

INTERIM **REPORT** JAN-MARCH 2009



Per Lindberg, CEO
Bertil Carlsén, CFO

28 April 2009

JAN-MARCH 2009 – UPDATE & NEWS

- Highlights
- Challenges & Actions
- Development by Business area
- Financials
- Outlook



HIGHLIGHTS JAN-MARCH, 2009

- Reasonably good first quarter
 - » Net turnover was MSEK 1,900, up 11% compared to Q4 2008
 - » Operating profit was MSEK -37 (Q4 2008 MSEK -165).
- Market for packaging paper improved
- Production curtailments in Q4 2008 succeeded – improved order books in Q1
- Ability to adjust cost structure – MSEK 163 in annual savings of targeted MSEK 150
- Syndicated credit facility of MSEK 1 800 refinanced until April 2012



CHALLENGES

- Uncertainty
- Imbalanced pulp market
- Prices under pressure
- Sack demand improving but still weak





BILLERUD IS OPERATING WITHIN STABLE NICHES

- » Packaging paper strong market positions – relatively more stable volumes
- » Improved currency situation – delayed effects due to hedging
- » Market pulp still a problem but improvement over Q4 2008

EBIT COMPARISON PER PRODUCT AREA

| Product area | EBIT Q1 09 (MSEK) | EBIT % Q1 09 | Deviation vs. Q4 08 (MSEK) | Deviation vs. Q1 08 (MSEK) |
|--------------------------------|----------------------|-----------------|----------------------------------|----------------------------------|
| Market Pulp (20% of sales) | -77 | -24% | 33 | -96 |
| Packaging paper (80% of sales) | 194 | 12% | 188 | -33 |
| Other incl. currency hedging | -154 | - | -93 | -122 |
| Total | -37 | -2% | 128 | -251 |

COST WORK ACHIEVEMENTS

- Additional effects of cost reduction programmes
 - » MSEK 163 achieved within variable costs (targeted MSEK 150 at end of 2009)
 - » Fixed cost reductions programme of MSEK 100 proceeding according to plan - effects achieved mainly in second half of 2009





KEY FIGURES

Jan-March 2009 vs. Oct-Dec 2008

| | Q1 2009 | Q4 2008 | vs. Q4 2008 |
|--------------------------|---------|---------|-------------|
| Deliveries ('000 tonnes) | 325 | 289 | +12% |
| Net sales, MSEK | 1,900 | 1,709 | +11% |
| Operating profit, MSEK | -37 | -165 | NA |
| Operating margin | -2% | -10% | +8 |
| Profit/share, SEK | -0.76 | -1.89 | NA |
| Debt/Equity ratio | 1.08 | 0.99 | -0.09 |



