



## INTERIM REPORT January-September 2001

Corporate Identity No. 556025-5001

www.billerud.com

The establishment of Billerud through the merger of AssiDomän's Skärblacka and Karlsborg paper mills with Stora Enso's Gruvön paper mill has created a new, competitive and in many respects leading company in packaging paper. On 30 September, Billerud was 50% owned by AssiDomän and 50% by Stora Enso.

After the end of September, Stora Enso agreed with AssiDomän to sell 20% of the shares in Billerud to AssiDomän, AssiDomän therefore now holds 70% of the shares in Billerud.

*(All financial information relating to 2000 is pro forma)*

	Quarter			January-September	
	2001 III	2001 II	2000 III	2001	2000
Net turnover, MSEK	<b>1,593</b>	1,742	1,696	<b>5,175</b>	4,895
Operating profit, MSEK	<b>246</b>	319	483	<b>1,034</b>	998
Operating margin, %	<b>15</b>	18	28	<b>20</b>	20
Profit after financial items, MSEK	<b>217</b>	292	- <sup>1)</sup>	<b>951</b>	- <sup>1)</sup>
Earnings per share, SEK	<b>2.45</b>	3.33	- <sup>1)</sup>	<b>10.83</b>	- <sup>1)</sup>

1) Historical data not available

- Downward trend in the market continued.
- Operating profit for the period January-September 2001 was slightly better than in the same period last year.
- Earnings declined by MSEK 73 in the third quarter compared with the previous quarter, mainly due to lower average prices for market pulp, maintenance shutdowns at Gruvön and Karlsborg and costs for the build-up of Billerud and stock-exchange listing (MSEK 22).
- Return on capital employed, measured as a moving 12-month figure, amounted to 30% (30% for the full year 2000).
- Stock-exchange listing planned for 20 November 2001.
- Earnings for the fourth quarter are expected to be slightly below the level in the third quarter.

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*If you have any questions concerning this report, please contact  
Bert Östlund, President & CEO, +46 8 553 335 00 or +46 70 518 2757  
or Nils Lindholm, CFO, +46 8 553 335 00 or +46 70 217 5225  
E-mail: info@billerud.com*

***The accounts are prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council. For further details, see page 7.***

## **Billerud Group**

### **Market**

Demand for Billerud's products has been relatively stable during the year with delivery volumes only marginally below the previous year's level. The market for Billerud's packaging paper was strong at the beginning of the year, but has subsequently gradually weakened. Price reductions were implemented in local currencies but this was compensated by the weakening of the Swedish krona.

Demand for market pulp has been low but, due to substantial production curtailments, stocks held by pulp producers fell during the year. The price of long-fibre market pulp fell considerably, from USD 710 per tonne at the beginning of the year to USD 450 per tonne at the end of September. Starting in October, however, some price increases have been effected for market pulp.

Billerud implemented production curtailments due to the demand situation in the first half of the year. The annual maintenance shutdowns took place at Gruvön and Karlsborg in the third quarter, which led to lower production and deliveries.

### **Sales and results**

#### ***Third quarter***

Net turnover for the period amounted to MSEK 1,593, a decrease of 9% compared with the second quarter. The lower turnover is explained by lower deliveries, mainly of containerboard, as well as reduced prices for market pulp. Prices for Billerud's paper products, expressed in Swedish kronor, were on average relatively stable. The lower volumes are mainly due to the annual maintenance shutdowns at two mills (Gruvön and Karlsborg) in the third quarter but only in one mill (Skärblacka) in the second quarter.

Operating profit amounted to MSEK 246, a decline compared with the previous quarter of MSEK 73 or 23%. The reduced prices for market pulp and lower deliveries due to the maintenance shutdowns had a negative impact on earnings. Furthermore, earnings for the quarter were charged with MSEK 22 in non-recurring costs for the build-up of Billerud and the stock-exchange listing.

Comments on the earnings trend for each product area are provided on page 5.

#### ***January - September***

Compared with the first nine months of 2000, net turnover increased by 6% and amounted to MSEK 5,175. The higher turnover was attributable to higher prices for kraft paper and containerboard and the weakened Swedish krona. This was offset by lower prices for market pulp. In total, deliveries decreased by 3% compared with the same period in 2000.

