*Business Results

(FINANCIALS)

INTRODUCTION

Buckeye Technologies Inc. and its subsidiaries (the Company) manufacture value-added cellulose-based specialty products in the United States, Canada, Germany, Ireland and Brazil, and sell these products in worldwide markets. On October 1, 1999, the Company acquired essentially all of the assets of Walkisoft, UPM-Kymmene's nonwovens business, with manufacturing locations in Steinfurt, Germany and Gaston County, North Carolina.

On July 26, 2000, the Company announced its purchase of the cotton cellulose business of Fibra, S.A., located in Americana, Brazil, for approximately $35.0 million. The Company assumed operations of the facility on August 1, 2000.

RESULTS OF OPERATIONS

Comparison of Fiscal Years Ended June 30, 2000 and June 30, 1999

Net sales for 2000 were $712.8 million, compared to $617.7 million for 1999, an increase of 15.4%. The increase for the year was due to the acquisition of Walkisoft, higher volume and favorable product mix on existing businesses, offset by the lower unit sales prices related to the January 1, 1999 fluff pulp contract price reduction to Procter & Gamble.

In 2000, operating income was $136.9 million, compared to $113.0 million for 1999, an increase of 21.2%. The 2000 operating income as a percentage of sales was 19.2%, compared to 18.3% for 1999. The increase was primarily due to the favorable product mix and lower production costs, partially offset by higher research, selling and administrative expenses.

Net interest and amortization of debt costs for 2000 were $42.7 million, compared to $38.9 million for 1999, an increase of $3.8 million. The increase was primarily due to higher debt levels as a result of the Walkisoft acquisition and the purchase of certain packaging technology from Stac-Pac Technologies Inc.

The Company's effective tax rate for 2000 was 33.7% versus 31.7% in 1999. The increase was primarily the result of higher profits in the Company's foreign operations.

Comparison of Fiscal Years Ended June 30, 1999 and June 30, 1998

Net sales for 1999 were $617.7 million, compared to $630.2 million for 1998, a decrease of 2%. The decrease was primarily due to lower sales volume.

In 1999, operating income was $113.0 million, compared to $122.4 million for 1998, a decrease of 7.7%. The 1999 operating income as a percentage of sales was 18.3% compared to 19.4% for 1998. The decrease was primarily due to lower cellulose volume and unit sales prices, including a scheduled January 1, 1999 fluff pulp contract price reduction to Procter & Gamble. These negative factors were substantially offset by improved airlaid sales and lower overall costs.

Net interest and amortization of debt costs for 1999 were $38.9 million, compared to $36.3 million for 1998, an increase of $2.6 million. This increase was due to higher average interest rates.

The Company's effective tax rate for 1999 was 31.7% versus 34.1% in 1998. During the last two quarters of the fiscal year, the Company recognized additional benefit from optimizing its foreign sales corporation.

FINANCIAL CONDITION

Cash Flow

Cash provided by operating activities is the major source of funds for the Company, totaling $138.2 million in 2000, $97.8 million in 1999 and $94.0 million in 1998. The increase in cash generated during 2000 was primarily due to higher earnings before noncash charges and changes in working capital. The increase in cash generated during 1999 was primarily due to higher deferred taxes partially offset by lower net income. In 1998, an increase in funding of net operating assets offset an increase in net income, depreciation and amortization.

Capital expenditures for property, plant and equipment were $68.6 million in 2000, $51.5 million in 1999 and $66.7 million in 1998. The Company made these expenditures to purchase, modernize and upgrade production equipment and to maintain and acquire facilities. Capital expenditures (including environmental expenditures) for 2001 are expected to be approximately $165.0 million. The increase relates primarily to the construction of a large airlaid nonwovens machine at the Gaston County, North Carolina plant.

The Board of Directors has authorized the repurchase of 5,000,000 shares of common stock. Repurchased shares will be held as treasury stock and will be available for general corporate purposes, including the funding of employee benefit and stock-related plans. During the year ended June 30, 2000, 717,900 shares were repurchased at a cost of $11.7 million. Through June 30, 2000, a total of 4,240,000 shares have been repurchased under the current board authority.

Leverage/Capitalization

Total debt increased to $532.9 million at June 30, 2000 from $441.2 million at June 30, 1999, an increase of $91.7 million, of which the major components are $85.1 million of debt related to the acquisition of Walkisoft and $10.0 million of debt related to the purchase of the Stac-Pac technology.

The total debt to capital ratio was 71.3% at June 30, 2000, compared to 71.4% at June 30, 1999 and 74.6% at June 30, 1998. The interest coverage ratio was 4.4x in 2000, 4.0x in 1999 and 4.6x in 1998.

Liquidity

The Company believes that its cash flow from operations, together with the borrowings available under its credit facility, will be sufficient to fund capital expenditures (including environmental expenditures), meet operating expenses, fund authorized common stock repurchases, and service all debt requirements for the foreseeable future. Consistent with the Company's stated policy, there are no plans to pay dividends in the foreseeable future. At June 30, 2000, the Company had unused borrowing capacity of $195.0 million on the bank credit facility.

MARKET RISK

The Company is exposed to market risk from changes in foreign exchange, interest rates and raw material costs. To reduce such risks, the Company selectively uses financial instruments. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures. Further, the Company does not enter into financial instruments for trading purposes.

A discussion of the Company's accounting policies for risk management is included in the Accounting Policies in the Notes to the Consolidated Financial Statements.

Interest Rates

The fair value of the Company's long-term public debt is based on an average of the bid and offer prices at year-end. The fair value of the credit facility approximates its carrying value due to its variable interest rate. The carrying value of other long-term debt approximates fair value based on the Company's current incremental borrowing rates for similar types of borrowing instruments. The carrying value and fair value of long-term debt at June 30, 2000 were $532.9 million and $520.4 million, respectively, and at June 30, 1999 were $441.2 million and $434.6 million, respectively. Market risk is estimated as the potential change in fair value resulting from a hypothetical 10% decrease in interest rates and amounts to $4.7 million at June 30, 2000 and $16.3 million at June 30, 1999.

The Company had $28.4 million of variable rate long-term debt outstanding at June 30, 2000. At this borrowing level, a hypothetical 10% increase in interest rates would have a $0.2 million unfavorable impact on the Company's pretax earnings and cash flows. The primary interest rate exposures on floating rate debt are with respect to U.S. prime rates and European interbank rates.

Foreign Currency Exchange Rates

Foreign currency exposures arising from transactions include firm commitments and anticipated transactions denominated in a currency other than an entity's functional currency. The Company and its subsidiaries generally enter into transactions denominated in their respective functional currencies. Therefore foreign currency exposures arising from transactions are not material to the Company. The Company's primary foreign currency exposure arises from foreign-denominated revenues and profits and their translation into U.S. dollars. The primary currencies to which the Company is exposed include the Canadian dollar and the euro.

