



# **INTERIM REPORT**

## **JANUARY-SEPTEMBER 2011**



**Billerud opened NASDAQ OMX in New York  
after ten years on the stock market**

## **Billerud opened NASDAQ OMX in New York after ten years on the stock market**

To celebrate Billerud's ten years on the stock market, the company was invited to open NASDAQ OMX in New York. In NASDAQ's futuristic premises on Times Square, CEO Per Lindberg rang the bell and opened the day's trading in a grand manner.

During its ten years as a company listed on NASDAQ OMX Stockholm, Billerud has gone from being a production-oriented company to a customer- and solutions-oriented company in order to achieve higher and more stable margins. With a continuously improved product and service offering, Billerud has positioned itself not only within new customer segments and new geographic markets, but also in markets previously dominated by other packaging materials. Packaging manufacturers and brand owners are offered added value in the form of smarter packaging solutions that strengthen brands, boost productivity, cut transport costs and reduce waste and negative environmental impact. Since Billerud increasingly addresses brand owners directly, the offering is targeted at four sectors, Food & Beverages, Consumer & Luxury Goods, Industrial, and Medical & Hygiene, in order to better meet varying needs and challenges.

High-quality, renewable packaging material, skilled employees with a broad knowledge of packaging quality, manufacture and choice of materials, and a global network of packaging manufacturers make Billerud **The natural part in smarter packaging.**

Submitted for publication at 07.45 CET on 28 October 2011

	3 months			9 months	
	Jul-Sep 2011	Apr-Jun 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Net sales, SEKm	2,327	2,383	2,251	7,257	6,549
EBITDA, SEKm	456	426	425	1,367	1,155
Operating profit/loss, SEKm	296	275	276	903	711
Operating margin, %	13%	12%	12%	12%	11%
Profit/Loss before tax, SEKm	288	263	258	871	652
Net profit/loss for the period, SEKm	209	194	190	638	480
Earnings per share, SEK	2.03	1.88	1.84	6.19	4.66

### January-September 2011 compared with the same period in 2010

- Net sales amounted to SEK 7 257 million (6 549), an increase of 11%.
- Operating profit amounted to SEK 903 million (711), corresponding to a margin of 12% (11).
- Profit for the period amounted to SEK 638 million (480).
- Earnings per share amounted to SEK 6.19 (4.66).

### July-September 2011 compared with April-June 2011

- Net sales amounted to SEK 2 327 million (2 383).
- Operating profit amounted to SEK 296 million (275). The increase is mainly due to lower costs including lower costs for periodic maintenance shutdowns and lower costs for inputs.
- The order situation weakened during the quarter.
- Prices in local currency for the packaging paper segments were stable compared with the second quarter. Price pressure increased, however, towards the end of the quarter.
- Market-related shutdowns were implemented during the quarter, primarily relating to sack paper, in order to restore the balance in the market.

### Outlook for the full-year 2011

- Market development at the start of the fourth quarter was marked by some uncertainty about demand. Customers have continued to reduce their packaging paper stock levels, which is having a negative impact on orders. Underlying demand, however, is estimated to be relatively stable in most segments.
- The start of the fourth quarter has been characterised by continued price pressure.
- Billerud continues its efforts to increase the proportion of sales of packaging paper solutions, i.e. material combined with services in order to create conditions for a relatively more stable development.

For further information in connection with this report, please contact Per Lindberg, President and CEO, +46 70 248 15 17 or Susanne Lithander, CFO, +46 730 370 874

**Billerud's CEO Per Lindberg and CFO Susanne Lithander will present the interim report at a press and analyst conference on Friday, 28 October at 10.30 CET.**

**Venue: Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm.**

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Billerud – "The Natural Part in Smarter Packaging". Packaging manufacturers and brand owners are offered added value in the form of brand-strengthening, productivity-boosting and environment-enhancing packaging solutions. Billerud has a world-leading market position within primary fibre-based packaging paper. Billerud has annual sales of around SEK 9 000 million and is listed on NASDAQ OMX Stockholm. www.billerud.com

## Comments by Billerud's CEO Per Lindberg:

### **Strong earnings and very strong cash flow**

*"Billerud can deliver yet another strong result for the third quarter with an operating margin of 13%. Cash flow from operating activities amounted to SEK 531 million, which is very strong. Operating profit for the quarter of SEK 296 million means that earnings for the third quarter were just as strong as in the previous quarters in 2011. This was achieved despite periodic maintenance and market-related shutdowns. So the weaker market situation during the quarter was not reflected in the figures. In the packaging paper segments, we maintained the price level in local currency, but in the latter part of the third quarter we felt some price pressure from the market.*

*Our work to strengthen Billerud's brand as "The Natural Part in Smarter Packaging" was launched when Billerud opened NASDAQ OMX in New York on 26 September. This clarifies our position as a more customer- and solutions-oriented company and we offer packaging manufacturers and brand owners clear added value with brand-strengthening, productivity-boosting and environment-enhancing packaging solutions.*

*During the quarter we also earned recognition in the form of the packaging world's finest design award, Pentawards Best of the Show, which went to NINE, Billerud's innovation and design agency, as well as Design Challenge 2011 at the largest packaging fair in the Nordic region which was won by Chesapeake's new Impressions™ packaging range based on Billerud FibreForm®.*

*Even though the current market situation is uncertain, I view the future with great confidence. We feel well equipped to deal with the challenges and opportunities that lie ahead."*

## **Billerud Group**

### **Market**

Billerud offers the global packaging market innovative and sustainable products and services. The Group has a leading position in primary fibre-based packaging paper. The packaging market shows continued positive long-term development primarily due to increased globalisation, greater prosperity and changed consumption patterns.

