

January-June 2008

Per Lindberg, CEO
Bertil Carlsén, CFO



Jan-June 2008 - update & news

- Highlights
- Development by Business area
- Financials
- Outlook



Highlights Jan-June, 2008

- Net turnover was MSEK 4,045 (3,816).
- Operating profit climbed by 69% to MSEK 328 (194).
- The market situation and demand weakened on most of Billerud's markets towards the end of the period.
- Supplies of wood were good. So far this year wood costs have remained at the same high level established in the second half of 2007.
- The operating margin was 8% (5).



Highlights Q2, 2008

- Q2 2008 vs. Q2 2007
 - » Net sales and operating profit increased
 - » Improved prices and better customer mix compensated wood price increase

- Q2 2008 vs. Q1 2008
 - » Prices generally maintained
 - » Curtailments in production due to lower demand and lower deliveries
 - » Effects of cost reduction MSEK 29
 - » Energy costs reduced



Key figures

Jan-June 2008 vs. Jan-June 2007

	Jan-Jun 2008	Jan-Jun 2007	vs. Jan-Jun 2007
Deliveries ('000 tonnes)	655	674	-3%
Net sales, MSEK	4,045	3,816	+6%
Operating profit, MSEK	328	194	+69%
Operating margin	8%	5%	+3
Profit/share, SEK	3.63	1.91	+90%
Debt/Equity ratio	1.02	1.02	0

Business areas and segments

Packaging & Speciality Paper

MG, MF & Sack Paper



Packaging Boards

S/C Fluting, Liner, Liquid Board



Market Pulp

Nordic Bleached Softwood Kraft Pulp



Packaging & Specialty Paper

Market situation

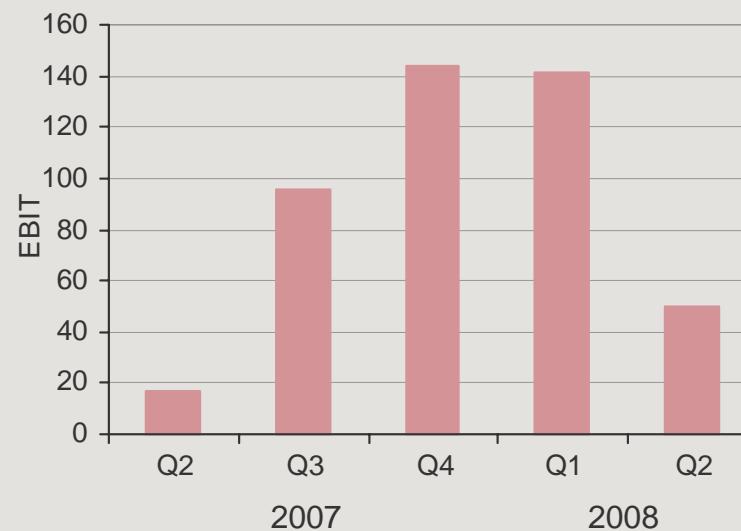
Q2

- Prices generally maintained during Q2
- Deliveries down 4% compared to Q1 2008 due to maintenance stop and lower demand
- Decreased activity in European building sector affects sack paper demand, however overseas demand still strong
- Generally lower demand in other kraft paper segments due to business cycle downturn
- Order books at satisfactory levels



Packaging & Specialty Paper Financials

- Sales and profit up compared to Q2 2007
- Sales and profit down compared to Q1 2008 due to maintenance stop and exchange rate effects



	Q2 2008	Q1 2008	Q2 2007	2007
Net sales, MSEK	976	1,033	960	3,989
Operating profit, MSEK	50	141	17	355
Operating margin, %	5	14	2	9

