



FINANCIAL STATEMENT January-December 2002

Corporate Identity No. 556025-5001

www.billerud.com

	Quarter			Full year	
	2002 IV	2002 III	2001 IV	2002	2001
Net turnover, MSEK	1 735	1 804	1 735	7 067	6 910
Operating profit, MSEK	341	354	265	1 214	1 299
Operating margin, %	20	20	15	17	19
Profit after financial items, MSEK	312	329	230	1 116	1 181
Earnings per share, SEK	3.85	4.02	2.98	13.25	13.81

- Market demand remained good during the final quarter. Record production was achieved for Billerud as a whole and for nearly all paper machines in 2002.
- Operating profit in the final quarter reached MSEK 341, down 4% on the previous quarter due to higher costs in connection with the maintenance stoppage at Gruvön.
- Operating profit for the full year was MSEK 1,214 (1,299). After adjustments for one-off costs, the full-year result for 2001 was MSEK 1,346.
- Currency hedging had a positive effect on results of MSEK 316, of which MSEK 131 was in the final quarter. Currency hedging had a negative effect of MSEK 20 in 2001.
- Synergy benefits from the formation of Billerud had a positive effect on results of MSEK 100.
- Return on capital employed amounted to 25% (27). Excluding currency hedging effects, the return was 19%.
- Cash flow in 2002 was MSEK 969, of which MSEK 661 was used to pay dividends and buy back Billerud shares.
- The Board proposes a dividend of SEK 6.50 per share (3.50), up 86% on last year. The Board will also propose additional share buy-backs.
- Based on the current economic conditions and existing currency hedging, Billerud estimates that results in 2003 will be in line with 2002.

Bert Östlund, CEO, will present the results in a teleconference in English at 18.00 CET
Please call +46 8 5052 0114 (from Sweden), +44 (0)20 7162 0125 (from Europe)
or +1 334 323 6203 (from the US) at 17.55 CET. If you are unable to participate, there will be a replay facility
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Billerud Group

Market

Market demand for Billerud's products remained good during the final quarter of 2002. Production capacity was fully utilised during the final quarter, as it was throughout 2002. Record production was achieved for Billerud as a whole and for nearly all paper machines in 2002. Deliveries during the year amounted to 1,292,000 tonnes, up 6% on 2001. Stocks of finished products were reduced by 10,000 tonnes during the year. In the final quarter, deliveries totalled 305,000 tonnes, down 5% on the third quarter mainly due to the maintenance stoppage at Gruvön which affected production and deliveries negatively. The order situation remains good.

Orders received for Billerud's packaging paper were stable in the final quarter. Following rises in the third quarter, average prices were relatively stable in the final quarter. Deliveries of packaging paper amounted in total to 976,000 tonnes in 2002, up 7% on 2001.

The market for market pulp was relatively weak during the quarter, with falling prices as a result. The market price for long fibre sulphate pulp fell during the quarter from around USD 480 per tonne to around USD 440 per tonne. An increase to USD 480 per tonne has been announced to take effect from February 2003. Billerud's deliveries of market pulp amounted to 316,000 tonnes in 2002, up 2% on 2001.

Sales and results

Final quarter

Net turnover for the period amounted to MSEK 1,735, down 4% on the third quarter. Lower turnover is explained by a 5% fall in deliveries as average prices rose slightly, despite lower pulp prices.

Operating profit amounted to MSEK 341, a decrease compared with the previous quarter of MSEK 13 or 4%. The fall was mainly due to costs for the maintenance and rebuild stoppage at Gruvön being higher than expected due to problems encountered when re-starting.

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

Net financial items amounted to MSEK -29.

Full year 2002

Compared with 2001, net turnover increased by 2% and amounted to MSEK 7,067. The higher turnover was attributable to the 6% increase in delivery volumes. Prices fell on average compared with 2001, but this was countered partly by currency hedging.

The operating profit of MSEK 1,214 was MSEK 85 or 7% lower than in 2001. The decline was mainly due to lower prices. Higher delivery volumes and slightly lower costs partly compensated for lower prices.