For the packaging paper segments the quarter was marked by growing uncertainty about demand compared with the previous period. The order situation for sack and kraft paper continued to weaken gradually during the quarter. The weaker trend was partly due to seasonal factors and customers also continued to reduce their stock levels. This mainly affected the sack paper market as well as, to some extent, certain kraft paper grades. Market-related production shutdowns were implemented during the period, primarily relating to sack paper, in order to restore the balance in the market. The order situation for new fibre-based containerboard weakened somewhat during the quarter. Prices in local currency for the packaging paper segments were stable compared with the second quarter. However, price pressure increased towards the end of the quarter.

Producers' pulp stocks increased during the quarter which resulted in a weakened pulp market compared with the previous quarter. However, demand was comparatively good during the quarter. The price level in Europe fell to approximately USD 950 per tonne at the end of the quarter, compared with approximately USD 1 025 per tonne at the end of the previous quarter.

During the third quarter of 2011, Billerud's total sales volumes amounted to 335 000 tonnes which is the same level as in the previous quarter. Compared with the same period in the previous year, sales volumes rose 1%.

During the quarter sales volumes for packaging paper totalled 244 000 tonnes, a decrease of 4% compared with the previous quarter and a decrease of 5% compared with the same period in the previous year. The decrease was mainly attributable to market-related production shutdowns.

During the quarter sales volumes of market pulp amounted to 91 000 tonnes, an increase of 12% compared with the previous quarter and an increase of 23% compared with the same period in the previous year.

## Sales and results

### *Third quarter compared with second quarter*

Net sales amounted to SEK 2 327 million, a decrease of 2% compared with the second quarter, mainly due to currency hedging effects as a result of exchange rate fluctuations. Furthermore, the product mix was less favourable as a result of the market-related production shutdowns implemented during the quarter within the packaging paper segments, which meant that market pulp accounted for a higher proportion of the sales volume for the quarter compared with the previous quarter. The market-related production shutdowns only affected the Packaging & Speciality Paper business area and mainly related to sack paper. The shutdowns were intended to restore the balance in the market.

Operating profit amounted to SEK 296 million, an increase of SEK 21 million. The change in operating profit is shown in the table below. The operating margin amounted to 13% (12).

### Change in operating profit compared with previous quarter

SEKm	Jan-Mar 11/ Okt-Dec 10	Apr-Jun 11/ Jan-Mar 11	Jul-Sep 11/ Apr-Jun 11
	Sales and production volumes, incl. product mix	51	-83
Selling prices (in respective sales currency)	46	81	-35
Change in variable costs	-78	-5	26
Change in fixed costs	49	-51	57
Change in depreciation	13	2	-9
Effects of exchange rate fluctuations, incl. hedging*	-75	-1	4
<b>Total change in operating profit/loss</b>	<b>6</b>	<b>-57</b>	<b>21</b>

\* Effects of exchange rate fluctuations totalling SEK 4 million comprise the following components: changed spot rates SEK 47 million, currency hedging SEK -57 million and currency effects from remeasurement of trade receivables and payments from customers SEK 14 million.

Periodic maintenance shutdown has charged cost SEK 42 million in the third quarter compared with SEK 56 million in the previous quarter. The less favourable product mix had a negative impact on operating profit of SEK 22 million. Changed selling prices in local currency had a negative impact of SEK 35 million, which was attributable to market pulp. Prices in local currency for the packaging paper segments were stable compared with the second quarter. Variable costs decreased by SEK 26 million, of which the effect of lower electricity prices and lower costs for other energy were SEK 16 million while wood prices were unchanged (SEK 0 million). Fixed costs decreased by SEK 57 million, partly due to lower costs for periodic maintenance shutdowns and seasonally lower personell costs.

## Operating profit per business area

Business area (share of sales)	Operating margin, %		Operating profit/loss, SEKm		Deviation
	Jul-Sep	Apr-Jun	Jul-Sep	Apr-Jun	
	2011	2011	2011	2011	
Packaging & Speciality Paper and Packaging Boards <i>Packaging paper (approx. 80%)</i>	15%	11%	262	196	66
Market Pulp <i>Market pulp (approx. 20%)</i>	6%	5%	30	20	10
Currency hedging and other	na	na	4	59	-55
<b>Group</b>	<b>13%</b>	<b>12%</b>	<b>296</b>	<b>275</b>	<b>21</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 66 million, corresponding to an increase in the operating margin from 11% to 15%. The increase is mainly explained by an improved currency situation and lower costs. Operating profit for Market Pulp increased by SEK 10 million, mainly due to higher sales volumes. The operating margin for market pulp amounted to 6% compared with 5%. Further financial information per business area is provided on pages 7-9.