BUSINESS AREAS & SEGMENTS

Packaging &
Speciality Paper
MG, MF & Sack Paper



Packaging Boards
S/C Fluting, Liner, Liquid Board



Market Pulp
Nordic Bleached Softwood Kraft Pulp



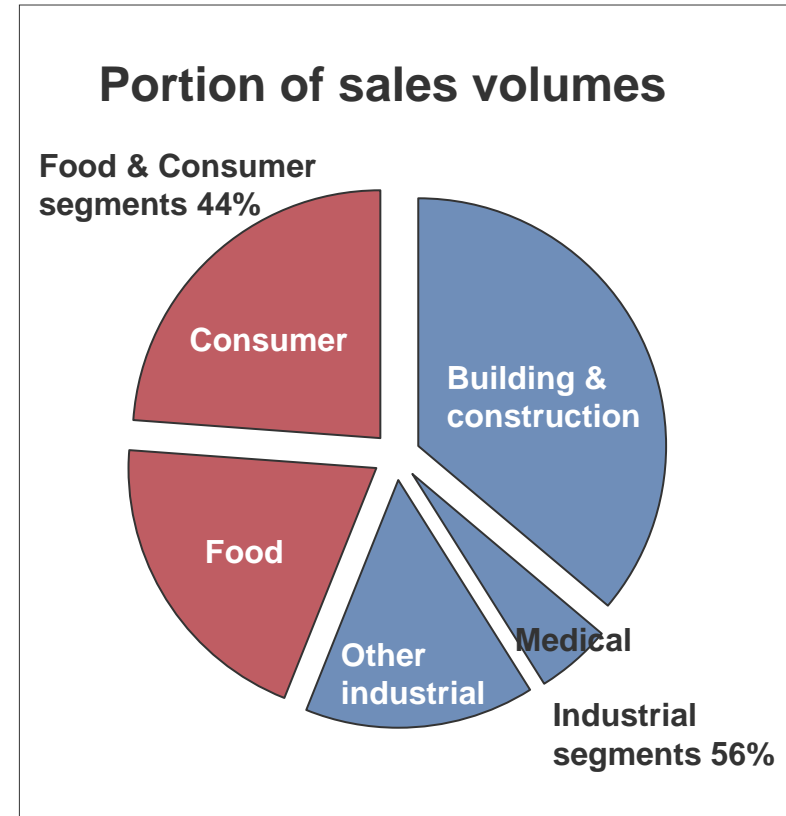


PACKAGING & SPECIALITY PAPER

Market situation

Q1

- Deliveries up 15% compared to Q4 2008
- Market related production curtailments in Q4 2008 succeeded and improved order situation in Q1 2009
- Price pressure within many segments
- Stable to strong demand for MG kraft with increased prices in some segments
- Generally better demand in consumer related segments than in industry related segments

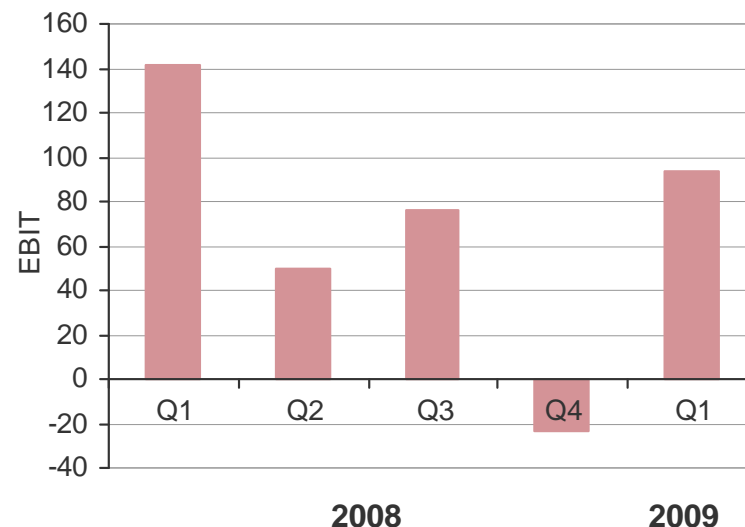




PACKAGING & SPECIALITY PAPER

Financials

- Sales and profit up compared to Q4 2008 due to higher volumes, lower variable and fixed costs and favorable currency situation.



| | Q1 2009 | Q4 2008 | Q1 2008 | 2008 |
|------------------------|---------|---------|---------|-------|
| Net sales, MSEK | 993 | 815 | 1,033 | 3,832 |
| Operating profit, MSEK | 94 | -23 | 141 | 244 |
| Operating margin, % | 9 | -3 | 14 | 6 |

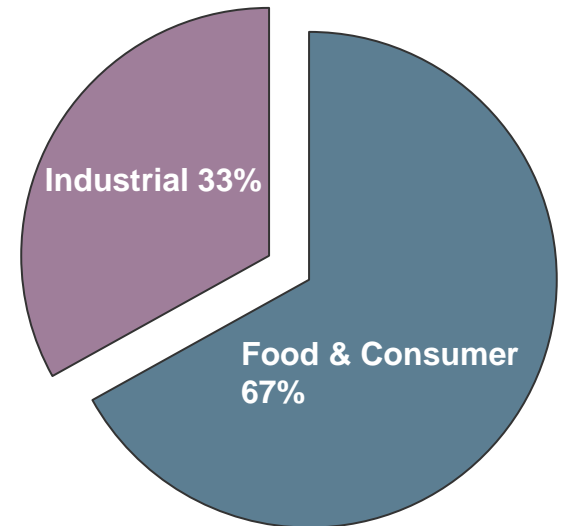
PACKGING BOARDS

Market situation

Q1

- Deliveries up by 16% compared to Q4 2008, stable fruit season
- Order situation relatively stable, however prices under pressure
- Pressured market for corrugated materials due to over capacity on waste based grades
- Increased deliveries of fully bleached kraftliner both compared to Q1 and Q4 2008, despite pressure from testliner over capacity

