

Year-End Report 2007

Per Lindberg, CEO
Bertil Carlsén, CFO



Quarterly update & news

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



Highlights Q4, 2007

- EBIT 243 MSEK, an increase of 67 MSEK or 38% compared to Q4 2006
- Continued stable demand
- Positive price development
- Wood costs per produced ton slightly down from Q3



Key figures

Q4 vs. Q3 2007

	Q4 2007	Q3 2007	vs. Q3 2007
Deliveries ('000 tonnes)	341	318	+7%
Net sales, MSEK	2,068	1,874	+10%
Operating profit, MSEK	243	153	+59%
Operating margin	12%	8%	+4
Profit/share, SEK	2.96	1.65	+79%
Debt/Equity ratio	0.90	1.02	-0.12

Highlights 2007

- Strong market conditions throughout 2007
- Rapid cost increases
- EBIT Margin improvement possible due to price increases, product mix improvement and cost reductions
- EBIT MSEK 590
- EBIT margin 8%
- Return on capital employed 11%
- Return on equity 12%



BILLERUD

Value creation initiatives in 2007

- Billerud Box Lab was launched in June
- The concept Billerud Fresh Services was established
- NINE Total Packaging Partner was launched in cooperation with industry design company No Picnic.
- Quick-Fill® Xrun was launched, which enables up to 20% increased productivity
- An own sales office in Shanghai was established



Cost reduction initiatives

- Billerud has implemented cost reductions of over 50 MEUR in 2005 - 2007
 - » Energy 250 MSEK vs. 2005
 - » Billerud 2007 250 MSEK vs. 2004
- 80% of electricity supply secured through internal generation and long term electricity supply agreement
- Cost savings from purchasing programs 2007-
- Billerud Skog established
 - » Wood supply organization strengthened
 - » Wood cost combat program
- “One Billerud” cost savings program
 - » Additional substantial savings from 2009

Key figures

2007 vs 2006

	2007	2006	Change
Deliveries ('000 tonnes)	1,333	1,364	-2%
Net sales, MSEK	7,758	7,369	+5%
Operating profit, MSEK	590	552	+7%
Operating margin	8%	7%	+1
Profit/share, SEK	6.52	6.08	+7%
Debt/Equity ratio	0.90	0.94	-0.04

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

Q4

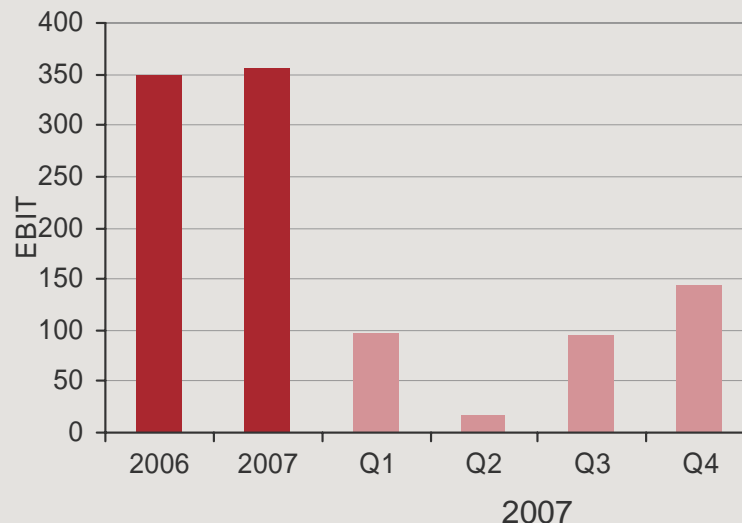
- Strong sack paper market. Strong deliveries towards end of year and good order books
- Announced sack paper price increases of EUR 60/ton from 1st of January 2008
- MG and MF markets slightly weaker
- Announced MG and MF price increases of EUR 50/ton from 1st of January 2008



Packaging & Specialty Paper

Financials

- Deliveries +11% vs. Q3-07, +2% 2007 vs. 2006
- Turnover +6% 2007 vs. 2006
- Prices +5% in average 2007 vs 2006 (local currencies)



	Q4 2007	Q3 2007	2007	2006
Net sales, MSEK	1072	969	3,989	3,750
Operating profit, MSEK	144	96	355	350
Operating margin	13	10	9	9

