

# Billerud

January – March 2002

Stockholm, April 22

Bert Östlund, CEO

Nils Lindholm, CFO

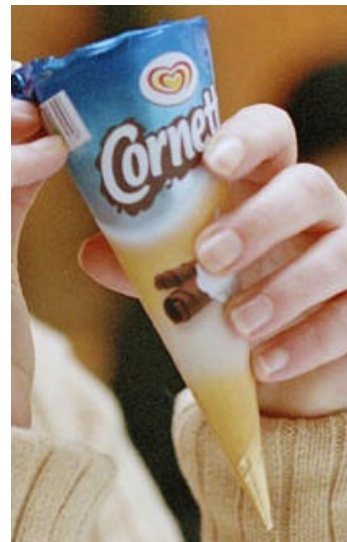


# Billerud at a Glance

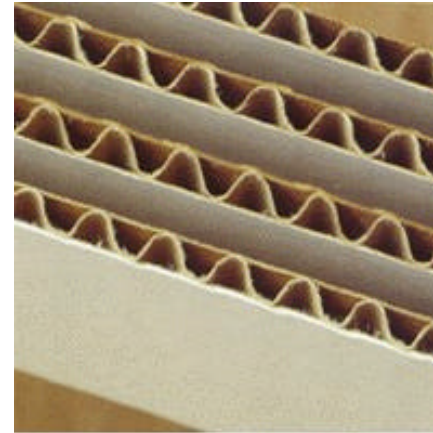
- Billerud is a leading producer within certain niches of kraft paper and containerboard in Europe
- Billerud was established in the beginning of 2001 and listed in November 2001
- Capacity 1.3 million tonnes of paper and pulp and about 2,400 employees
- Billerud had net sales of SEK 6.9 billion during 2001