The operating profit of MSEK 1,034 represents an improvement compared with the first nine months of 2000 of MSEK 36 or 4%. The increase was attributable to the higher average prices for Billerud's paper products. The effect of the higher prices in Swedish kronor was

offset, however, by reduced pulp prices and higher variable costs, mainly due to higher wood and chemical prices.

Compared with the previous year, earnings were charged with MSEK 32 in non-recurring costs for the formation of Billerud and the stock-exchange listing. In the previous year, a MSEK 25 repayment of funds was received from SPP. Adjusted for these two items, the earnings improvement, compared with 2000, amounted to MSEK 93.

Net financial items, amounting to MSEK -83, related to interest paid at market rates on loans from the company's owners.

The estimated tax charge was MSEK 271. The tax charge corresponds to a tax rate of just over 28%.

Return on capital employed, calculated on the latest 12-month period, amounted to 30%, compared with 30% for the full year 2000. Return on equity was 35%.

## Foreign exchange exposure

25% of the Group's sales are in Swedish kronor and 75% in foreign currency, primarily EUR, USD and GBP. Most sales in SEK, however, are closely related to market pricing in other currencies, primarily USD. The Group's currency hedging takes these underlying flows into account. The majority of costs are in Swedish kronor. The Group is therefore exposed to exchange rate fluctuations. In order to manage this, Billerud has hedged exchange rates as shown below.

### Currency breakdown of the Group's sales in % of turnover, Jan-Sept 2001

EUR	40%
SEK	25%
USD	20%
GBP	5%
Others	10%
<b>Total</b>	<b>100%</b>

### Hedging as % of forecasted underlying net flows for the next 12 months

Currency	Months 1-3	Months 4-6	Months 7-12	Total	Average rates
EUR	100	80	55	70	9.58
USD	100	100	95	95	10.56
GBP	100	60	50	65	15.21

## Investments, cash flow and financial position

Billerud's capital employed amounted to MSEK 4,745 on 30 September 2001, compared with MSEK 4,828 pro forma on 1 January 2001.

Gross investments amounted to MSEK 275, while depreciation during the same period amounted to MSEK 259. Most of the investment amount relates to investment projects started before year-end 2000, primarily an evaporation unit and soda recovery boiler at Gruvön. Investment projects decided after year-end 2000 include replacement of washing filters at Skärblacka.

Cash flow from operating activities amounted to MSEK 1,035. After net investments (MSEK 272) the operating cash flow amounted to MSEK 763. The operating cash flow corresponds to the change in Billerud's net debt. After amortisation of interest-bearing liabilities (MSEK 1,356) the total cash flow amounted to MSEK -593. The interest-bearing net debt amounted to MSEK 1,841 on 30 September 2001 compared with MSEK 2,604 pro forma on 1 January 2001.

The Group's net debt/equity ratio at the end of the period was 0.6 compared with 1.2 at the beginning of the year. The positive operating cash flow explains the reduced net debt/equity ratio.

In the third quarter, Billerud concluded a bridge financing agreement with SEB. This means that refinancing of loans from the present owners has been secured. This relief will be implemented in conjunction with the planned stock-exchange listing.

## **Personnel**

The average number of employees in the first nine months of 2001 amounted to 2,357 compared with 2,486 in the same period a year ago. The average number of employees thus decreased by approximately 130 people.

## Product areas

### Net turnover and operating profit, January-September

MSEK	Net turnover			Operating profit		
	2001	2000	% change	2001	2000	% change
Kraft paper	2,615	2,421	8	602	430	40
Containerboard	1,468	1,321	11	303	240	26
Market pulp	1,092	1,153	-5	208	371	-44
Other	-	-	-	-79 <sup>1)</sup>	-43	-84
<b>Total Group</b>	<b>5,175</b>	<b>4,895</b>	<b>6</b>	<b>1,034</b>	<b>998</b>	<b>4</b>

1) Includes MSEK 32 in costs for the build-up of Billerud and stock-exchange listing.

#### ***Kraft paper***

##### *Third quarter*

The operating profit for the period was MSEK 192. Compared with the second quarter of 2001, profit rose by MSEK 13 or 7%, mainly due to lower costs.