Packaging Boards

Market situation

Q4

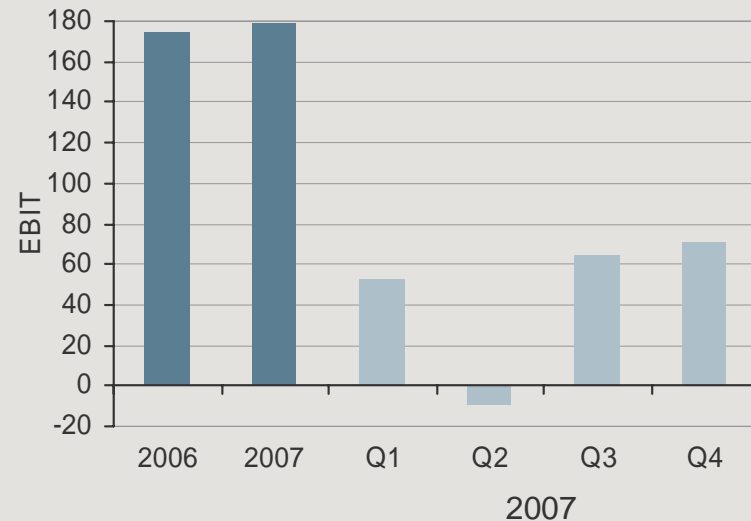
- Continued strong market with stable order book for S/C fluting. Continued positive price trend.
- Stable white liner Market, with stable order books and prices. Some possibilities for price increase 2008.
- Overall a slight seasonal decline in deliveries in Q4



Packaging Boards

Financials

- Deliveries +4% vs. Q3-07, -10% 2007 vs. 2006
- Turnover -1% 2007 vs. 2006
- Prices +10% in average 2007 vs 2006 (local currencies)



	Q4 2007	Q3 2007	2007	2006
Net sales, MSEK	577	546	2,171	2,188
Operating profit, MSEK	71	64	179	175
Operating margin	12	12	8	8

Market Pulp

Market situation

Q4

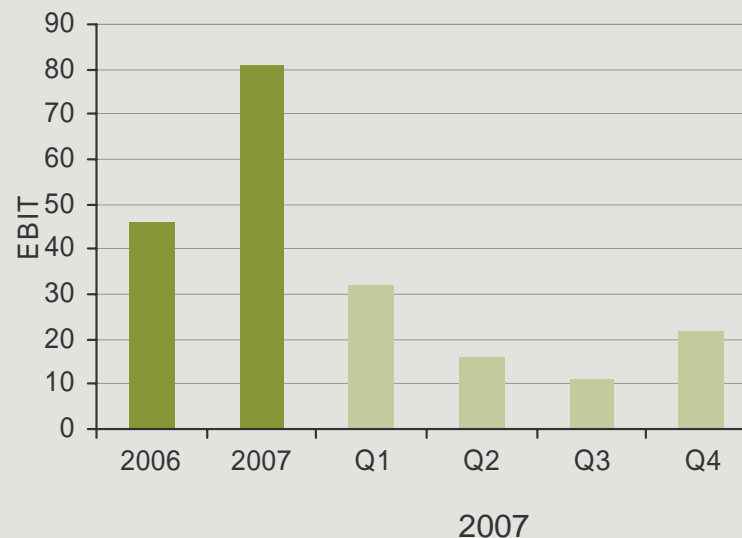
- Good demand and market balance
- Price increase from USD 730 beginning of 2007 to USD ~865 in Q4
- Continued good balance expected in Q1 2008 with full impact of announced price increases (USD 880)
- Continued strong demand in Q2 could result in further price increases before summer



Market Pulp

Financials

- Deliveries +7% vs. Q3-07, +4% 2007 vs. 2006
- Turnover +13% 2007 vs. 2006
- Prices +8% in average 2007 vs 2006 (local currencies)



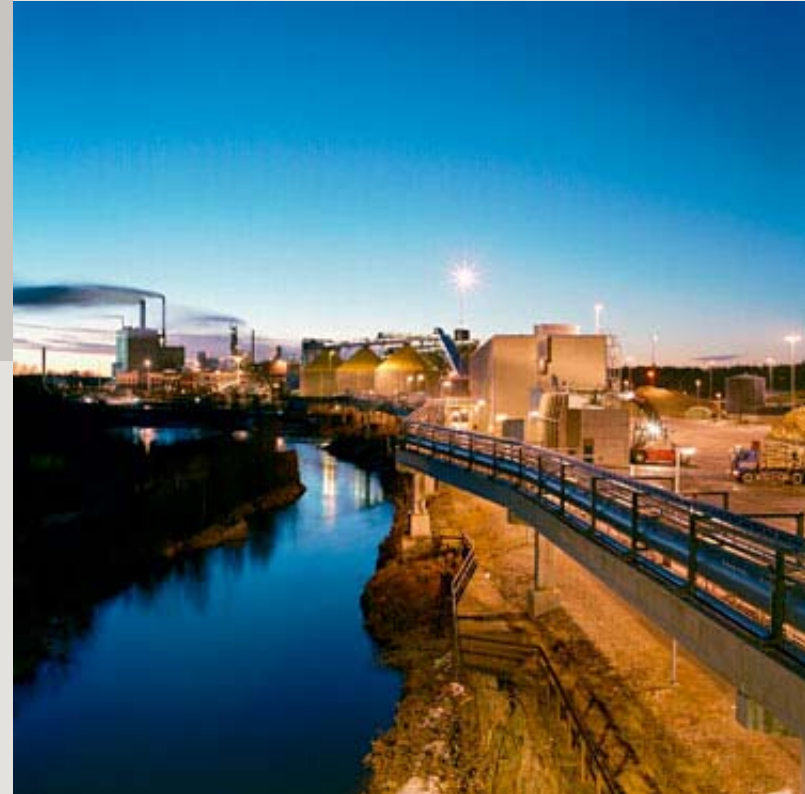
	Q4 2007	Q3 2007	2007	2006
Net sales, MSEK	382	360	1,556	1,382
Operating profit, MSEK	22	11	81	46
Operating margin	6	3	5	3

