BUCKEYE TECHNOLOGIES INC
Form 10-Q
January 30, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2003

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ____ to ____

Commission file number: 33-60032

Buckeye Technologies Inc.
incorporated pursuant to the Laws of Delaware

Internal Revenue Service -- Employer Identification No. 62-1518973

1001 Tillman Street, Memphis, TN 38112
901-320-8100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes |X| No ____

As of January 28, 2004, there were outstanding 37,066,369 Common Shares of the Registrant.

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BUCKEYE TECHNOLOGIES INC.

ITEM

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PART I - FINANCIAL INFORMATION

BUCKEYE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)

	Three Months Ended December 31	
	2003	2002
Net sales	$160,279	$153,146
Cost of goods sold	143,993	131,351
Gross margin	16,286	21,795
Selling, research and administrative expenses	12,948	8,837
Impairment of long-lived assets	942	-
Restructuring costs	2,691	-
Operating income (loss)	(295)	12,958
Net interest expense and amortization of debt costs	12,510	11,683
Loss on early extinguishment of debt	1,640	-
Foreign exchange, amortization of intangibles and other	1,125	928
Income (loss) before income taxes	(15,570)	347
Income tax benefit	(5,557)	(193)
Net income (loss)	$ (10,013)	$ 540
Earnings (loss) per share		
Basic earnings (loss) per share	$ (0.27)	$ 0.01
Diluted earnings (loss) per share	$ (0.27)	$ 0.01
Weighted average shares for basic earnings per share	37,009	36,965
Effect of dilutive stock options	-	-
Adjusted weighted average shares for diluted earnings per share	37,009	36,965

See accompanying notes.

BUCKEYE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31 2003	June 30 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 15,269	$ 49,977

Cash, restricted	-	3,375
Accounts receivable, net	108,430	126,283
Inventories	127,211	136,705
Deferred income taxes and other	30,754	26,307
Total current assets	281,664	342,647
Property, plant and equipment	948,437	909,733
Less accumulated depreciation	(343,456)	(315,595)
	604,981	594,138
Goodwill, net	134,213	129,631
Intellectual property and other, net	43,067	44,239
Total assets	$1,063,925	$1,110,655
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 26,612	$ 37,007
Accrued expenses	41,498	48,360
Current portion of capital lease obligations	607	583
Current portion of long-term debt	1,500	41,718
Total current liabilities	70,217	127,668
Long-term debt	619,710	619,474
Deferred income taxes	79,948	79,498
Capital lease obligations	2,390	2,700
Other liabilities	19,631	19,431
Stockholders' equity	272,029	261,884
Total liabilities and stockholders' equity	$1,063,925	$1,110,655

See accompanying notes.

BUCKEYE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended December 31	
	2003	2002
Operating activities		
Net income (loss)	$(12,444)	$ 21
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of long-lived assets	942	-

Depreciation	22,725	23,060
Amortization	2,514	2,931
Loss on early extinguishment of debt	4,940	-
Deferred income taxes and other	3,342	2,371
Changes in operating assets and liabilities:		
Accounts receivable	17,437	2,218
Inventories	13,256	(28
Other assets	(5,514)	1,733
Accounts payable and other current liabilities	(19,302)	(16,681
Net cash provided by operating activities	27,896	15,625
Investing activities		
Purchases of property, plant and equipment	(21,190)	(11,196
Other	(293)	(427
Net cash used in investing activities	(21,483)	(11,623
Financing activities		
Proceeds from exercise of stock options	433	-
Net payments under revolving lines of credit	(212,715)	(4,923
Issuance of long term debt	350,000	-
Payments for debt issuance costs	(9,228)	(671
Payments related to early extinguishment of debt	(2,115)	-
Proceeds from termination of swap	4,000	-
Payments on long-term debt and other	(172,661)	(22,264
Net cash used in financing activities	(42,286)	(27,858
Effect of foreign currency rate fluctuations on cash	1,165	105
Decrease in cash and cash equivalents	(34,708)	(23,751
Cash and cash equivalents at beginning of period	49,977	56,006
Cash and cash equivalents at end of period	$15,269	$ 32,255

See accompanying notes.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(In thousands)

NOTE A -- BASIS OF PRESENTATION

Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended December 31, 2003 are not necessarily indicative of the results that may be expected for the year ending June 30, 2004. All significant intercompany accounts and transactions have been eliminated in consolidation. For further information and a listing of our significant accounting policies, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended June 30, 2003. Except as otherwise specified, references to years indicate our fiscal year ending June 30, 2004 or ended June 30 of the year referenced and comparisons are to the corresponding period of the prior year.

NOTE B -- SEGMENT INFORMATION

We report results for two segments, specialty fibers and nonwoven materials. The specialty fiber segment is an aggregation of cellulosic fibers based on both wood and cotton. Management makes financial decisions and allocates resources based on the sales and operating income of each segment. We allocate selling, research, and administration expenses to each segment and management uses the resulting operating income to measure the performance of the segments. The financial information attributed to these segments is included in the following table:

Three Months Ended December 31		Specialty Fibers	Nonwoven Materials	Corporate	
Net sales	2003	$114,588	$51,185	$(5,494)	$1
	2002	113,880	45,853	(6,587)	1
Operating income (loss)	2003	2,822	1,149	(4,266)	
	2002	12,745	312	(99)	
Depreciation and amortization of intangibles	2003	6,897	4,467	837	
	2002	7,462	3,762	1,177	
Capital expenditures	2003	10,767	543	155	
	2002	6,152	521	(64)	

Six Months Ended December 31		Specialty Fibers	Nonwoven Materials	Corporate	
Net sales	2003	$221,906	$104,395	$(10,191)	$
	2002	226,225	93,241	(9,895)	
Operating income (loss)	2003	13,113	3,636	(5,713)	
	2002	24,385	796	(785)	
Depreciation and amortization of intangibles	2003	13,601	8,735	1,662	
	2002	14,995	7,553	2,138	
Capital expenditures	2003	19,856	1,142	192	
	2002	9,718	1,194	284	

Management evaluates operating performance of the specialty fibers and nonwoven materials segments excluding the impact of impairment of long-lived assets and charges related to restructuring. Therefore, the corporate segment includes operating elements such as segment eliminations, impairment of long-lived assets and charges related to restructuring. Corporate net sales represents the elimination of intersegment sales included in the specialty fibers reporting segment. We account for intersegment sales as if the sales were to third parties, that is, at current market prices.

