

January-September  
2008

Per Lindberg, CEO  
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## Jan-Sep 2008 - update & news

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



## Highlights Jan-Sep, 2008

- Results
  - » Net turnover was MSEK 6,083 (5,690).
  - » Operating profit increased by 31% to MSEK 454 (347).
  - » The operating margin was 7% (6).
  
- Achievements
  - » Paper prices generally maintained
  - » Effects of cost reduction initiatives
  - » Demand in consumer related segments stable



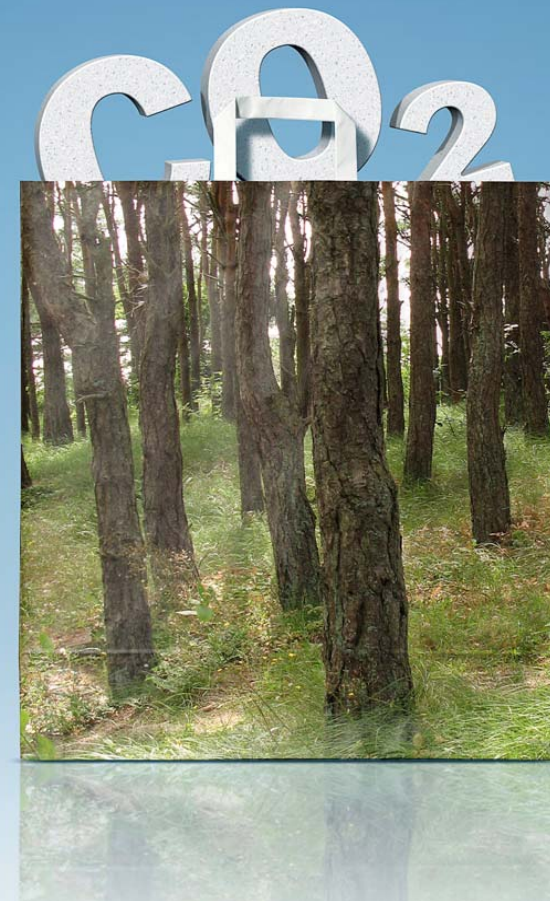
## Challenges

- Weakening of the general business cycle
- Significantly weakened demand within industry related segments
  - » Primarily affecting sack paper and market pulp
- Market pulp prices falling dramatically
- Further production curtailments expected to be necessary



## Actions

- Cost reduction initiatives
  - » MSEK 70 annual cost savings achieved within previously announced cost savings programme of MSEK 150 MSEK
  - » Decision taken to reduce fixed costs with an additional MSEK 100
- Continue to develop Billerud products and working close to end-customers
- Production curtailments to meet reduced demand



## New products & product development

- To improve our market position
  - » FibreForm
  - » QuickFill Single
  - » Billerud Pack Lab
  - » Extended Billerud Box Lab
- Filling machine capacity
  - » Wet strength sack & MG
  - » Tea Sachet paper
  - » New release liner
  - » Tinted MG Kraft



## Key figures

Jan-Sep 2008 vs. Jan-Sep 2007

|                          | Jan-Sep 2008 | Jan-Sep 2007 | vs. Jan-Sep 2007 |
|--------------------------|--------------|--------------|------------------|
| Deliveries ('000 tonnes) | 989          | 992          | -0%              |
| Net sales, MSEK          | 6,083        | 5,690        | +7%              |
| Operating profit, MSEK   | 454          | 347          | +31%             |
| Operating margin         | 7%           | 6%           | +1               |
| Profit/share, SEK        | 4.85         | 3.56         | +36%             |
| Debt/Equity ratio        | 0.97         | 1.02         | -0.05            |

# 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

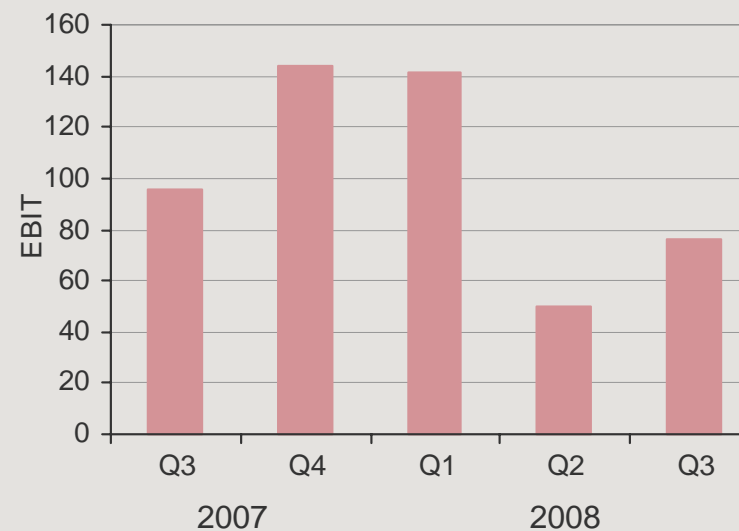
### Q3

- Deliveries up 4% compared to Q2 2008
- Prices slight downwards trend, although variations between markets and product areas
- Market for sack paper in decline with significant reduction in deliveries to Europe as demand faltered in the construction industry
- Stable demand in kraft paper related to food and medical segments, generally lower demand in industry related segments



