



Interim Report January-June 2002

Corporate Identity No. 556025-5001

www.billerud.com

	Quarter			January-June	
	2002 II	2002 I	2001 II	2002	2001
Net turnover, MSEK	1 772	1 756	1 742	3 528	3 582
Operating profit, MSEK	251	268	319	519	788
Operating margin, %	14	15	18	15	22
Profit after financial items, MSEK	228	247	292	475	733
Earnings per share, SEK	2.64	2.82	3.34	5.46	8.38

- Rising market demand has led to improved orders for Billerud. Price increases have been carried out which will affect profits fully as from quarter 4. Profits for the second half of 2002 are expected to be better than for the first half.
- Production efficiency and delivery capability were at a high level. A maintenance stoppage was carried out at Skärblacka during the second quarter. Deliveries in the first six months of the year reached 666 000 tonnes, up 10% on the same period last year.
- The operating profit of MSEK 519 was down 34% on the same period last year. The operating profit in the second quarter was 6% lower than the first quarter and 21% lower than the second quarter of 2001. Around MSEK 90 of the operating profit was profit from currency hedging.
- Accumulated synergy effects amount to MSEK 75 on an annual basis.
- The return on capital employed during the most recent 12-month period was 21%.
- Stora Enso has sold 29.5% of the shares in Billerud AB. The buyers are Swedish and foreign investors.
- Billerud has bought back 2.85 million shares, about 60% of possible repurchase.

**A telephone conference in English will be held at 6 p.m. CET, call +44 20 8781 0562
See a film presentation of the conference on www.billerud.com from 9 p.m. CET today.**

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Billerud Group

Market

A general rise in demand for Billerud's products was noted during the second quarter of 2002. However, deliveries, which were limited by available capacity, remained at the same level as the first quarter at 333 000 tonnes. Deliveries in the first six months of the year thus totalled 666 000 tonnes, up around 10% on the same period in 2001. Stocks of finished products were reduced by around 20 000 tonnes 18% in the same period.

Rising demand was noted for Billerud's packaging paper during the second quarter. The improvement in orders encouraged Billerud to initiate price rises for nearly all paper grades during the third quarter of 2002. Deliveries of packaging paper amounted to 500 000 tonnes during the first six months of 2002, up around 8% on the same period in 2001.

Stocks of market pulp fell during the quarter due mainly to generally low capacity utilisation. The market price for long-fibre sulphate pulp was around USD 435 per tonne at the start of the second quarter. During the second quarter, market price increased successively to about USD 480 per tonne. Further price rises have been announced starting in July. Even larger price rises have been noted for short-fibre pulp. Billerud's deliveries of market pulp amounted to 166 000 tonnes during the first six months of 2002, a rise of around 14% compared with the same period in 2001.

Sales and results

Second quarter

Net sales for the second quarter reached MSEK 1 772, up 1% on the first quarter. The increase was mainly due to currency effects. Price levels and delivery volumes were mainly unchanged.

The operating profit reached MSEK 251, down MSEK 17 or 6% on the first quarter due to slightly higher cost levels in the second quarter.

Comments on the earnings trend for each product area are provided on page 4.

Net financial items were negative at MSEK -23 and consisted primarily of interest costs for Billerud's syndicated bank loan. Net financial items included one-off costs of MSEK 3 connected with the raising of a bond loan and a convertible promissory note. The profit after financial items was MSEK 228.

January - June

Net sales amounted to MSEK 3 528, down 2% on the same period in 2001. The fall was due to reduced prices, mainly for market pulp but also for Billerud's paper products. The reduction was partly compensated for by a 10% increase in delivery volumes.

The operating profit reached MSEK 519, down MSEK 269 or 34% on the same period in 2001. The fall was due to lower prices, which were only partly compensated for by higher delivery volumes and lower costs, especially for chemicals.

Financial items amounted to MSEK -44, MSEK 11 or 20% lower compared to the same period in 2001. The improvement was completely due to a lower net debt level. The estimated tax cost was MSEK 134, representing a tax rate of around 28%.

Synergies

Co-ordination effects of around MSEK 200 were forecast in connection with the formation of Billerud. Since the start of 2001 a streamlining project has been at work to achieve these effects. The result will be a boost to profits of at least MSEK 170 on annual basis starting from the end of 2003. In addition there are pure cost synergies of MSEK 30. The overall effect, therefore, is expected to be at least MSEK 200 on an annual basis after 2003.