NOTE C -- RESTRUCTURING COSTS

During fiscal 2003 we initiated the first phase of our restructuring program designed to deliver cost reductions through reduced expenses across our company. The main component of this phase was the partial closure of our Lumberton, North Carolina facility resulting in the consolidation of our U.S. cotton linter pulp production at our Memphis, Tennessee facility. During the six months ended December 31, 2003, additional expenses of $781 were recorded and $2,062 were paid for this phase of the program. These additional expenses included $634 for miscellaneous costs associated with the partial closure of the Lumberton facility. While we ceased producing cotton cellulose at our Lumberton facility at the end of August 2003, we are still continuing to supply some of our cotton-based specialty fiber customers with product previously produced at Lumberton. We estimate the remaining expenses for this phase of the restructuring program to be approximately $182, which we expect to be recognized and paid in calendar year 2004.

During the first quarter of fiscal 2004, we entered into a second phase of our restructuring program. This program was a continuation of the program initiated in the fourth quarter of fiscal 2003 and will enable us to improve our operating results through reduced salaries, benefits, other employee-related expenses and operating expenses. As a result of this restructuring, approximately 50 positions will be eliminated. These positions include manufacturing, sales, product development and administrative functions throughout the organization. Voluntary and involuntary termination benefits related to this phase of the program of $2,948 were expensed and $357 were paid during the six months ended December 31, 2003. We expect payments related to this phase of the restructuring program to continue throughout fiscal 2004. The total cost of this phase of the restructuring program is estimated to be approximately $3,100 in fiscal 2004.

Restructuring expenses are included in "Restructuring Costs" in the statements of operations. The following table summarizes the expenses and accrual balances by reporting segments for the six months ended December 31, 2003.

		Six Months Ended December 31, 2003			
	Accrual Balance as of June 30, 2003	Additional Charges	Impact of Foreign Currency	Payments	Accrua Balance of Decemb 31, 20
2002 Restructuring Program					
Nonwoven materials	17	-	-	(17)	-
2003 Restructuring Program-Phase 1					
Severance and employee benefits					
Specialty Fibers	1,437	147	-	(1,297)	287
Nonwoven Materials	87	-	-	(49)	38
Other miscellaneous expenses					
Specialty Fibers	-	634	-	(634)	-

Nonwoven Materials	83	-	-	(82)	1
Total 2003 Program-Phase 1	1,607	781	-	(2,062)	326
2003 Restructuring Program-Phase 2					
Severance and employee benefits					
Specialty fibers	$ -	$1,389	$59	$ (153)	$1,295
Nonwoven materials	-	39	-	(39)	-
Corporate	-	1,520	-	(165)	1,355
Total 2003 Program-Phase 2	-	2,948	59	(357)	2,650
Total All Programs	$1,624	$3,729	$59	$(2,436)	$2,976

NOTE D -- IMPAIRMENT COSTS

During the second quarter, we fully impaired engineering costs and capitalized interest for a long delayed project at our Perry, Florida wood pulp mill. Based on the significant length of time before the project would be initiated, we determined that the engineering work had no remaining value and was fully impaired. The carrying value of the asset was $942.

NOTE E -- INVENTORIES

The components of inventory consist of the following:

	December 31 2003	June 30 2003
	(In thousands)	
Raw materials..........................	$32,702	$36,827
Finished goods.........................	69,221	75,394
Storeroom and other supplies...........	25,288	24,484
	$127,211	$136,705

NOTE F -- DEBT

The components of long-term debt consist of the following:

	December 31 2003	June 30 2003
Senior Notes due:		
2013	$200,000	$ -
Senior Subordinated Notes due:		
2005	-	149,816
2008	99,712	99,688
2010	153,314	155,470
Credit facilities	161,184	227,315
Notes payable	-	21,903

Other	7,000	7,000
	621,210	661,192
Less current portion	1,500	41,718
	$619,710	$619,474

Senior notes - On September 22, 2003 we placed privately $200,000 in aggregate principal amount of 8.5% senior notes due October 1, 2013. The notes are unsecured obligations and are senior to any of our subordinated debt. The notes are guaranteed by our direct and indirect domestic subsidiaries that are also guarantors on our senior secured indebtedness. We used the net proceeds from the private placement to redeem our $150,000 senior subordinated notes due 2005, make a permanent reduction of $40,000 to our revolving credit facility and pay the related transaction costs. Total costs for the issuance of these notes are estimated at $5,350 and will be amortized over the life of the notes using the effective interest method. On September 22, 2003, we called the senior subordinated notes due in 2005. These notes were redeemed on October 22, 2003. On December 18, 2003 we completed our offer to exchange the privately placed unregistered senior notes for debt securities of like principal amount that have been registered under the Securities Act of 1933, as amended.

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During the first quarter of fiscal 2004, $3,300 was expensed related to the early extinguishment of the $150,000 senior subordinated notes due 2005. These expenses included a $2,115 call premium and $1,185 related to the write-off of deferred financing costs.

Senior subordinated notes - Under the indentures governing our senior subordinated notes, as well as the indenture that governs the senior notes, our ability to incur additional debt is limited. Under these indentures, additional debt must be incurred as so-called "ratio debt" or, alternatively, must be permitted in form and amount as "Permitted Indebtedness." In order to incur ratio debt, a specified consolidated fixed charge coverage ratio (as defined in the indentures) must equal or exceed 2:1 (measured on a rolling four-quarter basis). At March 31, 2002, our fixed charge cover ratio fell below 2:1. This development did not breach any covenant or constitute an event of default under any of our debt agreements. However, until such time as the ratio again equals or exceeds 2:1, we can only incur debt that is Permitted Indebtedness.

