

Report for the first  
three quarters of **2001**



- Strong increase in results for the first nine months of 2001 despite decline in 3<sup>rd</sup> quarter
- Weakening demand necessitates on-going curtailment of production in the Cartonboard Division
- Positive development of business in the Packaging Division
- So far best annual results at hand for 2001
- Development in the second half-year of 2001 will represent a leading indicator for the coming financial year

# Mayr-Melnhof Group

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## *Dear Shareholders,*

During the first three quarters of 2001, your Company successfully remained strong in the face of a significantly weakening economic environment and registered a very sound development of results despite a continuous slow-down of economic growth in Western Europe, the Group's core market.

As a consequence of upholding our strategy which involves - adapting the production of cartonboard to the decline in demand by taking downtime, maintaining European sales prices while raw materials costs remain stable and constantly improving cost efficiencies - the Mayr-Melnhof Group achieved its best ever interim results during the first nine months of 2001.

Net income for the first three quarters of 2001 amounted to EUR 66.5 million, equivalent to an increase of 27.9 % compared with the previous year (Q1-3 2000: EUR 52 million).

Primarily attributable to better average prices, consolidated sales increased by 5.5 % to EUR 846.5 million (Q1-3 2000: EUR 802.4 million).

Operating profit rose by 17.6 % and reached EUR 99 million (Q1-3 2000: EUR 84.2 million). This resulted in an operating margin of 11.7 % (Q1-3 2000: 10.5 %).

Net interest expense improved from EUR -3.8 million to EUR -1.6 million. This net decrease principally resulted from higher interest income on larger bank deposits.

Other-net (including equity income) amounted to EUR 4.8 million (Q1-3 2000: EUR 1.4 million) and was largely due to gains from business disposals and an increased amount of equity income as reported for the first half-year.

Income before income taxes and minority interests totaled EUR 102.2 million, exceeding the first three quarters of 2000 (EUR 81.8 million) by 24.9 %.

The Group's corporate tax rate was approximately 34 % (Q1-3 2000: approximately 35 %).

The current share repurchase program resulted in a weighted average of 11,858,553 shares which were in circulation during the period under review. This led to an earnings per share of EUR 5.61.

Capital expenditures in the first three quarters of 2001 totaled EUR 38.8 million (Q1-3 2000: EUR 48.9 million) and focused primarily on the implementation of the latest technology aimed at further enhancing machinery and process efficiencies. The largest investment during the third quarter was the modernization of board machine III at the Slovenian mill, Kolicevo Karton.

### Development in the 3<sup>rd</sup> quarter

- *Decrease in demand necessitated further curtailment of cartonboard production*
- *Positive development of business in the Packaging Division*

As expected, weak demand continued into the third quarter of 2001 on Western European and overseas cartonboard markets. As a result, only 90 % of the Cartonboard Division's capacity could be utilized. Nevertheless, this was an improvement compared with the second quarter as increased shipments to overseas markets were possible. However, due to the sharply decreasing overseas price level, the specific earnings contribution has continuously deteriorated. In contrast, generally stable raw materials costs have enabled for consistent Western and Eastern European cartonboard prices.

The declining contribution from overseas business was particularly responsible for the decrease in the Cartonboard Division's operating profit from EUR 25.3 million in the second quarter to EUR 19.4 million in the third quarter. The second quarter operating profit was, however, supported by other operating income.

Despite the slow-down in the European economy, the Packaging Division continued its positive development during the third quarter due to its focus on non-durable consumption articles. The Division's operating profit reached EUR 9 million (Q2 2001: EUR 8.4 million). The improvement in comparison with the previous quarter can largely be attributed to the increased sales of cigarette packaging.

Altogether, the Group arrived at an operating profit of EUR 28.4 million (Q2 2001: EUR 33.7 million).

At EUR 18 million, third quarter net income decreased in comparison with the previous quarter (EUR 24.9 million), which was positively influenced by other income from the disposal of shareholdings.

### Further events

- Mayr-Melnhof Packaging will cease production at the German printing plant **Hermann Schött GmbH**, Mönchengladbach, at the beginning of 2002. Aimed at increasing efficiencies, existing order volumes will be transferred to other MMP high performance facilities.
- Mayr-Melnhof Karton discontinued production at the board mill **Emil Christ AG** located in Thal and concentrates its cartonboard production in Switzerland at the Deisswil mill. Production was steadily ceased in order to enable the customers a smooth transition to the various other board mills of the Mayr-Melnhof Group.

