors aim to increase the range of services offered to our customers as well as reduce our transaction costs.

Positive prospects for 2001 - growth course will continue

The beginning of 2001 was characterized by a more cautious demand for cartonboard but with a good level of activity in folding carton production. In view of the still positive economic environment in Europe and our competitive cost structure, we currently expect a satisfactory result and a good level of demand in 2001.

Consolidation within our sector will continue in the coming years while globalization, understood as local production for worldwide customers, will become more important. For this, we are well-equipped and maintain all of the necessary resources at our disposal. The parameters for further growth appear particularly favorable at present. Mayr-Melnhof will therefore continue to consistently pursue its expansion strategy, while placing priority in maintaining our earnings power.

I express my thanks for your confidence and would be very pleased if you would continue to accompany us on our way into an exciting future.

Michael Gröller,
Chairman of the Managing Board

Vienna, March 2001

Board members

The Management Board

Chairman

Michael Gröller

Vienna

Vice-Chairman

Alfred Fogarassy

Vienna

Member of the Management Board

Wilhelm Hörmanseder

Vienna

The Supervisory Board

Chairman

Carl Anton Goess-Saurau

Frohnleiten

Vice-Chairman

Friedrich Mayr-Melnhof

Grödig

Vice-Chairman

Romuald Bertl

Graz

Board Members

Gerhard Glinzerer

Vienna

Clemens Goess-Saurau

London

Delegate of the European Staff Council of the Mayr-Melnhof Cartonboard Division

Manfred Grundauer

Frohnleiten

Delegate of the European Staff Council of the Mayr-Melnhof Cartonboard Division

Hubert Esser

Neuss

Delegate of the Staff Council of the Mayr-Melnhof Packaging Division

Gerhard Nowotny

Vienna

Since April 1994, Mayr-Melnhof shares have been listed on the Vienna Stock Exchange under “consecutive trading”. In April 1999, Mayr-Melnhof shares began trading in the ATX Segment, where a ”Specialist Market Maker” gives a particular commitment regarding spread and size in connection with pricing. Furthermore, Mayr-Melnhof shares are listed on the SEAQ (Stock Exchange Automated Quotation) in London, as well as in a Level 1 ADR program (symbol: MNHFY) with the Bank of New York. Since November 5, 1999, the Xetra® system has been adapted as the trading platform for all shares on the Vienna market.

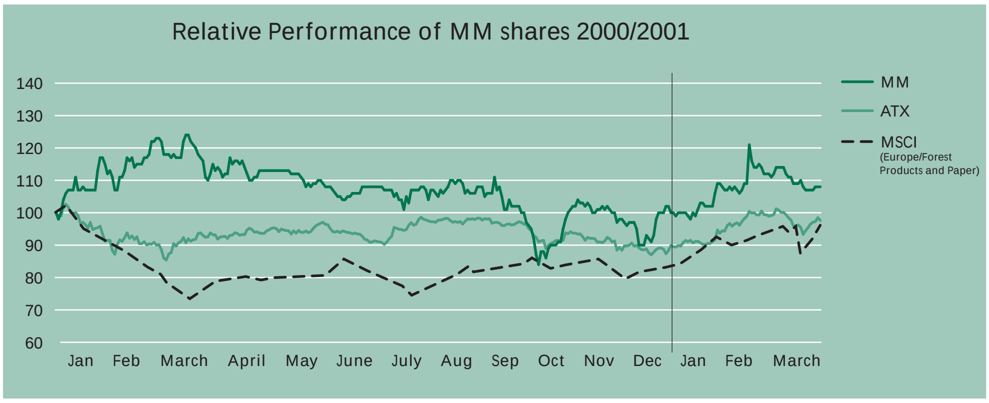
Mayr-Melnhof’s weighting in the ATX was approximately 2.6 % at the end of 2000. Since January 29, 2001, the calculation of index weighting has been complemented by a free-float factor and a representation factor and is therefore no longer based solely upon market capitalization.

The representation factor aims to limit the maximum weighting of a security quoted in the ATX to 20 %. These changes proved to be beneficial for the Mayr-Melnhof share, whose weight in the ATX at the beginning of April 2001 was 2.82 %.

In line with generally lower trading volumes in 2000, the average daily turnover of MM shares at 46,000 shares, equivalent to EUR 2.3 million, was significantly lower than in the previous year (69,000 shares; EUR 3 million). However, Mayr-Melnhof shares were again among the most heavily traded securities on the Vienna Stock Exchange.

Performance

In the year 2000, developments on the international stock exchanges were characterized, particularly during the second half of the year, by the anticipation of a worldwide slow-down in economic growth. With a yearly performance

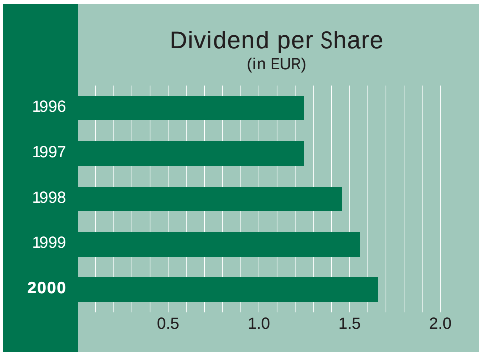


of +2.1 %, the Mayr-Melnhof shares were able to assert their position both on a national and an international level. At the end of 2000, the MSCI industry index fell 1.6 % below the previous year's level. At 1,703.3 points, the ATX closed 10.4 % below last year's level. By comparison, the DJI decreased by 6.2 %, the DAX by 7.5 %, and the FTSE by 10.2 %.

Following the confirmation of results forecasted for 1999, the price of Mayr-Melnhof shares on March 17, 2000, at EUR 58, reached its annual high. After a decrease to approximately EUR 51 at the end of March, the share price remained unchanged until mid-October, only to be interrupted by a notable downturn resulting from general uncertainties regarding the economic situation. A significant recovery was however realized at the beginning of 2001 when the preliminary results for 2000 were published.

Dividend

At the 7th Ordinary Meeting of Shareholders for the financial year of 2000, the Management Board of Mayr-Melnhof Karton AG will propose a dividend distribution totaling EUR 19.8 million (1999: EUR 18.6 million). This represents EUR 1.65 per share, as compared to EUR 1.55 in the previous year. Based upon the average market price in 2000, this results in a 3.3 % dividend yield. Over the long-term, Mayr-Melnhof pursues a dividend policy with the objective of distributing a dividend equal to approximately one-third of the consolidated annual net income.



Shareholder structure

The share capital of Mayr-Melnhof Karton AG totals EUR 87,240,000 and is divided into 12,000,000 no-par shares. Approximately 40 % of these are free-float shares, held principally by institutional investors in the United States and Great Britain, as well as by institutional and private investors in Austria. Approximately 60 % of the shares are family-owned.

Authorization for share repurchase

By a unanimous resolution at the 6th Ordinary Shareholders' Meeting on May 24, 2000, the Management Board was authorized for a period of 18 months to buy-back and resell own shares of up to 10 % of the Company's capital stock.

	2000	1999
Stock Price per Share (in EUR)		
High	58.00	47.79
Low	39.30	36.00
Year-End	46.96	46.00
Stock Performance		
– 1 month	+3.6%	+11.1%
– 3 month	–2.2%	+10.5%
– 9 month	–12.0%	+12.2%
Relative Performance (year-end)		
MM shares	+2.1%	+15.5%
ATX	–10.4%	+6.9%
MSCI (Euro/Forest Products & Paper)	–1.6%	+62.4%
Share Performance Indicators (in EUR)		
Earnings per share	5.56	3.78
Cash earnings per share	12.09	10.90
Equity capital per share	43.35	39.55
Dividend per share	1.65[1]	1.55
Dividend (in millions of EUR)	19.80[1]	18.60
Dividend yield per average share price	3.3%[1]	3.6%
Trading Volume		
SeaQ (London) (in EUR)	700,663	1,115,057
Vienna Stock Exchange (in EUR)	2,307,999	3,007,094
Number of shares outstanding	12,000,000	12,000,000
Free float	4,800,000	4,800,000
Market capitalization (in millions of EUR)	564.0	552.0
ATX weighting	2.61	2.48

[1] proposed

Investor Relations

The objective of our Investor Relations activities is directed at providing current and comprehensive information, thus enabling each shareholder, financial analyst and potential investor a practical assessment regarding the Group's strategic position and ongoing development. The pursuit of an open and personal communication policy by Mayr-Melnhof Karton AG aims to maintain confidence from the financial community.

Over the course of the year, institutional investors and financial analysts were informed in detail as to the results and developments of the Company through a large number of One-on-Ones, as well as several international conferences. In addition, Road Shows focusing on the presentation of the Mayr-Melnhof Karton AG took place at the major financial centers in Europe. Following the publication of the annual and half-year results, press conferences and international "Conference Calls" were arranged.

The Annual General Meeting and optional company presentations provide our private shareholders with the opportunity to strengthen their contact with the Mayr-Melnhof Group.

Shareholders' Club

All registered shareholders in our Shareholders' club and interested investors receive our company reports via mail on a regular basis and are invited to company presentations, taking place primarily in connection with major new developments. The Shareholders' Club is a service provided by Mayr-Melnhof Karton AG free of charge. Membership applications are welcomed by our Investor Relations department at any time.

www.mayr-melnhof.com – access increased

Since the launch of our new web-site in March 2000, the number of visits to our on-line information pool has significantly increased. This new site to an even greater extent, takes into account the information requirements of different interest groups, and in addition contains links to the individual web-sites of our divisions. Specifically developed contact forms are regularly used for communication and as a means of ordering company publications. An e-mail server provides all known interested parties with up-to-date facts and figures via a state-of-the-art information medium.

Highlights:

- *Double-digit growth rates in sales and operating profit*
- *Lively demand from Europe in the first three quarters*
- *Reduction of customer inventory levels in the fourth quarter – production adjusted in mid-December*
- *Closure of Colthrop Board Mill – majority of volume maintained*
- *Increased efficiency, full capacity utilization and successful implementation of cartonboard price increases compensated for the drastic rise in raw materials costs*
- *Considerable increase in productivity – production reaches new peak*

The Cartonboard Division is the world's largest producer of recycled cartonboard. With a market share of approximately 30 %, Mayr-Melnhof is also the European market leader. Annually, a total of 12 cartonboard machines located in seven European mills produce approximately 1.3 million tons of cartonboard – 90 % of which is produced on the basis of recycled fiber. Accounting for 69 % of the Group's operating profit and 56 % of the consolidated sales in the year 2000, the Cartonboard Division once again represents the larger part of the Group in terms of income and sales. Constant increases in efficiency, continued utilization of synergies, and a wide array of innovative services for our customers are aimed at further strengthening our competitive position. The goal is to further expand, by means of acquisitions, within the cartonboard sector in the coming years.

An increase in the operating profit of EUR 12.6 million (+21.1 %), to EUR 72.4 million, and sales revenues amounting to EUR 701.3 million (1999: EUR 588.0 million), led to the Cartonboard Division's most successful year. Based upon the positive economic conditions in Europe, a total of 1.265 million tons of cartonboard was sold. This represents an overall increase of 5 % with Eastern Europe recording a 39 % increase and realizing the highest growth rate. Rapid price increases for fiber and all raw materials dependent on oil prices necessitated two significant cartonboard price increases. The decline in waste paper prices at the end of the summer was accompanied by significant increases in energy costs, coating chemicals, packaging and transportation. This resulted in the necessary stabilization of cartonboard prices until the year

2001. Due to marked increases in productivity, and despite the closure of the Colthrop Board Mill and production downtime in the second half of December, a record 1.25 million tons of cartonboard was produced. All mills were operating at full capacity during the first eleven months of the year. The order-backlog, with an annual average of 115,000 tons, was 50 % higher than in the previous year. However, the Cartonboard Division experienced a significant drop in the number of new orders due to reductions in customer inventory levels at the end of the fourth quarter. In order to achieve a balance between supply and demand, 50 % of the Division's capacity was shut down during December.

Market development

Throughout the last five years, the volume of cartonboard sold by European cartonboard mills, in respect to recycled and virgin fiber cartonboard, increased by an average of 2.4 % per year. With an increase of approximately 4.5 % in 2000 (1999: 4.5 %), recycled cartonboard once again rose above this long-standing average. In the next 5 years, we expect to return to an increase which parallels economic growth. Despite the apparent economic slow-down, Asia is to be regarded as a growth market on a medium and long-term basis, for which we expect an annual growth of 4-5 % within the next five years.

As has been the case over the last two years, the trend towards a balance between recycled and virgin fiber cartonboard continued during 2000. Worldwide, recycled cartonboard accounts for approximately 55 % of total cartonboard production. The primary advantage of recycled cartonboard lies in its price-value relationship. Approximately 60 % is utilized in food and 40 % in non-food applications.

Closure of the Colthrop mill, further recycling companies sold off

The continual strengthening of the British Pound over the last several years has led to intense and destructive competition on the British cartonboard market due to a strong increase in cartonboard imports from Euro countries. The drop in GBP cartonboard prices and the disproportionately high investment costs provided the basis by which production in Great Britain was no longer economically feasible. As a result, the Colthrop mill was closed at the end of July 2000. Through continued modernization and improvements in efficiency, sufficient

Divisional Indicators Cartonboard

(in millions of EUR)	2000	1999	+/–
Sales	701.3	588.0	+19.3%
EBITDA	115.6	107.3	+7.7%
Operating profit	72.4	59.8	+21.1%
Cash earnings	97.7	96.6	+1.1%
EBITDA margin	16.5%	18.2%	
Operating margin	10.3%	10.2%	
Cash earnings margin	13.9%	16.4%	
Return on capital employed	21.3%	17.1%	
Capital expenditures (in property, plant and equipment)	44.7	49.4	
Depreciation and amortization	43.3	45.2	
Employees	2,181	2,416	

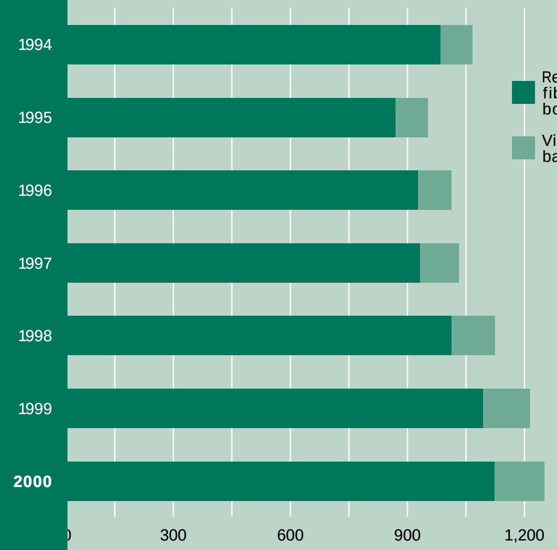
(in thousands of tons)	2000	1999
Tonnage processed	1,250	1,214
Recycled fiber based board	1,123	1,093
Virgin fiber based board	127	121
Tonnage sold (in thousands)	1,265	1,208
Capacity utilization	97%	98%

Mill overview

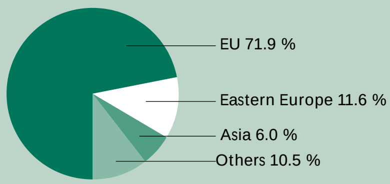
(in tons)	Products	Capacity 2001
Frohnleiten Mill (A)	GD, GT, Liner	400,000
Hirschwang Mill (A)	GD, GT, (GK)	75,000
Neuss Mill (D)	GD, GT, Liner	285,000
Baiersbronn Mill (D)	GC, (GD1)	65,000
Deisswil Mill (CH)	GK, GD, GT, GC	165,000
Eerbeek Mill (NL)	GD, GT, GC	135,000
Kolicevo Mill (SLO)	GD, GT, Liner, GC	175,000

GD: coated white lined chipboard (gray backside)
GT: coated triplex board (lighter backside)
GC: coated chromo board
GK: gray board

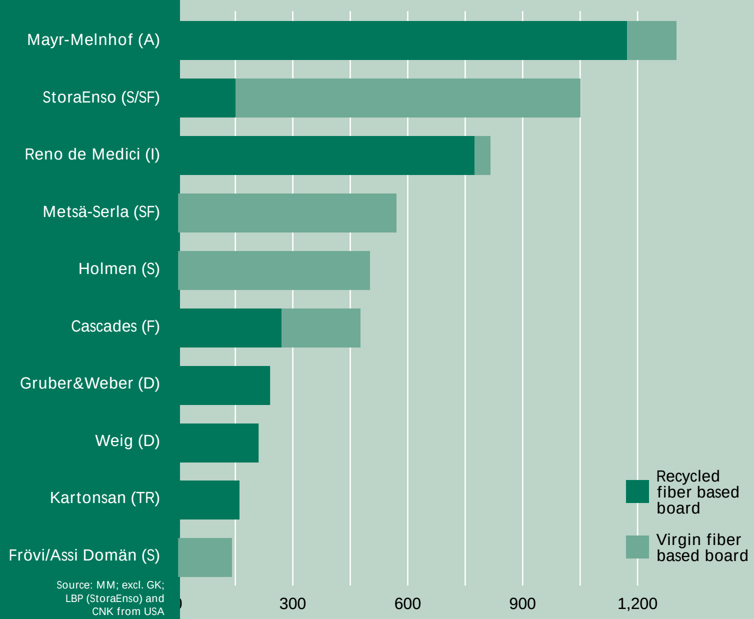
Tonnage produced
in thousands of tons



Sales by destination

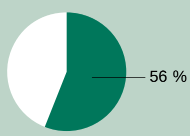


European Top 10 producers
of coated board
Capacity in thousands of tons

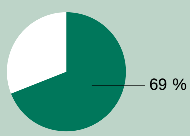


Source: MM; excl. GK; LBP (StoraEnso) and CNK from USA

Percentage of Group sales



Percentage of Group operating profit



capacities for the supply of cartonboard in Great Britain were generated at the remaining board mills. In agreement with the regular customers, a substantial amount of the business was transferred to the other mills. A social plan was established for the employees affected by this measure.