On October 16, 2003, we successfully completed a solicitation of consents from holders of our notes due in 2008 (2008 notes) to amend this indenture to conform certain provisions of the 2008 notes to the provisions in our notes due in 2010 and to current market practice. This amendment allowed us to refinance our revolving credit facility (discussed later in this note), while we are still limited to Permitted Indebtedness as defined in the indentures.

Under each of these indentures, the fixed charge coverage ratio test is measured on a rolling four-quarter basis. While we can offer no assurance in this regard, we believe that our operating results will improve over the next several quarters and that such improved results together with recent reductions in our outstanding debt, will enable us to exceed the required 2:1 ratio necessary to incur ratio debt under indentures governing the senior notes and the senior subordinated notes.

Interest rate swap - In May 2001, we entered into an interest rate swap on $100,000 of 8% fixed rate notes maturing in October 2010. The swap converted interest payments from a fixed rate to a floating rate of LIBOR plus 1.97%. This arrangement qualified as a fair value hedge under SFAS No. 133, Accounting for

Derivative Instruments and Hedging Activities. As such, the net effect from the interest rate swap was recorded as part of interest expense. The swap agreement settled quarterly. On October 15, 2003, the swap counter party exercised its right to change the termination date of the swap from October 15, 2010 to October 15, 2003. By exercising this right, the swap counter party paid us $4,000 as an early termination fee, which is being amortized using the effective interest method as a reduction to interest expense through October 15, 2010. At December 31, 2003 the unamortized portion of the termination fee was recorded as an increase in debt of $3,881. During the three months ended December 31, 2003 and 2002, the swap reduced our interest expense by $324 and $1,084, respectively and will continue to reduce interest expense through the amortization period of the termination fee. Based upon interest rates for similar transactions, the fair value of the interest rate swap agreement was recorded as an asset and a corresponding increase in debt of $6,067 at June 30, 2003.

Revolving credit facility - We amended our revolving credit facility on July 28, 2003 to modify the financial covenants from June 30, 2003 through March 31, 2005. Additionally, this amendment authorized the issuance of $200,000 of senior notes (to refinance our $150,000 of senior subordinated notes due in 2005) and required a permanent reduction in the credit facility of $40,000.

On November 5, 2003, we established a $220,000 senior secured credit facility, comprised of a $70,000 revolving credit facility (the revolver) maturing on September 15, 2008 and a $150,000 term loan (the term loan) maturing on October 15, 2010. This facility amends and restates our existing $215,000 revolving credit facility. We used the proceeds of the new credit facility to pay the outstanding balance on the former revolving credit facility plus transaction fees and expenses. The interest rate applicable to borrowings under the revolver is the agent's prime rate plus 1.50% to 1.75% or a LIBOR-based rate ranging from LIBOR plus 2.50% to LIBOR plus 3.25%. The interest rate applicable to the term loan is the agent's prime rate plus 1.50% or a LIBOR-based rate plus 2.50%. The credit facility is secured by substantially all of our assets located in the United States.

The credit facility contains covenants customary for financing of this type. The financial covenants include: maximum ratio of consolidated net senior secured debt to consolidated EBITDA, minimum ratio of consolidated EBITDA to consolidated interest expense and minimum ratio of consolidated EBITDA minus capital expenditures and taxes to consolidated fixed charges; as well as limitations on capital expenditures. At December 31, 2003, we were in compliance with these financial covenants.

As of December 31, 2003, we had $55,217 available on the revolving credit facility. Total costs for the issuance of the new facility are estimated at $3,350 and will be amortized using the effective interest method over the life of the facility. During the three months ending December 31, 2003, $1,640 was expensed as early extinguishment of debt related to the write-off of deferred financing costs for the former revolving credit facility.

Other credit facilities - On December 5, 2003, we paid off the remaining balance on our receivables-based credit facility. We used cash on hand and the restricted cash held as collateral for the facility to make the final payment.

On September 30, 2003, we renewed our Canadian credit facility. The renewal extended the maturity to November 30, 2004 and required a 20% reduction of the principal to Canadian $16,000 (U.S. $12,363 equivalent based on exchange rates in effect at December 31, 2003). As of December 31, 2003, we had Canadian $10,300 (U.S. $7,959 equivalent) outstanding on this facility. Availability on this facility is incorporated in the availability of our revolving credit facility previously discussed. All other terms and conditions remained the same. We intend to refinance this facility with available long-term credit facilities and, therefore, have included the balance in long-term debt.

NOTE G -- COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) consist of the following:

	Three Months Ended December 31		Six D
	2003	2002	2003
	(In thousands)		(I
Net income (loss).............................	$(10,013)	$ 540	$(12,44
Foreign currency translation adjustments - net..	18,150	9,838	22,05
Comprehensive income (loss)....................	$8,137	$10,378	$ 9,61

The change in the foreign currency translation adjustment is primarily due to fluctuations in the exchange rate of the US dollar and the Euro of $17,158, the Brazilian real of $(224) and the Canadian dollar of $5,123 for the six months ended December 31, 2003.

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NOTE H - STOCK-BASED COMPENSATION

At December 31, 2003, the Company has stock-based compensation plans which it accounts for under recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based compensation cost is reflected in the statements of operations. The following table illustrates the effect on net loss and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation.

	Three Months Ended December 31		
	2003	2002	
Net loss as reported	$(10,013)	$540	$
Deduct: Total stock-based compensation expense determined under fair value based method , net of related tax effects	(211)	(772)	
Pro forma net loss	$(10,224)	$ (232)	$
Basic earnings per share:			

As reported	$ (0.27)	$0.01
Pro forma	$ (0.28)	$(0.01)
Diluted earnings per share:		
As reported	$ (0.27)	$ 0.01
Pro forma	$ (0.28)	$(0.01)

NOTE I - CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The guarantor subsidiaries presented below represent our subsidiaries that are subject to the terms and conditions outlined in the indenture governing the senior notes and that guarantee the notes, jointly and severally, on a senior unsecured basis. The non-guarantor subsidiaries presented below represent the foreign subsidiaries and the receivables subsidiary which do not guarantee the senior notes. Each subsidiary guarantor is 100% owned directly or indirectly by Buckeye Technologies Inc. and all guarantees are full and unconditional.

