
1 February 2012

Billerud to acquire UPM-Kymmene's packaging paper business

Billerud Finland Oy, a wholly-owned subsidiary of Billerud AB, has signed an agreement with UPM-Kymmene (UPM) to acquire UPM's packaging paper business in Pietarsaari and Tervasaari with sales of approximately EUR 220 million (SEK 2 billion) in 2011. Billerud pays EUR 130 million (approximately SEK 1.2 billion) for the business. The acquisition will significantly reduce Billerud's pulp exposure and strengthen the offering within packaging paper. In addition, the currency exposure is also reduced.

"We see great potential in the acquired business as it will now be integrated in a business focused on packaging paper. The acquisition will give us a strong platform to continue developing our offering within smarter packaging solutions. In addition, the acquisition significantly reduces our pulp exposure and adds a much larger Euro cost base, which we view positively." says Per Lindberg, President and CEO of Billerud.

The acquisition includes one paper machine in Pietarsaari and one paper machine in Tervasaari, both in Finland. Both machines rank among the largest and most efficient of its kind in Europe and are assessed as well invested and well maintained. The machines produce packaging paper (sack/kraft paper) used in a broad range of areas such as food, retail, construction and other industries. Annual production capacity is approximately 300,000 tonnes. The business has approximately 185 employees. Other activities at the mill sites will remain owned and operated by UPM.

Annual net synergies are estimated to approximately SEK 30 million with full financial impact from year-end 2013. Synergies are mainly obtained through increased production flexibility within the Billerud Group. One-off costs associated with the separation of the acquired business from UPM is estimated to approximately SEK 22 million during 2012.

The acquired business achieved sales of approximately EUR 220 million (SEK 2 billion) and EBITDA of approximately EUR 18 million (SEK 165 million) in 2011 (pro forma).

The acquisition is expected to be cash flow positive from day one after closing. With full effect from synergies Billerud's earnings per share is expected to increase by approximately SEK 1.20.

Long-term agreements have been signed between the parties where UPM, among other things, will deliver production inputs such as pulp, steam and electricity to Billerud. In the signed pulp agreement Billerud will purchase pulp at market price. Following the transaction, Billerud will purchase an annual pulp volume corresponding to approximately 85% of Billerud's current market pulp sales volume. As a result, the acquisition will significantly reduce Billerud's exposure to pulp market and Billerud will therefore no longer report sales of market pulp separately.

The acquisition is subject to applicable regulatory clearances.

The acquisition will be financed by a combination of cash at hand and debt via existing credit facilities. The impact on Billerud's net debt/equity ratio is +24 percentage points. The new net/debt ratio is assessed to be well below the Group's target level, like-for-like. In case the acquisition is not completed Billerud has agreed to pay UPM a termination fee of EUR 5 million.

Macquarie Capital acted financial advisor and Cederquist acted as legal advisor for Billerud in the transaction.

Press and analyst conference at 10.00 (CET) today

At a press and analyst conference today, 1 February, 10.00 (CET), President and CEO Per Lindberg and CFO Susanne Lithander will present the year-end report 2011 as well as the acquisition.

Venue: Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm, Sweden
The press and analyst conference can also be viewed live on Billerud's website www.billerud.com. You may also participate by telephone. Dial-in-number:

Swedish number: +46 (0)8 505 598 53
UK number: +44 (0)203 043 24 36
US number: +1 866 458 40 87

Presentation material will be available on Billerud's website prior to the start of the telephone conference.

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Billerud – "The Natural Part in Smarter Packaging". Packaging manufacturers and brand owners are offered added value in the form of brand-strengthening, productivity-boosting and environment-enhancing packaging solutions. Billerud has a world-leading market position within primary fibre-based packaging paper. Billerud has annual sales of around SEK 9 000 million and is listed on NASDAQ OMX Stockholm. www.billerud.com