Q4 and 2007 in sum

- Strong Q4 due to market and cost efficiency efforts
- Margin improvement in 2007, despite sharp wood price increase
- Strategic work to secure increased customer value



Financials



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One time items in Q4

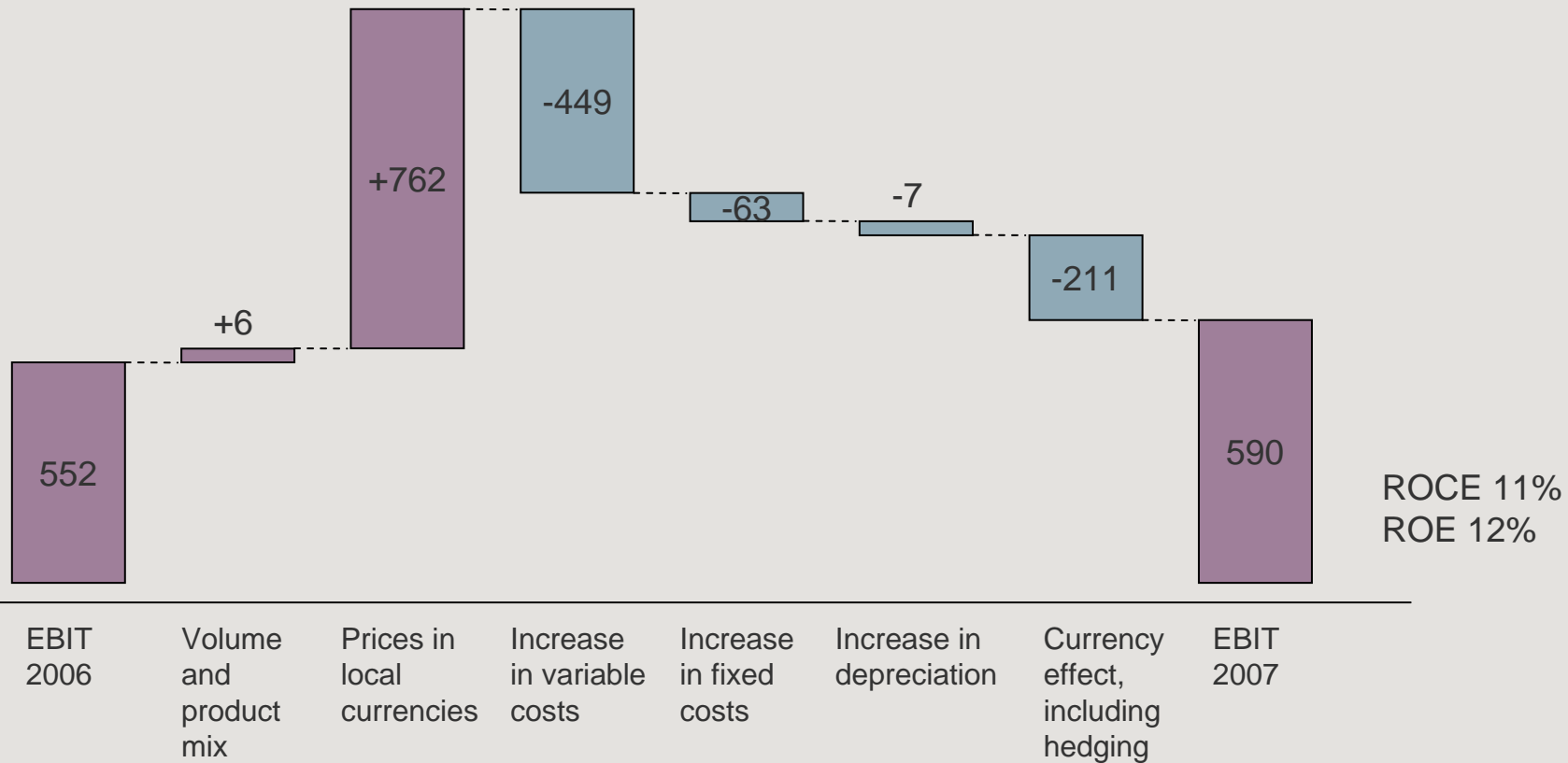
	MSEK	EBIT%
EBIT Q4	+243	12%
Effects of accounting methodology change	+24	
Property tax repayments	+14	
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EBIT Q4 excluding one time items	+205	10%

