



# INTERIM REPORT

## JULY-SEPTEMBER 2010

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**New innovative sack concept for lower environmental impact**

## **New innovative sack concepts launched**

**Billerud is now launching a complete new series of sack concepts focused on the brand owner's demand for high productivity combined with a moisture protection, long shelf-life, attractive design and compostability through the use of bioplastic.**

Moisture barriers often force customers to compromise on the productivity of the filling process, but with Billerud's new concepts all that has changed.

QuickFill® BioTex is one of the sack concepts with a moisture protection made from bioplastic from our subsidiary Billerud Tenova Bioplastics. The moisture protection is manufactured from a renewable raw material derived from cornstarch. All the components of QuickFill® BioTex are both biodegradable and compostable in accordance with EN-13432.

Billerud's QuickFill® sack paper, which combines high strength and high porosity, is a vital component of the new sack concepts. The company's Sack Lab and the extensive experience of our staff in the value chain for industrial sacks are essential components of our research and development work.

	3 months			9 months	
	Jul-Sep 2010	Apr-Jun 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
Net sales, SEKm	2 251	2 108	1 893	6 549	5 700
EBITDA, SEKm	425	350	204	1 155	487
Operating profit/loss, SEKm	276	201	64	711	69
Operating margin, %	12%	10%	3%	11%	1%
Profit/Loss before tax, SEKm	258	182	39	652	-18
Net profit/loss for the period, SEKm	190	134	36	480	5
Earnings per share, SEK	1,84	1,30	0,48	4,66	0,07

### January-September 2010 compared with the same period in 2009

- Net sales amounted to SEK 6 549 million (5 700), an increase of 15%.
- Profit for the period amounted to SEK 480 million (5).
- Earnings per share amounted to SEK 4.66 (0.07).
- Operating profit amounted to SEK 711 million (69), corresponding to a margin of 11% (1).

### July-September 2010 compared with April-June 2010

- Net sales amounted to SEK 2 251 million (2 108), an increase of 7%.
- Operating profit amounted to SEK 276 million (201). The 37% increase is mainly attributable to improved prices as well as lower costs for periodic maintenance shutdowns. No periodic maintenance shutdowns are planned for the fourth quarter.
- The strong order situation continued during the third quarter.
- After the end of the quarter, the anticipated compensation of SEK 77 million related to the strike during the second quarter was received from the Confederation of Swedish Enterprise.

### Outlook for the full-year 2010

- The order situation remains good or very good within most of Billerud's packaging paper areas, which should enable a continued positive development within Billerud's segments for packaging paper and packaging paper solutions.
- Further price increases for some of Billerud's packaging paper products have been announced for the fourth quarter.
- Lower market prices and a weaker USD will have a negative impact on the operating margin for the Market Pulp business area.

For further information in connection with this report, please contact Per Lindberg, President and CEO, +46 702 481 517 or Bertil Carlsén, CFO, +46 730 211 092

**Billerud's CEO Per Lindberg and CFO Bertil Carlsén will present the interim report at a press and analysts conference on Friday, 29 October at 13.30 CET.  
Venue: Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm.**

## Comments by Billerud's CEO Per Lindberg:

### ***Strong development for Billerud's packaging paper in terms of both earnings and new solutions***

*"We are very pleased with the results for the third quarter as well as the underlying earnings for all our business areas. The strong development for Billerud's main area, packaging paper, led to an improvement in operating profit to SEK 276 million for the third quarter. This result corresponded to an operating margin of 12% compared with the 11% average over the last three quarters. This improvement is due to good demand and continued efforts to improve margins and value creating packaging paper solutions.*

*We have just launched our first product where we combine two renewable materials; paper and bioplastic. The result is an effective and climate-smart sack solution with a moisture barrier. We can see a number of opportunities ahead of us where our close dialogue with end customers, combined with our expertise within packaging paper and bioplastics, will lead to new packaging solutions with increased value creation for our customers. This applies in particular to customers who set a high value on packaging their products in climate-smart packaging made from renewable materials.*

*Following our receipt of the "Technology Innovation Award 2010" in China for our FibreForm<sup>®</sup> product in the previous quarter, the number of customer enquiries and development cooperations relating to FibreForm<sup>®</sup> has further increased. We feel strengthened by the fact that our long-term focus on development work close to the customer, and innovative product development, will give us future opportunities for a continued positive margin development within packaging paper."*

## **Billerud Group**

### **Market**

Demand within all Billerud's segments for packaging paper remained strong. Price increases were implemented for all Billerud's packaging paper products during the third quarter. Prices in local currency rose by an average of approximately 8% during the third quarter compared with the second quarter. Further price increases have been announced for the fourth quarter of 2010 for some of Billerud's packaging paper products.

The pulp market remained good during the third quarter, and the price level in Europe remained stable during the quarter despite lower demand from China. The price level fell somewhat after the end of the quarter.

Billerud's total deliveries amounted to 332 000 tonnes during the third quarter of 2010, an increase of 7% compared with the previous quarter and an increase of 1% compared with the same period in the previous year. The higher deliveries during the third quarter of 2010 are mainly attributable to strike action during the second quarter. Strike action in the second quarter will result in lower total deliveries for the full year.

Deliveries of packaging paper totalled 258 000 tonnes during the third quarter of 2010, an increase of 8% compared with the previous quarter and an increase of 2% compared with the same quarter previous year.

Market pulp deliveries amounted to 74 000 tonnes during the third quarter of 2010, an increase of 4% compared with the previous quarter and a decrease of 1% compared with the same quarter previous year.

## Sales and results

### Third quarter compared with second quarter

Net sales amounted to SEK 2 251 million, an increase of 7% compared with the second quarter. Improved prices and higher delivery volumes had a positive effect on net sales.