Supplemental financial information for Buckeye Technologies Inc. and our guarantor subsidiaries and non-guarantor subsidiaries for the senior notes is presented in the following tables.

STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2003

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$ 22,244	$91,950	$52,394
Cost of goods sold	18,794	83,075	47,936
Gross margin	3,450	8,875	4,458
Selling, research and administrative expenses	6,067	4,764	2,117
Restructuring and impairment costs	1,471	1,815	347
Operating income (loss)	(4,088)	2,296	1,994
Other income (expense):			
Net interest expense and amortization of debt	(12,254)	(94)	(162)
Other income/(expense), including equity income in affiliates	(5,844)	(370)	(700)
Intercompany interest income/(expense)	8,519	(6,079)	(2,440)
Intercompany miscellaneous income/(expense)	(126)	(264)	390
Income/(loss) before income taxes and cumulative effect of change in accounting	(13,793)	(4,511)	(918)
Income tax expense/(benefit)	(3,780)	(2,109)	(797)

Net income (loss)	$(10,013)	$(2,402)	$(121)

STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2002

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$19,370	$92,931	$47,649
Cost of goods sold	14,740	81,876	41,401
Gross margin	4,630	11,055	6,248
Selling, research and administrative expenses	2,038	5,203	1,596
Operating income (loss)	2,592	5,852	4,652
Other income (expense):			
Net interest expense and amortization of debt	(10,894)	(57)	(732)
Other income/(expense), including equity income in affiliates	2,224	(939)	840
Intercompany interest income/(expense)	7,516	(5,319)	(2,197)
Intercompany miscellaneous income/(expense)	(379)	(825)	1,204
Income/(loss) before income taxes and cumulative effect of change in accounting	1,059	(1,288)	3,767
Income tax expense/(benefit)	519	(1,022)	1,874
Net income (loss)	$ 540	$ (266)	$ 1,893

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STATEMENTS OF OPERATIONS
Six Months Ended December 31, 2003

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries

Net sales	$ 40,985	$182,054	$106,927
Cost of goods sold	33,572	160,472	97,104
Gross margin	7,413	21,582	9,823
Selling, research and administrative expenses	8,661	9,515	4,364
Restructuring and impairment costs	1,685	2,407	579
Operating income (loss)	(2,933)	9,660	4,880
Other income (expense):			
Net interest expense and amortization of debt	(22,771)	(166)	(750)
Other income/(expense), including equity income in affiliates	(8,442)	(883)	(569)
Intercompany interest income/(expense)	15,800	(11,001)	(4,799)
Intercompany miscellaneous income/(expense)	(446)	(950)	1,396
Income/(loss) before income taxes and cumulative effect of change in accounting	(18,792)	(3,340)	158
Income tax expense/(benefit)	(6,348)	(1,649)	167
Net income (loss)	$(12,444)	$(1,691)	$ (9)

STATEMENTS OF OPERATIONS
Six Months Ended December 31, 2002

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries
Net sales	$42,713	$183,886	$93,520
Cost of goods sold	32,480	163,466	81,062
Gross margin	10,233	20,420	12,458
Selling, research and administrative expenses	4,121	10,154	3,505
Operating income (loss)	6,112	10,266	8,953
Other income (expense):			
Net interest expense and amortization of debt	(21,875)	(195)	(1,739)
Other income/(expense), including equity income in affiliates	1,713	(1,983)	2,903
Intercompany interest income/(expense)	14,863	(10,224)	(4,639)
Intercompany miscellaneous			

income/(expense)	(772)	(1,812)	2,584
Income/(loss) before income taxes and cumulative effect of change in accounting	41	(3,948)	8,062
Income tax expense/(benefit)	20	(1,661)	3,436
Net income (loss)	$ 21	$(2,287)	$4,626

BALANCE SHEETS
As of December 31, 2003

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries
Assets			
Current assets			
Cash and cash equivalents	$ 165	$ 3,312	$11,792
Accounts receivable, net	11,805	54,539	42,086
Inventories	22,781	58,603	46,228
Other current assets	16,967	17,029	(3,242)
Intercompany accounts receivable	15,602	-	-
Total current assets	67,320	133,483	96,864
Property, plant and equipment, net	55,072	353,901	196,008
Goodwill and intangibles, net	3,675	56,165	104,614
Intercompany notes receivable	397,661	-	-
Other assets, including investment in subsidiaries	333,408	333,790	117,985
Total assets	$857,136	$877,339	$515,471
Liabilities and stockholders' equity			
Current liabilities			
Trade accounts payable	$ 5,550	$14,745	$ 6,317
Other current liabilities	19,979	13,907	9,719
Intercompany accounts payable	-	6,676	8,926
Total current liabilities	25,529	35,328	24,962
Long-term debt	609,751	2,000	7,959
Deferred income taxes	(7,102)	67,671	19,379
Other long-term liabilities	5,594	15,188	1,239
Intercompany notes payable	-	234,412	163,249
Stockholders'/invested equity	223,364	522,740	298,683

Total liabilities and stockholders' equity	$857,136	$877,339	$515,471

BALANCE SHEETS
As of June 30, 2003

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries
Assets			
Current assets			
Cash and cash equivalents	$26,075	$ 4,349	$19,553
Restricted cash and short-term investments	-	-	3,375
Accounts receivable, net	6,672	42,657	76,954
Inventories	28,711	61,532	46,291
Other current assets	9,573	18,913	(2,179)
Intercompany accounts receivable	9,553	-	-
Total current assets	80,584	127,451	143,994
Property, plant and equipment, net	51,753	354,057	188,328
Goodwill and intangibles, net	3,698	56,575	100,036
Intercompany notes receivable	379,941	-	-
Other assets, including investment in subsidiaries	337,654	279,717	107,625
Total assets	$853,630	$817,800	$539,983
Liabilities and stockholders' equity			
Current liabilities			
Trade accounts payable	$ 6,153	$20,659	$10,195
Other current liabilities	12,553	25,978	52,129
Intercompany accounts payable	-	1,710	7,843
Total current liabilities	18,706	48,347	70,167
Long-term debt	617,474	2,000	-
Deferred income taxes	(6,320)	67,671	18,147
Other long-term liabilities	5,543	15,387	1,201
Intercompany notes payable	-	211,392	168,549
Stockholders'/invested equity	218,227	473,003	281,919
Total liabilities and stockholders' equity	$853,630	$817,800	$539,983

