

January-June 2007

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Presented on July 25th, 2007



Quarterly update & news

- Highlights
- Development by Business area
- Activities in Focus
- Financials
- Outlook



Highlights Q2, 2007

- Continued strong demand
- Higher prices on all products
- Q2 Financials affected by maintenance stop in the two largest mills
- The cost for maintenance stops in Q2 amounted to MSEK 210 compared to Q1
- Operating result 17 MSEK, compared to 177 MSEK in Q1
- Operating margin 1% (9% in Q1 2006)



Key figures

Q2 2007 vs. Q1 2007

	Q2 2007	Q1 2007	vs. Q1 2007
Deliveries ('000 tonnes)	331	343	-3%
Net sales, MSEK	1,884	1,932	-2%
Operating profit, MSEK	17	177	-90%
Operating margin	1%	9%	-8%
Profit/share, SEK	-0.17	2.08	-108%
Debt/Equity ratio	1.02	0.89	+0.13

Q2 compared to Q1 2007, in general

- Price increases has been higher than increase in wood costs and currency effects
- Improved contribution
- The two planned maintenance stops have negatively affected volumes, fixed costs, and - to some extent – variable costs
- This resulted in reduced margins in all business areas, compared to Q1
- The total effect of the maintenance stops was 210 MSEK of which 50 MSEK was a deviation from plan

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 & Speciality Paper

Market situation

Q2

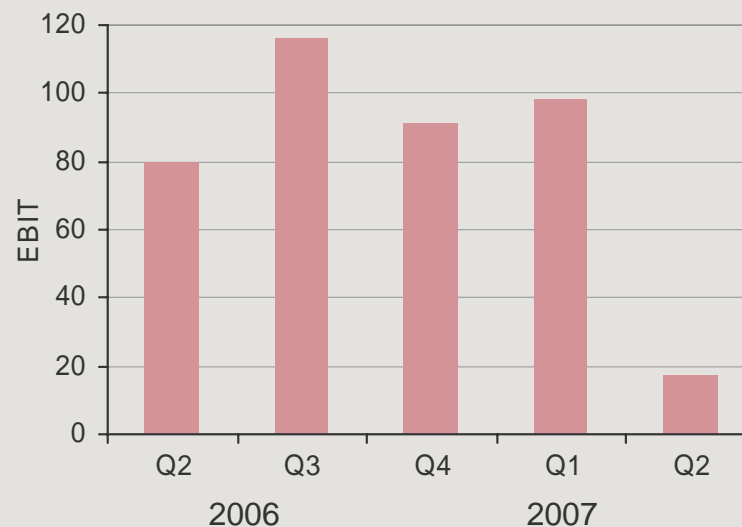
- Very good order book
- Continued healthy supply and demand balance in white and brown sack paper
- Announced price increases in Q1 had gradual impact during Q2 and will further impact the following quarter
- Improved pricing performance in MG/MF kraftpaper



Packaging & Speciality Paper

Financials

- Deliveries -6% vs. Q1 2007
- Turnover -3% vs. Q1 2007



	Q2 2007	Q1 2007	Q2 2006*	2006*
Net sales, MSEK	960	988	927	3,750
Operating profit, MSEK	17	98	80	350
Operating margin	2	10	9	9

* restated to 2007 definitions

Packaging Boards

Market situation

Q2

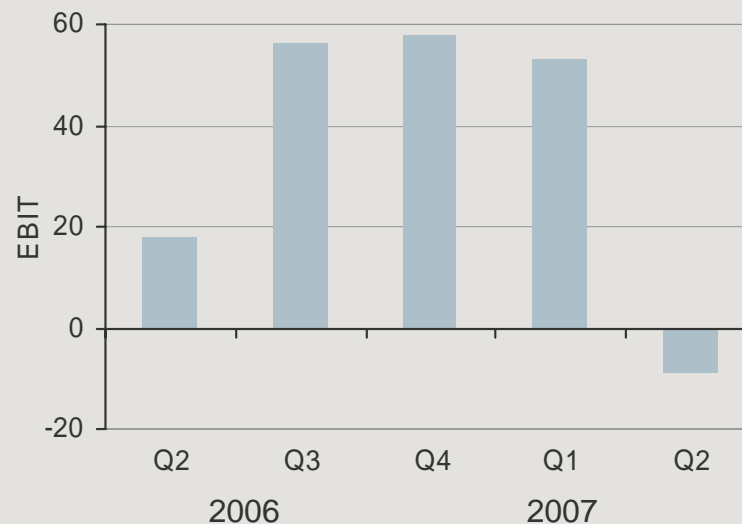
- Continued strong order book for S/C fluting
- Order books for Billerud Flute® are very strong
- Order books for white liner are stable with signs of improvement
- Billerud's focus on fresh food boxes has been further strengthened by the opening of Billerud Box Lab
- Price increase of 50 EUR/ton announced from 1st September. All Billerud customer are now buying the new generation Billerud Flute®



