



**BILLERUD**

# **INTERIM REPORT**

## **JANUARY - SEPTEMBER 2008**

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Billerud FibreForm™ – a formable and environmentally friendly packaging solution

## **Billerud FibreForm™ – a formable and environmentally friendly packaging solution**

**As a result of its strategic business development, Billerud can now offer customers more environmentally friendly packaging. The solution is called Billerud FibreForm™, a completely new paper that thanks to exceptional elasticity and formability can replace plastic in areas that have not been possible previously. Billerud has the rights to market this material in Europe and is analysing whether to start its own production.**

The new elastic and formable paper has many advantages and it has already attracted a lot of interest from Billerud's customers and brand owners. One of the world's largest mobile phone companies has used the new packaging paper in a concept study with environmental focus. The specially developed packaging sends a clear message of sustainable use of resources while it can also help to cut transport and logistics volumes by over 50%.

Billerud FibreForm™ is a unique paper material that can win market shares from plastic thanks to its elasticity and formability. The material can be formed along the contours of the product and make any required shape, so the packaging provides both protection and an interesting shape. And then add the strong environmental benefits! The paper is made of renewable material and is biodegradable and compostable.

Billerud FibreForm™ also simplifies conversion from plastic to paper as packaging suppliers can run the new material in existing machines.

Billerud is analysing the market potential of the product and considering starting up production at one of its paper mills.

	Quarter			January-September	
	2008 III	2008 II	2007 III	2008	2007
Net turnover, MSEK	<b>2 038</b>	1 949	1 874	<b>6 083</b>	5 690
Operating profit/loss, MSEK	<b>126</b>	114	153	<b>454</b>	347
Operating margin, %	<b>6</b>	6	8	<b>7</b>	6
Profit/loss after financial items, MSEK	<b>89</b>	77	122	<b>346</b>	264
Net profit/loss, MSEK	<b>63</b>	57	85	<b>250</b>	183
Earnings per share, SEK	<b>1.22</b>	1.11	1.65	<b>4.85</b>	3.56

#### January-September 2008 compared with January-September 2007

- Net turnover was MSEK 6,083 (5,690).
- Net profit was MSEK 250 (183).
- Earnings per share were SEK 4.85 (3.56).
- Operating profit was MSEK 454 (347).
- From the end of the second quarter the business cycle and demand for most of Billerud's products continued to weaken. The market for market pulp has significantly weakened.
- Market-related production curtailments have been carried out within some product areas, amounting to around 3% of production capacity during the second and third quarter.
- Investment amounting to MSEK 370 in rebuilds of kraft paper machines PM2 and PM7, and investment in a new customer and order management system, was completed during the third quarter according to plan.

#### Outlook for 2008

- Market demand for Billerud's products is expected to continue weakening in areas relating to industrial production but to be stable in areas relating to food production and healthcare. The development is however uncertain.
- Additional production curtailments are expected to be necessary in the fourth quarter, which will affect profits negatively.
- An improved currency situation and tendency towards lower prices for wood and input materials will have positive effects in the longer term.
- Further measures for cost reductions will be initiated, with an expected effect of MSEK 100 in annual savings in addition to the MSEK 150 previously announced.
- A planned maintenance stop will be carried out at Gruvön mill in the fourth quarter, which normally means extra costs of around MSEK 100.

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**Billerud's President Per Lindberg and CFO Bertil Carlsén will present the interim report at a webcasted press conference for analysts and journalists today, 13 November, at 3 p.m.  
Location: Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm.**

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*Billerud is a packaging paper company with a business concept to supply customers with innovative and high quality packaging paper. A consistent concentration on attractive market segments and a strong customer focus are cornerstones of Billerud's strategy. Billerud focuses on kraft paper and containerboard and has a world-leading position within several product segments. The company's production units are among the most cost-efficient in Europe for these products.*

## **Comment by Per Lindberg, Billerud CEO**

***Operating margin of 7 % for the first three quarters of 2008.***

***Cost savings, introduction of new products and continued product development will become increasingly important to meet a weaker market***

*“We have delivered an operating margin of 7% for the first three quarters of the year and 12% in return on capital employed for the rolling 12-month period, which is a good result given the current conditions.*

*The economic downturn continued during the third quarter and affected demand on most of our product markets. European demand within Billerud’s industrial segment has weakened significantly, while more consumer-related segments were affected to a limited extent. The largest part of the market weakening is related to sack paper and general demand for market pulp with lower volumes for sack paper and decreasing prices for pulp.*

*Our work with cost reduction continues. During the third quarter we have achieved just over MSEK 70 of the MSEK 150 annual savings in variable costs in accordance with the cost savings programme. However, at present we consider it possible to reduce variable costs beyond our current targets. Since we expect to see continued tough times on our markets we have also decided to reduce fixed costs including staff costs by a further MSEK 100 annually. A number of new initiatives will therefore be launched during the fourth quarter in order to achieve this.*

*Within some product areas we have carried out market-related production curtailments in the third quarter corresponding to around 3% of total capacity. To meet reduced demand we will continue to adapt the customer and market mix, introduce new products and further curtail production.*

*Our efforts aimed at reducing costs, developing Billerud’s products and working close to end-customers continue and will become increasingly important as the market situation worsens.”*

## **Billerud Group**

### **Market**

The business cycle and market demand for most of Billerud’s products continued to weaken from the end of the second quarter onward. This primarily affected the product mix negatively, with lower volumes for packaging paper and higher volumes for market pulp. Market-related production curtailments, amounting to around 3% of total production capacity, were implemented during the second and third quarters in the packaging paper segments where Billerud is the market leader. Demand for long-fibre sulphate pulp fell during the third quarter due to the worsened economic condition. Producers of market pulp have not yet adjusted volumes to match lower demand, resulting in supply surpluses and falling prices. Demand for sack paper also fell, which had a negative effect on delivered volumes. Average prices for sack paper deteriorated, mainly due to a worsened customer mix.