Packaging Boards

Market situation

Q2

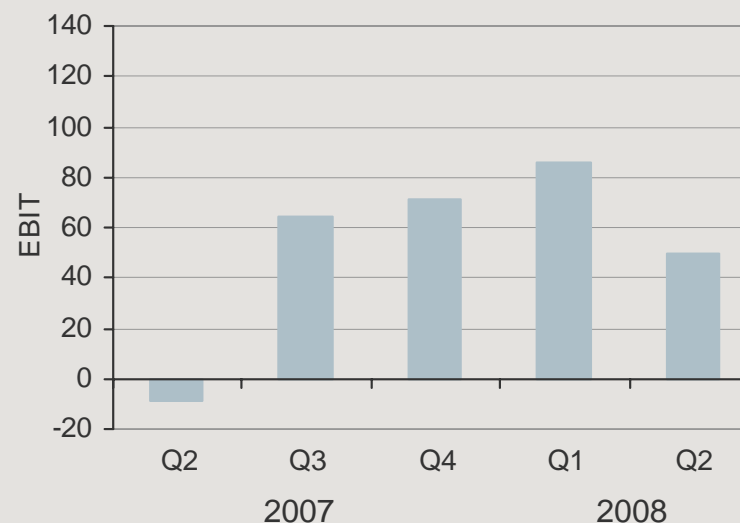
- Strong and early seasonal downturn in fruit industry affected demand for fluting
- Over supply of waste based liner rendering weakened demand and lower prices for white liner - Billerud chose to curtail production
- Deliveries down by 11% compared to Q1 2008
- Average prices stable with some increase for Billerud Flute®
- Good long-term outlook for Billerud Flute® - announced price increase of EUR 40/t expected to be fully implemented during second half of 2008



Packaging Boards

Financials

- Sales and profit up compared to Q2 2007 due to last years maintenance stop in Gruvön in Q2
- Sales and profit down compared to Q1 2008 due to seasonal effects and curtailed production



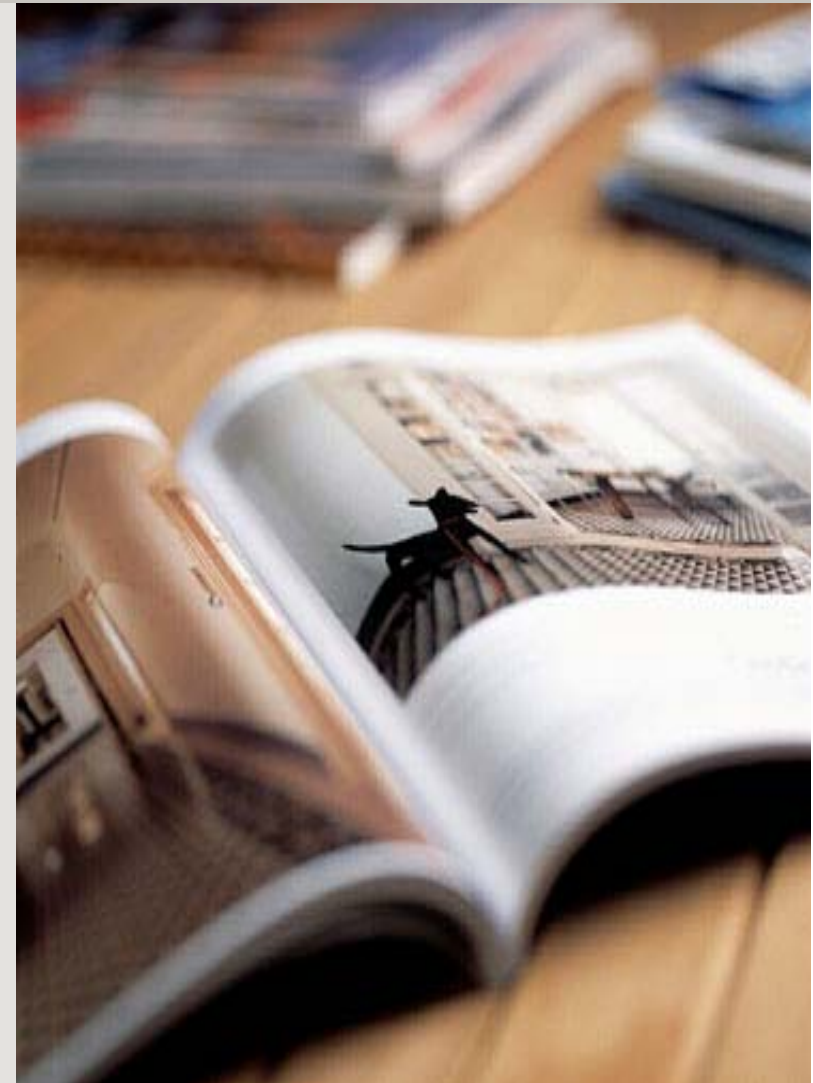
	Q2 2008	Q1 2008	Q2 2007	2007
Net sales, MSEK	566	644	508	2,171
Operating profit, MSEK	50	86	-9	179
Operating margin, %	9	13	-2	8