At the end of the first six months of 2002 the co-ordination effects are estimated to reach MSEK 75 on an annual basis, compared with MSEK 55 at the end of 2001.

Foreign exchange exposure

Because Billerud's manufacturing units are in Sweden and 86% of production is exported, the company is exposed to changes in foreign exchange rates, especially the fluctuations in the rate of SEK in relation to EUR and USD. In order to handle this, Billerud hedges around 100% of estimated net flows over 15 months in EUR, USD and GBP at the rates listed below. Of the current hedged amount 62% is in EUR, 34% in USD and 4% in GBP.

During the first six months of 2002 net flows have been hedged at the following rates: SEK/EUR 9.55, SEK/USD 10.55 and SEK/GBP 15.06. Currency hedging boosted profits by around MSEK 90, of which around MSEK 60 was from the second quarter. Of this boost to profits, 67% was due to hedging of EUR, 30% to hedging of USD and 3% to hedging of GBP.

Hedged exchange rates against SEK for the next 15 months (5 quarters)

Currency	Q 3 2002	Q 4 2002	Q 1 2003	Q 2 2003	Q 3 2003	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

Investment and capital employed

Gross investments amounted to MSEK 186, while depreciation during the same period amounted to MSEK 181. Investments relate to small maintenance projects and the projects at Gruvön (rebuild of PM 4) and Karlsborg (environmental project and rebuild of PM) announced in the final quarter of 2001.

Billerud's capital employed amounted to MSEK 4 831 as of 30 June 2002, compared with MSEK 4 822 on 31 December 2001. The return on capital employed, estimated for the most recent 12-month period, was 21%, compared with 27% for the full year in 2001. The return on capital employed after tax was 23%. The return on capital employed, estimated for the first six months of 2002 only, and then projected on an annual basis, is also 21%.

Cash flow and financial position

Cash flow from operating activities amounted to MSEK 518 during the first six months of 2002. Cash flow was affected by supplementary income tax payments of MSEK 176 for the 2001 tax year. Investments amounted to MSEK 186. The operating cash flow for the first half of the year was therefore MSEK 332, compared with MSEK 500 for the first half of 2001. The operating cash flow deteriorated (compared with the same period in 2001) because of the lower operating surplus and higher tax payments, which were compensated for to a certain extent by improvements in operating capital.

During the period a share dividend amounting to MSEK 220 was paid out and the company spent MSEK 272 buying back its own shares. A total of MSEK 492 was therefore paid out in different forms to shareholders. Billerud's net debt level thus increased by MSEK 226 while liquid funds rose by MSEK 69. Interest-bearing debt includes the convertible subordinated loan of MSEK 28. This loan has been assessed at the market rate and amounts to a nominal MSEK 31.

The interest-bearing net debt amounted to MSEK 1 888 on 30 June 2002, compared with MSEK 1 731 on 31 December 2001 and MSEK 2 104 on 30 June 2001. The Group's net debt/equity ratio at the end of the period was 0.64 compared with 0.56 on 31 December 2001 and 0.77 on 30 June 2001. The rise in the net debt/equity ratio during 2002 is due to the dividend and the share buy-back and is in accordance with Billerud's financial goals.

Personnel

The average number of employees during the first six months of 2002 amounted to 2 382, compared with 2 412 during the first half of 2001. The average number of employees thus decreased by 30 people.

Product areas

Net turnover and operating profit

MSEK	Net turnover						Operating profit					
	Q 2 2002	Q 1 2002	% ändr.	Jan-jun 2002	Jan-jun 2001	% ändr.	Q 2 2002	Q 1 2002	% ändr.	Jan-jun 2002	Jan-jun 2001	% ändr.
Kraft paper	860	875	-2	1 735	1 818	-5	151	180	-16	331	410	-19
Containerboard	552	543	2	1 095	993	10	91	96	-5	187	216	-13
Market pulp	361	338	7	699	771	-9	28	15	87	43	189	-77
Other and eliminations	-1	-	-	-1	-	-	-19	-23	17	-42	-27	-56
Total Group	1 772	1 756	1	3 528	3 582	-2	251	268	-6	519	788	-34

Kraft paper

Second quarter

The operating profit for the quarter was MSEK 151, down MSEK 29 or 16% on the first quarter. The fall was due to delivery volumes being down by 3% and to a small increase in cost levels. The increase in costs was partly due to the maintenance stoppage during the quarter. Price levels were generally unchanged.