At the end of July 2000, the five locations of MM-Recycling UK Ltd. were sold. Together with the sale of two German recycling enterprises, Holz GmbH and Preiß GmbH, the departure from the recycling segment which began in 1998 was essentially completed. Long-term supply contracts and strategic stocks ensure the continued supply of all cartonboard mills.

Rebuilding work at Kolicevo and Neuss

Investments in 2000 centered upon the reconstruction of cartonboard machine III at the Kolicevo mill and cartonboard machine V at the Neuss mill. At Kolicevo, work was focused upon the installation of a new drive, thus enabling the speed to double, the implementation of a brokeline and the modernization of the wet-end section. At Neuss, investments concentrated primarily on the installation of a shoe press aiming to further improve the quality and output of the mill.

Reinforcing international marketing units

Market requirements necessitating quick decision making at particular locations led to a new approach with regards to organizational structure and operational structure as well as the transfer of some decision making to marketing companies. The goal is to increase the degree of services by establishing only one contact point (one-stop-shopping) for all mills. In the past year, the restructuring of the marketing office in Germany – the most important market with a sales volume of over 250,000 tons – was completed. Further optimizations are to follow in France and England.

E-commerce – MM-community

In the near future, we are offering our customers comprehensive, demand-oriented information through established workplaces – the “MM-community” – which will provide speedy information around the clock. This new service will accelerate information flow, reduce transaction costs and intensify cooperation. The Cartonboard Division does not intend to participate in trade-specific e-marketplaces. In 2002, Internet transactions shall be possible.

Highlights:

- *Significant result improvement*
- *Substantial increases in productivity*
- *Successful rationalization and optimization activities*
- *Cartonboard price increases passed on*
- *Full implementation of supply contracts with multinational key clients*
- *Capacities of Eastern European locations doubled*

The Packaging Division is Europe's leading producer of folding cartons. In the year 2000, approximately 320,000 tons of cartonboard were processed for the manufacture of high-quality packaging solutions at 18 sites, predominantly supplying multinational manufacturers of branded products. The Packaging Division has grown rapidly in recent years, contributing approximately 44 % of consolidated sales and 31 % of the Group's operating profit in 2000. In the highly competitive folding carton market, the degree of client orientation is essential. Consequently, we aim to offer our clients significant added-values such as cooperative cost-cutting programs in the context of supply chain management as well as the extensive pursuit of innovative solutions. A continuous improvement in productivity, site optimization activities and cost-cutting measures - using a uniform IT platform - should further enhance the favorable cost positioning and profitability of the Packaging Division.

The Packaging Division produced its best ever result in the year 2000 and reported an operating margin of 6.7 % (1999: 5.3 %). Despite strong cartonboard price increases, this attractive margin could be accomplished by successfully adjusting folding carton prices under positive financial conditions, together with the continuous execution of cost-cutting and optimization measures. The operating result rose significantly by 54.4 % to EUR 31.8 million. Sales, at EUR 477.1 million, were 22.2 % above last year's figure. As supply contracts with multinational key clients were fully implemented, the tonnage processed surpassed the previous year's figure by 10 % to 320,000 tons. In Eastern Europe, it was possible to increase sales in the high-quality cigarette and confectionery packaging segment.

Market development

The European folding carton market parallels the overall economic development and exhibited a growth of approximately 2 % in the year 2000. Within Europe, Spain and Eastern Europe in particular experienced above-average growth rates. Consolidation within the industry continued during 2000, where large corporate groups from outside Europe represented a majority of the acquirers. For 2001, consistent satisfactory demand from Western Europe and further growth in the Eastern European marketplaces is expected.

In recent years, folding carton applications have been able to reinforce their position against alternative types of packaging. Their primary advantages include high product differentiation and strengthening the value of the packaged good. Considering this trend, Mayr-Melnhof Packaging concentrates on innovative packaging solutions.

In 2000, the use of digital printing in the folding carton sector has given Mayr-Melnhof Packaging the ability to expand its product range into the growing market of test and minimum runs, which are primarily used for advertising and promotional purposes.

Supply Chain Management (SCM) – e-commerce

Procuring business from multinational manufacturers of branded products not only requires continuous innovation, but also increasingly demands the use of supply chain management programs. To allow for this development, Mayr-Melnhof Packaging has adopted a strategic alignment for the next few years by concentrating on the implementation of cost-reduction projects which focus on exploiting the potentials of the value-added chains (e.g. purchasing, logistics, administration, etc.). As a component of its supply chain management activities, Mayr-Melnhof Packaging places priority in the standardization of industrial processes and planning systems using Baan as its integration software as well as in data networking via electronic marketplaces.

Divisional Indicators Packaging

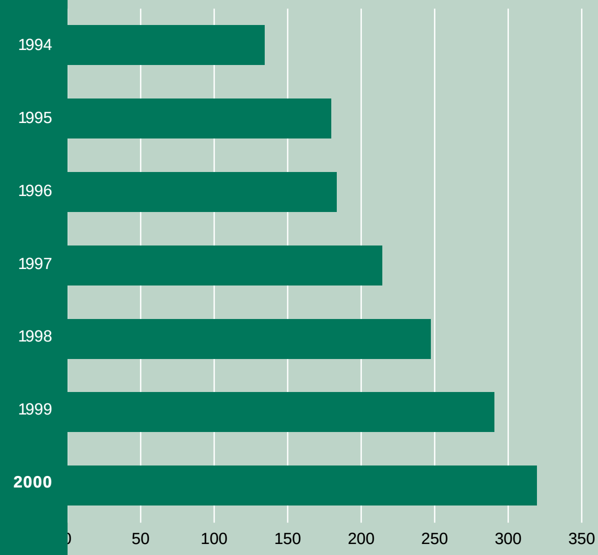
(in millions of EUR)	2000	1999	+/–
Sales	477.1	390.4	+22,2%
EBITDA	56.9	44.3	+28,4%
Operating profit	31.8	20.6	+54,4%
Cash earnings	47.4	34.2	+38,6%
EBITDA margin	11.9%	11.3%	
Operating margin	6.7%	5.3%	
Cash earnings margin	9.9%	8.8%	
Return on capital employed	16.0%	11.3%	
Capital expenditures (in property, plant and equipment)	25.6	25.5	
Depreciation and amortization	26.6	25.0	
Employees	2,780	2,661	

(in thousands of tons)	2000	1999
Tonnage processed	320	291

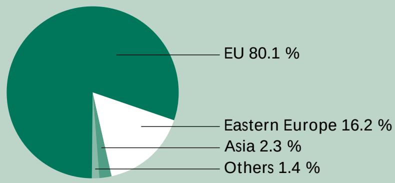
Facility overview

(in tons)	Processing capacity
MM Packaging Austria (A)	37,000
Neupack (A)	27,000
E. Schausberger (A)	12,000
Behrens Alfeld (D)	28,000
Behrens Berlin (D)	2,000
C.P. Schmidt (D)	33,000
Caesar (D)	51,000
MM Packaging Trier (D)	24,000
Hermann Schött (D)	4,000
MM Packaging France Moneteau (F)	23,000
MM Packaging France Seignelay (F)	12,000
Copacarton (F)	3,000
MM Packaging UK (Liverpool, Deeside; GB)	67,000
Neupack Polska (PL)	8,000
Wall MM Gravure (PL)	4,000
Neupack Hungaria (HUN)	9,000
MM Packaging Romania (RO)	6,000

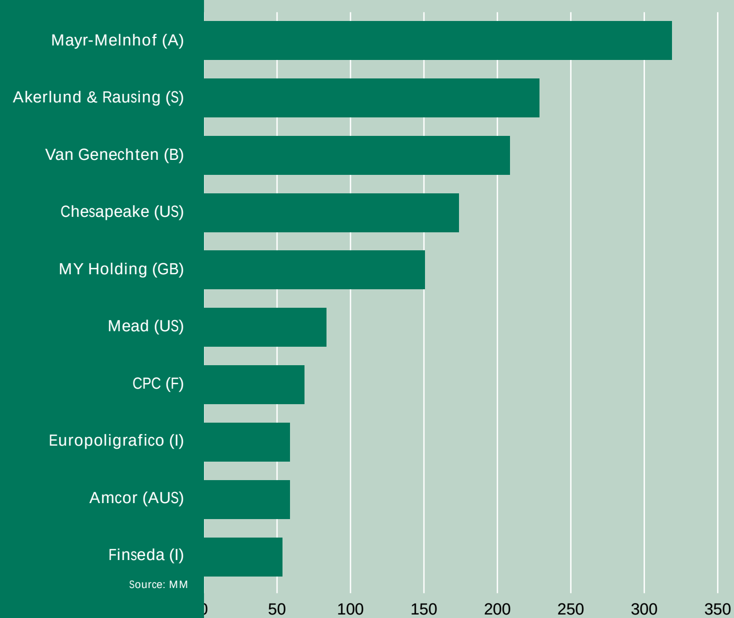
Tonnage processed
in thousands of tons



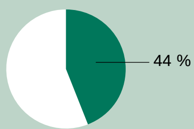
Sales by destination



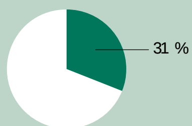
European Top 10
Folding Carton Producers
Tonnage processed in thousands of tons



Percentage of Group sales



Percentage of Group operating profit



In December 2000, Mayr-Melnhof Packaging became a member of CPGmarket.com (Consumer Packaged Goods), the first European B2B Internet marketplace for the consumer goods industry.

The SCM strategy aims to reduce transaction costs and optimize business processes within the European-wide supply chain.

Expansion of high-performance sites in Western Europe and capacity doubled in Eastern Europe

Year 2000 investments in Western Europe were principally focused upon the installation of high-performance printing and cutting machines at MMP Austria and MMP UK as well as the commissioning of the digital preprint stage at the Trier cigarette packaging facility in Germany. Capacities were doubled in both Polish facilities and in the Romanian plant due to the use of machines previously operated in Western European facilities.

Site optimization activities concentrated on the merger of the two production facilities in Vienna to form a single high-performance location. For the employees affected by this measure, a social plan was established. Upon purchase of the remaining shares in the two French MMP sites, a one hundred percent holding was acquired.

Satisfactory development of strategic partnerships

Close supply relationships experienced further advantageous development for both sides in 2000.

After high start-up costs in the previous year, the supply contract with Kellogg Europe was for the first time fully implemented in the year 2000 following a transition phase which began in 1998. The annual volume of approximately 60,000 tons represents more than one billion folding cartons.

Due to the favorable sales conditions, the contracted volume with Japan Tobacco International (JTI) was exceeded. Under a long-term commitment, our strategic partnership with JTI will be further intensified by the implementation of the digital preprint stage (computer to plate) as well as by the planned expansion in rotogravure printing and the enlargement of the packaging facilities in Eastern Europe.

The Mayr-Melnhof Group profile is characterized by the expertise and commitment of our employees, who provide the basis for our long-term success. Consequently, we strive to achieve a corporate culture which is highly attractive to the most talented individuals.

In accordance with the philosophy of a decentralized organizational structure, we are shifting the cost and performance responsibilities, if determined appropriate, to the respective areas. This facilitates highly identifiable tasks and ensures the provision of rapid and efficient on-site service. This principle is not restricted to our management personnel, but applies to all employees. Because it is only possible to secure an environment in which potential, motivation and performance can be developed if all individuals consider themselves a crucial component of the Group.

At Mayr-Melnhof, result and performance-related management compensation plans have proven their effectiveness and will be continued. The variable proportion of income in some cases exceeds 50 % of total income and is dependent upon achieving individually established targets. In addition to management bonuses, premium payments for all employees have been settled in several companies.

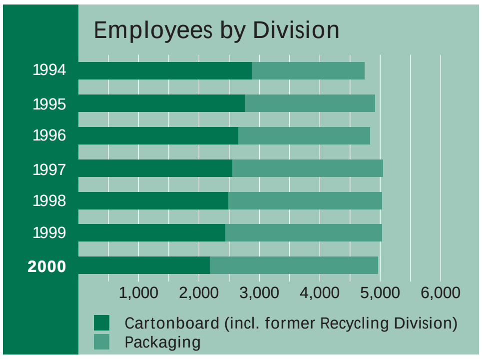
The developing marketplace and the rapid pace of technological change have increased the level of demand on individual employees. This necessitates a high level of expertise, additional qualifications and a willingness to actively participate in change. Accordingly, there has been considerable expansion in the refresher training and retraining programs offered within the Mayr-Melnhof Group. Emphasis has currently been placed upon the use of the internal information systems, which enable an expanded range of services.

Participation for the first time in Austria's leading career fair has led to closer ties with Austrian universities and was exploited in order to secure the services of the new generation of qualified specialists and management employees. Follow-up planning at Mayr-Melnhof includes the training of apprentices, a matter which has been given high priority for many years. In the year 2000, an average of 128 apprentices were trained.

Moreover, the filling of key positions with employees from within the Company has proven very successful and will be continued. In order to facilitate the accessibility of “available jobs”, external job descriptions have also been published on the internet.

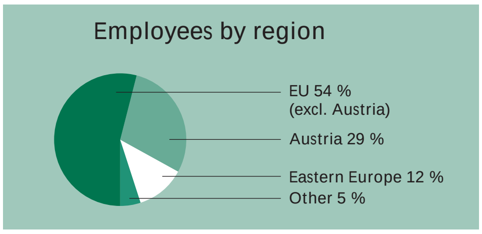
Development in workforce figures

As of year end, 4,961 (1999: 5,077) employees were employed within the Mayr-Melnhof Group. This slight decline in comparison to the previous year primarily results from the closure of the Colthrop Board Mill and the sale of the English and German recycling operations.