Market Pulp

Market situation

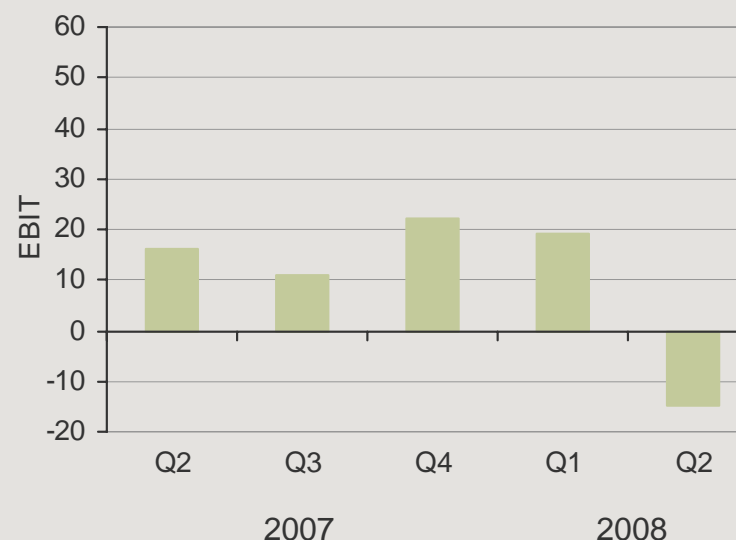
Q2

- Prices up from USD 880/t in Q1 to ~USD 900/t in Q2 – announced prices of USD 920/t not fully implemented during Q2
- Market conditions unbalanced – supply not yet adjusted for declined demand



Market Pulp Financials

- Sales and profit down compared to Q2 2007 due to lower deliveries, exchange rate effects and increased variable costs
- Sales and profit down compared to Q1 2008 due to higher fixed costs and exchange rate effects



	Q2 2008	Q1 2008	Q2 2007	2007
Net sales, MSEK	366	414	425	1,556
Operating profit, MSEK	-15	19	16	81
Operating margin, %	-4	5	4	5

Jan-June and Q2 in sum

- Increase in revenues, operating profit and operating margin compared to Jan-June 2007
- Effect in Q2 2008 of the generally weakened business cycle
- Billerud market position still strong
- Good track record in cost control
 - » Stable wood costs and secured wood supply
 - » Energy costs down compared to Jan-June 2007
 - » New annual savings achieved with MSEK 29



Financials



Key figures

Jan-Jun 2008 vs. Jan-Jun 2007

	Jan-Jun 2008	Jan-Jun 2007	vs. Jan-Jun 2007
Deliveries ('000 tonnes)	655	674	-3%
Net sales, MSEK	4,045	3,816	+6%
Operating profit, MSEK	328	194	+69%
Operating margin	8%	5%	+3
Profit/share, SEK	3.63	1.91	+90%
Debt/Equity ratio	1.02	1.02	0

Reason for EBIT Development

2008 vs. 2007

	Jan-Jun 08 vs. 07	Q2 08 vs 07	Q1 08 vs 07
Deliveries and prod. volumes, incl. product mix	-13	-6	-7
Sales prices (in local currencies)	375	157	218
Change in variable costs	-210	-87	-123
Change in fixed costs	54	60	-6
Change in depreciations	-7	-4	-3
Effect of exchange rates, including hedging	-65	-23	-42
Total effect on results	134	97	37

EBIT comparison – adjusted 2007

	Jan-June 2008		Jan-June 2007		Change	
	MSEK	EBIT %	MSEK	EBIT %	MSEK	%
EBIT	+328	8%	+194	5%		
Planned maintenance stop in Gruvön		-	+100			
One off items: Billerud 2007 cost reversal		-	-27			
<hr/>						
EBIT comparison with 2007 adjusted for difference in maintenance stops and one-off items	+328	8%	+267	7%	+61	+1

Cost work

- Wood cost contained during first half 2008
 - » Good supply to all mills
- Energy cost reduced
 - » Effects of energy program and 10 year supply contract signed 2007:

– Total need	1,6 TWh
– <i>Internally generated</i>	0,9 TWh
– <i>10 year supply contract, fixed price</i>	0,4 TWh
– <i>Spot or short term hedge</i>	0,3 TWh
- General tendency for increased input costs
- Cost reduction measures during Q2 will give MSEK 29 in annual savings
- Target MSEK 150 by end 2009