Operating profit amounted to SEK 276 million, an increase of SEK 75 million. The change in operating profit is shown in the table below. The operating margin amounted to 12% (10).

### Change in operating profit compared with previous quarter

SEKm	Jan-Mar 10/ Okt-Dec 09	Apr-Jun 10/ Jan-Mar 10	Jul-Sep10/ Apr-Jun 10
	Delivery and production volumes, incl. product mix	20	-120
Selling prices (in respective sales currency)	108	147	138
Strike compensation	-	77	-77
Change in variable costs	-109	-47	-3
Change in fixed costs	35	-39	48
Change in depreciation	-3	-2	0
Effects of exchange rate fluctuations, incl. hedging*	-48	-49	-96
<b>Total change in operating profit/loss</b>	<b>3</b>	<b>-33</b>	<b>75</b>

\* Effects of exchange rate fluctuations totalling SEK -96 million comprise the following components: changed spot rates SEK -27 million, currency hedging SEK 90 million and currency effects from remeasurement of trade receivables and payments from customers, etc. SEK -159 million.

Higher delivery and production volumes had a positive impact on operating profit of SEK 65 million. The two planned maintenance shutdowns carried out during the quarter had a lower impact on earnings compared with the maintenance shutdown and strike which occurred during the second quarter. Improved selling prices in local currency had a positive effect of SEK 138 million, which was mainly attributable to packaging paper. The packaging paper segment increased its prices in local currency by an average of approximately 8% compared with previous quarter. The effect of increased variable costs was SEK -3 million, of which the effect of higher wood prices was SEK -12 million. Fixed costs decreased by SEK 48 million. The change is mainly due to lower costs for periodic maintenance shutdowns during the third quarter compared to previous quarter. In the third quarter maintenance shutdowns were carried out at the mills in Skärblacka and Karlsborg while Billerud's largest mill Gruvön had a maintenance shutdown in the second quarter. No periodic maintenance shutdowns are planned for the fourth quarter.

### Operating profit per business area

Business area (share of sales)	Operating margin, %		Operating profit/loss, SEKm		Deviation
	Jul-Sep 2010	Apr-Jun 2010	Jul-Sep 2010	Apr-Jun 2010	
Packaging & Speciality Paper and Packaging Boards <i>Packaging paper (approx. 80%)</i>	12%	5%	213	70	143
Market Pulp <i>Market pulp (approx. 20%)</i>	20%	22%	92	100	-8
Currency hedging and other			-29	31	-60
<b>Group</b>	<b>12%</b>	<b>10%</b>	<b>276</b>	<b>201</b>	<b>75</b>

In addition to the three business areas, the Group includes Currency hedging, etc. and Other and eliminations according to the specification on page 17.

Operating profit for packaging paper (Packaging & Speciality Paper and Packaging Boards) increased by SEK 143 million, corresponding to an increase in the operating margin from 5%

to 12% mainly due to improved prices and lower costs for periodic maintenance. Operating profit for market pulp (Market Pulp) decreased by SEK 8 million and the operating margin amounted to 20% compared with 22%. For further accounting by business area, see pages 7-9.

Net financial items amounted to SEK -18 million (-19), an improvement of SEK 1 million, which is explained by lower debt.

Profit before tax amounted to SEK 258 million. Estimated tax was SEK -68 million. Net profit therefore amounted to SEK 190 million.

### **Third quarter compared with the same period in 2009**

Net sales increased by 19% to SEK 2 251 million compared with the same period previous year.

Operating profit increased by SEK 212 million to SEK 276 million due to improved prices (see table below). Operating margin amounted to 12% (3).

### **January-September compared with the same period in 2009**

Net sales amounted to SEK 6 549 million, an increase of 15% compared with the same period previous year. Deliveries totalled 984 000 tonnes, which was an increase of 1% compared with the same period previous year. During the nine-month period, one maintenance shutdown was this year carried out which did not take place during the same period in 2009.

Operating profit amounted to SEK 711 million, an increase of SEK 642 million which is mainly due to better prices as well as an improved volume and product mix. The operating margin amounted to 11% (1).

### **Change in operating profit compared with the same period in the previous year**

SEKm	Jan-Mar 10/	Apr-Jun 10/	Jul-Sep 10/	Jan-Sep 10/
	Jan-Mar 09	Apr-Jun 09	Jul-Sep 09	Jan-Sep 09
Delivery and production volumes, incl. product mix	122	-70	-15	37
Selling prices (in respective sales currency)	122	315	463	900
Strike compensation	-	77	0	77
Change in variable costs	57	-67	-79	-89
Change in fixed costs	-31	-30	-5	-66
Change in depreciation	-7	-10	-9	-26
Effects of exchange rate fluctuations, incl. hedging*	8	-56	-143	-191
<b>Total change in operating profit/loss</b>	<b>271</b>	<b>159</b>	<b>212</b>	<b>642</b>

\* Effects of exchange rate fluctuations totalling SEK -191 million comprise the following components: changed spot rates SEK -508 million, currency hedging SEK 358 million and currency effects from remeasurement of trade receivables and payments from customers, etc. SEK -41 million.

In September, the Environmental Court of Appeal ruled that Billerud, in accordance with decisions from the Environmental Court and the Swedish Environmental Protection Agency, must pay a sanction of SEK 19.5 million because of the company's inaccurate reporting of emission rights for 2006 to a value of approximately SEK 50 000. Since Billerud made a provision for the sanction amount in 2009, the judgement did not have any impact on the earnings for 2010.

Net financial items amounted to SEK -59 million (-87), an improvement of SEK 28 million due to lower debt.