The Company generally views as long-term its investments in foreign subsidiaries with a functional currency other than the U.S. dollar. As a result, the Company does not generally hedge these net investments. However, the Company uses capital structuring techniques to manage its net investment in foreign currencies as considered necessary. The net investment in foreign subsidiaries translated into U.S. dollars using the year-end exchange rates is $176.2 million and $158.2 million at June 30, 2000 and 1999, respectively. The potential loss in value of the Company's net investment in foreign subsidiaries resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates at June 30, 2000 amounts to $16.0 million and $14.4 million at June 30, 1999. This change would be reflected in the equity section of the Company's balance sheet.

Cost of Raw Materials

Amounts paid by the Company for wood and cotton fiber represent the largest component of the Company's variable costs of production. The cost of these materials is subject to market fluctuations caused by factors beyond the Company's control, including weather conditions. Significant increases in the cost of wood or cotton fiber, to the extent not reflected in prices for the Company's products, could materially and adversely affect the Company's business, results of operations and financial condition.

Forward-Looking Information

The above risk management discussion and the estimated amounts generated from the sensitivity analyses are forward-looking statements of market risk, assuming that certain adverse market conditions occur. Actual results in the future may differ materially from those projected results due to actual developments in the global financial markets. The analysis methods used by the Company to assess and mitigate risks discussed above should not be considered projections of future events or losses.

CONTINGENCIES

The Company's operations are subject to extensive general and industry-specific federal, state, local and foreign environmental laws and regulations. The Company devotes significant resources to maintaining compliance with such requirements. The Company expects that, due to the nature of its operations, it will be subject to increasingly stringent environmental requirements (including standards applicable to wastewater discharges and air emissions) and will continue to incur substantial costs to comply with such requirements. Given the uncertainties associated with predicting the scope of future requirements, there can be no assurance that the Company will not in the future incur material environmental compliance costs or liabilities. For additional information on environmental matters, see Note 14 to the Consolidated Financial Statements.

See Note 10 to the Consolidated Financial Statements for information related to the Pulp Supply Agreement with the Procter & Gamble Company.

SUBSEQUENT EVENT

On July 26, 2000, the Company announced its purchase of the cotton cellulose business of Fibra, S.A. (Fibra), located in Americana, Brazil, for approximately $35.0 million. The Company assumed operation of the facility on August 1, 2000. Fibra and the Company concurrently entered into a contract under which this plant will continue to supply cotton cellulose for Fibra's staple rayon operations in Brazil. The acquisition has been funded using borrowings from the Company's bank credit facility.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the matters discussed in this annual report are forward-looking statements that involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices and other factors. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

(In thousands, except per share data)	Year Ended June 30 2000	1999	1998
Net sales	**$712,757**	$617,707	$630,210
Cost of goods sold	**521,124**	459,115	461,757
Gross margin	**191,633**	158,592	168,453
Selling, research and administrative expenses	**54,725**	45,568	46,042
Operating income	**136,908**	113,024	122,411
Other income (expense):			
Interest income	**741**	390	539
Interest expense and amortization of debt costs	**(43,485)**	(39,263)	(36,808)
Other	**(5,047)**	(3,821)	(2,285)
	(47,791)	(42,694)	(38,554)
Income before income taxes	**89,117**	70,330	83,857
Income taxes	**30,000**	22,312	28,597
Net income	**$ 59,117**	$ 48,018	$ 55,260
Basic earnings per share	**$ 1.68**	$ 1.34	$ 1.49
Diluted earnings per share	**$ 1.65**	$ 1.32	$ 1.45
Weighted average shares for basic earnings per share	**35,091**	35,756	37,109
Effect of dilutive stock options	**838**	745	1,125
Adjusted weighted average shares for diluted earnings per share	**35,929**	36,501	38,234

See accompanying notes.

(In thousands, except share data)	June 30 2000	1999
Assets		
Current assets:		
Cash and cash equivalents	**$ 12,257**	$ 403
Accounts receivable – trade, net of allowance for doubtful accounts of $1,219 and $1,042 at June 30, 2000 and 1999, respectively	**108,652**	79,349
Accounts receivable – other	**3,247**	2,299
Inventories	**107,238**	104,584
Deferred income taxes	**5,911**	2,412
Prepaid expenses and other	**7,645**	8,046
Total current assets	**244,950**	197,093
Property, plant and equipment, net	**520,402**	412,231
Goodwill, net	**122,399**	127,409
Intellectual property and other, net	**42,970**	11,149
Total assets	**$ 930,721**	$ 747,882
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	**$ 36,397**	$ 22,848
Accrued expenses	**71,549**	45,127
Current portion of long-term debt	**26,892**	–
Total current liabilities	**134,838**	67,975
Long-term debt	**505,983**	441,214
Accrued postretirement benefits	**17,531**	16,270
Deferred income taxes	**56,691**	43,480
Other liabilities	**1,699**	1,524
Commitments and contingencies (Notes 6, 10, 13 and 14)		
Stockholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized; none issued or outstanding	**–**	–
Common stock, $.01 par value; 100,000,000 shares authorized; 43,142,770 shares issued and 34,750,614 and 35,379,736 shares outstanding at June 30, 2000 and 1999, respectively	**431**	431
Additional paid-in capital	**65,306**	65,477
Deferred stock compensation	**(626)**	(1,468)
Accumulated other comprehensive income	**(34,376)**	(21,642)
Retained earnings	**298,114**	238,997
Treasury shares, 8,392,156 and 7,763,034 shares at June 30, 2000 and 1999, respectively	**(114,870)**	(104,376)
Total stockholders' equity	**213,979**	177,419
Total liabilities and stockholders' equity	**$ 930,721**	$ 747,882

See accompanying notes.