The order situation at the end of the period was generally stable for kraft paper (MG/MF), Billerud Flute® and fully-bleached liner, but weak for sack paper and very weak for market pulp.

Billerud’s total deliveries for the first nine months of 2008 amounted to 989,000 tonnes, largely unchanged compared to the same period last year. Deliveries of packaging paper amounted to 740,000 tonnes, compared with 745,000 last year, a decrease of 5,000 tonnes. Billerud’s deliveries of long-fibre sulphate pulp amounted to 249,000 tonnes, compared with 247,000

tonnes last year, an increase of 2,000 tonnes.

In the third quarter total deliveries reached 334,000 tonnes, up 6% compared to the second quarter 2008. Deliveries of packaging paper in the third quarter reached 249,000 tonnes, up 6% compared to the second quarter 2008. Deliveries of long-fibre sulphate pulp amounted to 85,000 tonnes during the third quarter, up 8% compared to the second quarter 2008.

## Sales and results

### *Third quarter compared with second quarter*

Net turnover for the third quarter was MSEK 2,038, up 5% on the previous quarter. The increase was mainly due to higher volumes. The average price level fell slightly compared with the second quarter.

The operating profit was MSEK 126, an increase of MSEK 12 on the previous quarter. This is mainly due decreased costs for planned maintenance stops and lower costs due to the cost-savings programme. The cost of wood raw materials per produced tonne during the quarter rose compared with the first six months of the year.

Planned maintenance stops have been carried out in Karlsborg and Beetham during the quarter and have gone according to plan.

Like in the second quarter, production in the third quarter was reduced to a small extent within some product areas to adjust to lower demand for these products and to stock reductions in the customer chain. Overall, production curtailments amounted to 3% of full capacity in the quarter.

Earnings for each business area are presented on page 6.

Net financial items were MSEK -37. Earnings after financial items were MSEK 89 and net profit was MSEK 63.

### *January-September 2008 compared with January-September 2007*

Net turnover was MSEK 6,083, up 7% compared to the same period last year. The increase was mainly due to higher prices.

The operating profit was MSEK 454, an increase of MSEK 107, or 31%, compared to the same period last year. The difference was mainly due to the following components (MSEK):

	Q 1-08/ Q 1-07	Q 2-08/ Q 2-07	Q3-08/ Q3-07	Jan-Sep 08/ Jan-Sep 07
Delivery and production volumes, including product mix	-7	-6	-54	-67
Sales prices (in respective sales currency)	218	157	75	450
Change in variable costs	-123	-87	-29	-239
Change in fixed costs	-6	60	-4	50
Change in depreciation	-3	-4	-10	-17
Effects of exchange rate changes, including hedging	-42	-23	-5	-70
Total change in operating profit/loss	37	97	-27	107

The negative deviation in volumes and product mix of MSEK -67 is due to a worsened product mix as a higher proportion of sales were made for less profitable products, mainly market pulp. The increase in variable costs consists mainly of higher wood raw material costs (MSEK 219), energy costs (MSEK 5) and chemicals (MSEK 6).

The first nine months of 2007 included costs for a planned maintenance stop at Gruvön mill. This year, Gruvön's maintenance stop will be carried out in the fourth quarter. The cost of a stop at Gruvön normally amounts to around MSEK 100. The different timing of the maintenance stop affects comparisons with last year in terms of fixed costs, volumes and product mix, and to some extent, variable costs.

Net financial items were MSEK -108, down MSEK 25 on the same period in 2007 due to higher interest rate levels.

The estimated tax cost was MSEK -96, representing a tax rate of 28%.

### **Significant risks and uncertainties**

Billerud's products are generally dependent on the business cycle in terms of both price development and delivery volumes. The Group is exposed to changes in currency exchange rates because most of the revenues are invoiced in foreign currency while most costs are incurred in SEK.

Billerud does not own forest and purchases wood materials at market rates from a few major suppliers. Due to wood shortages prices have gradually risen.

To meet growing competition for wood, Billerud has formed a raw materials company, Billerud Skog AB whose role will be to supply raw materials to Billerud's mills. With the formation of Billerud Skog AB, the wood purchasing department has been strengthened and supplies are currently very good.

Stock levels of wood materials and standing forest have increased as a result of Billerud Skog's purchases.

For an analysis of business sensitivity and further details of risks, see pages 57-61 of Billerud's 2007 Annual Report.