Profit before tax amounted to SEK 652 million. Estimated tax amounted to SEK -172 million. Net profit therefore amounted to SEK 480 million.

## Significant risks and uncertainties

Billerud's products are generally dependent on the business cycle, in terms of both price development and potential delivery volumes. The Group is exposed to currency fluctuations since most revenues are invoiced in foreign currency while most operating expenses are in SEK.

Billerud's mills have a higher capacity for sulphate pulp production than is used in production of packaging paper. To ensure cost-effective production, Billerud is largely dependent on being able to sell its surplus sulphate pulp as market pulp.

A more in-depth description of risks and a sensitivity analysis are provided on pages 68-72 of the 2009 Annual Report.

## Related party transactions

No transactions have taken place between Billerud and related parties that significantly affect the company's position and earnings.

## Currency hedging

During the first nine months of 2010 net flows were hedged at EUR/SEK 10.86 (9.93), USD/SEK 7.75 (7.37), GBP/SEK 11.72 (12.17) and DKK/SEK 1.46 (1.34). Currency hedging had an overall earnings impact of SEK 265 million (-93) (compared with if no hedging had taken place).

Billerud's outstanding forward currency contracts at 30 September 2010 had a market value of SEK 205 million. The contracts matched by trade receivables affected earnings in the third quarter. Other contracts had a market value of SEK 148 million.

Billerud continuously hedges approximately 50% of forecast net flows over the next 12-month period but in accordance with the financial policy is also able to extend currency hedging to 100% of net flows over the next 15 months.

The hedged portion of the flows and the hedged rates for EUR, USD and GBP at 25 October 2010 are shown in the table below. DKK only accounts for 0.1% of total hedged flows and is therefore not included in the table.

### Hedged portion of currency flows for EUR, USD and GBP and exchange rates against SEK

		Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Total
Currency		2010	2011	2011	2011	12 month
EUR	Share of net flow	87%	64%	29%	11%	48%
	Rate	9,88	9,79	9,59	9,43	9,78
USD	Share of net flow	90%	60%	36%	36%	55%
	Rate	7,13	7,17	7,78	8,05	7,39
GBP	Share of net flow	81%	57%	23%	11%	44%
	Rate	11,05	10,91	11,27	11,20	11,05

## Investments and capital employed

Gross investments of intangible assets and property, plant and equipment, including company acquisitions, in the first nine months of 2010 amounted to SEK 251 million (250).

Billerud's capital employed amounted to SEK 4 930 million at 30 September 2010, compared with SEK 5 137 million at 30 June 2010 and SEK 5 342 million at 30 September 2009.

Return on capital employed, calculated over the past 12-month period, amounted to 18% (-2). If the effects of currency hedging are excluded, return on capital employed was 12% (4). Return on equity after tax was 16% (-3).

## Cash flow and financial position

### Summary cash flow statement

	3 months		9 months	
	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
<b>SEKm</b> (positive figure indicates reduction in debt)				
Operating surplus, etc.	417	207	1 042	470
Change in working capital, etc.	67	277	-32	170
Net financial items, taxes, etc.	-20	-35	-78	-123
<b>Cash flow from operating activities</b>	<b>464</b>	<b>449</b>	<b>932</b>	<b>517</b>
Current net investments	-113	-102	-250	-205
Business combinations	-	1	-	-35
<b>Operating cash flow</b>	<b>351</b>	<b>348</b>	<b>682</b>	<b>277</b>
New issue	-	928	-	928
Dividend	-	-	-52	-
Other items, not affecting cash flow	1	-1	-3	-21
<b>Change in net debt during the period</b>	<b>352</b>	<b>1 275</b>	<b>627</b>	<b>1 184</b>

Cash flow from operating activities during the nine-month period amounted to SEK 932 million (517). The increase is due to an improved operating surplus.

Operating cash flow during the nine-month period amounted to SEK 682 million (277).

Interest-bearing net debt at 30 September 2010 amounted to SEK 525 million compared with SEK 877 million at 30 June 2010 and SEK 1 433 million at 30 September 2009. The Group's net debt/equity ratio at the end of the period was 0.12 compared with 0.21 at 30 June 2010 and 0.37 at 30 September 2009. Billerud's financial target for the net debt/equity ratio is between 0.60 and 0.90 over a business cycle. Cash and cash equivalents at 30 September 2010 amounted to SEK 663 million.



## Financing

During the first quarter of 2010 Billerud reduced its syndicated credit facility which matures in 2012 from SEK 1 800 million to SEK 1 200 million. During the third quarter, a new 7-year credit facility for SEK 800 million maturing in 2017 was raised with the Swedish Export Credit Corporation. The credit facility is currently unutilised.

Interest-bearing loans amounted to SEK 1 149 million at 30 September 2010. Of this amount, utilisation of the syndicated credit facility (maximum: SEK 1 200 million) accounted for SEK 122 million, the syndicated bank loan for SEK 150 million, bond loans for SEK 825 million, utilisation of Billerud's commercial paper programme (maximum: SEK 1 500 million) for SEK 50 million and other interest-bearing liabilities for SEK 2 million.

### Financing at 30 September 2010

Loan	Credit limit, SEKm	Utilised, SEKm	Maturity
Syndicated credit facility	1 200	122	April 2012
Syndicated bank loan	150	150	December 2012
Commercial paper		50	1-6 months
Bond loan 2		150	September 2011
Bond loan 4		300	February 2013
Bond loan 7		225	June 2013
Bond loan 8		150	March 2016
SEK credit facility	800	-	July 2017
<b>Total</b>		<b>1 147</b>	

## Personnel

The average number of employees during the nine-month period was 2 253 compared with 2 257 during the same period in 2009, a reduction of 4 employees.