# Examples of Products

## Kraft paper



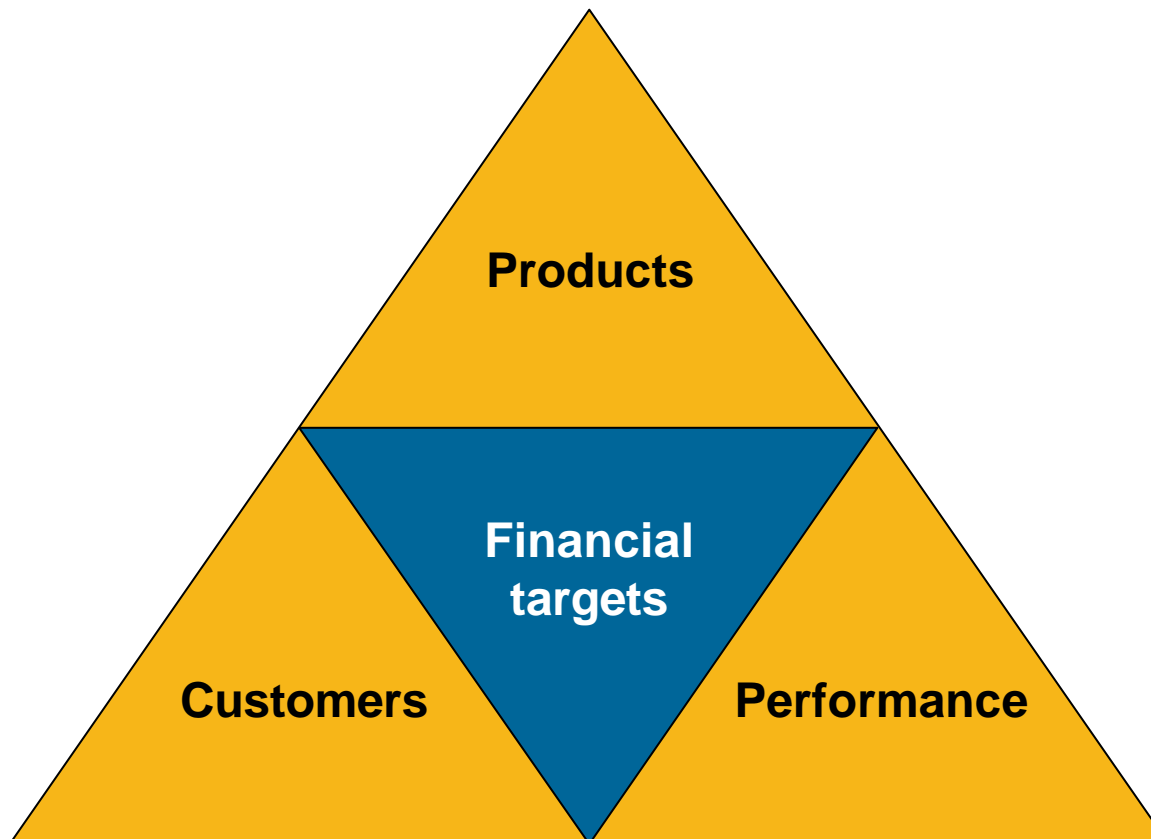
## Containerboard



# Billerud – Key Strengths

- Strong market position in attractive segments
- Competitive production
- Strong cash-flow

# Strategy



# Highlights during Q1

- Stable market conditions
- High production efficiency at mills
  - No maintenance stops
- High deliveries, 330 000 tonnes, +3% vs Q4
- Operating profit MSEK 268, +1% vs Q4
- Profit after financial items MSEK 247
  - MSEK +17 vs. Q4
  - MSEK -12 vs. Q4 (if adjusted for one time items during Q4)

# Market Situation Q1 vs Q4 2001

- Stable demand for Billeruds' products
- Kraftpaper
  - Deliveries +6%, prices declined
- Containerboard
  - Deliveries +2%, prices declined
- Market pulp
  - Deliveries -6%, prices declined