January-June

The operating profit fell 19% to MSEK 331. The fall was mainly due to reduced prices. An increase in delivery volumes of 2% compensated for part of the price reduction.

Containerboard

Second quarter

The operating profit for the quarter was MSEK 91, a fall of MSEK 5 or 5% compared with the first quarter. Delivery volumes rose 2% and prices were generally unchanged. A small increase in costs explains the fall in profit.

January-June

The operating profit was MSEK 187, down 13% on the previous year. The decline was mainly due to reduced prices, partly compensated for by a 15% increase in volumes.

Market pulp

Second quarter

The operating profit reached MSEK 28, a rise of MSEK 13 or 87% compared with the first quarter. The increase was due to rising prices and a 2% increase in delivery volumes.

January-June

The operating profit was MSEK 43, down MSEK 146 or 77% on the previous year. The decline was due to strongly reduced prices. The market price for market pulp fell from a level of USD 710 per tonne at the start of 2001 to a low of USD 435 per tonne at the start of April 2002. However, delivery volumes climbed by around 14%.

Parent company

Billerud AB comprises the Gruvön mill, the sales organisation for the Nordic markets and markets outside Europe, and head office functions.

Net turnover in the first half of 2002 amounted to MSEK 1 705. Profit after financial items amounted to MSEK 225. Fixed-asset investments, excluding shares, amounted to MSEK 98. The average number of employees was 1 100. Liquid assets and short-term investments amounted to MSEK 31.

Convertible debenture loan for employees

325 employees of the Billerud Group in Sweden have subscribed to the convertible debenture loan designed for the company's employees. Around 22% of the total offer has been subscribed.

The loan amounts to a total of around SEK 31 million. The conversion price is SEK 114. On full conversion, the total number of shares will increase by 268 047 shares, which is equivalent to a dilution of around 0.4% of the total number of shares.

Offer to smaller shareholders

The Board has previously made an offer to shareholders with shareholdings below 100 shares to either sell their holding free of charge or buy additional shares so that their holding amounts to 100 shares, at a reduced commission of SEK 80. Around 32 000 shareholders have taken up the offer to sell shares and around 63 000 shareholders have bought additional shares.

Share buy-back

During the period 14-18 June 2002 Billerud bought back 2 852 449 of the company's own shares. The buy-back was made at an average price of SEK 95.37 per share. The buy-back corresponds to about 60% of possible repurchase volume.

Changes in ownership and distribution of shares

Stora Enso has announced that it sold 29.5% of the shares in Billerud AB on 13 June 2002. After this sale Stora Enso owns 300 000 shares in Billerud AB, which corresponds to options awarded to Billerud's senior management team. The sale of shares was made to around 100 Swedish and non-Swedish investors.

After this change the ten largest owners of Billerud, according to the share register kept by VPC on 28 June 2002, were as follows (excluding Billerud's own holding of 2.85 million shares):

Owner/ manager	No. of shares (million)
SEB	3.4
Chase Manhattan Bank Funds	2.4
AMF Pensionsförsäkring	2.4
Deutsche Morgan Funds	2.2
Barclays Capital Securities	2.1
Citibank Funds	1.6
State Street Bank & Trust Co	1.6
Skandia	1.4
Putnam Funds	1.3
GMO Funds	1.3

The amount of foreign ownership was 33%. The total number of shareholders (including nominees) is around 172 000.

As of 28 June the distribution of shares was as follows:

Registered amount of shares	62 740 998
<u>Bought-back shares in company ownership</u>	<u>- 2 852 449</u>
Shares on the market	59 888 549
<u>Convertible debenture loan (on full conversion)</u>	<u>268 047</u>
Shares on the market (after full conversion)	60 156 596

Outlook

Billerud's market situation is currently good. Improvements in orders for packaging paper during the first quarter continued in the second quarter. Billerud has carried out price increases for most paper grades. It is estimated that these rises will be 5-6% on average for different products and markets compared with levels in the second quarter. The boost to profits will arrive gradually during the third quarter and reach full effect during the final quarter.

The situation has also improved for market pulp. In July a price rise was announced for long-fibre sulphate pulp, up from USD 480 per tonne to USD 500 per tonne. This price rise is expected to come into effect during the summer. There is currently a shortage of short-fibre pulp, which means that prices are higher than for long-fibre pulp. Continued increases in pulp prices after the summer depends on production continuing to be adapted to demand to avoid stock increases.