## Segment information

The Group's operations are managed and reported by business area as set out below.

- The Packaging & Speciality Paper business area is responsible for sales of sack paper and kraft paper with a focus on packaged food, paper carrier bags, sack solutions and industrial applications.
- The Packaging Boards business area is responsible for sales of fluting, liner and liquid board with a focus on fruit and vegetables and consumer goods.
- The Market Pulp business area is responsible for sales of long-fibre market pulp.
- Other business comprises group-wide functions such as corporate headquarters, wood supplies and the sales organisations. Other business also reports profit shares in associates/joint ventures, Nine TPP AB and ScandFibre Logistics AB, as well as the subsidiary Tenova Bioplastics AB. Other business also includes results from hedging of the Group's net currency flows, the result of pulp price hedges and group eliminations.

Non-current assets and capital investments cannot be broken down by business area since the business areas are highly integrated in terms of production.

## Summary income statement per business area

	Packaging & Speciality Paper		Packaging Boards		Market Pulp		Other business		Group total	
	Jan-Sep 2010	Jan-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
<b>SEKm</b>										
Net sales	3 146	2 981	1 780	1 805	1 281	958	342	-44	6 549	5 700
Other income	39	-	26	-	12	-	6	8	83	8
Operating expenses, other	-2 664	-2 472	-1 538	-1 488	-985	-1 037	-290	-223	-5 477	-5 220
Depreciation and impairment	-235	-208	-119	-124	-85	-77	-5	-9	-444	-418
Share of profits of associates/JV	-	-	-	-	-	-	0	-1	0	-1
<b>Operating profit/loss</b>	<b>286</b>	<b>301</b>	<b>149</b>	<b>193</b>	<b>223</b>	<b>-156</b>	<b>53</b>	<b>-269</b>	<b>711</b>	<b>69</b>
<i>Operating margin</i>	<i>9%</i>	<i>10%</i>	<i>8%</i>	<i>11%</i>	<i>17%</i>	<i>-16%</i>			<i>11%</i>	<i>1%</i>
Financial items									-59	-87
Tax									-172	23
<b>Net profit/loss</b>									<b>480</b>	<b>5</b>

For quarterly data commented on below, see page 17 of this report.

### Packaging & Speciality Paper business area

#### *Third quarter*

Operating profit amounted to SEK 106 million, an increase of SEK 22 million compared with the second quarter of 2010. Improved prices had a positive impact on operating profit while higher costs, primarily due to two periodic maintenance shutdowns at the mills in Karlsborg and Skärblacka, had a negative impact.

Compared with the same period in 2009, operating profit increased by SEK 32 million, which was attributable to improved prices and higher delivery volumes.

The operating margin amounted to 10% compared with 8% in the second quarter of 2010 and 8% in the same period in the previous year.

#### *January-September*

Operating profit decreased by SEK 15 million to SEK 286 million compared with the same period last year. A less favourable currency situation and increased costs were compensated by improved prices in local currency and higher delivery volumes. The decrease in operating profit is mainly due to three planned maintenance shutdowns taking place during the period under review compared with only two in the corresponding period last year. The operating margin amounted to 9% (10).

#### *Market development*

The order situation in the third quarter remained very good for sack and kraft paper. At the end of the quarter the order books were seasonally weaker than in the previous quarter but remained at an historically high level for the season. The price level in local currency increased for all main products compared with the previous quarter.

## **Packaging Boards business area**

### *Third quarter*

Operating profit amounted to SEK 107 million, an increase of SEK 121 million compared with the second quarter of 2010. The change is partly attributable to lower costs but also to higher volumes which are mainly due to a planned maintenance shutdown at Billerud's largest mill being carried out during the second quarter. The maintenance shutdown resulted in higher costs and lower volumes for Packaging Boards during the previous quarter. Improved prices also had a positive impact on operating profit.

Compared with the corresponding period in 2009, operating profit increased by SEK 39 million, mainly due to improved prices.

The operating margin amounted to 16% compared with -3% in the second quarter of 2010 and 12% in the same period last year.

### *January-September*

Operating profit decreased by SEK 44 million to SEK 149 million compared with the same period in the previous year. Improved prices in local currency compensated for a less favourable currency situation. The decrease in operating profit is mainly due to three planned maintenance shutdowns being carried out during the period under review compared with only two in the corresponding period a year ago. The operating margin amounted to 8% (11).

### *Market development*

The market for containerboard remained strong during the third quarter. Order books were in line with the previous quarter, a situation that still prevailed at the end of the quarter. The price level in local currency increased for all products during the third quarter compared with the previous quarter and additional price increases were announced.

## **Market Pulp business area**

### *Third quarter*

Operating profit amounted to SEK 92 million, a decrease of SEK 8 million compared with the second quarter of 2010 due to higher costs as a result of a periodic maintenance shutdown at the Karlsborg mill during the third quarter.

Compared with the same period in 2009, operating profit increased by SEK 113 million. The change is explained by improved prices.

The operating margin amounted to 20% compared with 22% for the second quarter of 2010 and -6% for the same period in the previous year.

### *January-September*

Operating profit increased by SEK 379 million to SEK 223 million compared with the same period in the previous year, mainly due to improved prices. The operating margin amounted to 17% (-16).

### *Market development*

The pulp market remained good during the third quarter, and the price level in Europe remained stable during the quarter despite lower demand from China. The price level fell somewhat after the end of the quarter.

## Parent company

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

Net sales during the nine-month period amounted to SEK 2 751 million (2 339). Operating profit amounted to SEK 316 million (-47), an increase compared with the same period in the previous year of SEK 363 million, mainly due to improved results from currency hedges in the parent company and higher earnings for the Gruvön mill.