Packaging Boards

Financials

- Deliveries -8% vs. Q12007
- Turnover -6% vs. Q1 2007



	Q2 2007	Q1 2007	Q2 2006*	2006'
Net sales, MSEK	508	540	542	2,188
Operating profit, MSEK	-9	53	18	175
Operating margin	-2	10	3	8

* restated to 2007 definitions

Market Pulp

Market situation

Q2

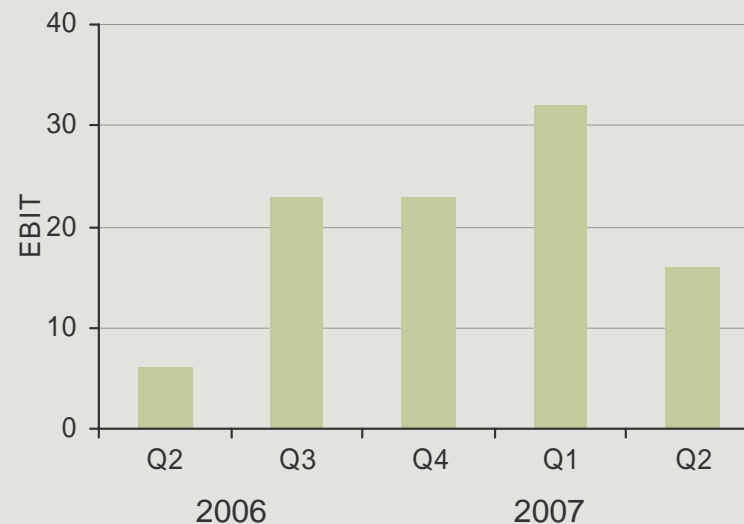
- Continued strong demand situation
- Price increase from USD 730 per ton beginning of 2007 to USD 800 per ton
- Prices are expected to increase further in the second half of 2007



Market Pulp

Financials

- Deliveries +6% vs. Q1 2007
- Turnover +9% vs. Q1 2007



	Q2 2007	Q1 2007	Q2 2006*	2006*
Net sales, MSEK	425	389	356	1,382
Operating profit, MSEK	16	32	6	46
Operating margin	4	8	2	3

* restated to 2007 definitions

Q2 - focus

Wood cost development

- Full effect of Q1 price increase in Q2
- January-June – average wood price +10% compared to Q4 2006
- A continued increase in wood price during Q2, mainly on imports
- Q2 – average wood price +15% compared to Q4 2006

Q2 - focus

Securing the platform

- **Long term electricity supply agreement** of approx 0,4 Gwh **signed** in Q2. 80% of Energy consumption secured through internal generation and a long term supply contracts from 2008 to 2017
- **Billerud 2007** personnel reductions **finalized** decision wise in Q2, will be fully implemented by Q4
- **Wood supply organisation reinforced**, to secure wood supply and reduce dependence on others
- Gruvön – additional activities to ensure higher production stability are in progress