(In thousands, except share data)	Common stock	Additional paid-in capital	Deferred stock compensation	Accumulated other comprehensive income	Retained earnings	Treasury shares	Total
Balance at July 1, 1997	$ 431	$ 65,928	$(2,200)	$ (4,673)	$ 135,719	$ (67,015)	$ 128,190
Comprehensive income:							
Net income	–	–	–	–	55,260	–	55,260
Other comprehensive income:							
Foreign currency translation adjustment	–	–	–	(12,387)	–	–	(12,387)
Comprehensive income							42,873
Purchase of 911,200 shares	–	–	–	–	–	(18,445)	(18,445)
Issuance of 215,550 shares of common stock	–	(1,209)	–	–	–	3,395	2,186
Compensation charge for stock options	–	70	–	–	–	–	70
Deferred stock compensation	–	1,010	(1,010)	–	–	–	–
Amortization of deferred stock compensation	–	–	805	–	–	–	805
Balance at June 30, 1998	431	65,799	(2,405)	(17,060)	190,979	(82,065)	155,679
Comprehensive income:							
Net income	–	–	–	–	48,018	–	48,018
Other comprehensive income:							
Foreign currency translation adjustment	–	–	–	(4,582)	–	–	(4,582)
Comprehensive income							43,436
Purchase of 1,431,900 shares	–	–	–	–	–	(23,151)	(23,151)
Issuance of 58,090 shares of common stock	–	(157)	–	–	–	840	683
Termination of stock options	–	(165)	165	–	–	–	–
Amortization of deferred stock compensation	–	–	772	–	–	–	772
Balance at June 30, 1999	431	65,477	(1,468)	(21,642)	238,997	(104,376)	177,419
Comprehensive income:							
Net income	**–**	**–**	**–**	**–**	**59,117**	**–**	**59,117**
Other comprehensive income:							
Foreign currency translation adjustment	**–**	**–**	**–**	**(12,734)**	**–**	**–**	**(12,734)**
Comprehensive income							**46,383**
Purchase of 717,900 shares	**–**	**–**	**–**	**–**	**–**	**(11,715)**	**(11,715)**
Compensation charge for stock options	**–**	**107**	**–**	**–**	**–**	**–**	**107**
Issuance of 88,778 shares of common stock	**–**	**(180)**	**–**	**–**	**–**	**1,221**	**1,041**
Termination of stock options	**–**	**(98)**	**98**	**–**	**–**	**–**	**–**
Amortization of deferred stock compensation	**–**	**–**	**744**	**–**	**–**	**–**	**744**
Balance at June 30, 2000	**$431**	**$65,306**	**$ (626)**	**$(34,376)**	**$298,114**	**$(114,870)**	**$213,979**

See accompanying notes.

(In thousands)	Year Ended June 30 2000	1999	1998
Operating activities			
Net income	**$ 59,117**	$ 48,018	$ 55,260
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**42,305**	37,673	36,562
Amortization	**6,141**	5,186	7,460
Deferred income taxes	**9,857**	10,990	3,768
Other	**5,661**	4,233	2,500
Changes in operating assets and liabilities:			
Accounts receivable	**(21,962)**	7,036	(8,609)
Inventories	**1,561**	(5,117)	5,103
Prepaid expenses and other assets	**859**	(2,493)	(3,459)
Accounts payable and other current liabilities	**34,833**	(7,695)	(4,544)
Net cash provided by operating activities	**138,372**	97,831	94,041
Investing activities			
Acquisitions of businesses	**(29,501)**	–	(3,869)
Purchases of property, plant and equipment	**(68,561)**	(51,549)	(66,720)
Other	**(13,734)**	2,523	(58)
Net cash used in investing activities	**(111,796)**	(49,026)	(70,647)
Financing activities			
Proceeds from sale of equity interests	**702**	450	1,757
Purchase of treasury shares	**(11,715)**	(23,151)	(18,445)
Net payments under revolving line of credit	**(2,804)**	(15,192)	(125,557)
Proceeds from long-term debt	**–**	–	160,480
Payments for debt issuance costs	**–**	–	(4,000)
Principal payments on long-term debt and other	**(163)**	(11,934)	(41,163)
Net cash used in financing activities	**(13,980)**	(49,827)	(26,928)
Effect of foreign currency rate fluctuations	**(742)**	(47)	(158)
Increase (decrease) in cash and cash equivalents	**11,854**	(1,069)	(3,692)
Cash and cash equivalents at beginning of year	**403**	1,472	5,164
Cash and cash equivalents at end of year	**$ 12,257**	$ 403	$ 1,472

See accompanying notes.

(In thousands, except share data)

1. ACCOUNTING POLICIES

Business Description and Basis of Presentation

The financial statements are consolidated financial statements of Buckeye Technologies Inc. and its subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company manufactures and distributes value-added cellulose-based specialty products used in numerous applications including disposable diapers, personal hygiene products, engine air and oil filters, food casings, rayon filament, acetate plastics, thickeners and papers.

Cash and Cash Equivalents

The Company considers cash equivalents to be temporary cash investments with a maturity of three months or less when purchased.

Inventories

Inventories are stated at the lower of cost (determined on average cost or first-in, first-out methods) or market.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. The cost of major renewals and improvements is capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives: buildings – 30 to 40 years; machinery and equipment – 5 to 16 years. The Company accrues the cost of periodic planned maintenance shutdowns, based on its best estimate of incremental spending and the fixed overhead cost over the period between shutdowns.

Impairment of Long-Lived Assets

The Company reviews the appropriateness of the carrying value of its long-lived assets, including goodwill, whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Intangible Assets

Goodwill is amortized by the straight-line method over 30 to 40 years. Goodwill is net of accumulated amortization of $14,004 and $10,416 at June 30, 2000 and 1999, respectively. Deferred debt costs are amortized by the interest method over the life of the related debt and are net of accumulated amortization of $4,594 and $3,283 at June 30, 2000 and 1999, respectively. Intellectual property, primarily resulting from current year acquisitions, is amortized by the straight-line method over five to 20 years and is net of accumulated amortization of $1,273 and $127 at June 30, 2000 and 1999, respectively.

Income Taxes

The Company has provided for income taxes under the liability method. Accordingly, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. No provision is made for U.S. income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations.

Risk Management

The Company selectively uses interest rate swap contracts and foreign currency forward and option contracts to offset the effects of interest and exchange rate risk. The differentials to be received or paid under interest rate contracts are recognized in income over the life of the contracts as adjustments to interest expense. Gains or losses on termination of interest rate contracts are recognized as other income or expense when terminated in conjunction with the retirement of associated debt. The foreign currency forward and option contracts that are designated as effective hedges are deferred and included in income as part of the underlying transactions.

Credit Risk

The Company has established credit limits for each customer. The Company requires the customer to provide a letter of credit for export sales in high-risk countries. Credit limits are monitored routinely.

Environmental Costs

Liabilities are recorded when environmental assessments are probable and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then-known facts.

Revenue Recognition

Revenues are recognized when title to the goods passes to the customer. Net sales are composed of sales reduced by sales allowances and distribution costs.

Foreign Currency Translation

Company management has determined that the local currency of its German, Canadian and Irish subsidiaries is the functional currency, and accordingly Deutsche mark, Canadian dollar and Irish punt denominated balance sheet accounts are translated into United States dollars at the rate of exchange in effect at fiscal year end. Income and expense activity for the period is translated at the weighted average exchange rate during the period. Translation adjustments are included as a separate component of stockholders' equity.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from the estimates and assumptions used.