On 10 December 2007 the Swedish Environmental Protection Agency announced that it was fining Billerud MSEK 19 for incorrect reporting of emission rights utilised in 2006. Billerud's assessment is that the company has fulfilled its commitments and that a penalty of MSEK 19 is neither proportionate nor backed by law. Billerud has appealed against the decision and the only provision in the 2007 accounts relating to this matter is for an assessed late payment charge of SEK 80,000. During the third quarter a similar case was considered at the Växjö environmental court and the verdict was that the defendant should pay a fine. This verdict is not prejudicial and Billerud considers that its earlier assessment is unchanged.

### **Transactions with related parties**

No transactions have been carried out between Billerud and related parties that would significantly affect the position and results of the company.

### **Currency hedging**

In the first nine months of 2008 net flows were hedged at the following rates: EUR/SEK 9.37 (9.20), USD/SEK 6.44 (7.00), GBP/SEK 12.94 (13.53) and DKK/SEK 1.26 (1.23). Currency hedging had an overall negative effect on profits of MSEK -5 (3) (compared with if no hedging had been performed).

Billerud's outstanding currency contracts as of 30 September 2008 had a market value of MSEK -130. The share of contracts corresponding to accounts receivable affected results during the period. Other contracts had a market value of MSEK -86.

The hedged amount of currency flows and exchange rate for SEK in relation to EUR, USD and GBP are shown in the table below. DKK accounts for just 0.7% of total hedged flows and is therefore not included in the table.

### Hedged amount of currency flows and exchange rate for SEK in relation to EUR, USD and GBP

Currency		Oct-Dec 2008	Jan-Mar 2009	Apr-Sep 2009	Total 12 months
EUR	Proportion of total flow Rate	95% 9.43	81% 9.46	34% 9.54	61% 9.47
USD	Proportion of total flow Rate	89% 6.32	56% 6.27	13% 6.47	44% 6.33
GBP	Proportion of total flow Rate	90% 11.92	63% 11.91	10% 12.01	42% 11.93

Billerud hedges around 50% of forecast net flows over the coming 12-month period, but in line with its financial policy the company has the possibility to increase currency hedging to 100% of net flows over the coming 15 months.

In October the limit for currency hedging of EUR was temporarily extended up to a maximum of 100% of flows over 15 months. This extended hedging was implemented at an average rate of 10.01 EUR/SEK. The hedged amount of flows and hedged rates for EUR, USD and GBP as of 17 October 2008 are shown in the table below.

### Hedged amount of currency flows and exchange rate for SEK in relation to EUR, USD and GBP as of 17 October 2008

Currency		Oct-Dec 2008	Total 2009	Total 15 months
EUR	Proportion of total flow Rate	95% 9.45	81% 9.78	87% 9.70
USD	Proportion of total flow Rate	87% 6.35	38% 6.83	50% 6.64
GBP	Proportion of total flow Rate	88% 11.92	38% 12.22	48% 12.11

### Investments and capital employed

Gross investment in fixed assets during the period amounted to MSEK 495 (463). Investment in measures to improve the quality of MG and MF kraft paper for important customer segments were completed according to plan in the third quarter. Investment amounting to MSEK 370 has been made for PM7 at Skärblacka and PM2 at Gruvön during the past 12 months. Also the investment in a new customer and ordering management system to improve the order process and efficiency and customer service was completed during the quarter.

Depreciation in the first nine months of the year amounted to MSEK 377 (360).

Billerud's capital employed amounted to MSEK 5,679 as of 30 September 2008, compared with MSEK 5,506 on 31 December 2007.

The return on capital employed over the most recent 12 months was 12% (10). If the effects of currency hedging are not included, the return on capital employed was 12% (9). The return on shareholders' equity after tax was 14%.

### Cash flow and financial position

Cash flow from current activities in the first nine months of 2008 amounted to MSEK 486, compared with MSEK 337 in the same period last year. The increase was mainly due to the increase in profit. Cash flow from investing activities including company acquisitions amounted to MSEK -494 (-462).

Operating cash flow amounted to MSEK -8, compared with MSEK -125 in the first nine months of 2007. The dividend for 2007 of SEK 3.50 per share, a total of MSEK 180, was paid in May

2008. The net debt increased by MSEK 194 during the first nine months of 2008.

Interest-bearing net debt as of 30 September 2008 was MSEK 2,801, compared with MSEK 2,607 as of 31 December 2007 and MSEK 2,810 as of 30 September 2007. The interest-bearing net debt fell by MSEK 161 in the third quarter from MSEK 2 962. The Group's net debt/equity ratio at the end of the period was 0.97, compared with 0.90 at the end of 2007 and 1.02 on 30 September 2007. According to Billerud's financial targets, the ratio should be between 0.6 and 0.9. The level of investment in fixed assets will fall over the next 12 months as the current large investment projects are concluded.

### Cash flow summary

MSEK (positive figure indicates a reduction in debt)	Jan-Sep 2008	Jan-Jun 2008	July-Sep 2008	Jan-Sep 2007
Operating surplus etc	773	544	229	616
Change in working capital etc.	-177	-246	69	-201
Net financial items, taxes, etc.	-110	-81	-29	-78
<b>Cash flow from operating activities</b>	<b>486</b>	<b>217</b>	<b>269</b>	<b>337</b>
Current net investments, excluding energy projects	-494	-380	-114	-456
Energy project investments	-	-	-	-6
Acquisition of shares in group companies	0	0	0	-
<b>Operating cash flow</b>	<b>-8</b>	<b>-163</b>	<b>155</b>	<b>-125</b>
Dividend	-180	-180	-	-180
Other items not affecting cash flow	-6	-12	6	8
<b>Change in net debt during the period</b>	<b>-194</b>	<b>-355</b>	<b>161</b>	<b>-297</b>

### Financing

Interest-bearing loans as of 30 September 2008 amounted to MSEK 3,111. This includes utilisation of MSEK 128 of a syndicated bank loan (maximum: MSEK 1,800), utilisation of MSEK 1,682 of bond loans, utilisation of MSEK 1,292 of Billerud's commercial paper programme (maximum: MSEK 1,500) and other interest-bearing liabilities amounting to MSEK 9.