STATEMENTS OF CASH FLOWS
Six Months Ended December 31, 2003

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries
Net cash provided by operations	$ 7,851	$ 12,228	$7,817
Investing activities:			
Purchases of property, plant and equipment	(5,353)	(14,683)	(1,154)
Other	-	(292)	(1)
Net cash used in investing activities	(5,353)	(14,975)	(1,155)
Financing activities			
Net borrowings (payments) under revolving line of credit	(205,526)	-	(7,189)
Payments for debt issuance and extinguishment	(9,228)	-	-
Net issuance of (payments on) long-term debt and other	186,346	1,710	(8,399)
Net cash provided by (used in) financing activities	(28,408)	1,710	(15,588)
Effect of foreign currency rate fluctuations on cash	-	-	1,165
Decrease in cash and cash equivalents	(25,910)	(1,037)	(7,761)
Cash and cash equivalents at beginning of period	26,075	4,349	19,553
Cash and cash equivalents at end of period	$ 165	$3,312	$ 11,792

STATEMENTS OF CASH FLOWS
Six Months Ended December 31, 2002

	Guarantors		
	Buckeye Technologies Inc.	US Subsidiaries	Non-Guarantor Subsidiaries
Net cash provided by (used for)operations	$(3,613)	$9,546	$9,692

Investing activities:			
Purchases of property, plant and equipment	(1,031)	(9,045)	(1,120)
Other	-	(481)	54
Net cash used in investing activities	(1,031)	(9,526)	(1,066)
Financing activities			
Net borrowings (payments) under revolving lines of credit	(4,923)	-	-
Payments for debt issuance costs	(256)	-	(415)
Net issuance of (payments on) long-term debt and other	(15,597)	1,732	(8,399)
Net cash provided by (used in) financing activities	(20,776)	1,732	(8,814)
Effect of foreign currency rate fluctuations on cash	-	(11)	116
Increase (decrease) in cash and cash equivalents	(25,420)	1,741	(72)
Cash and cash equivalents at beginning of period	36,443	1,358	18,205
Cash and cash equivalents at end of period	$11,023	$3,099	$18,133

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis describes the principal factors affecting the results of operations, liquidity and capital resources, as well as the critical accounting policies and estimates of Buckeye. This discussion should be read in conjunction with the accompanying financial statements and our Annual Report on Form 10-K for the year ended June 30, 2003, which include additional information about our practices and the transactions that underlie our financial results.

Critical Accounting Policies

The preparation of our financial statements requires estimates, assumptions and judgements that affect our assets, liabilities, revenues and expenses. Our management bases these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information they believe are reasonable. Actual results may differ from these estimates under different conditions. For a full description of our critical accounting policies, see the Management's Discussion and Analysis in our 2003 Annual Report on Form 10-K.

Results of Operations

Buckeye 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 filaments, acetate plastics, thickeners and papers.

Except as otherwise specified, references to years indicate our fiscal year ending June 30, 2004 or ended June 30 of the year referenced and comparisons are to the corresponding period of the prior year.

Volume and net sales

Net sales for the three months ended December 31, 2003 were $160.3 million compared to $153.1 million for the same period in 2002, an increase of $7.2 million or 4.7%. Net sales for the six months ended December 31, 2003 were $316.1 million compared to $309.6 million for the same period in 2002, an increase of $6.5 million or 2.1%. Our sales increased over the prior year as a result of improved performance in nonwoven materials. Net sales of nonwoven materials increased by 11.5% versus the same three month period and 12.0% versus the same six months of the prior year. See additional segment discussion below.

Operating income

Operating income (loss) for the three months ended December 31, 2003 was ($0.3) million compared to $13.0 million for the same period in the prior year, a decrease of $13.3 million. Operating income for the six months ending December 31, 2003 was $11.0 million, a decrease of $13.4 million from same period in 2002. These decreases were the result of several factors, as described in the segment results. We incurred additional charges related to unusual events and special situations in the specialty fibers segment, which reduced operating income during the quarter. The corporate segment was negatively impacted by an additional $2.7 million of restructuring costs related to the 2003 restructuring program and the impairment of certain assets totaling $0.9 million. All of these items are discussed in more detail later in this discussion and analysis. Additionally, the 26% and 16% strengthening of the Euro and Canadian dollar, respectively, during the preceding eighteen months negatively impacted operating income at our Glueckstadt, Germany facility and Delta, British Columbia facility where sales are made in U.S. dollars and costs are incurred in Euros and Canadian dollars.

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Segment results

We report results in two segments: nonwoven materials and specialty fibers. The specialty fiber segment is an aggregation of cellulosic fibers based on both wood and cotton. We make financial decisions and allocate resources based on the sales and operating income of each segment. We allocate selling, research, and administration expense to each segment and we use the resulting operating income to measure the performance of the segments. We exclude items that are not included in measuring business performance, such as restructuring costs, asset impairment and certain financing and investing costs.

Specialty fibers

Net sales for the three months ended December 31, 2003 were $114.6 million compared to $113.9 million for the same period in 2002, an increase of $0.7 million or 0.6%. This slight increase was the result of increased selling prices of product produced at our Perry, Florida wood pulp facility, partially offset by lower selling prices for cotton-based products. Net sales for the six months ended December 31, 2003 decreased $4.3 million to $221.9 million from the same period in 2002. The decrease in net sales during the six month period was due primarily to lower selling prices for cotton-based products.