40.6 % of value added for employees

During 2000, EUR 140.0 million or 40.6 % of the net value-added of EUR 344.8 million was allocated to employees in the form of net wages and salaries. EUR 34.7 million can be attributed to the payment of income tax. A further 17.9 % of the net value-added (EUR 61.6 million) went toward social security contributions.



A word of thanks to all employees

The Management Board would like to take this opportunity to thank all employees for their tremendous personal commitment and their considerable efforts which have enabled such an excellent result in 2000. The Board is also grateful to local and European employee representatives for their trustworthy, helpful collaboration.

All products manufactured by the Mayr-Melnhof Group meet the high development standards demanded by the market. The R&D activities in both divisions therefore focus upon special products aimed at opening up new applications. In the year 2000, approximately 53 staff members were employed in this sector. Expenditures on research and development amounted to nearly 1 % of Group sales.

In the **Cartonboard Division**, continuous technological improvements have increased the cartonboard quality with regards to printability, structural strength, surface smoothness as well as the consistent quality of these characteristics. Currently, recycled cartonboard is at a level of quality comparable to virgin fiber cartonboard and can be used in an increasing number of applications. The research laboratories at the individual production locations and the Central Laboratory in Frohnleiten are constantly striving to improve cartonboard qualities in order to meet the requirements of existing and potential customers.

Key innovations which took place in the Cartonboard Division during the year 2000 included the optimization of high-quality Triplex cartonboard for food packaging by substituting the use of optical brighteners. The first attempts to produce highly absorbent recycled cartonboard represent an interesting alternative to the virgin fiber product used today. Other key innovations include the optimization of “MM-Topliner” liner grades for the rapidly growing microflute sector and the expansion of “barrier cartonboard grades” at the Deisswil mill, which is primarily used in the pet-food packaging sector.

Mayr-Melnhof continues to work with a number of research institutes. In regard to cartonboard development, studies and tests were conducted on the creasability, flex resistance, cutting quality, smooth finish and barrier properties. Research work primarily included tests on the reduction of extractives and preparations for the introduction of HACCP (Hazard Analysis and Critical Control Points) in order for recycled cartonboard to meet this high standard set by the food processing industry.

Perfumed tissue packaging

For many years, research and development has been defined as a fundamental element of the **Packaging Division's** strategy. Innovation is understood to be a service function enabling customers to perceive a convincing differentiation of Mayr-Melnhof products on the market compared to competitors. Within the branded goods industry, this high demand for innovation primarily derives itself from the increasing dynamics of product cycles. The R&D performance spectrum of the Packaging Division extends from the creation and manufacture of innovative packaging solutions to the construction of packaging machinery.

Accomplishments in the year 2000 particularly concerned the increasing demand for packaging innovations such as shaped packs (formaStar) and multi-packs. In addition, perfumed packaging for tissues was successfully introduced in the market

Shaped packs formaStar

The ECMA prize "Best Carton of the Year" was awarded to Mayr-Melnhof Packaging for the development of a "System Solution" in the healthcare sector. In addition to the folding carton, this innovation also included the packaging technology and co-packing.

"Best Carton of the Year 2000"
Double-chamber packaging for two product components

For the year 2001, further developments which focus upon shaped packaging, digital printing, high-end applications (surface finishing, integration of objects), material innovation and machine systems are planned.

In consideration of our ”best in business” principle, the Mayr-Melnhof Group continually aims to achieve the highest environmental standards. With respect to comparable production locations in Europe, benchmarking exhibits the superior positioning of the Cartonboard Division, outperforming the weighted average or frequently holding the leading position in regards to nearly all specific measurement variables. For this reason, no further major environmental measures can be initiated on a Group-wide basis, and only location-specific optimization is possible. The use of state-of-the-art machinery in the Packaging Division ensures continuous improvement in environmentally relevant issues.

Environmental protection in the year 2000

(key projects in the Cartonboard Division)

Winter of 1999/2000: The Deisswil mill began to heat 60 dwelling units using waste heat from the compressors.

February: A catalytic converter system was commissioned for the reduction of NOx at the Deisswil mill. In Neuss (FS Karton), the DIP plant for processing low waste paper grades was commissioned.

April: A catalytic converter system was commissioned for the reduction of NOx at the Hirschwang mill.

May: A catalytic converter system was commissioned for the reduction of NOx at the Eerbeek mill. Solids in effluent were reduced by 30 % at the Hirschwang mill. At the Frohnleiten mill, emissions caused by the stretch foil plant were reduced by conversions in the equipment.

June: A roof was erected over the used materials storage facility in Frohnleiten.

July: The Eerbeek mill was certified according to ISO 14000/EMAS and in Deisswil the use of plastic balls to reduce odor emissions in the sewage plant exhibited initial effects.

August: The air brush was replaced in Neuss and as a result water consumption was reduced by 105,000m^3.

September: Sewage sludge from the Hirschwang mill has been composted and utilized rather than deposited. An energy management system was installed at the Frohnleiten mill.

October: The landfill water seepage monitoring system went into operation at the Baiersbronn mill.

December: The regeneration effluent was collected at the Hirschwang mill and processed through the sewage plant. At the Hirschwang and Eerbeek mills the energy management system began operation.

Fresh water consumption

Since its acquisition in 1998, the Kolicevo Karton mill in Slovenia has reduced its fresh water consumption from 22 to 13.8 l/kg. This is a major success with respect to achieving best values within the Cartonboard Division. In connection with the increases in efficiency during the year, the top values previously achieved at the Frohnleiten and Neuss mills were further improved upon.

New approaches in recycling

Due to several different production and cleaning processes in Mayr-Melnhof cartonboard mills, various residual materials arising out of production are recycled. The amount recycled depends on the type of material and local conditions. Where in the past a large proportion of slurry was deposited, alternative uses are now being applied. For example, the Neuss mill has been utilizing a large proportion of their slurry, and in some cases, the total volume in the cement industry. In Frohnleiten, the effluent and flotation slurry is homogeneously granulated and dried in an innovative process and used as a raw material in the building materials industry. At the Hirschwang mill, the slurry (mainly fiber and effluent slurry) has been composted and utilized rather than being deposited since September 2000.

Detailed information regarding environmental protection is provided in the current environmental statements of Frohnleiten, Hirschwang, and Eerbeek and can be obtained by calling (+43) 1 50 136 – 1180.

Management Discussion and Analysis
Consolidated Financial Statements

Contents

The financial statements of Mayr-Melnhof Karton Aktiengesellschaft prepared in accordance with Austrian GAAP were audited together with the management report by Unitreu Wirtschaftstreuhandgesellschaft m.b.H., Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and were approved without qualification. The financial statements have been submitted to the registrar of companies at the Vienna commercial court under registration number 81906a and will be published in the “Amtsblatt zur Wiener Zeitung” (Official Federal Gazette).

Management Discussion and Analysis

1. Positioning of the Mayr-Melnhof Group

The Mayr-Melnhof Group is the largest manufacturer of recycled cartonboard and folding cartons within Europe. Mayr-Melnhof's commercial activity is concentrated on these two core businesses, which are managed by two divisions, the Cartonboard Division and the Packaging Division. The Group's strategic goal is to strengthen its market leadership and secure competitiveness by pursuing overall cost efficiency, while simultaneously improving its products and processes.

With recent restructuring within the Group structure and healthy growth in the Packaging Division over the past few years, both divisions should continue to expand, through acquisitions and strategic alliances.

2. General economic situation

During the first half of 2000, positive international conditions were characterized by a strong economic climate in Western Europe. Eastern European economies sustained a recovery, especially Russia, and demand in Asia was strong. As worldwide demand for crude oil in the fall of 2000 increased, prices increased dramatically reaching more than USD 30 per barrel. At the same time, other heavily traded raw materials and crude oil derivatives increased in price. Following sluggish growth in the United States of America during the summer of 2000, hard economic conditions were anticipated for the second half of the year. In Europe, despite the fact that exports were aided by a weak Euro, there was also a decline in economic growth beginning in the second half of the year.

3. Sector development

The European demand for consumer goods far exceeded expectations for the year 2000 both in the cartonboard and the folding carton industry. A drastic increase in raw materials costs in the first three quarters of 2000 necessitated repeated increases in selling prices. Initially, this resulted in a substantial increase of order, as well as client inventory levels. This was followed by a marked decline in the volume of new orders received, along with production downtime in the fourth quarter. In the European folding carton industry, however, there was satisfactory capacity utilization throughout the year.

Over the past 5 years, the European market for recycled cartonboard grew at an average of 2.4 % per year, which was in line with European economic growth. Similarly, over the next 5 years in Europe and in the United States, an average growth rate which parallels economic growth is anticipated. The greatest potential continues to lie in Asia, which has an annual growth rate of 4 to 5 % on average within this period. Future developments within the European folding carton market are greatly dependent upon consumption, and therefore, are strongly influenced by the overall economic conditions.

Aside from the industry's top three manufacturers, the production of recycled cartonboard in Europe is characterized by several small players, while virgin fiber cartonboard is primarily produced by three Scandinavian companies.

Also in the year 2000, the still greatly fragmented European folding carton sector experienced takeovers, which for the most part particularly involved buyers from outside of Europe.

4. Development of business in the year 2000 in comparison with 1999

4.1. Group

During 2000, the Cartonboard Division and the Packaging Division experienced healthy demand from Western and Eastern Europe. Significant challenges during the year consisted of passing on several cartonboard price increases in order to cover increases in raw materials costs, delivering supplies to clients on a timely basis in the second and third quarters, and adapting the cartonboard production in line with the heavy decrease in stocking levels amongst cartonboard processing companies in the fourth quarter. Both divisions were able to meet these challenges and recorded significant increases in turnover and results.

Important events

At the end of July, the Colthrop Board Mill Limited in England was closed. Due to the drop in GBP cartonboard prices, local costs were too high for production in England to continue. The board mill, with a production capacity of 70,000 tons, had employed 158 employees. Gains from the sale of property, plant and equipment offset the costs of closing the facility. The completion under company law has yet to be finalized.

Furthermore, the recycling companies of Mayr-Melnhof Recycling United Kingdom Limited, Mayr-Melnhof Recycling Holding United Kingdom Limited, Holz GmbH and Preiß GmbH were sold, essentially representing an exit from the recycling business. Overall, the above had no major impact on Group results for the year.

During 2000, the Mayr-Melnhof Group made advancements in the field of e-commerce. The Cartonboard Division began focusing on the development of its own information/ transaction system in Business-to-Business ("B2B") e-commerce. The Packaging Division took a different approach by focusing on participation and collaboration on platforms for producers and suppliers in the European branded goods market.

Sales

Due to a notable increase in volume and price, in both the Cartonboard Division and in the Packaging Division, the Mayr-Melnhof Group achieved consolidated sales of EUR 1,078.3 million (1999: EUR 906.6 million) in 2000. This represents an increase of 18.9 % over the previous year. The break-down of sales between Western Europe (76 %), Eastern Europe (14 %) and the overseas markets (10 %), remained almost unchanged (1999: 77 %, 13 %, 10 %). Due to an increase in prices and quantities supplied by the Cartonboard Division (+13 % to 193,000 tons), inter-company sales increased from EUR 71.7 million to EUR 100.1 million.

Cost of Sales

	Year ended December 31,			Percentage of sales	
(in millions of EUR)	**2000**	1999	+/–	**2000**	1999
Cost of materials and purchased services	526.4	415.3	+26.8%	48.8%	45.8%
Personnel expenses	178.8	163.8	+9.2%	16.6%	18.1%
Depreciation and amortization	57.7	57.7	0.0%	5.4%	6.3%
Other expenses	45.6	39.8	+14.6%	4.2%	4.4%
Total	808.5	676.6	+19.5%	75.0%	74.6%

Cost of sales totaled EUR 808.5 million for the year, representing an increase of 19.5 % over the previous year's figure of EUR 676.6 million. The 26.8 % increase in costs of materials and production services purchased, from EUR 415.3 million to EUR 526.4 million, primarily resulted from the steep rise in "raw material" prices and costs dependent on crude oil in the Cartonboard Division, as well as cartonboard price increases in the Packaging Division.

Despite the increase in cost of goods sold, it was possible for the Group's gross margin, expressed as a percentage of total sales revenue, to stabilize at 25.0 % (1999: 25.4 %). This was primarily attributable through increased cartonboard and packaging selling prices. Due to high capacity utilization and increased productivity, personnel and depreciation costs exhibited a less than proportional increase in relation to sales.

Selling, general and administrative expenses

	Year ended December 31,			Percentage of sales	
(in millions of EUR)	**2000**	1999	+/–	**2000**	1999
Personnel expenses	57.6	50.5	+14.1%	5.3%	5.6%
Depreciation and amortization	12.2	12.0	+1.7%	1.1%	1.3%
Other expenses	110.6	103.6	+6.8%	10.3%	11.4%
Total	180.4	166.1	+8.6%	16.7%	18.3%

Selling, general and administrative expenses expressed as a percentage of sales declined from 18.3 % to 16.7 %

Operating profit

Operating profit increased by EUR 23.8 million (+29.6 %) from EUR 80.4 to EUR 104.2 million. This was due, in part, to an improved operating result by the Cartonboard Division from EUR 59.8 million to EUR 72.4 million (+21.1 %).
In addition, the Packaging Division registered an increase of +54.4 % to 31.8 EUR million (1999: EUR 20.6 million). The Group's operating margin reached 9.7 % (1999: 8.9 %) for the year.

Net interest expense

Net interest expense improved from EUR 4.9 million to EUR 3.5 million. This net decrease primarily resulted from higher interest income on larger bank deposits at higher interest rates.

Income taxes

The Group pays taxes in fourteen different European countries. In the year 2000, income tax amounted to EUR 31.0 million (1999: EUR 30.9 million) and the effective Group corporate tax rate decreased from 40 % to 31 %. This decrease is primarily due to the untaxed disposal of land and investments.

Net income and earnings per share

The consolidated net income for the year ended December 31, 2000 was EUR 66.7 million, which represented an increase of EUR 21.3 million (46.9 %) over the previous year (1999: EUR 45.4 million). The earnings per share were EUR 5.56 compared to the previous year's per share amount of EUR 3.78.

Consolidated Statements of Income (condensed version)

	Year ended December 31,		
(in millions of EUR)	**2000**	1999	+/–
Net sales	1,078.3	906.6	+18.9%
Operating profit	104.2	80.4	+29.6%
Interest and other financial result – net	(5.0)	(3.9)	
Income taxes	(31.0)	(30.9)	
Minority interests	(1.5)	(0.2)	
Net income	66.7	45.4	+46.9%

Net value added

At EUR 1,093.9 million, the Group's total operating revenue in 2000 considerably exceeded the previous year’s operating revenue (EUR 927.2 million). Raw materials and services purchased during the year totaled EUR 679.2 million (1999: EUR 556.3 million).

At EUR 344.8 million, the Group's net value added was 14.7 % higher than the 1999 figure (EUR 300.7 million).

Employees received 40.6 % (1999: 42.4 %) of the net value added or EUR 140.0 million (1999: EUR 127.5 million). A further EUR 61.6 million (1999: EUR 55.2 million) or 17.9 % (1999: 18.3 %) of the net value added was distributed as employer and employee social insurance contributions.

Government sources received EUR 70.0 million (1999: EUR 68.5 million) or 20.3 % (1999: 22.8 %) of net value added in the form of revenues from taxes and other deductions.

Lenders received EUR 5.0 million (1999: EUR 3.9 million) in the form of bank interest and other financing expenses.

For the financial year 2000, management proposes the distribution of a dividend to the shareholders of Mayr-Melnhof Karton AG in the amount of EUR 19.8 million (1999: EUR 18.6 million) or 5.7 % (6.2 %) of the net value added.

Profits retained by the Company totaled EUR 46.9 million or 13.6 % (1999: EUR 26.8 million, 8.9 %) of the net value added.

