BILLERUD

January-September 2007

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The Packaging Company

Quarterly update & news

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

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Achievements

- Continued strong demand
- Higher prices on all products
- New product launches, Quick Fill X-run and MicroWavePac.
- NINE Total Packaging Partner started

Result

- Operating result 153 MSEK in Q3, compared to 17 MSEK in Q2
- Operating margin 8% (1% in Q2 2007)
- Operating result 347 MSEK for 9 months 2007, compared to 376 MSEK in 2006
- Operating margin 6% (7%)

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Challenges

Wood cost development

Q2 Report

- 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
- January-Sept – average wood price + 19% compared to Q4 2006

Actions taken

- Complete review of how to react to higher wood prices in progress
  - » Production cut backs to reduce wood import
  - » Review of recipes and product specifications
  - » Production review to lower wood consumption
  - » Focus on market segments, quality, value & pricing
  - » Review additional efficiency improvements
- Continued build up of Billerud Skog
- Exploring additional energy-related business opportunities
- Endurance in long term strategic repositioning – end customer focus and sales development

Building on our strengths to face current challenges

Billerud challenges

- Sharp increase in wood costs for the whole industry
- Tight supply of wood
- Stronger SEK and weaker USD

Billerud strengths

- 100% exposure to the growing packaging market
- Strong niche positions, with strong demand
- Cost efficient integrated production capacity
- 60% energy self-sufficiency, and an additional 20% on fixed cost
- Strategic direction - focus on packaging functionality and efficiency rather than tonnage
- Working with end customers

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Business areas and segments

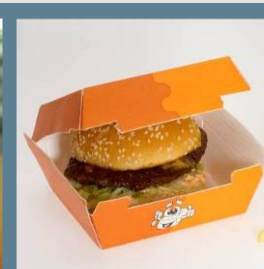
Packaging & Speciality Paper

MG, MF & Sack Paper



Packaging Boards

S/C Fluting, Liner, Liquid Board




Market Pulp

Nordic Bleached Softwood Kraft Pulp


Packaging & Speciality Paper
Market situation

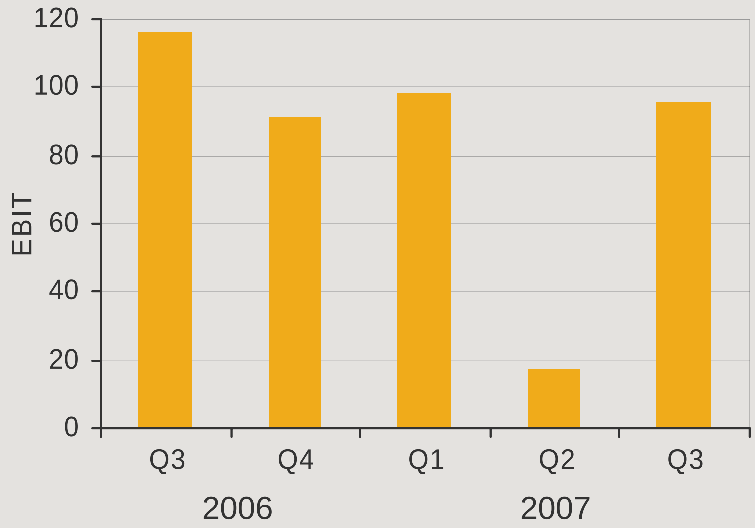
Q3

- Sack paper market is good & stable
- Quick-Fill X-run has been introduced
- MG and MF markets are good (with a tendency of weakening in bags and flexible packaging)
- To compensate for increased wood costs, price increases of 5-7%, (~EUR 50) have been announced from 1st of January for all MF and MG papers, and by around EUR 60 for brown and white sack paper

Packaging & Speciality Paper

Financials

- Deliveries -1% vs. Q2 2007
- Turnover +1% vs. Q2 2007



	Q3 2007	Q2 2007	Q3 2006*	2006*
Net sales, MSEK	969	960	948	**3,750**
Operating profit, MSEK	96	17	116	**350**
Operating margin	10	2	12	**9**