Portion of sales volumes

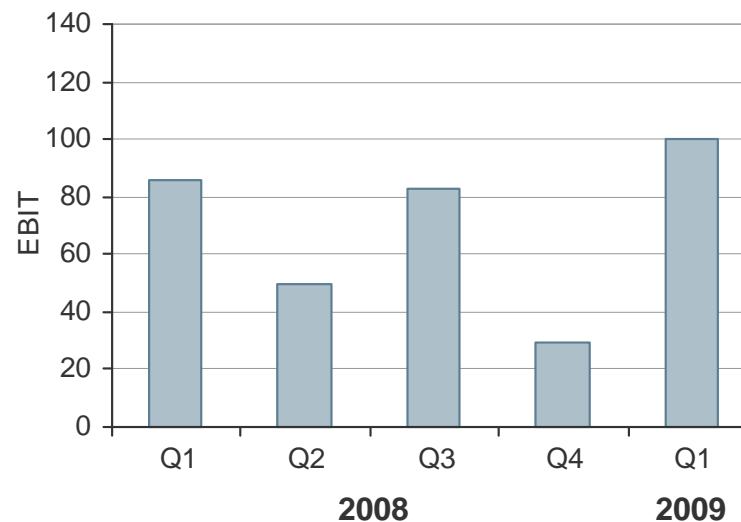




PACKAGING BOARDS

Financials

- Sales and profit up compared to Q4 2008 due to higher volumes, lower costs and favorable currency situation.



| | Q1 2009 | Q4 2008 | Q1 2008 | 2008 |
|------------------------|---------|---------|---------|-------|
| Net sales, MSEK | 667 | 556 | 644 | 2,364 |
| Operating profit, MSEK | 100 | 29 | 86 | 248 |
| Operating margin, % | 15 | 5 | 13 | 10 |

MARKET PULP

Market situation

Q1

- Prices down from USD ~600/t in Q4 2008 to USD ~580/t in Q1 2009, the reduction however leveled off at the end of the first quarter
- Market conditions still imbalanced, consumption continued to decrease in Q1
- Early signs of stabilisation but will most likely take time