## Packaging & Specialty Paper Financials

- Sales and profit up compared to Q2 2008 due to higher volumes and lower fixed costs



|                        | Q3 2008 | Q2 2008 | Q3 2007 | 2007  |
|------------------------|---------|---------|---------|-------|
| Net sales, MSEK        | 1,008   | 976     | 969     | 3,989 |
| Operating profit, MSEK | 76      | 50      | 96      | 355   |
| Operating margin, %    | 8       | 5       | 10      | 9     |

# Packaging Boards

## Market situation

### Q3

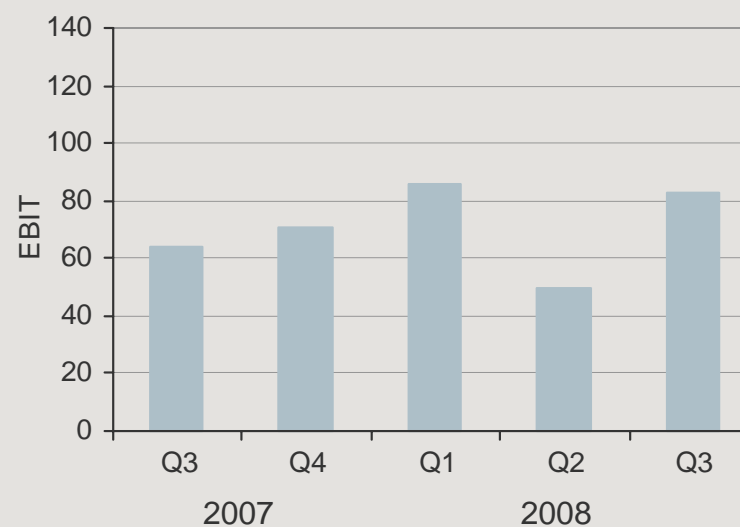
- Seasonally strengthened demand for Billerud Flute<sup>®</sup> in relation to Q2 2008
- Price and order situation stable
- Deliveries up by 7% compared to Q2 2008
- Average prices stable with some increase for Billerud Flute<sup>®</sup>
- Continued positive outlook for Billerud Flute<sup>®</sup>



## Packaging Boards

### Financials

- Sales and profit up compared to Q2 2008 due to higher deliveries and lower fixed costs



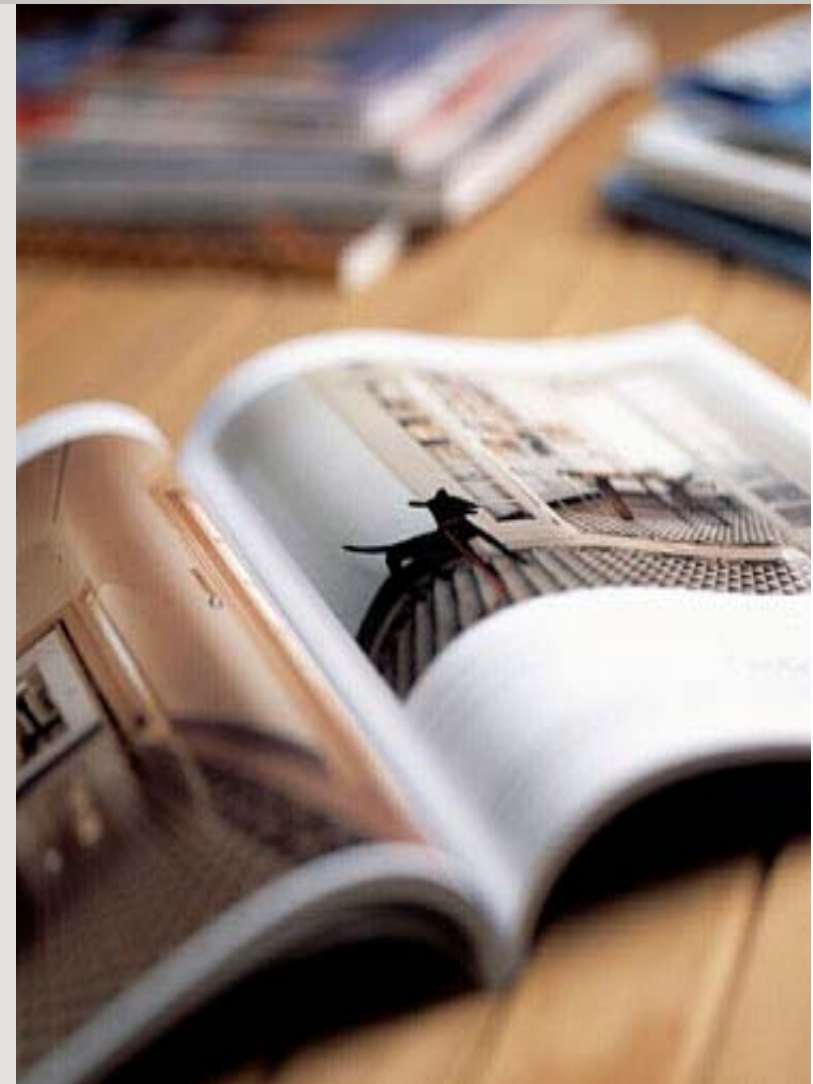
|                        | Q3 2008 | Q2 2008 | Q3 2007 | 2007  |
|------------------------|---------|---------|---------|-------|
| Net sales, MSEK        | 598     | 566     | 546     | 2,171 |
| Operating profit, MSEK | 83      | 50      | 64      | 179   |
| Operating margin, %    | 14      | 9       | 12      | 8     |