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EBIT improvement 2007 vs. 2006



Cost structure

% of total costs 2006 and 2007

	2006	2007
Wood fibre	30	33
Staff	18	18
Freight	12	11
Chemicals	8	8
Energy	7	5
Depreciation	7	7
Other materials	5	5
Purchased services	5	6
Other	8	7
Total	100	100



Currency effects compared to previous year

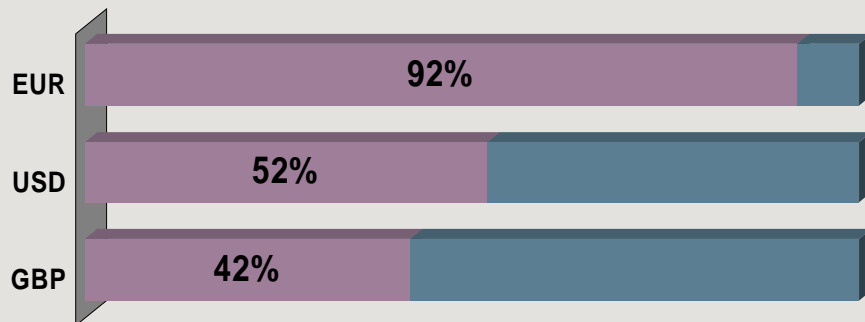
MSEK	2007	2006
Currency impact on EBIT of spot rates (weaker USD and stronger SEK)	-227	-244
Result of hedging	+16	+143
Net effect currencies	-211	-101

Decisions during 2007 affecting 2008

- Decision made in Q4 to hedge 100% of net flow in EUR for the coming 15 months. Hedge made at average rate EURSEK 9,45
- Average EUR rate for 2008 secured at 9.37
- 10 year fixed price power contract secured with Vattenfall covering 20% of consumption or approx 400 mWh

Currency situation

- Positive profit effect of net flow hedging MSEK 13 for Q4 2007
- Hedge level 12 months forward:



	Jan-Dec 2007		Q4 2007		Q1 2008
	Average hedged currency rates	Average current rates	Average hedged currency rates	Average current rates	Average hedged currency rates
			Q4	Q4	Q1
EUR	9.20	9.25	9.22	9.30	9.31
USD	6.95	6.76	6.79	6.42	6.66
GBP	13.52	13.53	13.50	13.13	13.34

Hedge effect in MSEK:

+16

+13

Cash Flow

MSEK	Q4 2007	Q3 2007	2007	2006
Operating surplus etc	+354	+274	+1066	+1021
Cash effect of Billerud 2007	-11	-33	-106	-219
Working capital change	+100	-187	-102	+42
Finance net, taxes	-50	-18	-128	-50
Cash flow from operating activities	+393	+36	+730	+794
Capex, excl. energy investments	-193	-140	-650	-359
Capex (energy inv.)			-6	-269
Capex	-193	-140	-656	-628
Operating cash flow	+200	-104	+74	+166
Dividends/share buy-backs			-180	-167
Other	+3	+2	+12	-9
Change in net debt ¹⁾	+203	-102	-94	-10

