

Billerud

Year-end Report 2001

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Billerud at a Glance

- Billerud was established in the beginning of 2001 through the merger of Stora Enso's Gruvön and AssiDomän's Karlsborg and Skärblacka mills
- Billerud is a leading producer within certain niches of kraft paper and containerboard in Europe
- Capacity 1.3 million tonnes of paper and pulp
2,400 employees
- Billerud had net sales of SEK 6.9 billion during 2001

Billerud – Key Points

- Strong market position
 - Leading positions in attractive segments
- Competitive production
 - Well invested mills
 - Economies of scale
 - Integrated production
 - Profit improvement from optimisation of production and past investments
- Significant pay-out to shareholders
 - High profitability
 - Disciplined capital expenditure

Examples of Products

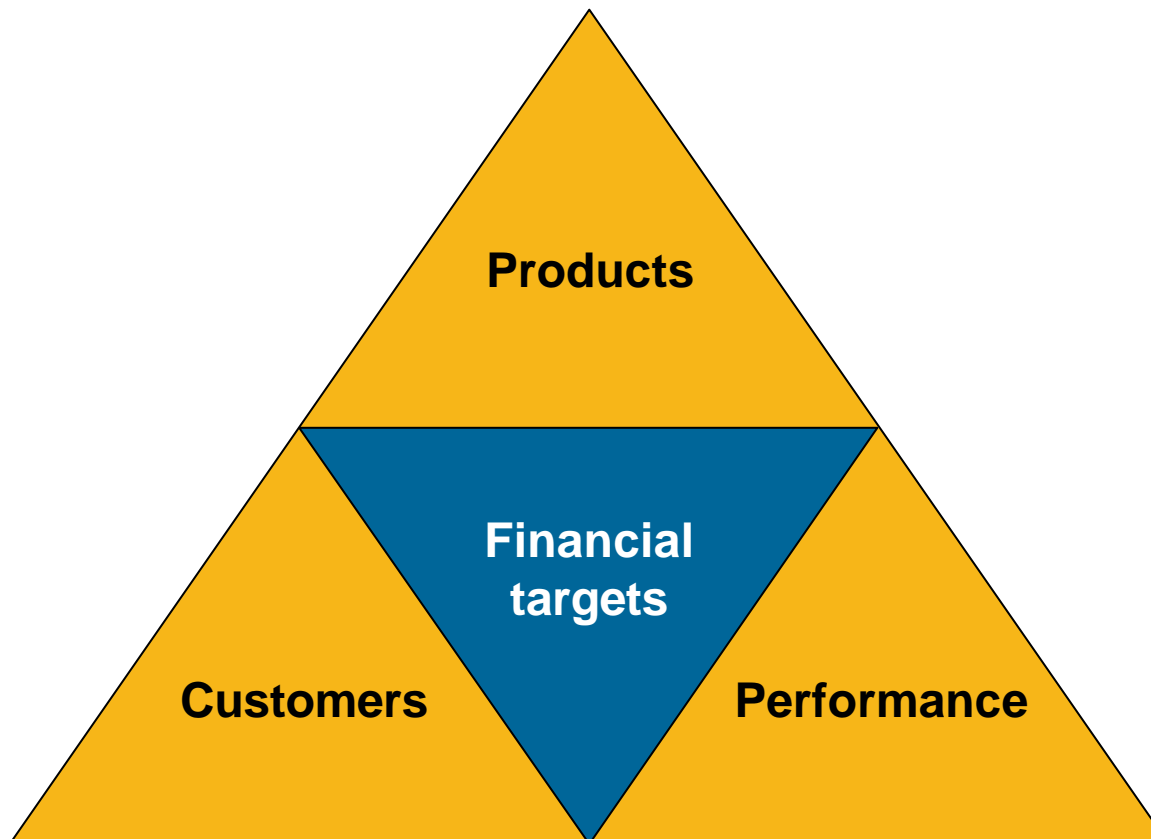
Kraft paper



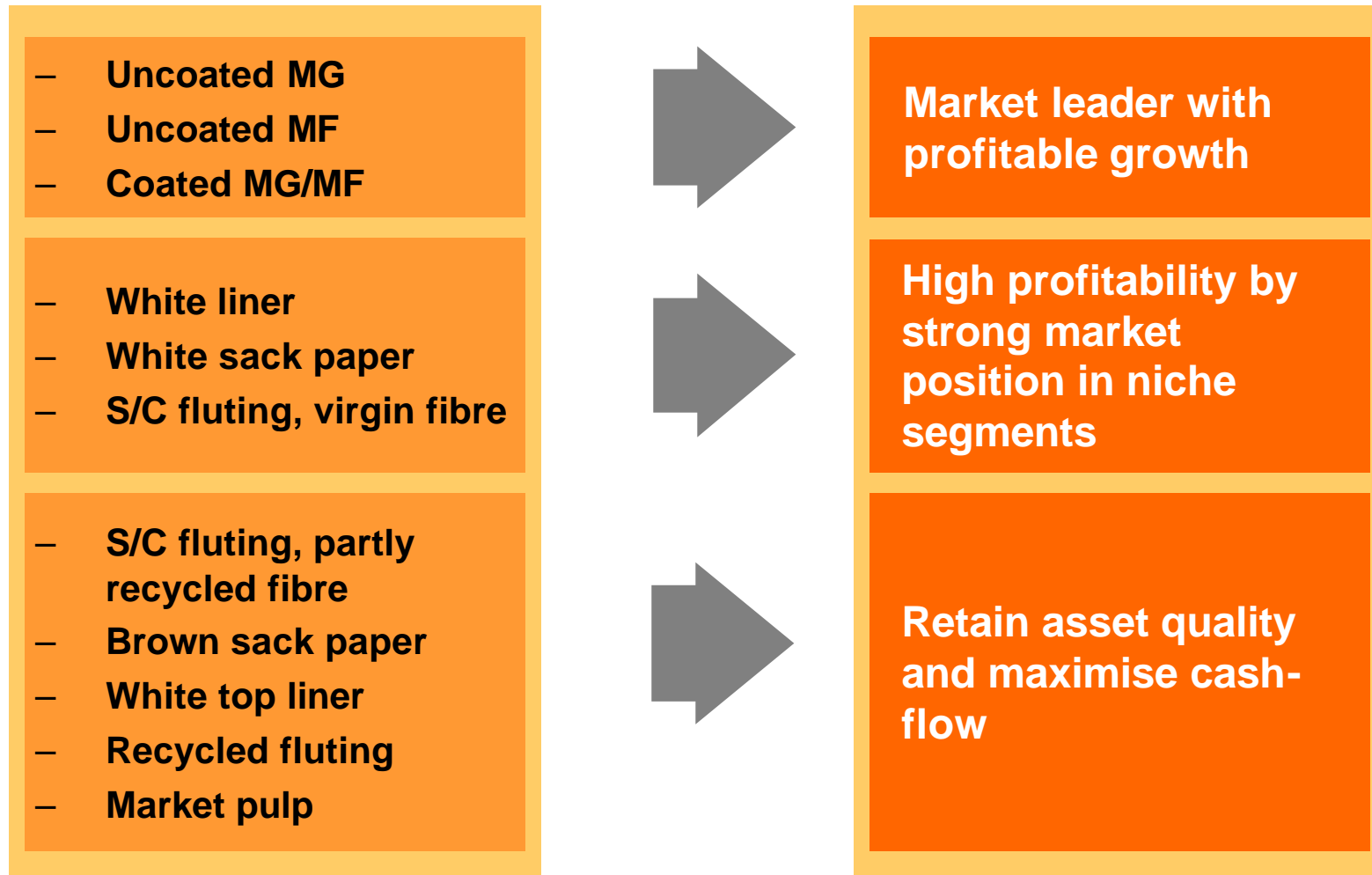
Containerboard



Strategy



Product Strategy



2001 Highlights

- Merger completed - Sales organisation established
- Billerud share listed since November 20
- Operating profit reached SEK 1.3 bn and ROCE 27%
- High production efficiency at mills
- MSEK 55 in synergy effects achieved
- Well received by customers
- Long-term financing arranged

Market Situation 2001 - General

- Weaker market than previous year
- De-stocking by customers
- Price reduction in local currencies