* restated to 2007 definitions

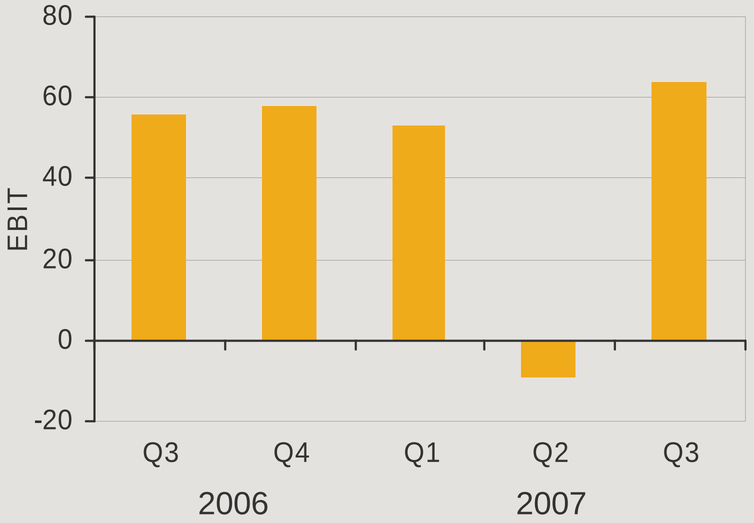
Packaging Boards
Market situation

Q3

- Continued strong order book for S/C fluting
- Market for white liner is picking up
- Announced price increases
  - » EUR 50 from September 1 for S/C fluting
  - » 5-8% from October 1 for white liner

Packaging Boards
Financials

- Deliveries +3% vs. Q2 2007
- Turnover +7% vs. Q2 2007



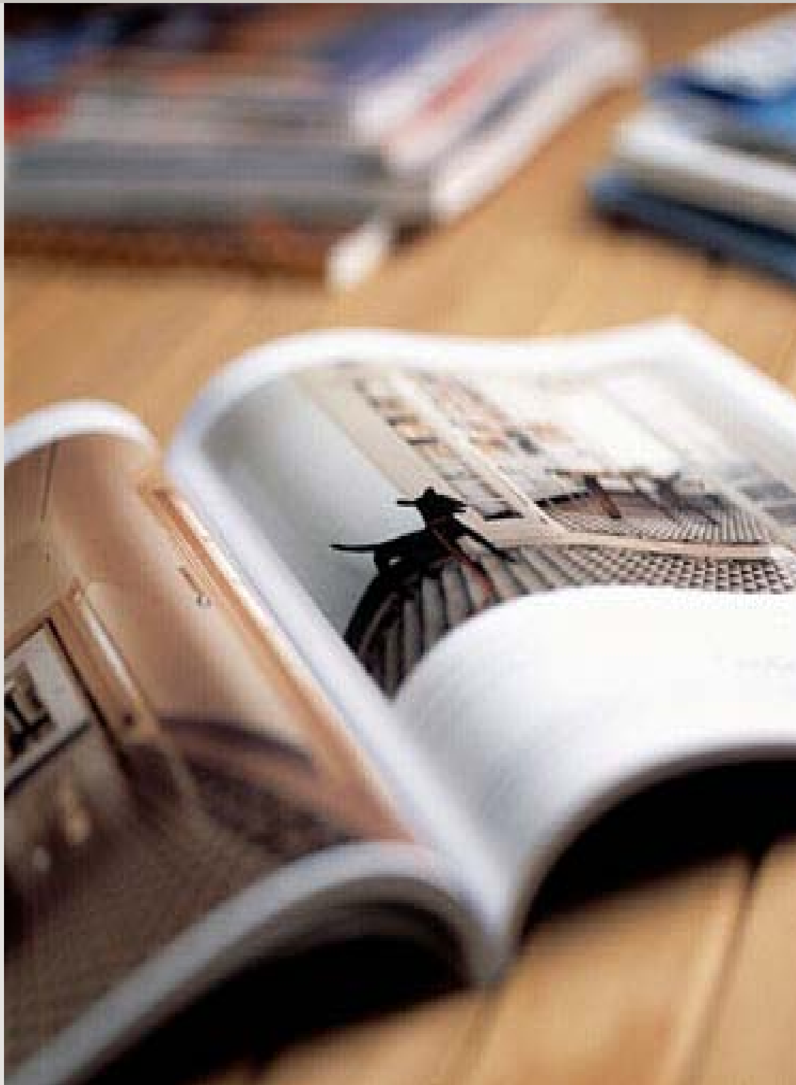
	Q3 2007	Q2 2007	Q3 2006*	**2006***
Net sales, MSEK	546	508	541	**2,188**
Operating profit, MSEK	64	-9	56	**175**
Operating margin	12	-2	10	**8**