¹⁾ Minus equals increase in net debt

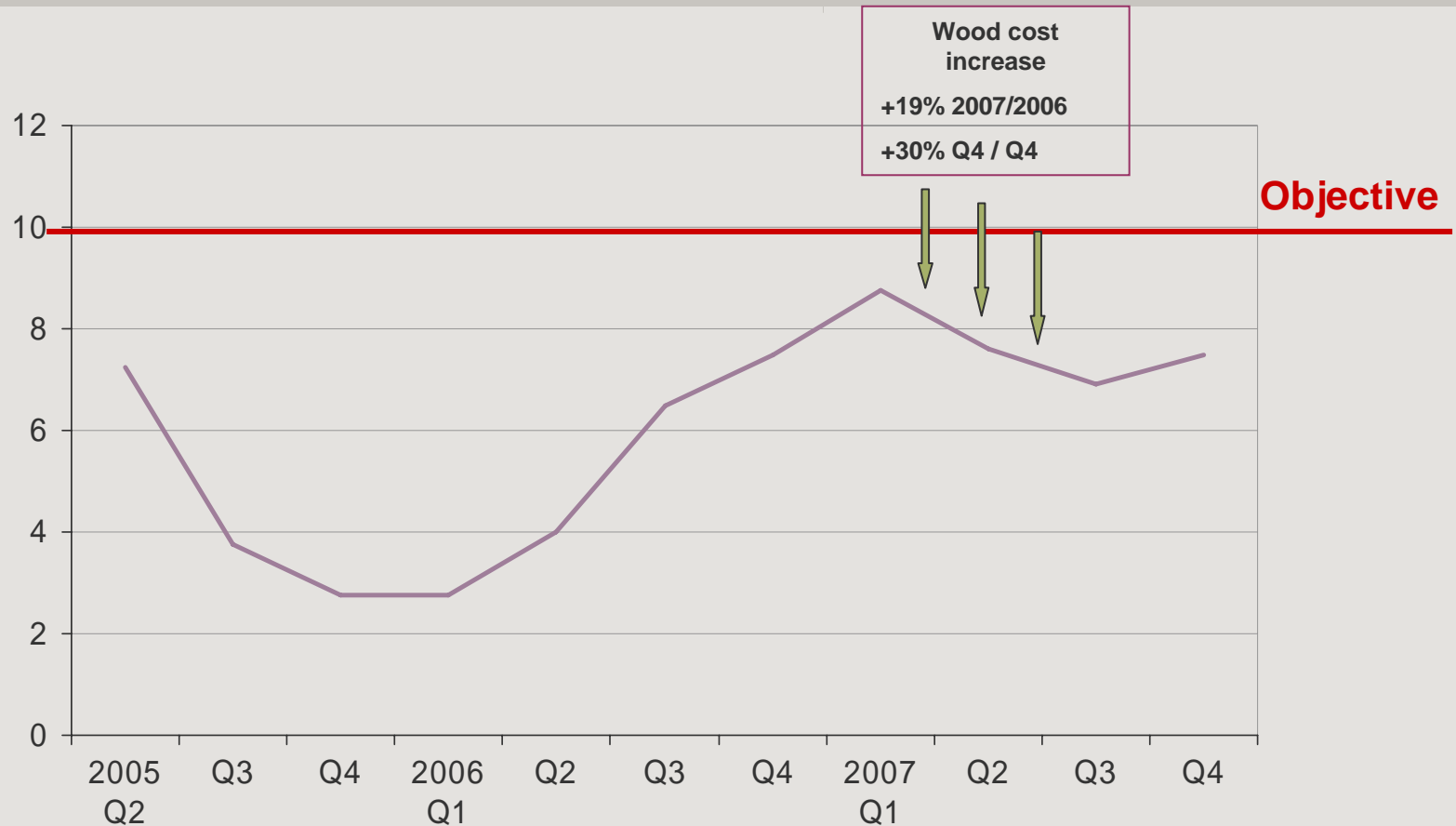
Financial objectives

- » Long term organic sales growth rate of at least 3%
- » An EBIT margin of 10% as an average for a business cycle
- » Investments should give a return well above WACC
- » Net debt to equity 0,6-0,9
- » Dividends 50% of net profits over a business cycle