Value-added

(in millions of EUR)	2000	2000	1999	1999
Origin				
Sales	1,078.3		906.6	
Other operating income	14.7		16.9	
Increase in finished goods	0.7		3.4	
Own work capitalized	0.2		0.3	
Total operating revenue	1,093.9		927.2	
(–) Acquired input from suppliers	(679.2)		(556.3)	
(–) Depreciation and amortization	(69.9)		(70.2)	
Net value-added	344.8	100.0%	300.7	100.0%
Distribution				
Employees	(140.0)	(40.6%)	(127.5)	(42.4%)
Social benefit costs	(61.6)	(17.9%)	(55.2)	(18.3%)
Public authorities	(70.0)	(20.3%)	(68.5)	(22.8%)
Interest and other financial expenses	(5.0)	(1.5%)	(3.9)	(1.3%)
Minority interests	(1.5)	(0.4%)	(0.2)	(0.1%)
Shareholders (proposed)	(19.8)	(5.7%)	(18.6)	(6.2%)
Company	46.9	13.6%	26.8	8.9%

4.2. Segments

Overview and development of business

Cartonboard Division

The Cartonboard Division of the Mayr-Melnhof Group is composed of seven mills in five European countries. The Division's annual production capacity totals approximately 1.30 million tons of cartonboard, of which 90 % is recycled fiber and the remaining amount virgin fiber board. The Group’s cartonboard is primarily used for the manufacturing of folding cartons. In 2000, 1.26 million tons of cartonboard were sold worldwide to approximately 2,100 customers. The Cartonboard Division’s largest customer is the Mayr-Melnhof Packaging Division, accounting for approximately 15 % of its sales. The remaining major customers, located primarily in Western Europe, account for less than 6 % of sales on an individual basis. Most cartonboard sales are made to a diverse group of small or medium-sized converters. The Cartonboard Division has an established group of trading companies that facilitate the selling of Cartonboard throughout Europe. Sales outside of Europe are carried out through external trading houses.

Due to the overall positive economic conditions, the Cartonboard Division was able to report high levels of demand from Western Europe and a significant increase of sales in Eastern Europe. In Western Europe, demand in the cartonboard market increased by approximately 4 % during the year. For recycled cartonboard, the increase was approximately 4.5 %. Due to increases in cartonboard demand and the positive development of cartonboard prices, the average order backlog for the year of 115,000 tons was well above the previous year's tonnage of 75,000. During the fourth quarter, however, cartonboard mills registered a considerable reduction in new order inflow, primarily due to reductions in customer stock levels. These developments led to some downtime in the second half of December.

Prior year investments and current year technical optimizations allowed production to reach a new maximum volume of 1.25 million tons (1999: 1.21 million tons). This was achieved despite the closure of one board mill, rebuilding work, and market related downtime.

In line with the price increases for waste paper, pulp and natural gas, cartonboard prices were increased by 10 % at the beginning of April 2000 and 15 % at the beginning of July. Falling prices for individual grades of waste paper at the beginning of September were offset by increases in key costs, such as energy (natural gas), transportation, packing and coating materials in line with crude oil price increases.

The volume of cartonboard delivered during the year rose by 4.7 % to 1.265 million tons. Such increases in volume and price resulted in a 19.3 % increase in sales to EUR 701.3 million. Eastern Europe, at + 39 % (+ 44,000 tons), registered the largest growth in sales.

The operating margin, at 10.3 % (1999: 10.2 %), remained almost unchanged. The operating result amounted to EUR 72.4 million and was EUR 12.6 million higher than in the previous year (1999: EUR 59.8 million). This success is attributable to satisfactory capacity utilization, significant increases in productivity, higher prices and the discontinuation of the unprofitable Colthrop Board Mill, as well as the sale of unprofitable recycling companies.

Packaging Division

The Packaging Division is composed of 14 folding carton facilities in Western Europe and four facilities in Eastern Europe. The primary focus of operations continues to be in the food packaging industry (e.g. breakfast cereals, confectionery and deep-freeze goods). Within the consumer goods industry, cigarette packaging accounts for approximately 20 % of the Division's sales. During the year, approximately 320,000 tons of cartonboard were processed into folding cartons and almost exclusively sold within Europe.

In Europe, the Packaging Division is the preferred or single supplier of six international consumer goods manufacturers and this accounts for approximately 47 % of the Division's sales. Japan Tobacco International is the Division's principal cigarette packaging customer. More than half of the packaging business is represented by approximately 2,000 smaller customers. The highly fragmented European folding carton market is very competitive. For this reason, the Packaging Division focuses on long-term strategic alliances with multinational key customers, and continuously participates in bidding processes in order to generate new business as well as secure existing business.

Overall, the Packaging Division had a strong year due to steady cost reductions and process improvements as well as the positive economic climate. While serving the supply contracts of multinational key customers, the tonnage processed was increased by 10 % during the year reaching 320,000 tons, and leading to satisfactory utilization of machinery. In Eastern Europe, sales were increased significantly, especially in the high quality segment of cigarette and confectionery packaging. Due to the increased volume and higher prices, sales increased by 22.2 % to EUR 477.1 million.

The operating result improved by 54.4 % and increased to EUR 31.8 million and the operating margin increased from 5.3 % to 6.7 %. This was not only attributable to increased sales in the high-quality sector, but also price increases and the implementation of supply chain management programs with key corporate clients, thereby making it possible to effectively offset the heavy rise in cartonboard prices.

Due to increased demand at the Eastern European folding carton facilities, capacities in Poland, Hungary and Romania were expanded by setting up additional printing lines. In Vienna, the Packaging Division production facilities were combined into one site with the objective of achieving a significant improvement in efficiencies through the increased usage of this high performance plant.

5. Assets, capital resources and liquidity

Structure of assets, capital and liquid resources

During 2000, total assets of the Mayr-Melnhof Group increased from EUR 1,023.3 million to EUR 1,050.5 million. Due to the increase in sales volume and higher prices, short-term assets rose from EUR 426.8 to EUR 485.8 million. Primarily due to changes in the consolidated Group and the disposal of property, plant and equipment in connection with the closure of the Colthrop Board Mill, long-term assets decreased from EUR 596.5 million to EUR 564.7 million.

Short-term liabilities at the balance sheet date amounted to EUR 280.0 million (1999: EUR 288.9 million). Of the interest-bearing debt totaling EUR 225.6 million (1999: EUR 243.4 million), EUR 216.5 million (1999: EUR 229.2 million) related to long-term bank debt, which included EUR 38.2 million (1999: EUR 39.0 million) of short-term revolving bank debt classified as long-term. Furthermore, there were additional credit lines totaling EUR 159.7 million (1999: EUR 31.0 million).

Primarily due to the increase in current year income, shareholders' equity increased to EUR 520.2 million (1999: EUR 474.6 million). Therefore, Group financing continues to be based upon a solid debt to equity ratio of 49.5 % (1999: 46.4 %).

Total resources available to the Group, which include liquid funds and marketable securities ("available for sale"), increased by EUR 57.8 million during the year to EUR 235.9 million (1999: EUR 178.1 million). Management is planning to distribute some of the liquid resources for further investment in the Cartonboard and Packaging Divisions. Net debt as a percentage of shareholders' equity amounted to –2.0 % at the balance sheet date (12/31/1999: 13.8 %).

Consolidated Balance Sheets (condensed version) (in millions of EUR)	December 31, 2000	December 31, 1999
Current assets	485.8	426.8
Non-current assets	564.7	596.5
Total assets	1,050.5	1,023.3
Current liabilities	280.0	288.9
Non-current liabilities	246.9	255.4
Minority interests	3.4	4.4
Stockholders' equity	520.2	474.6
Total liabilities and stockholders' equity	1,050.5	1,023.3

Cash flow development

Cash flow from operating activities amounted to EUR 117.5 million in 2000 (1999: EUR 89.4 million). The increase over the prior year is primarily due to a higher operating income.

Due to increased proceeds from the disposal of tangible assets, cash flow from investing activities at EUR -25.3 million, significantly improved compared to the previous year (EUR -57.0 million). Cash used for purchases of tangible and intangible fixed assets amounted to EUR 72.0 million (1999: EUR 76.9 million). In the Cartonboard Division investments totaling EUR 45.4 million (1999: EUR 50.4 million) related to the refurbishing of board machine III in the Kolicevo Mill and board machine V in Neuss. In the Packaging Division, investments amounting to EUR 26.6 million (1999: EUR 26.5 million) related to the acquisitions of the latest printing and digital pre-press technology.

Proceeds from disposals of property, plant and equipment and intangibles totaled EUR 37.8 million (1999: EUR 15.2 million).

A long-term objective of the Group is to invest approximately 50 % of the cash earnings in the Group.

For the year 2001, investments below that of 2000 are anticipated. Future investment projects in the Cartonboard Division consist of installing a shoe press on board machine III in Kolicevo as well as implementating new cutting systems in Eerbeek, Frohnleiten, Deisswil and Kolicevo. Investments within the Packaging Division will be focused on expanding the digital pre-press technology and the use of microflute laminating machines.

Cash flow from financing activities

For the year 2000, a dividend of EUR 1.65 per share will be proposed (1999: EUR 1.55). At year end, there were 12 million shares outstanding. This results in a dividend payment of EUR 19.8 million (1999: EUR 18.6 million). In the long run, dividend distribution is planned to equal approximately one-third of net income.

The Managing Board was authorized by the sixth annual Shareholders Meeting, held on May 24, 2000, to repurchase up to 10 % of the Group's capital stock. This authorization, which remains valid until November 24, 2001, was not utilized in 2000.

Debt issuances were much lower than in the prior year, but repayments of debt remained steady. This led to an increase in net cash used in financing activities from EUR 14.1 million to EUR 33.9 million.

Cash flow from operating activities, available lines of credit as well as long-term debt financing possibilities would adequately cover financing, investing and other foreseeable financial needs.

Consolidated Statements of Cash Flows (condensed version)

	Year ended December 31,	
(in millions of EUR)	**2000**	1999
Net cash provided by operating activities	117.5	89.4
Net cash used in investing activities	(25.3)	(57.0)
Net cash used in financing activities	(33.9)	(14.1)
Effect of exchange rate changes	0.2	0.7
Net increase in cash and cash equivalents	58.5	19.0
Cash and cash equivalents at the end of the year	167.4	108.9
Available-for-sale securities	68.5	69.2
Total resources available to the Group	235.9	178.1

6. Further information

6.1. Personnel

On December 31, 2000, 4,961 (1999: 5,077) people were employed by the Mayr-Melnhof Group. 2,181 (1999: 2,416) were employed in the Cartonboard Division and 2,780 (1999: 2,661) in the Packaging Division. The decline in the Cartonboard Division primarily results from the closure of the Colthrop Board Mill and the sale of English and German recycling companies.

6.2. Environment

Environmental protection has long been an integral component of the Mayr-Melnhof Group's corporate culture. Approximately one-half of all cartonboard production is subject to routine environmental audits. In addition, all future projects are planned in line with environmental legislation, and it is a Group goal to improve environmental protection at existing plants.

6.3. Research and development

The Cartonboard Division's research and development activities are concentrated on improving cartonboard properties such as printability, gloss and smoothness, as well as the corresponding developments in machine technology. The Group's active participation in international standardization committees allows it to adapt to future standards in cartonboard development at an early stage.

Due to a constant shortening of product cycles, innovation is of key importance to the Packaging Division, in meeting the needs of its customers. R&D activities range from the creation and production of innovative packaging solutions to the construction of new packaging machinery.

7. Supplementary report

The Managing Board was authorized by the sixth annual Shareholders Meeting, held on May 24, 2000, to repurchase up to 10 % of the Group's capital stock. This authorization remains valid until November 24, 2001. On March 12, 2001, the Managing Board decided to act upon this repurchase program and approval was granted by the Supervisory Board.

8. Risk

The Mayr-Melnhof Group is subject to various market risks, such as changes in interest rates, currency exchange rates and raw materials prices. Management places priority in internal measures for minimizing the exposure to specified risks. In line with common industry practice some risks are covered by insurance. Furthermore, derivative financial instruments are employed to reduce the risks arising from interest rate fluctuations, foreign currency exposure and the procurement of raw materials. No financial instruments are held or issued for trading purposes.

Raw materials and energy

The Mayr-Melnhof Group is subject to price changes in raw materials (e.g. fiber and coating chemicals), as well as energy. The prices for these goods are very volatile due to rapidly changing market conditions. In response to these changes, Mayr-Melnhof attempts to adapt sales prices accordingly. To some extent, long-term supply agreements allow the Company to avoid waste paper and electricity price fluctuations.

Exchange rates

The Mayr-Melnhof Group utilizes foreign forward and option contracts in order to reduce the risk of exchange rate fluctuations in connection with future cash flows arising from international business transactions. The Group's most widely hedged currency is the GBP.

Rates of interest

Mayr-Melnhof minimizes the risk of changes in interest rates through a combination of fixed and variable interest rates. Interest bearing debt capital of the Mayr-Melnhof Group is mainly composed of long-term debt maturing through the year 2009 with a portion containing variable interest rates. The Company utilizes interest swaps in order to optimize the relationship between fixed and variable interest bearing capital.

9. Outlook for the year 2001

This outlook refers to Management's opinion as of March 22, 2001 and does not contain any effects of possible acquisitions, divestments or other structural changes within the year 2001. All preceding and following forward-looking statements are subject to both known and unknown risks, as well as uncertainty factors, with the possibility that actual results may differ from statements made herein.

Forecasts for the year 2001 assume a marked slowdown in US economic growth to between 2 % and 3 %. The EU forecasts an approximate growth rate of 3 %. In Germany, which is the primary marketplace of the Mayr-Melnhof Group, financial growth has been predicted at approximately 2 %. In Eastern Europe, a continuation of the positive economic development is foreseeable.

In the short run, the Cartonboard market is expected to experience seasonal declines in demand during the summer months as well as at year end. The Group shall adjust production for any reduction in customer cartonboard inventory levels. The Packaging Division should benefit from steady demand throughout 2001.

Even though the European economic environment is still positive, the Cartonboard Division's customers have continued placing new orders with great caution during the first few months of 2001. However, the Packaging Division remains operating at a satisfactory level of capacity utilization. Asia, the most important overseas market for cartonboard, has weakened significantly since mid 2000. Overseas cartonboard prices, which significantly improved during 2000, have recently fallen to an unsatisfactory level. However, our worldwide sales network should make it possible to utilize most board machine capacity during 2001.

On the open market in mid-March, waste-paper prices were significantly below levels of the previous year. In contrast, prices for energy, coating chemicals and transportation exhibited considerable increases in relation to the year 2000. Therefore, the stabilization of European cartonboard prices has been necessary.

Acquisitions, both in the Cartonboard and Packaging Divisions, are the focal point of the Mayr-Melnhof Group's expansion strategy. Investments in 2001 shall improve the quality of our products as well as increase the efficiency of our performance.

Due to the favorable cost position of the Mayr-Melnhof Group, satisfying results can be expected for the year 2001 from a current perspective. The Group plans to build on the previous year's returns in both divisions.

Report of Independent Auditors

To the Management Board of Mayr-Melnhof Karton AG, Vienna, Austria.

We have audited the accompanying consolidated balance sheets of Mayr-Melnhof Karton AG and subsidiaries ("Mayr-Melnhof") as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2000. These financial statements are the responsibility of Mayr-Melnhof's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial data of certain of Mayr-Melnhof's international subsidiaries utilized by Mayr-Melnhof's management for consolidation purposes, which reflect total assets constituting 41 percent and 39 percent at December 31, 2000 and 1999, and total revenues constituting 37 percent and 43 percent for the years ended December 31, 2000 and 1999, of the related consolidated totals, respectively. This data, presented in conformity with generally accepted accounting principles established in the countries of the respective subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data utilized by Mayr-Melnhof's management for consolidation purposes (before the conversion to accounting principles generally accepted in the United States of America) so as to include these international subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation (including the conversion of the financial data of the certain international subsidiaries referred to above to accounting principles generally accepted in the United States of America). We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

Mayr-Melnhof accounted for the joint ventures disclosed in Note 2 in accordance with the proportionate method of consolidation as is permitted under the Seventh Directive of the European Community and the Standards of the International Accounting Standards Committee. Mayr-Melnhof has supplemented its disclosures with summarized balance sheet and income statement information including current assets / liabilities, non-current assets / liabilities, net sales and cash flows resulting from the operating, financing and investing activities relating to its pro-rata interests in the joint ventures in Note 2. In our opinion, accounting principles generally accepted in the United States of America require that such joint ventures be accounted for using the equity method of accounting.