Earnings Per Share

Basic earnings per share has been computed based on the average number of common shares outstanding. Diluted earnings per share reflects the increase in average common shares outstanding that would result from the assumed exercise of outstanding stock options calculated using the treasury stock method.

Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25) and related interpretations as permitted by Financial Accounting Standards Board Statement No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123).

Comprehensive Income

Comprehensive income for the Company consists of net income and foreign currency translation adjustments and is presented in the Consolidated Statements of Stockholders' Equity.

Recently Issued Accounting Standards

During 1998, the Financial Accounting Standards Board issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133). This statement requires companies to record derivative instruments on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of a derivative would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. SFAS No. 133, as amended, is effective for the Company's fiscal year 2001.

Because of the Company's minimal historical use of derivatives, management anticipates that the adoption of SFAS No. 133 will not have a significant effect on earnings or the financial position of the Company.

2. BUSINESS COMBINATION

On October 1, 1999, the Company acquired essentially all of the assets of Walkisoft, UPM-Kymmene's nonwovens business, for $29,501 in cash and $83,963 ($88,000 in notes payable, net of $4,037 discount) in debt payable to UPM-Kymmene. The acquisition of Walkisoft adds manufacturing facilities in Steinfurt, Germany and Gaston County, North Carolina, as well as engineering, research and development operations in Finland. The acquisition was accounted for using the purchase method of accounting. The allocation of the purchase price is based on the respective fair value of assets and liabilities at the date of acquisition.

Purchase price allocation

Working capital, net of cash	$ 9,266
Property, plant and equipment	92,223
Intangible assets	11,975
	$113,464

The consolidated operating results of Walkisoft have been included in the consolidated statements of income from the date of acquisition. The following unaudited pro forma results of operations assume that the acquisition occurred at the beginning of the periods presented.

Pro forma results of operations

	Year Ended June 30	
	2000	1999
Net sales	**$730,248**	$676,714
Net income	**58,113**	40,311
Basic earnings per share	**$ 1.66**	$ 1.13
Diluted earnings per share	**$ 1.62**	$ 1.10

The pro forma financial information is presented for information purposes only and is not necessarily indicative of the operating results that would have occurred had the business combination been consummated as of the above date, nor is it necessarily indicative of future operating results.

3. INVENTORIES

Components of inventories

	June 30	
	2000	1999
Raw materials	**$ 26,527**	$ 28,619
Finished goods	**59,255**	56,927
Storeroom and other supplies	**21,456**	19,038
	$107,238	$104,584

4. PROPERTY, PLANT AND EQUIPMENT

Components of property, plant and equipment

	June 30	
	2000	1999
Land and land improvements	**$ 13,915**	$ 9,478
Buildings	**95,423**	79,575
Machinery and equipment	**555,218**	465,310
Construction in progress	**53,090**	15,392
	717,646	569,755
Accumulated depreciation	**(197,244)**	(157,524)
	$ 520,402	$ 412,231

5. ACCRUED EXPENSES

Components of accrued expenses

	June 30	
	2000	1999
Retirement plans	**$15,687**	$12,461
Vacation pay	**4,792**	4,347
Maintenance accrual	**8,711**	4,822
Sales program accrual	**5,435**	4,991
Interest	**9,533**	6,013
Property taxes	**2,923**	2,737
Employee compensation	**7,965**	3,101
Other	**16,503**	6,655
	$71,549	$45,127

6. DEBT

Components of long-term debt

	June 30	
	2000	1999
Senior Subordinated Notes due:		
2005	**$149,637**	$149,587
2008	**99,567**	99,533
2010	**149,242**	149,197
Credit Facility	**28,384**	31,847
Notes payable	**85,134**	–
Other	**20,911**	11,050
	532,875	441,214
Less current portion	**26,892**	–
	$505,983	$441,214

The Company completed a public offering of $150,000 principal amount of 8½% unsecured Senior Subordinated Notes due December 15, 2005 (the 2005 Notes) during November 1995. The 2005 Notes are redeemable at the option of the Company, in whole or in part, at any time on or after December 15, 2000, at redemption prices varying from 104.25% of principal amount to 100.00% of principal amount on or after December 15, 2003, in each case together with accrued and unpaid interest to the date of redemption.

The Company completed a public offering of $100,000 principal amount of 9¼% unsecured Senior Subordinated Notes due September 15, 2008 (the 2008 Notes) during July 1996. The 2008 Notes are redeemable at the option of the Company, in whole or in part, at any time on or after September 15, 2001, at redemption prices varying from 104.625% of principal amount to 100.00% of principal amount on or after September 15, 2004, in each case together with accrued and unpaid interest to the date of redemption.

The Company completed a private placement of $150,000 principal amount of 8% unsecured Senior Subordinated Notes due October 15, 2010 during June 1998. In fiscal 1999, the Company exchanged these outstanding notes for public notes (the 2010 Notes) with the same terms. The 2010 Notes are redeemable at the option of the Company, in whole or in part, at any time on or after October 15, 2003, at redemption prices varying from 104.00% of principal amount to 100.00% of principal amount on or after October 15, 2006, in each case together with accrued and unpaid interest to the date of redemption.

The Company has an unsecured credit facility (the Credit Facility), providing for borrowings up to $225,000. The Credit Facility matures May 28, 2002, and on May 28, 2001, borrowing availability reduces to $150,000. The interest rates applicable to borrowings under the Credit Facility are the agent's prime rate or a LIBOR-based rate ranging from LIBOR plus 0.450% to 1.125%. Borrowings at June 30, 2000 were at an average rate of 6.75%. Letters of credit issued through the Credit Facility of $1,659 are outstanding at June 30, 2000. The amount available for borrowing under the Credit Facility is $194,957 at June 30, 2000.

The Senior Subordinated Notes are subordinate to the Credit Facility.

In connection with the purchase of the nonwoven assets of UPM-Kymmene as of October 1, 1999, the Company entered into four separate promissory notes with the seller. The notes are secured by the stock of certain subsidiaries formed to operate Walkisoft. The principal amount of each note is $22,000 and each bears interest at a rate of 5%. The total principal amount outstanding at June 30, 2000 is $88,000 less the unamortized discount of $2,866, which is based on an imputed interest rate of 7.1%. One note in the principal amount of $22,000 plus accrued interest on all outstanding notes is due on each of the first four anniversaries of the closing date.

On March 1, 2000, the Company purchased certain technology from Stac-Pac Technologies Inc. In connection with the purchase, the Company entered into two separate unsecured promissory notes with Stac-Pac Technologies Inc. The principal amount of each note is $5,000 and each bears interest at a rate of 7%. The principal amount of the first note plus accrued interest on both notes is due on March 1, 2001, and the principal amount of the second note plus accrued interest is due on March 1, 2002.

