



- Strong upswing in demand
- Full utilization of capacities
- Massive rise in raw materials costs compensated by increased productivity and higher prices
- Substantial rise in sales and earnings

INTERIM REPORT 2000
US GAAP

Dear Shareholders,

A continuous growth in the worldwide economy, as well as a strengthened economic climate in Europe, characterized the positive economic environment during the first half-year 2000. Following a rapid recovery in Asia, the economies of Central and Eastern Europe also clearly exhibited an upward trend. Due to this development, your Company registered excellent demand for cartonboard and folding cartons, along with a full utilization of capacities during the first half-year. Sales and results strongly exceeded the previous year's figures.

Site optimizations and investments in the latest technology led to the expected increase in productivity and quality, further strengthening Mayr-Melnhof's leading position in the two divisions. Due to the increased level of productivity throughout our Group and the consequent application of the necessary price increases, it was possible to compensate the rapid increase in raw materials prices and to achieve very satisfying results for the first half-year 2000.

Due to a large increase in volume and higher prices, consolidated sales amounted to EUR 527 million, exceeding the first half-year 1999* by 21.3 %.

The operating result totaled EUR 55.5 million. This represents an increase of 44.2 % compared to the previous year and led to an operating margin of 10.5 % (first half of 1999: 8.9 %).

Net interest expense amounted to EUR -2.5 million (first half of 1999: EUR -4.2 million). Income before income taxes and minorities increased by 51 %, reaching EUR 52.7 million. The Group's tax rate was approximately 36 % (first

half of 1999: ~40 %). In summary, the Mayr-Melnhof Group achieved a net income of EUR 33 million. This represents an increase of 59.4% compared to the first half-year 1999.

At 12.6 % and 18.5 %, both return on equity and return on capital employed exceeded the 1999 figures of 9.9 % and 15.2 % respectively.

Cash earnings including deferred tax totaled EUR 71.6 million or 13.6 % of sales (first half-year 1999: EUR 62.6 million; 14.4 %). Capital investments amounted to EUR 31.3 million (first half of 1999: EUR 38.5 million). The largest investment was the rebuilding of board machine III at the Količevo mill. With an equity ratio of 45.9 % (1999: 46.4 %) and net debt to equity totaling 12.1 % (1999: 13.8 %), the financing of the Group remains to be structured on a solid basis.

6th Annual General Meeting:

Authorization for share buy-back

The Annual General Meeting decided upon a dividend of EUR 1.55 per share for the 1999 financial year. This amount was distributed to shareholders on June 5, 2000.

The Managing Board has been unanimously authorized for the buy-back and reselling of shares, maximized at 10 % of the Group's capital stock. This authorization remains valid until November 23, 2001.

* In order to allow for a comparison with the previous year's period, figures for the first half-year 1999 have been calculated according to US GAAP on a pro forma basis.

QUARTERLY OVERVIEW

all in US GAAP, unaudited

Mayr-Melnhof Group					
consolidated in EUR millions	II/99	III/99	IV/99	I/00	II/00
Sales	220.2	231.9	240.4	254.7	272.3
Operating profit	19.1	19.4	22.5	27.4	28.1
Operating margin	8.7 %	8.4 %	9.4 %	10.8 %	10.3 %
Net interest expense	(1.9)	(1.7)	1.0	(1.3)	(1.2)
Income before income taxes and minority interests	17.5	18.0	23.6	25.9	26.8
Income taxes	(7.0)	(7.0)	(9.8)	(9.3)	(9.5)
Net income	10.5	10.9	13.8	16.1	16.9
in % of sales	4.8 %	4.7 %	5.7 %	6.3 %	6.2 %
Basic and diluted earnings per share (in EUR)	0.88	0.91	1.15	1.34	1.41
DIVISIONS					
Cartonboard					
Sales	145.4	148.3	154.5	166.2	181.5
Operating profit	14.7	14.8	15.8	20.7	20.9
Operating margin	10.1 %	10.0 %	10.2 %	12.5 %	11.5 %
Tonnage produced (in 000's of tons)	301	314	317	329	319
Packaging					
Sales	91.9	101.1	107.4	110.2	116.0
Operating profit	4.4	4.6	6.7	6.7	7.2
Operating margin	4.8 %	4.5 %	6.2 %	6.1 %	6.2 %
Tonnage processed (in 000's of tons)	63	78	81	78	84