Sales price increases and decreases for cotton based products are influenced by the variability in the cost and supply of cotton fibers. As the cost of these fibers fell over the last year, we reduced our sales prices. The selling prices for our cotton-based products decreased by approximately 6.1% for the three months and 6.6% for the six months ended December 31, 2003 from the same periods in 2002.

Market supply constraints, coupled with a weakening U.S. dollar and higher energy costs, provided the basis for us to increase our list prices of certain wood pulps by $40 - $50 per metric ton effective April 1, 2003. The higher prices were partially implemented during the fiscal fourth quarter of 2003. The full impact of dissolving wood price increases will not be felt until calendar 2004 when we renew our calendar year supply agreements.

Operating income for the three months ended December 31, 2003 was $2.8 million (2.4% of net sales) compared to $12.7 million (11.2% of net sales) for the same period in 2002, a decrease of $9.9 million. Operating income for the six months ended December 31, 2003 was $13.1 million (5.9% of net sales) compared to $24.4 million (10.8% of net sales) for the same period in 2002. The decrease in operating income, for both the three and six month periods, was the result of several additional charges related to unusual events and special situations discussed below:

- Lenzing Fibers, a specialty fibers customer which owes us $3.7 million, filed for Chapter 11 reorganization bankruptcy during the three months ending December 31, 2003. Based on an evaluation of the potential to recover this debt from our customer, we established a reserve of $3.2 million. The reserve represents our best estimate at this time for the amounts we may not recover as a result of this customer's bankruptcy.

- We incurred high manufacturing costs and reduced production at both our Perry, Florida wood pulp mill and our Memphis, Tennessee cotton cellulose facility. The poor operating results were related to maintenance work completed in October at each location. The Perry, Florida plant had difficulty reestablishing stable operations following the maintenance shutdown, and the Memphis plant was impacted by the startup of new equipment and processes associated with the production of paper grade products previously produced at the recently closed Lumberton cotton cellulose plant. Although both plants have now returned to normal operations, the reliability issues resulted in low production and increased manufacturing costs for the three months ending December 31, 2003.

- On October 21, 2003, the union at our Perry, Florida plant, ratified a new labor agreement effective through March 31, 2008. The agreement included a one-time retroactive payment of approximately $0.8 million.

The decrease in operating income during the three and six month periods ending December 31, 2003 was also the result of the continued strengthening of the Euro as discussed previously under the operating income section of this discussion and analysis. All of these decreases were partially offset by a more favorable specialty wood fiber sales mix, higher fluff pulp prices, and operating the Americana, Brazil facility for the entire six months in 2003.

Nonwoven materials

Net sales for the three months ended December 31, 2003 were $51.2 million compared to $45.9 million in the same period in 2002, an increase of $5.3 million or 11.5%. Net sales for the six months ended December 31, 2003 were $104.4 million compared to $93.2 million in the same period in 2002, an increase of $11.2 million or 12.0%. The increases in net sales were primarily due to an increase in shipments and strengthening of the Euro versus the U.S. dollar during both periods.

Nonwoven materials operating income for the three months ended December 31, 2003 was $1.1 million (2.1% of net sales) compared to $0.3 million (0.7% of net sales) during the same period in 2002, an improvement of $0.8 million. Operating income for the six months ended December 31, 2003 was $3.6 million compared to $0.8 million during the same period in 2002, an improvement of $2.8 million. Our increase in operating income is reflective of improvements in reliability, cost reductions, changes in product mix and increased volume during the three and six months ended December 31, 2003.

Restructuring costs

During fiscal 2003 we initiated the first phase of our restructuring program designed to deliver cost reductions through reduced expenses across our company. The main component of this phase was the partial closure of our Lumberton, North Carolina facility resulting in the consolidation of our U.S. cotton linter pulp production at our Memphis, Tennessee facility. This phase of the program continued into fiscal 2004. During the six months ended December 31, 2003, additional expenses of $0.8 million were recorded and $2.1 million were paid for this phase of the program. These additional expenses included $0.6 million for miscellaneous costs associated with the partial closure of the Lumberton facility. While we ceased producing cotton cellulose at our Lumberton facility at the end of August 2003, we are still continuing to supply some of our cotton-based specialty fiber customers with product previously produced at Lumberton. We estimate the remaining expenses for this phase of the restructuring program to be approximately $0.2 million, which we expect to be recognized and paid in calendar year 2004.

During the first quarter of fiscal 2004, we entered into a second phase of our restructuring program designed to deliver cost reductions through reduced overhead expenses across the company. This program was a continuation of the program initiated in the fourth quarter of fiscal 2003. This phase of the program is expected to enable us to improve our operating results by approximately $6.0 million annually through reduced salaries, benefits, other employee related expenses and operating expenses. As a result of the reorganization, approximately 50 positions will be eliminated. These positions include manufacturing, sales, product development and administrative functions throughout the organization. Voluntary and involuntary termination benefits related to this phase of the program of $2.9 million were expensed and $0.4 million were paid during the six months ended December 31, 2003. We expect payments related to this phase of the restructuring program to continue throughout fiscal 2004. The total cost of this phase of the restructuring program is estimated to be approximately $3.1 million in fiscal 2004.

Impairment costs

During the second quarter, we fully impaired engineering costs and capitalized interest for a long delayed project at our Perry, Florida wood pulp mill. Based on the significant length of time before the project would be initiated we determined that the engineering work had no remaining value and was fully impaired. The carrying value of the asset was $0.9 million.

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Net interest expense and amortization of debt costs

We incurred net interest expense and amortization of debt costs of $12.5 million for the three months ended December 31, 2003 compared to $11.7

million for the same period in 2002. This increase of $0.8 million was primarily due to additional interest expense incurred during the first 22 days of October when both the $150 million of senior subordinated notes due 2005 and the $200 million of senior notes due 2013 were outstanding.