## Market Pulp

### Market situation

#### Q3

- Prices down from USD 900/t in Q2 to ~USD 775/t in Q3 due to weakened demand and over capacity
- Market conditions very unbalanced – supply not yet adjusted for declined demand
- Improvement in supply & demand expected to start during Q4 2008
- Some compensation on prices due to strengthening of USD/SEK



## Market Pulp Financials

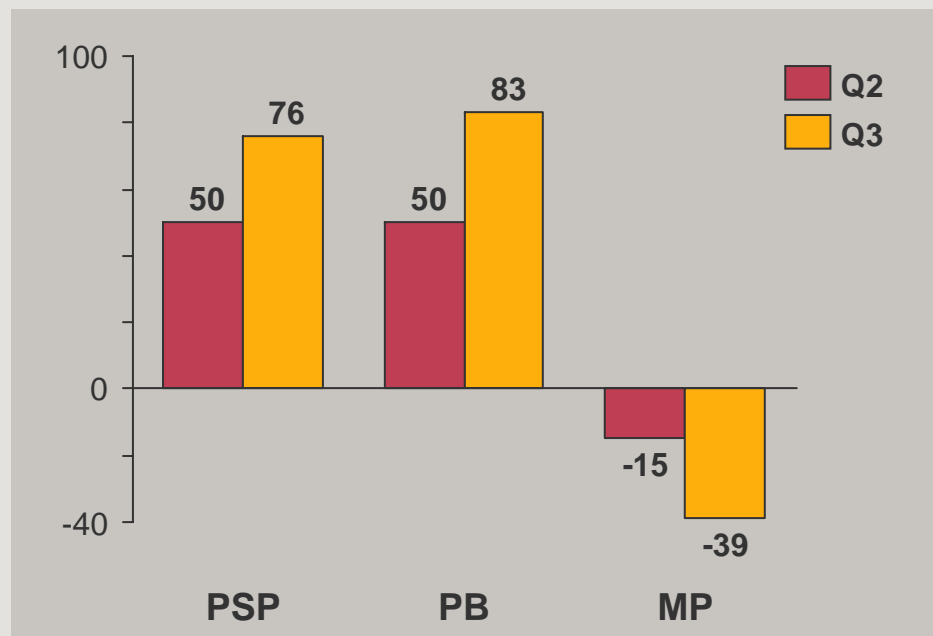
- Sales and profit down compared to Q2 2008 due to lower prices, higher variable costs and worsened customer mix



|                        | Q3 2008 | Q2 2008 | Q3 2007 | 2007  |
|------------------------|---------|---------|---------|-------|
| Net sales, MSEK        | 385     | 366     | 360     | 1,556 |
| Operating profit, MSEK | -39     | -15     | 11      | 81    |
| Operating margin, %    | -10     | -4      | 3       | 5     |