# *Financials*

*January – March 2002*

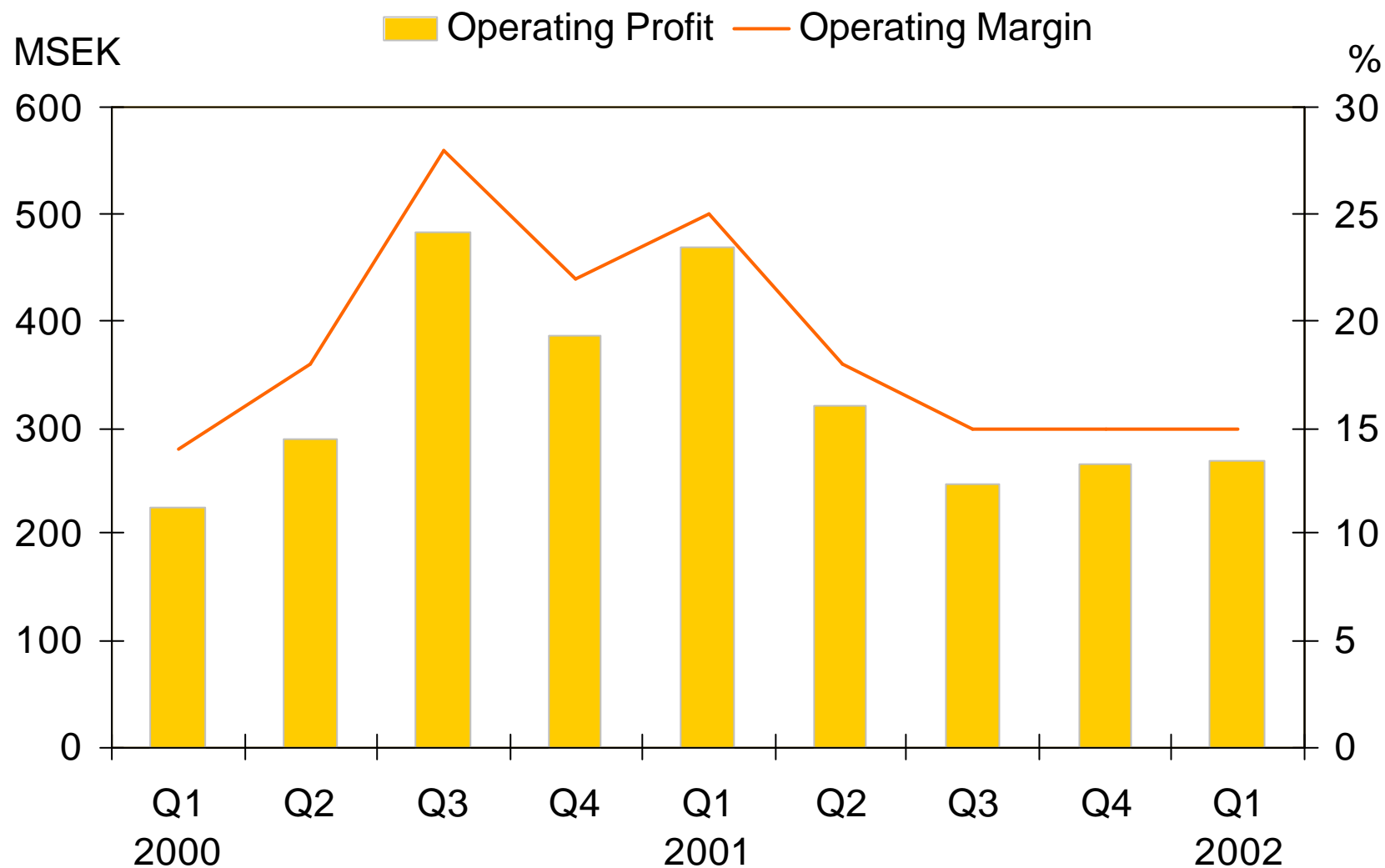
# Key Figures Q1 2002

	Q1 2002	vs Q4 2001	vs Q1 2001
Net sales, MSEK	<b>1,756</b>	+1%	-5%
Operating profit, MSEK	<b>268</b>	+1%	-43%
Operating margin	<b>15%</b>	+/-0	-10
ROCE <sup>1)</sup>	<b>23%</b>	-4	-11
Profit/share, SEK	<b>2.82</b>	-5%	-44%
Debt/Equity ratio <sup>2)</sup>	<b>0.51</b>	-0.05	-0.40
Deliveries (ktonnes)	<b>333</b>	+3%	+10%

1) Moving 12 months

2) End of period

# Operating Margin Development



# Currency Situation

- Substantial exposure to changes in SEK exchange rate
- Positive profit improvement of currency hedge MSEK 30 during Q1
- 15 months forward hedging of net flows
- Hedging rates at present

Currency	Q2 2002	Q 3 2002	Q 4 2002	Q 1 2003	Q 2 2003	Average
SEK/EUR	9.53	9.54	9.42	9.49	9.21	9.43
SEK/USD	10.62	10.64	10.68	10.66	10.61	10.64
SEK/GBP	15.07	15.41	15.09	15.11	14.82	15.1

# Cash Flow

MSEK	Q1 2002	Q4 2001	Year 2001
Operating surplus	<b>358</b>	352	1,644
Working capital change	<b>-36</b>	-13	-183
Finance net, taxes	<b>-196</b>	-57	-144
Cash flow from operating activities	<b>126</b>	282	1,317
Capex	<b>-60</b>	-201	-458
Sales of assets	-	2	2
Change in long-term claims	-	13	13
Operating cash flow (= change in net debt)	<b>+66</b>	+111	+874

# Incentive Programme

- Stock options
  - Stora Enso has issued 300.000 stock options to Billeruds' management
  - Term five years, subject to continued employment at Billerud
  - No dilution or cost for Billeruds' other shareholders
  
- Convertible loan
  - Subject to approval by AGM on May 7
  - Offered to all employees in Sweden
  - 5 years, conversion price 115% of share price May 14-21 2002
  - Maximum dilution 2.5%

# Financial Objectives

	Target	Achieved Q1
Return on capital employed	$\geq 15\%$ <sup>1)</sup>	23% <sup>2)</sup>
Debt/equity ratio	0.6-0.9	0.51
Investments	In line with depreciation	
Pay-out ratio	50% <sup>1)</sup>	