Net financial items were MSEK -98, an improvement of MSEK 20, or 17%, compared with 2001. The improvement was completely due to lower net debt.

The estimated tax charge was MSEK 316, corresponding to a tax rate of 28%.

Synergies

In connection with the formation of Billerud, synergy effects of around MSEK 200 were forecast compared with the starting point of the beginning of 2001. To achieve this, a streamlining project was started early in 2001. This will boost profits by at least MSEK 170 by the end of 2003. An additional MSEK 30 in cost synergies have been obtained, making a total synergy benefit of MSEK 200 by the end of 2003.

During 2002 the synergy benefit is estimated at around MSEK 100, compared with MSEK 55 in 2001. In 2002 the streamlining project contributed MSEK 70 and previously reported cost synergies contributed MSEK 30.

Foreign exchange exposure

Billerud has hedged around 100% of estimated net flows over 15 months in EUR, USD and GBP at the rates listed below. Of the current hedged amount, 64% is in EUR, 32% in USD and 4% in GBP.

During the full year of 2002 net flows have been hedged at the following rates: SEK/EUR 9.48, SEK/USD 10.61 and SEK/GBP 15.15. Currency hedging boosted profits by around MSEK 316, of which around MSEK 131 was realised during the final quarter. Of this boost to profits, 40% was due to hedging of EUR, 57% to hedging of USD and 3% to hedging of GBP. Hedging had a negative effect on results in 2001 of MSEK 20.

Hedging as % of forecasted underlying net flows for the next 15 months

Currency	Q 1 2003	Q 2 2003	Q 3 2003	Q 4 2003	Q 1 2004	Average
SEK/EUR	9.48	9.21	9.30	9.24	9.20	9.28
SEK/USD	10.63	10.54	10.05	9.69	9.30	9.99
SEK/GBP	15.03	14.71	14.59	14.35	14.26	14.58

Hedging of electricity prices

Billerud purchases around 1.1 TWh of electricity from external suppliers each year. Electricity prices are continually hedged. At present around 80% of Billerud's electricity consumption in 2003 and around 50% of consumption in 2004 is hedged. Hedging kept electricity prices in 2002 virtually unchanged compared with 2001. However, electricity prices are still expected to be around MSEK 50 higher in 2003 compared with 2002.

Investments and capital employed

Gross investments amounted to MSEK 373, while depreciation during the same period amounted to MSEK 365. Investment expenses are partly for smaller maintenance projects and partly for previously announced projects including the rebuild of PM4 at Gruvön and environmental measures at Karlsborg.

Billerud's capital employed amounted to MSEK 4,653 as of 31 December 2002, compared with MSEK 4,822 at the end of 2001. Higher fixed and working capital was offset by higher tax liability.

Cash flow and financial position

Cash flow from operating activities amounted to MSEK 1,339. Investment activities produced a deficit of MSEK 370. The operating cash flow reached MSEK 969, compared with MSEK 874 in 2001. The operating cash flow improved because of a lower investment level and reduced tied-up working capital.

MSEK 220 of operating cash flow was paid out in dividends to shareholders and MSEK 441 was used to buy back Billerud shares. The net debt level improved by MSEK 311 during the year, of which MSEK 302 came in the final quarter. After the reduction of interest-bearing liabilities of MSEK 62 the cash change amounted to MSEK 249.

The interest-bearing net debt amounted to MSEK 1,420 on 31 December 2002, compared with MSEK 1,731 at the end of 2001. The Group's net debt/equity ratio at the end of the period was 0.44 compared with 0.56 at the end of the previous year. The positive operating cash flow explains the reduced net debt/equity ratio.

Personnel

The average number of employees during 2002 was virtually unchanged at 2,383, compared with 2,379 during 2001.