Market Situation 2001 - Billerud

- Reduced deliveries to Europe, increased to other markets
- Previously integrated volumes partly replaced by external deliveries
- Market related downtime – 25 000 tonnes
- Deliveries of
 - Kraftpaper decreased due to reduced deliveries of Sackpaper and brown Kraftpaper (-7% Y/Y)
 - Containerboard increased due to higher deliveries of white kraftliner (+3% Y/Y)
 - Market pulp deliveries higher due to increased production (+10% Y/Y)

Market Situation Q4 vs. Q3 2001

- Demand in line with Q3
- Total quarterly deliveries high
 - Kraftpaper +9%, price pressure in some segments
 - Containerboard +13%, stable prices
 - Market pulp +12%, prices increased slightly

Financials 2001

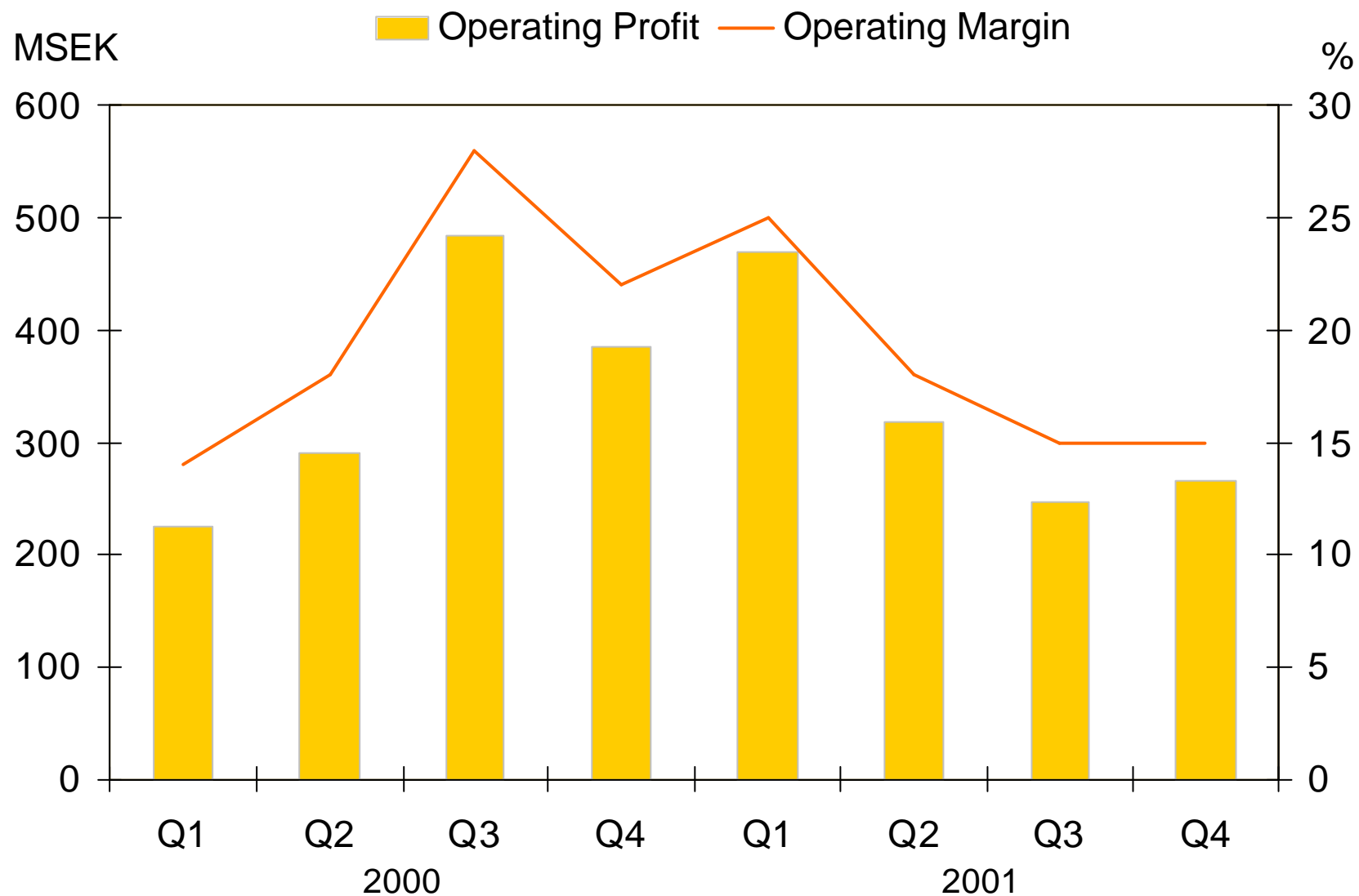
Key Figures 2001

	Q4	vs Q3	2001	vs 2000¹⁾
Net sales, MSEK	1,735	+9%	6,910	+4%
Operating profit, MSEK	265	+8%	1,299	-6%
Operating margin	15%	+/- 0	19%	-2
Profit/share, SEK	2.98	+22%	13.81	-4%
Debt/Equity ratio ²⁾	0.56	-0.07	0.56	-0.61
Deliveries (ktonnes)	324	+11%	1,222	+1%

1) Proforma

2) End of period

Operating Margin Development



Streamlining and Other Synergy Effects

- Streamlining project created synergy effects of MSEK 25 by:
 - product optimisation between mills
 - better utilization of existing equipment
- Cost synergies, mainly in sales organisation amounted to MSEK 30
- Total synergies 2001 MSEK 55
- Total synergies end of 2003, minimum MSEK 200 in annual effect

Currency Situation

- Major exposure to changes in SEK exchange rate
- Average weighted depreciation of SEK in 2001 equals approx. 10%
 - Positive impact on operating profit approx. MSEK 400
- Hedging of flows prolonged to 15 months