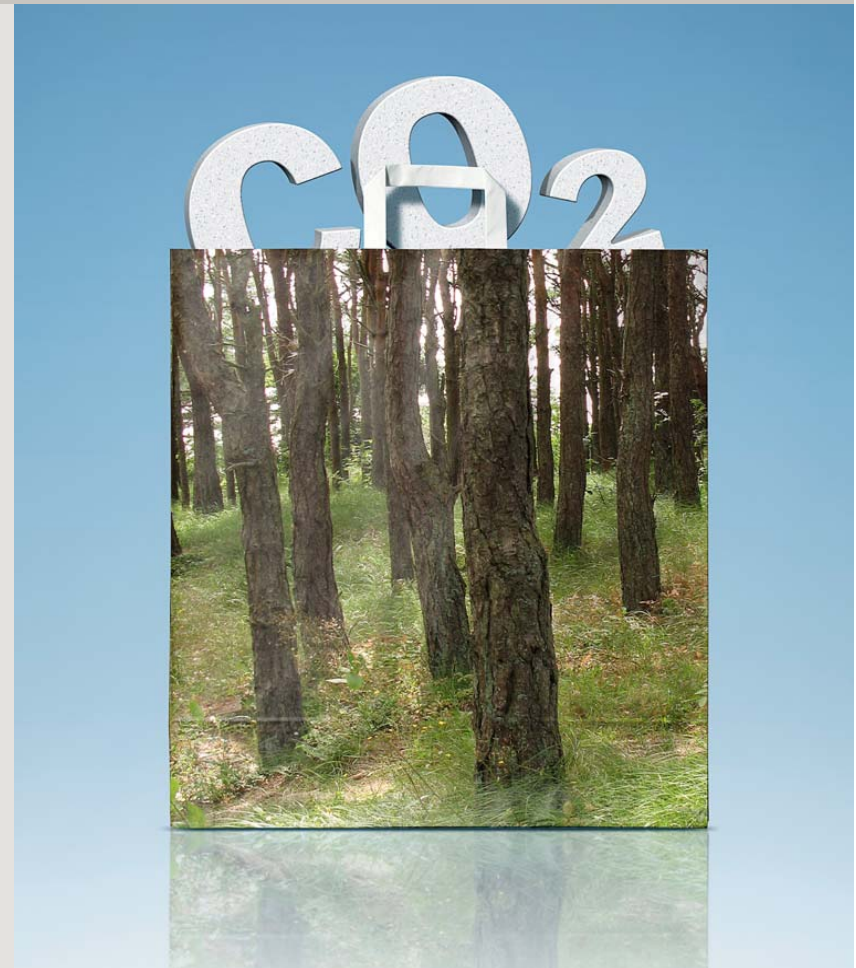
## Operating profit per segment

- Paper and Board profitability held up well in Q3
- Significant drop in market pulp (MP) profitability



## Jan-Sep and Q3 in sum

- Increase in revenues, operating profit and operating margin compared to Jan-Sept 2007 – partly explained by maintenance cost periodisation
- Increasingly weakened business cycle
- Slow-down in industrial related segments, stable in consumer related segments
- Good track record in cost control



# Financials



## Key figures

Jan-Sep 2008 vs. Jan-Sep 2007

|                          | Jan-Sep 2008 | Jan-Sep 2007 | vs. Jan-Sep 2007 |
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| Net sales, MSEK          | 6,083        | 5,690        | +7%              |
| Operating profit, MSEK   | 454          | 347          | +31%             |
| Operating margin         | 7%           | 6%           | +1               |
| Profit/share, SEK        | 4.85         | 3.56         | +36%             |
| Debt/Equity ratio        | 0.97         | 1.02         | -0.05            |

## Reason for EBIT Development

### 2008 vs. 2007

|   | Jan-Sep<br>08 vs. 07 | Q3<br>08 vs 07 | Q2<br>08 vs 07 |
|---|----------------------|----------------|----------------|
| Deliveries and prod. volumes, incl. product mix | -67                  | -54            | -6             |
| Sales prices (in local currencies)              | 450                  | 75             | 157            |
| Change in variable costs                        | -239                 | -29            | -87            |
| Change in fixed costs                           | 50                   | -4             | 60             |
| Change in depreciations                         | -17                  | -10            | -4             |
| Effect of exchange rates, including hedging     | -70                  | -5             | -23            |
| <b>Total effect on operating profit</b>         | <b>107</b>           | <b>-27</b>     | <b>97</b>      |

## EBIT comparison – adjusted 2007

|  | Jan-Sep 2008 |        | Jan-Sep 2007 |        | Change |   |
|--|--------------|--------|--------------|--------|--------|---|
|  | MSEK         | EBIT % | MSEK         | EBIT % | MSEK   | % |
| EBIT   | +454         | 7%     | +347         | 6%     |        |   |
| 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 | +454         | 7%     | +420         | 7%     | +34    | - |

