



**BILLERUD**

# Second Quarter Report

JANUARY - JUNE 2006

Per Lindberg, CEO

Bertil Carlsén, CFO

# Quarterly update & news

- » Highlights
- » Development by Business area
- » Ongoing projects
- » Financials
- » Outlook

# Key figures

## - Q2 vs. Q1 2006

	Q2 2006	Q1 2006	vs. Q1 - 2006
Deliveries ('000 tonnes)	345	342	+1
Net sales, MSEK	1,839	1785	+3%
Operating profit, MSEK	107	64	+67%
Operating margin	6%	4%	+2
Profit/share, SEK	1,18	0,63	+87%
Debt/Equity ratio	1,14	0,96	+0,18

## Q2 2006

- » Continued improved market situation
- » Price increases implemented
- » Two out of three steam turbines for electricity generation came into operation
- » Production problems in Gruvön due to disruptions in external electricity supply
- » New product for fruit and vegetable segment

# 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

## Q2

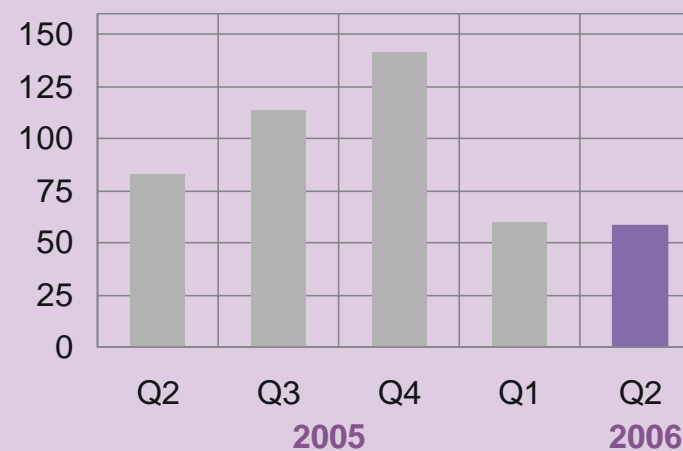
- » Good orderbook
- » Improved supply and demand balance in brown sack paper
- » Price increases announced for brown sack paper and MG
- » Unsatisfactory earnings in Beetham due to high energy prices



# Financials

» Deliveries -1% vs. Q1-06,  
-1% vs. Q2 2005

EBIT



	Q2, 2006	Q1, 2006	Q2, 2005	2005
Net sales, MSEK	905	946	943	3751
Operating profit, MSEK	58	60	83	411
Operating margin	6	6	9	11

# Packaging Boards

## Q2

- » Strong orderbook for S/C fluting, stable situation for white liner
- » Improved supply and demand balance (S/C fluting)
- » Price increase announced from from June/July for S/C fluting



# The new Billerud Flute®

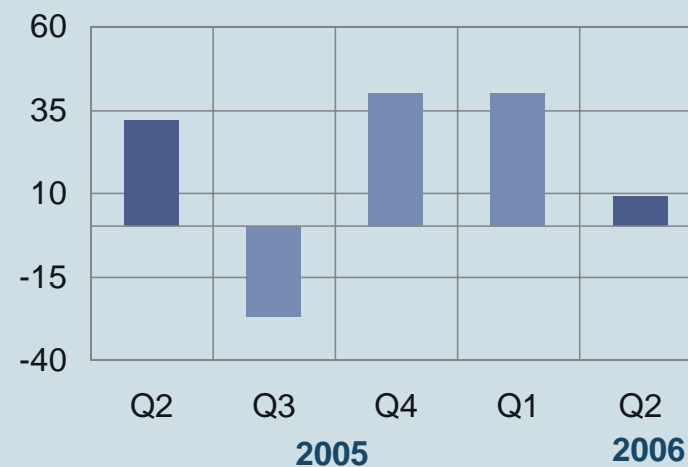
- » The new Billerud Flute® targets market for fruit and vegetables
- » Shows an increase in performance by no less than 20%
- » Makes it possible to reduce the consumption of raw material without compromising the performance of the box



# Financials

» Deliveries +1% vs. Q1-06,  
+2 vs. Q2 2005

EBIT



	Q2, 2006	Q1, 2006	Q2, 2005	2005
Net sales, MSEK	533	543	517	2 058
Operating profit, MSEK	9	40	32	81
Operating margin	2	7	6	4