Cash Flow

MSEK	Q2 2008	Q1 2008	Q2 2007	2007
Operating surplus etc	+198	+351	+98	+1,066
Cash effect of Billerud 2007		-5		-106
Working capital change	+10	-256	+26	-102
Finance net, taxes	-47	-34	-30	-128
Cash flow from operating activities	+161	+56	+94	+730
Capex, excl. energy investments	-216	-164	-196	-650
Capex (energy inv.)				-6
Capex	-216	-164	-196	-656
Operating cash flow	-55	-108	-102	+74
Dividends/share buy-backs	-180		-180	-180
Other	-17	+5	+1	+12
Change in net debt ¹⁾	-252	-103	-281	-94

¹⁾ Minus equals increase in net debt

Key figures

Q2 2008 vs. Q1 2008

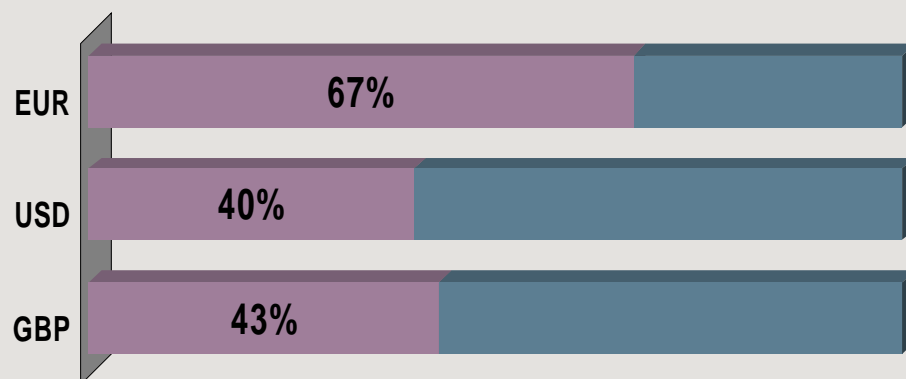
	Q2 2008	Q1 2008	vs. Q1 2008
Deliveries ('000 tonnes)	315	340	-7%
Net sales, MSEK	1,949	2,096	-7%
Operating profit, MSEK	114	214	-47%
Operating margin	6%	10%	-4
Profit/share, SEK	1.11	2.52	-56%
Debt/Equity ratio	1.02	0.90	+0.12

Cash flow effect of change in working capital Q2 vs. Q1

Increase in inventory	- 52
Decrease in accounts receivable	+ 98
Decrease in accounts payable and other liabilities	- 36
<hr/>	
Total effect of change in working capital during Q2	+ 10