The Company has an unsecured term facility, which provides for borrowing up to $15,000 and matures on May 28, 2002. The outstanding balance under this facility was $10,911 at June 30, 2000, at an interest rate of 7.1%.

Aggregate maturities of long-term debt are as follows: 2001–$26,892; 2002–$65,774; 2003–$21,093; 2004–$20,670; 2005–$149,637 and thereafter $248,809. Terms of long-term debt agreements require compliance with certain covenants including minimum net worth, interest coverage ratios and limitations on restricted payments and levels of indebtedness. At June 30, 2000, the amount available for the payment of dividends and/or the acquisition of treasury stock was $48,062 under the most restrictive of these agreements.

The Company has a revolving credit line of approximately $5,900 with a financial institution at a rate of interest of 4.65% at June 30, 2000. There was no outstanding balance under this revolving line of credit at June 30, 2000. Letters of credit issued through the revolving line of credit of $2,108 are outstanding at June 30, 2000. The revolving line of credit expires April 30, 2001.

Total interest paid by the Company for the years ended June 30, 2000, 1999 and 1998 was $37,819, $36,883 and $37,143, respectively.

7. STOCKHOLDERS' EQUITY

The Board of Directors has authorized the repurchase of 5,000,000 shares of common stock. Repurchased shares will be held as treasury stock and will be available for general corporate purposes, including the funding of employee benefit and stock-related plans. During the year ended June 30, 2000, 717,900 shares were repurchased, and a total of 4,240,000 shares have been repurchased through June 30, 2000.

The Company's stock option plans provide for the granting of either incentive or nonqualified stock options to employees and nonemployee directors. Options are subject to terms and conditions determined by the Compensation Committee of the Board of Directors, and generally are exercisable in increments of 20% per year beginning one year from date of grant and expire 10 years from date of grant.

Option plan activity

	Options	Average Exercise Price	Average Fair Value
Outstanding at July 1, 1997	2,284,800	$ 8.83	
Granted at market	1,598,792	18.25	$ 8.77
Granted below market	100,000	7.60	13.16
Granted above market	11,208	19.63	8.17
Exercised	(199,600)	8.80	
Terminated	(159,600)	10.78	
Outstanding at June 30, 1998	3,635,600	12.88	
Granted at market	240,000	13.88	7.16
Exercised	(49,700)	9.07	
Terminated	(40,000)	13.74	
Outstanding at June 30, 1999	3,785,900	12.99	
Granted at market	**885,000**	**16.19**	**8.86**
Exercised	**(76,150)**	**9.22**	
Terminated	**(84,800)**	**16.93**	
Outstanding at June 30, 2000	**4,509,950**	**13.61**	
Options Exercisable at June 30:			
1998	884,600	9.16	
1999	1,647,235	11.34	
2000	**2,404,551**	**12.17**	

There were 1,659,400, 859,600 and 1,059,600 shares reserved for grants of options at June 30, 2000, 1999 and 1998, respectively. The following summary provides information about stock options outstanding and exercisable at June 30, 2000:

	Outstanding			Exercisable	
Exercise Price	Options	Average Exercise Price	Average Remaining Life (Years)	Options	Average Exercise Price
$ 7.50–$10.50	1,680,950	$ 8.24	5.7	1,316,550	$ 8.29
$12.50–$18.00	2,617,792	16.42	7.8	1,016,793	16.51
$18.50–$23.00	211,208	21.45	8.2	71,208	21.88
Total	4,509,950	$13.61	7.0	2,404,551	$12.17

As allowed under the Financial Accounting Standards Board Statement No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), the Company applies the provisions of Accounting Principles Board Opinion No. 25 and related interpretations. The following pro forma information has been prepared as if the Company had accounted for its employee stock options using the fair value based method of accounting established by SFAS No. 123:

	Year Ended June 30		
	2000	1999	1998
Net income:			
As reported	**$59,117**	$48,018	$55,260
Pro forma	**54,658**	43,874	51,482
Basic earnings per share:			
As reported	**$ 1.68**	$ 1.34	$ 1.49
Pro forma	**1.56**	1.23	1.39
Diluted earnings per share:			
As reported	**$ 1.65**	$ 1.32	$ 1.45
Pro forma	**1.52**	1.21	1.37

The Company has estimated the fair value of each option grant using the Black-Scholes option pricing model. The fair value was estimated with the following weighted average assumptions: expected life of the stock options of eight years; volatility of the expected market price of common stock of .37 for 2000 and 1999, and .29 for 1998; a risk-free interest rate range of 6.0% to 6.2% for 2000, 4.8% to 5.2% for 1999 and 5.5% to 6.2% for 1998; and no dividends. Option pricing models, such as the Black-Scholes model, require the input of highly subjective assumptions, including the expected stock price volatility that are subject to change from time to time. Pro forma amounts reflect total compensation expense from the awards made in 1996 through 2000. Since compensation expense from stock options is recognized over the future years' vesting period, and additional awards generally are made every one to two years, pro forma amounts may not be representative of future years' amounts.

In August 1997, the Board of Directors authorized a restricted stock plan and set aside 800,000 of the Company's treasury shares to fund this plan. At June 30, 2000, 36,169 restricted shares had been awarded.

Stock options that could potentially dilute basic earnings per share in the future, which were not included in the fully diluted computation because they would have been antidilutive, were 1,486,322, 1,575,003 and 63,589 for the years ended June 30, 2000, 1999 and 1998, respectively.

8. INCOME TAXES

Provision for income taxes

	Year ended June 30		
	2000	1999	1998
Current:			
Federal	**$16,487**	$11,120	$23,740
Foreign	**3,167**	170	241
State and other	**489**	32	848
	20,143	11,322	24,829
Deferred:			
Federal	**4,148**	7,944	4,250
Foreign	**5,564**	2,452	(561)
State and other	**145**	594	79
	9,857	10,990	3,768
	$30,000	$22,312	$28,597

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate of 35% to income before income taxes due to the following:

Rate analysis

	Year Ended June 30		
	2000	1999	1998
Expected tax expense	**$31,191**	$24,616	$29,350
State taxes	**411**	469	644
Foreign sales corporation	**(4,969)**	(4,444)	(3,244)
Effect of foreign operations	**2,892**	1,680	1,988
Nondeductible items	**644**	529	547
Other	**(169)**	(538)	(688)
	$30,000	$22,312	$28,597

Significant components of the Company's deferred tax assets (liabilities) are as follows:

Deferred tax assets (liabilities)

	June 30	
	2000	1999
Deferred tax liabilities:		
Depreciation	**$(72,123)**	$(55,735)
Other	**(4,063)**	(3,377)
	(76,186)	(59,112)
Deferred tax assets:		
Postretirement benefits	**6,535**	5,852
Inventory costs	**2,037**	1,165
Net operating loss	**5,969**	4,373
Nondeductible reserves	**5,213**	2,953
AMT carryforward	**–**	1,434
Other	**5,652**	2,267
	25,406	18,044
	$(50,780)	$(41,068)

The Company paid income taxes of $14,304, $10,937 and $26,455 during the years ended June 30, 2000, 1999 and 1998, respectively.