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. This result amounted to SEK 265 million (-93).

Investments in property, plant and equipment and intangible assets excluding shares in the nine-month period amounted to SEK 103 million (46). The average number of employees was 932 (945). Cash and bank balances and short-term investments amounted to SEK 587 million (1 131).

## Seasonal effects

### *Maintenance shutdowns*

In addition to ongoing maintenance during production, Billerud's mills normally also require more extensive maintenance at some time during the year. So that maintenance can be carried out production of pulp and paper is stopped – known as a maintenance shutdown. An estimation of planned maintenance shutdowns and those already carried out are shown below.

<b>Mill</b>	<b>2010</b>	<b>2009</b>
Gruvön	Q2, 10 days	No shutdown 2009
Karlsborg	Q3, 10 days	Q3, 10 days
Skärblacka	Q3, 8 days	Q3, 8 days

Maintenance shutdowns at Beetham have an insignificant effect on Billerud's overall earnings.

The effects of shutdowns on earnings vary depending on the extent of the measures carried out, their nature and the actual length of the shutdown. Billerud works continually to spread the cost of maintenance shutdowns more evenly across the year.

### *Other seasonal effects*

A significant part of Billerud Flute<sup>®</sup> volumes are used to package fruit exports from the Mediterranean area. Demand from this customer group varies with the fruit export season and is normally highest from September to March each year. A significant portion of Billerud's sack paper and QuickFill<sup>®</sup> sack paper is used as packaging for cement and building materials. Demand for building materials in Europe is generally higher during May to October.

## Largest shareholders

Billerud's ten largest shareholders at 30 September 2010 according to SIS Ägarservice AB (Billerud's approximately 1.7 million treasury shares and foreign custodian banks are excluded):

<b>Shareholder</b>	<b>Number of shares</b>	<b>Per cent of votes</b>
Frapag Beteiligungsholding AG	21 621 400	21,0
SHB funds	2 969 528	2,9
DFA funds	2 742 434	2,7
Government of Norway	2 032 415	2,0
Avanza Pension Försäkring AB	1 645 491	1,6
Swedbank Robur funds	1 426 599	1,4
SEB funds	1 360 138	1,3
Östersjöstiftelsen	998 602	1,0
Apoteket AB:s pension foundation	845 600	0,8
Nordea funds	843 296	0,8
<b>Total 10 largest shareholders</b>	<b>36 485 503</b>	<b>35,4</b>
<b>Total number of shares in the market</b>	<b>103 104 284</b>	<b>100,0</b>

The proportion of foreign ownership was 43.3% of the number of shares in the market. The total number of owners (included nominee-registered) was approximately 122 394. More information about shareholder structure is available at [www.billerud.com/en/investors](http://www.billerud.com/en/investors).

## **Distribution of shares**

At 30 September 2010 the distribution of shares was as follows.

Registered number of shares	104 834 613
Treasury shares	-1 730 329
<b>Total number of shares in the market</b>	<b>103 104 284</b>

No treasury shares have been purchased since year-end 2004.

## **Events after the end of the quarter**

After the end of the quarter, the anticipated compensation of SEK 77 million related to the strike during the second quarter was received from the Confederation of Swedish Enterprise. The compensation was recognised as revenue during the second quarter and thus only affects cash flow during the fourth quarter.

## **Outlook**

The order situation remains good or very good within most of Billerud's packaging paper areas, which should enable a continued positive development within Billerud's segments for packaging paper and packaging paper solutions.

Further price increases for some of Billerud's packaging paper products have been announced for the fourth quarter.

Lower market prices and a weaker USD will have a negative impact on the operating margin for the Market Pulp business area.

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Stockholm, 29 October 2010  
Billerud AB (publ)  
Board of Directors

This information is such that Billerud AB is required to disclose under the Securities Market Act. This report has been prepared in both a Swedish and an English version. In the event of variations between the two, the Swedish version shall take precedence. The report has not been reviewed by the company's auditors.

## **Financial calendar**

Year-end report January-December 2010	15 February 2011
Interim report January-March 2011	20 April 2011
Interim report January-June 2011	21 July 2011
Interim report January-September 2011	28 October 2011

The 2011 Annual General Meeting will be held on 4 May 2011.

## **Billerud**

### *Business concept and business model*

Billerud is a packaging paper company. The business concept is to offer customers packaging material and solutions that promote and protect their products – packaging that is attractive, strong and made of renewable material.

Billerud has a world-leading position within several product segments, both within paper for consumer packaging and for industrial applications. Customers mainly comprise packaging manufacturers. Billerud is increasingly offering packaging solutions direct to end customers and brand owners.

### *Strategy*

Billerud's strategy has three cornerstones: World Class Process Efficiency, Customer-focused Development and Growth. Billerud is working on three focus areas for growth: Fresh Foods, Food & Consumer Packaging and Sack Solutions.

### *Value drivers*

Billerud's business is favoured by the market's increased need for packaging optimisation, enhanced quality demands, unique design and good cost efficiency. Other key drivers are greater environmental awareness and political decisions against plastic which are increasing interest in paper solutions and renewable raw materials. Billerud is also affected by the general economic climate, changes in exchange rates and other business environment factors.

## Billerud Group

### Accounting principles

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles applied in this interim report are the same as those used in the most recent annual report for 2009, see pages 73-84 and page 115 for definitions of key indicators with the following exceptions: Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements which result in changes regarding consolidated financial statements and accounting for acquisitions. The revised standards are applied by Billerud with effect from 1 January 2010. The changed accounting principles have not yet had any effect on recognised amounts. The interim report for the parent company is prepared in accordance with the Swedish Annual Accounts Act. Key figure definitions are provided on page 18.