## Key figures

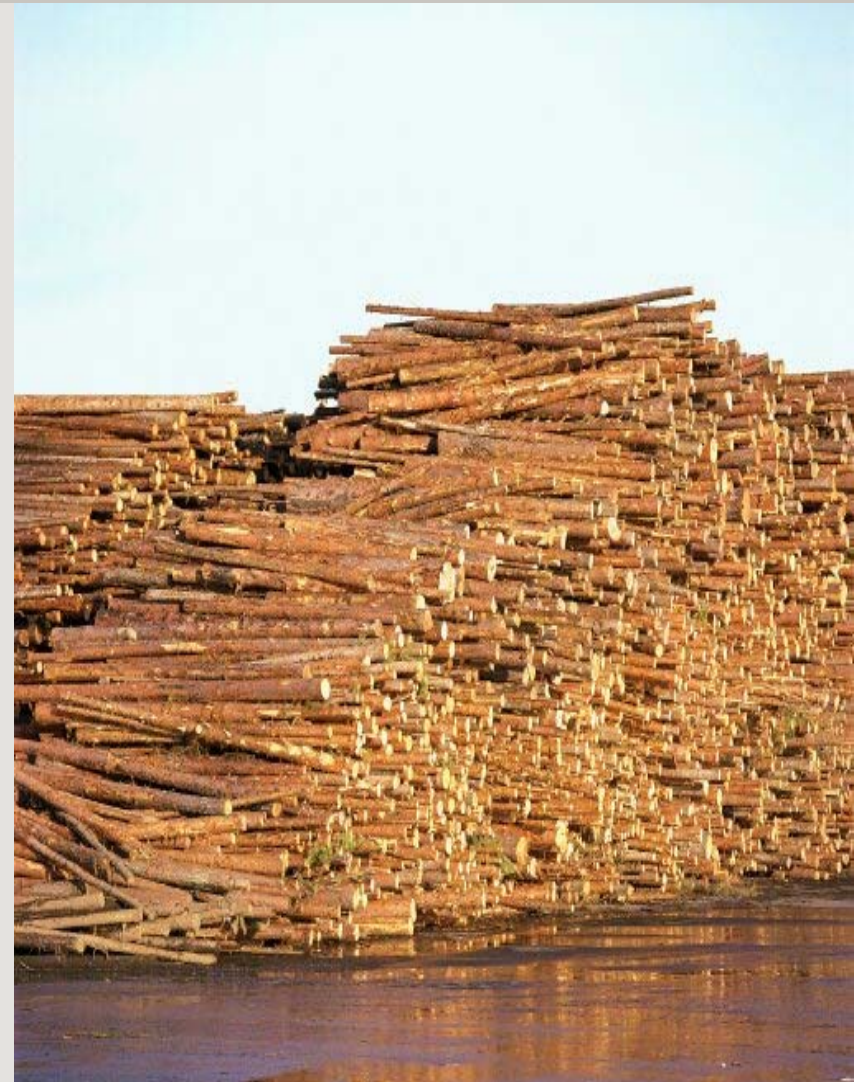
Q3 2008 vs. Q2 2008

|                          | Q3 2008 | Q2 2008 | vs. Q2 2008 |
|--------------------------|---------|---------|-------------|
| Deliveries ('000 tonnes) | 334     | 315     | +6%         |
| Net sales, MSEK          | 2,038   | 1,949   | +5%         |
| Operating profit, MSEK   | 126     | 114     | +11%        |
| Operating margin         | 6%      | 6%      | -           |
| Profit/share, SEK        | 1.22    | 1.11    | +10%        |
| Debt/Equity ratio        | 0.97    | 1.02    | -0.05       |

## Cost work - achieved

- Achieved MSEK 70 of the MSEK 150 in annual savings in variable costs in accordance with savings announced in Q1
- Specification of savings (MSEK):
 

|                |          |
|----------------|----------|
| » Wood         | 22       |
| » Energy       | 29       |
| » Chemicals    | 16       |
| » <u>Other</u> | <u>3</u> |
| » Total        | 70       |
- Potential to reduce variable costs beyond current target of MSEK 150



## Cost work - initiated

- Further cost reductions of annual MSEK 100 in fixed cost including staff costs
- A total of 125 employments affected:
  - » Karlsborg 40 FTE
  - » Skärblacka 30 FTE
  - » Gruvön 40 FTE
  - » HQ and Business Areas 15 FTE
  - » Stop to external consultants