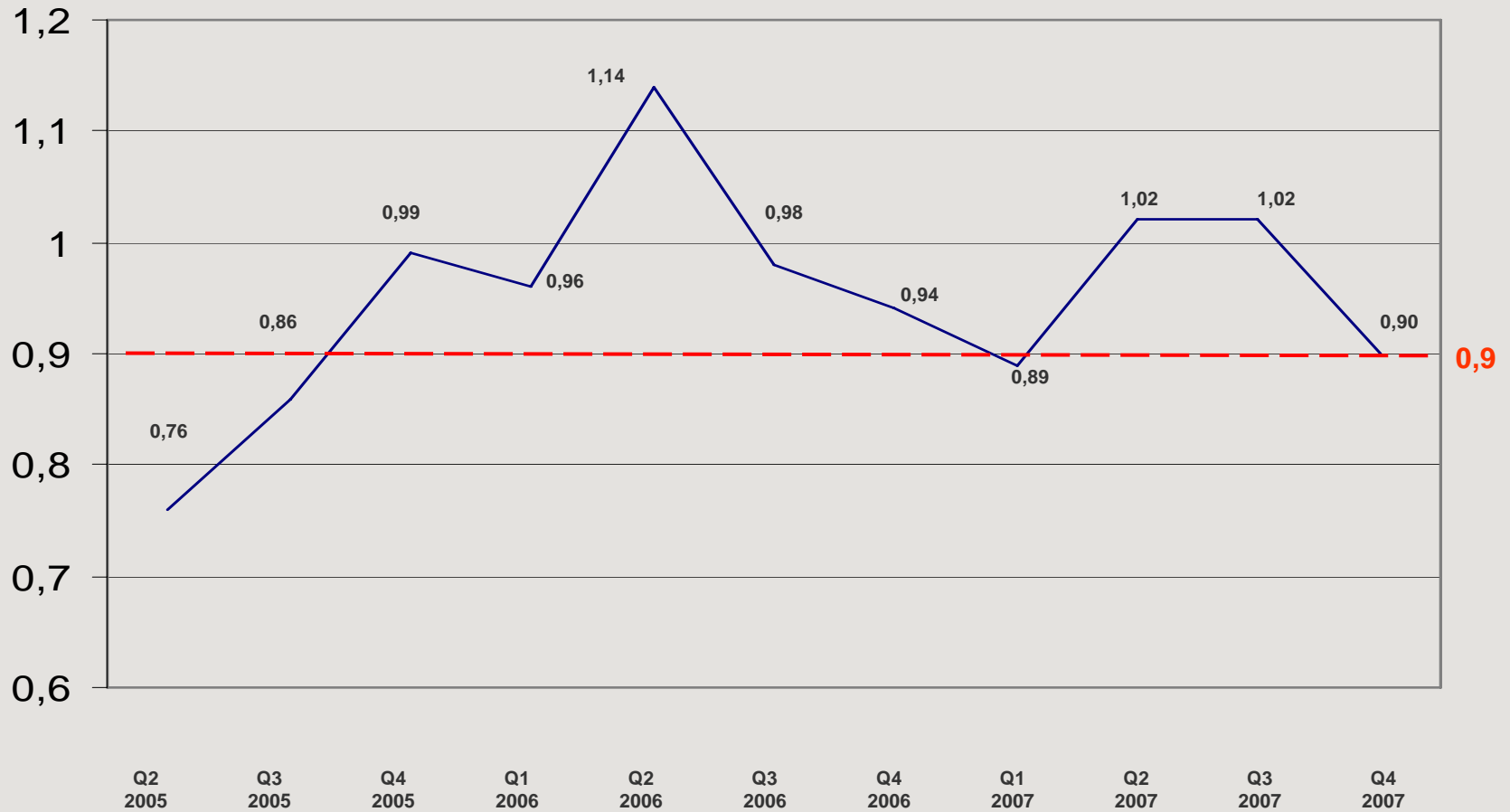


EBIT-margin development

Rolling 12 months figures, excl. one time costs 2005



D/E ratio development



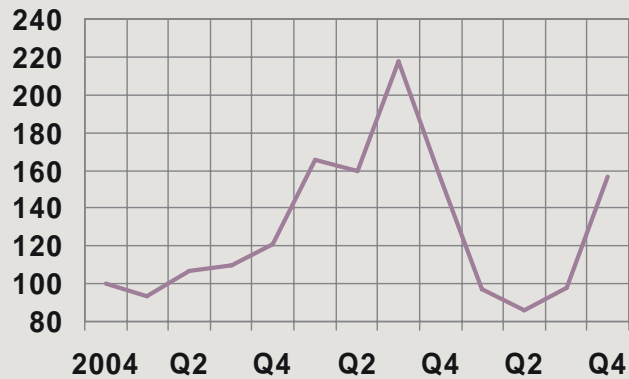
Dividend proposal 2007

- Proposed dividend SEK 3,50 per share
- Equal to last years dividend
- A payout ratio of 54% of net profit
- Dividend yield of 5% (at SEK 66/share)



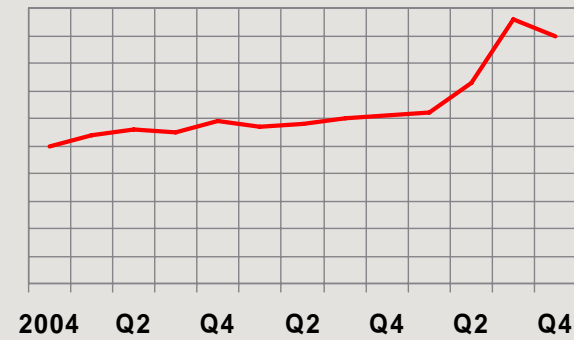
Market prices affecting result

Electricity index (Sweden*)