### Personnel

The average number of employees during the first nine months of the year was 2,347, a reduction of 41 compared with the same period last year.

### Business areas

Billerud's net turnover and operating profit/loss per business area are reported below. The results of the business areas are reported excluding the effects of currency hedging and excluding the effects on profits of revaluation of customer receivables in foreign currency and currency effects in connection with payments. These effects are reported on a separate line, Currency hedging etc. The part of currency exposure relating to changes in invoicing rates continues to be included in the results of the business areas.

Billerud is monitored and controlled operationally from a business area perspective. This applies for sales, operating profit/loss, product development and market investments. With regard to fixed assets and capital investments a division into business areas with the chosen structure is not possible as the business areas are strongly integrated in terms of production. For accounting purposes and with regard to the definition of business segments in IAS 14, the company will continue to conduct its activities in one business segment.



## Net turnover and operating profit

	Net turnover						Operating profit					
	Q3	Q2	%	Jan-Sep	Jan-Sep	%	Q3	Q2	%	Jan-Sep	Jan-Sep	%
MSEK	2008	2008	change	2008	2007	change	2008	2008	change	2008	2007	change
Packaging & Speciality Paper	1 008	976	3	3 017	2 917	3	76	50	52	267	211	27
Packaging Boards	598	566	6	1 808	1 594	13	83	50	66	219	108	103
Market Pulp	385	366	5	1 165	1 174	0	-39	-15		-35	59	
Currency hedging etc	38	37		60	5		38	37		61	5	
Other and eliminations	9	4		32	-		-32	-8		-58	-36	
<b>Group total</b>	<b>2 038</b>	<b>1 949</b>	<b>5</b>	<b>6 083</b>	<b>5 690</b>	<b>7</b>	<b>126</b>	<b>114</b>	<b>11</b>	<b>454</b>	<b>347</b>	<b>31</b>

## General development of Billerud's business areas

### *Third quarter*

Comparisons between the second and third quarters are affected by higher costs for the planned maintenance stop in the second quarter, which reduced operating margins generally but especially for the Packaging & Speciality Paper business area in the second quarter.

### *January-September*

Comparisons with the previous year are affected by the fact that only two maintenance stops were performed in the current year whereas three maintenance stops were performed in the same period of 2007. The third maintenance stop at Gruvön will be performed in the fourth quarter of 2008.

## Business area Packaging & Speciality Paper

### *Third quarter*

The operating profit for the period was MSEK 76. Compared with the second quarter of 2008, profit rose by MSEK 26, mainly due to higher volumes and lower fixed costs. The operating margin was 8%, compared with 5% in the second quarter of 2008.

### *January-September*

Compared with the same period in 2007, the operating profit increased by MSEK 56, or 27%, to MSEK 267, mainly due to higher prices and lower fixed costs.

### *Market development*

The market continued to weaken during the third quarter of 2008 due to the worsening business cycle. The market for sack paper was in decline with a significant reduction in deliveries to Europe as demand faltered in the construction industry and customers reduced their inventories. Demand for sack paper on non-European markets remained stable but with increased competition. Overall, the order situation for sack paper during the quarter was unsatisfactory, resulting in production curtailments. Prices have a tendency downwards mainly because of a worsened customer mix.

Demand for kraft paper (primarily MG and MF) for the food and medical segments remained stable. Price increases were announced during the quarter for medical kraft paper. The order situation in this segment is stable and at the same level as in the corresponding period last year.

The price situation in general indicates a slight downward trend, although with variations between markets and product areas. Continued weakening of the business cycle inside and outside Europe in coming quarters may further affect prices and the market mix negatively within the business area.

## **Business area Packaging Boards**

### *Third quarter*

The operating profit was MSEK 83. Compared with the second quarter of 2008, operating profit climbed by MSEK 33, or 66%. The increase is mainly due to higher delivery volumes and lower fixed costs. The operating margin was 14%, compared with 9% in the previous quarter.

### *January-September*

The operating profit more than doubled compared with the same period last year, rising MSEK 111 to reach MSEK 219, mainly due to higher delivery volumes.

### *Market development*

The corrugated market, and in particular the market for recycled corrugated material, remained weak in the third quarter of 2008 as a consequence of a weakened business cycle. Demand for Billerud Flute® (virgin fibre S/C fluting) strengthened seasonally in relation to the second quarter. Deliveries in the third quarter were at the same level as the corresponding period 2007. Prices are stable, as was the order situation at the end of the quarter.

Demand for virgin fibre pure white liner stabilised during the quarter and the prices were also stable. At present there is surplus capacity for liner based on recycled fibre in Europe, which may marginally affect prices for liner based on virgin fibre.