## Mayr-Melnhof Cartonboard Division

During the first three quarters of 2001, the European market for recycled fiber-based board registered a clear weakening of demand compared with the previous year. This can be attributed to the reduction of customer stocks, which began in September of the previous year and continued into this year's summer months as well as to the marked slow-down of economic growth in the Division's primary market, Western Europe. As a result, customers tend to plan on a more cautious and short-term basis. As scheduled, cartonboard production was adjusted to lower demand by taking downtime. This resulted in a capacity utilization of only 90 % during the period from January to September 2001. The average order backlog for the first nine months however, decreased from approximately 127,000 tons in 2000 to 52,000 tons in the current year. Due to the acquisition of Gruber+Weber Karton, production and shipments amounting to 954,000 and 957,000 tons, respectively, were nearly equivalent to prior year levels of 967,000 and 962,000 tons. Approximately 82 % of the volume dispatched was sold in Europe and approximately 18 % to overseas markets (Q1-3 2000: 85 %; 15 %).

Due to generally stable raw materials costs, cartonboard prices in Western and Eastern Europe could be maintained. However, Asia, the most important overseas market, registered a steep decline in prices.

Sales for the first nine months of 2001 rose by 4.1 % to EUR 544.5 million (Q1-3 2000: EUR 523.1 million) and are principally the result of a better average price level. The operating profit amounted to EUR 74 million, exceeding the previous year's figure (Q1-3 2000: EUR 60.9 million) by 21.5 %. This resulted in an operating margin of 13.6 % (Q1-3 2000: 11.6 %).

### Performance Indicators Cartonboard

(US GAAP, unaudited)

(in EUR millions)	1-9/2001	1-9/2000	+/-
Sales <sup>1)</sup>	544.5	523.1	+4.1 %
Operating profit	74.0	60.9	+21.5 %
Operating margin	13.6 %	11.6 %	
Tonnage produced (in thousands of tons)	954	967	(1.3 %)

<sup>1)</sup> incl. interdivisional sales

## Mayr-Melnhof Packaging Division

Due to the continuous demand for folding cartons and steady improvement in cigarette packaging sales, the Packaging Division registered a sustained positive development of business throughout the first three quarters of 2001. The tonnage processed amounted to 245,000 tons in the period from January to September 2001 (Q1-3 2000: 240,000 tons).

Sales for the first three quarters rose by 6.6 % to EUR 375.5 million (Q1-3 2000: EUR 352.3 million). This increase is primarily the result of improved average prices. The 7.3 % improvement in operating profit to EUR 25 million (Q1-3 2000: EUR 23.3 million) is largely due to the positive development in the cigarette packaging business. This resulted in an operating margin of 6.6 % (Q1-3 2000: 6.7 %).

### · Expansion in micro-flute packaging

#### European competitive position in detergent packaging strengthened

Through the acquisition of the German specialized packaging plant **Schilling GmbH & Co KG** (the acquisition is subject to approval by the German

competition authorities) Mayr-Melnhof Packaging has strengthened its competitive position as a European supplier of detergent packaging and attains a micro-flute production facility in the core market, Germany. The facility primarily manufactures packaging for multinational detergent producers and specializes in the plastic coating of cartonboard as well as in micro-flute products.

In addition to cartonboard and containerboard, offset printed micro-flute has established itself as an important packaging material and is principally used for the packaging of household, telecom and entertainment electronic products as well as for displays. Demand has been increasing by 5-7 % on a yearly basis. Mayr-Melnhof Packaging will therefore focus more intensively on this market segment and has also invested in existing facilities in order to provide micro-flute products on a European-wide production basis (Germany, Great Britain, Austria, Poland, Romania).

## Performance Indicators Packaging

(US GAAP, unaudited)

(in EUR millions)	1-9/2001	1-9/2000	+/-
Sales <sup>1)</sup>	375.5	352.3	+6.6%
Operating profit	25.0	23.3	+7.3%
Operating margin	6.7%	6.6%	
Tonnage processed (in thousands of tons)	245	240	+2.1%

<sup>1)</sup> incl. interdivisional sales

## Outlook/MM Shares

### Outlook

As a result of the general economic slow-down, the usual surge in demand following the summer months did not take place in the Cartonboard Division this year. Consequently, the Cartonboard Division's order backlog remained at a low level of approximately 50,000 tons in mid-November. As to when an improvement will occur is still not foreseeable. Mayr-Melnhof will therefore maintain the selective curtailment of production in the fourth quarter in order to adjust cartonboard output to demand. The goal of keeping Western and Eastern European cartonboard prices unchanged while raw materials costs remain stable, will be continuously pursued.