##### *January – September*

Compared with the first nine months of 2000, earnings rose 40% to MSEK 602. Deliveries fell 9%, which was entirely attributable to sack paper volumes. Deliveries of technical kraft paper were unchanged. These improved earnings are due to higher prices, which consequently more than compensated for the lower deliveries.

#### ***Containerboard***

##### *Third quarter*

Operating profit amounted to MSEK 87, a decrease of MSEK 22 compared with the previous quarter. This decline is explained by 8% lower deliveries compared with the previous quarter.

##### *January - September*

Compared with the first nine months of 2000, earnings increased by 26% to MSEK 303. Prices were higher this year, but the earnings impact of this was limited by higher costs. Deliveries were more or less unchanged.

#### ***Market pulp***

##### *Third quarter*

Operating profit amounted to MSEK 19, a decrease of MSEK 29 from the level in the second quarter. The main explanation for this result was falling prices although slightly lower deliveries also contributed.

##### *January - September*

Compared with the same period in 2000, deliveries were 7% higher in the first nine months of this year. Operating profit amounted to MSEK 208, a decrease of 44%. This decline was mainly due to reduced prices.

## Parent Company

Billerud AB comprises Gruvön, the sales organisation for the Nordic market and markets outside Europe, and head office functions.

In the first nine months of 2001, net turnover amounted to MSEK 2,366. Profit after financial items amounted to MSEK 379. Fixed-asset investments, excluding shares, amounted to MSEK 150. The average number of employees was 1,104. Liquid assets and short-term investments amounted to MSEK 99.

## Planning for stock-exchange listing

AssiDomän AB's Annual General Meeting held in May 2001 decided to distribute all the shares owned by AssiDomän AB in Billerud AB to its shareholders. Now that Stora Enso has exercised its option to sell 20% of the shares to AssiDomän AB, AssiDomän AB holds 70% of the shares in Billerud AB, which will be distributed. An Extraordinary General Meeting of Billerud AB held on 17 October 2001 decided on a split and bonus issue. The number of shares in Billerud subsequently amounted to 62,740,998.

The Stockholm Stock Exchange's Listing Committee is expected to consider Billerud's listing application on 31 October. If the application is approved, listing of Billerud's shares on the O List is expected to start on 20 November.

## Ownership structure

The table below illustrates Billerud's ownership structure had the distribution to shareholders in AssiDomän taken place on 4 October 2001. Based on ownership in AssiDomän on 4 October 2001, the table also shows the ownership structure in Billerud if the Swedish State's offer to shareholders in AssiDomän, made through Sveaskog AB, is accepted by the shareholders listed below and completed according to the terms announced on 10 October 2001, which includes payment partly comprising shares in Billerud.

	After distribution		After completion of Sveaskog's offer for AssiDomän	
	Number of shares	% of capital and votes	Number of shares	% of capital and votes
Stora Enso	18,822,300	30.0%	18,822,300	30.0%
Swedish State	15,510,088	24.7%	0	0.0%
Capital Group funds	2,584,615	4.1%	3,995,723	6.4%
Alecta	2,504,710	4.0%	3,872,193	6.2%
Franklin Templeton funds	2,188,361	3.5%	3,383,127	5.4%
SEB funds	1,745,234	2.8%	2,698,069	4.3%
Investor	1,375,385	2.2%	2,126,296	3.4%
SEB-Trygg Försäkring	709,154	1.1%	1,096,327	1.7%
SEB	556,483	0.9%	860,303	1.4%
Zenit fund	473,077	0.8%	731,360	1.2%
Tredje AP-fonden	439,431	0.7%	679,344	1.1%
Andra AP-fonden	345,849	0.6%	534,671	0.9%
Första AP-fonden	317,908	0.5%	491,474	0.8%
SPP Livförsäkring AB	251,432	0.4%	388,705	0.6%
Others	14,916,971	23.7%	23,061,106	36.6%
<b>Total</b>	<b>62,740,998</b>	<b>100.0%</b>	<b>62,740,998</b>	<b>100.0%</b>

## Outlook

So far this year market conditions have been mixed. The market for Billerud's paper products was strong at the beginning of the year but has subsequently gradually weakened. At the same time, prices for market pulp have fallen substantially, although some stabilisation occurred in the autumn.