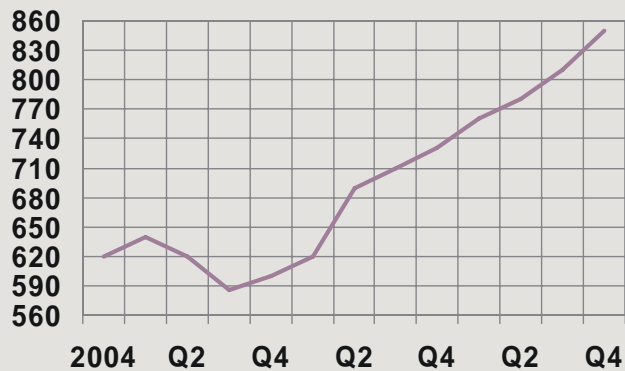
Source: Nordpool. *Price area Sweden

Wood price index

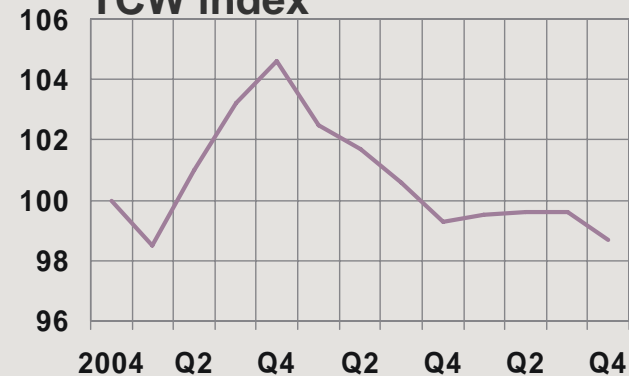


Source: Billerud

Market Pulp (USD/t)