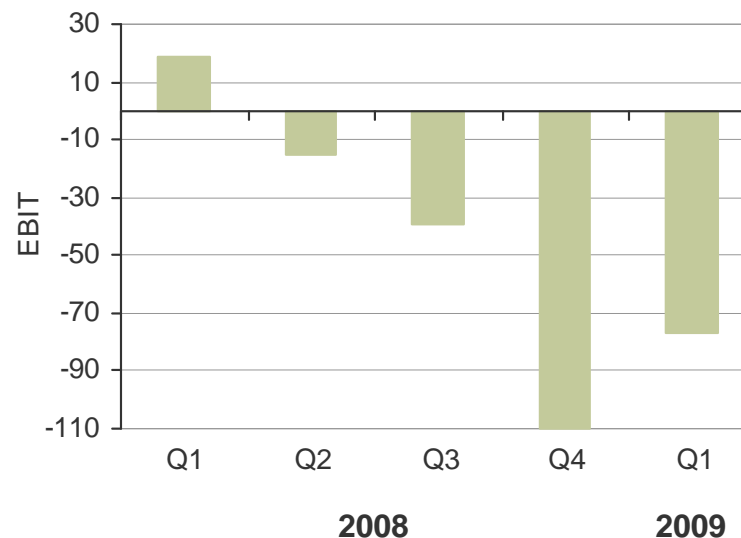




MARKET PULP

Financials

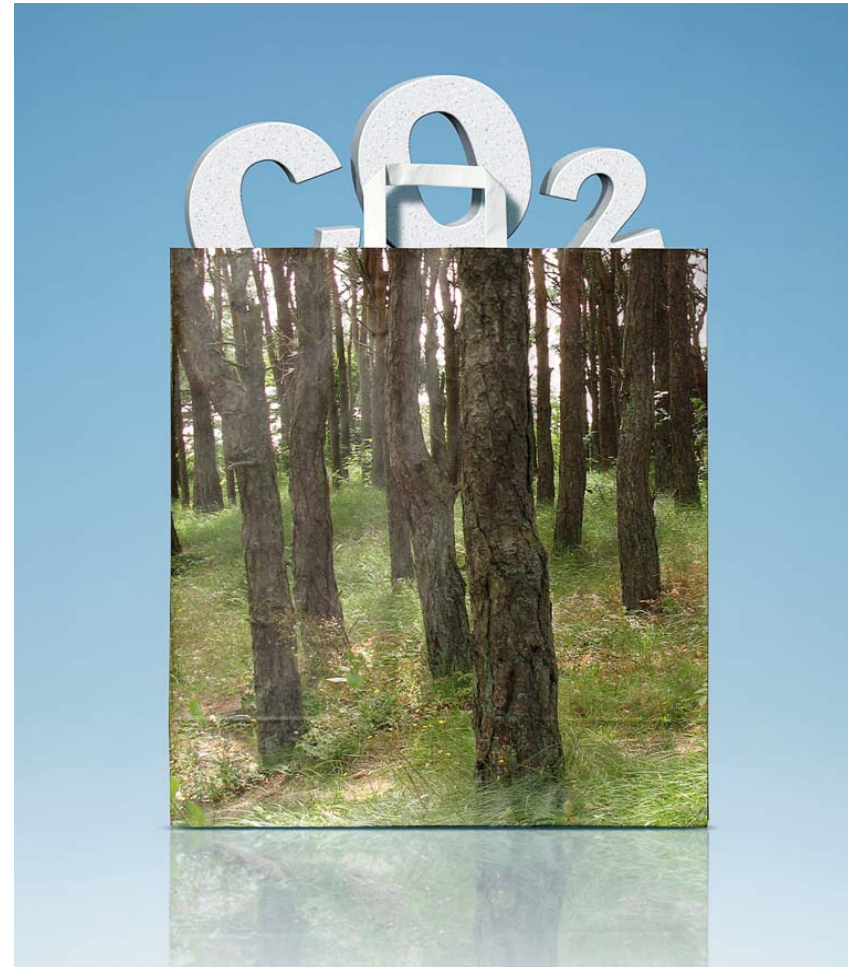
- Sales and profit up compared to Q4 2008 due to lower variable and fixed costs.



| | Q1 2009 | Q4 2008 | Q1 2008 | 2008 |
|------------------------|---------|---------|---------|-------|
| Net sales, MSEK | 323 | 334 | 414 | 1,499 |
| Operating profit, MSEK | -77 | -110 | 19 | -145 |
| Operating margin, % | -24 | -33 | 5 | -10 |

Q1 IN SUM

- Reasonably good Q1 2009 - increased revenues and operating profit
- Improved order books
- Additional effects from cost reduction programmes
- Uncertainty about underlying demand
- Financing secured



FINANCIALS





KEY FIGURES

Jan-March 2009 vs. Jan-March 2008

| | Q1 2009 | Q1 2008 | vs. 2008 |
|--------------------------|---------|---------|----------|
| Deliveries ('000 tonnes) | 325 | 340 | -4% |
| Net sales, MSEK | 1,900 | 2,096 | -9% |
| Operating profit, MSEK | -37 | 214 | NA |
| Operating margin | -2% | 10% | -12 |
| Profit/share, SEK | -0.76 | 2.52 | NA |
| Debt/Equity ratio | 1.08 | 0.90 | -0.18 |



REASON FOR EBIT DEVELOPMENT

Q1 2009 vs.Q1 2008

| | |
|--|-------------|
| Delivery and production volumes, including product mix | -63 |
| Sales prices (in respective sales currency) | -279 |
| Change in variable costs | -68 |
| Change in fixed costs | 37 |
| Change in depreciation | -16 |
| Effects of exchange rate changes, including hedging* | 138 |
| Total effect in operating profit | -251 |

* Effects of exchange rate changes amounting to MSEK 138 are divided into the following components:
improved spot rates MSEK 256, currency hedging MSEK -202 and other effects net MSEK 84.



KEY FIGURES

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CURRENCY EFFECTS

Currency rate changes Q1 2009 compared to Q1 2008:

| | Average exchange rates Q1 2008 | Average exchange rates Q1 2009 | Change |
|-----|--------------------------------|--------------------------------|--------|
| EUR | 9,40 | 10,94 | +16,4% |
| USD | 6,29 | 8,40 | +33,7% |
| GBP | 12,43 | 12,04 | -3,1% |

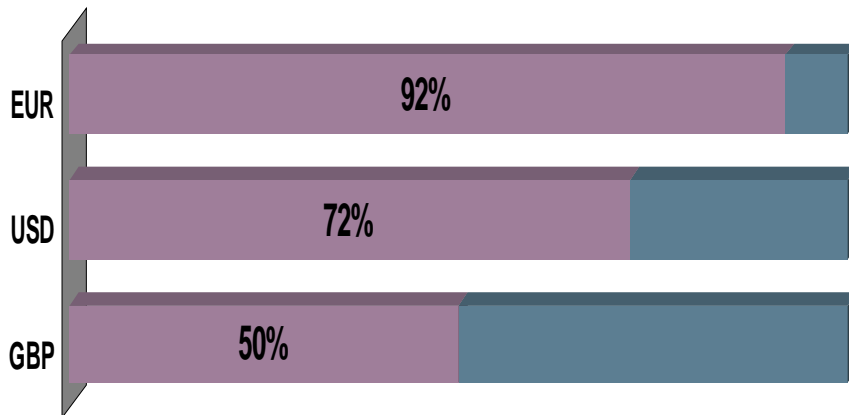


Effect on net flows from improved currency situation Q1 2009 compared to Q1 2008: **MSEK 165**