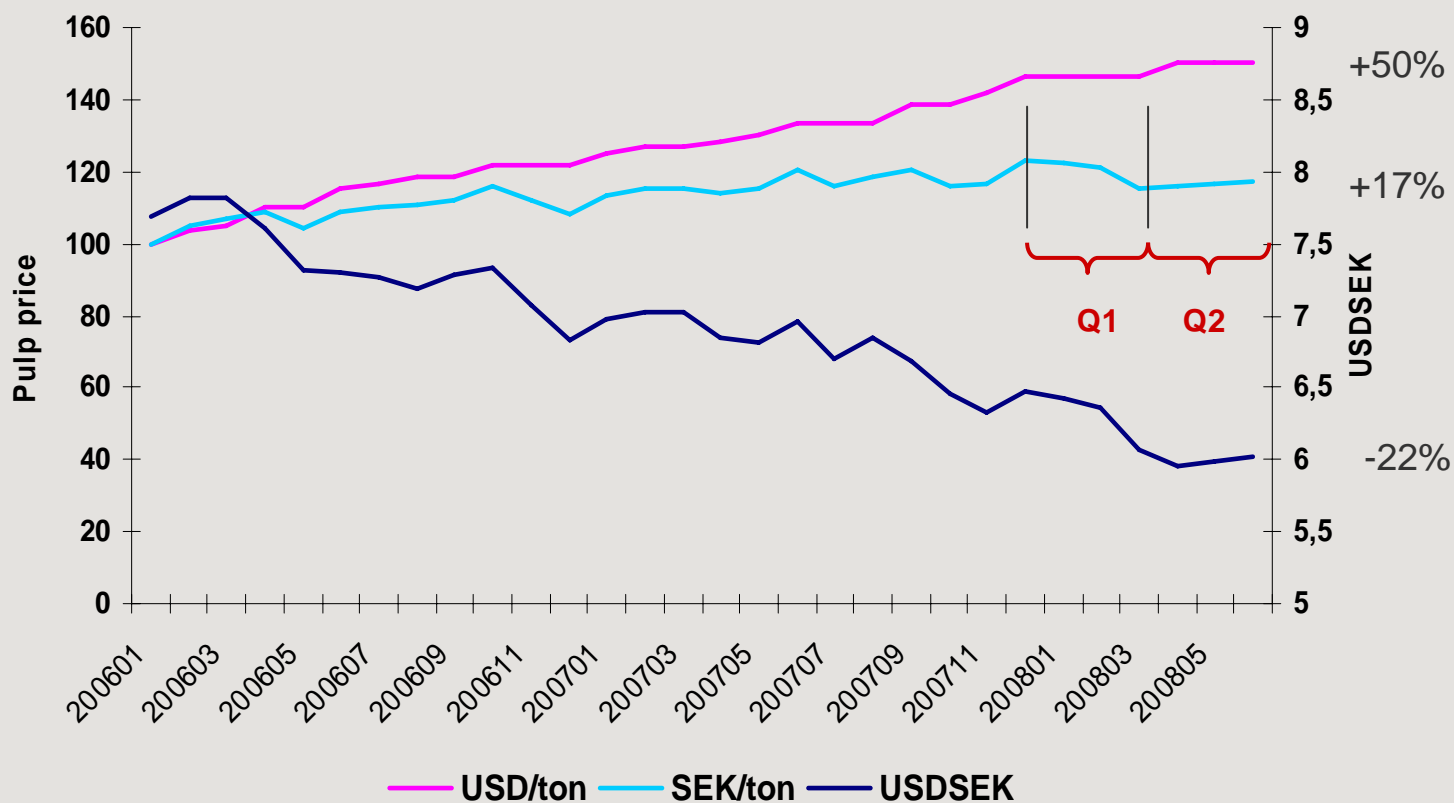
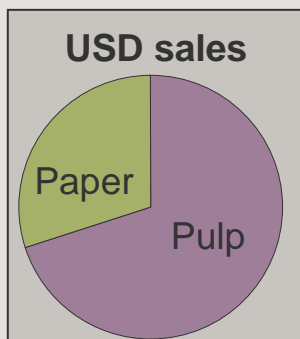
Currency situation

- Positive profit effect of net flow hedging MSEK 66 for Jan-June 2008
- Hedge level 12 months forward:



	Q1 2008		Q2 2008		Q3 2008
	Average hedged currency rates	Average current rates	Average hedged currency rates	Average current rates	Average hedged currency rates
EUR	9.33	9.40	9.35	9.35	9.41
USD	6.57	6.29	6.46	5.99	6.31
GBP	13.30	12.43	13.06	11.79	12.27

Pulp price increase in Q2 not enough to offset weaker USD



Financial objectives

- » Long term organic sales growth rate of at least 3%
- » An EBIT margin of 10% as an average for a business cycle
- » Investments should give a return well above WACC
- » Net debt to equity 0,6-0,9
- » Dividends 50% of net profits over a business cycle