- Hedging rates at present

	Hedge in % of 15 months flow	SEK rate	SEK rate February 6
EUR	95%	9,52	9,20
USD	95%	10.63	10,60
GBP	80%	15.24	15,01

Capital Expenditure

- Capex 2001 amounted to MSEK 458, 133% of depreciation
- From 2002 onwards, capex will be in line with depreciation
- In Q4, two new projects were decided
 - Gruvön rebuild PM 4 (MSEK 176)
 - Karlsborg (MSEK 155)

Cash Flow

MSEK	Q4	Year 2001
Operating surplus	352	1,644
Working capital change	-13	-187
Finance net, taxes	-57	-140
Cash flow from operating activities	282	1,317
Capex	-201	-458
Sales of assets	2	2
Change in long-term claims	13	13
Operating cash flow (= change in net debt)	+111	+874

Capital Structure

MSEK	December 2001	December 2000	Change
Fixed assets	4,355	4,257	+98
Working capital etc.	1,134	951	+183
Tax related debt	-667	-380	-287
Total capital employed	4,822	4,828	-6
Interest bearing debt (net)	1,731	2,604	-873
Equity	3,091	2,224	+867
Financing	4,822	4,828	-6
Debt equity ratio	0.56	1.17	

Financing

- Financing provided by Stora Enso/AssiDomän, ended in connection with stock listing
- Long-term financing arranged by syndicated loan
- Interest cost STIBOR + 0.8%, today corresponding to approximately 5%/year
- MSEK 2,000 utilised out of total MSEK 2,200. In addition, cash and bank deposits equals MSEK 347

Dividend

- Proposed dividend for 2001, SEK 3.50 per share
- Billerud intends to propose the AGM to authorise a share buy-back program

Financial Objectives

	Target	Achieved 2001
Return on capital employed	$\geq 15\%$ ¹⁾	27%
Debt/equity ratio	0.6-0.9	0.6 ²⁾
Investments	In line with depreciation	133% of depreciation
Pay-out ratio	50% ¹⁾	25%