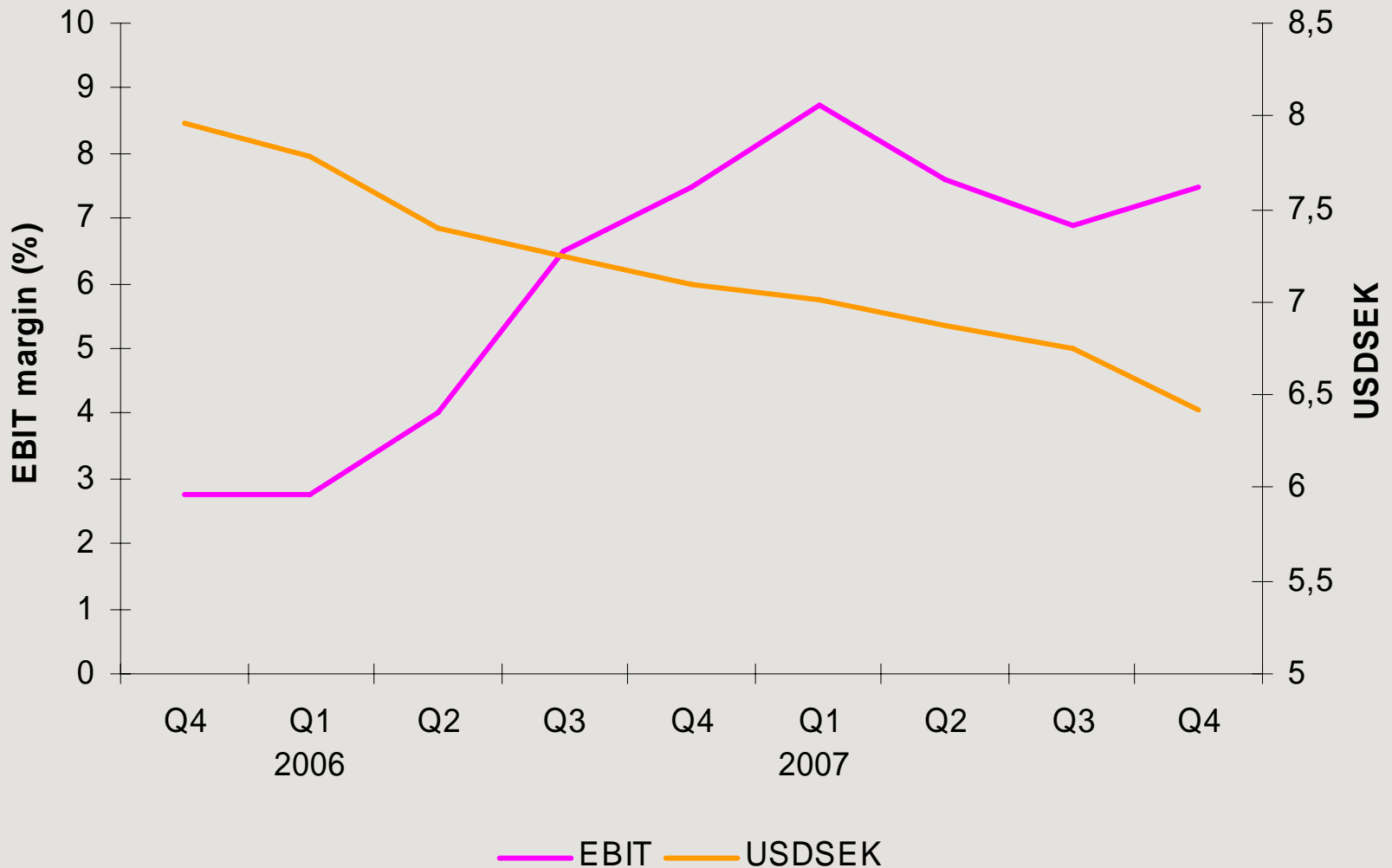
TCW index



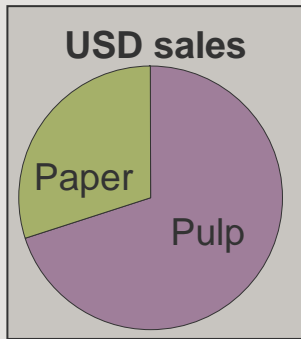
Source: Riksbanken

USD sensitivity of results has decreased

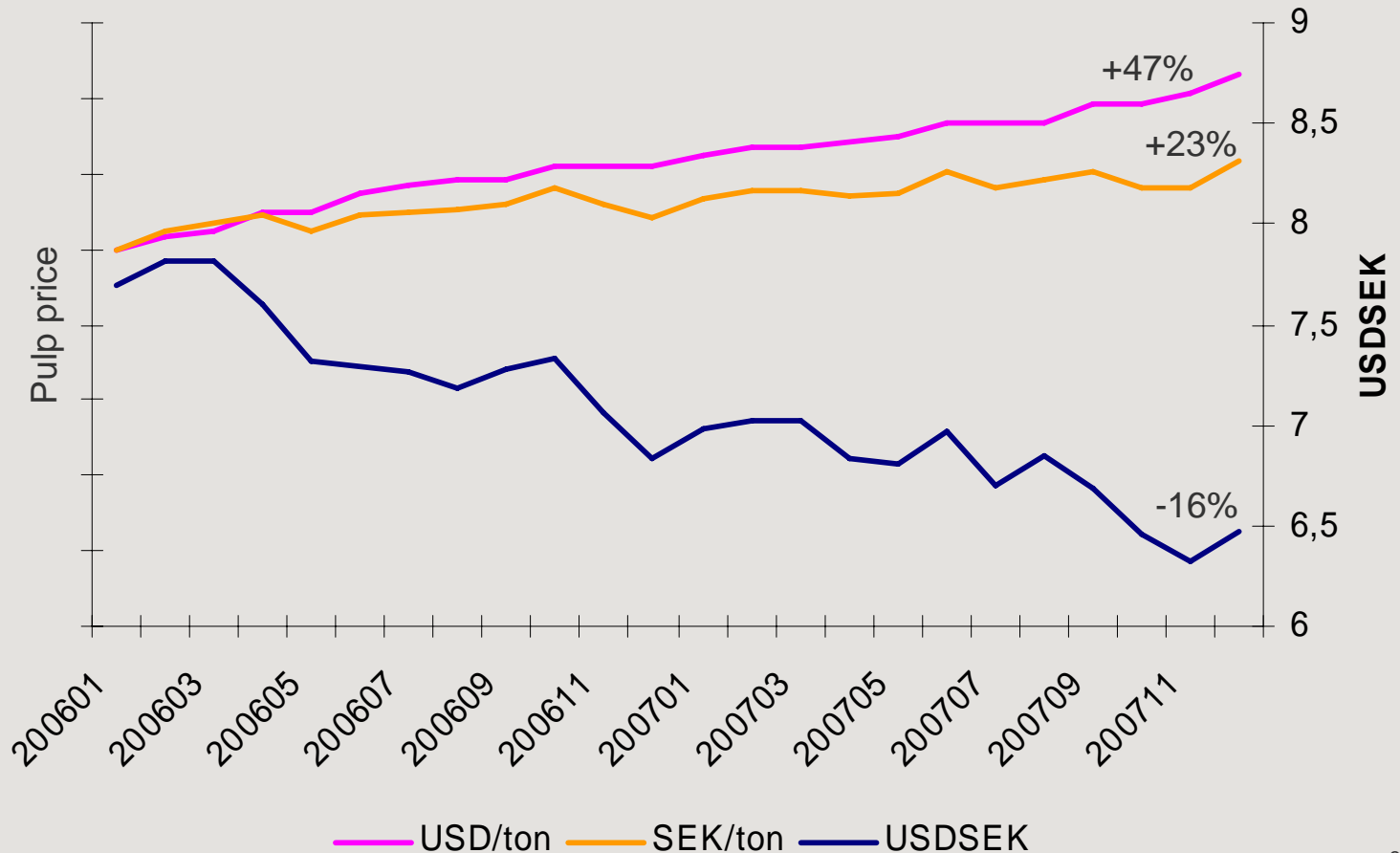
EBIT-margin rolling 12 and USD/SEK development



Pulp prices are increasing even in SEK, despite weaker USD



USD volumes of paper sales reduced by 50% 06/07



Outlook



Outlook

- The market outlook is stable in 2008 with good supply / demand balance for most Billerud markets. However, some decline in smaller segments of Kraft paper is expected
- Good outlook for further positive price development on major Billerud markets
- Woodcosts per produced ton in Q1 2008 expected to be on same level as Q3 and Q4 2007
- Continued work with efficiency and cost savings



Q&A