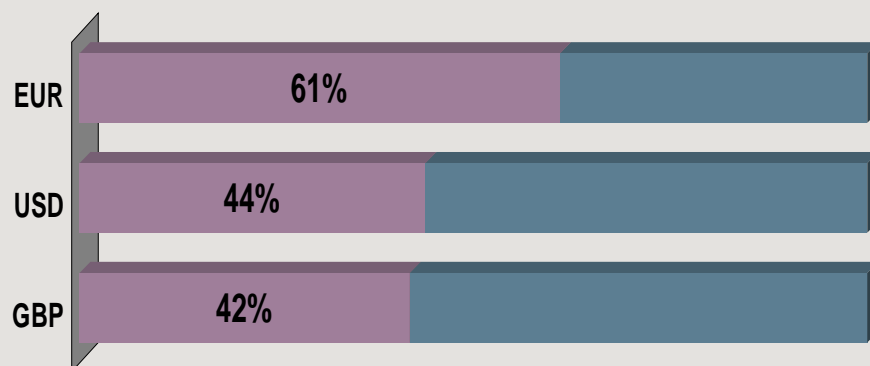
## Cash Flow

| <b>MSEK</b>                         | <b>Q3 2008</b> | <b>Q2 2008</b> | <b>Q3 2007</b> | <b>2007</b> |
|-------------------------------------|----------------|----------------|----------------|-------------|
| Operating surplus etc               | +229           | +198           | +274           | +1,066      |
| Cash effect of Billerud 2007        |                |                | -33            | -106        |
| Working capital change              | +69            | +10            | -187           | -102        |
| Finance net, taxes                  | -29            | -47            | -18            | -128        |
| Cash flow from operating activities | +269           | +161           | +36            | +730        |
| Capex, excl. energy investments     | -114           | -216           | -140           | -650        |
| Capex (energy inv.)                 |                |                |                | -6          |
| Capex                               | -114           | -216           | -140           | -656        |
| Operating cash flow                 | +155           | -55            | -104           | +74         |
| Dividends/share buy-backs           |                | -180           |                | -180        |
| Other                               | +6             | -17            | +2             | +12         |
| Change in net debt <sup>1)</sup>    | +161           | -252           | -102           | -94         |

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

## Currency situation

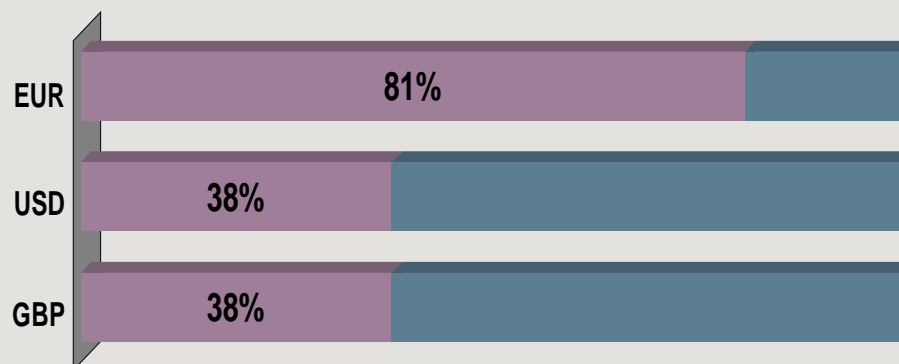
- Negative profit effect of net flow hedging MSEK -5 for Jan-Sep 2008
- Hedge level 12 months forward:



|     | Q2 2008                       |                       | Q3 2008                       |                       | Q4 2008                       |
|-----|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|
|     | Average hedged currency rates | Average current rates | Average hedged currency rates | Average current rates | Average hedged currency rates |
| EUR | 9.35                          | 9.35                  | 9.41                          | 9.47                  | 9.43                          |
| USD | 6.46                          | 5.99                  | 6.29                          | 6.30                  | 6.32                          |
| GBP | 13.06                         | 11.79                 | 12.31                         | 11.91                 | 11.92                         |

## Currency situation after extended hedge

- Hedge level 12 months forward (after extended hedge):