Mayr-Melnhof Cartonboard Division

Due to the continuous positive economic development, the Cartonboard Division also registered strong demand from Europe and overseas markets in the second quarter of 2000. The increased cartonboard requirements and the dynamics of the cartonboard prices resulted in a rise of the average order backlog during the second quarter, exceeding the previous quarter's level by approximately 30 %. At 648,000 tons, a new record level of production was achieved (first half 1999: 583,000).

Sales volume increased by approximately 80,000 tons (+13 %), reaching 669,000 tons. At an increase of 46 %, Eastern Europe registered the strongest growth in sales.

The rapid increase of raw materials prices for waste paper, pulp and natural gas provided the necessity to increase cartonboard prices by 10 % at the beginning of April, and by 15 % on July 1.

The excellent development of volume and higher prices resulted in an increase of sales of 21.9 % to EUR 347.7 million. The operating result totaled EUR 41.6 million and surpassed the previous year's level by 42.5 %. This increase can primarily be attributed to the high utilization of capacities as well as the success of the current efficiency and productivity improvement programs and increased prices. Consequently, the Division's operating margin reached 12 % (first half 1999: 10.2 %).

UK Recycling plants have been sold

At the end of July 2000, Mayr-Melnhof Karton sold the five depots of MM-Recycling UK Ltd. The company recently employed 58 people.

Closure of Colthrop Board Mill - Transfer of the production volume to the most productive mills will further increase the competitiveness of MM-Karton

Subsequent to an agreement with the unions, Colthrop Board Mill ceased production at the end of July 2000.

Cartonboard distribution gets ready for the Internet

Via the web, MM-Karton plans to supply its customers with all relevant information by the end of the year, as well as to offer information management as an additional service to customers. Improved disposition possibilities should result in positive supply chain effects.

Performance Indicators Cartonboard

in EUR millions, US GAAP	1-6/2000	1-6/1999	+/-
Sales ¹	347.7	285.2	+21.9 %
Operating profit	41.6	29.2	+42.5 %
Operating margin	12.0 %	10.2 %	
Tonnage produced (in 000's of tons)	648	583	+11.1 %
Employees	2,398	2,416 ²	-0.7 %

¹ incl. Interdivisional sales

² as of December 31, 1999

Mayr-Melnhof Packaging Division

Mayr-Melnhof Packaging reported a very positive development of business during the first half-year 2000.

At EUR 226.2 million, sales have surpassed the previous year's level by 24.4 %. Sales, most notably in the high quality segment of cigarette and confectionery packaging, made a strong rebound due to the favorable economic development in Western Europe and the recovery of the Eastern European markets. Additionally, the Kellogg's contract which provides the single supply for all production facilities of Kellogg's Europe by MMP, has been implemented at full volume for the first time. Due to the large volume of orders and swift employee practice in the new large-format-printing know-how, all high performance capacities which have been set up during the previous year could be fully utilized. The tonnage converted rose by 23 % to 162,000 tons.

The operating profit increased by nearly 50 % to EUR 13.9 million. Consequently, the operating margin rose from 5.1 % to 6.1 %. This increase was mainly due to the expansion of sales in the areas mentioned above. Due to the consequent rationalization and site optimization, as well as successful Supply Chain Management programs with key customers, MMP effectively counteracted the impacts resulting from the drastic increase in raw materials costs.

Improvement in Eastern European facilities – capacity increase planned

Due to the revival of the Eastern European economies, the packaging facilities which have been set up in Poland, Hungary and Romania during the last few years registered a remarkable increase in sales and earnings. Therefore, capacities of the Romanian plant are currently doubled due to the completion of a second production line. Further investment has also been planned for the facilities in Poland and Hungary.