For the year ended June 30, 2000, income before income taxes consisted of $71,826 of domestic income and $17,291 of foreign income. For the year ended June 30, 1999, income before income taxes consisted of $66,920 of domestic income and $3,410 of foreign income. At June 30, 2000, the Company has foreign net operating loss carryforwards of approximately $33,142, which have no expiration date.

9. EMPLOYEE BENEFIT PLANS

The Company has defined contribution retirement plans covering U.S. employees. The Company contributes 1% of the employee's gross compensation plus ½% for each year of service up to a maximum of 11% of the employee's gross compensation. The plan also provides for additional contributions by the Company contingent upon the Company's results of operations. Contribution expense for the retirement plans for the years ended June 30, 2000, 1999 and 1998 was $8,551, $9,111 and $8,096, respectively.

The Company also provides medical, dental and life insurance postretirement plans covering certain U.S. employees who meet specified age and service requirements. Certain employees who met specified age and service requirements on March 15, 1993 are covered by their previous employer and are not covered by these plans. The Company's current policy is to fund the cost of these benefits as payments to participants are required.

The components of net periodic benefit costs are as follows:

Effect on operations

	Year Ended June 30		
	2000	1999	1998
Service cost for benefits earned	**$ 849**	$ 841	$ 779
Interest cost on benefit obligation	**979**	869	795
Amortization of net loss from earlier periods	**–**	1	7
Amortization of unrecognized prior service cost	**(600)**	(600)	(650)
Total cost	**$1,228**	$1,111	$ 931

The following table provides a reconciliation of the changes in the plans' benefit obligations over the two-year period ending June 30, 2000, and a statement of the plans' funded status as of June 30, 2000 and 1999:

	June 30	
	2000	1999
Change in benefit obligation:		
Obligation at beginning of year	**$13,186**	$ 11,136
Service cost	**849**	841
Interest cost	**979**	869
Amendment	**–**	448
Participant contributions	**38**	6
Actuarial loss (gain)	**437**	(104)
Benefits paid	**(22)**	(10)
Underfunded status at end of year	**15,467**	13,186
Unrecognized prior service cost	**2,957**	3,557
Unrecognized loss	**(1,469)**	(1,034)
Other	**576**	561
Net amount recognized in the consolidated balance sheet	**$17,531**	$16,270

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e. health care cost trend rate) for the medical plans is 7.5% for 2001 and is assumed to decrease gradually to 5.0% in 2006 and remain level thereafter. Due to the benefit cost limitations in the plan, the health care cost trend rate assumption does not have a significant effect on the amounts reported.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.25% at June 30, 2000 and 7% at June 30, 1999.

10. SIGNIFICANT CUSTOMER

Gross sales to Procter & Gamble Company and its affiliates (P&G) for the years ended June 30, 2000, 1999 and 1998 were 31%, 35% and 31%, respectively, of total gross sales.

The Company and P&G are parties to the Pulp Supply Agreement (the "Supply Agreement"), which provides that P&G will purchase, under a take-or-pay agreement, a specified tonnage of fluff pulp annually at the higher of the formula price or market price in calendar years 1999 and 2000, and at market price in calendar years 2001 and 2002. Currently, the formula price paid by P&G under the Supply Agreement exceeds the market price for fluff pulp. The specified tonnage decreases in calendar 2001 and further decreases in calendar 2002. The impact of the scheduled contract changes at January 1, 2001 may result in an adverse effect on the Company's business, results of operations, and financial condition if present market conditions deteriorate.

11. SEGMENT INFORMATION

The Company operates in one segment consisting of the manufacturing and marketing of value-added cellulose-based specialty products. All of the Company's products involve similar production processes, are sold to similar classes of customers and markets, are distributed using the same methods, and operate in similar regulatory environments.

The Company's identifiable products are chemical cellulose, customized paper cellulose and absorbent products. Chemical cellulose is used to impart purity, strength and viscosity in the manufacture of diversified products such as food casings, rayon filament and acetate plastics, as well as thickeners for food, cosmetics and pharmaceuticals. Customized paper cellulose is used to provide porosity, color permanence and tear resistance in automotive air and oil filters, premium letterhead, currency paper and personal stationery. Absorbent products are used to increase absorbency and fluid transport in products such as disposable diapers, feminine hygiene products, adult incontinence products and household wipes and mops.

The following provides relative gross sales to unaffiliated customers by product:

	Year Ended June 30		
	2000	1999	1998
Chemical cellulose	**31%**	35%	39%
Customized paper cellulose	**18%**	22%	22%
Absorbent products	**51%**	43%	39%
	100%	100%	100%

The Company has manufacturing operations in the United States, Canada, Germany and Ireland. The following provides a summary of net sales to unaffiliated customers, based on point of origin, and long-lived assets by geographic areas:

	Year Ended June 30		
	2000	1999	1998
Net sales:			
United States	**$532,116**	$504,219	$539,132
Germany	**91,355**	41,894	44,792
Other	**89,286**	71,594	46,286
Total net sales	**$712,757**	$617,707	$630,210
Long-lived assets:			
United States	**$433,967**	$354,835	$343,475
Canada	**121,665**	121,532	124,473
Germany	**67,791**	13,235	14,617
Other	**52,539**	51,664	53,932
Total long-lived assets	**$675,962**	$541,266	$536,497

For the year ended June 30, 2000, the Company's gross sales by destination were concentrated in the following geographic markets: Europe – 37%, North America – 36%, Asia – 15%, South America – 7% and Other – 5%.

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs of $13,059, $10,924 and $10,732 were charged to expense as incurred for the years ended June 30, 2000, 1999 and 1998, respectively.

13. COMMITMENTS

At June 30, 2000, under two separate agreements expiring by December 31, 2010, the Company is required to purchase, at market prices, certain timber from specified tracts of land that is available for harvest. At June 30, 2000, estimated annual purchase obligations were as follows: 2001 – $21,000; 2002 – $22,000; 2003 – $22,000; 2004 – $21,000; 2005 – $22,000 and thereafter – $129,000. Purchases under these agreements for the years ended June 30, 2000, 1999 and 1998 were $25,541, $21,629 and $16,522, respectively.