In line with generally consistent demand for folding cartons the Packaging Division is expected to continue to exhibit a satisfactory development of business until year-end.

Due to the sound progress in results during the first three quarters, best ever results for the Mayr-Melnhof Group can be expected for the year 2001.

In view of the worsening economic situation and increased cartonboard capacities in Europe, production downtime will also be necessary during the first-half of 2002. The development during the second half-year of 2001 will therefore represent a leading indicator for the coming financial year.

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

### Mayr-Melnhof Shares



Share price (closing price)	as of November 15, 2001	EUR 55.05
	High 2001	EUR 57.61
	Low 2001	EUR 45.97
Market capitalization	EUR 660.6 million	

### Share repurchase program

Since March 19, 2001, Mayr-Melnhof Karton has been purchasing own shares within a share repurchase program which remains valid until November 24, 2001. Until September 30, 2001, 571,849 shares were purchased at a total cost of EUR 30.44 million. This is equivalent to 4.77 % of the Company's capital stock and approximately 47.65 % of the maximum

repurchase volume. The average purchase price amounted to EUR 53.22. The seventh Annual Shareholders' Meeting, held on May 22, 2001, authorized the Management Board of Mayr-Melnhof Karton AG to repurchase own shares until November 22, 2002.

## Group Key Indicators (US GAAP, unaudited)

<small>(consolidated in EUR millions)</small>	<b>1-9/2001</b>	1-9/2000	+/-
<b>Statement of income</b>			
Sales	846.5	802.4	+5.5%
Operating profit	99.0	84.2	+17.6%
Operating margin	11.7%	10.5%	
Net interest expense	(1.6)	(3.8)	
Other (including equity income) - net	4.8	1.4	
Income before income taxes and minority interests	102.2	81.8	+24.9%
Income taxes	(34.9)	(28.3)	
Net income	66.5	52.0	+27.9%
in % of sales	7.9%	6.5%	
Basic and diluted earnings per share <small>(in EUR)</small>	5.61	4.33	

### Financial Calendar 2002

February 20, 2002	Preliminary consolidated results for 2001
April 23, 2002	Financial results for 2001
May 13, 2002	Results for the 1 <sup>st</sup> quarter of 2002
May 14, 2002	8 <sup>th</sup> Annual General Meeting
May 21, 2002	Ex-Dividend Day
May 27, 2002	Dividend payment date
August 28, 2002	Results for the 1 <sup>st</sup> half-year of 2002
November 19, 2002	Results for the first three quarters of 2002

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

(consolidated in EUR millions)	III/2000	IV/2000	I/2001	II/2001	III/2001
Sales	275.4	275.9	277.8	281.1	287.6
Operating profit	28.7	20.0	36.9	33.7	28.4
Operating margin	10.4%	7.2%	13.3%	12.0%	9.9%
Net interest expense	(1.3)	0.4	(0.6)	(0.5)	(0.5)
Income before income taxes and minority interests	29.1	17.4	37.0	37.7	27.5
Income taxes	(9.5)	(2.7)	(13.0)	(12.6)	(9.3)
Net income	19.0	14.7	23.6	24.9	18.0
in % of sales	6.9%	5.3%	8.5%	8.9%	6.3%
Basic and diluted earnings per share (in EUR)	1.58	1.23	1.97	2.09	1.55

**Divisions** (US GAAP, unaudited)

(in EUR millions)	III/2000	IV/2000	I/2001	II/2001	III/2001
<b>Cartonboard</b>					
Sales <sup>1)</sup>	175.4	178.2	177.5	181.5	185.5
Operating profit	19.3	11.5	29.3	25.3	19.4
Operating margin	11.0%	6.5%	16.5%	13.9%	10.5%
Tonnage produced (in thousands of tons)	319	283	311	308	335
<b>Packaging</b>					
Sales <sup>1)</sup>	126.1	124.8	127.0	122.3	126.2
Operating profit	9.4	8.5	7.6	8.4	9.0
Operating margin	7.5%	6.8%	6.0%	6.9%	7.1%
Tonnage processed (in thousands of tons)	78	80	87	78	80

<sup>1)</sup> incl. interdivisional sales

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