# Market Pulp

## Q2

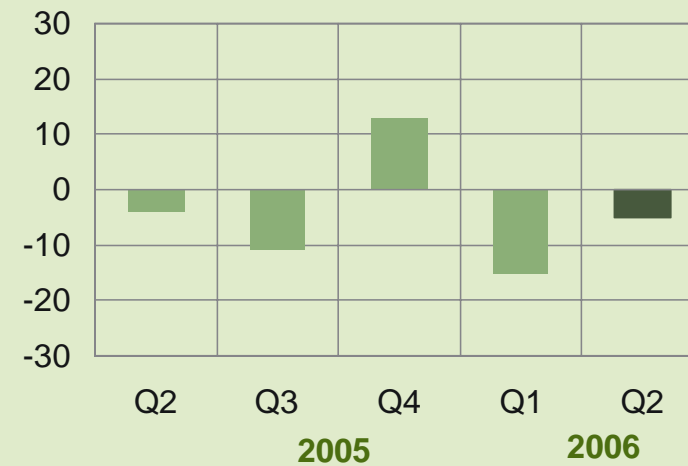
- » Good demand situation
- » Price increase from USD 630 in March to USD 690 end of June
- » Further price increases expected during the rest of 2006



# Financials

» Deliveries +5% vs. Q1-06,  
+9% vs. Q2 2005

EBIT



	Q2, 2006	Q1, 2006	Q2, 2005	2005
Net sales, MSEK	345	309	310	1 197
Operating profit, MSEK	-5	-15	-4	-12
Operating margin	-1	-5	-1	-1

## Billerud 2007

- » Cost savings MSEK 250, of which  $\frac{1}{3}$  2006
- » One-time cost MSEK 400 charged in 2005
- » Cash-out up to June 2006, MSEK 175
- » Program develops according to plan



# Energy

- » Cost savings MSEK 250, higher depreciations MSEK 50
- » Effect 2006 MSEK 100
- » Turbines at Skärblacka and Gruvön up and running since end of Q2, Karlsborg running from October
- » Program develops according to plan



# Financials

# Key figures

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# Key figures

- Jan-June 2006 vs. Jan-June 2005

	<b>Jan-June 2006</b>	<b>Jan-June 2005</b>	<b>vs. Jan-June 2005</b>
Deliveries ('000 tonnes)	687	685	+/-0
Net sales, MSEK	3,624	3,443	+5%
Operating profit, MSEK	171	86	+100%
Operating margin	5%	2%	+3
Profit/share, SEK	1,81	0,72	+151%
Debt/Equity ratio	1,14	0,76	+0,38

# Reasons for EBIT development

## - Jan-June 2006 vs. Jan-June 2005

Deliveries and prod. volumes, incl. product mix	+ 26
Sales prices (in local currencies)	+ 60
Increased variable costs	- 115
Decreased fixed costs	+ 44
Increase in depreciations	- 20
Effect of exchange rates, including hedging	+ 90
<hr/> <hr/> Total effect on results	<hr/> <hr/> + 85

# Cost structure

- % of total costs 2005

Wood fibre	29
Staff	21
Freight	13
Chemicals	8
Other materials	5
Energy	6
Depreciation	6
Purchased services	3
Other	9
<hr/>	
Total	100