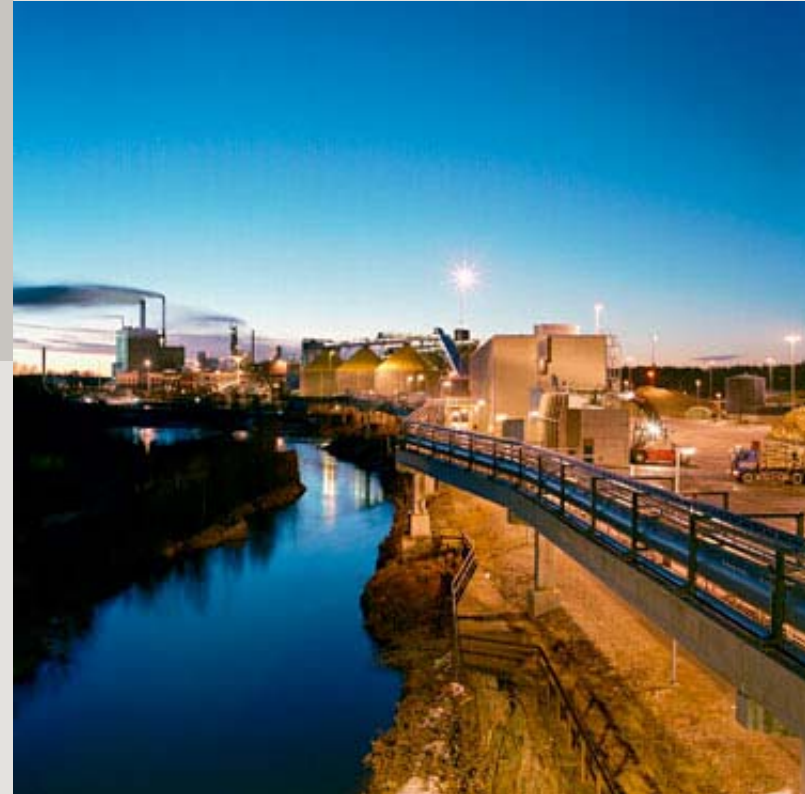
Q2 - focus

Improved position - growth and margins

- **Shanghai sales office up and running** in Q2
- **Billerud Box Lab inaugurated** in Q2 targeting fresh food customers
- **Further actions** to work closer with key customers in the **value chain to be announced in Q3**
- **Few fixed price commitments to customers currently-** to be able to counter cost increases with price increases



Financials



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Comparing Q1 and Q2

Q1 EBIT	+ 177
Maintenance stop costs	- 210
One time effect Billerud 2007	+ 27
Contribution improvement	+ 23
Q2 EBIT	+ 17

Key figures

Jan-Jun 2007 vs. Jan-Jun 2006

	Jan-Jun 2007	Jan-Jun 2006	vs. Jan-Jun 2007
Deliveries ('000 tonnes)	674	687	-2%
Net sales, MSEK	3,816	3,624	+5%
Operating profit, MSEK	194	171	+13%
Operating margin	5%	5%	+/-0%
Profit/share, SEK	1.91	1.81	+5%
Debt/Equity ratio	1.02	0.94	+0.08

Reason for EBIT Development

2007 vs. 2006

	Jan-Jun 07 vs 06	Q2 07 vs 06	Q1 07 vs 06
Deliveries and prod. volumes, incl. product mix	-40	-40	0
Sales prices (in local currencies)	+382	+199	+183
Change in variable costs	-105	-80	-25
Change in fixed costs	-92	-96	+4
Change in depreciations	-13	-7	-6
Effect of exchange rates, including hedging	-109	-66	-43
Total effect on results	+23	-90	+113