The Company has committed to the construction of a large airlaid nonwovens machine at the Gaston County, North Carolina plant. The total cost of this project will approach $100,000.

14. CONTINGENCIES

The Company's operations are subject to extensive general and industry-specific federal, state, local and foreign environmental laws and regulations. The Company devotes significant resources to maintaining compliance with these laws and regulations. The Company expects that, due to the nature of its operations, it will be subject to increasingly stringent environmental requirements (including standards applicable to wastewater discharges and air emissions) and will continue to incur substantial costs to comply with these requirements. Because it is difficult to predict the scope of future requirements, there can be no assurance that the Company will not in the future incur material environmental compliance costs or liabilities.

The Foley Plant discharges treated wastewater into the Fenholloway River. Under the terms of an agreement with the Florida Department of Environmental Protection ("FDEP"), approved by the U.S. Environmental Protection Agency ("EPA") in 1995, the Company agreed to a comprehensive plan to attain Class III ("fishable/swimmable") status for the Fenholloway River under applicable Florida law (the "Fenholloway Agreement"). The Fenholloway Agreement requires the Company, among other things, to (i) make process changes within the Foley Plant to reduce the coloration of its wastewater discharge, (ii) restore certain wetlands areas, (iii) relocate the wastewater discharge point into the Fenholloway River to a point closer to the mouth of the river, and (iv) provide oxygen enrichment to the treated wastewater prior to discharge at the new location. The Company has already made significant expenditures to make certain in-plant process changes required by the Fenholloway Agreement, and the Company estimates, based on 1997 projections, it will incur additional capital expenditures of approximately $40 million through fiscal 2005 to comply with the remaining obligations under the Fenholloway Agreement. The EPA has objected to several provisions of the renewal permit for the Foley effluent discharge. The Company and the FDEP, which is the delegated permitting authority, requested a public hearing on the objections.

The EPA requested additional environmental studies to identify possible alternatives to the relocation of the discharge point to determine if more cost effective technologies are available to address both Class III water quality standards for the Fenholloway River and anticipated EPA "cluster rules" applicable to wastewater discharges from dissolving kraft pulp mills, like the Foley Plant. The Company completed the process changes within the Foley Plant as required by the Fenholloway Agreement. The other requirements of the Fenholloway Agreement have been deferred until the EPA objections to the renewal permit are satisfactorily resolved. Consequently, a portion of the estimated $40 million in capital expenditures may be delayed beyond fiscal 2005, and the total capital expenditures for the Foley Plant may increase if prices increase or the Company is required by the "cluster rules" to implement other technologies.

While the EPA has not yet proposed wastewater standards under the "cluster rules" applicable to dissolving kraft pulp mills like the Foley Plant, the EPA has issued air emission standards applicable to the Foley Plant. The Company is reviewing these air emission standards and presently does not believe that such expenditures required by them are likely to have a material adverse effect on the Company's business, results of operations or financial condition.

The Company is involved in certain legal actions and claims arising in the ordinary course of business. It is the opinion of management that such litigation and claims will be resolved without a materially adverse effect on the Company's financial position or results of operations.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, the carrying amounts approximate fair value due to their short maturities. The fair value of the Company's long-term public debt is based on an average of the bid and offer prices at year-end. The fair value of the credit facility approximates its carrying value due to its variable interest rate. The carrying value of other long-term debt approximates fair value based on the Company's current incremental borrowing rates for similar types of borrowing instruments. The carrying value and fair value of long-term debt at June 30, 2000 were $532,875 and $520,374, respectively and at June 30, 1999 were $441,214 and $434,647, respectively.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended June 30, 2000				
Net sales	**$153,400**	**$183,702**	**$188,388**	**$187,267**
Gross margin	**42,220**	**47,636**	**49,636**	**52,141**
Operating income	**29,990**	**34,066**	**35,315**	**37,537**
Net income	**13,355**	**14,238**	**14,894**	**16,630**
Earnings per share:				
Basic	**0.38**	**0.40**	**0.43**	**0.48**
Diluted	**0.37**	**0.40**	**0.42**	**0.46**
Year ended June 30, 1999				
Net sales	$156,177	$147,274	$155,880	$158,376
Gross margin	42,354	38,005	38,883	39,350
Operating income	30,526	27,600	27,803	27,095
Net income	13,383	10,874	11,488	12,273
Earnings per share:				
Basic	0.37	0.30	0.32	0.35
Diluted	0.36	0.30	0.32	0.34

The Company's effective tax rate for the fourth quarter of fiscal 2000 was 35.3% compared to 33.0% for the nine months ended March 31, 2000. The increase was primarily the result of increased profits in the Company's foreign operations, which are taxed at higher rates.

The Company's effective tax rate for the fourth quarter of fiscal 1999 was 24.0% compared to 34.0% for the nine months ended March 31, 1999. The decrease was primarily the result of the recognition of additional benefit from the Company's optimization of its foreign sales corporation.

17. SUBSEQUENT EVENT

On July 26, 2000, the Company announced its purchase of the cotton cellulose business of Fibra, S.A. (Fibra), located in Americana, Brazil, for approximately $35,000. The Company will assume operation of the facility on August 1, 2000. Fibra and the Company concurrently entered into a contract under which this plant will continue to supply cotton cellulose for Fibra's staple rayon operations in Brazil. The acquisition has been funded using borrowings from the Company's bank credit facility.

REPORT OF MANAGEMENT

The preparation and integrity of the financial statements of Buckeye Technologies Inc. are the responsibility of its management. These statements, which include amounts based on management's best estimates and judgments, have been prepared in conformity with accounting principles generally accepted in the United States, and in the opinion of management, fairly present the Company's financial position, results of operations and cash flows.

The Company maintains accounting and internal control systems, which it believes are adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements. The selection and training of qualified personnel, plus the establishment and communication of accounting and administrative policies and procedures, are important elements of these control systems.

The report of Ernst & Young LLP on their audits of the accompanying financial statements follows. This report states that the audits were made in accordance with auditing standards generally accepted in the United States. These standards include a study and evaluation of internal controls for the purpose of establishing a basis for reliance thereon relative to the scope of their audits of the financial statements.

The Board of Directors, through its Audit Committee consisting solely of outside directors, meets periodically with management and the independent auditors to discuss audit and financial reporting matters. To assure independence, Ernst & Young LLP has direct access to the Audit Committee.

R E Cannon

Robert E. Cannon
Chairman of the Board and
Chief Executive Officer

DB Ferraro

David B. Ferraro
President and
Chief Operating Officer

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Buckeye Technologies Inc.