In our opinion, based on our audits and the reports of the other auditors, except for the use of the proportionate method of accounting, as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mayr-Melnhof Karton AG and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2000 and 1999, in conformity with accounting principles generally accepted in the United States of America.

Ernst & Young LLP

New York, New York

March 23, 2001

Consolidated Statements of Income

(all amounts in thousands of EUR except share and per share data)	Note	Year ended December 31, 2000	1999
Sales		1,078,252.8	906,587.8
Cost of sales		(808,432.3)	(676,566.7)
Gross margin		269,820.5	230,021.1
Selling, general and administrative expenses		(180,420.7)	(166,097.6)
Other operating income – net	(4)	14,764.5	16,442.8
Operating profit		104,164.3	80,366.3
Interest income		9,479.4	5,986.6
Interest expense		(12,904.1)	(10,894.0)
Equity loss – net		(1,818.1)	(1,341.2)
Other – net	(5)	290.5	2,379.0
Income before income taxes and minority interests		99,212.0	76,496.7
Income taxes	(6)	(31,031.0)	(30,864.1)
Income before minority interests		68,181.0	45,632.6
Minority interests		(1,500.1)	(214.6)
Net income		66,680.9	45,418.0
Average number of shares outstanding (in thousands)		12,000.0	12,000.0
Basic and diluted earnings per share		5.56	3.78

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

ASSETS (all amounts in thousands of EUR)	Note	December 31, 2000	December 31, 1999
Current			
Cash and cash equivalents		167,358.4	108,906.2
Marketable securities	(10)	92.3	337.8
Trade accounts receivable, net of allowances for doubtful accounts of EUR 2,210.3 and EUR 3,242.7 in 2000 and 1999, respectively	(7)	132,237.1	134,111.6
Inventories	(8)	136,639.7	125,936.3
Prepaid expenses and other current assets	(9)	44,064.8	50,189.0
Deferred income taxes	(6)	5,371.8	7,279.1
Total current assets		485,764.1	426,760.0
Investments and long-term financial assets, including equity method investments of EUR 5,210.3 and EUR 3,100.4 in 2000 and 1999, respectively	(10), (11)	100,216.7	100,927.6
Property, plant and equipment - net	(11)	414,033.4	449,416.6
Deferred income taxes	(6)	7,799.7	930.2
Intangible assets - net	(11)	29,786.7	35,688.0
Other long-term assets		12,883.6	9,561.6
Total assets		1,050,484.2	1,023,284.0

LIABILITIES AND STOCKHOLDERS' EQUITY (all amounts in thousands of EUR)	Note	December 31, 2000	December 31, 1999
Current			
Trade liabilities	(12)	81,518.0	92,330.2
Accrued expenses and other liabilities	(13)	92,145.6	93,739.5
Deferred income		366.6	580.4
Deferred income taxes	(6)	1,482.5	744.0
Short-term borrowings	(14)	9,159.9	14,181.0
Current portion of long-term bank debt	(15)	69,134.4	64,101.5
Current portion of obligations under capital leases	(16)	566.4	864.5
Provisions for income taxes		25,594.4	22,440.1
Total current liabilities		279,967.8	288,981.2
Long-term debt	(15)	147,341.7	165,072.5
Obligations under capital leases	(16)	776.9	1,380.1
Other long-term liabilities	(17)	49,993.3	51,209.2
Deferred income taxes	(6)	48,800.1	37,673.4
Minority interests		3,435.0	4,388.1
Capital stock (authorized, issued and outstanding 12,000,000 no-par value shares)		87,240.0	87,240.0
Additional paid-in capital		186,747.0	186,747.0
Retained earnings		246,771.5	198,690.6
Accumulated other comprehensive income		(589.1)	1,901.9
Stockholders' equity	(19)	520,169.4	474,579.5
Total liabilities and stockholders' equity		1,050,484.2	1,023,284.0

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Stockholders' Equity

(all amounts in thousands of EUR except per share data)	Capital stock	Additional paid-in capital	Retained earnings
Balance at January 1, 1999	87,240.0	186,462.0	170,714.0
Comprehensive income:			
Net income			45,418.0
Other comprehensive income			
Total comprehensive income			
Dividend (EUR 1.45 per share)			(17,441.4)
Issuance of Stock Options		285.0	
Balance at December 31, 1999	87,240.0	186,747.0	198,690.6
Comprehensive income:			
Net income			66,680.9
Other comprehensive income			
Total comprehensive income			
Dividend (EUR 1.55 per share)			(18,600.0)
Balance at December 31, 2000	87,240.0	186,747.0	246,771.5

The accompanying notes are an integral part of these financial statements.

Accumulated other comprehensive income					
Unrealized gains (losses) on available-for-sale securities	Minimum pension liability	Gains on intercompany foreign exchange transactions of long-term investment nature	Foreign currency translation adjustment	Total	Total stockholders' equity
1,753.0	(2,705.0)	420.0	69.0	(463.0)	443,953.0
					45,418.0
(1,214.0)	2,418.7	235.0	925.2	2,364.9	2,364.9
					47,782.9
					(17,441.4)
					285.0
539.0	(286.3)	655.0	994.2	1,901.9	474,579.5
					66,680.9
(303.8)	(249.4)	834.0	(2,771.8)	(2,491.0)	(2,491.0)
					64,189.9
					(18,600.0)
235.2	(535.7)	1,489.0	(1,777.6)	(589.1)	520,169.4

Consolidated Statements of Cash Flows

(all amounts in thousands of EUR)	Note	Year ended December 31, 2000	1999
Cash flow from operating activities:			
Net income		66,680.9	45,418.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes		6,706.9	15,042.3
Depreciation and amortization		69,945.2	70,185.2
Gains from disposals of property, plant and equipment and intangibles		(8,483.7)	(7,020.6)
(Gains) Losses from disposals of businesses		(1,573.8)	185.7
Minority interests		1,500.1	214.6
Other		159.2	1,702.5
Net change in operating assets and liabilities	(20)	(17,385.4)	(36,365.1)
Net cash provided by operating activities		117,549.4	89,362.6
Cash flow from investing activities:			
Proceeds from disposals of property, plant and equipment and intangibles		37,812.8	15,217.6
Purchases of property, plant and equipment and intangibles		(72,031.1)	(76,937.4)
Acquisitions of businesses and investments, net of cash of acquired companies		(4,183.0)	(16,561.6)
Proceeds from disposals of businesses and investments		13,083.4	21,309.5
Net cash used in investing activities		(25,317.9)	(56,971.9)
Cash flow from financing activities:			
Issuances of debt		25,656.7	47,193.4
Repayments of debt		(40,283.2)	(43,664.9)
Issuance of stock options		0.0	285.0
Dividends paid		(18,600.0)	(17,441.4)
Dividends paid to minority shareholders		(681.5)	(472.1)
Net cash used in financing activities		(33,908.0)	(14,100.0)
Effect of exchange rate changes on cash and cash equivalents		128.7	729.5
Net increase in cash and cash equivalents		58,452.2	19,020.2
Cash and cash equivalents at the beginning of the year		108,906.2	89,886.0
Cash and cash equivalents at the end of the year		167,358.4	108,906.2

The accompanying notes are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

General

Mayr-Melnhof Karton AG and subsidiaries (”the Group”) is primarily engaged in manufacturing and selling cartonboard and folding cartons within Europe. The Group operates two principal segments, the Cartonboard Division and the Packaging Division. The Cartonboard Division manufactures and markets numerous grades of cartonboard, concentrating on coated cartonboard produced principally from recycled fiber. The Packaging Division converts cartonboard into industrial printed folding cartons primarily for food (e.g. cereals, dried foods, sugar, confectionery and baked goods) and other consumer goods (e.g. cosmetics and toiletries, detergents, domestic appliances, cigarettes, toys) industries. Approximately 60 % of the Packaging Division’s cartonboard requirements are supplied by the Cartonboard Division. The Group is headquartered in Vienna, Austria.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Mayr-Melnhof Karton AG (“the Company”) and all wholly- and majority- owned subsidiaries, except where control is temporary or does not rest with the Company. Minority interest represents minority shareholders’ proportionate share of the equity and earnings in several majority-owned subsidiaries. For investments in joint ventures, the Group uses the proportionate method of consolidation (see Note 2). Investments in companies in which Mayr-Melnhof Karton AG has the ability to exercise significant influence over operating and financial policies, generally where the Group holds at least a 20 % and not more than a 50 % voting ownership interest, are accounted for under the equity method. Investments in companies in which less than a significant influence is maintained are accounted for at cost or fair value, as appropriate. All significant effects of intercompany transactions have been eliminated.

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America (”US GAAP”), except for the use of the proportionate method of consolidation to account for certain joint ventures (see Note 2). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As discussed in Note 19, in conjunction with the conversion of the denomination of the capital stock from Austrian Schillings to Euros in 1999, the Shareholders approved an increase in capital stock from thous. EUR 87,207.4 (thous. ATS 1,200,000.0) to thous. EUR 87,240.0 through the conversion of retained earnings. Stockholders' equity has been restated to reflect this change.

All amounts herein except share data and per share amounts are shown in thousands of Euro unless otherwise noted.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries where the functional currency is other than the Euro are translated into Euro using exchange rates in effect at the balance sheet date. Revenues and expense are translated using average exchange rates for the year. Differences arising from the translation of assets and liabilities in comparison with the previous periods are included as a separate component of stockholders' equity. Transaction gains and losses resulting from foreign currency transactions are included in the results from operations as incurred.

The assets and liabilities of a foreign subsidiary operating in a highly inflationary economy have been remeasured into Euro on the basis of period-end rates for monetary balance sheet items and at historical rates for non-monetary items, resulting in translation gains and losses being recognized in the results from operations. Furthermore, depreciation and gains and losses from disposal of non-monetary assets are determined using historical rates.

The exchange rates of the significant currencies of non-Euro participating countries used in preparation of the consolidated financial statements were as follows:

Currency:		Exchange rate at **December 31, 2000** 1 EUR =	Exchange rate at December 31, 1999 1 EUR =	Annual average exchange rate **2000** 1 EUR =	Annual average exchange rate 1999 1 EUR =
Czech Republic	CZK	35.05	36.10	35.58	36.71
Great Britain	GBP	0.62	0.62	0.61	0.66
Hungary	HUF	265.00	254.70	260.10	252.92
Poland	PLN	3.85	4.16	4.01	4.22
Slovenia	SIT	213.54	198.91	206.44	194.18
Switzerland	CHF	1.52	1.61	1.56	1.60

Revenue Recognition

The Group recognizes revenue when persuasive evidence of an arrangement exists, products are shipped to customers, the price of the transaction is fixed and determinable, and collectibility is reasonably assured. Revenues are recorded net of discounts, sales incentives, customer bonuses and rebates granted. Provisions for estimated costs related to product warranty and returns are made at the time the related sale is recorded. Shipping and handling costs are recorded as cost of sales.

Earnings Per Share

Earnings per share is computed in accordance with Financial Accounting Standard No. 128 (“FAS 128”), ”Earnings per Share”. FAS 128 requires computing and disclosing both basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting outstanding shares, assuming conversion of all potentially dilutive stock options. Shares in Mayr-Melnhof Karton AG to be issued for settlement of the Company’s obligation under the stock award program, which had not been issued at the end of the period, were excluded from the calculation of diluted earnings per share as the closing market price of Mayr-Melnhof Karton AG at the end of the period was below the exercise price.

Cash and Cash Equivalents

The Group considers all highly liquid assets with original maturities of three months or less at the date of purchase to be cash equivalents. The fair value of cash and cash equivalents approximates the amount included in the financial statements.

Credit Risk

Financial instruments, which potentially subject the Group to concentrations of credit risk, are primarily cash equivalents, investments and trade accounts receivable. It is Company practice to place its cash and cash equivalents and investments in high quality securities with various investment institutions. The Group's trade accounts receivable are generated from a broad and diverse group of customers. The Group's trade accounts receivable are concentrated in subsidiaries domiciled in Germany and Austria. The Group does not require any collateral with respect to these trade accounts receivables. However, the Group maintains insurance to cover the uncollectibility of certain receivables as well as an allowance for losses based upon the expected collectibility of all trade accounts receivable.

Inventories

Inventories are valued at the lower of cost or market, with cost determined on an average basis. Work in progress and finished goods inventories include material, labor and manufacturing overhead costs. Reserves for slow moving and obsolete inventories are established based on the passage of time and historical and projected sales activity.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. For financial reporting purposes, depreciation expense is recognized using the straight-line method over the following estimated useful lives:

Buildings	10–50	years
Technical equipment and machines	8–15	years
Other equipment, fixtures and fittings	4–10	years

It is the policy of the Group to capitalize renewals and leasehold improvements and to charge to expense the cost of current maintenance and repairs.

Intangible Assets

Goodwill, representing the excess of the purchase price over the fair value of the net assets acquired in purchase business combinations, is amortized on a straight-line basis primarily over 15 years. Other identified intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from 5 to 10 years.

Long-Lived Assets

Long-lived assets to be held and used, including related goodwill, are reviewed for impairment in accordance with Financial Accounting Standard No. 121 ("FAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated undiscounted cash flows are less than the carrying amounts of the assets, an impairment exists and an impairment loss would be calculated and recorded. An impairment loss is calculated based on the excess of the carrying amount over the asset’s fair value. Assets to be disposed of are measured at the lower of carrying amount or fair value less cost to sell. Fair value is determined based on current market value or discounted future cash flows.

Pensions

The Group accounts for pensions in accordance with Financial Accounting Standard No. 87 ("FAS 87"), "Employers' Accounting for Pensions", which requires that companies located outside of the United States adopt this Statement for fiscal years beginning after December 15, 1988. Due to the significant period of time which elapsed between the date when FAS 87 would have been required to be adopted and the time when the Group first determined to prepare US GAAP financial information, adoption of the provisions of FAS 87 as of January 1, 1989 was not feasible. Accordingly, FAS 87 has been adopted from January 1, 1998. As of the date of adoption, the Group's total transition asset was thous. EUR 9,635.0. Such transition asset is being amortized over a 15 year period. Accordingly, as of January 1, 1998, thous. EUR 5,781.0, representing 9/15 (the elapsed nine year period between the required adoption and January 1, 1998) of the total transition asset was recorded directly against US GAAP stockholders' equity.

Income Taxes

The Group accounts for taxes in accordance with Financial Accounting Standard No. 109 (“FAS 109”), ”Accounting for Income Taxes”, which requires the use of the liability method of accounting for income taxes. Under the liability method, deferred income taxes are recognized for the tax consequences of ”temporary differences” by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax bases of existing assets and liabilities. Under FAS 109, the effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standard No. 133 (“FAS 133”), ”Accounting for Derivative Investments and Hedging Activities”. This statement, as amended by Financial Accounting Standard No. 137, “Accounting for Derivative Instruments and Hedging Activities – Deferral of the effective date of FASB Statement No. 133” and by Financial Accounting Standard No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities – an Amendment of FASB Statement No. 133” establishes standards for the accounting and reporting of derivative financial instruments and is required to be adopted in years beginning after June 15, 2000. These statements require recognition of derivatives in the statement of financial position and measurement of those instruments at fair values. Gain and losses resulting from changes in the value of derivatives would be accounted for depending on the intended use of the derivative and the resulting designation. On January 1, 2001, the Company adopted the provisions of FAS 133, as amended by FAS 137 and by FAS 138. The adoption of these statements resulted in an immaterial impact on the consolidated results of operations, cash flows and financial position of the Group.