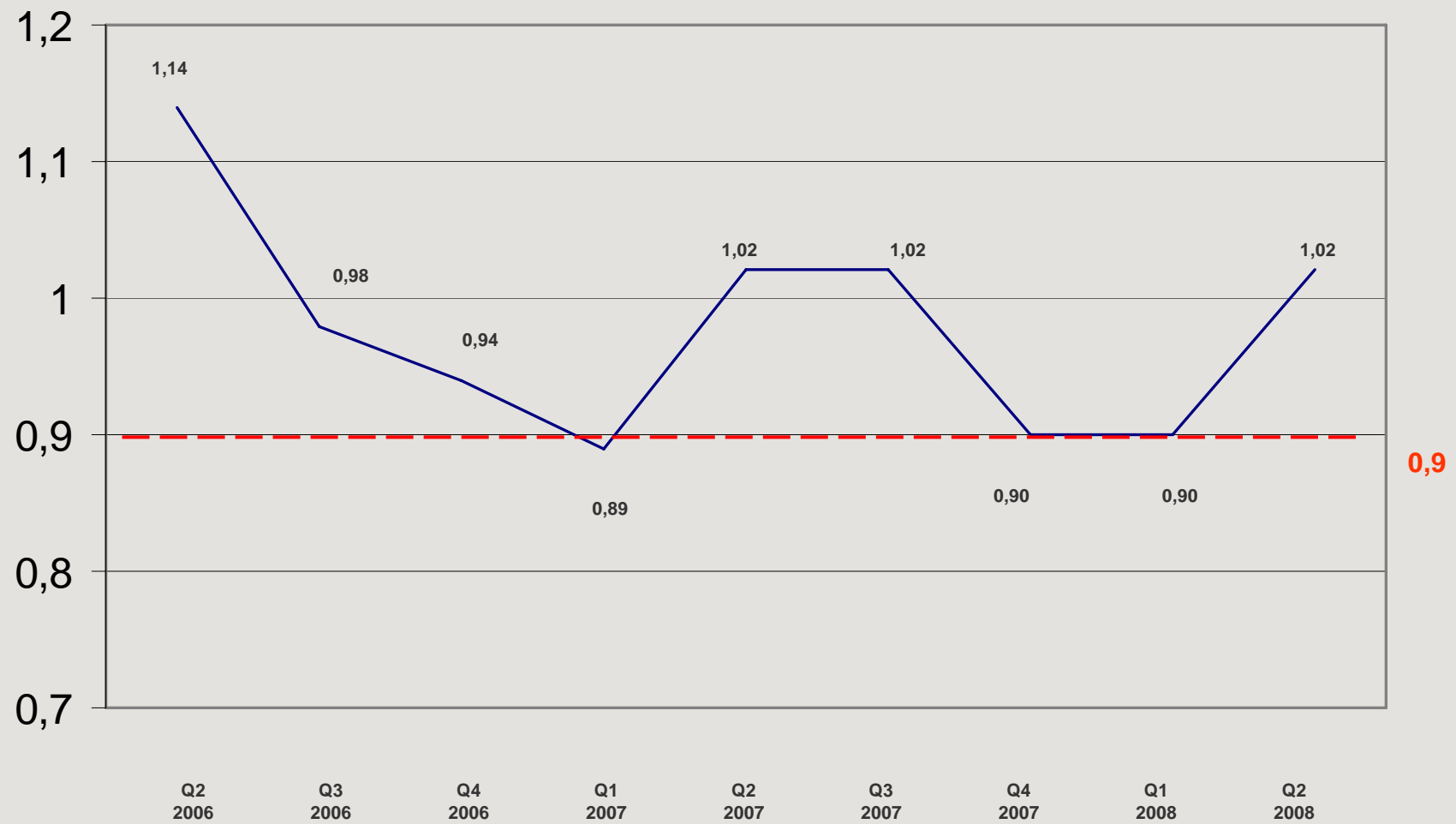
EBIT-margin development

Rolling 12 months figures, excl. one time costs 2005



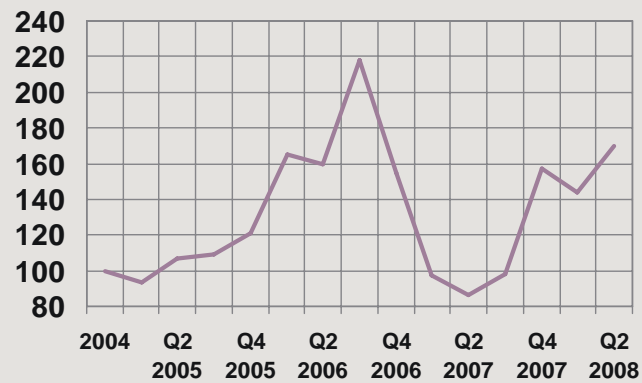
* Maintenance stop in Gruvön not in 12 months rolling