Income statement SEKm	3 months			9 months		Full year
	Jul-Sep	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
	2010	2010	2009	2010	2009	2009
Net sales	2 251	2 108	1 893	6 549	5 700	7 760
Other income	2	79	2	83	8	32
<b>Operating income</b>	<b>2 253</b>	<b>2 187</b>	<b>1 895</b>	<b>6 632</b>	<b>5 708</b>	<b>7 792</b>
Change in inventories	-32	-85	-10	-108	-54	26
Raw materials and consumables	-1 045	-977	-937	-3 066	-2 904	-3 870
Other external costs	-427	-425	-413	-1 298	-1 245	-1 706
Employee benefits expense	-324	-350	-330	-1 005	-1 017	-1 380
Depreciation and impairment of non-current assets	-149	-149	-140	-444	-418	-561
Profit/Loss from participations in associated companies and joint ventures	0	0	-1	0	-1	-1
<b>Operating expenses</b>	<b>-1 977</b>	<b>-1 986</b>	<b>-1 831</b>	<b>-5 921</b>	<b>-5 639</b>	<b>-7 492</b>
<b>Operating profit/loss</b>	<b>276</b>	<b>201</b>	<b>64</b>	<b>711</b>	<b>69</b>	<b>300</b>
Financial income and expenses	-18	-19	-25	-59	-87	-114
<b>Profit/Loss before tax</b>	<b>258</b>	<b>182</b>	<b>39</b>	<b>652</b>	<b>-18</b>	<b>186</b>
Taxes	-68	-48	-3	-172	23	-21
<b>Net profit/loss for the period</b>	<b>190</b>	<b>134</b>	<b>36</b>	<b>480</b>	<b>5</b>	<b>165</b>
<b>Earnings per share, SEK</b>	<b>1,84</b>	<b>1,3</b>	<b>0,48</b>	<b>4,66</b>	<b>0,07</b>	<b>2,04</b>
<b>Deluted earnings per share, SEK</b>	<b>1,84</b>	<b>1,3</b>	<b>0,48</b>	<b>4,65</b>	<b>0,07</b>	<b>2,03</b>

Statement of comprehensive income SEKm	Jan-Jun 2010	Jan-Jun 2009	Jan-Jun 2010	Jan-Mar 2010	Jan-Dec 2009
<b>Net profit/loss for the period</b>	<b>480</b>	<b>5</b>	<b>290</b>	<b>156</b>	<b>165</b>
Other comprehensive income					
Differences arising from the translation of foreign operations'	-13	-10	-3	-8	-3
Change in fair value of available-for-sale financial assets for the period	0	-	0	0	-
Change in fair value of cash flow hedges	-250	549	-245	-160	366
Change in fair value of cash flow hedges transferred to net profit/loss for the period	238	-78	130	113	-1
Tax attributable to components of other comprehensive income	3	-124	30	12	-96
<b>Total comprehensive income for the period</b>	<b>458</b>	<b>342</b>	<b>202</b>	<b>113</b>	<b>431</b>

Statement of changes in equity SEKm	Jan-Jun 2010	Jan-Jun 2009	Jan-Jun 2010	Jan-Mar 2010	Jan-Dec 2009
Opening balance	3 995	2 638	3 995	3 995	2 638
Comprehensive income for the period	458	342	202	113	431
Right issue	-	928	-	-	925
Share-based payment to be settled in equity instruments, IFRS 2	0	1	0	0	1
Sales of treasury shares, incentive programme	4	-	4	-	-
Dividends paid	-52	-	-52	-	-
<b>Closing balance</b>	<b>4 405</b>	<b>3 909</b>	<b>4 149</b>	<b>4 108</b>	<b>3 995</b>

There are no minority interests in profit for the period or equity.

<b>Balance sheet</b>	<b>30 Sep</b>	<b>30 Sep</b>	<b>30 Jun</b>	<b>31 Mar</b>	<b>31 Dec</b>
<b>SEKm</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>
Non-current assets	5 515	5 649	5 507	5 485	5 555
Inventories	944	977	927	1 046	1 065
Accounts receivable	1 381	1 139	1 322	1 273	1 152
Other current assets	505	588	417	409	491
Cash and cash equivalents	663	1 226	422	795	818
<b>Total assets</b>	<b>9 008</b>	<b>9 579</b>	<b>8 595</b>	<b>9 008</b>	<b>9 081</b>
<b>Shareholders' equity</b>	<b>4 405</b>	<b>3 909</b>	<b>4 149</b>	<b>4 108</b>	<b>3 995</b>
Interest-bearing liabilities	949	1 377	1 112	1 074	1 080
Provisions for pensions	199	189	198	197	193
Other provisions	27	26	27	27	27
Deferred tax liabilities	1 423	1 353	1 359	1 377	1 357
<b>Total non-current liabilities</b>	<b>2 598</b>	<b>2 945</b>	<b>2 696</b>	<b>2 675</b>	<b>2 657</b>
Interest-bearing liabilities	200	1 093	100	500	697
Accounts payables	932	973	926	1 039	1 056
Other liabilities and provisions	873	659	724	686	676
<b>Total current liabilities</b>	<b>2 005</b>	<b>2 725</b>	<b>1 750</b>	<b>2 225</b>	<b>2 429</b>
<b>Total equity and liabilities</b>	<b>9 008</b>	<b>9 579</b>	<b>8 595</b>	<b>9 008</b>	<b>9 081</b>