## **Business area Market Pulp**

### *Third quarter*

The operating loss was MSEK -39. Compared with the previous quarter, operating profit decreased by MSEK -24, mainly due to lower prices, worsened customer mix and higher wood raw material costs.

### *January-September*

Compared with the same period last year, the operating profit fell by MSEK -94, mainly due to lower prices, a lower US dollar and higher wood raw material costs.

### *Market development*

During the third quarter the pulp market was unbalanced as demand fell and supply went into surplus with increased inventory levels as a consequence. The market price for long-fibre sulphate pulp (NBSK) has thereby fallen from USD 900 to around USD 775 per tonne, which has affected profitability negatively. Some compensation was achieved for the price cut towards the end of the quarter as the US dollar strengthened. During the final quarter, capacity amounting to 850 000 tonnes, or 4% of the annual capacity for long-fibre sulphate pulp, is expected to be shut down and a number of market-related production curtailments to be carried out. This should in a somewhat longer perspective lead to decreased inventory levels at producers and a stabilisation of the market for long-fibre sulphate pulp.

## **Parent company**

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

Net turnover in the first nine months of 2008 amounted to MSEK 2,705 (2,480). The operating profit was MSEK 191 (72), a climb of MSEK 119 compared with last year, mainly due to higher turnover.

The parent company hedges both its own net currency flows, and those of the Group. The parent company's results include the results of hedging which also cover flows for the rest of the Group. This result amounted to MSEK -5 (3).

Investment in fixed assets excluding shares amounted to MSEK 174 (266). The average number of employees was 1,034 (1,083). Liquid assets and current investments amounted to MSEK 405 (174).

## Seasonal variations

### *Maintenance stops*

In addition to continuous maintenance while machines are running, Billerud's mills normally require more extensive maintenance at some point during the year. To perform this maintenance, production of pulp and paper is stopped during the so-called maintenance stop. Completed and planned maintenance stops are shown below.

<b>Mill</b>	<b>2008</b>	<b>2007</b>
Gruvön	Q 4, 11 days	Q 2, 8 days
Karlsborg	Q 3, 10 days	Q 3, 7 days
Skärblacka	Q 2, 8 days	Q 2, 7 days
Beetham*		

\* Maintenance stop in Beetham has an insignificant effect on Billerud's total results.

The effect of the stoppage on earnings varies depending on the extent of measures carried out, their character and the actual length of stoppage.

### *Other seasonal variations*

A significant part of Billerud Flute® volumes are used to package fruit exports from the Mediterranean region. Demand from this customer group varies with the fruit seasons and is normally highest from September to March. A significant part of Billerud's sack paper and QuickFill® sack paper is used to package cement and building materials. Demand for building material in Europe is generally higher from May to October.

## Additional measures to reduce costs

During the second half of 2007 work started aimed at identifying further efficiency measures to reduce Billerud's variable costs. This work included, among other things, a review of wood consumption, recipe and product specifications, the production mix, and the identification of further opportunities to improve efficiency within production as well as improvements in efficiency of administration within the One Billerud project, and a review of extra investments in energy use.

During the first quarter 2008 a decision was taken to carry out a programme of identified cost savings within the business based on the potential identified. The implementation of this programme is expected to generate an annual effect of MSEK 150 on earnings compared with cost levels in 2007. It requires an investment of MSEK 50. The annual rate of implementation was at the time of decision calculated at around MSEK 50 by the end of 2008 and MSEK 150 by the end of 2009. Work has progressed better than expected and as of 30 September 2008 savings of MSEK 70 at an annual rate had been achieved within the framework for these measures. The savings were primarily within variable costs attributable to improved energy efficiency and wood consumption.

Ahead of the approaching economic downturn and a fall in demand, a decision has been made to make further cost reductions of MSEK 100 in order to reduce fixed costs. Measures will be initiated during the fourth quarter in order to achieve this.

## Largest shareholders

As of 30 September 2008 the ten largest shareholders according to VPC (the Swedish Securities Register Centre) and information from Sanderson Asset Management were as follows (Billerud's ownership of around 1.9 million shares and deposit banks are excluded):

Owner	No. of shares (millions) (shares = votes)	Proportion of shares on market, %
Frapag Beteiligungsholding AG	10.7	20.8
Sanderson Asset Management	3.0	5.8
Credit Suisse International	2.3	4.4
Clearstream Banking	1.5	2.9
SEB Funds/SEB Trygg Liv/Securities	1.3	2.5
Citibank	1.2	2.3
Handelsbanken Funds	0.7	1.3
Mellon	0.7	1.3
AMF Pension	0.6	1.2
Länsförsäkringar	0.6	1.2
<b>Total 10 largest</b>	<b>22.5</b>	<b>43.7</b>
<b>Total Billerud excluding own holding</b>	<b>51.5</b>	<b>100.0</b>

The share of foreign ownership was 48.5% of the total shares on the market. The total number of owners (including nominee-registered) was around 118,800. More information about the shareholder structure is available at [www.billerud.com](http://www.billerud.com).

## The Billerud share

As of 30 September 2008 the distribution of shares was as follows:

Registered amount of shares	53 343 043
<u>Treasury shares</u>	<u>- 1 851 473</u>
Shares on the market	51 491 570

Since the end of 2004 there have been no share buy backs.