1) Average over a business cycle

2) Year-end

Market Outlook

Market Outlook

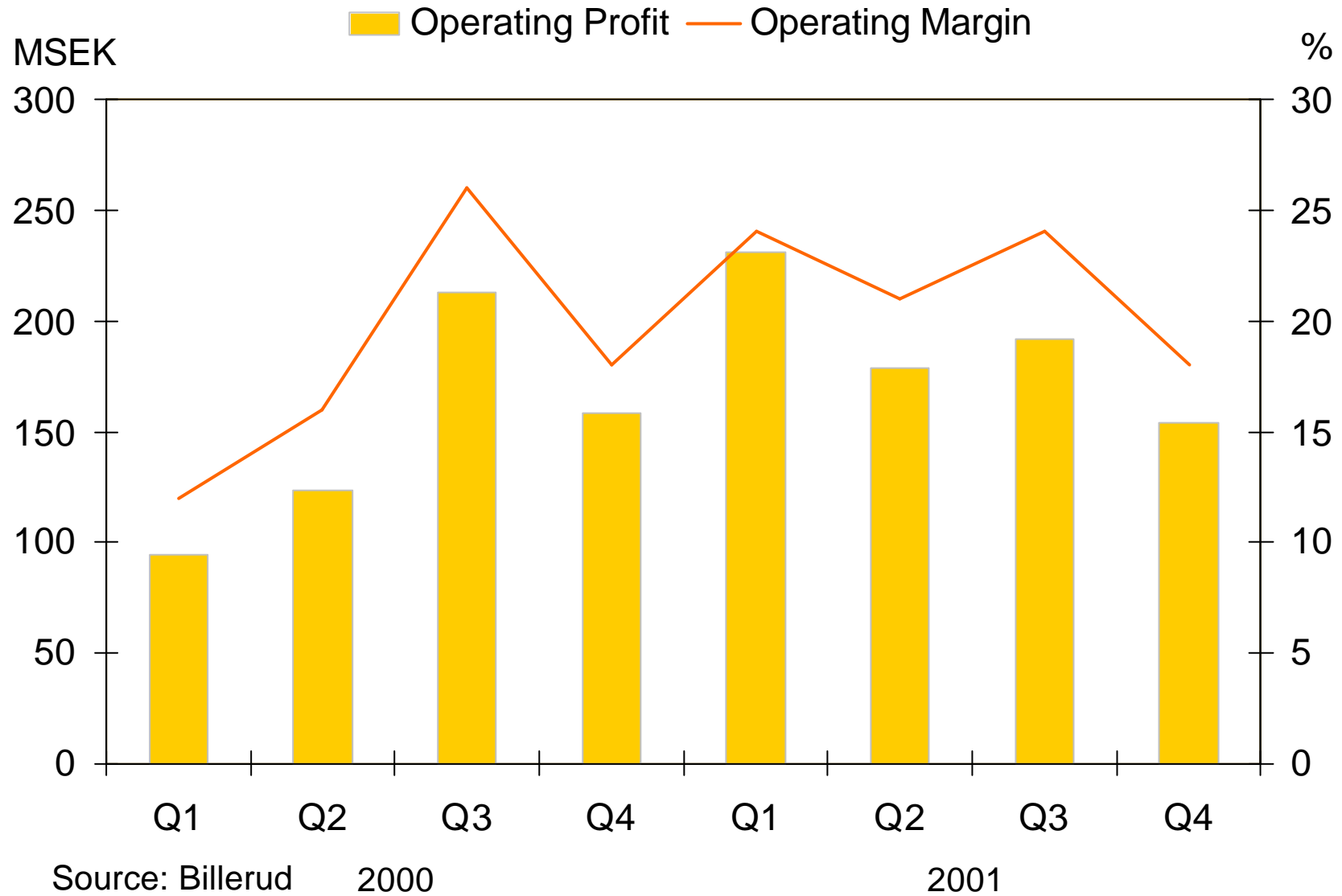
- Relatively stable demand for Billerud's packaging papers, pressure on prices in certain segments
- Market pulp demand is weak, prices have decreased after minor increases in Q4
- Market related downtime could be necessary in Q1