1) Average over a business cycle

2) Moving 12 months

# *Market Outlook*

# Market Outlook

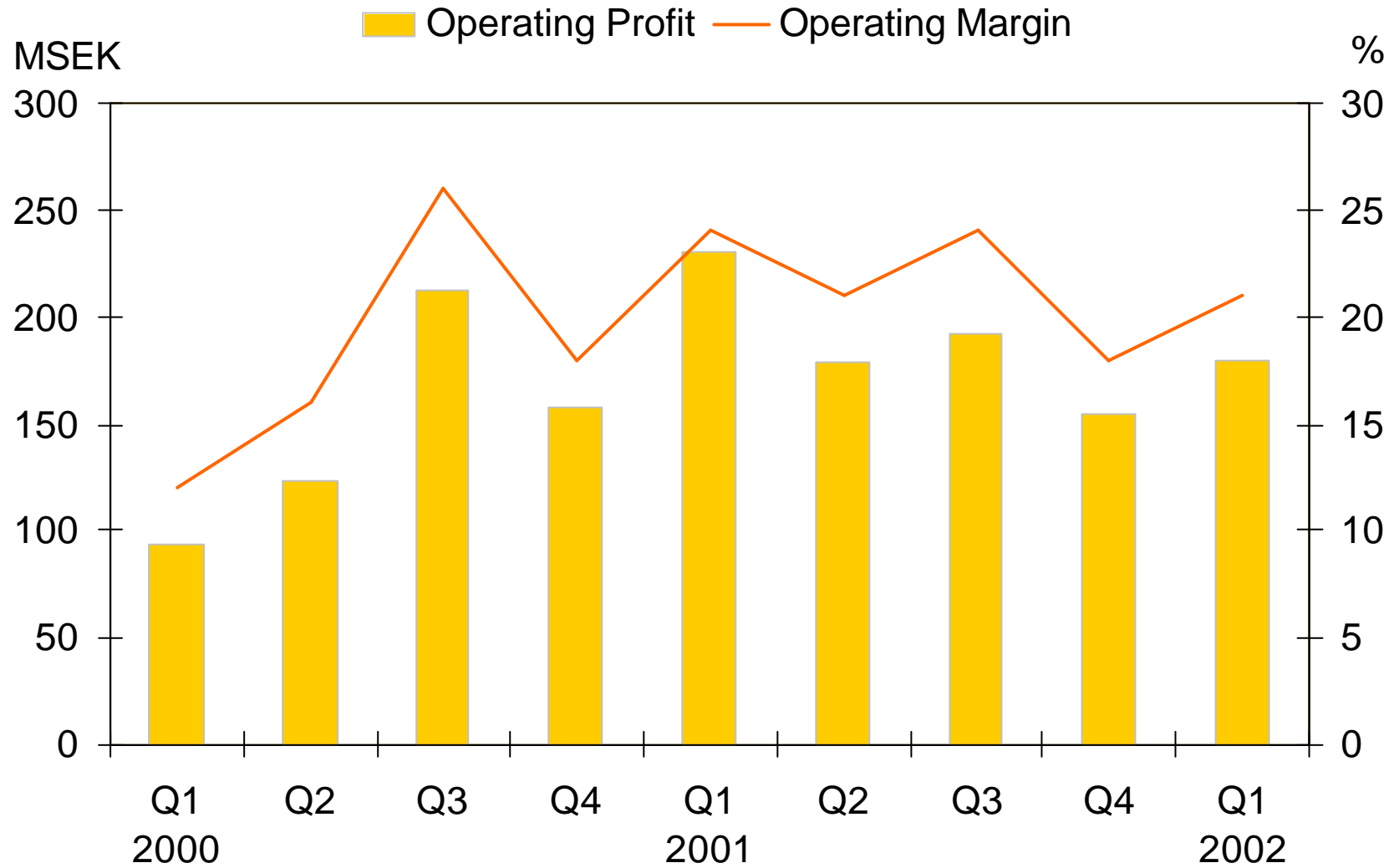
- Market conditions for packaging papers have improved and are currently relatively good
- Order book has improved
- Price pressure has ended
  - Current prices are somewhat below Q1 average
- Billerud considers price increases in certain markets and segments
  - P&L effect in the latter part of the year

# Market Outlook II

- Demand for market pulp has improved
- Price increase for hardwood pulps from April
- Price increase for NBSK has been announced from May 1
  
- Production efficiency and delivery capability in Billerud's paper mills continue on a good level
- Annual maintenance stops in Skärblacka in April, Karlsborg Q3 and Gruvön Q4