Product areas

Net turnover and operating profit

MSEK	Net turnover						Operating profit					
	Q 4 2002	Q 3 2002	% change	Jan- Dec 2002	Jan- Dec 2001	% change	Q 4 2002	Q 3 2002	% change	Jan- Dec 2002	Jan- Dec 2001	% change
Kraft paper	894	878	2	3 507	3 449	2	189	187	1	707	756	-6
Containerboard	507	560	-10	2 162	2 009	8	110	116	-5	413	426	-3
Market pulp	334	367	-9	1 400	1 454	-4	48	67	-28	158	228	-31
Other and eliminations	-	-1		-2	-2		-6	-16		-64	-111 ¹⁾	
Total Group	1 735	1 804	-4	7 067	6 910	2	341	354	-4	1 214	1 299	-7

¹⁾ Includes MSEK 47 in costs for forming Billerud and the stock market listing.

Kraft paper

Final quarter

The operating profit for the quarter was MSEK 189, up MSEK 2 or 1% on the third quarter, due to higher prices.

Full year

Compared with 2001, the operating profit fell by 6% to MSEK 707. Deliveries were up 4%. The profit fall was primarily due to slightly lower average prices.

Containerboard

Final quarter

The operating profit for the quarter was MSEK 110, a decrease of MSEK 6, or 5%, compared with the third quarter. The fall was due to an 11% decline in delivery volumes.

Full year

Compared with 2001, the operating profit was down 3% at MSEK 413. Prices were lower on average, but the effects were limited by increased deliveries. Deliveries climbed 10%, mainly due to the focus on white liner.

Market pulp

Final quarter

The operating profit reached MSEK 48, down MSEK 19 on the third quarter due to reduced prices.

Full year

Deliveries in 2001 were 2% higher than in 2001. The operating profit was MSEK 158, down 31% on the previous year. The decline was mainly due to reduced prices.

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 2002 amounted to MSEK 3,404. Profit after financial items amounted to MSEK 693. Fixed-asset investments, excluding shares, amounted to MSEK 207. The average number of employees was 1,122. Liquid assets and short-term investments amounted to MSEK 511.

Ownership structure and distribution of shares

The total number of shareholders (including nominees) in December 2002 was 172,000, making Billerud the seventh largest company on Stockholmsbörsen in terms of shareholder numbers. The amount of foreign ownership (excluding the company's own shareholding) was 28%.

As of 30 December the distribution of shares was as follows:

Registered amount of shares	62 740 998
<u>Bought-back shares in company ownership</u>	<u>- 4 831 000</u>
Shares on the market	59 909 998
<u>Convertible debenture loan (on full conversion)</u>	<u>268 047</u>
Shares on the market (after full conversion)	58 178 045

According to the register held by VPC (Swedish Securities Register Center) on 30 December 2002, the ten largest shareholders (excluding shares owned by Billerud itself) are as follows:

10 largest shareholders/nominees	Shares on the market, % (shares = votes)
AMF Pensionsförsäkring	5.2
AFA Försäkringar	3.7
SEB Fonder	3.6
GMO Fonder	3.5
Tredje AP-Fonden	3.5
JP Morgan Chase	3.3
State Street Bank & Trust Co	2.8
Skandia	2.4
Boston Safe Deposit And Trust	2.2
Citibank Fonder	2.1
Total	32.3

Annual General Meeting and dividend

Billerud AB's Annual General Meeting will be held at 4 p.m. on Tuesday 6 May 2003 in Aula Magna at Stockholms Universitet, Stockholm, Sweden. An announcement will be made in Sweden's national press four weeks at the latest before the meeting. The Annual Report will be distributed at the end of March/early April and will be available from this time on the company's website.

Billerud's Board of Directors proposes a dividend of SEK 6.50 per share for 2002. The Board will also propose that shareholders authorise the Board to reach a decision regarding buying back shares in Billerud AB.

Record day for entitlement to the dividend is proposed to be Friday 9 May 2003. Payment via VPC (the Swedish Securities Register Centre) is therefore expected on Wednesday 14 May 2003.

Outlook

There is good balance in the market for Billerud's paper products and the order situation remains good. Prices are generally stable, although selective price adjustments are being made up and down for various products. A price rise was implemented for sack paper (within the Kraft paper product area) at the start of 2003.

A price increase of USD 40 per tonne has been announced from 1 February for market pulp, taking the price to USD 480 per tonne. Billerud expects this increase to be accepted by the market. The continuing development of pulp prices is dependent on the balance between supply and demand.