### Q4 2008

### Full year 2009

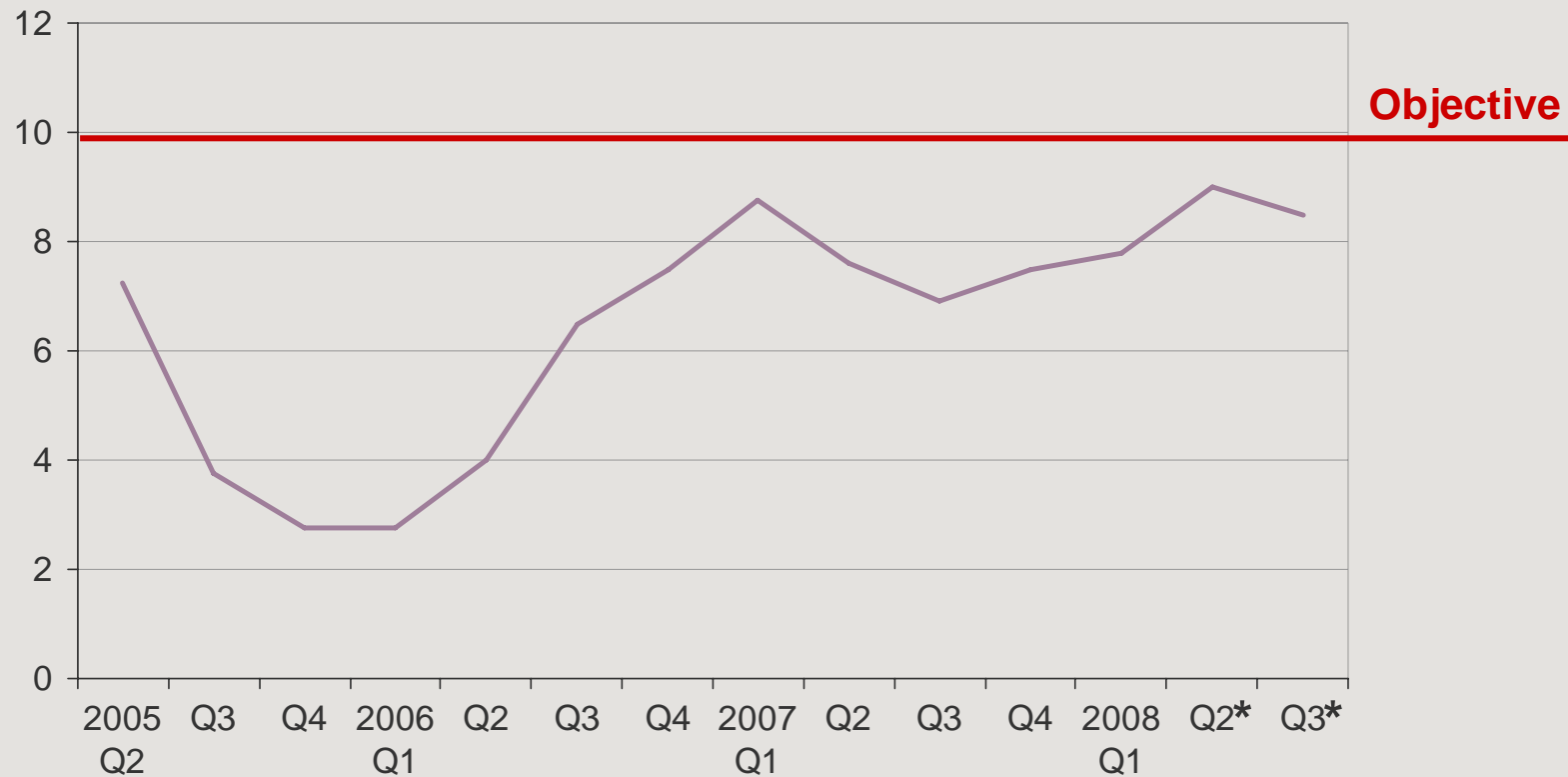
|     | Average hedged currency rates | Proportion of total flows | Average hedged currency rates | Proportion of total flows | Current rates |
|-----|-------------------------------|---------------------------|-------------------------------|---------------------------|---------------|
| EUR | 9.45                          | 95%                       | 9.78                          | 81%                       | 10.08         |
| USD | 6.35                          | 87%                       | 6.83                          | 38%                       | 8.01          |
| GBP | 11.92                         | 88%                       | 12.22                         | 38%                       | 12.35         |

## Financing situation

| <b>Debt</b>      | <b>Credit limit<br/>(MSEK)</b> | <b>Utilized<br/>(MSEK)</b> | <b>Due date</b> |
|------------------|--------------------------------|----------------------------|-----------------|
| Syndicated loan  | 1 800                          | 128                        | 12 sep 2010     |
| Commercial paper | 1 500                          | 1 292                      | -               |
| Bond loan 3      |                                | 107                        | 22 okt 2008     |
| Bond loan 1      |                                | 350                        | 3 jun 2009      |
| Bond loan 5      |                                | 150                        | 22 apr 2010     |
| Bond loan 6      |                                | 250                        | 15 jun 2010     |
| Bond loan 2      |                                | 150                        | 22 sep 2011     |
| Bond loan 4      |                                | 300                        | 22 feb 2013     |
| Bond loan 7      |                                | 225                        | 27 jun 2013     |
| Bond loan 8      |                                | 150                        | 10 mar 2016     |
| <b>Sum</b>       |                                | <b>3 102</b>               |                 |

# EBIT-margin development

Rolling 12 months figures, excl. one time costs 2005



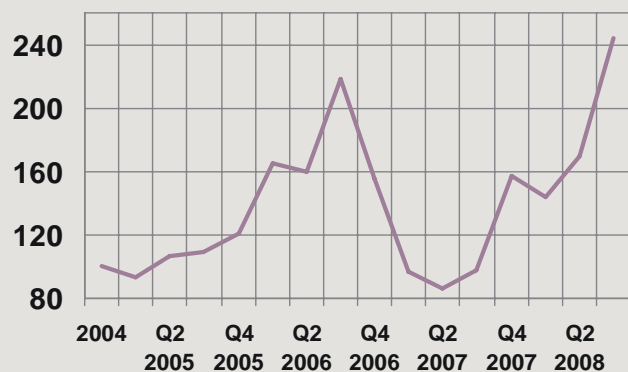
\* Maintenance stop in Gruvön not in 12 months rolling