(2) Investments in Joint Ventures

The Group accounts for investments in seven joint ventures and six joint ventures under the proportionate method of consolidation at December 31, 2000 and 1999, respectively. Under US GAAP, the Group's investments in joint ventures are required to be accounted for using the equity method of accounting. The differences in accounting treatment between the proportionate and equity methods would not have affected stockholders' equity or net income of the Group. Under the equity method of accounting, the Group's net investments in the joint ventures would have been included within investments in the balance sheet and its share of the net income of the joint ventures together with the amortization of the excess of the cost of its investments over its share of the investments net assets would have been reported as equity income. Additionally, the joint venture companies would have impacted the Group's reported cash flows only to the extent of dividends remitted.

Summarized consolidated financial information of the joint ventures for the years ended December 31, 2000 and 1999 is presented below. The amounts represent those used in the Group's consolidation, including goodwill.

Balance sheet information

(in thousands of EUR)	December 31, 2000	1999
Current assets	12,770.2	9,668.2
Non-current assets	12,877.4	10,788.6
Total assets	25,647.6	20,456.8
Current liabilities	10,521.7	7,258.0
Non-current liabilities	4,764.3	4,021.8
Minority interests	11.1	111.3
Stockholders' equity	10,350.5	9,065.7
Total liabilities and stockholders' equity	25,647.6	20,456.8

Statement of income information

(in thousands of EUR)	Year ended December 31, 2000	1999
Total revenues	39,924.1	34,967.3
Operating profit	2,703.7	2,605.0
Net income	2,600.2	1,411.6

Statement of cash flows information

(in thousands of EUR)	Year ended December 31, 2000	1999
Cash flows from:		
Operating activities	1,257.3	(610.7)
Investing activities	(2,496.3)	(136.8)
Financing activities	1,384.2	(32.6)
Effect of exchange rate changes on cash and cash equivalents	11.7	(4.7)
Net decrease in cash and cash equivalents	156.9	(784.8)
Cash and cash equivalents at the beginning of the year	990.2	1,775.0
Cash and cash equivalents at the end of the year	1,147.1	990.2

(3) Acquisitions and Dispositions

During 2000, the Group acquired a 75 % interest in Austria Cartón S.A., a Spanish trading company, for thous. EUR 327.1, the remaining 49 % minority interest of Mayr-Melnhof Packaging France Seignelay S.A. for thous. EUR 1,939.6 and the remaining 25 % minority interest in Mayr-Melnhof Nederland B.V. for thous. EUR 204.4. As these acquisitions were accounted for under the purchase accounting method, all assets acquired and liabilities assumed were recorded at fair value with the excess of the purchase price over the fair value of net assets acquired capitalized as goodwill.

During 2000, the Company closed Colthrop Board Mill Limited, Great Britain, in accordance with its July 2000 plan. The closure of Colthrop Board Mill Limited resulted in a thous. EUR 550.4 loss before taxes as the gains from the disposal of property and equipment of thous. EUR 4,064.9 were offset by the costs of terminating employees of thous. EUR 4,615.3.

During 2000, the Group sold Holz GmbH, Preiß GmbH, Mayr-Melnhof Recycling Holding United Kingdom Limited and Mayr-Melnhof Recycling United Kingdom Limited for thous. EUR 10,297.1. These sales resulted in a pretax gain of thous. EUR 1,573.8. Holz GmbH and Preiß GmbH collect, sort, and sell primarily wastepaper in Germany. Mayr-Melnhof Recycling United Kingdom Limited collects, sorts, and sells primarily wastepaper in the United Kingdom.

During 1999, the Group sold Altpa GmbH, Altpa GmbH & Co KG, Straub & Flach GmbH and Solnické papirny s.r.o. for thous. EUR 4,595.3. These sales resulted in a pretax loss of thous. EUR 185.7. Altpa GmbH, Altpa GmbH & Co KG and Straub & Flach GmbH collect, sort, and sell primarily wastepaper in Germany. Solnické papirny s.r.o. Czech Republic, manufactures and sells folding cartons in the Czech Republic.

(4) Other operating income – net

	Year ended December 31,	
(in thousands of EUR)	**2000**	1999
Gains from sale of property, plant and equipment and intangibles – net	8,483.7	7,020.6
Insurance claims	1,183.7	3,330.2
Rental income	1,359.7	1,778.0
Other income	3,737.4	4,314.0
Other operating income – net	14,764.5	16,442.8

(5) Other – net

	Year ended December 31,	
(in thousands of EUR)	**2000**	1999
Foreign currency exchange (losses) gains – net	(1,281.5)	2,100.3
Gains (losses) from disposals of businesses	1,573.8	(185.7)
Other financial (losses) gains – net	(1.8)	464.4
Other – net	290.5	2,379.0

(6) Income Taxes

The components of income before income taxes and minority interests by taxing jurisdiction were as follows:

	Year ended December 31,	
(in thousands of EUR)	**2000**	1999
Income before income taxes and minority interests		
Austria	45,574.6	38,912.8
Non-Austria	53,637.4	37,583.9
Total	99,212.0	76,496.7

Income tax expense consists of the following:

(in thousands of EUR)	Austria	Non-Austria	Total
2000:			
Current	13,434.2	10,636.0	24,070.2
Deferred benefit (excluding loss carryforwards)	1,522.4	2,729.2	4,251.6
Benefits of operating loss carryforwards	0.0	2,709.2	2,709.2
Total income tax expense	14,956.6	16,074.4	31,031.0
1999:			
Current	10,180.9	5,640.9	15,821.8
Deferred benefit (excluding loss carryforwards)	381.4	(946.1)	(564.7)
Benefits of operating loss carryforwards	2,244.9	13,362.1	15,607.0
Total income tax expense	12,807.2	18,056.9	30,864.1

Cash paid for income taxes amounted to thous. EUR 10,769.9 and thous. EUR 22,908.5 in 2000 and 1999, respectively. A reconciliation of the Austrian statutory federal tax rate and effective tax rate is as follows:

	December 31,	
	2000	1999
Expense at statutory Austrian federal tax rate	34.00%	34.00%
Earnings in jurisdictions taxed at rates different from the statutory Austrian federal tax rate	0.28%	1.58%
Tax exempt sale of land and investments	(6.82)%	0.00%
Non-tax deductible expense – net	0.28%	0.66%
Valuation allowance	2.05%	2.79%
Other – net	1.49%	1.32%
Total	31.28%	40.35%

The tax effects of temporary differences and carryforwards representing deferred tax assets and liabilities at December 31, 2000 and 1999, respectively, were as follows:

	December 31,	
(in thousands of EUR)	**2000**	1999
Intangible assets	6,555.8	7,676.1
Inventories	1,445.2	1,415.7
Benefit plans and other provisions	5,324.3	5,880.9
Operating loss carryforwards	6,693.6	6,481.8
Other	861.8	524.0
Gross deferred tax assets	20,880.7	21,978.5
Valuation allowance	(6,693.6)	(3,772.6)
Deferred tax assets - net	14,187.1	18,205.9
Property, plant and equipment	(13,777.4)	(14,588.6)
Loans receivable and investments	(37,509.5)	(33,782.1)
Other	(11.3)	(43.3)
Deferred tax liabilities	(51,298.2)	(48,414.0)
Net deferred tax liability	(37,111.1)	(30,208.1)

The Group has tax loss carryforwards available to reduce future taxable income of certain Austrian and non-Austrian subsidiaries. At December 31, 2000, the Group has corporate tax loss carryforwards of thous. EUR 9,196.4 which must be utilized within the next seven years and thous. EUR 8,504.4 which can be utilized over an indefinite period. Additionally, the Group has trade tax loss carryforwards of thous. EUR 17,122.5 available in Germany which can be utilized over an indefinite period. Due to the cumulative losses incurred during the past three years in subsidiaries with operating loss carryforwards, the Group believes that it is more likely than not that these deferred tax assets will not be realized. Accordingly, a valuation allowance has been provided for all of the deferred tax assets related to these carryforwards at December 31, 2000.

At December 31, 2000 and 1999, no deferred taxes have been provided on the undistributed earnings of the Company's subsidiaries. Under current Austrian tax laws and existing tax treaties between Austria and the tax jurisdictions of foreign subsidiaries, these earnings can be remitted to Mayr-Melnhof Karton AG with little or no additional tax.

(7) Trade Accounts Receivable

(in thousands of EUR)	December 31, 2000	1999
Trade accounts receivable	133,736.0	135,874.5
Trade accounts receivable from affiliated companies	711.4	1,479.8
Total	134,447.4	137,354.3
Allowance for doubtful accounts	(2,210.3)	(3,242.7)
Trade accounts receivable – net	132,237.1	134,111.6

(8) Inventories

(in thousands of EUR)	December 31, 2000	1999
Raw materials and manufacturing and operating supplies	69,383.3	53,869.7
Work in process	10,748.3	11,248.4
Finished goods and goods for resale	67,263.7	68,335.1
Total	147,395.3	133,453.2
Inventory allowance	(10,755.6)	(7,516.9)
Inventories – net	136,639.7	125,936.3

(9) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised of the following:

(in thousands of EUR)	December 31, 2000	1999
VAT and other tax receivables	27,182.7	31,675.1
Receivable from sale of land	4,997.0	5,480.2
Receivables from affiliated companies	1,024.0	1,174.8
Other	10,861.1	11,858.9
Prepaid expenses and other current assets	44,064.8	50,189.0

(10) Financial instruments

The Company's financial instruments include cash, accounts receivable, short-term and long-term borrowings, accounts payable, and accrued liabilities. At December 31, 2000 and 1999, the carrying amounts of these instruments approximated their fair value. Fair value is primarily based on quoted prices for those or other similar instruments.

The Group utilizes foreign currency forward and option contracts to reduce exposure to exchange rate risks primarily associated with expected future cash flows of the Group's international operations and does not hold or issue derivative financial instruments for trading purposes. The forward contracts establish the exchange rates at which the Group will purchase or sell the contracted amount of local currencies for specified foreign currencies at a future date. The Group utilizes forward contracts which are short-term in duration and receives or pays the difference between the contracted forward rate and the exchange rate at the settlement date. The major currency exposure hedged by the Group is the British Pound. The notional contract amount of foreign currency forwards and options at December 31, 2000 and 1999, is thous. EUR 68,524.8 and thous. EUR 23,715.0. The carrying values of these instruments, which approximates their fair value, are not significant.

The risk of loss to the Group in the event of nonperformance by any counterparty under foreign currency forward and option contracts is not significant. All counterparties are large international financial institutions with whom the Group conducts other business. The Company believes any risk related to default by a counterparty to be remote. Although these instruments expose the Group to market risk, fluctuations in the value of these instruments are mitigated by expected offsetting fluctuations in the underlined expected future foreign currency cash flows, and the Group believes the overall credit risk related to utilizing these instruments is insignificant.

Certain Debt and Marketable Equity Securities

Investments in debt and marketable equity securities are categorized as either trading, available-for-sale or held to maturity. At December 31, 2000 and 1999, the Group held no trading or held to maturity securities. Securities categorized as available-for-sale are stated at fair value, with unrealized gains and losses, net of deferred income taxes, reported as a component of accumulated other comprehensive income. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in other financial (losses) gains – net. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in other financial (losses) gains – net. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in other financial (losses) gains – net.

Carrying amounts and fair values of debt and equity securities for which fair values are readily determinable are classified as available-for-sale. Aggregate cost, fair values and gross unrealized holding gains and losses by type of securities are as follows:

	December 31, 2000				December 31, 1999			
(in thousands of EUR)	Cost	Estimated fair value	Unrealized Gain	Unrealized Loss	Cost	Estimated fair value	Unrealized Gain	Unrealized Loss
Debt securities issued by Austrian government	0.0	0.0	0.0	0.0	364.0	337.8	0.0	(26.2)
Corporate bonds	9,880.1	9,398.8	0.0	(481.3)	6,130.0	6,130.0	0.0	0.0
Mortgage backed debt securities	250.8	242.1	9.5	(18.2)	250.8	242.5	9.5	(17.8)
Equities including debt based mutual funds	57,981.1	58,830.0	3,067.7	(2,218.8)	61,647.3	62,498.5	3,050.5	(2,199.3)
Total	68,112.0	68,470.9	3,077.2	(2,718.3)	68,392.1	69,208.8	3,060.0	(2,243.3)

At December 31, 2000 and 1999, these investments were included in the following captions in the accompanying consolidated balance sheet:

(in thousands of EUR)	December 31, 2000	1999
Marketable securities	92.3	337.8
Investments and long-term financial assets	68,378.6	68,871.0
Total	68,470.9	69,208.8

The estimated fair values of debt securities, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

(in thousands of EUR)	December 31, 2000
Available-for-sale:	
Due within one year	0.0
Due after one year through five years	0.0
Due after five years through ten years	9,398.8
Due after ten years	242.1

Proceeds from sales of available-for-sale securities were thous. EUR 532.2 and thous. EUR 14,253.5 for the years ended December 31, 2000 and 1999, respectively. Gross realized gains from sales of available-for-sale securities on a specific identification basis included in other financial gains – net were thous. EUR 593.0 for the year ended December 31, 1999, while gross realized losses from sales of securities were thous. EUR 499.7. Gross realized losses from sales of securities for the year ended December 31, 2000, were thous. EUR 31.8.

(11) Fixed Assets Schedule

(in thousands of EUR)	Note	Acquisition or Manufacturing Costs							
		Balance at **January 1, 2000**	Effect of Exchange Rate Changes **2000**	Acquisitions/ Disposals of businesses **2000**	Additions **2000**	Disposals **2000**	Reclassifica-tions **2000**	Other[1] **2000**	Balance at **December 31, 2000**
Investments in unconsolidated subsidiaries, at cost or fair value as appropriate		196.2	0.0	0.0	0.0	0.0	(9.1)	0.0	187.1
Investments in associated companies, at equity		3,100.4	0.0	0.0	0.0	0.0	2,375.1	(265.2)	5,210.3
Other investments, at cost or fair value as appropriate		21,859.8	(77.3)	(49.1)	124.4	(16.9)	0.0	(1,453.5)	20,387.4
Available-for-sale securities (non-current)	(10)	68,028.1	0.0	0.8	192.3	(201.0)	(6.1)	0.0	68,014.1
Loans to third parties		2,048.1	10.2	0.0	765.4	(188.5)	0.0	0.0	2,635.2
Other long-term financial assets		4,856.9	(1.3)	0.0	937.8	(2,416.4)	45.3	0.0	3,422.3
Investments and long-term financial assets		100,089.5	(68.4)	(48.3)	2,019.9	(2,822.8)	2,405.2	(1,718.7)	99,856.4
Land, similar land rights and buildings	(16)	303,366.7	405.2	(10,859.6)	3,747.3	(23,173.8)	4,866.2	0.0	278,352.0
Technical equipment and machines	(16)	932,513.2	167.8	(6,850.8)	30,688.8	(80,208.0)	31,660.2	0.0	907,971.2
Other equipment, fixtures and fittings	(16)	80,825.9	80.7	(4,470.4)	6,123.7	(5,525.6)	1,097.3	0.0	78,131.6
Payments on account and construction in progress		32,284.4	(91.9)	0.0	29,695.9	(890.7)	(37,626.0)	0.0	23,371.7
Property, plant and equipment		1,348,990.2	561.8	(22,180.8)	70,255.7	(109,798.1)	(2.3)	0.0	1,287,826.5
Concessions, licenses and similar rights, and payments on account		40,765.8	740.4	(33.3)	911.3	(188.6)	3.0	0.0	42,198.6
Goodwill		22,100.2	(42.5)	(2,200.6)	442.8	(410.7)	0.0	0.0	19,889.2
Other intangibles		573.0	0.0	0.0	0.0	0.0	0.0	(135.8)	437.2
Intangible assets		63,439.0	697.9	(2,233.9)	1,354.1	(599.3)	3.0	(135.8)	62,525.0
TOTAL FIXED ASSETS		1,512,518.7	1,191.3	(24,463.0)	73,629.7	(113,220.2)	2,405.9	(1,854.5)	1,450,207.9

[1] The "Other" column includes changes related to pension intangible, available-for-sale securities and investments.