Summary

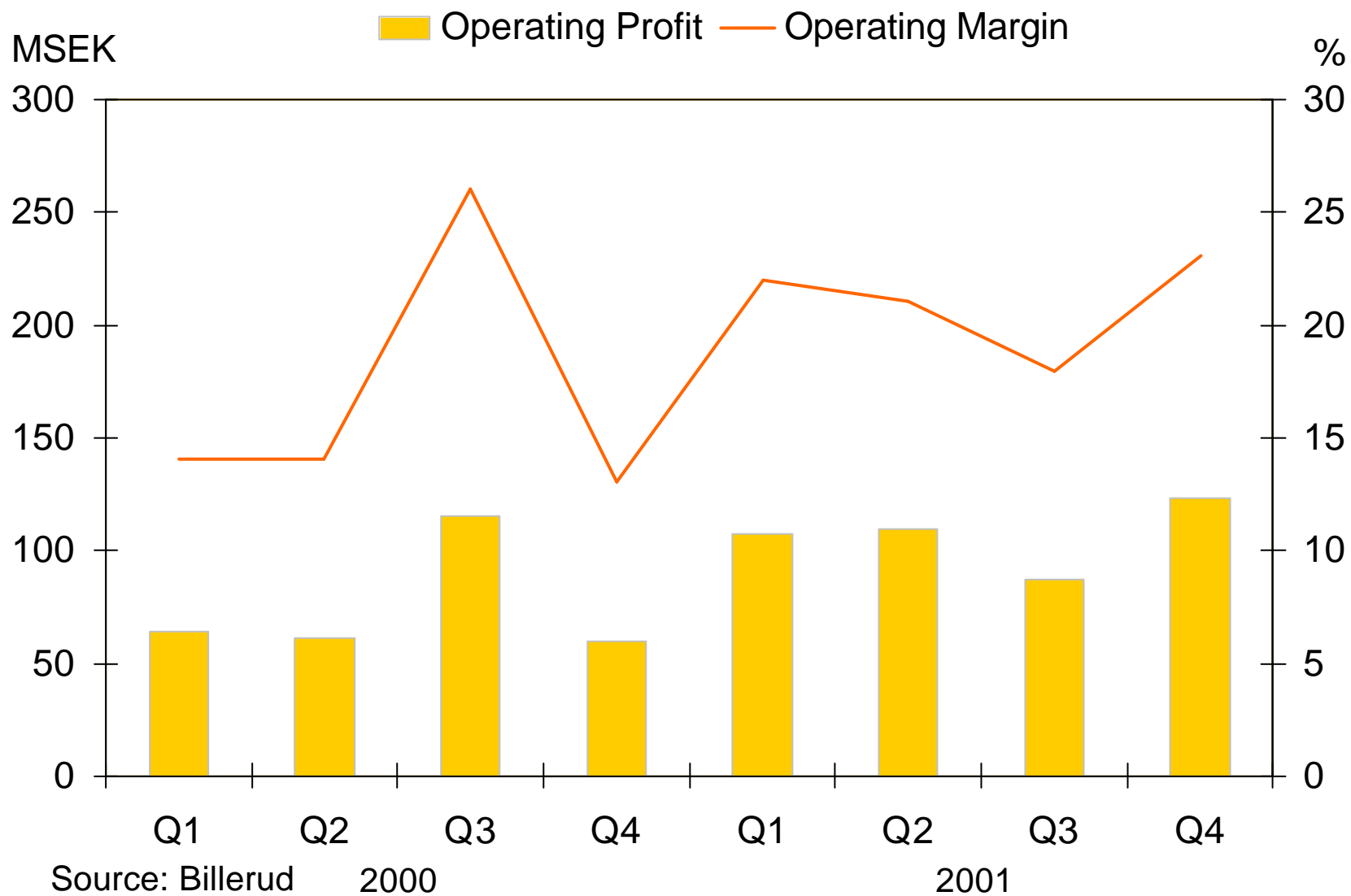
- Strong market position
- Competitive production
- Significant pay-out to shareholders