* restated to 2007 definitions

Market Pulp
Market situation

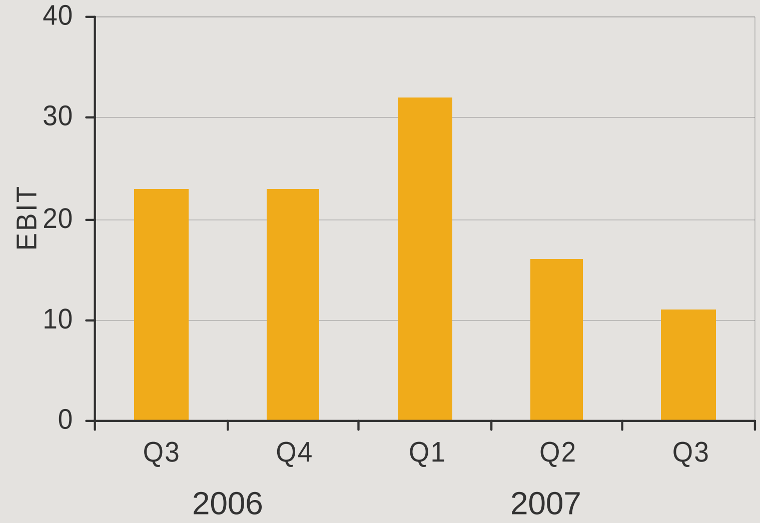
Q3

- Continued strong demand situation
- Price increase from USD 730 per ton beginning of 2007 to USD 830 per ton
- Price increase to USD 850 per ton announced from 1st of November
- Price increases does not fully compensate for USD erosion and cost increase



Market Pulp
Financials

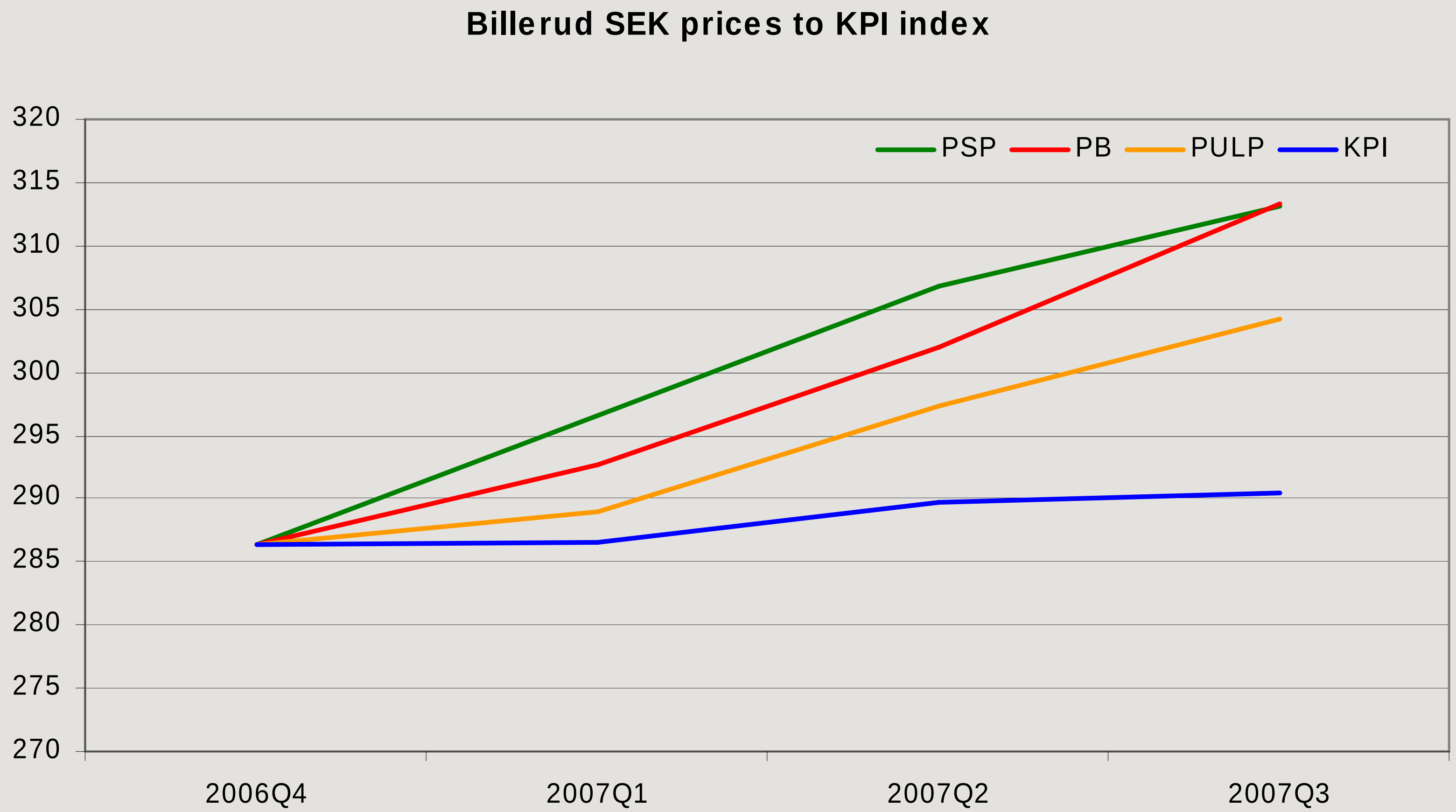
- Deliveries -17% vs. Q2 2007
- Turnover -15% vs. Q2 2007