The pace of production and delivery capability at Billerud's paper mills are currently good. The annual maintenance stoppage took place at Skärblacka in April. Maintenance stoppages are planned at Karlsborg during the third quarter and at Gruvön in the final quarter. Due to these stoppages production and deliveries will be somewhat lower in the second half of the year, compared with the first half. Based on the above, profits for the second half of 2002 are expected to be better than for the first half.

Stockholm, Sweden
18 July 2002
Billerud AB (publ)

Board of Directors

This interim report has not been reviewed by the Company's auditors.

Future financial statements

Third quarter 2002	21 October
Full year 2002	28 January 2003
First quarter 2003	22 April 2003
Second quarter 2003	17 July 2003
Third quarter 2003	23 October 2003

The Annual general Meeting will be held on 6 May 2003.

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Billerud manufactures and markets packaging paper in the form of kraft paper and containerboard, and market pulp. Production is carried out at the Group's integrated pulp and paper mills in Gruvön, Karlsborg and Skärblacka. Billerud has a world-leading position within several well-defined product segments. The main customer base is Europe but also includes the rest of the world. Billerud has annual sales of approximately SEK 7 billion and around 2 400 employees.

Supplement

Billerud Group

Accounting principles

The accounts are prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council. The interim report is prepared in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council. For details of accounting principles and definitions of key figures, see the 2001 Annual Report pages 25 and 52-55.

Profit and Loss Account

MSEK	3 months			6 months		Full year
	Apr-Jun 2002	Jan-Mar 2002	Apr-Jun 2001	Jan-Jun 2002	Jan-Jun 2001	Jan-Dec 2001
Net turnover	1 772	1 756	1 742	3 528	3 582	6 910
Other income	4	1	1	5	6	10
Operating income	1 776	1 757	1 743	3 533	3 588	6 920
Operating expenses	-1 435	-1 398	-1 336	-2 833	-2 627	-5 276
Depreciation	-90	-91	-88	-181	-173	-345
Operating expenses	-1 525	-1 489	-1 424	3 014	-2 800	-5 621
Operating profit	251	268	319	519	788	1 299
Financial items	-23	-21	-27	-44	-55	-118
Profit after financial items	228	247	292	475	733	1 181
Tax	-64	-70	-83	-134	-208	-314
Net profit for the period	164	177	209	341	525	867
Earnings per share, SEK	2.64	2.82	3.34	5.46	8.38	13.81
Earnings per share after full conversion, SEK	2.64	-	-	5.46	-	-

Balance Sheet

MSEK	30 June 2002	30 June 2001	31 Mar 2002	31 Dec 2001
Fixed assets	4 360	4 282	4 324	4 355
Stocks	620	676	664	708
Accounts receivable	1 229	1 209	1 217	1 118
Other current assets	142	139	114	115
Cash, bank balances and short-term investments	416	331	412	347
Total assets	6 767	6 637	6 731	6 643
Shareholders' equity	2 943	2 749	3 268	3 091
Interest-bearing provisions	77	74	77	77
Non-interest-bearing provisions	504	448	508	509
Interest-bearing liabilities	2 227	2 361	2 000	2 001
Accounts payable	361	354	331	412
Other, non-interest-bearing liabilities	655	651	547	553
Total shareholders' equity, provisions and liabilities	6 767	6 637	6 731	6 643
Specification of change in equity	Jan-Jun 2002	Jan-Jun 2001	Jan-Mar 2002	Full year 2001
Opening equity	3 091	2 224	3 091	2 224
Net profit for the period	341	525	177	867
Dividend	-220	-	-	-
Share buy-back	-272	-	-	-
Convertible debenture loan, difference between market and nominal interest	3	-	-	-
Closing equity	2 943	2 749	3 268	3 091