CURRENCY SITUATION

- Negative profit effect of net flow hedging MSEK -151 for Q1 2009
- Market value of outstanding contracts not relating to accounts receivable as of 31 March 2009 amounted to MSEK -129
- Hedge level 15 months forward:



| | Jan-March 2009 | | April-Jun 2009 | July-Dec 2009 | Jan-Jun 2010 | Total 15 months |
|-----|--|-----------------------------|---|---|---|---|
| | Average hedged currency rates | Average current rates | Average hedged currency rates <i>(hedged flows)</i> | Average hedged currency rates <i>(hedged flows)</i> | Average hedged currency rates <i>(hedged flows)</i> | Average hedged currency rates <i>(hedged flows)</i> |
| EUR | 9.80 | 10.94 | 9.87 <i>(99%)</i> | 9.83 <i>(99%)</i> | 11.05 <i>(82%)</i> | 10.25 <i>(92%)</i> |
| USD | 6.69 | 8.40 | 7.53 <i>(92%)</i> | 8.16 <i>(92%)</i> | 8.67 <i>(41%)</i> | 8.10 <i>(72%)</i> |
| GBP | 11.86 | 12.04 | 12.32 <i>(89%)</i> | 12.30 <i>(63%)</i> | 12.38 <i>(17%)</i> | 12.32 <i>(50%)</i> |