Net interest expense and amortization of debt costs were $23.7 million for the six months ended December 31, 2003 compared to $23.8 million for the same period in the prior year. The consistency is the result of several offsetting factors. Lower interest rates and average debt levels during the six months ending December 31, 2003 offset both the negative impact of the termination of the swap and the additional interest expense of holding the $150 million of senior subordinated notes due 2005 and the $200 million of senior notes due 2013 concurrently for 30 days during the first six months of fiscal 2004.

Loss on early extinguishment of debt

During the first quarter of fiscal 2004, $3.3 million was expensed related to the early extinguishment of the $150 million senior subordinated notes due 2005. These expenses included a $2.1 million call premium and $1.2 million related to the write-off of deferred financing costs. During the three months ending December 31, 2003, $1.6 million was expensed related to the write-off of the deferred financing costs of the former revolving credit facility. The total expense related to the early extinguishment of debt for the six months ending December 31, 2003 was $4.9 million.

Foreign exchange, amortization of intangibles and other

Foreign exchange, amortization of intangibles and other for the three months ended December 31, 2003 and 2002 were $1.1 million and $0.9 million, respectively. Foreign exchange, amortization of intangibles and other for the six months ended December 31, 2003 and 2002 were $1.6 million and $1.0 million, respectively. The $0.6 million unfavorable variance for the six month period was due primarily to a $1.8 million shift from foreign currency gains in fiscal 2003 to foreign currency losses in fiscal 2004. This was partially offset by the absence of expenses related to the settlement of a lawsuit and the negative impact of a natural gas forward contract recognized during the first quarter of fiscal 2003.

Financial Condition

Cash flow

Cash flow provided by operating activities of $27.9 million for the six months ended December 31, 2003 was $12.3 million higher than the same period in the prior year. This improved cash flow was primarily due to a larger reduction in accounts receivable in 2003 versus the same period in 2002 and reductions in inventory partially offset by lower earnings. Approximately $10.0 million of the accounts receivable decrease was a permanent reduction due to a change in our cash management strategy, as we began discounting large letters of credit, enabling us to reduce our debt and interest costs.

Cash provided from operations and cash on hand financed capital expenditures of $21.2 million and were used to make debt payments net of issuance proceeds of $35.4 million during the six months ended December 31, 2003. The $10.0 million increase in capital expenditures versus the same period in 2002 is primarily attributable to capital expenditures at our Memphis, Tennessee facility to provide the capability to manufacture cotton cellulose products previously manufactured at our Lumberton, North Carolina facility and the maintenance shutdown at the Perry, Florida plant during calendar 2003.

Contractual obligations

There have been no material changes to our contractual obligations discussed in our June 30, 2003 Form 10-K other than those changes in long-term debt discussed in the liquidity section which follows.

Liquidity and capital resources

We have the following major sources of financing: revolving credit facility, senior notes and senior subordinated notes. Our revolving credit facility, senior notes and senior subordinated notes contain various covenants. At December 31, 2003, we were in compliance with such covenants and believe we will remain in compliance throughout fiscal year 2004.

Senior notes - On September 22, 2003 we placed privately $200 million in aggregate principal amount of 8.5% senior notes due October 1, 2013. The notes are unsecured obligations and are senior to any of our subordinated debt. The notes are guaranteed by our direct and indirect domestic subsidiaries that are also guarantors on our senior secured indebtedness. We used the net proceeds from the private placement to redeem our $150 million senior subordinated notes due 2005, make a permanent reduction of $40 million to our revolving credit facility and pay the related transaction costs. On September 22, 2003, we called the senior subordinated notes due in 2005. These notes were redeemed on October 22, 2003. On December 18, 2003 we completed our offer to exchange these privately placed unregistered senior notes for debt securities of like principal amount that have been registered under the Securities Act of 1933, as amended.

We incurred an additional $1.1 million of interest expense associated with maintaining the 2005 notes through the call period. Of the $1.1 million, we expensed $0.3 million during the first three months of fiscal 2004 and recorded the remaining $0.8 million during the three months ending December 31, 2003. The total costs for the issuance of these notes are estimated at $5.4 million and will be amortized over the life of the notes using the effective interest method.

Senior subordinated notes - Under the indentures governing our senior subordinated notes, as well as the indenture that governs the senior notes, our ability to incur additional debt is limited. Under these indentures, additional debt must be incurred as so-called "ratio" debt or, alternatively, must be permitted in form and amount as "Permitted Indebtedness." In order to incur ratio debt, a specified consolidated fixed charge coverage ratio (as defined in the indentures) must equal or exceed 2:1 (measured on a rolling four-quarter basis). At March 31, 2002, our fixed charge cover ratio fell below 2:1. This development did not breach any covenant or constitute an event of default under any of our debt agreements. However, until such time as the ratio again equals or exceeds 2:1, we can only incur debt that is Permitted Indebtedness.

On October 16, 2003, we successfully completed a solicitation of consents from holders of our notes due in 2008 (2008 notes) to amend this indenture to conform certain provisions of the 2008 notes to the provisions in our notes due in 2010 and to current market practice. This amendment allowed us to refinance our revolving credit facility (discussed later in this note) while we are still limited to Permitted Indebtedness as defined in the indentures.

Under each of these indentures, the fixed charge coverage ratio test is measured on a rolling four-quarter basis. While we can offer no assurance in this regard, we believe that our operating results will improve over the next several quarters and that such improved results together with recent reductions in our outstanding debt, will enable us to exceed the required 2:1 ratio necessary to incur ratio debt under indentures governing the senior notes and the senior subordinated notes.

Interest rate swap - In May 2001, we entered into an interest rate swap on $100 million of 8% fixed rate notes maturing in October 2010. The swap converted interest payments from a fixed rate to a floating rate of LIBOR plus 1.97%. This arrangement qualified as a fair value hedge under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. As such, the net

effect from the interest rate swap was recorded as part of interest expense. The swap agreement settled quarterly. On October 15, 2003, the swap counter party exercised its right to change the termination date of the swap from October 15, 2010 to October 15, 2003. By exercising this right, the swap counter party paid us $4.0 million as an early termination fee, which is being amortized as a reduction to interest expense through October 15, 2010. During the three months ended December 31, 2003 and 2002, the swap reduced the Company's interest expense by $0.3 million and $1.1 million, respectively and will continue to reduce interest expense by $0.1 million per quarter through the amortization period of the termination fee. Based upon interest rates for similar transactions, the fair value of the interest rate swap agreement was recorded as an asset and a corresponding increase in debt of $6.1 million at June 30, 2003.

