



PRESS RELEASE

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Half-year results 2001:

BEST EVER HALF-YEAR RESULTS

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

Despite a significantly weaker economic environment in the first half-year of 2001 in comparison with the previous year as well as a considerable slow down of economic growth in Western Europe, the Mayr-Melnhof Group's primary market, Mayr-Melnhof maintained a successful development of business during the first six months of 2001. Reporting a net income of EUR 48.5 million - equivalent to a 47 % increase compared with the first half-year of 2000 (EUR 33 million) – the Mayr-Melnhof Group registered its best ever half-year result during the period January to June 2001.

CONSOLIDATED RESULTS - US GAAP

in EUR millions	1-6/2001	1-6/2000	+/-
Sales	558.9	527.0	+6.1%
Operating profit	70.6	55.5	+27.2%
Operating margin	12.6%	10.5%	
Income before income taxes and minority interests	74.7	52.7	+41.7%
Net income	48.5	33.0	+47.0%
% of sales	8.7%	6.3%	
Earnings per share (in EUR)	4.04	2.75	
Cash earnings	86.5	71.6	+20.8%
% of sales	15.5%	13.6%	
Employees ¹	5,287	4,961 ¹	

¹ as of Dec. 31st 2000

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

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

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

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

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

Capital expenditures totaled EUR 24.6 million (first half of 2000: EUR 31.3 million). Investment activities focused on replacing old machinery.

Development in the 2nd quarter

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

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

Primarily due to income from the disposal of the 50 % shareholding in the printing plant Wall MM Gravure, Krakow and the 4.9 % interest in Alfred Wall AG which specializes in cigarette packaging as well as higher equity income, the Mayr-Melnhof Group registered a net income for the period of EUR 24.9 million, clearly exceeding expectations. However, this disposal does not alter the target of further developing the "Cigarette Packaging" business.

CARTONBOARD DIVISION

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

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

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

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

PACKAGING DIVISION

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

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

Outlook– 2nd half-year 2001

Due to recent economic forecasts, a weakening of demand can be expected during the second half-year, particularly in the Western European markets. As the decrease in cartonboard customers' inventories has come to a halt, cartonboard demand until year-end will largely depend on economic conditions. At approximately 60,000 tons in mid-August, the Cartonboard Division's order backlog remained at a low level. Therefore, Mayr-Melnhof will continue to adapt cartonboard production to demand by taking downtime similar to which was done in the second quarter. Until recently, short-time work could be avoided, although it cannot be ruled out as a possibility for the remaining six months.

From a current perspective, stable prices can generally be expected on the procurement markets. The goal is to therefore hold Western and Eastern European cartonboard prices steady. The slowing economy is expected to affect demand and utilization within the Packaging Division.

Due to a decrease in cartonboard demand and further downtime in the Cartonboard Division, the Group's operating profit in the second half-year 2001 will fall below the level achieved in the first half-year. Altogether, very satisfactory results can currently be expected in 2001.

- The interim report for the 2001 first half-year is available on our homepage: <http://www.mayr-melnhof.com>.
- Results for the first three quarters of 2001 will be released November 20, 2001

For further information please contact:

Stephan Werba, Investor Relations

Tel.: +43/ 1 50136 1180, Fax. +43/ 1 50136 1195; Mayr-Melnhof Karton AG, Brahmplatz 6, A-1041 Vienna

e-mail: investor.relations@mm-karton.com; Web Site: <http://www.mayr-melnhof.com>