

# Billerud

January – June 2002

Stockholm, July 18

Bert Östlund, CEO

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# Billerud Key Strengths

- Strong market position in attractive segments
  - >50% of turnover in segments where Billerud is No. 1 or 2 in Europe
  - Markets with stable growth and low capacity additions
  - Few focused competitors
- Competitive production
  - Well invested mills
  - Economies of scale
  - Integrated production
  - Profit improvement from optimisation of production and past investments
- Strong cash-flow
  - High profitability
  - Disciplined capital expenditure

# Highlights During Q2

- Improved market conditions
- High production efficiency at mills
  - Maintenance stop in Skärblacka
- Continued high deliveries, 333,000 tonnes, same as Q1
  - Accumulated Jan – June +10% vs. 2001
- Operating profit MSEK 251, -6% vs Q1, ROCE 21%
- Stora Enso has exited as major shareholder in Billerud
- Billerud repurchased 2.85m own shares at an average share price of SEK 95.4

# Market Situation – Kraft Paper

- Good market demand and improved order books
- Billeruds prices where stable in Q2 vs. Q1
- Billerud deliveries Q2 vs. Q1 –3% as a consequence of shift from brown sack paper to white liner in Gruvön mill
- Deliveries H1 2002 vs. H1 2001 +2%
- Price increases have been carried out, averaging 4-5% for different products and markets.
- P&L effect of price increases gradually during Q3

# Market Situation – Containerboard

- Good market demand and improved order books
- Billeruds prices where stable in Q2 vs. Q1
- Billerud deliveries Q2 vs. Q1 +2%
- Deliveries H1 2002 vs. H1 2001 +15%
- Price increases have been carried out, averaging 6-8% for different products and markets.
- P&L effect of price increases gradually during Q3

# Market Situation – Market Pulp

- Market price have increased from USD 435/tonne to USD 480/tonne during Q2. USD 500/tonne announced from July
- Billeruds average price increased +4% vs. Q1
- Billerud deliveries Q2 vs. Q1 +2%
- Deliveries H1 2002 vs. H1 2001 +14%

# *Financials*

## *January – June 2002*

# Key Figures Q2 2002

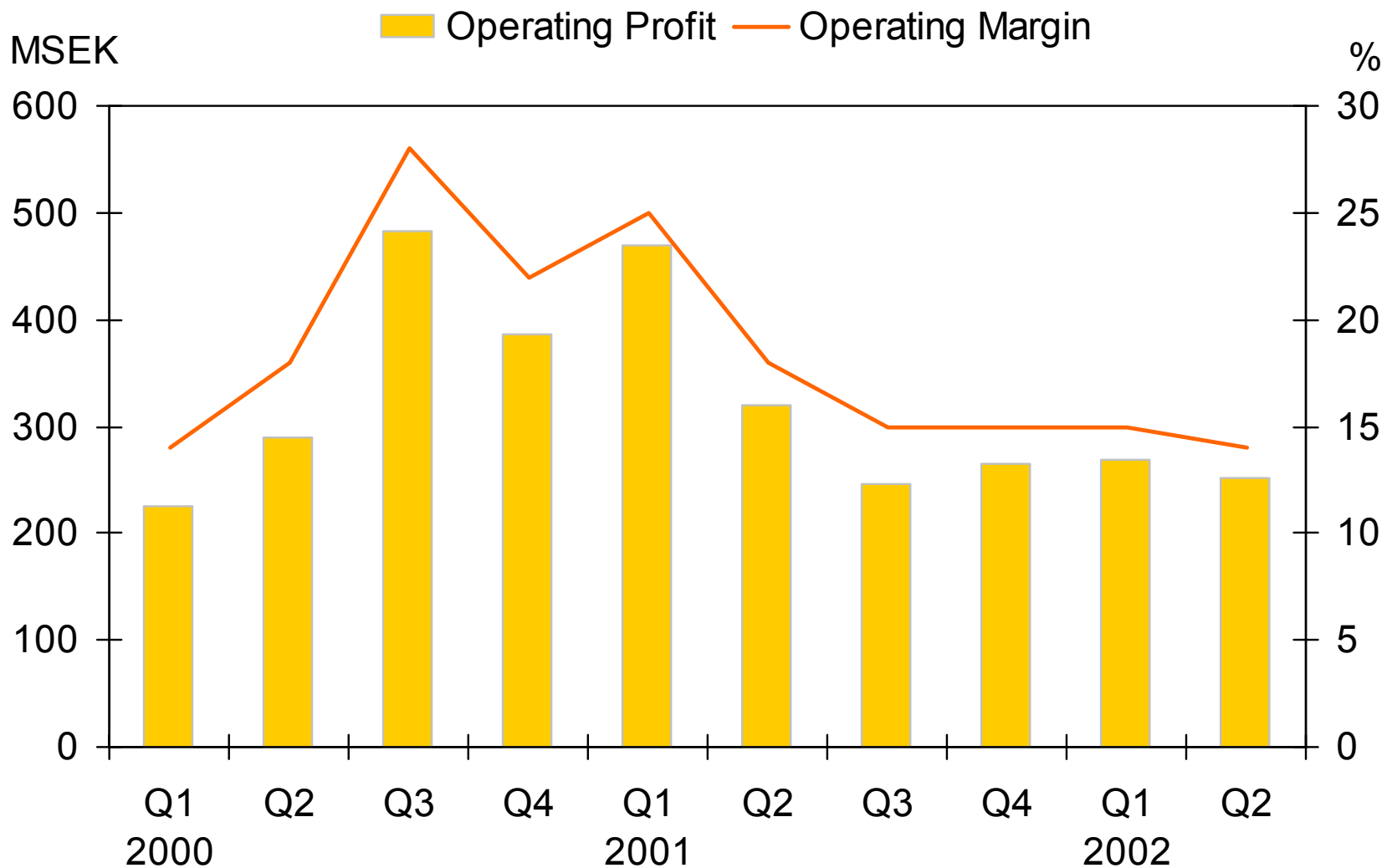
	Q2 2002	vs Q1 2002	H1 2002	vs H1 2001
Net sales, MSEK	<b>1.772</b>	+1%	3.528	-2%
Operating profit, MSEK	<b>251</b>	-6%	519	-34%
Operating margin, %	<b>14</b>	-1	15	-7
ROCE <sup>1)</sup> , %	<b>21</b>	-2	21	-13
Profit/share, SEK	<b>2.64</b>	-6%	5.46 <sup>3)</sup>	-35%
Debt/Equity ratio <sup>2)</sup>	<b>0.64</b>	+0.13	0.64	-0.13
Deliveries, ktonnes	<b>333</b>	+/-0%	666	+10%