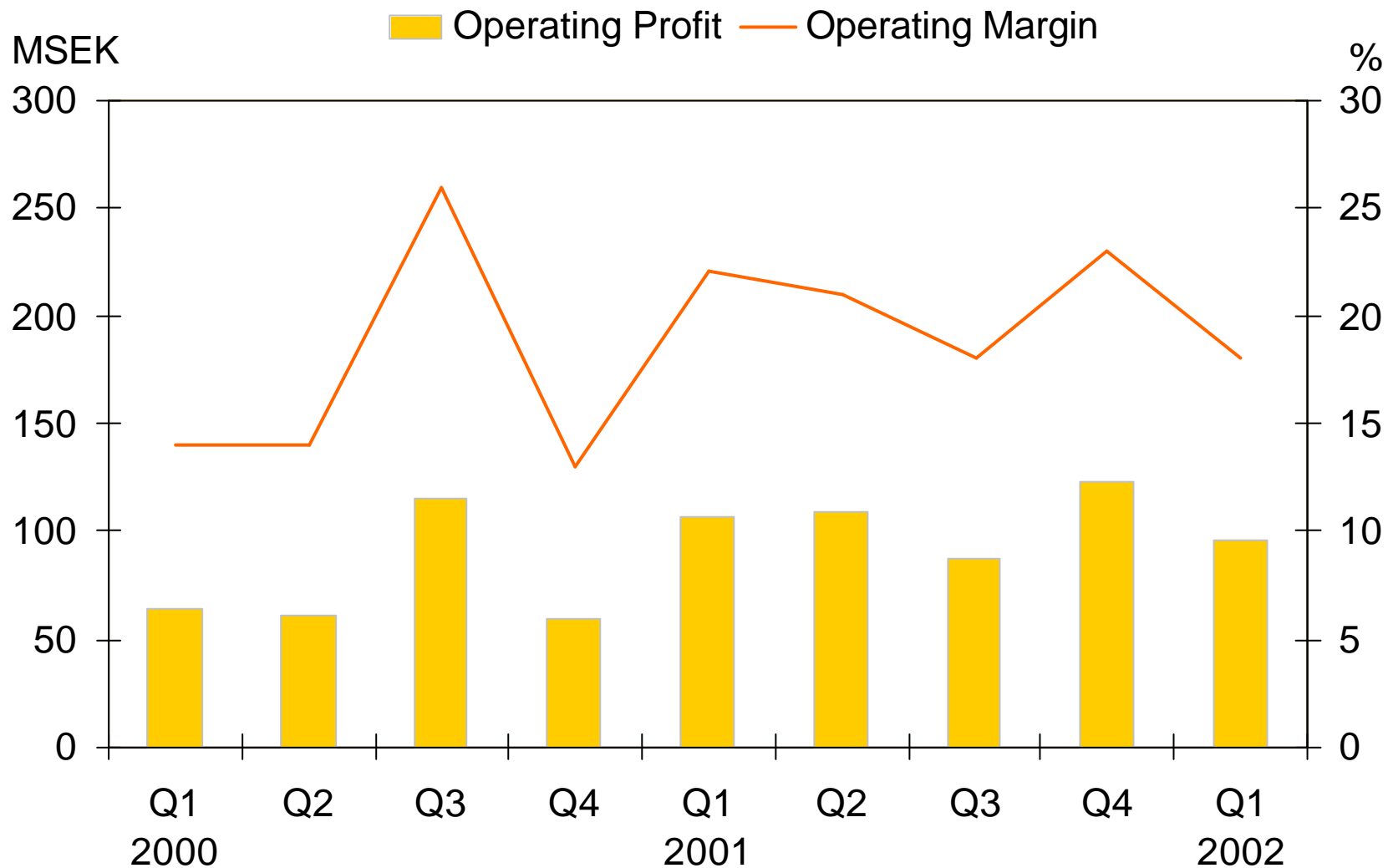
*- Appendix -*

# Operating Margin – Kraft Paper



Source: Billerud

# Operating Margin – Containerboard

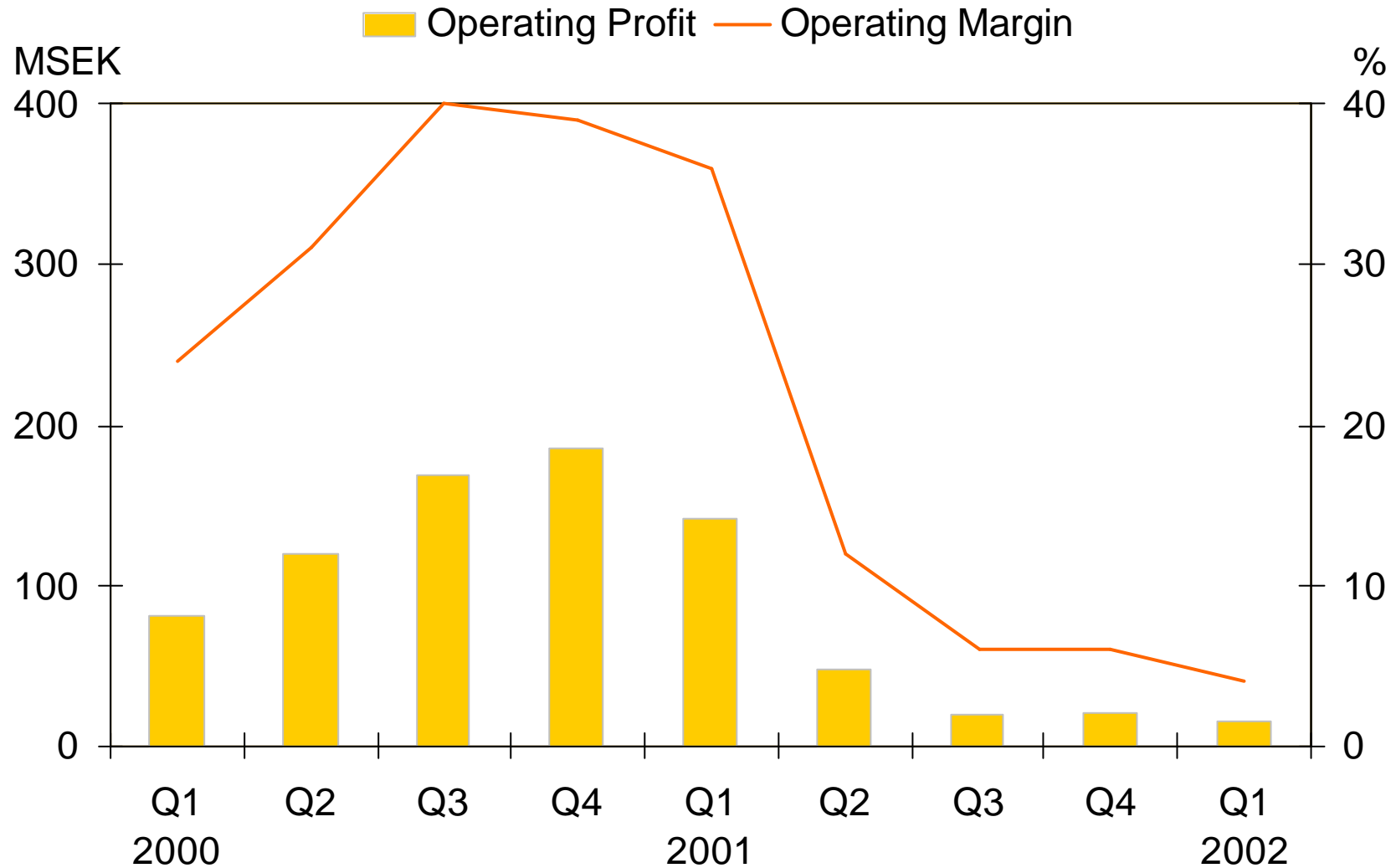


Source: Billerud

2000

2001

# Operating Margin – Market Pulp



Source: Billerud

# Currency Rates

	Average rates per year				Average rates per quarter			Hedged rates	Trend
	1998	1999	2000	2001	Q1-2001	Q4-2001	Q1-2002	Q1-2002	
SEK/EUR	8.93	8.80	8.44	9.25	9,00	9.48	9.16	9.49	8.67
SEK/USD	7.95	8.26	9.17	10.33	9.75	10.57	10.45	10.47	7.95
SEK/GBP	13.17	13.37	13.86	14.87	14.22	15.26	14.90	15.04	-
EUR/USD	1.12	1.07	0.92	0.90	0.92	0.90	0.88	-	1.09
<b>Billerud weighted index</b>	100	100	101	112	108	114	111	114	98

# Delivered Volumes

	2002	2001			
Ktonnes	I	IV	III	II	I
Kraft paper	124	117	107	109	130
Containerboard	127	120	106	115	108
Market pulp	82	87	78	81	64
<b>Total</b>	<b>333</b>	324	291	305	302