Net financial items amounted to SEK -8 million (-12).

Profit before tax amounted to SEK 288 million. Estimated tax was SEK -79 million. Net profit therefore amounted to SEK 209 million.

### **Third quarter compared with the same period in 2010**

Net sales increased by 3% compared with the same period in the previous year.

Operating profit increased by SEK 20 million, mainly due to improved prices (see table below). The operating margin amounted to 13% (12).

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

Net sales amounted to SEK 7 257 million, an increase of 11% compared with the same period in the previous year.

Operating profit amounted to SEK 903 million. The SEK 192 million increase is explained by improved prices and higher sales volumes. Two periodic maintenance shutdowns were implemented during the current period compared with three during the same period in 2010. Variable costs increased by SEK 173 million, of which the effect of higher wood prices was SEK 170 million. The operating margin amounted to 12% (11).

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

SEKm	Jan-Mar 11/	Apr-Jun 11/	Jul-Sep 11/	Jan-Sep 11/
	Jan-Mar 10	Apr-Jun 10	Jul-Sep 10	Jan-Sep 10
Sales and production volumes, incl. product mix	10	80	5	95
Selling prices (in respective sales currency)	481	343	169	993
Strike compensation	-	-77	-	-77
Change in variable costs	-88	-57	-28	-173
Change in fixed costs	-22	-36	-26	-84
Change in depreciation	-7	-2	-11	-20
Effects of exchange rate fluctuations, incl. hedging*	-276	-177	-89	-542
<b>Total change in operating profit/loss</b>	<b>98</b>	<b>74</b>	<b>20</b>	<b>192</b>

\* Effects of exchange rate fluctuations totalling SEK -542 million comprise the following components: changed spot rates SEK -655 million, currency hedging SEK -119 million and currency effects from remeasurement of trade receivables and payments from customers SEK 232 million.

Net financial items amounted to SEK -32 million (-59), an improvement of SEK 27 million which is explained by lower debt.

Profit before tax amounted to SEK 871 million. Estimated tax was SEK -233 million. Net profit therefore amounted to SEK 638 million.

### Significant risks and uncertainties

Billerud's products are generally dependent on the business cycle, in terms of both price development and potential sales volumes. The Group is exposed to currency fluctuations since most revenues are invoiced in foreign currency while a large part of operating expenses are in SEK. A more in-depth description of risks and a sensitivity analysis are provided on pages 71-75 of the 2010 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 2011 net flows were hedged at EUR/SEK 9.28 (10.86), USD/SEK 7.02 (7.75), GBP/SEK 10.75 (11.72). Currency hedging had an overall earnings impact of SEK 146 million (265) (compared with if no hedging had taken place).

Billerud's outstanding forward exchange contracts at 30 September 2011 had a market value of SEK -35 million. The contracts matched by trade receivables affected earnings in the third quarter. Other contracts had a market value of SEK -24 million.

Billerud continuously hedges approximately 50% of forecasted 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 30 September 2011 are shown in the table below.

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

Currency		Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Total
		2011	2012	2012	2012	12 month
EUR	Share of net flow	84%	64%	27%	14%	47%
	Rate	9.27	9.38	9.21	9.24	9.30
USD	Share of net flow	80%	60%	29%	16%	47%
	Rate	6.59	6.57	6.57	6.68	6.59
GBP	Share of net flow	87%	55%	34%	13%	48%
	Rate	10.61	10.60	10.49	10.63	10.59

## Investments and capital employed

Gross investments including company acquisitions in the first nine months of 2011 amounted to SEK 333 million (251).

Billerud's capital employed amounted to SEK 4 657 million at 30 September 2011, compared with SEK 4 909 million at 30 June 2011 and SEK 4 930 million at 30 September 2010.

Return on capital employed, calculated over the past 12-month period, amounted to 25% (18). If the effects of currency hedging are excluded, return on capital employed was 21% (12). Return on equity after tax was 19% (16).

## Cash flow and financial position

### Summary cash flow statement

	3 months		9 months	
	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
<b>SEKm</b> (positive figure indicates reduction in debt)				
Operating surplus, etc.	464	417	1,366	1,042
Change in working capital, etc.	83	67	-161	-32
Net financial items, taxes, etc.	-16	-20	-207	-78
<b>Cash flow from operating activities</b>	<b>531</b>	<b>464</b>	<b>998</b>	<b>932</b>
Current net investments	-121	-113	-332	-250
<b>Operating cash flow</b>	<b>410</b>	<b>351</b>	<b>666</b>	<b>682</b>
Dividend	-	-	-361	-52
Other items, not affecting cash flow	-2	1	-9	-3
<b>Change in net debt during the period</b>	<b>408</b>	<b>352</b>	<b>296</b>	<b>627</b>

Cash flow from operating activities in the first nine months of 2011 amounted to SEK 998 million (932).