After the end of the period covered by this report, the market continued to weaken. Earnings for the fourth quarter are expected to be slightly lower than the level in the third quarter. The reason is that some price reductions have been implemented for Billerud's paper products.

Stockholm, 25 October 2001  
Billerud AB (publ)

*Board of Directors*

*All financial information relating to 2000 is pro forma. Since until 31 December 2000 the paper mill in Gruvön comprised a profit unit within the then Stora Enso Paperboard AB, it did not have an independent balance sheet with its own loan financing, untaxed reserves and shareholders' equity. The Swedish Financial Accounting Standards Council's recommendation on accounting for income tax (RR 9) is applied with effect from 1 January 2001. Against this background, the result is reported in the pro forma profit and loss accounts down to operating profit and since a retroactive recalculation could not be performed with reasonable accuracy, such recalculation has been performed from 1 January 2001. For the same reason, no cash flow statement is reported for the period January – September 2000. With these exceptions, this interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation for interim reports (RR 20).*

*Information regarding the accounting principles applied and definitions of key figures can be obtained from the Company.*

## Review Report

We have reviewed this Interim Report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants (FAR). A review is substantially less comprehensive in scope than an audit. Nothing has come to our attention to indicate that this Interim Report does not satisfy the requirements of the Swedish Annual Accounts Act.

Stockholm, 25 October 2001

Owe Wallinder  
Authorised Public Accountant

Caj Nackstad  
Authorised Public Accountant

## Financial calendar

Year-end report for 2001

7 February 2002

Billerud AB (publ) Box 703, SE-169 27 Solna Corporate Identity Number 556025-5001  
Tel +46 8 553 33500 Fax +46 8 553 33580 E-mail: info@billerud.com  
Internet website: <http://www.billerud.com>

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*Billerud manufactures and sells packaging paper in the form of kraft paper and containerboard as well as 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 Europe but also includes the rest of the world. Billerud has annual sales of approximately SEK 7 billion and 2,400 employees*



## Appendix

## Billerud Group

Profit and Loss Account	3 months			9 months	
	July-Sept 2001	April-June 2001	July-Sept 2000	Jan-Sept 2001	Jan-Sept 2000
MSEK					
Net turnover	1,593	1,742	1,696	5,175	4,895
Other income	2	1	16	8	25
<b>Operating income</b>	<b>1,595</b>	<b>1,743</b>	<b>1,712</b>	<b>5,183</b>	<b>4,920</b>
Operating expenses	-1,262	-1,336	-1,154	-3,890	-3,697
Depreciation	-87	-88	-75	-259	-225
<b>Operating expenses</b>	<b>-1,349</b>	<b>-1,424</b>	<b>-1,229</b>	<b>-4,149</b>	<b>-3,922</b>
<b>Operating profit</b>	<b>246</b>	<b>319</b>	<b>483</b>	<b>1,034</b>	<b>998</b>
Financial items	-29	-27	-	-83	-
<b>Profit after financial items</b>	<b>217</b>	<b>292</b>	<b>-</b>	<b>951</b>	<b>-</b>
Tax	-63	-83	-	-271	-
<b>Net profit for the period</b>	<b>154</b>	<b>209</b>	<b>-</b>	<b>680</b>	<b>-</b>
<b>Earnings per share</b>	<b>2.45</b>	<b>3.33</b>	<b>-</b>	<b>10.83</b>	<b>-</b>

Balance Sheet	Pro forma	
	30 Sept 2001	1 Jan 2001
MSEK		
Fixed assets	4,270	4,257
Stocks	639	633
Accounts receivable	1,142	1,064
Other current assets	111	176
Cash, bank balances and short-term investments	136	729
<b>Total assets</b>	<b>6,298</b>	<b>6,859</b>
Shareholders' equity	2,904	2,224
Interest-bearing provisions	73	102
Non-interest-bearing provisions	416	431
Interest-bearing liabilities	1,904	3,231
Accounts payable	368	508
Other, non-interest-bearing liabilities	633	363
<b>Total shareholders' equity, provisions and liabilities</b>	<b>6,298</b>	<b>6,859</b>