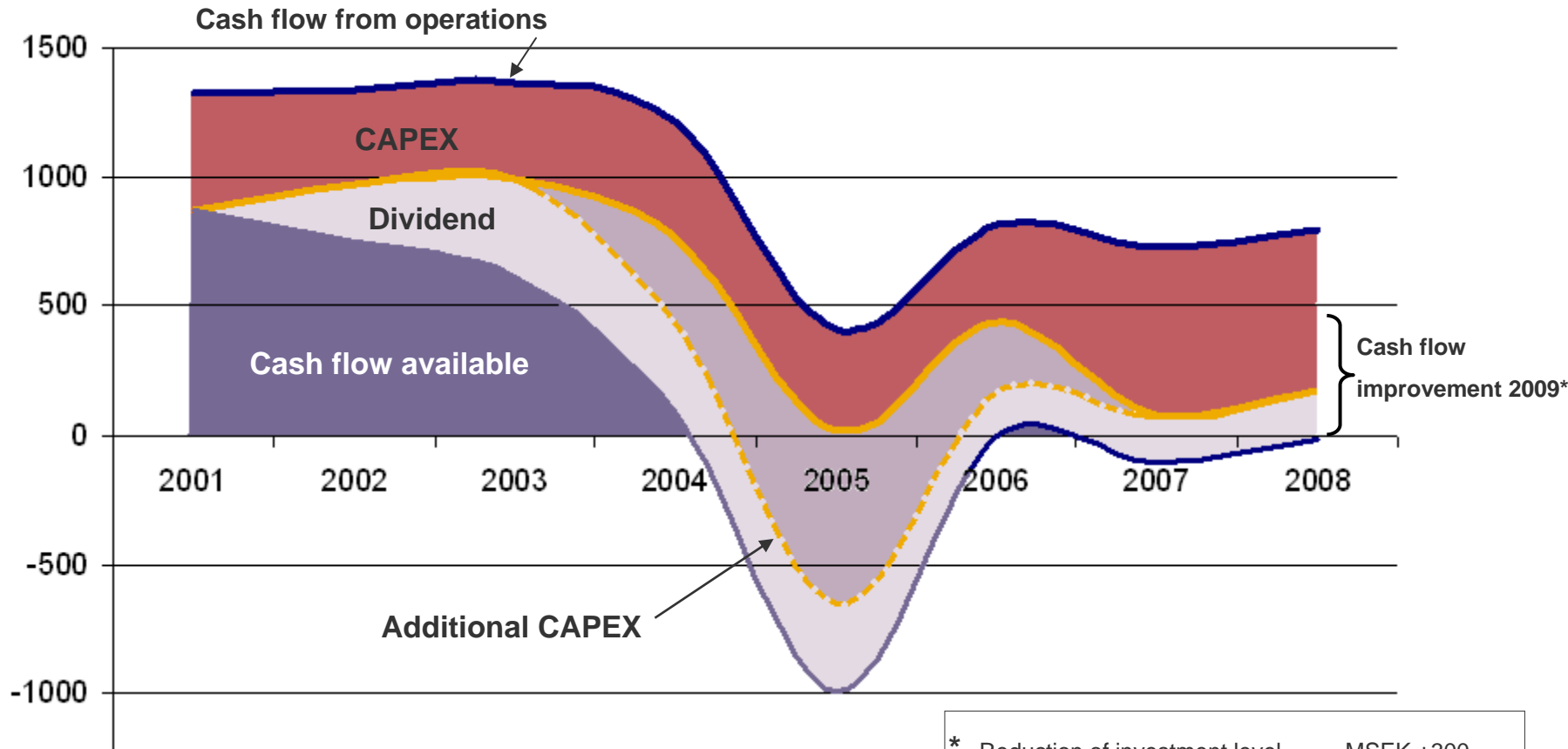


CASH FLOW

| MSEK | Q1 2009 | Q4 2008 | Q1 2008 | 2008 |
|-------------------------------------|---------|---------|---------|------|
| Operating surplus etc | +49 | -57 | +346 | +716 |
| Working capital change | -163 | +426 | -246 | +249 |
| Finance net, taxes | -46 | -64 | -34 | -174 |
| Cash flow from operating activities | -160 | +305 | +56 | +791 |
| Capex | -45 | -118 | -164 | -612 |
| Acquisitions | -31 | -9 | - | -9 |
| Operating cash flow | -236 | +178 | -108 | +170 |
| Dividends | - | - | - | -180 |
| Other | -20 | +6 | +5 | - |
| Change in net debt ¹⁾ | -256 | +184 | -103 | -10 |