1) Moving 12 months

2) End of period

3) Number of shares: 62,503,294 (adjusted after share buy-backs).

# Operating Margin Development



# Cash Flow

MSEK	H1 2002	H1 2001	Year 2001
Operating surplus	<b>700</b>	961	1,633
Working capital change	<b>+23</b>	-208	-146
Finance net, taxes	<b>-205</b>	-55	-170
Cash flow from operating activities	<b>518</b>	698	1,317
Capex etc	<b>-186</b>	-198	-443
Operating cash flow	<b>+332</b>	+500	+874
Dividends/share buy backs	<b>-492</b>		
Other	<b>+3</b>		
Change in net debt	<b>-157</b>	+500	+874

# Currency Situation

- Substantial exposure to changes in SEK exchange rate
- Positive profit improvement of currency hedge MSEK 60 during Q2
- 15 months forward hedging of net flows
- Hedging rates at present

Currency	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2002	Average
SEK/EUR	9.59	9.44	9.49	9.21	9.25	9.39
SEK/USD	10.64	10.68	10.66	10.61	10.25	10.56
SEK/GBP	15.41	15.09	15.11	14.82	14.57	15.01

# Convertible Loan and Share Buy-Backs

- Convertible loan
  - 325 employees subscribed (22% of total offer subscribed)
  - Upon full conversion, total number of shares will increase by 268,047 which means a maximum dilution of 0.4%
  
- Share buy-backs
  - Billerud has repurchased 2,852,449 shares
  - Average price paid was SEK 95.37, total amount spent was MSEK 272

# Billerud Ownership Structure

- Stora Enso's has sold nearly all of its shares in Billerud, following the end of the lock-up period on April 30
- Foreign ownership 33%, total number of shareholders 172,000

10 largest owners June 28, 2002	No. of shares (millions)	% of capital and votes
SEB <sup>1)</sup>	3.4	5.7
Chase Manhattan Bank <sup>1)</sup>	2.4	4.0
AMF Pensionsförsäkring	2.4	4.0
Deutsche Morgan Funds <sup>1)</sup>	2.2	3.7
Barclays Capital Securities	2.1	3.5
Citibank Funds <sup>1)</sup>	1.6	2.7
State Street Bank & Trust Co	1.6	2.7
Skandia <sup>1)</sup>	1.4	2.4
Putnam Funds <sup>1)</sup>	1.3	2.2
GMO Funds <sup>1)</sup>	1.3	2.1