Cash Flow Statement	Jan-Jun	Jan-Jun	April-june	Full year
MSEK	2002	2001	2002	2001
Operating surplus, etc.	695	961	337	1 633
Change in working capital, etc.	28	-208	64	-146
Net financial items, taxes, etc.	-205	-55	-9	-170
Cash flow from operating activities	518	698	392	1 317
Investment in fixed assets	-186	-198	-126	-458
Disposal of fixed assets	-	-	-	2
Change in long-term receivables	-	-	-	13
Cash flow from investment activities	-186	-198	-126	-443
Operating cash flow	332	500	266	874
Change in interest-bearing debt	226	-898	227	-1 256
Dividend	-220	-	-220	-
Share buy-back	-272	-	-272	-
Convertible debenture loan, difference between market and nominal interest	3	-	3	-
Cash flow from financing activities	-263	-898	-262	-1 256
Total cash flow (= change in liquid assets)	69	-398	4	-382
Liquid assets at the beginning of the year	347	729	412	729
Total cash flow	69	398	4	-382
Liquid assets at the end of the period	416	331	416	347
Key figures	Jan-Jun	Jan-Jun	Jan-Mar	Full year
	2002	2001	2002	2001
<i>Margins</i>				
Gross margin, %	20	27	20	24
Operating margin, %	15	22	15	19
<i>Return</i>				
Return on capital employed, %	21 ¹⁾	34 ¹⁾	23 ¹⁾	27
Return on equity, %	23 ¹⁾	42 ²⁾	25 ¹⁾	32
Return on equity after full conversion, %	23 ¹⁾	-	-	-
<i>Capital structure at period's end</i>				
Capital employed, MSEK	4 831	4 853	4 932	4 822
Shareholders' equity, MSEK	2 943	2 749	3 268	3 091
Interest-bearing net debt, MSEK	1 888	2 104	1 665	1 731
Net debt/equity ratio, times	0,64	0,77	0,51	0,56
Net debt/equity ratio after full conversion, times	0,63	-	-	-
Equity ratio, %	43	41	49	47
Equity ratio after full conversion, %	44	-	-	-
<i>Per share</i>				
Earnings per share, SEK	5,46 ⁴⁾	8,38 ³⁾	2,82 ³⁾	13,81 ³⁾
Earnings per share after full conversion, SEK	5,46 ⁶⁾	-	-	-
<i>Per share at period's end</i>				
Equity per share, SEK	49,14 ⁵⁾	43,82 ³⁾	52,08 ³⁾	49,30 ³⁾
Equity per share after full conversion, SEK	49,38 ⁷⁾	-	-	-
Gross investments, MSEK	186	198	60	458
Average number of employees	2 382	2 412	2 335	2 379

¹⁾ Rolling 12 months

²⁾ Historical data not available. The calculation includes the result for the period, adjusted proportionally as a full year value.

³⁾ Number of shares: 62 740 998

⁴⁾ Average number of shares after buy-back of 2 852 449 shares: 62 503 294.

⁵⁾ Number of shares: 59 888 549 after buy-back

⁶⁾ Average number of shares: 62 518 185

⁷⁾ Number of shares: 60 156 596

Product areas

Quarterly breakdown of net turnover by product area and for the Group

MSEK	2002		2001				
	II	I	Full year	IV	III	II	I
Kraft paper	860	875	3 449	834	797	847	971
Containerboard	552	543	2 009	541	475	511	482
Market pulp	361	338	1 454	362	321	384	387
Other and eliminations	-1	-	-2	-2	-	-	-
Total Group	1 772	1 756	6 910	1 735	1 593	1 742	1 840

Quarterly breakdown of operating profit by product area and for the Group

MSEK	2002		2001				
	II	I	Full year	IV	III	II	I
Kraft paper	151	180	756	154	192	179	231
Containerboard	91	96	426	123	87	109	107
Market pulp	28	15	228	20	19	48	141
Other and eliminations	-19	-23	-111 ¹⁾	-32	-52	-17	-10
Total Group	251	268	1 299	265	246	319	469

1) Includes MSEK 47 in costs for building Billerud and the stock exchange listing. Costs totalled MSEK 15 in Q4, MSEK 22 in Q3 and MSEK 10 for Q1 and Q2.

Quarterly breakdown of operating margin by product area and for the Group

%	2002		2001				
	II	I	Full year	IV	III	II	I
Kraft paper	18	21	22	18	24	21	24
Containerboard	16	18	21	23	18	21	22
Market pulp	8	5	16	6	6	12	36
Group	14	15	19	15	15	18	25

Quarterly breakdown of deliveries by product area

kton	2002		2001				
	II	I	Full year	IV	III	II	I
Kraft paper	120	124	463	117	107	109	130
Containerboard	129	127	449	120	106	115	108
Market pulp	84	82	310	87	78	81	64
Total	333	333	1 222	324	291	305	302