Operating cash flow during the nine-month period in 2011 amounted to SEK 666 million (682).

Interest-bearing net cash at 30 September 2011 amounted to SEK 141 million, compared with interest-bearing net debt of SEK 267 million at 30 June 2011 and SEK 525 million at 30 September 2010. The Group's net debt/equity ratio at the end of the period was -0.03 compared with 0.06 at 30 June 2011 and 0.12 at 30 September 2010. Billerud's financial target for the net debt/equity ratio is between 0.60 and 0.90 over a business cycle. The present net debt/equity ratio is therefore lower than the average net debt/equity ratio aimed for over time. Cash and cash equivalents at 30 September 2011 amounted to SEK 829 million compared with SEK 663 million at 30 September 2010.



## **Financing**

A bond loan amounting to SEK 150 million was repaid during the third quarter of 2011.

During the first quarter of 2011 the SEK 1 200 million syndicated credit facility which matures in 2012 was replaced with a new 5-year facility amounting to SEK 801 million with a consortium of banks.

Interest-bearing loans amounted to SEK 814 million at 30 September 2011. Of this amount, utilisation of the syndicated credit facility (maximum: SEK 801 million) accounted for SEK 123 million, bond loans for SEK 675 million, utilisation of Billerud's commercial paper programme (maximum: SEK 1 500 million) for SEK 0 million and other interest-bearing liabilities for SEK 16 million.

## **Personnel**

The average number of employees during the first nine months of 2011 amounted to 2 279 compared with 2 253 during the same period in 2010, an increase of 26 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 product portfolio, customers, customer segments and solutions within the areas packaged food, paper carrier bags, sack solutions and industrial applications. The product portfolio consists of sack and kraft paper.
- The Packaging Boards business area is responsible for product portfolio, customers, customer segments and solutions within fruit and vegetables and consumer goods. The product portfolio consists of fluting, liner and liquid board.
- 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 subsidiaries Tenova Bioplastics AB and Billerud Inc. 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 2011	Jan-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
<b>SEKm</b>										
Net sales	3,352	3,146	2,128	1,780	1,336	1,281	441	342	7,257	6,549
Other income	-	39	-	26	-	12	9	6	9	83
Operating expenses, other	-2,724	-2,664	-1,696	-1,538	-1,164	-985	-316	-290	-5,900	-5,477
Depreciation and impairment	-243	-235	-122	-119	-84	-85	-15	-5	-464	-444
Share of profits of associates/JV	-	-	-	-	-	-	1	0	1	0
<b>Operating profit/loss</b>	<b>385</b>	<b>286</b>	<b>310</b>	<b>149</b>	<b>88</b>	<b>223</b>	<b>120</b>	<b>53</b>	<b>903</b>	<b>711</b>
<i>Operating margin</i>	<i>11%</i>	<i>9%</i>	<i>15%</i>	<i>8%</i>	<i>7%</i>	<i>17%</i>			<i>12%</i>	<i>11%</i>
Financial items									-32	-59
Tax									-233	-172
<b>Net profit/loss</b>									<b>638</b>	<b>480</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 143 million, an increase of SEK 41 million compared with the second quarter of 2011. The increase was mainly attributable to the improved currency situation as well as lower costs, partly due to lower costs for periodic maintenance shutdown. Market-related production shutdowns were implemented, primarily relating to sack paper, in order to restore the balance in the market. The lower sales volumes had a negative impact on operating profit.

Compared with the same period in 2010 operating profit increased by SEK 37 million. Improved prices compensated for lower sales volumes.

The operating margin amounted to 14% compared with 9% for the second quarter of 2011 and 10% for the same period in the previous year.

#### *January-September*

Operating profit increased by SEK 99 million to SEK 385 million compared with the same period in the previous year, mainly due to improved prices which compensated for increased costs and lower sales volumes.

#### *Market development*

The order situation for sack and kraft paper continued to weaken gradually during the quarter. The weaker trend was seasonal to some extent. Since demand was very high in 2010, customers increased their stock levels in order to guarantee deliveries of paper. Customers therefore continued to reduce their stock levels during the third quarter which mainly affected the sack paper market and some kraft paper grades to some extent. Market-related production shutdowns were implemented during the quarter, mainly related to sack paper, in order to restore the balance in the market. Prices in local currency were stable during the quarter. Price pressure increased during the quarter, however.

## **Packaging Boards business area**

### *Third quarter*

Operating profit amounted to SEK 119 million, an increase of SEK 25 million compared with the second quarter of 2011. The increase was mainly attributable to an improved currency situation as well as lower fixed costs, partly due to lower costs for periodic maintenance shutdown.

Compared with the same period in 2010 operating profit increased by SEK 12 million, which is mainly explained by improved prices.