Site optimization in Vienna according to schedule

Following the successful start of the new six color high performance printing machine and the timely concentration of the two sites, MMP-Austria will already have available the yearly converting capacity of approximately 35,000 tons during the second half-year.

Evaluation of e-commerce potential

Within the running Supply Chain Management programs a number of e-commerce projects are currently being elaborated with selected customers. Target areas are process optimization and the reduction of transfer costs.

Performance Indicators Packaging

in EUR millions, US GAAP

	1-6/2000	1-6/1999	+/-
Sales ¹	226.2	181.9	+24.4 %
Operating profit	13.9	9.3	+49.5 %
Operating margin	6.1 %	5.1%	
Tonnage produced (in 000's of tons)	162	132	+22.7 %
Employees	2,693	2,661 ²	+1.2 %

¹ incl. interdivisional sales
² as of December 31, 1999

Outlook

Due to the favorable order situation in both Divisions, capacities could also be fully utilized throughout the summer months.

At the end of August, the Cartonboard Division's order backlog amounted to 125,000 tons, still considered to be a very high level. On this basis, full utilization of capacities can also be expected for the 3rd quarter. Due to the European-wide implementation of the price increase since July 1, as well as the favorable utilization of capacities, it should also be possible to compensate for the consistently high raw materials prices in the 3rd quarter.

Following the extraordinarily strong demand during the first half-year, we expect more cautious planning primari-

ly from customers in non-European markets during the second half.

In line with the sustained positive economic climate in Western and Eastern Europe, the Packaging Division is also well-positioned to attain a very good utilization of capacities during the second half-year. The cartonboard price increase which became effective July 1, could be passed on in understanding with the customers. Due to the high utilization of capacities, the timely fulfillment of customer supply remains the most important issue during the coming months.

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

Mayr-Melnhof Shares

Relative Performance of MM Shares 1999/2000



Share price (Closing price)	As of August 21, 2000	EUR 49.65	Number of shares outstanding	12,000,000
	High 2000	EUR 58.00	Market capitalization	EUR 596 million
	Low 2000	EUR 46.00		

Results for the first three quarters of 2000 will be released on October 31, 2000.

GROUP KEY INDICATORS

all in US GAAP, unaudited

consolidated in EUR millions,	1-6/2000	1-6/1999	+/-
Statement of Income			
Sales	527.0	434.3	+21.3 %
Operating profit	55.5	38.5	+44.2 %
Operating margin	10.5 %	8.9%	
Net interest expense	(2.5)	(4.2)	
Income before income taxes and minority interests	52.7	34.9	+51.0 %
Income taxes	(18.8)	(14.1)	
Net income	33.0	20.7	+59.4 %
in % of sales	6.3 %	4.8 %	
Basic and diluted earnings per share (in EUR)	2.75	1.73	+59.0 %
Investments in fixed assets	31.3	38.5	-18.7 %
Depreciation and amortization	36.0	35.0	+2.9 %
EBITDA	91.2	74.1	+23.1 %
in % of sales	17.3 %	17.1 %	
Cash earnings incl. deferred tax	71.6	62.6	+14.4 %
in % of sales	13.6 %	14.4 %	
	June 30, 2000	Dec. 31, 1999	
Employees	5,091	5,077	+0.3 %
Balance Sheet			
Current assets	464.9	426.8	+8.9 %
Total assets	1,060.1	1,023.3	+3.6 %
Capital stock	87.2	87.2	
Shareholders' equity	486.3	474.6	+2.5 %
Liabilities	573.8	548.7	+4.6 %
Group Balance Sheet Indicators			
Enterprise value	658.3	621.7	+5.9 %
Equity to total assets	45.9 %	46.4 %	
Net debt	58.7	65.3	-10.1 %
Net debt to equity	12.1 %	13.8 %	
Group Profitability Indicators			
Return on equity ¹	12.6 %	9.9 %	
Return on capital employed ¹	18.5 %	15.2 %	
¹ annualized			

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