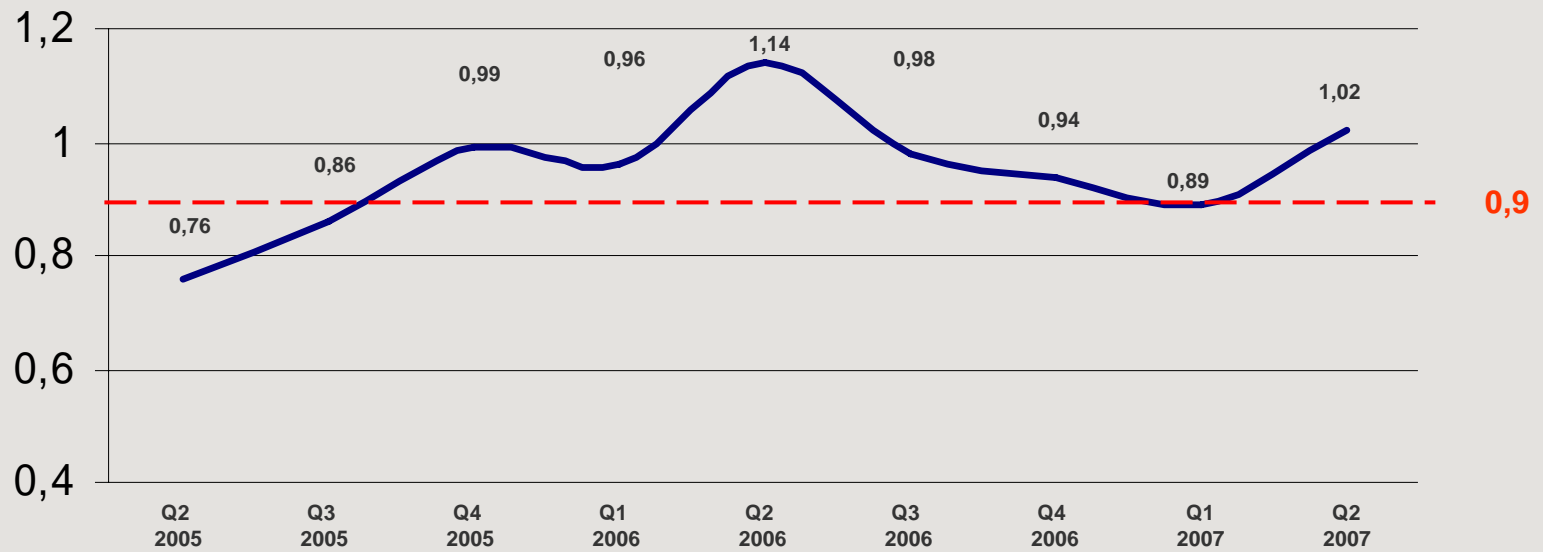
Cash Flow

MSEK	Q2 2007	Q1 2007	Q2 2006	2006
Operating surplus etc	+138	+299	+227	+1021
Cash effect of Billerud 2007	-40	-22	-62	-219
Working capital change	+26	-40	-188	+42
Finance net, taxes	-30	-30	-6	-50
Cash flow from operating activities	+94	+207	-29	+794
Capex, excl. energy investments	-196	-126	-62	-359
Capex (energy inv.)	-	-	-103	-269
Capex	-196	-126	-165	-628
Operating cash flow	-102	+81	-194	+166
Dividends/share buy-backs	-180		-167	-167
Other	+1	+5	+4	-9
Change in net debt ¹⁾	-281	+86	-357	-10