D/E ratio development



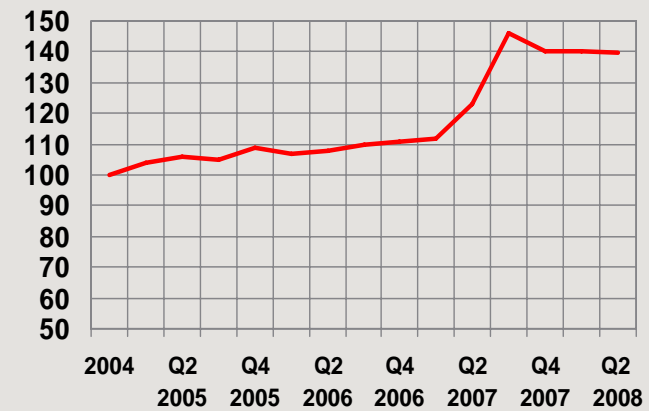
Market prices affecting result

Electricity index (Sweden*)



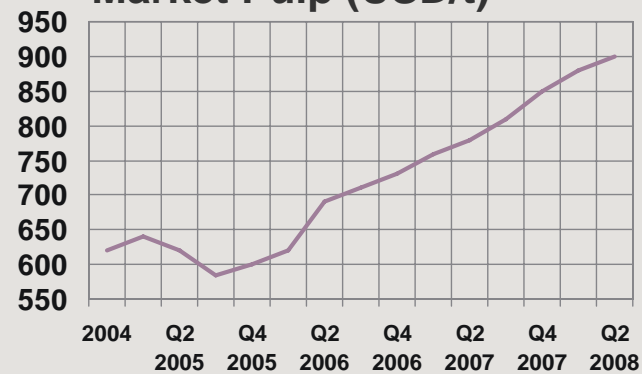
Source: Nordpool. *Price area Sweden

Wood price index

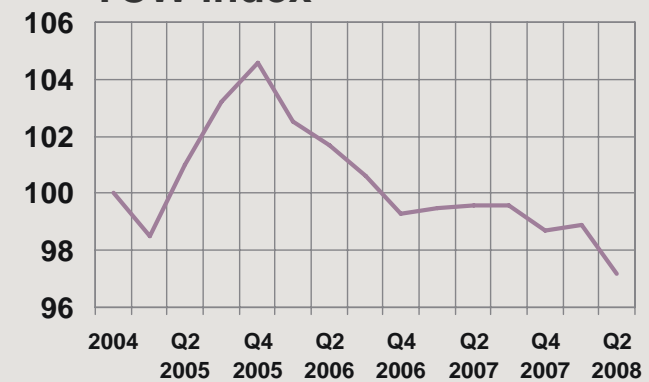


Source: Billerud

Market Pulp (USD/t)



TCW index



Source: Riksbanken

Largest shareholders

Owner	No. Of shares (million)	Proportion of shares on market
Frapag Industrieholding GmbH	9.3	18%
Sanderson Asset Management	3.0	5.8%
Credit Suisse International	2.3	4.5%
Clearstream Banking	1.4	2.8%
SEB Funds/SEB Trygg Liv/Securities	1.2	2.3%
Citibank	1.0	2.0%
Gladiator	1.0	1.9%
Apoteket AB:s Pensionsstiftelse	0.8	1.5%
Nordea	0.7	1.4%
Swedbank incl. Swedbank Robur Fonder	0.7	1.3%
Total ten largest	21.4	41.5%
<i>Total Billerud excl. own holding</i>	<i>51.5</i>	<i>100%</i>