- Appendix -

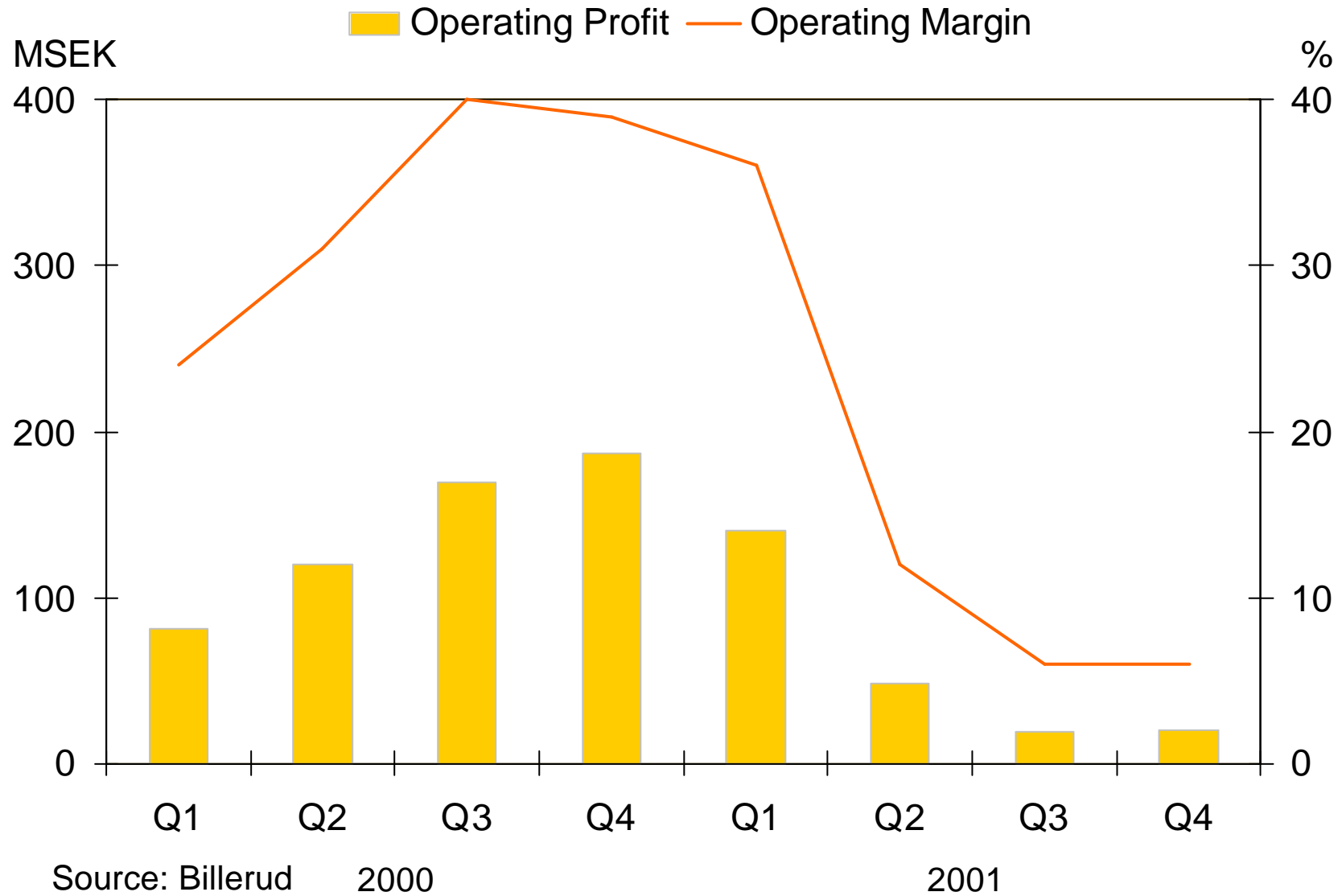
Operating Margin – Kraft Paper



Operating Margin – Containerboard



Operating Margin – Market Pulp



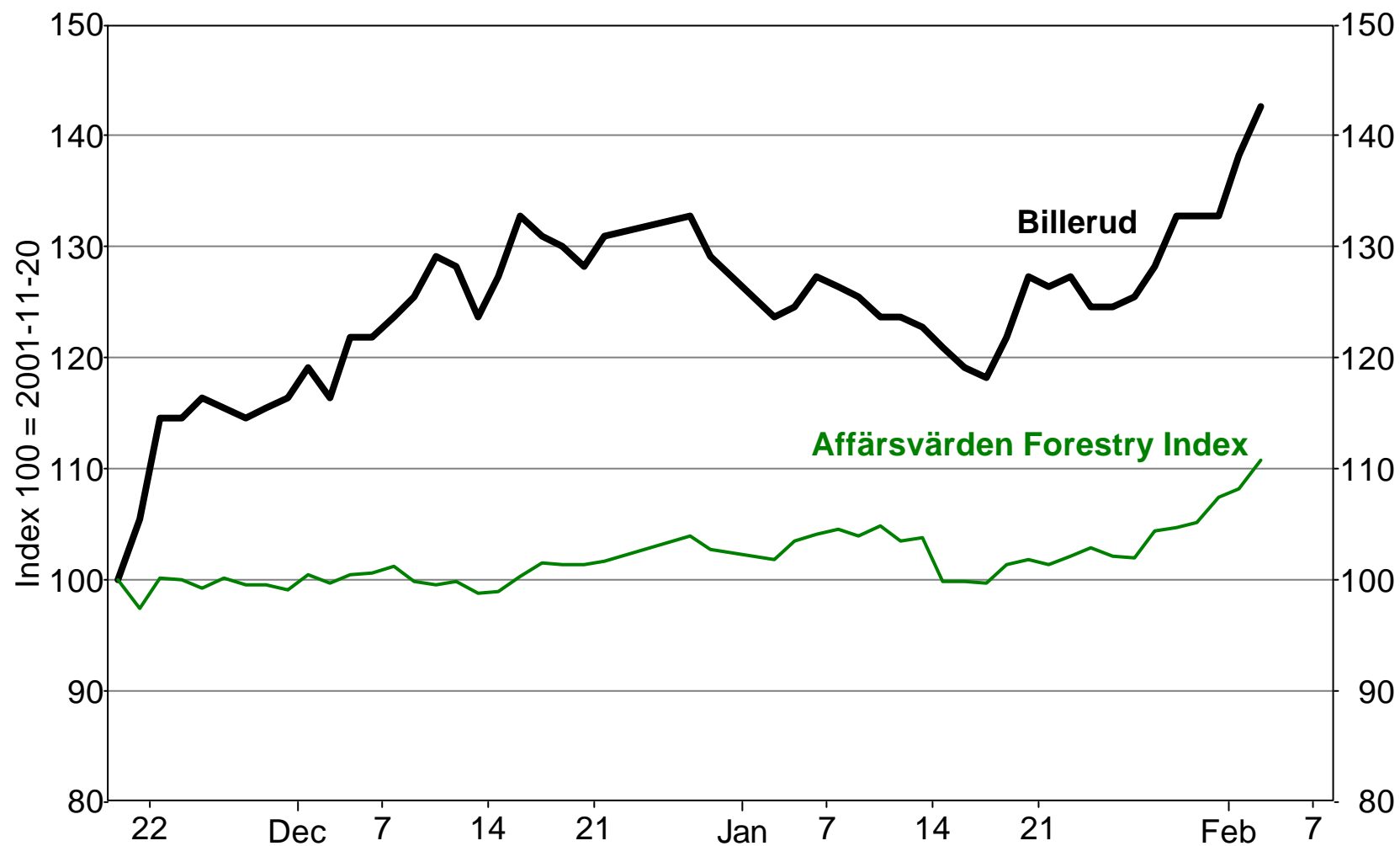
Delivered Volumes

Ktonnes	2001					2000				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Kraft paper	463	117	107	109	130	500	120	125	123	132
Containerboard	449	120	106	115	108	434	102	102	112	118
Market pulp	310	87	78	81	64	281	72	70	71	68
Total	1,222	324	291	305	302	1,215	294	297	306	318

Billerud Share - Trading

- The Billerud share was listed on Stockholm Stock Exchange on November 20, 2001
- Total number of shares equals 62.7 million. "Free float", equals 43.9 million (excluding Stora Enso's 30% ownership)
- Since listing, 46 million shares have been traded, corresponding to 105% of "free float"
- Average daily trading equals 900,000 shares. Maximum has been 5.3 million and minimum 180,000.

Share Price Performance



Index 100 = 2001-11-20. Source: ECOWIN

Billerud Share – Ownership

Ownership situation as per December 28, 2001

	Million shares	% of total
Stora Enso	18.8	30.0
Svenska Handelsbanken Funds	1.6	2.5
Robur Funds	1.5	2.3
SEB Funds	1.4	2.2
Alecta	1.4	2.2
Morgan Stanley	1.3	2.0
Goldman Sachs	1.2	2.0
Barclays Capital Securities	1.2	1.9
AP Fund No 3	1.1	1.8
UBS	0.7	1.2
Other shareholders (207,000)	32.5	51.9

Stora Enso has signed a lock-up until April 30, 2002

Total non-Swedish ownership amounts to 17% of total.

Source:VPC