## D/E ratio development



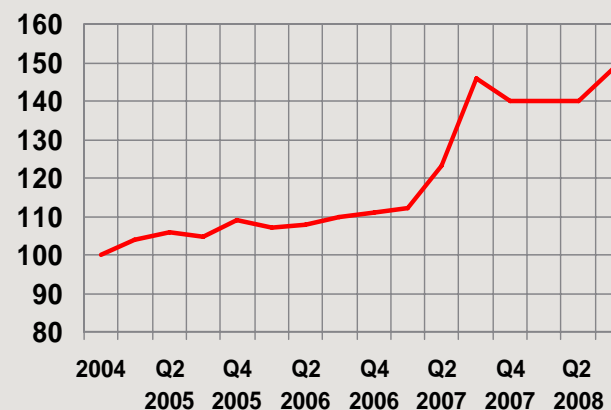
# Market prices affecting result

### Electricity index (Sweden\*)



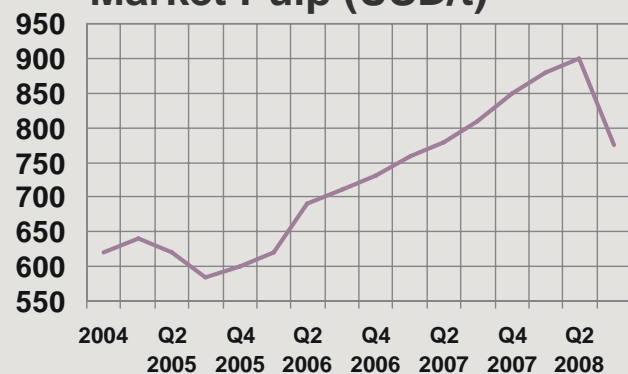
Source: Nordpool. \*Price area Sweden

### Wood price index

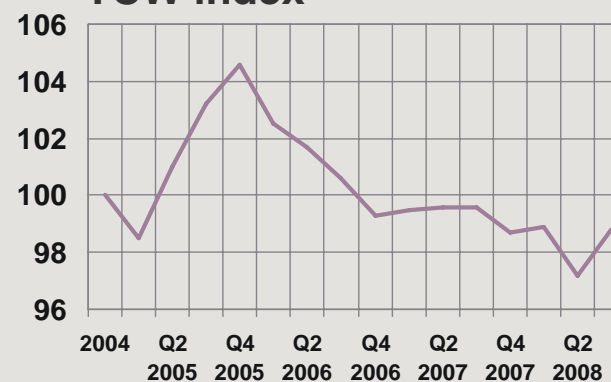


Source: Billerud

### Market Pulp (USD/t)



### TCW index



Source: Riksbanken

## Largest shareholders

| Owner  | No. Of shares (million) | Proportion of shares on market |
|--|-------------------------|--------------------------------|
| Frapag Beteiligungsholding AG                  | 10.7                    | 20.8%                          |
| Sanderson Asset Management                     | 3.0                     | 5.8%                           |
| Credit Suisse International                    | 2.3                     | 4.4%                           |
| Clearstream Banking                            | 1.5                     | 2.9%                           |
| SEB Funds/SEB Trygg Liv/Securities             | 1.3                     | 2.5%                           |
| Citibank                                       | 1.2                     | 2.3%                           |
| Handelsbanken Funds                            | 0.7                     | 1.3%                           |
| Mellon   | 0.7                     | 1.3%                           |
| AMF Pension                                    | 0.6                     | 1.2%                           |
| Länsförsäkringar                               | 0.6                     | 1.2%                           |
| <b>Total ten largest</b>                       | <b>22.5</b>             | <b>43.7%</b>                   |
| <b><i>Total Billerud excl. own holding</i></b> | <b>51.5</b>             | <b>100%</b>                    |



# Outlook



## Outlook

- Market demand for Billeruds products expected to continue weakening within industrial production but to be stable in areas relating to food and healthcare
- Additional production curtailments expected to be necessary which will affect profit negatively
- Improved currency situation and tendency towards lower prices for wood and input materials will have positive effects in the longer term
- Further measures for cost reductions will be initiated with expected effect of MSEK 100 annually, primarily within fixed costs
- Planned maintenance stop in Gruvön during Q4, normally to a cost of around MSEK 100



# Q&A