	Q3 2007	Q2 2007	Q3 2006*	**2006***
Net sales, MSEK	360	425	355	**1,382**
Operating profit, MSEK	11	16	23	**46**
Operating margin	3	4	6	**3**

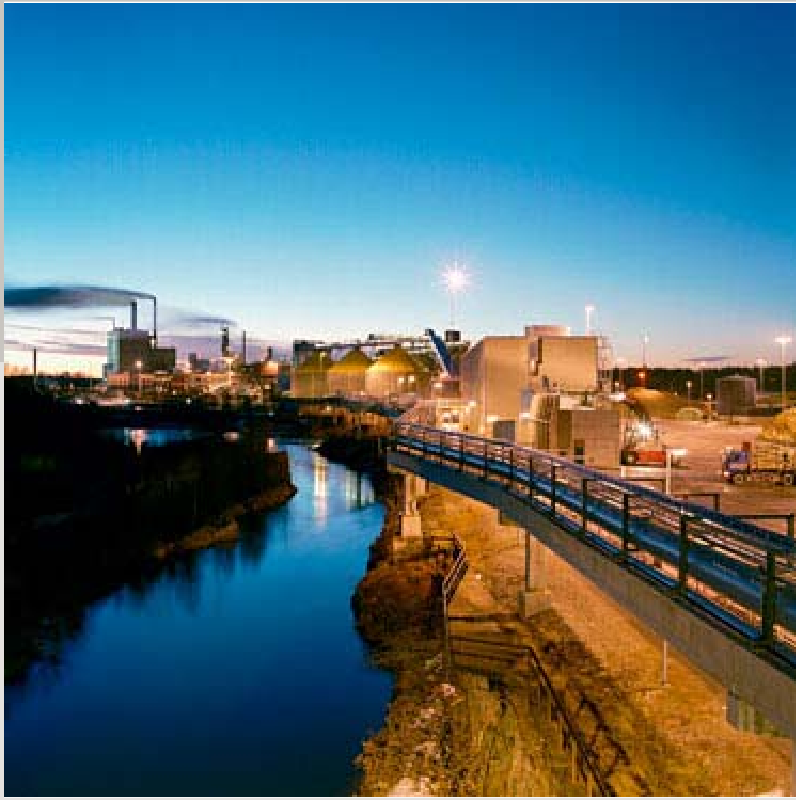
* restated to 2007 definitions

Billerud continue to increase prices



Notes: PB includes S/C fluting and white liner, together 86% of PB sales.
KPI from SCB.