Revolving credit facility - We amended our revolving credit facility on July 28, 2003 to modify the financial covenants from June 30, 2003 through March 31, 2005. Additionally, this amendment authorized the issuance of $200 million of senior notes (to refinance our $150 million of senior subordinated notes due in 2005) and required a permanent reduction in the credit facility of $40 million.

On November 5, 2003, we established a $220 million senior secured credit facility, comprised of a $70 million revolving credit facility (the revolver) maturing on September 15, 2008 and a $150 million term loan (the term loan) maturing on October 15, 2010. This facility amends and restates our existing $215 million revolving credit facility. We used the proceeds of the new credit facility to pay the outstanding balance on the revolving credit facility plus transaction fees and expenses. The interest rate applicable to borrowings under the revolver is the agent's prime rate plus 1.50% to 1.75% or a LIBOR-based rate ranging from LIBOR plus 2.50% to LIBOR plus 3.25%. The interest rate applicable to the term loan is the agent's prime rate plus 1.50% or a LIBOR-based rate plus 2.50%. The credit facility is secured by substantially all of our assets located in the United States.

The credit facility contains covenants customary for financing of this type. The financial covenants include: maximum ratio of consolidated net senior secured debt to consolidated EBITDA, minimum ratio of consolidated EBITDA to consolidated interest expense and minimum ratio of consolidated EBITDA minus capital expenditures and taxes to consolidated fixed charges; as well as limitations on capital expenditures.

As of December 31, 2003 we had $55.2 million available on the revolving credit facility. Total costs for the issuance of the new facility are estimated at $3.4 million and will be amortized using the effective interest method over the life of the facility. During the three months ending December 31, 2003, $1.6 million was expensed as early extinguishment of debt related to the write-off of deferred financing costs for the revolving credit facility.

Other credit facilities - On December 5, 2003 we paid off the remaining balance on our receivables-based credit facility. We used cash on hand and the restricted cash held as collateral for the facility to make the final payment.

On September 30, 2003, we renewed our Canadian credit facility. The renewal extended the maturity to November 30, 2004 and required a 20% reduction of the principal to Canadian $16.0 million (U.S. $12.4 million equivalent based on exchange rates in effect at December 31, 2003). As of December 31, 2003, we had Canadian $10.3 million (U.S. $8.0 million equivalent) outstanding on this facility. Availability on this facility is incorporated in the availability of our revolving credit facility previously discussed. All other terms and conditions remained the same. We intend to refinance this facility with available long-term credit facilities and, therefore, have included the balance in long-term debt.

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Forward-Looking Statements

Except for the historical information contained herein, the matters discussed in this Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially, including but not limited to, economic, competitive, governmental, and technological factors affecting our operations, financing, markets, products, services, prices, and other factors. We undertake 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. For additional factors that could impact future results, please see our 2003 Annual Report on Form 10-K on file with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the six months ending December 31, 2003, there have been no material changes to our market risk except for the interest rate implications caused by the changes in our debt structure. Our amended and restated revolving credit facility improved our variable interest rates by over 1.0%. We also fixed an additional $50 million of debt at 8.5% which was previously variable rate debt. In addition, the early termination of the swap fixed $100 million of debt at 8.0% that under the swap was effectively variable debt.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation as of December 31, 2003 of our disclosure controls and procedures, as such term is defined under Rule 13-a14(c) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on their evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures are effective.

There have been no significant changes (including corrective actions with regards to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

On November 6, 2003 we held our Annual Meeting of Stockholders. At the meeting, Red Cavaney and David B. Ferraro were each re-elected as Class II directors to hold office for a three-year term or until their successors are elected and qualified. For Mr. Cavaney, 34,186,528 votes were cast in favor and 794,944 votes were withheld. For Mr. Ferraro, 28,932,581 votes were cast in favor and 6,048,891 were withheld.

Following the election, our Board of Directors consisted of George W. Bryan, R. Howard Cannon, Robert E. Cannon, Red Cavaney, David B. Ferraro, Henry F. Frigon, and Samuel M. Mencoff.

The stockholders also ratified the appointment of Ernst & Young LLP as our independent auditors. 34,540,406 votes were cast in favor of the ratification, 436,152 were cast against and 4,914 votes abstained.

Item 6. Exhibits and Reports on Form 8-K

(a) Listing of Exhibits

31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by David B. Ferraro, the Chief Executive Officer of Buckeye Technologies Inc. on January 30, 2004.

31.2 Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Kristopher J. Matula, the Chief Financial Officer of Buckeye Technologies Inc. on January 30, 2004.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by David B. Ferraro, the Chief Executive Officer of Buckeye Technologies Inc. on January 30, 2004.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Kristopher J. Matula, the Chief Financial Officer of Buckeye Technologies Inc. on January 30, 2004.

(b) Reports on Form 8-K

During the three months ended December 31, 2003, the following reports were filed on Form 8-K:

- Report dated October 2, 2003 announcing the conference call regarding operating results for the quarter ended September 30, 2003.
- Report dated October 20, 2003 announcing the press release regarding the results of operations for the quarter ended September 30, 2003.
- Report dated October 21, 2003 replacing the corresponding Supplemental Financial Data schedule included in the press release dated October 20, 2003.
- Report dated December 16, 2003 announcing the press release regarding the estimated loss of 27 - 30 cents per share for the quarter ending December 31, 2003.

(c) Items 1, 2, 3, and 5 are not applicable and have been omitted.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Buckeye Technologies Inc.

By: /S/ DAVID B. FERRARO

David B. Ferraro, Chief Executive Officer

Date: January 30, 2004

By: /S/ KRISTOPHER J. MATULA

Kristopher J. Matula, Executive Vice President and Chief Financial Officer

Date: January 30, 2004