During the second quarter an offer was made to Billerud shareholders to sell holdings of less than 100 shares without having to pay commission. This scheme resulted in the sale of 1.6 million Billerud shares on the stock exchange and a reduction of around 20,000 in the overall number of shareholders.

## 2009 Annual General Meeting

The nominations committee for the 2009 Annual General Meeting has been appointed and the committee comprises Michael M.F. Kaufmann (chairman) representing Frapag Beteiligungsholding AG, Anders Oscarsson representing SEB Fonder and SEB Trygg Liv, and Fredrik Nordström representing AMF Pensionsförvaltning AB. The AGM will take place at Nalen, Regeringsgatan 74, Stockholm at 3 p.m. on 6 May 2009. For more information, see [www.billerud.com](http://www.billerud.com).

## Awards

### Billerud receives award for its financial information

Billerud has been selected as the best stock exchange company of 2007 in Sweden by *Aktiespararen*, the financial magazine, and by Kanton Finansiella Rådgivning, a firm of financial advisors. The citation for the award stated: "Billerud performed very strongly in all

three sections of our competition and they communicate relevant information in a clear and attractive way. The standard is very high, and the company set an exceptional example in shareholder communication.” Billerud won the award within the financial website category.

Billerud also came third in the H&H Swedish website rankings 2008 among 107 reviewed companies and won first place amongst mid cap companies.

## **Outlook for full year 2008**

Market demand for Billerud’s products is expected to continue weakening in areas relating to industrial production but to be stable in areas relating to food production and healthcare. The development is however uncertain.

Additional production curtailments are expected to be necessary in the final quarter, which will affect profit negatively.

An improved currency situation and tendency towards lower prices for wood and input materials will have positive effects in the longer term.

Further measures for cost reductions will be initiated, with an expected effect of MSEK 100 in annual savings in addition to the MSEK 150 previously announced.

A planned maintenance stop will be carried out at Gruvön mill in the final quarter, which normally means extra costs of around MSEK 100.

Stockholm  
13 November 2008  
Billerud AB (publ)

The Board of Directors

*This report has not been subject to a general review by the company’s auditors.*

## **Future financial reports**

Financial Statement 2008	11 February 2009
First quarter 2009	28 April 2009
Second quarter 2009	23 July 2009
Third quarter 2009	28 October 2009

The AGM will take place at Nalen, Regeringsgatan 74, Stockholm at 3 p.m. on 6 May 2009.

The information is such that under the Securities and Clearing Operations Act, Billerud AB is obligated to publish it.

Profit and Loss Account	3 months			9 months		Full year	
	Jul-Sep 2008	Apr-Jun 2008	Jan-Mar 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Jan-Dec 2007
MSEK							
Net turnover	2 038	1 949	2 096	1 874	6 083	5 690	7 758
Other operating income	4	4	2	3	10	8	12
<b>Total operating income</b>	<b>2 042</b>	<b>1 953</b>	<b>2 098</b>	<b>1 877</b>	<b>6 093</b>	<b>5 698</b>	<b>7 770</b>
Raw materials and consumables	-985	-922	-1 049	-987	-2 956	-2 693	-3 734
Change in inventories	-80	16	59	94	-5	16	82
Other external costs	-417	-448	-429	-408	-1 294	-1 360	-1 776
Staff costs	-305	-360	-342	-303	-1 007	-953	-1 277
Depreciation and impairment of fixed assets	-129	-125	-123	-119	-377	-360	-473
Profit/loss from participation in associated companies	0	0	0	-1	0	-1	-2
<b>Total operating expenses</b>	<b>-1 916</b>	<b>-1 839</b>	<b>-1 884</b>	<b>-1 724</b>	<b>-5 639</b>	<b>-5 351</b>	<b>-7 180</b>
<b>Operating profit</b>	<b>126</b>	<b>114</b>	<b>214</b>	<b>153</b>	<b>454</b>	<b>347</b>	<b>590</b>
Financial items	-37	-37	-34	-31	-108	-83	-117
<b>Profit after financial items</b>	<b>89</b>	<b>77</b>	<b>180</b>	<b>122</b>	<b>346</b>	<b>264</b>	<b>473</b>
Tax	-26	-20	-50	-37	-96	-81	-137
<b>Net profit for the period</b>	<b>63</b>	<b>57</b>	<b>130</b>	<b>85</b>	<b>250</b>	<b>183</b>	<b>336</b>
<b>Earnings per share, SEK</b>	<b>1.22</b>	<b>1.11</b>	<b>2.52</b>	<b>1.65</b>	<b>4.85</b>	<b>3.56</b>	<b>6.52</b>
<b>Earnings per share dilution, SEK</b>	<b>1.22</b>	<b>1.11</b>	<b>2.51</b>	<b>1.65</b>	<b>4.84</b>	<b>3.56</b>	<b>6.52</b>