The pace of production and delivery capability at Billerud's mills continue to be good. During the year production capacity will gradually increase by around 50,000 tonnes, mainly due to ongoing investments at Gruvön and Karlsborg. Maintenance stoppages will take place according to plan at Skärblacka during the first quarter, at Karlsborg during the second quarter and at Gruvön during the third quarter.

Based on the current economic conditions and existing currency hedging, Billerud estimates that results in 2003 will be in line with 2002.

Stockholm, Sweden
28 January 2003
Billerud AB (publ)

Board of Directors

Future financial statements

First quarter 2003
Second quarter 2003
Third quarter 2003

22 April 2003
17 July 2003
21 October 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 in Europe but also includes the rest of the world. Billerud has annual sales of approximately SEK 7 billion and around 2,400 employees.

Appendix

Billerud Group

Accounting principles

The accounts are prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council. New recommendations that came into effect on 1 January 2002 have not had any material impact on the accounts. 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	3 months				Full year		Full year
	Oct-Dec 2002	Jul-Sep 2002	Apr-Jun 2002	Jan-Mar 2002	Oct-Dec 2001	Jan-Dec 2002	Jan-Dec 2001
MSEK							
Net turnover	1 735	1 804	1 772	1 756	1 735	7 067	6 910
Other income	2	3	4	1	2	10	10
Operating income	1 737	1 807	1 776	1 757	1 737	7 077	6 920
Raw materials and consumables	-597	-608	-592	-620	-663	-2 417	-2 411
Change in stock	22	24	-73	-11	56	-38	73
Staff expenses	-292	-284	-311	-284	-237	-1 171	-1 063
Other external expenses	-438	-492	-459	-483	-542	-1 872	-1 875
Depreciation	-91	-93	-90	-91	-86	-365	-345
Operating expenses	-1 396	-1 453	-1 525	-1 489	-1 472	-5 863	-5 621
Operating profit	341	354	251	268	265	1 214	1 299
Financial items	-29	-25	-23	-21	-35	-98	-118
Profit after financial items	312	329	228	247	230	1 116	1 181
Tax	-88	-94	-64	-70	-43	-316	-314
Net profit for the period	224	235	164	177	187	800	867
Earnings per share, SEK	3.85	4.02	2.64	2.82	2.98	13.25	13.81
Earnings per share after full conversion, SEK	3.84	4.00	2.64	-	-	13.23	-
Balance Sheet			31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
MSEK			2002	2002	2002	2002	2001
Fixed assets			4 360	4 344	4 360	4 324	4 355
Stocks			669	635	620	664	708
Accounts receivable			1 107	1 224	1 229	1 217	1 118
Other current assets			141	104	142	114	115
Cash, bank balances and short-term investments			596	582	416	412	347
Total assets			6 873	6 889	6 767	6 731	6 643
Shareholders' equity			3 233	3 009	2 943	3 268	3 091
Interest-bearing provisions			88	77	77	77	77
Non-interest-bearing provisions			699	502	504	508	509
Interest-bearing liabilities			1 928	2 227	2 227	2 000	2 001
Accounts payable			372	365	361	331	412
Other, non-interest-bearing liabilities			553	709	655	547	553
Total shareholders' equity, provisions and liabilities			6 873	6 889	6 767	6 731	6 643
Specification of change in equity			Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar	Full year
MSEK			2002	2002	2002	2002	2001
Opening equity			3 091	3 091	3 091	3 091	2 224
Net profit for the period			800	576	341	177	867
Dividend			-220	-220	-220	-	-
Share buy-back			-441	-441	-272	-	-
Convertible subordinated debenture, difference in value market rate/nominal rate			3	3	3	-	-
Closing equity			3 233	3 009	2 943	3 268	3 091