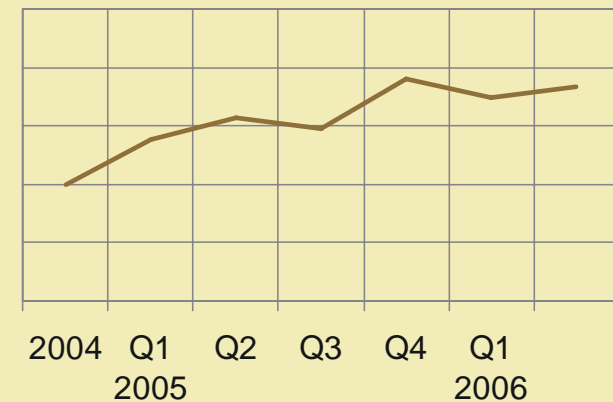
# Market prices affecting result

**Electricity index (Sweden\*)**



Source: Nordpool. \*Price area Sweden

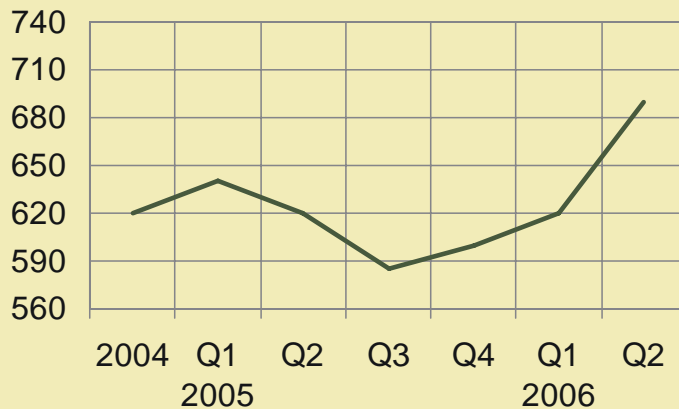
**Wood price index**



Source: Billerud

**Market Pulp (USD/t)**

Q1 2006 USD 620/t



**TCW index**



Source: Riksbanken

# Currency situation and hedging

## Currency situation

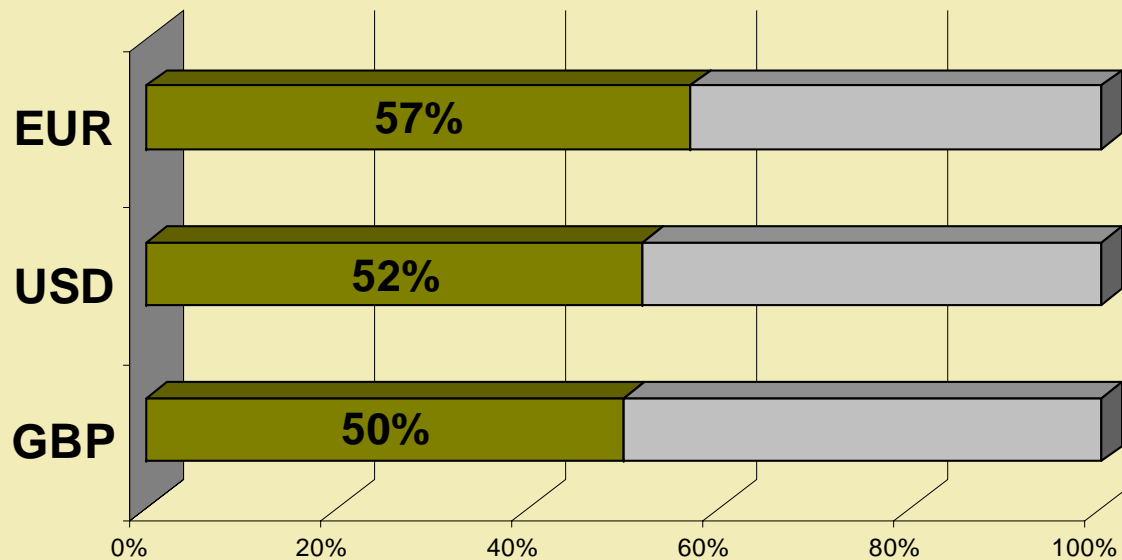
- » Revenues mainly in EUR (2/3) and USD (1/3)
- » Main cost items in SEK

## Hedging policy

- » Constant hedgings, approx 50% of 12 months future net flow
- » If ROCE > 20%, increased to 15 months future net flow

# Currency situation

- » Hedged net flows, 57% (of 12 months net flows)
- » Positive profit effect of net flow hedging MSEK 56 for Q2 2006



Average hedged currency rates	Current rates	Change Q2/Q1
9.38	9.25	-0,6%
7.33	7.27	-4,9%
13.38	13.53	-0,9%

# Cash Flow

MSEK	Q2 2006	Q1 2006	2005
<b>Operating surplus etc</b>	<b>227</b>	171	622
Cash effect of Billerud 2007	<b>-62</b>	-46	-67
Working capital change	<b>-188</b>	126	-44
Finance net, taxes	<b>-6</b>	-36	-98
<b>Cash flow from operating activities</b>	<b>-29</b>	+215	413
Capex, excl. energy investments	<b>-62</b>	-115	-399
Capex (energy inv.)	<b>-103</b>	-90	-670
<b>Capex</b>	<b>-165</b>	-205	-1 069
<b>Operating cash flow</b>	<b>-194</b>	10	-656
Dividends/share buy-backs	<b>-167</b>		-334
Other	<b>4</b>	1	-44
<b>Change in net debt <sup>1)</sup></b>	<b>-357</b>	+11	-1 034

<sup>1)</sup> Minus equals increase in net debt

# Outlook

- » Market situation expected to stay favorable – further price increases expected
- » Continued high cost level for energy and wood
- » Cost reduction programmes develops according to plan
- » Additional internal power generation coming on stream during the second half of 2006



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## Q & A

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