Financials



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Key figures
Q3 2007 vs. Q2 2007

	Q3 2007	Q2 2007	vs. Q2 2007
Deliveries (‘000 tonnes)	318	331	-4%
Net sales, MSEK	1,874	1,884	-0,5%
Operating profit, MSEK	153	17	+800%
Operating margin	8%	1%	+7%
Profit/share, SEK	1.65	-0.17	+1.82
Debt/Equity ratio	1.02	1.02	+-0

Key figures
Jan-Sept 2007 vs. Jan-Sept 2006

	Jan-Sept 2007	Jan-Sept 2006	vs. Jan-Sept 2006
Deliveries (‘000 tonnes)	992	1025	-3%
Net sales, MSEK	5,690	5,502	+3%
Operating profit, MSEK	347	376	-8%
Operating margin	6%	7%	-1%
Profit/share, SEK	3.56	4.33	-18%
Debt/Equity ratio	1.02	0.98	-0.04

Reason for EBIT Development

2007 vs. 2006

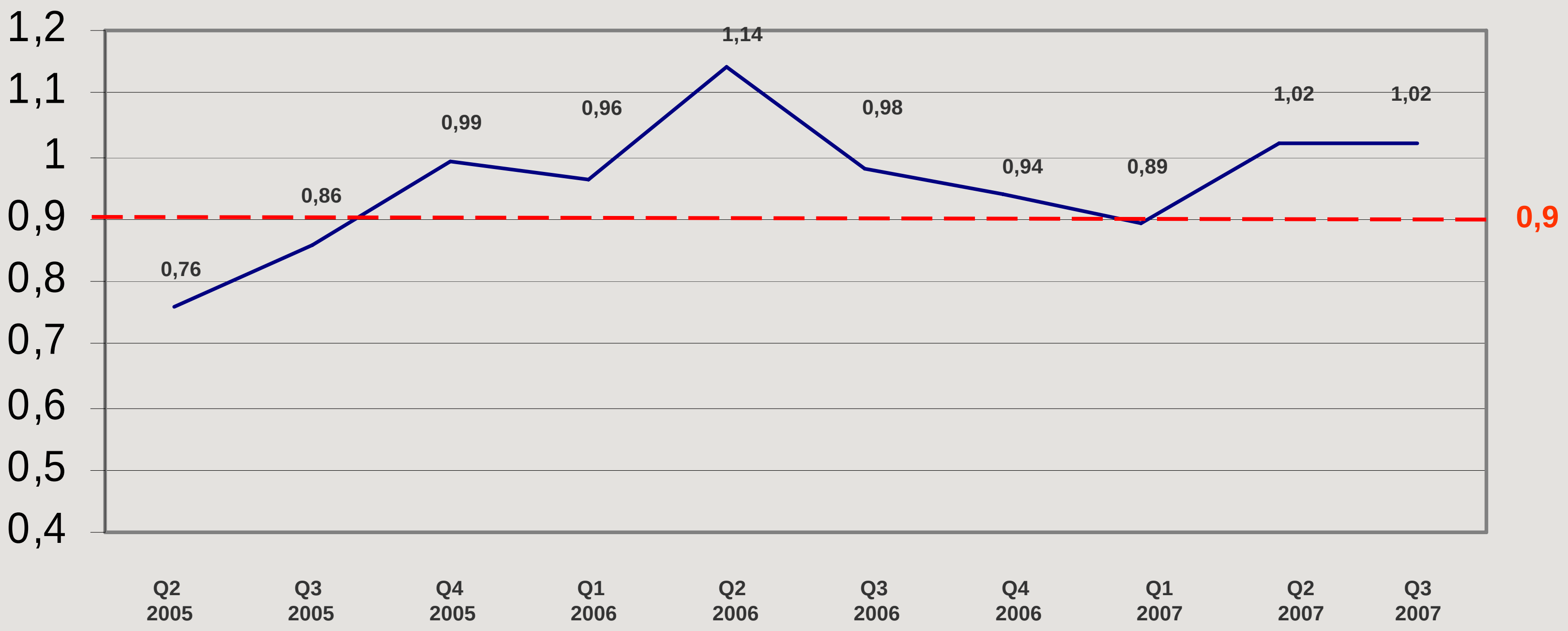
	Jan-Sep 07 vs 06	Q3 07 vs 06	Q2 07 vs 06	Q1 07 vs 06
Deliveries and prod. volumes, incl. product mix	-35	+5	-40	0
Sales prices (in local currencies)	+545	+163	+199	+183
Change in variable costs	-249	-144	-80	-25
Change in fixed costs	-97	-5	-96	+4
Change in depreciations	-14	-1	-7	-6
Effect of exchange rates, including hedging	-179	-70	-66	-43
Total effect on results	-29	-52	-90	+113