The operating margin amounted to 17% compared with 13% for the second quarter of 2011 and 16% for the same period in the previous year.

### *January-September*

Operating profit increased by SEK 161 million to SEK 310 million compared with the same period in the previous year. The increase was partly attributable to improved prices. In addition the sales volume was higher because a periodic maintenance shutdown was carried out at the business area's most important mill, Gruvön, during the same period in the previous year but not during the period under review.

### *Market development*

The order situation weakened to some extent during the third quarter. The quarter was marked by growing uncertainty about demand compared with the previous period. Prices in local currency for primary fibre-based containerboard were stable during the quarter. Towards the end of the quarter, however, there was increased price pressure for primary fibre-based containerboard due to lower prices for recycled fibre-based grades. Primary fibre-based containerboard can to some extent be replaced by recycled fibre-based containerboard, although not with retained performance.

## **Market Pulp business area**

### *Third quarter*

Operating profit amounted to SEK 30 million, an increase of SEK 10 million compared with the second quarter of 2011. Higher sales volume and an improved currency situation compensated for less favourable prices in local currency.

Compared with the corresponding period in 2010 operating profit decreased by SEK 62 million, mainly due to a less favourable currency situation.

The operating margin amounted to 6% compared with 5% for the second quarter of 2011 and 20% for the same period in the previous year.

### *January-September*

Operating profit decreased by SEK 135 million to SEK 88 million compared with the same period in the previous year. Improved prices in local currency and higher sales volumes partly compensated for a less favourable currency situation and higher costs.

### *Market development*

Producers' pulp stocks increased during the quarter which resulted in a weakened pulp market compared with the previous quarter. However, demand was comparatively good during the quarter. The price level in Europe fell to approximately USD 950 per tonne at the end of the quarter, compared with approximately USD 1 025 per tonne at the end of the previous quarter.

## Parent company

The 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 for the first nine months of 2011 amounted to SEK 3 272 million (2 751). Operating profit amounted to SEK 515 million, an increase compared with the previous year of SEK 199 million, mainly due to an improved operating profit 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 146 million (265) in the first nine months of 2011.

Investments in property, plant and equipment and intangible assets excluding shares in the first nine months of 2011 amounted to SEK 91 million (103). The average number of employees was 944 (932). Cash and bank balances and short-term investments amounted to SEK 734 million (587).

## 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. In order to carry out maintenance, production of pulp and paper is stopped – known as a maintenance shutdown. The cost of a maintenance shutdown mainly comprises the loss of volume related to the shutdown and fixed costs, mainly in the form of costs for maintenance and overtime work, as well as to some extent variable costs such as higher consumption of electricity and wood when production is restarted. 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. Estimated cost of shutdown is an estimate of the impact on earnings of a normal shutdown in relation to a quarter during which no periodic maintenance shutdown takes place.

Mill	Estimated shutdown cost (SEKm)	Estimated breakdown of shutdown cost by business area			Planned dates of maintenance shutdown 2012   2011   2010
		PSP	PB	MP	
Gruvön	~100	~30%	~60%	~10%	Q4   Q4   Q2
Karlsborg	~40	~50%	0%	~50%	Q3   Q3   Q3
Skärblacka	~60	~70%	~15%	~15%	Q3   Q2   Q3

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

### *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 the period May to October.

## Largest shareholders

Billerud's ten largest shareholders at 30 September 2011 according to SIS Ägarservice AB (Billerud's approximately 1.7 million treasury shares and foreign custodian banks are excluded):

Shareholder	Number of shares	Per cent of votes
Frapag Beteiligungsholding AG	21,621,400	21.0
DFA funds	2,925,596	2.8
SHB funds	2,728,126	2.6
Government of Norway	2,678,361	2.6
Swedbank Robur funds	1,938,799	1.9
SEB funds	1,815,538	1.8
Fourth Swedish National Pension Fund	1,532,918	1.5
Nordea funds	1,326,260	1.3
Avanza Pension Insurance AB	968,746	0.9
Skandia Life Insurance	942,129	0.9
<b>Total 10 largest shareholders</b>	<b>38,477,873</b>	<b>37.3</b>
<b>Total number of shares in the market</b>	<b>103,114,299</b>	<b>100.0</b>

The proportion of foreign ownership was 45.4% of the number of shares in the market. The total number of owners (including nominee-registered) amounted to 109 052. More information about shareholder structure is available at [www.billerud.com/investors](http://www.billerud.com/investors).

## Distribution of shares

At 30 September 2011 the distribution of shares was as follows:

Registered number of shares	104,834,613
Treasury shares	-1,720,314
<b>Total number of shares in the market</b>	<b>103,114,299</b>

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

## Outlook for the full-year 2011

- Market development at the start of the fourth quarter was marked by some uncertainty about demand. Customers have continued to reduce their packaging paper stock levels, which is having a negative impact on orders. Underlying demand, however, is estimated to be relatively stable in most segments.
- The start of the fourth quarter has been characterised by continued price pressure.
- Billerud continues its efforts to increase the proportion of sales of packaging paper solutions, i.e. material combined with services in order to create conditions for a relatively more stable development.