¹⁾ Minus equals increase in net debt

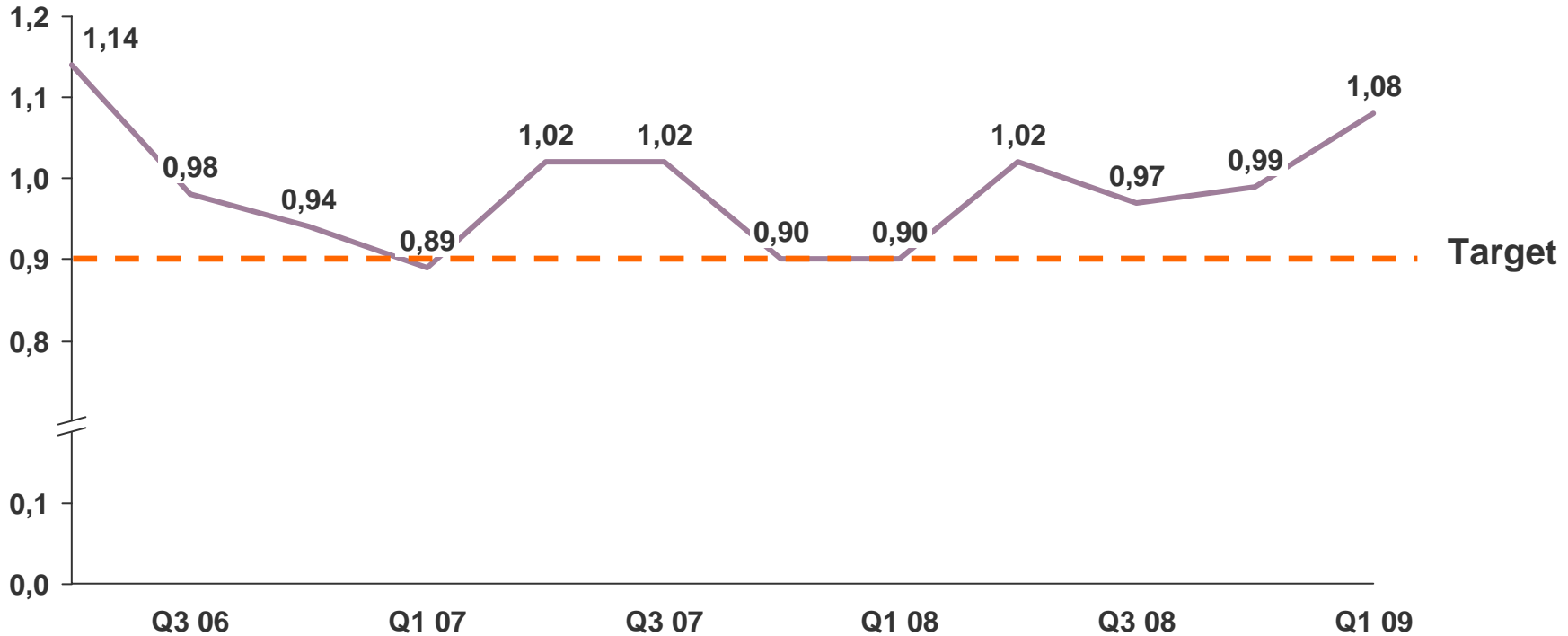
CASH FLOW GENERATION AND CAPEX



| | |
|---------------------------------|------------------|
| * Reduction of investment level | MSEK +300 |
| No dividend paid | MSEK +180 |
| Total | MSEK +480 |



D/E RATIO DEVELOPMENT





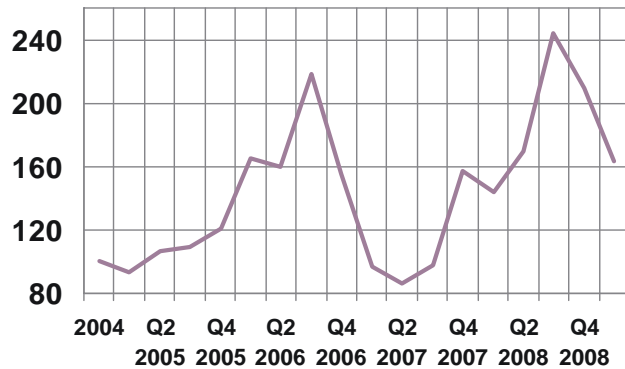
FINANCING SITUATION

| Debt | Credit facility (MSEK) | Utilized (MSEK) | Due date |
|--------------------|-------------------------------|------------------------|-----------------|
| Syndicated loan | 1,800 | 1,021 | April 2012 |
| Term loan facility | 450 | - | Dec 2011 |
| Commercial paper | | 372 | 1-6 months |
| Bond loan 1 | | 350 | Jun 2009 |
| Bond loan 5 | | 150 | Apr 2010 |
| Bond loan 6 | | 250 | Jun 2010 |
| Bond loan 2 | | 150 | Sep 2011 |
| Bond loan 4 | | 300 | Feb 2013 |
| Bond loan 7 | | 225 | Jun 2013 |
| Bond loan 8 | | 150 | Mar 2016 |
| Sum | | 2,968 | |



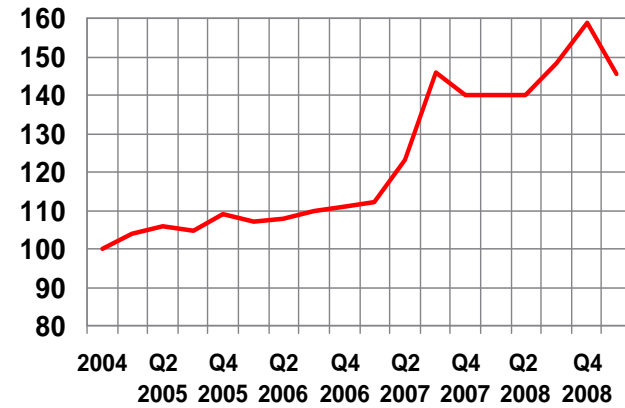
MARKET PRICES AFFECTING RESULT

Electricity index (Sweden*)