Cash Flow

MSEK	Q3 2007	Q2 2007	Q3 2006	2006
Operating surplus etc	+241	+98	+268	+802
Working capital change	-187	+26	+186	+42
Finance net, taxes	-18	-30	-55	-50
Cash flow from operating activities	+36	+94	+399	+794
Capex, excl. energy investments	-140	-196	-102	-359
Capex (energy inv.)	-	-	-	-269
Capex	-140	-196	-102	-628
Operating cash flow	-104	-102	297	+166
Dividends/share buy-backs		-180		-167
Other	+2	+1	-10	-9
Change in net debt [1)]	-102	-281	+287	-10

[1)] Minus equals increase in net debt

D/E ratio development



In focus

- Costs
- Margins

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
  - » 92% completed in form of cost savings
  - » Total savings 250 MSEK (vs. 2004)
  - » Full effect expected Q4, 2007

Cost reduction programs - continued

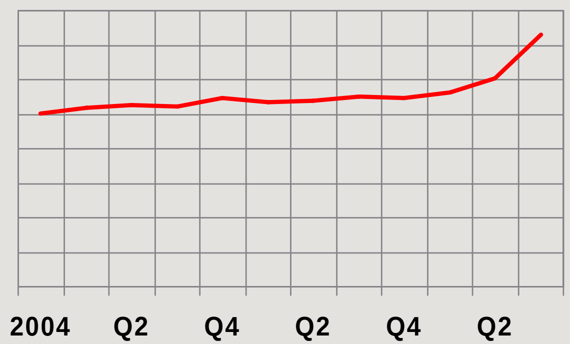
- Process efficiency program – ”One Billerud”
  - » Order fulfillment
  - » Procurement and logistics
  - » Production and maintenance
  - » Sales
  - » Administration and control
- Wood cost combat review
  - » Reducing wood consumption
  - » Choosing segments/markets
  - » Additional efficiency improvements

Market prices affecting result

Electricity index (Sweden*)

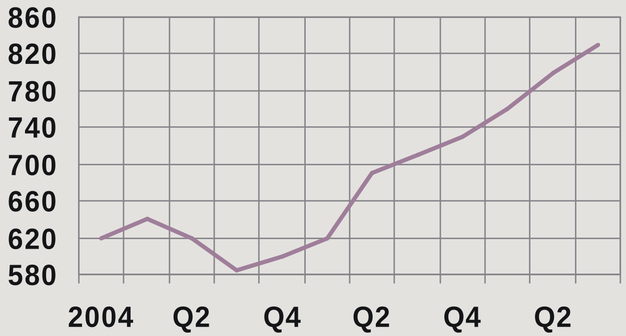
*Source: Nordpool. *Price area Sweden*

Wood price index

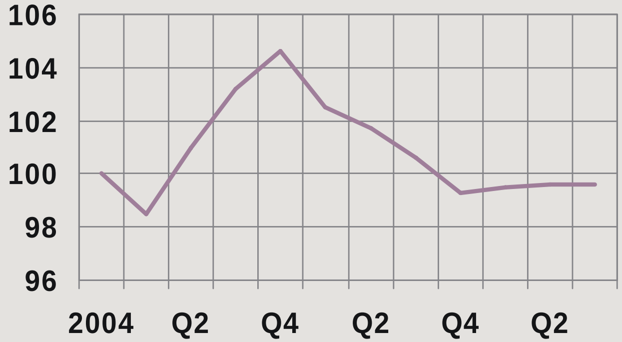


Source: Billerud

Market Pulp (USD/t)