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Solna, 28 October 2011  
Billerud AB (publ)  
Board of Directors

This information is such that Billerud AB is obliged to publish pursuant to the Swedish Securities Markets 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 2011	1 February 2012
Interim report January-March 2012	26 April 2012
Interim report January-June 2012	19 July 2012
Interim report January-September 2012	25 October 2012

The 2012 Annual General Meeting will be held on 9 May 2012.

## **Billerud**

### *Business concept and business model*

Billerud – “The Natural Part in Smarter packaging”. Packaging manufacturers and brand owners are offered added value in the form of brand-strengthening, productivity-boosting and environment-enhancing packaging solutions. Billerud has a world-leading market position within primary fibre-based packaging paper. Billerud has annual sales of around SEK 9 000 million and is listed on NASDAQ OMX Stockholm.

### *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 macroeconomic development, currency fluctuations 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. A number of amended standards and interpretations came into force with effect from 1 January 2011. None of the amendments that came into force have had any material impact on Billerud's financial statements. In addition to the amendments referred to above, the accounting principles applied in this interim report are the same as those used in the most recent annual report for 2010, see pages 76-84 and page 111 for definitions of key indicators. 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 of this report.

Income statement SEKm	3 months			9 months		Full year
	Jul-Sep 2011	Apr-Jun 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Dec 2010
Net sales	2,327	2,383	2,251	7,257	6,549	8,828
Other income	4	2	2	9	83	85
<b>Operating income</b>	<b>2,331</b>	<b>2,385</b>	<b>2,253</b>	<b>7,266</b>	<b>6,632</b>	<b>8,913</b>
Change in inventories	0	-1	-32	-68	-108	105
Raw materials and consumables	-1,084	-1,113	-1,045	-3,385	-3,066	-4,241
Other external costs	-450	-476	-427	-1,383	-1,298	-1,753
Employee benefits expense	-341	-370	-324	-1,064	-1,005	-1,377
Depreciation and impairment of non-current assets	-160	-151	-149	-464	-444	-610
Profit/Loss from participations in associated companies and joint ventures	0	1	0	1	0	0
<b>Operating expenses</b>	<b>-2,035</b>	<b>-2,110</b>	<b>-1,977</b>	<b>-6,363</b>	<b>-5,921</b>	<b>-7,876</b>
<b>Operating profit/loss</b>	<b>296</b>	<b>275</b>	<b>276</b>	<b>903</b>	<b>711</b>	<b>1,037</b>
Financial income and expenses	-8	-12	-18	-32	-59	-77
<b>Profit/Loss before tax</b>	<b>288</b>	<b>263</b>	<b>258</b>	<b>871</b>	<b>652</b>	<b>960</b>
Taxes	-79	-69	-68	-233	-172	-255
<b>Net profit/loss for the period</b>	<b>209</b>	<b>194</b>	<b>190</b>	<b>638</b>	<b>480</b>	<b>705</b>
<b>Earnings per share, SEK</b>	<b>2.03</b>	<b>1.88</b>	<b>1.84</b>	<b>6.19</b>	<b>4.66</b>	<b>6.84</b>
<b>Diluted earnings per share, SEK</b>	<b>2.03</b>	<b>1.87</b>	<b>1.84</b>	<b>6.17</b>	<b>4.65</b>	<b>6.83</b>

Statement of comprehensive income SEKm	Jan-Sep 2011	Jan-Sep 2010	Jan-Jun 2011	Jan-Mar 2011	Jan-Dec 2010
<b>Net profit/loss for the period</b>	<b>638</b>	<b>480</b>	<b>429</b>	<b>235</b>	<b>705</b>
<i>Other comprehensive income</i>					
Differences arising from the translation of foreign operations'	4	-13	-2	-3	-15
Change in fair value of available-for-sale financial assets for the period	0	0	0	0	0
Change in fair value of cash flow hedges	-308	-250	-231	-96	-315
Change in fair value of cash flow hedges transferred to net profit/loss for the period	142	238	147	96	313
Tax attributable to components of other comprehensive income	44	3	22	0	1
<b>Total comprehensive income for the period</b>	<b>520</b>	<b>458</b>	<b>365</b>	<b>232</b>	<b>689</b>

Statement of changes in equity SEKm	Jan-Sep 2011	Jan-Sep 2010	Jan-Jun 2011	Jan-Mar 2011	Jan-Dec 2010
Opening balance	4,637	3,995	4,637	4,637	3,995
Comprehensive income for the period	520	458	365	232	689
Share-based payment to be settled in equity instruments	2	0	1	0	0
Sales of treasury shares, incentive programme	-	4	-	-	5
Dividends paid	-361	-52	-361	-	-52
<b>Closing balance</b>	<b>4,798</b>	<b>4,405</b>	<b>4,642</b>	<b>4,869</b>	<b>4,637</b>