¹⁾ Minus equals increase in net debt

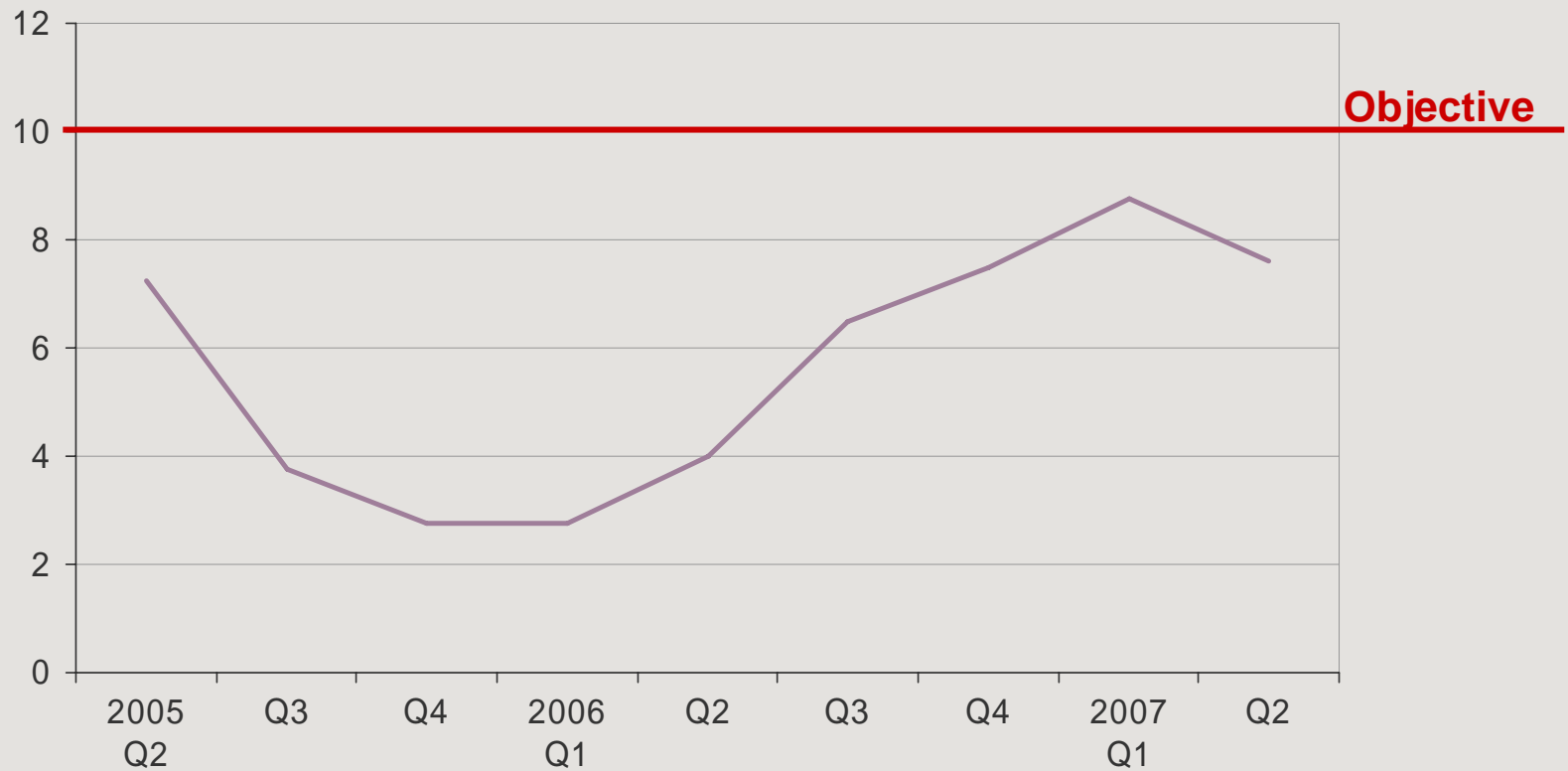
D/E ratio development

Net debt ratio



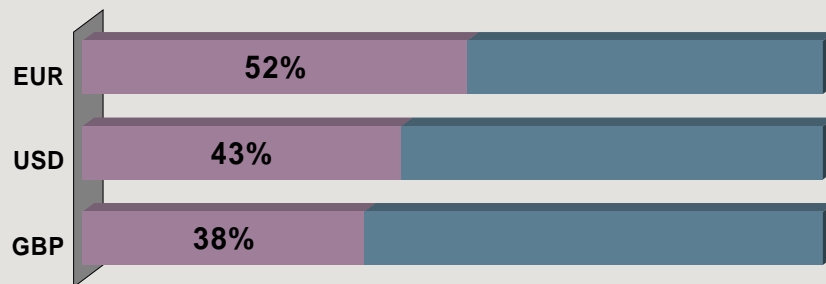
EBIT-margin development

Rolling 12 months figures, excl. one time costs 2005



Currency situation

- Negative profit effect of net flow hedging MSEK -27 for Q2 2007
- Hedge level 12 months forward:



	Q1 2007		Q2 2007		Q3 2007
	Average hedged currency rates	Average current rates	Average hedged currency rates	Average current rates	Average hedged currency rates
EUR	9.31	9.19	9.16	9.26	9.13
USD	7.07	7.01	7.01	6.87	6.91
GBP	13.55	13.70	13.56	13.64	13.47



In focus

- Costs
- Margins

Cost structure

% of total costs 2006

Wood fibre	30
Staff	19
Freight	12
Chemicals	8
Energy	7
Depreciation	7
Other materials	4
Purchased services	6
Other	7
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Total	100



Cost reduction programs completed

- Energy program
 - » Completed
 - » Investment 1090 MSEK, total savings above 250 MSEK yearly
 - » Savings of 90 MSEK expected in 2007 compared to 2006
 - » Increased depreciation 50 MSEK
- Billerud 2007
 - » 100% completed decision wise
 - » 84% completed in form of cost savings
 - » Total savings 250 MSEK (vs. 2004)
 - » Full effect expected Q4, 2007



Cost reduction programs - continued

- Process efficiency program – “One Billerud”
 - » Order fulfillment
 - » Procurement and logistics
 - » Production and maintenance
 - » Sales
 - » Administration and control



Currency exposure management

Currency situation

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

Hedging policy

- Policy to hedge 50% of net currency exposure the coming 12 months

Operative management and steering

- Business areas evaluated on spot rates but not on foreign exchange effects in working capital
- EBIT margin objectives
 - » Price increase objective is to cover both increased variable costs and currency costs of stronger SEK

Market prices affecting result

Electricity index (Sweden*)



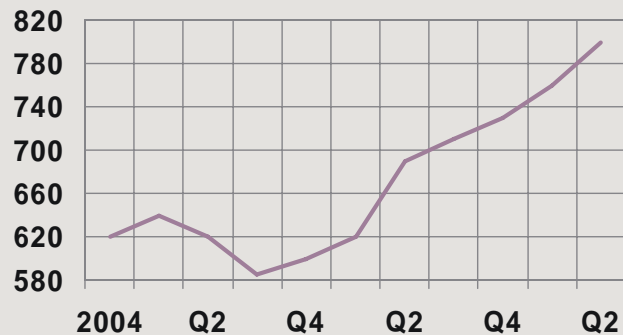
Source: Nordpool. *Price area Sweden

Wood price index



Source: Billerud

Market Pulp (USD/t)



TCW index



Source: Riksbanken

Outlook



Outlook

- The market is expected to remain good for the rest of the year with opportunities for additional price increases in local currencies.
- The prices for wood continued to increase during the second quarter and further price increases have been announced, which will have an impact in the second half of the year, thus further increasing costs for wood supply



Q&A