<sup>1)</sup> and other related funds

Source: VPC

# Financial Objectives

	Target	Achieved Q2
Return on capital employed	$\geq 15\%$ <sup>1)</sup>	21% <sup>2)</sup>
Debt/equity ratio	0.6-0.9	0.64
Investments	In line with depreciation	Yes
Pay-out ratio	50% <sup>1)</sup>	

1) Average over a business cycle

2) Moving 12 months

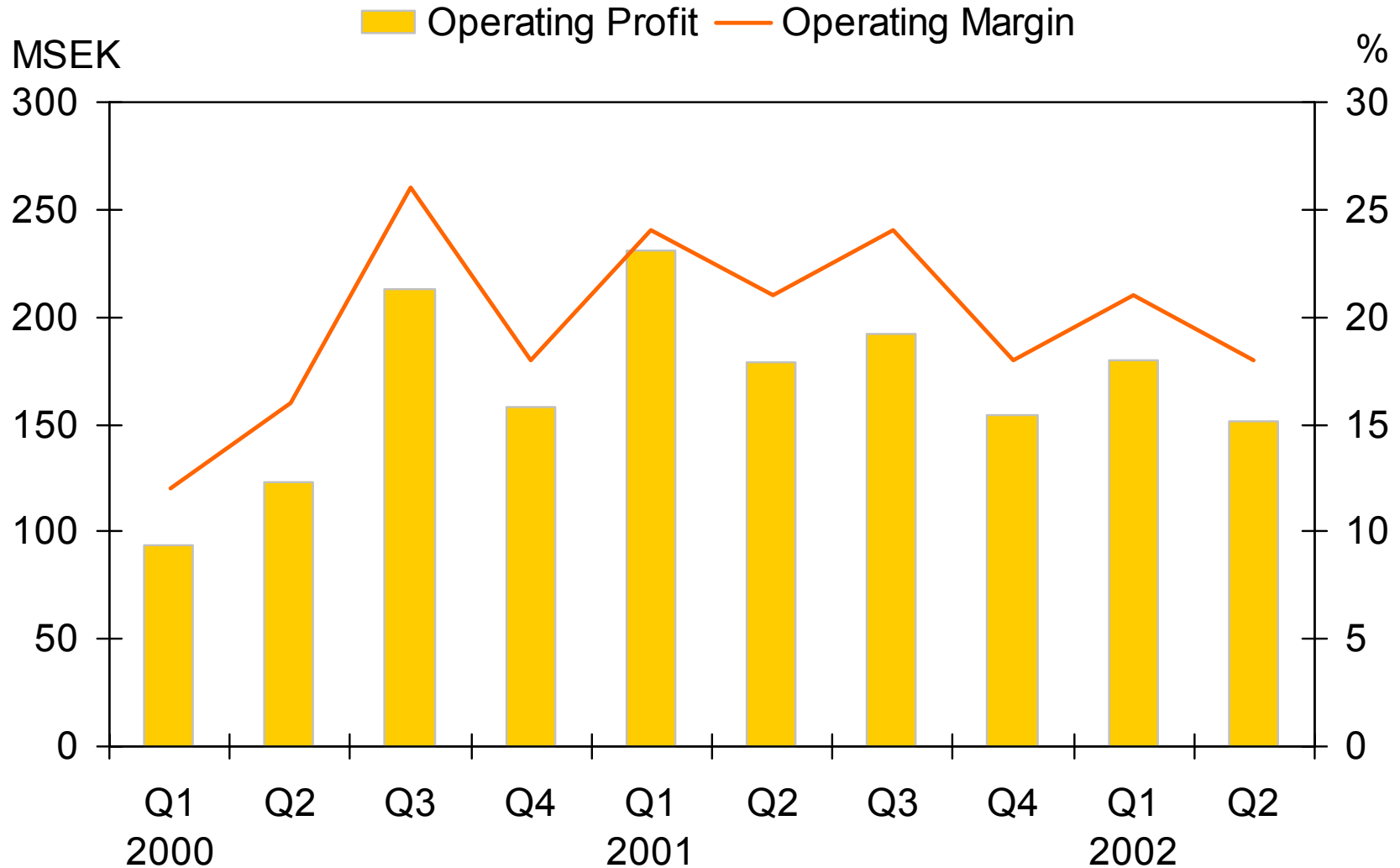
# *Market Outlook*

# Outlook

- Market conditions continues to be favourable, order inflow still good
- Prices on packaging paper will increase by 5-6%, effective gradually from Q3 and full effect Q4
- Price increase on market pulp announced, USD 500/tonne from July, expected to go through gradually during summer
- Further price increases for market pulp depend on a continued adaption of capacity to demand
- Maintenance stop in Karlsborg during Q3 and in Gruvön during Q4, resulting in somewhat lower production and deliveries H2 compared to H1
- Based on the above, H2 profits will exceed the level in H1