<b>Statement of cash flow</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Jan-Dec</b>
<b>SEKm</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Operating surplus, etc. <sup>1)</sup>	417	246	379	1 042	470	862
Change in working capital, etc.	67	-11	-88	-32	170	116
Net financial items, taxes, etc.	-20	-28	-30	-78	-123	-124
<b>Cash flow from operating activities</b>	<b>464</b>	<b>207</b>	<b>261</b>	<b>932</b>	<b>517</b>	<b>854</b>
Investments in property, plant and equipment	-114	-87	-50	-251	-215	-271
Acquisition of operations, net effect on cash and cash equivalents	-	-	-	-	-35	-35
Acquisition of financial assets	-51	-80	-30	-161	-	-
Disposal of property, plant and equipment	1	0	0	1	10	14
<b>Cash flow from investing activities</b>	<b>-164</b>	<b>-167</b>	<b>-80</b>	<b>-411</b>	<b>-240</b>	<b>-292</b>
Change in interest-bearing liabilities	-55	-367	-199	-621	-517	-1 207
Share issue	-	-	-	-	928	925
Dividend	-	-52	-	-52	-	-
Sale of treasury shares, incentive programme	0	4	-	4	-	-
<b>Cash flow from financing activities</b>	<b>-55</b>	<b>-415</b>	<b>-199</b>	<b>-669</b>	<b>411</b>	<b>-282</b>
<b>Total cash flow (=change in cash and cash equivalents)</b>	<b>245</b>	<b>-375</b>	<b>-18</b>	<b>-148</b>	<b>688</b>	<b>280</b>
<b>Cash and cash equivalents at start of period</b>	<b>422</b>	<b>795</b>	<b>818</b>	<b>818</b>	<b>542</b>	<b>542</b>
<b>Translation differences in cash and cash equivalents</b>	<b>-4</b>	<b>2</b>	<b>-5</b>	<b>-7</b>	<b>-4</b>	<b>-4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>663</b>	<b>422</b>	<b>795</b>	<b>663</b>	<b>1 226</b>	<b>818</b>

1) The amount for the period January - September 2010 includes operating profit of SEK 711 million, reversed depreciation SEK 444 million, net of produced and sold electricity certificates and sold emission rights SEK -36 million and compensation from the Confederation of Swedish Enterprise SEK -77 million. The amount for the period January - September 2009 includes operating profit SEK 69 million, reversed depreciation SEK 418 million, payment of restructuring costs SEK -5 million, increase in pension liabilities SEK 1 million, net of produced and sold electricity certificates and sold emission rights SEK -12 million and capital gains SEK -1 million.



## Key figures

	Jan-Sep 2010	Jan-Sep 2009	Jan-Jun 2010	Jan-Mar 2010	Jan-Dec 2009
<i>Margins</i>					
Gross margin, %	18	9	17	17	11
Operating margin, %	11	1	10	11	4
<i>Return (rolling 12 months)</i>					
Return on capital employed, %	18	-2	14	11	6
Return on total capital, %	10	-1	8	6	3
Return on equity, %	16	-3	13	10	5
Return on equity after dilution, %	16	-3	13	10	5
<i>Capital structure at end of period</i>					
Capital employed, SEKm	4 930	5 342	5 137	5 084	5 148
Equity, SEKm	4 405	3 909	4 149	4 108	3 995
Interest-bearing net debt, SEKm	525	1 433	877	976	1 152
Net debt/equity ratio, multiple	0,12	0,37	0,21	0,24	0,29
Net debt/equity ratio after dilution, multiple	0,12	0,37	0,21	0,24	0,29
Equity ratio, %	49	41	48	46	44
Equity ratio after dilution, %	49	41	48	46	44
<i>Per share <sup>1)</sup></i>					
Earnings per share, SEK	4,66	0,07	2,82	1,52	2,04
Average number of shares, thousands	103 047	73 711	103 019	102 983	81 029
Earnings per share after dilution, SEK	4,65	0,07	2,81	1,51	2,03
Average number of shares after dilution, thousands	103 238	73 834	103 210	103 139	81 155
Cash flow from operating activities per share, SEK	9,03	7,01	4,54	2,53	10,54
Operating cash flow per share, SEK	6,62	3,82	3,22	2,05	6,94
<i>Per share at end of period <sup>1)</sup></i>					
<i>Equity per share, SEK</i>	42,72	37,96	40,24	39,89	38,80
Number of share, thousands	103 104	102 983	103 100	102 983	102 983
Equity per share after dilution, SEK	42,64	37,96	40,17	39,86	38,75
Number of share, thousands	103 296	103 069	103 292	103 139	103 117
Gross investments, SEKm	251	215	137	51	271
Business combinations, SEKm	-	35	-	-	35
Average number of employees	2 253	2 257	2 226	2 175	2 232

## Quarterly key figures

	2010				2009			2008
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Earnings per share, SEK <sup>1)</sup>	1,84	1,30	1,52	1,98	0,48	0,11	-0,53	-1,89
Cash flow from operating activities per share, SEK <sup>1)</sup>	4,49	2,01	2,53	3,53	6,09	3,09	-2,18	5,92
Return on capital employed, %	6	4	5	4	1	1	-1	-3
Return on equity, %	4	3	4	4	1	0	-2	-4
Equity per share, SEK <sup>1)</sup>	42,72	40,24	39,89	38,80	37,96	37,90	36,13	51,24

1) Historic figures recalculated taking the rights issue in September 2009 into account.