Specification of change in equity	Jan-Sept 2001
MSEK	
Opening equity	2,224
Net profit for the period	680
<b>Closing equity</b>	<b>2,904</b>

<b>Cash Flow Statement</b>	<b>Jan-Sept</b>
<b>MSEK</b>	<b>2001</b>
Operating surplus	1,292
Change in working capital, etc.	-174
Net financial items, taxes, etc.	-83
<b>Cash flow from operating activities</b>	<b>1,035</b>
<b>Cash flow from investing activities</b>	<b>-272</b>
<b>Operating cash flow</b>	<b>763</b>
<b>Cash flow from financing activities</b>	<b>-1,356</b>
<b>Total cash flow</b>	<b>-593</b>

<b>Liquid assets at the beginning of the year</b>	<b>729</b>
<b>Total cash flow</b>	<b>-593</b>
<b>Liquid assets at the end of the period</b>	<b>136</b>

<b>Key Figures</b>	<b>Jan-Sept</b>	<b>Jan-Sept</b>	<b>Full year</b>
	<b>2001</b>	<b>2000</b>	<b>2000</b>
<i>Margins</i>			
Gross margin, %	25	25	25
Operating margin, %	20	20	21
<i>Return</i>			
Return on capital employed, %	30 <sup>2)</sup>	28 <sup>3)</sup>	30 <sup>1)</sup>
Return on equity, %	35 <sup>3)</sup>	- <sup>1)</sup>	- <sup>1)</sup>
<i>Capital structure</i>			
Capital employed, MSEK	4,745	4,834	4,828 <sup>4)</sup>
Shareholders' equity, MSEK	2,904	- <sup>1)</sup>	2,224 <sup>4)</sup>
Interest-bearing net debt, MSEK	1,841	- <sup>1)</sup>	2,604 <sup>4)</sup>
Net debt/equity ratio, times	0.6	- <sup>1)</sup>	1.2 <sup>4)</sup>
Equity ratio, %	46	- <sup>1)</sup>	32 <sup>4)</sup>
Earnings per share, SEK <sup>5)</sup>	10.83	- <sup>1)</sup>	14.40
Gross investments, MSEK	275	527	679
Average number of employees	2,357	2,486	2,442

<sup>1)</sup> Historical data not available

<sup>2)</sup> Moving 12 months

<sup>3)</sup> Historical 12-month results not available

The calculation includes net profit for the period, proportionally adjusted upwards to a full-year value

<sup>4)</sup> Pro forma 1 January 2001

<sup>5)</sup> Number of shares: 62,740,998

## Product areas

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

MSEK	2001				2000		
	III	II	I	IV	III	II	I
Kraft paper	797	847	971	860	830	788	804
Containerboard	475	511	482	438	448	432	441
Market pulp	321	384	387	472	418	392	343
Other and eliminations	-	-	-	-	-	-	-
Total Group	1,593	1,742	1,840	1,770	1,696	1,612	1,588

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

MSEK	2001				2000		
	III	II	I	IV	III	II	I
Kraft paper	192	179	231	158	213	123	94
Containerboard	87	109	107	59	115	61	64
Market pulp	19	48	141	183	169	120	81
Other and eliminations	-52 <sup>1)</sup>	-17	-10	-14	-14	-14	-14
Total Group	246	319	469	386	483	290	225

1) Includes MSEK 22 in costs for the build-up of Billerud and stock-exchange listing.

### Quarterly breakdown of operating margin by product area and for the Group

%	2001				2000		
	III	II	I	IV	III	II	I
Kraft paper	24	21	24	18	26	16	12
Containerboard	18	21	22	13	26	14	14
Market pulp	6	12	36	39	40	31	24
Group	15	18	25	22	28	18	14

### Quarterly breakdown of deliveries by product area

ktonnes	2001				2000		
	III	II	I	IV	III	II	I
Kraft paper	107	109	130	120	125	123	132
Containerboard	106	115	108	102	102	112	118
Market pulp	78	81	64	72	70	71	68