There are no non-controlling 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>2011</b>	<b>2010</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>
Non-current assets	5,480	5,515	5,468	5,458	5,531
Inventories	1,088	944	1,086	1,145	1,070
Accounts receivable	1,570	1,381	1,584	1,586	1,412
Other current assets	269	505	348	588	447
Cash and cash equivalents	829	663	597	650	740
<b>Total assets</b>	<b>9,236</b>	<b>9,008</b>	<b>9,083</b>	<b>9,427</b>	<b>9,200</b>
<b>Shareholders' equity</b>	<b>4,798</b>	<b>4,405</b>	<b>4,642</b>	<b>4,869</b>	<b>4,637</b>
Interest-bearing liabilities	814	949	793	794	798
Provisions for pensions	215	199	212	210	207
Other provisions	28	27	28	28	27
Deferred tax liabilities	1,393	1,423	1,415	1,434	1,434
<b>Total non-current liabilities</b>	<b>2,450</b>	<b>2,598</b>	<b>2,448</b>	<b>2,466</b>	<b>2,466</b>
Interest-bearing liabilities	0	200	150	150	150
Accounts payables	1,122	932	1,060	970	1,157
Other liabilities and provisions	866	873	783	972	790
<b>Total current liabilities</b>	<b>1,988</b>	<b>2,005</b>	<b>1,993</b>	<b>2,092</b>	<b>2,097</b>
<b>Total equity and liabilities</b>	<b>9,236</b>	<b>9,008</b>	<b>9,083</b>	<b>9,427</b>	<b>9,200</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>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
Operating surplus, etc. <sup>1)</sup>	464	421	481	1,366	1,042	1,625
Change in working capital, etc.	83	57	-301	-161	-32	-147
Net financial items, taxes, etc.	-16	-10	-181	-207	-78	-85
<b>Cash flow from operating activities</b>	<b>531</b>	<b>468</b>	<b>-1</b>	<b>998</b>	<b>932</b>	<b>1,393</b>
Investments in property, plant and equipment	-121	-129	-83	-333	-251	-334
Acquisition of financial assets	-50	-31	-	-81	-161	-261
Disposal of property, plant and equipment	0	0	1	1	1	3
<b>Cash flow from investing activities</b>	<b>-171</b>	<b>-160</b>	<b>-82</b>	<b>-413</b>	<b>-411</b>	<b>-592</b>
Change in interest-bearing liabilities	-131	-2	-5	-138	-621	-820
Dividend	-	-361	-	-361	-52	-52
Sale of treasury shares, incentive programme	-	-	-	-	4	5
<b>Cash flow from financing activities</b>	<b>-131</b>	<b>-363</b>	<b>-5</b>	<b>-499</b>	<b>-669</b>	<b>-867</b>
<b>Total cash flow (=change in cash and cash equivalents)</b>	<b>229</b>	<b>-55</b>	<b>-88</b>	<b>86</b>	<b>-148</b>	<b>-66</b>
<b>Cash and cash equivalents at start of period</b>	<b>597</b>	<b>650</b>	<b>740</b>	<b>740</b>	<b>818</b>	<b>818</b>
<b>Translation differences in cash and cash equivalents</b>	<b>3</b>	<b>2</b>	<b>-2</b>	<b>3</b>	<b>-7</b>	<b>-12</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>829</b>	<b>597</b>	<b>650</b>	<b>829</b>	<b>663</b>	<b>740</b>

1) The amount for the period January - September 2011 includes operating profit of SEK 903 million, reversed depreciation SEK 464 million, increase in pension liabilities SEK 2 million and net of produced and sold electricity certificates and sold emission rights SEK -7 million, change in restructuring provisions SEK 1 million, incentive programme SEK 2 million and capital gain SEK 1 million. The amount for the period January - September 2010 includes operating profit 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.



## Key figures

	Jan-Sep 2011	Jan-Sep 2010	Jan-Jun 2011	Jan-Mar 2011	Jan-Dec 2010
<i>Margins</i>					
Gross margin, %	19	18	18	19	19
Operating margin, %	12	11	12	13	12
<i>Return (rolling 12 months)</i>					
Return on capital employed, %	25	18	24	23	21
Return on total capital, %	13	10	13	13	12
Return on equity, %	19	16	19	18	17
Return on equity after dilution, %	19	16	19	18	17
<i>Capital structure at end of period</i>					
Capital employed, SEKm	4,657	4,930	4,909	5,113	4,792
Equity, SEKm	4,798	4,405	4,642	4,869	4,637
Interest-bearing net debt, SEKm	-141	525	267	244	155
Net debt/equity ratio, multiple	-0.03	0.12	0.06	0.05	0.03
Net debt/equity ratio after dilution, multiple	-0.03	0.12	0.06	0.05	0.03
Equity ratio, %	52	49	51	52	50
Equity ratio after dilution, %	52	49	51	52	50
<i>Per share</i>					
Earnings per share, SEK	6.19	4.66	4.16	2.28	6.84
Average number of shares, thousands	103,114	103,047	103,114	103,114	103,062
Earnings per share after dilution, SEK	6.17	4.65	4.14	2.28	6.83
Average number of shares after dilution, thousands	103,406	103,238	103,406	103,306	103,254
Cash flow from operating activities per share, SEK	9.68	9.03	4.53	-0.01	13.52
Operating cash flow per share, SEK	6.45	6.62	2.48	-0.80	10.30
<i>Per share at end of period</i>					
<i>Equity per share, SEK</i>					
Equity per share, SEK	46.53	42.72	45.02	47.22	44.97
Number of shares, thousands	103,114	103,104	103,114	103,114	103,114
Equity per share after dilution, SEK	46.40	42.64	44.89	47.13	44.88
Number of shares, thousands	103,406	103,296	103,406	103,306	103,306
Gross investments, SEKm	333	251	212	83	334
Business combinations, SEKm	-	-	-	-	-
Average number of employees	2,279	2,253	2,264	2,202	2,240