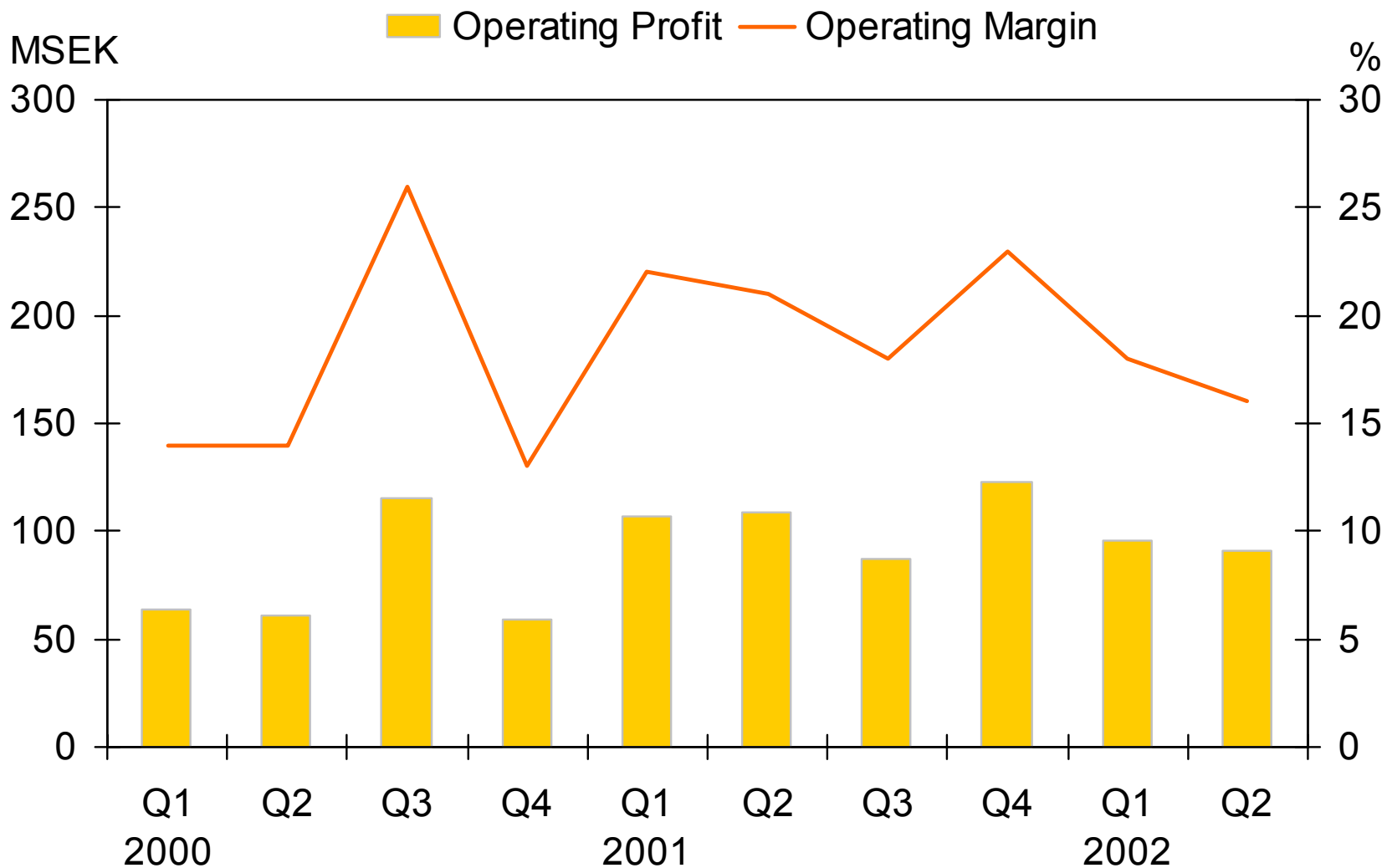
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# Operating Margin – Kraft Paper