#### Balance Sheet

MSEK	30 Sep 2008	30 Sep 2007	30 Jun 2008	31 Mar 2008	31 Dec 2007
Fixed assets	5 824	5 632	5 849	5 744	5 712
Inventories	1 034	872	1 059	1 007	936
Accounts receivable	1 449	1 373	1 410	1 508	1 486
Other current assets	303	345	366	307	350
Liquid funds	495	251	469	410	718
<b>Total assets</b>	<b>9 105</b>	<b>8 473</b>	<b>9 153</b>	<b>8 976</b>	<b>9 202</b>
Shareholders' equity	2 879	2 757	2 904	3 021	2 898
Interest-bearing liabilities	3 111	2 888	3 251	2 942	3 152
Interest-bearing provisions, pensions	184	173	181	179	173
Non-interest-bearing provisions	36	53	37	37	42
Deferred tax liabilities	1 334	1 237	1 370	1 368	1 369
Accounts payable	615	567	546	594	870
Other, non-interest-bearing liabilities	946	798	864	835	698
<b>Total shareholders' equity and liabilities</b>	<b>9 105</b>	<b>8 473</b>	<b>9 153</b>	<b>8 976</b>	<b>9 202</b>

Specification of change in equity, MSEK	Jan-Sep 2008	Jan-Sep 2007	Jan-Jun 2008	Jan-Mar 2008	Full year 2007
MSEK					
Opening balance	2 898	2 678	2 898	2 898	2 678
Profit/loss for the period	250	183	187	130	336
Change in hedging reserve	-90	63	4	-	52
Dividend	-180	-180	-180	-	-180
Convertible loan converted into shares	-	7	-	-	7
Sale of treasury shares, incentive programme (LTIP)	-	6	-	-	6
Market value of incentive programme (LTIP)	1	-	1	-	1
Translation difference in shareholders' equity	-	-	-6	-7	-2
<b>Closing balance</b>	<b>2 879</b>	<b>2 757</b>	<b>2 904</b>	<b>3 021</b>	<b>2 898</b>

<b>Cash Flow Statement</b>	<b>Jul-Sep 2008</b>	Apr-Jun 2008	Jan-mar 2008	<b>Jan-Sep 2008</b>	Jan-Sep 2007	Jan-Dec 2007
Operating surplus, etc 1)	<b>229</b>	198	346	<b>773</b>	616	960
Change in working capital, etc.	<b>69</b>	10	-256	<b>-177</b>	-201	-102
Net financial items, taxes, etc.	<b>-29</b>	-47	-34	<b>-110</b>	-78	-128
<b>Cash flow from operating activities</b>	<b>269</b>	161	56	<b>486</b>	337	730
Investment in fixed assets	<b>-114</b>	-216	-165	<b>-495</b>	-463	-657
Acquisition of shares in group companies	-	-	-	-	-	-
Sale of fixed assets	-	-	1	<b>1</b>	1	1
<b>Cash flow from investing activities</b>	<b>-114</b>	-216	-164	<b>-494</b>	-462	-656
Change in interest-bearing liabilities	<b>-132</b>	293	-197	<b>-36</b>	108	375
Dividend	-	-180	-	<b>-180</b>	-180	-180
Sale of treasury shares, incentive programme (LTIP)	-	-	-	-	6	6
<b>Cash flow from financing activities</b>	<b>-132</b>	113	-197	<b>-216</b>	-66	201
<b>Total cash flow (= change in liquid assets)</b>	<b>23</b>	58	-305	<b>-224</b>	-191	275
<b>Liquid assets, opening balance</b>	<b>469</b>	410	718	<b>718</b>	443	443
<b>Exchange rate differences in liquid assets</b>	<b>3</b>	1	-3	<b>1</b>	-1	-
<b>Liquid assets, closing balance</b>	<b>495</b>	469	410	<b>495</b>	251	718

1) The amount for January-September 2008 includes an operating profit of MSEK 454, returned depreciation of MSEK 377, payment of structural costs of MSEK -6, an increase in pension liabilities of MSEK 5, capital losses of MSEK 2 and the net amount of produced and sold electricity certificates, MSEK -59. The amount for the period January-September 2007 includes the operating profit of MSEK 347, returned depreciation of MSEK 360, payment of structural costs of MSEK -95 and an increase in pension liabilities of MSEK 4.

<b>Key indicators</b>	<b>Jan-Sep 2008</b>	Jan-Sep 2007	Jan-Jun 2008	Jan-Mar 2008	Full year 2007
<i>Margins</i>					
Gross margin, %	<b>14</b>	12	14	16	14
Operating margin, %	<b>7</b>	6	8	10	8
<i>Return (rolling 12 months)</i>					
Return on capital employed, %	<b>12</b>	10	13	12	11
Return on total capital, %	<b>8</b>	6	8	7	7
Return on equity, %	<b>14</b>	10	15	13	12
Return on equity after full conversion, %	<b>14</b>	10	15	13	12
<i>Capital structure at end of period</i>					
Capital employed, MSEK	<b>5 679</b>	5 567	5 866	5 731	5 506
Shareholders' equity, MSEK	<b>2 879</b>	2 757	2 904	3 021	2 898
Interest-bearing net debt, MSEK	<b>2 801</b>	2 810	2 962	2 710	2 607
Net debt/equity ratio, times	<b>0.97</b>	1.02	1.02	0.90	0.90
Net debt/equity ratio after full conversion, times	<b>0.97</b>	1.02	1.02	0.89	0.90
Equity ratio, %	<b>32</b>	33	32	34	31
Equity ratio after full conversion, %	<b>32</b>	33	32	34	31
<i>Per share</i>					
Earnings per share, SEK	<b>4.85</b>	3.56	3.63	2.52	6.52
Average no. of shares, '000	<b>51 492</b>	51 450	51 492	51 492	51 461
Earnings per share after dilution/full conversion, SEK	<b>4.84</b>	3.56	3.62	2.51	6.52
Average no. of shares after dilution/full conversion, '000	<b>51 570</b>	51 490	51 570	51 570	51 510
<i>Per share at end of period</i>					
Equity per share, SEK	<b>55.9</b>	53.55	56.40	58.68	56.29
No. of shares, '000	<b>51 492</b>	51 492	51 492	51 492	51 492
Equity per share after dilution/full conversion, SEK	<b>55.89</b>	53.47	56.38	58.66	56.20
No. of shares, '000	<b>51 570</b>	51 570	51 570	51 570	51 570
Gross investments including company acquisition, MSEK	<b>495</b>	463	381	165	657
Average no. of employees	<b>2 347</b>	2 388	2 340	2 274	2 364