## Parent company

Summarised income statement SEKm	3 months		9 months		Full year
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
	2010	2009	2010	2009	2009
Operating income	995	842	2 784	2 344	3 322
Operating expenses	-847	-748	-2 468	-2 391	-3 237
<b>Operating profit/loss</b>	<b>148</b>	<b>94</b>	<b>316</b>	<b>-47</b>	<b>85</b>
Financial income and expenses	-7	-17	-48	-77	-74
<b>Profit/Loss after financial income and expenses</b>	<b>141</b>	<b>77</b>	<b>268</b>	<b>-124</b>	<b>11</b>
Appropriations	-	-	-	-	-2 098
<b>Profit/loss before tax</b>	<b>141</b>	<b>77</b>	<b>268</b>	<b>-124</b>	<b>-2 087</b>
Taxes	-35	-18	-68	36	579
<b>Net profit/loss for the period</b>	<b>106</b>	<b>59</b>	<b>200</b>	<b>-88</b>	<b>-1 508</b>

  

Summarised balance sheet SEKm	30 Sep	30 Sep	31 Dec
	2010	2009	2009
Non-current assets	4 089	4 055	4 018
Current assets	2 883	3 084	3 368
<b>Total assets</b>	<b>6 972</b>	<b>7 139</b>	<b>7 386</b>
Shareholders' equity	2 380	3 136	2 228
Untaxed reserves	2 098	-	2 098
Provisions	488	772	414
Interest-bearing liabilities	1 372	2 600	1 975
Other liabilities	634	631	671
<b>Total equity and liabilities</b>	<b>6 972</b>	<b>7 139</b>	<b>7 386</b>

## Business areas

Billerud's net sales and operating profit/loss by business area are presented below. The results of the business areas are reported excluding the effects of currency hedging and excluding the effect on profit/loss of remeasurement of trade receivables in foreign currency and currency effects in connection with payments. These effects are reported separately on the line Currency hedging, etc. The part of currency exposure relating to changes in invoicing rates is included in the business area's profit or loss.

### Quarterly net sales per business area and for the Group

SEKm	2010			2009			2008	
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	1 085	1 009	1 052	953	965	1 023	993	815
Packaging Boards	649	518	613	557	565	573	667	556
Market Pulp	452	445	384	380	325	310	323	334
Currency hedging, etc.	-17	52	64	95	-12	-62	-131	-33
Other and eliminations	82	84	77	75	50	63	48	37
<b>Total Group</b>	<b>2 251</b>	<b>2 108</b>	<b>2 190</b>	<b>2 060</b>	<b>1 893</b>	<b>1 907</b>	<b>1 900</b>	<b>1 709</b>

### Quarterly operating profit/loss per business area and for the Group

SEKm	2010			2009			2008	
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	106	84	96	85	74	133	94	-23
Packaging Boards	107	-14	56	37	68	25	100	29
Market Pulp	92	100	31	8	-21	-58	-77	-110
Currency hedging, etc.	-17	52	64	95	-12	-62	-131	-33
Other and eliminations	-12	-21	-13	6	-45	4	-23	-28
<b>Total Group</b>	<b>276</b>	<b>201</b>	<b>234</b>	<b>231</b>	<b>64</b>	<b>42</b>	<b>-37</b>	<b>-165</b>

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

%	2010			2009			2008	
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	10	8	9	9	8	13	9	-3
Packaging Boards	16	-3	9	7	12	4	15	5
Market Pulp	20	22	8	2	-6	-19	-24	-33
<b>Group</b>	<b>12</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>3</b>	<b>2</b>	<b>-2</b>	<b>-10</b>

### Quarterly delivery volumes per business area

ktonnes	2010			2009			2008	
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	133	132	138	128	130	132	118	103
Packaging Boards	125	106	130	126	123	114	125	108
Market Pulp	74	71	75	82	75	77	82	78
<b>Total</b>	<b>332</b>	<b>309</b>	<b>343</b>	<b>336</b>	<b>328</b>	<b>323</b>	<b>325</b>	<b>289</b>

## Definitions

### Capital employed

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets.

### Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares in the market during the period.

### Earnings per share

Net profit divided by the average number of shares in the market.

### Earnings per share after dilution

Net profit divided by the average number of shares in the market after estimated utilisation of incentive programmes.

### Equity

Shareholders' equity at the end of the period.

### Equity per share

Shareholders' equity at the end of the period divided by the number of shares in the market at the end of the period.

### Equity per share after dilution

Shareholders' equity at the end of the period plus the effect of estimated utilisation of incentive programmes divided by the number of shares in the market at the end of the period after estimated utilisation of incentive programmes.

### Equity ratio

Shareholders' equity as a percentage of total assets.

### Equity ratio after dilution

Shareholders' equity plus the effect of estimated utilisation of incentive programmes as a percentage of total assets plus the effect of estimated utilisation of incentive programmes.

### Fluting

The rippled middle layer in corrugated board, produced from either new or recycled fibre.

### Gross Margin

Operating profit before depreciation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales.

### Interest-bearing net debt

Interest-bearing provisions and liabilities less interest-bearing assets.

### Market pulp

Pulp which is sold to paper mills that do not produce their own pulp.

### Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity.

### Net debt/equity ratio after dilution

Interest-bearing net debt divided by shareholders' equity plus the effect of estimated utilisation of incentive programmes.

### Operating cash flow per share

Operating cash flow divided by the average number of shares in the market during the period.

### Operating margin

Operating profit as a percentage of net sales.

### Sulphate pulp

Chemical pulp produced by cooking wood under high pressure and at a high temperature in cooking liquor, known as white liquor (sodium hydroxide and sodium sulphide). Sulphate pulp is also known as kraft pulp.

### Return on capital employed

Operating profit as a percentage of average capital employed.

### Return on equity

Net profit as a percentage of average shareholders' equity.

### Return on equity after dilution

Net profit as a percentage of average shareholders' equity plus the effect of estimated utilisation of incentive programmes.

### Return on total capital

Operating profit as a percentage of average total capital.