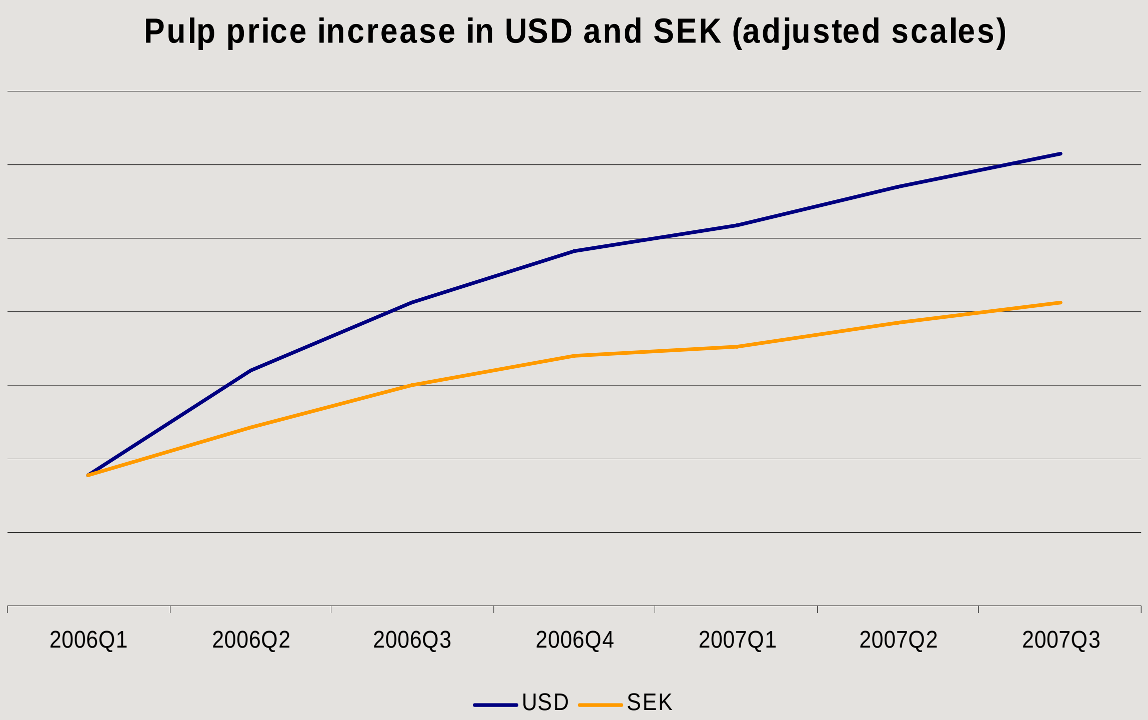
TCW index



Source: Riksbanken

USD exposure

- USD Sales 250-300 MUSD/yr
- 85% of USD sales are market pulp sales
- 0% of market pulp sales are to the US
- USD depreciation so far compensated by price increase



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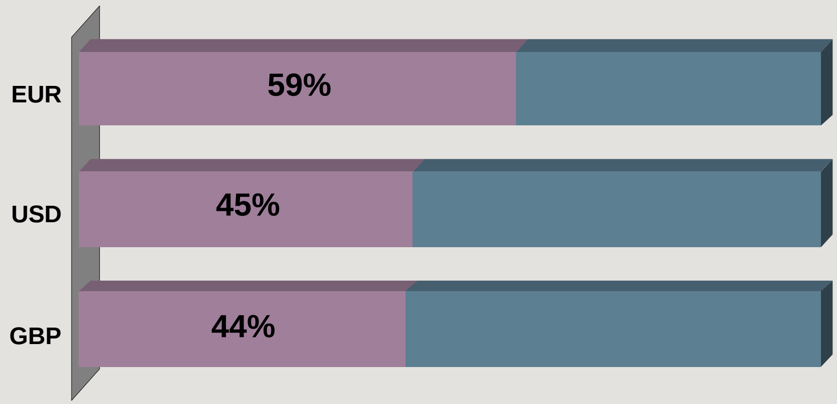
Currency situation

- Positive profit effect of net flow hedging MSEK +3 for Q3 2007
- Hedge level 12 months forward:



	Q2 2007		Q3 2007		Q4 2007
	Average hedged currency rates	Average current rates	Average hedged currency rates	Average current rates	Average hedged currency rates
EUR	9.16	9.26	9.13	9.27	9.20
USD	7.01	6.87	6.91	6.75	6.82
GBP	13.56	13.64	13.49	13.63	13.50

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

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Outlook

Outlook

- Supply and demand are in good balance on most of the markets for Billerud's products, and the market situation is expected to remain good for the rest of this year and the start of next year.
- Considerable increases in prices for wood materials and the changed currency situation means there is pressure to further increase prices for some qualities to historically high levels.
- Price increases have been announced for most paper products as of 1 January 2008 and for pulp from 1 November 2007, and additional measures to improve efficiency are under assessment.
- Work aimed at improving margins to meet targeted profitability levels is becoming harder due to the wood price situation.
- In the final quarter Billerud is not expecting any further increase in Billerud's wood costs per tonne of produced product.

Q&A