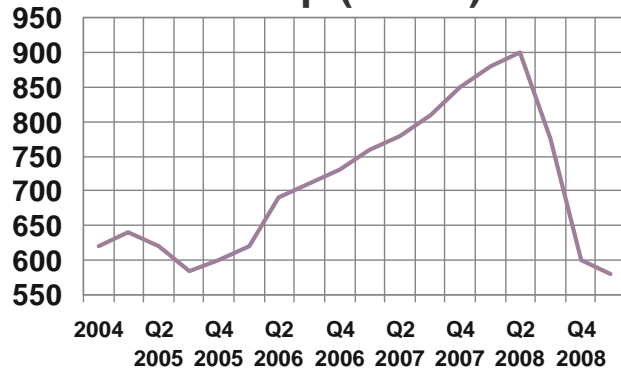
Source: Nordpool. *Price area Sweden

Wood price index

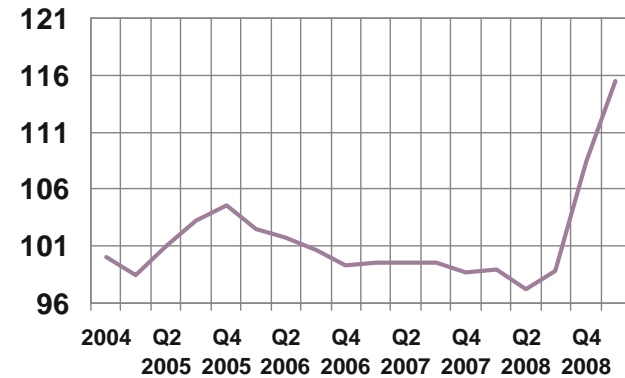


Source: Billerud

Market Pulp (USD/t)



TCW index



Source: Riksbanken

OUTLOOK



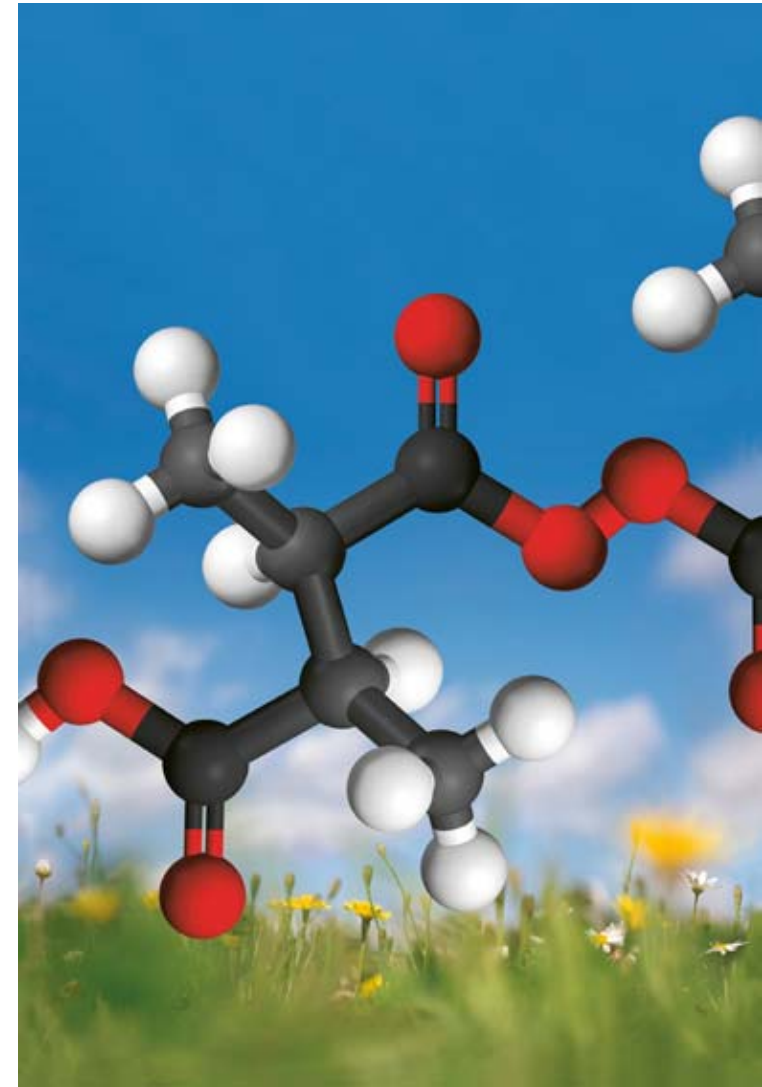
OUTLOOK

- Major uncertainty remains. Due to the weak market and increased competition, prices in local currency have generally fallen.
- An improving balance on the pulp market is expected to give possibilities for increased pulp prices
- Lower wood prices and improved currency situation expected to have positive effects on earnings going forward
- Cost savings continuing according to plan - expected to amount to at least MSEK 250 annually by end of 2009
- Investment levels will be reduced to half during 2009.



BIOPLASTICS - ONE BUILDING BLOCK OF BILLERUD'S FUTURE

- Acquisition of Tenova Bioplastics AB
- Tenova gives access to unique expertise within bioplastics
- Strategic step in developing and providing sustainable packaging solutions made from renewable raw materials





Q&A