Outlook



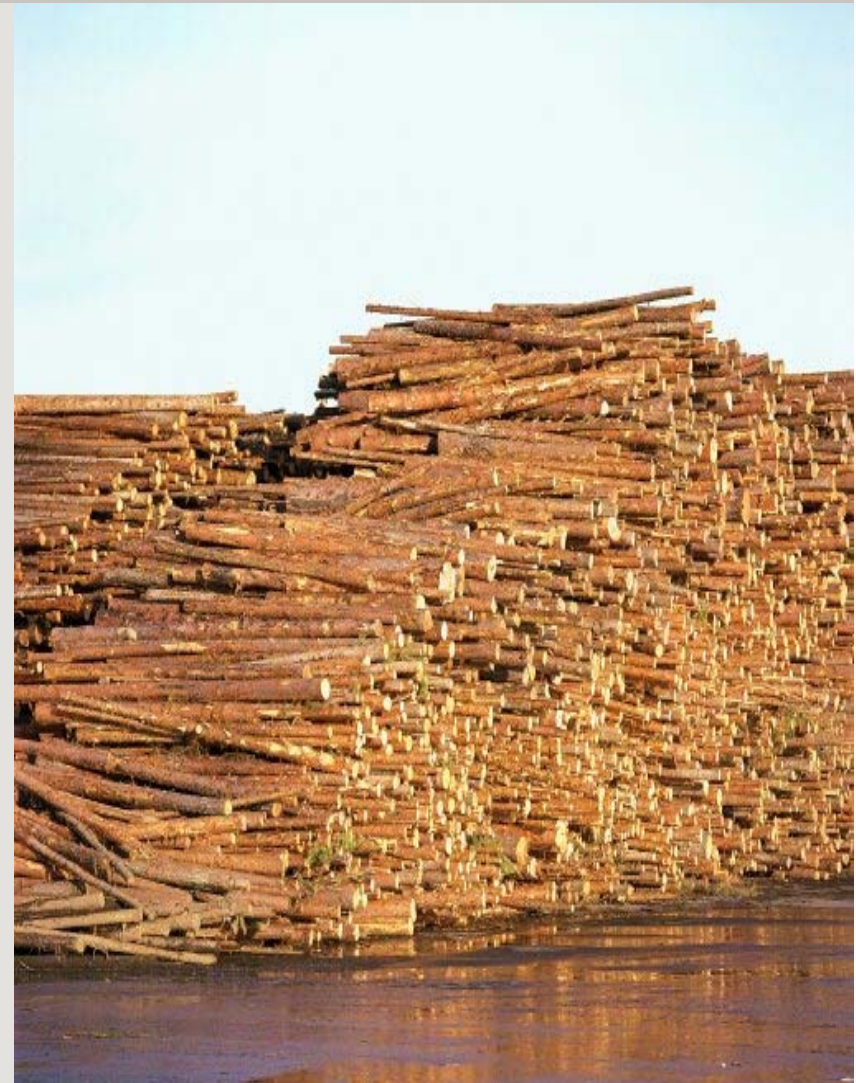
Outlook

- General business cycle has weakened for Billerud's markets
- The tendency is for the cost of most input materials to continue rising
- To maintain profitability at the current level, price increases and/or improvements in the product mix will be necessary, along with continued focus on cost savings



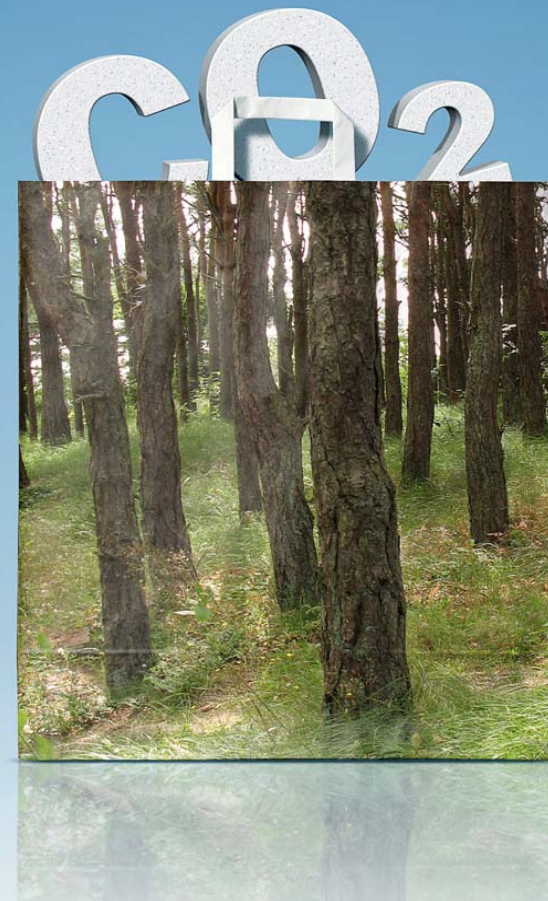
Additional measures to reduce costs

- Expected effect MSEK 150 annually by end of 2009, MSEK 50 by end of 2008
- Will be achieved in variable costs attributable to energy efficiency and wood consumption, but also within the administration process
- Requires investments of MSEK 50
- Achieved MSEK 29 annually during Q2 2008



Environmental concerns impacts demand

- Producers and consumers increasingly recognizing more environmental benefits of paper
- Paper proven to have less CO₂ emission than other packaging materials
- Early signs of increased commercial demand for packaging from renewable materials



Q&A