## Quarterly key figures

	2011				2010			2009
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Earnings per share, SEK	2.03	1.88	2.28	2.19	1.84	1.30	1.52	1.55
Cash flow from operating activities per share, SEK	5.15	4.54	-0.01	4.49	4.49	2.01	2.53	3.53
Return on capital employed, %	6	6	7	7	6	4	5	4
Return on equity, %	4	4	5	5	4	3	4	4
Equity per share, SEK	46.53	45.02	47.22	44.97	42.72	40.24	39.89	38.80

## Parent company

	3 months		9 months		Full year
	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Jan-Dec 2010
<b>Summarised income statement</b>					
<b>SEKm</b>					
Operating income	1,047	995	3,276	2,784	3,881
Operating expenses	-893	-847	-2,761	-2,468	-3,356
<b>Operating profit/loss</b>	<b>154</b>	<b>148</b>	<b>515</b>	<b>316</b>	<b>525</b>
Financial income and expenses	-3	-7	-9	-48	-61
<b>Profit/Loss after financial income and expenses</b>	<b>151</b>	<b>141</b>	<b>506</b>	<b>268</b>	<b>464</b>
Appropriations	-	-	-	-	2,098
<b>Profit/loss before tax</b>	<b>151</b>	<b>141</b>	<b>506</b>	<b>268</b>	<b>2,562</b>
Taxes	-40	-35	-133	-68	-673
<b>Net profit/loss for the period</b>	<b>111</b>	<b>106</b>	<b>373</b>	<b>200</b>	<b>1,889</b>
<b>Summarised balance sheet</b>					
<b>SEKm</b>					
Non-current assets			30 Sep 2011	30 Sep 2010	31 Dec 2010
Current assets			4,131	4,089	4,146
<b>Total assets</b>			<b>6,956</b>	<b>6,972</b>	<b>7,073</b>
Shareholders' equity			3,927	2,380	3,915
Untaxed reserves			-	2,098	-
Provisions			887	488	869
Interest-bearing liabilities			1,275	1,372	1,227
Other liabilities			867	634	1,062
<b>Total equity and liabilities</b>			<b>6,956</b>	<b>6,972</b>	<b>7,073</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	2011				2010			2009
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	1,056	1,079	1,217	1,020	1,085	1,009	1,052	953
Packaging Boards	696	704	728	648	649	518	613	557
Market Pulp	465	435	436	450	452	445	384	380
Currency hedging, etc.	46	90	78	54	-17	52	64	95
Other and eliminations	64	75	88	107	82	84	77	75
<b>Total Group</b>	<b>2,327</b>	<b>2,383</b>	<b>2,547</b>	<b>2,279</b>	<b>2,251</b>	<b>2,108</b>	<b>2,190</b>	<b>2,060</b>

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

SEKm	2011				2010			2009
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	143	102	140	131	106	84	96	85
Packaging Boards	119	94	97	122	107	-14	56	37
Market Pulp	30	20	38	53	92	100	31	8
Currency hedging, etc.	46	90	78	54	-17	52	64	95
Other and eliminations	-42	-31	-21	-34	-12	-21	-13	6
<b>Total Group</b>	<b>296</b>	<b>275</b>	<b>332</b>	<b>326</b>	<b>276</b>	<b>201</b>	<b>234</b>	<b>231</b>

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

%	2011				2010			2009
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	14	9	12	13	10	8	9	9
Packaging Boards	17	13	13	19	16	-3	9	7
Market Pulp	6	5	9	12	20	22	8	2
<b>Group</b>	<b>13</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>12</b>	<b>10</b>	<b>11</b>	<b>11</b>

### Quarterly sales volumes per business area

ktonnes	2011				2010			2009
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Packaging & Speciality Paper	119	126	150	121	133	132	138	128
Packaging Boards	125	128	136	121	125	106	130	126
Market Pulp	91	81	83	81	74	71	75	82
<b>Total</b>	<b>335</b>	<b>335</b>	<b>369</b>	<b>323</b>	<b>332</b>	<b>309</b>	<b>343</b>	<b>336</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.