Depreciation/Amortization								Book Value	
Balance at **January 1, 2000**	Effect of Exchange Rate Changes **2000**	Acquisitions/ Disposals of businesses **2000**	Disposals **2000**	Reclassifica-tions **2000**	Depreciation and amortization for the year **2000**	Other[1] **2000**	Balance at **December 31, 2000**	Balance at **December 31, 2000**	Balance at **January 1, 2000**
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	187.1	196.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,210.3	3,100.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20,387.4	21,859.8
(842.9)	0.0	0.0	0.0	0.0	0.0	478.4	(364.5)	68,378.6	68,871.0
4.8	0.0	0.0	0.0	0.0	(0.6)	0.0	4.2	2,631.0	2,043.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,422.3	4,856.9
(838.1)	0.0	0.0	0.0	0.0	(0.6)	478.4	(360.3)	100,216.7	100,927.6
138,708.6	1,175.5	(2,524.5)	(3,389.2)	(0.7)	7,307.3	0.0	141,277.0	137,075.0	164,658.1
696,857.7	2,127.3	(4,721.3)	(71,811.1)	(74.0)	48,775.1	0.0	671,153.7	236,817.5	235,655.5
64,008.1	121.4	(3,736.1)	(5,137.9)	11.9	6,083.6	0.0	61,351.0	16,780.6	16,817.8
(0.8)	(0.6)	0.0	(50.0)	62.7	0.1	0.0	11.4	23,360.3	32,285.2
899,573.6	3,423.6	(10,981.9)	(80,388.2)	(0.1)	62,166.1	0.0	873,793.1	414,033.4	449,416.6
18,590.1	270.9	(31.7)	(188.6)	0.0	6,338.0	0.0	24,978.7	17,219.9	22,175.7
9,160.9	1.1	(2,433.0)	(410.5)	0.0	1,441.1	0.0	7,759.6	12,129.6	12,939.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	437.2	573.0
27,751.0	272.0	(2,464.7)	(599.1)	0.0	7,779.1	0.0	32,738.3	29,786.7	35,688.0
926,486.5	3,695.6	(13,446.6)	(80,987.3)	(0.1)	69,944.6	478.4	906,171.1	544,036.8	586,032.2

(12) Trade Liabilities

(in thousands of EUR)	December 31, 2000	1999
Trade liabilities	80,809.8	91,881.4
Trade liabilities from affiliated companies	708.2	448.8
Trade liabilities	81,518.0	92,330.2

(13) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are comprised of the following:

(in thousands of EUR)	December 31, 2000	1999
Product return and warranty costs	1,967.5	1,828.0
Customer bonuses	5,649.1	12,379.3
Personnel and social costs	29,489.3	23,145.0
Tax liabilities	14,123.7	5,636.4
Other liabilities	13,375.1	18,202.4
Other accrued expenses	27,540.9	32,548.4
Accrued expenses and other liabilities	92,145.6	93,739.5

(14) Short-term Borrowings and Credit Arrangements

At December 31, 2000 and 1999, the Group had thous. EUR 33,968.1 and thous. EUR 32,796.4 in lines of credit and other short-term credit facilities available with a number of lending institutions, respectively. At December 31, 2000 and 1999, the Group had thous. EUR 9,159.9 and thous. EUR 14,181.0 outstanding under these facilities, respectively. The weighted average interest rate on these borrowings was 6.48 % and 5.77 % for the years ended December 31, 2000 and 1999, respectively. These facilities are subject to normal banking terms and conditions. Some of the financial arrangements require compensating balances, none of which is presently significant to the Group.

(15) Long-term Debt

A summary of long-term debt is as follows:

(in thousands of EUR)	December 31, 2000	1999
4.426% EUR bank loan due 2001-2008	47,038.9	58,308.3
4.675% EUR bank loan due 2001	21,002.5	21,002.5
6.355% GBP bank loan due 2001-2006	19,227.7	11,561.0
4.47% EUR bank loan due 2001-2007	17,647.0	20,168.0
4.650% EUR bank loan due 2001-2007	17,528.0	0.0
5.654% EUR bank loan due 2001-2005	16,205.5	18,260.0
5.174% EUR bank loan due 2001-2009	11,700.0	13,000.0
5.205% EUR bank loan due 2001	9,134.0	10,360.8
4.725% EUR bank loan due 2001	8,357.4	8,357.4
4.426% EUR bank loan due 2001-2006	7,499.0	8,862.4
5.25% CHF bank loan due 2002	6,565.1	6,230.1
4.426% EUR bank loan due 2001-2008	4,790.8	0.0
4.43% EUR bank loan due 2001-2009	3,765.0	4,183.3
4.35% EUR bank loan due 2001	3,343.0	3,343.0
2% EUR bank loan due 2001-2007	3,302.1	3,708.2
6.625% GBP bank loan due 2000-2006	0.0	11,327.0
6% EUR bank loan due 2000	0.0	4,857.3
Other	19,370.1	25,644.7
Total	216,476.1	229,174.0
Less current portion of long-term debt	69,134.4	64,101.5
Long-term debt	147,341.7	165,072.5

Aggregate amounts of long-term debt maturing in each of the next five years and thereafter are as follows:

(in thousands of EUR)	2001	2002	2003	2004	2005	Thereafter
Long-term debt:	69,134.4	27,247.4	21,343.2	20,131.5	25,711.6	52,908.0

At December 31, 2000 and 1999, the Group classified short-term revolving bank debt of thous. EUR 38,226.4 and thous. EUR 39,000.0 as long-term debt, respectively. The Group has the intent and ability to refinance these obligations on a long-term basis. Of the long-term bank debt, thous. EUR 57,053.5 and thous. EUR 59,287.2 were secured by mortgages at December 31, 2000 and 1999, respectively. The carrying value of the assets pledged as security totaled thous. EUR 59,798.9 and thous. EUR 63,857.1) at December 31, 2000 and 1999, respectively.

At December 31, 2000 and 1999, the Group had thous. EUR 134,914.3 and thous. EUR 12,355.3 under long-term financing arrangements available, respectively. Compensating balances and commitment fees are not significant to the Group.

Cash paid for interest totaled thous. EUR 12,148.1 and thous. EUR 14,340.3 for the years ended December 31, 2000 and 1999, respectively.

(16) Leases

The Group is a lessee of property, plant and equipment. At December 31, 2000, future minimum annual rental commitments under non-cancelable lease obligations are as follows:

Lease payments with interest due in:

(in thousands of EUR)	Capital leases **December 31, 2000**	Operating leases and rental payments **December 31, 2000**
Year ending December, 31:		
2001	638.2	2,696.1
2002	222.5	2,078.3
2003	203.6	1,907.1
2004	201.6	1,606.8
2005	175.3	1,450.4
Thereafter	176.7	7,841.1
Total minimum lease payments	1,617.9	17,579.8
Less amount representing interest	274.6	
Present value of minimum lease payments	1,343.3	
Less current maturities of capital lease obligations	566.4	
Capital lease obligation long-term	776.9	

The Group leases certain manufacturing facilities, technical machinery and other equipment. Property, plant and equipment include the following amounts under capitalized leases:

	December 31,	
(in thousands of EUR)	**2000**	1999
Buildings	977.0	977.0
Technical equipment and machines	11,557.3	14,385.3
Other equipment, fixtures and fittings	271.7	1,023.6
Total	12,806.0	16,385.9
Accumulated depreciation	(10,615.4)	(12,565.1)
Net book value	2,190.6	3,820.8

Rental expense relating to operating leases was thous. EUR 4,011.8 and thous. EUR 4,140.9 for the years ended December 31, 2000 and 1999, respectively.

(17) Pensions and Other Post-Employment Benefits

Substantially all of the Group's employees are covered by government-sponsored pension and welfare programs. Under the terms of these programs, the Group makes periodic payments to various government agencies, which are expensed as incurred. In addition, the Group provides certain employees additional retirement benefits through the sponsorship of defined contribution plans and defined benefit plans. Benefits under the defined benefit plans are generally based on years of service and the employee's average compensation over the last five years of employment. Contributions to the defined contribution plans amounted to thous. EUR 601.4 and thous. EUR 502.3 for the years ended December 31, 2000 and 1999, respectively. In addition, employees of the Group's Austrian subsidiaries are entitled to severance payments. The severance payments are due to employees if terminated by the Group or upon retirement in a lump sum payment. The amount of severance payments is based on years of service and salary.

The components of net periodic pension costs were as follows:

Pension Benefits (in thousands of EUR)	Pensions Austria **2000**	Pensions Non-Austria **2000**	Pensions Austria 1999	Pensions Non-Austria 1999
Service cost	343.1	2,764.3	299.2	3,196.8
Interest cost	549.2	6,011.6	522.3	5,718.1
Expected return on plan assets	0.0	(5,810.0)	0.0	(4,739.3)
Amortization of transition assets and obligations	15.7	(690.4)	24.6	(680.6)
Recognized actuarial gains - net	(174.8)	(191.0)	(631.5)	(57.3)
Settlement and curtailment	330.4	1.0	(91.9)	(2,507.2)
Net periodic pension cost	1,063.6	2,085.5	122.7	930.5

During the year ended December 31, 2000, the Group instituted workforce reductions, closed businesses and settled certain obligations. During the year ended December 31, 1999, the Group modified a labor agreement with employees at one of its plants in Germany. These actions resulted in settlement losses of thous. EUR 331.4 for the year ended December 31, 2000, and settlement gains of thous. EUR 16.2 and curtailment gains of thous. EUR 2,582.9 for the year ended December 31, 1999.

The components of net periodic other benefit costs were as follows:

Other Benefits

(in thousands of EUR)	Austria **2000**	Austria 1999
Service cost	1,006.9	989.0
Interest cost	911.0	853.1
Amortization of transition assets and obligations	(157.4)	(157.4)
Recognized actuarial losses (gains) – net	16.0	(50.3)
Settlement and curtailment	(79.1)	0.0
Net periodic other benefit cost	1,697.4	1,634.4

The following table presents the changes in projected benefit obligations and in plan assets as of December 31, 2000 and 1999.

Changes in Projected benefit obligations

	December 31, 2000			December 31, 1999		
(in thousands of EUR)	Pensions Austria	Pensions Non-Austria	Other benefits Austria	Pensions Austria	Pensions Non-Austria	Other benefits Austria
Projected benefit obligations at beginning of year	8,607.9	115,262.3	14,908.9	8,202.0	114,063.0	13,733.0
Service cost	343.1	2,764.3	1,006.9	299.2	3,196.8	989.0
Interest cost	549.2	6,011.6	911.0	522.3	5,718.1	853.1
Plan participants contributions	0.0	1,469.2	0.0	0.0	1,065.1	0.0
Actuarial losses (gains) – net	759.3	427.1	(1,458.2)	129.9	(5,071.5)	1,018.4
Benefits paid	(381.2)	(5,445.7)	(1,434.4)	(410.0)	(4,538.3)	(1,684.6)
Settlement, curtailment and other changes	(2,401.3)	(3,995.8)	(391.6)	(135.5)	(2,278.0)	0.0
Foreign currency exchange rate changes	0.0	2,751.3	0.0	0.0	3,107.1	0.0
Projected benefit obligation at end of year	7,477.0	119,244.3	13,542.6	8,607.9	115,262.3	14,908.9

Changes in Plan assets

	December 31, 2000			December 31, 1999		
(in thousands of EUR)	Pensions Austria	Pensions Non-Austria	Other benefits Austria	Pensions Austria	Pensions Non-Austria	Other benefits Austria
Fair value of plan assets at beginning of year	0.0	105,345.7	0.0	0.0	95,832.0	0.0
Actual return on plan assets	0.0	15,032.3	0.0	0.0	6,340.1	0.0
Employer contributions	0.0	3,374.3	0.0	0.0	2,376.2	0.0
Plan participants contributions	0.0	1,469.2	0.0	0.0	1,065.1	0.0
Benefits paid	0.0	(5,046.4)	0.0	0.0	(3,417.8)	0.0
Foreign currency exchange rate changes	0.0	3,592.7	0.0	0.0	3,150.1	0.0
Fair value of plan assets at end of year	0.0	123,767.8	0.0	0.0	105,345.7	0.0

The Group's defined benefit and severance payment plans outside of the United Kingdom, Switzerland, and the Netherlands, are not funded. In accordance with local income tax laws, the obligations under Austrian plans are partially secured by Group assets totaling thous. EUR 10,384.7 and thous. EUR 10,917.2 at December 31, 2000 and 1999, respectively. These assets are classified under available-for-sale securities. Since these assets are not segregated or restricted, they are not classified as plan assets.

The projected benefit obligations, accumulated benefit obligations and fair values of plan assets at December 31, 2000, for pension plans with accumulated benefit obligations in excess of plan assets were thous. EUR 33,601.5 (1999: thous. EUR 35,301.0), thous. EUR 29,881.3 (1999: thous. EUR 31,773.7) and thous. EUR 2,574.7 (1999: thous. EUR 3,045.4), respectively.

The accrued pension and other benefit costs recognized in the consolidated balance sheet are as follows:

	December 31, 2000			December 31, 1999		
(in thousands of EUR)	Pensions Austria	Pensions Non-Austria	Other benefits Austria	Pensions Austria	Pensions Non-Austria	Other benefits Austria
Funded status	7,477.0	(4,523.5)	13,542.6	8,607.9	9,916.6	14,908.9
Unrecognized actuarial gains (losses) – net	92.0	12,886.6	538.2	1,377.8	(101.2)	(948.1)
Unrecognized net transition assets (obligations)	(71.7)	1,388.1	449.1	(62.8)	2,785.7	629.5
Net liability recognized	7,497.3	9,751.2	14,529.9	9,922.9	12,601.1	14,590.3
Amounts recognized in the consolidated balance sheets consist of						
Other long-term assets	0.0	(12,883.6)	0.0	0.0	(9,561.6)	0.0
Other long-term liabilities	7,853.2	23,467.6	14,617.8	9,979.5	23,139.1	14,620.2
Intangible assets - net	(43.9)	(393.3)	0.0	(56.6)	(516.4)	0.0
Accumulated other comprehensive income	(312.0)	(439.5)	(87.9)	0.0	(460.0)	(29.9)
Net liability recognized	7,497.3	9,751.2	14,529.9	9,922.9	12,601.1	14,590.3

The weighted average assumptions used in calculating the actuarial values for the pension plans were as follows:

Weighted average assumptions

	December 31, 2000			December 31, 1999		
	Pensions Austria	Pensions Non-Austria	Other benefits Austria	Pensions Austria	Pensions Non-Austria	Other benefits Austria
Discount rate	6.5%	5.2%	6.5%	6.5%	5.0%	6.5%
Expected return on plan assets	–	5.4%	–	–	4.8%	–
Rate of compensation increase	2.5%	2.6%	2.5%	2.5%	2.9%	2.5%

(18) Stock Options

The Group sponsors a tandem stock award plan for members of the Management Board. The Group applies Statement of Financial Accounting Standard No. 123 ("FAS 123"), "Accounting for Stock Based Compensation", and related interpretations in accounting for the plan. Under the 1997 plan, the Group granted members of the Management Board the right to purchase a maximum of 1,000,000 options for EUR 0.73 per option. In 1998 and 1999, members of management exercised their rights and paid thous. EUR 442.0 and thous. EUR 285.0, respectively, to acquire the maximum number of options awarded under the 1997 plan. The options are exercisable between January 1, 1999 and December 31, 2005. The exercise price, ranging from EUR 52.32 to EUR 55.23, is indexed based on the passage of time. Upon exercise, the Board of Directors of the Company may elect to settle the awards in either stock or cash. Accordingly, compensation expense for stock option rights issued under the plan that are expected to be settled with shares are measured based upon the fair value of the award at the date of grant and recognized as an expense over the period in which the awards vest. The fair value of each award was estimated based on the Black-Scholes option pricing model assuming risk free interest rates of 5.7 %, volatility of 27.1 %, 2 % dividend yield and an expected life of six years. The weighted average fair value of each option granted was EUR 17.22. Compensation expense for awards expected to be settled with cash are measured based on the difference between the 60 day average market price of the Company's shares at the end of each period and the grant price of the stock option.