<b>Key indicators, historical</b>	<b>Jan-sept 2008</b>	Jan-Sept 2007	Full year 2007	Full year 2006	Full year 2005	Full year 2004	Full year 2003*
Net earnings, MSEK	<b>250</b>	183	336	312	-183	509	748
Earnings per share, SEK	<b>4.85</b>	3.56	6.52	6.08	-3.56	9.66	13.33
Return on capital employed, %	<b>8</b>	7	11	11	-4	17	24
Return on total capital, %	<b>5</b>	4	7	7	-3	11	16
Return on equity, %	<b>9</b>	7	12	12	-7	16	23
Equity ratio, %	<b>32</b>	33	31	33	33	43	48

\* Figures not according to IFRS

## Parent company

Summarised profit and loss accounts MSEK	3 months		9 months		Full year
	Jul-Sep 2008	Jul-Sep 2007	Jan-Sep 2008	Jan-Sep 2007	Jan-Dec 2007
Total operating income	908	906	2 733	2 480	3 423
Total operating expenses	-843	-828	-2 542	-2 408	-3 282
<b>Operating profit/loss</b>	<b>65</b>	<b>78</b>	<b>191</b>	<b>72</b>	<b>141</b>
Financial items	-36	-49	-100	-97	227
<b>Profit/loss after financial items</b>	<b>29</b>	<b>29</b>	<b>91</b>	<b>-25</b>	<b>368</b>
Appropriations	-	-	-	-	-1 900
<b>Profit/loss before tax</b>	<b>29</b>	<b>29</b>	<b>91</b>	<b>-25</b>	<b>-1 532</b>
Tax	-8	-8	-25	9	531
<b>Net profit/loss</b>	<b>21</b>	<b>21</b>	<b>66</b>	<b>-16</b>	<b>-1 001</b>

Summarised balance sheet MSEK	30 Sep 2008	30 Sep 2007	31 Dec 2007
Fixed assets	4 137	4 137	4 114
Current assets	3 360	2 180	4 103
<b>Total assets</b>	<b>7 497</b>	<b>6 317</b>	<b>8 217</b>
Shareholders' equity	1 251	1 666	1 365
Untaxed reserves	1 900	-	1 900
Provisions	424	684	419
Long-term liabilities	1 345	2 143	2 077
Current liabilities	2 577	1 824	2 456
<b>Total shareholders' equity and liabilities</b>	<b>7 497</b>	<b>6 317</b>	<b>8 217</b>



## Business areas

### Quarterly breakdown of net turnover by business area and for the Group

MSEK	2008			2007				
	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	<b>1 008</b>	976	1 033	3 989	1 072	969	960	988
Packaging Boards	<b>598</b>	566	644	2 171	577	546	508	540
Market Pulp	<b>385</b>	366	414	1 556	382	360	425	389
Currency hedging etc.	<b>38</b>	37	-14	42	37	-1	-9	15
Other and eliminations	<b>9</b>	4	19	0	0	-	-	-
<b>Total Group</b>	<b>2 038</b>	1 949	2 096	7 758	2 068	1 874	1 884	1 932

### Quarterly breakdown of operating profit by business area and for the Group

MSEK	2008			2007				
	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	<b>76</b>	50	141	355	144	96	17	98
Packaging Boards	<b>83</b>	50	86	179	71	64	-9	53
Market Pulp	<b>-39</b>	-15	19	81	22	11	16	32
Currency hedging etc.	<b>38</b>	37	-14	42	37	-1	-9	15
Other and eliminations	<b>-32</b>	-8	-18	-67	-31	-17	2	-21
<b>Total Group</b>	<b>126</b>	114	214	590	243	153	17	177

### Quarterly operating margin per business area and for the Group

%	2008			2007				
	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	<b>8</b>	5	14	9	13	10	2	10
Packaging Boards	<b>14</b>	9	13	8	12	12	-2	10
Market Pulp	<b>-10</b>	-4	5	5	6	3	4	8
<b>The Group</b>	<b>6</b>	6	10	8	12	8	1	9

### Quarterly delivery volumes per business area

'000 tonnes	2008			2007				
	III	II	I	Full year	IV	III	II	I
Packaging & Speciality Paper	<b>128</b>	123	128	544	144	130	131	139
Packaging Boards	<b>121</b>	113	127	463	118	114	111	120
Market Pulp	<b>85</b>	79	85	326	79	74	89	84
<b>Total</b>	<b>334</b>	315	340	1 333	341	318	331	343