We have audited the accompanying consolidated balance sheets of Buckeye Technologies Inc. as of June 30, 2000 and 1999 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Buckeye Technologies Inc. at June 30, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Memphis, Tennessee
July 31, 2000

(In thousands, except per share data)	Year Ended June 30 2000[a]	1999	1998	1997[b]	1996[c]
Operating data:					
Net sales	**$712,757**	$617,707	$630,210	$558,933	$470,979
Operating income	**136,908**	113,024	122,411	109,392	108,567
Income before extraordinary loss	**59,117**	48,018	55,260	53,274	47,010
Net income	**59,117**	48,018	55,260	53,274	43,061
Basic earnings per share:					
Income before extraordinary loss	**1.68**	1.34	1.49	1.40	1.11
Net income	**1.68**	1.34	1.49	1.40	1.02
Diluted earnings per share:					
Income before extraordinary loss	**1.65**	1.32	1.45	1.38	1.10
Net income	**1.65**	1.32	1.45	1.38	1.01
Balance sheet data:					
Total assets	**$930,721**	$747,882	$751,536	$737,464	$452,799
Long-term debt less current portion	**505,983**	441,214	456,332	474,631	217,873
Other data:[d]					
Company EBITDA	**$180,323**	$152,009	$162,397	$143,024	$134,670

(a) Includes the operations of Walkisoft from October 1, 1999, its date of acquisition.

(b) Includes the operations of Alpha Cellulose Holdings, Inc. from September 1, 1996 and Merfin International Inc. from May 28, 1997, their respective dates of acquisition.

(c) An extraordinary loss of $3,949, net of tax benefit, was recognized on the early retirement of debt. A minority interest charge ceased on November 28, 1995. This data includes the operations of the specialty cellulose business of Peter Temming A.G. from May 1, 1996, the date of acquisition.

(d) Company EBITDA represents earnings before interest, taxes, depreciation, amortization, depletion, minority interest, extraordinary loss, secondary offering costs and other noncash charges. This data should not be considered in isolation and is not intended to be a substitute for income statement or cash flow statement data as a measure of the Company's profitability (see Consolidated Financial Statements).

DIRECTORS

Robert E. Cannon
Chairman of the Board and Chief Executive Officer

R. Howard Cannon
Vice President, Nonwovens Sales

Red Cavaney*
President and Chief Executive Officer
American Petroleum Institute

David B. Ferraro
President and Chief Operating Officer

Henry F. Frigon*†
Private Investor and Consultant
Chairman and Chief Executive Officer, CARSTAR, Inc.

Samuel M. Mencoff*†
Managing Director
Madison Dearborn Partners, Inc.

Harry J. Phillips, Sr.†
Former Chairman and Chief Executive Officer
Browning-Ferris Industries, Inc.

*Audit Committee †Compensation Committee

CORPORATE OFFICERS

Robert E. Cannon
Chairman and Chief Executive Officer

David B. Ferraro
President and Chief Operating Officer

Charles S. Aiken
Senior Vice President, Manufacturing–Nonwovens

Sheila Jordan Cunningham
Senior Vice President, General Counsel and Secretary

Henry P. Doggrell
Senior Vice President, Business Development

George B. Ellis
Senior Vice President, Manufacturing–Specialty Cellulose

E. Allen Eppinger
Senior Vice President, Manufacturing–Absorbent Products

William M. Handel
Senior Vice President, Human Resources

Paul N. Horne
Senior Vice President, Commercial–Specialty Cellulose

B. Jerry L. Huff
Senior Vice President, Research and Development

Kristopher J. Matula
Senior Vice President, Commercial–Absorbent Products

Gayle L. Powelson
Senior Vice President, Finance and Accounting

R. Howard Cannon
Vice President, Nonwovens Sales

F. Gray Carter
Vice President, Absorbent Wood Fiber Sales

Christian Chavassieu
Vice President, Europe and Middle East Cellulose Sales

Jeffery T. Cook
Vice President, Product Development–New Fibers

Susan L. H. Crenshaw
Vice President, Product Development–Specialty Cellulose

John B. Crowe
Vice President, Wood Cellulose Manufacturing

Thomas R. Day
Vice President, Americas and Far East Cellulose Sales

Douglas L. Dowdell
Vice President, Nonwovens Business Development

Howard A. Drew
Vice President, Wood Cellulose Technology

John P. Erspamer
Vice President, Product Development–Absorbent Products

Horst Göttsche-Kühn
Vice President, Cellulose Manufacturing–Europe

Frank J. Iezzi
Vice President, Americas and Far East Nonwovens Sales

Daniel R. Moore
Vice President, Process Technology

Reggie D. Thompson
Vice President, Cotton Cellulose Business Development

Elizabeth J. Welter
Vice President, Corporate Accounting and Treasurer

Officer Retirement

David H. Whitcomb, Senior Vice President, Finance and Accounting, retired on June 30, 2000 after 34 years of distinguished service and outstanding contributions to Buckeye and its predecessors.

COMMON STOCK PRICE RANGE

	Year Ended June 30			
	2000		1999	
	High	**Low**	High	Low
First quarter (ended September 30)	**\$17⅞**	**\$14⅜**	\$25⅜	\$14
Second quarter (ended December 31)	**16 15/16**	**14 7/16**	21⅛	11¾
Third quarter (ended March 31)	**20**	**14¼**	15 7/16	12⅛
Fourth quarter (ended June 30)	**23½**	**17⅝**	17	12¾

The Company has no plans to pay dividends in the foreseeable future.

Corporate Headquarters

Buckeye Technologies Inc.
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Memphis, TN 38108-0407
Telephone: 901-320-8100
Fax: 901-320-8216
Website: www.bkitech.com

Transfer Agent & Registrar

First Union National Bank
Corporate Trust Operations
1525 West W.T. Harris Boulevard–3C3
Charlotte, NC 28288-1153

Auditors

Ernst & Young LLP
2400 One Commerce Square
Memphis, TN 38103

Stock Listing and Shareholders

Buckeye Technologies Inc. is traded on the New York Stock Exchange under the symbol BKI. There were approximately 6,000 shareholders on September 1, 2000, based on the number of record holders of the Company's common stock and an estimate of the number of individual participants represented by security position listings.

Annual Meeting

The Buckeye Technologies Inc. annual meeting of stockholders will be held on Thursday, November 2, 2000, at 5:00 p.m. (CST) at the Memphis Brooks Museum of Art, 1934 Poplar Avenue, Memphis, Tennessee.

Supplemental Information

For copies of the Form 10-K report filed with the Securities and Exchange Commission, or for additional information about Buckeye, please access the Company's website at www.bkitech.com, or contact:
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