
22 July 2010

Continued very strong demand and increasing prices, but extraordinary costs affect margins

CEO Per Lindberg comments on the development during Q2 2010:

“With an operating profit of SEK 201 million for the second quarter of 2010 we now have three consecutive quarters behind us with an operating margin of 10%. We have continued our efforts to restore prices in local currency and prices for our packaging paper during the quarter were on average approximately 6% higher than in the previous quarter in each sales currency. This work is being given priority since part of these increases is needed to counteract a strengthened Swedish krona.

During the second quarter a planned maintenance shutdown at our largest mill was carried out and this shutdown had a substantial effect on profitability. The shutdown takes place every 18 months and latest occurred during the fourth quarter of 2008. The shutdown was complicated by strike action and was more expensive than anticipated. The cost of the shutdown was approximately SEK 110 million and was reflected in lower production volumes as well as higher variable and fixed costs. This means that at first glance the comparison between the first and second quarter of this year may appear negative for our packaging segments, in particular for Packaging Boards which had to bear most of the shutdown costs. This does not apply to the Market Pulp business area which as a result of price increases for pulp and despite the shutdown costs can deliver historically very good margins. Market Pulp business area has to a lesser extent been affected by shutdown costs.

We view this quarter, however, as a step forward for Billerud. We have very strong demand for all products and we continue to raise prices. We are also particularly pleased about the recognition our new product FibreForm[®] received in China where we received the “Technology Innovation Award 2010.”

Solna, 22 July 2010
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