	Options **2000**	Weighted Average Exercise Price [1] **2000**	Options 1999	Weighted Average Exercise Price [1] 1999
Outstanding on January 1, [2]	1,000,000	52.32	1,000,000	52.32
Granted	0	–	0	–
Exercised	0	–	0	–
Forfeited	0	–	0	–
Outstanding on December 31,	1,000,000	52.32	1,000,000	52.32
Exercisable on December 31,	1,000,000	52.32	1,000,000	52.32
Shares available on December 31 for options that may be granted	0		0	

[1] The exercise price ranges from EUR 52.32 to EUR 55.23 based upon the passage of time. Weighted average exercise price assumes options exercised prior to December 31, 2001.

[2] Total awards granted in 1997, including awards related to 391,900 options acquired by members of management in 1999.

The following table summarizes information about stock awards at December 31, 2000:

Options outstanding			Options exercisable	
Number of options	Weighted average remaining contractual life	Weighted average exercise price[1]	Number of options	Weighted average exercise price[1]
1,000,000	5 years	52.32	1,000,000	52.32

[1] The exercise price ranges from EUR 52.32 to EUR 55.23 based upon the passage of time. Weighted average exercise price assumes options exercised prior to December 31, 2001.

(19) Stockholders' Equity

a) Capital stock

On May 19, 1999, in conjunction with the conversion of the denomination of the capital stock from Austrian Schillings to Euros, the Shareholders approved an increase in capital stock from thous. EUR 87,207.4 (thous. ATS 1,200,000.0) to thous. EUR 87,240.0 through the conversion of retained earnings in accordance with Section 8 par. 1 of the Euro related Amendment to Financial and Fiscal Law in Austria. The 12,000,000 outstanding EUR 7.27 (ATS 100) par value shares were converted to no-par value shares. Stockholders' equity has been restated to reflect this change.

On May 24, 2000, the Shareholders approved a plan to repurchase up to 10 % of the Company's capital stock through November 24, 2001. In 2000, the Company did not repurchase any shares under this plan.

b) Dividend

Under Austrian corporation law ("Aktiengesetz"), the amount of dividends available for distribution to shareholders is based upon the unappropriated retained earnings of Mayr-Melnhof Karton AG (parent company only) determined in accordance with the Austrian commercial code ("Handelsgesetzbuch"). At December 31, 2000, the distributable unappropriated retained earnings totaled thous. EUR 25,041.6 (1999: thous. EUR 22,517.5).

(in thousands of EUR)	2000	1999
Unappropriated retained earnings at January 1,	22,517.5	21,231.2
Net income of Mayr-Melnhof Karton AG (parent company only), for the year ended December 31,	21,129.1	18,727.7
Changes in reserves	(5.0)	0.0
Dividends paid	(18,600.0)	(17,441.4)
Unappropriated retained earnings at December 31,	25,041.6	22,517.5

For the year ended December 31, 2000, Mayr-Melnhof Karton AG has proposed a dividend of EUR 1.65 (1999: EUR 1.55) per share totaling thous. EUR 19,800.0 (1999: thous. EUR 18,600.0).

c) Comprehensive income

A summary of components of other comprehensive income (loss) for the years ended December 31, 2000 and 1999, respectively, is as follows:

	Year ended December 31,			Year ended December 31,		
(in thousands of EUR)	Pretax 2000	Income Tax 2000	Net 2000	Pretax 1999	Income Tax 1999	Net 1999
Unrealized losses on available-for-sale securities – net	(457.7)	153.9	(303.8)	(1,794.3)	580.3	(1,214.0)
Minimum pension liability	(349.5)	100.1	(249.4)	3,482.1	(1,063.4)	2,418.7
Gains on intercompany foreign currency transactions of long-term investment nature – net	834.0	0.0	834.0	235.0	0.0	235.0
Foreign currency translation adjustment	(2,771.8)	0.0	(2,771.8)	925.2	0.0	925.2
Total	(2,745.0)	254.0	(2,491.0)	2,848.0	(483.1)	2,364.9

(20) Operating Assets and Liabilities

The net change in operating assets and liabilities includes the following:

	Year ended December 31,	
(in thousands of EUR)	2000	1999
Trade accounts receivable	67.2	(12,845.6)
Inventories	(10,564.4)	(11,515.4)
Other long-term assets	(2,966.4)	(3,323.4)
Prepaid expenses and other current assets	5,759.6	(3,764.7)
Trade liabilities	(9,657.6)	11,150.1
Accrued expenses and other liabilities	(1,450.7)	(16,313.8)
Deferred income	(215.3)	(238.6)
Provisions for income taxes	3,054.1	1,274.1
Other long-term liabilities	(1,411.9)	(787.8)
Total	(17,385.4)	(36,365.1)

(21) Commitments and Contingent liabilities

The Group is subject to various claims and legal proceedings that arose in the ordinary course of business. Based on all the facts available to management, the Group believes that the ultimate resolution of these claims and legal proceedings would not likely have a material adverse effect on the results of its operations, financial position or liquidity, although no assurances can be given with respect to the ultimate outcome of such claims or litigation.

The Group is also subject to various environmental laws and regulations in the countries in which it operates. Expenditures for environmental matters which relate to existing conditions caused by past operations and which have no significant future benefit are expensed. The Group establishes reserves for environmental matters when a loss is probable and the costs can be reasonably estimated. Costs of assessment and remediation of environmental matters to be accrued are based on estimates by management. It is possible that the final resolution of some of these matters may require the Group to make expenditures in excess of amounts currently provided, however, management believes that such additional amounts will not have a material effect on the Group’s financial position or results of operations. Expenses related to environmental matters were not material during the years ended December 31, 2000 and 1999.

Commitments and contingencies are presented at their contractual values and include the following:

	December 31,	
(in thousands of EUR)	**2000**	1999
Guarantees	4,356.1	4,134.9
Notes payable	21.6	239.1
Total	4,377.7	4,374.0

Contingent liabilities principally represent guarantees of indebtedness of non-consolidated affiliated companies and third parties.

Purchase obligations of fixed assets maturing within one year amount to approximately thous. EUR 4,500.0. Other purchase commitments total thous. EUR 5,025.4, all of which mature within one year.

(22) Operating Segments

The Group classifies its businesses into two operating segments:

Cartonboard Division:

This division manufactures and markets numerous grades of cartonboard, concentrating particularly on coated cartonboard primarily from recycled fiber.

Packaging Division:

This division converts cartonboard into printed folding cartons purchased by customers in a variety of industries including food and other consumer goods (e.g. cereals, dried foods, sugar, confectionery and baked goods, cosmetics and toiletries, detergents, domestic appliances, cigarettes, toys).

The Group's management reporting and controlling systems are substantially the same as those described in the summary of significant accounting policies (see Note 1). The Group measures the performance of its operating segments through the assessment of "Operating Profit".

Revenues are allocated to countries based on the location of the customer and long-lived assets are allocated according to the location of the respective units.

Capital expenditures represents the purchase of property, plant and equipment as well as the purchase of intangible assets.

Information about the Group's operating segments is shown below:

(in thousands of EUR)	Cartonboard Division **2000**	Packaging Division **2000**	Eliminations **2000**	Consolidated **2000**
Net sales				
Revenues from external customers	601,506.1	476,746.7	0.0	1,078,252.8
Intersegment revenues	99,759.5	326.9	(100,086.4)	0.0
Total Revenues	701,265.6	477,073.6	(100,086.4)	1,078,252.8
Operating Profits	72,339.4	31,824.9	0.0	104,164.3
Net interest expense	(1,498.1)	(1,926.6)	0.0	(3,424.7)
Interest income	9,948.0	3,033.6	(3,502.2)	9,479.4
Interest expense	(11,446.1)	(4,960.2)	3,502.2	(12,904.1)
Income before taxes and minority interests	70,888.7	28,323.3	0.0	99,212.0
Income tax expense	(17,879.5)	(13,151.5)	0.0	(31,031.0)
Net income	52,615.1	14,065.8	0.0	66,680.9
Capital expenditures [1]	45,542.7	26,067.1	0.0	71,609.8
Depreciation and amortization expense [2]	43,346.0	26,599.2	0.0	69,945.2
Identifiable segment assets	801,266.6	392,987.2	(143,769.6)	1,050,484.2
Employees per segment as of December 31,	2,181	2,780		4,961

[1] Capital expenditures for intangible assets and property, plant and equipment (see Note 11)

[2] Depreciation and amortization of intangible assets and property, plant and equipment (see Note 11)

(in thousands of EUR)	Cartonboard Division 1999	Packaging Division 1999	Eliminations 1999	Consolidated 1999
Net sales				
Revenues from external customers	516,327.7	390,260.1	0.0	906,587.8
Intersegment revenues	71,630.8	115.1	(71,745.9)	0.0
Total Revenues	587,958.5	390,375.2	(71,745.9)	906,587.8
Operating Profits	59,752.4	20,613.9	0.0	80,366.3
Net interest expense	(3,108.7)	(1,798.7)	0.0	(4,907.4)
Interest income	6,755.1	2,062.9	(2,831.4)	5,986.6
Interest expense	(9,863.8)	(3,861.6)	2,831.4	(10,894.0)
Income before taxes and minority interests	58,951.7	17,545.0	0.0	76,496.7
Income tax expense	(20,858.0)	(10,006.1)	0.0	(30,864.1)
Net income	38,049.7	7,368.3	0.0	45,418.0
Capital expenditures [1]	50,371.1	26,092.6	0.0	76,463.7
Depreciation and amortization expense [2]	45,238.3	24,946.9	0.0	70,185.2
Identifiable segment assets	816,109.0	353,553.1	(146,378.1)	1,023,284.0
Employees per segment as of December 31,	2,416	2,661		5,077

[1] Capital expenditures for intangible assets and property, plant and equipment (see Note 11)

[2] Depreciation and amortization of intangible assets and property, plant and equipment (see Note 11)

A summary of long-lived assets by country based upon location and the breakdown of net sales by country based upon shipment destination is as follows:

(in thousands of EUR)	Net sales **2000**	Long-lived assets[1] **2000**	Net sales 1999	Long-lived assets[1] 1999
Austria	88,978.0	79,059.8	74,445.7	71,629.7
Germany	293,580.3	173,724.4	252,120.6	192,357.4
United Kingdom	174,588.8	26,841.0	148,890.3	58,432.3
France	107,859.2	17,733.2	92,269.2	18,576.2
Other European Union countries	149,027.7	31,744.8	132,453.4	29,796.3
Eastern European countries	147,478.7	84,031.5	114,755.3	83,497.3
Asia	47,311.9	0.0	36,298.1	0.0
Other foreign countries	69,428.2	30,685.4	55,355.2	30,815.4
Consolidated Total	1,078,252.8	443,820.1	906,587.8	485,104.6

[1] Long-lived assets consist of intangible assets and property, plant and equipment (see Note 11)

Acid test ratio
The sum of cash and cash equivalents, marketable and non-current securities, and trade accounts receivable divided by current liabilities excluding short-term revolving bank debt.

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

Cash earnings margin
Cash earnings divided by sales.

Cash ratio
The sum of cash and cash equivalents, marketable and non-current securities divided by current liabilities excluding short-term revolving bank debt.

Current ratio
The sum of total current assets and non-current securities divided by current liabilities excluding short-term revolving bank debt.

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

EBITDA margin
EBITDA divided by sales.

Employees
Employees at year end, including part-time employees on a pro-rata basis and apprentices.

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

Equity and non-current liabilities to property, plant and equipment
The sum of stockholders' equity and non-current liabilities divided by property, plant and equipment - net.

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

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

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

Net profit margin
Net income divided by sales.

Operating margin
Operating profit divided by sales.

Property, plant and equipment to total assets
Property, plant and equipment - net divided by total assets.

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

Return on assets
The sum of income before minority interests and interest expense divided by average total assets.

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

Return on investment (ROI)
The sum of income before minority interests and interest expense divided by the average sum of stockholders' equity, minority interests, short-term borrowings, and long term debt.

Times interest earned
Operating profit divided by net interest expense.

Working capital
The sum of non-current securities and total current assets subtracted by total current liabilities excluding short-term revolving bank debt.

Mayr-Melnhof Group Key Indicators

	2000	1999
Development of Sales (in millions of EUR)		
Unconsolidated sales	1,292.6	1,074.8
less pro rated sales from proportionally consolidated companies	–39.9	–35.0
less intersegment sales	–174.4	–133.2
Consolidated sales	1,078.3	906.6
Earnings Data (in millions of EUR)		
Net value-added	344.8	300.7
EBITDA	172.5	151.6
Operating profit	104.2	80.4
Net income	66.7	45.4
Cash earnings	145.1	130.8
Depreciation and amortization (in millions of EUR)	69.9	70.2
Capital expenditures (in property, plant and equipment)(in millions of EUR)	70.3	74.9
Employees	4,961	5,077
Profitability Indicators		
Return on equity	13.4%	9.9%
Return on assets	7.8%	5.6%
Net profit margin	6.2%	5.0%
Cash earnings margin	13.5%	14.4%
EBITDA margin	16.0%	16.7%
Operating margin	9.7%	8.9%
Times interest earned	30.6	16.4
Return on capital employed	19.4%	15.2%
Return on investment	11.0%	8.0%
Balance Sheet Indicators		
Equity to total assets	49.5%	46.4%
Net debt (in millions of EUR)	–10.3	65.3
Net debt to equity	–2.0%	13.8%
Property, plant and equipment to total assets	39.4%	43.9%
Equity and non-current liabilities to property, plant and equipment	1.9	1.6
Working capital (in millions of EUR)	312.4	245.7
Enterprise value (in millions of EUR)	556.6	621.7
Liquidity Indicators		
Cash ratio	1.0	0.7
Acid test ratio	1.5	1.2
Current ratio	2.3	2.0
Share Performance Indicators		
Basic and diluted earnings per share (in EUR)	5.56	3.78
Dividend per share (in EUR)	1.65[1]	1.55

[1] proposed

Financial Calendar 2001

April 26, 2001	Financial results for 2000
May 15, 2001	Results for the 1st quarter of 2001
May 22, 2001	7th Annual General Meeting
May 28, 2001	Ex-Dividend Day
June 5, 2001	Dividend payment date
August 28, 2001	Results for the 1st half-year of 2001
November 20, 2001	Results for the first three quarters of 2001

Published and edited by:
Mayr-Melnhof Karton AG
Brahmsplatz 6
A-1041 Vienna

For further information, please contact:
Stephan Werba
Investor Relations
Tel.: +43/ 1 50136 1180
Fax: +43/ 1 50136 1195
e-mail: investor.relations@mm-karton.com

Publications for the 2000 financial year:

- Annual Report Mayr-Melnhof Karton AG
  (German, US GAAP, according to Austrian “Konzernabschlussgesetz”)
- Annual Report Mayr-Melnhof Karton AG
  (German, US GAAP)
- Annual Report Mayr-Melnhof Karton AG
  (English, US GAAP)

All mentioned publications can be requested from the Company. The Annual Reports and interim reports are also available on the internet.

http://www.mayr-melnhof.com

Cover: SWISSTOP 350g/m^2