Cash Flow Statement	Jan-Dec	Jan-Sep	Oct-Dec	Full year
MSEK	2002	2002	2002	2001
Operating surplus, etc	1 567	1 139	428	1 633
Change in working capital, etc.	48	48	-	-146
Net financial items, taxes, etc.	-276	-257	-19	-170
Cash flow from operating activities	1 339	930	409	1 317
Investment in fixed assets	-373	-264	-109	-458
Disposal of fixed assets	3	1	2	2
Change in long-term receivables	-	-	-	13
Cash flow from investment activities	-370	-263	-107	-443
Operating cash flow	969	667	302	874
Change in interest-bearing debt	-62	226	-288	-1 256
Dividend	-220	-220	-	-
Share buy-back	-441	-441	-	-
Convertible subordinated debenture, difference in value market rate/nominal rate	3	3	-	-
Cash flow from financing activities	-720	-432	-288	-1 256
Total cash flow (= change in liquid assets)	249	235	14	-382
Liquid assets at the beginning of the year	347	347	582	729
Total cash flow	249	235	14	-382
Liquid assets at the end of the period	596	582	596	347

Key figures	Jan-Dec	Jan-Sep	Jan-Jun	Jan-Mar	Full year
	2002	2002	2002	2002	2001
Margins					
Gross margin, %	22	22	20	20	24
Operating margin, %	17	16	15	15	19
Return (rolling 12 months)					
Return on capital employed, %	25	24	21	23	27
Return on equity, %	26	25	23	25	32
Return on equity after full conversion, %	26	25	23	-	-
Capital structure at end of period					
Capital employed, MSEK	4 653	4 732	4 831	4 932	4 822
Shareholders' equity, MSEK	3 233	3 009	2 943	3 268	3 091
Interest-bearing net debt, MSEK	1 420	1 722	1 888	1 665	1 731
Net debt/equity ratio, times	0.44	0.57	0.64	0.51	0.56
Net debt/equity ratio after full conversion, times	0.43	0.56	0.63	-	-
Equity ratio, %	47	44	43	49	47
Equity ratio after full conversion, %	47	44	44	-	-
Per share					
Earnings per share, SEK	13.25	9.42	5.46	2.82	13.81
Average no. of shares, '000	60 405	61 236	62 503	62 741	62 741
Earnings per share after full conversion, SEK	13.23	9.41	5.46	-	-
Average no. of shares, '000	60 546	61 335	62 518	-	-
Per share at end of period					
Equity per share, SEK	55.82	51.96	49.14	52.08	49.30
No. of shares, '000	57 910	57 910	59 889	62 741	62 741
Equity per share after full conversion, SEK	56.04	52.19	49.38	-	-
No. of shares, '000	58 178	58 178	60 157	-	-
Gross investments, MSEK	373	264	186	60	458
Average number of employees	2 383	2 366	2 382	2 335	2 379

Product areas

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

MSEK	2002					2001				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Kraft paper	3 507	894	878	860	875	3 449	834	797	847	971
Containerboard	2 162	507	560	552	543	2 009	541	475	511	482
Market pulp	1 400	334	367	361	338	1 454	362	321	384	387
Other and eliminations	-2	0	-1	-1	-	-2	-2	-	-	-
Total Group	7 067	1 735	1 804	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				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Kraft paper	707	189	187	151	180	756	154	192	179	231
Containerboard	413	110	116	91	96	426	123	87	109	107
Market pulp	158	48	67	28	15	228	20	19	48	141
Other and eliminations	-64	-6	-16	-19	-23	-111 ¹⁾	-32	-52	-17	-10
Total Group	1 214	341	354	251	268	1 299	265	246	319	469

1) Includes MSEK 47 in costs for building Billerud and the stock exchange listing. For 2001 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				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Kraft paper	20	21	21	18	21	22	18	24	21	24
Containerboard	19	22	21	16	18	21	23	18	21	22
Market pulp	11	14	18	8	5	16	6	6	12	36
Group	17	20	20	14	15	19	15	15	18	25

Quarterly breakdown of deliveries by product area

000' tonnes	2002					2001				
	Full year	IV	III	II	I	Full year	IV	III	II	I
Kraft paper	482	118	120	120	124	463	117	107	109	130
Containerboard	494	112	126	129	127	449	120	106	115	108
Market pulp	316	75	75	84	82	310	87	78	81	64
Total	1 292	305	321	333	333	1 222	324	291	305	302