Source: Billerud

# Operating Margin – Containerboard

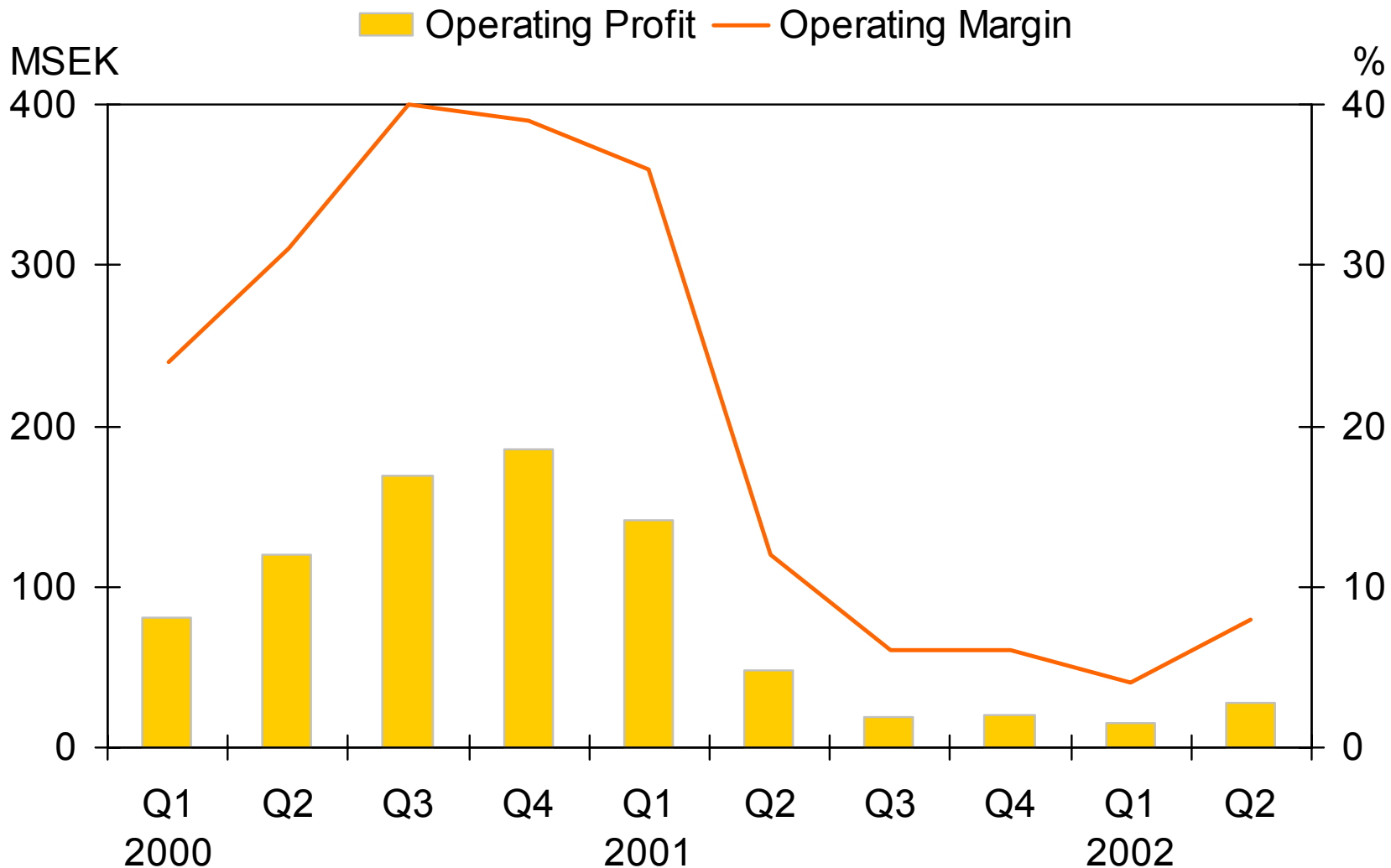


Source: Billerud

2000

2001

# Operating Margin – Market Pulp



Source: Billerud

# Currency Rates

	Average rates per year				Average rates	Hedged rates	Trend
	1998	1999	2000	2001	H1 2002	H1 2002	
SEK/EUR	8.93	8.80	8.44	9.25	9.18	9.55	8.75
SEK/USD	7.95	8.26	9.17	10.33	10.19	10.55	8.00
SEK/GBP	13.17	13.37	13.86	14.87	14.63	15.06	-
EUR/USD	1.12	1.07	0.92	0.90	0.90	0.91	1.09
<b>Billerud weighted index</b>	100	100	101	112	111	115	99

# Delivered Volumes

	2002		2001			
Ktonnes	Q2	Q1	Q4	Q3	Q2	Q1
Kraft paper	120	124	117	107	109	130
Containerboard	129	127	120	106	115	108
Market pulp	84	82	87	78	81	64
<b>Total</b>	<b>333</b>	333	324	291	305	302