

Interim Report January – June 2001

MSEK	Quarter			January-June	
	2001 II	2001 I	2000 II	2001	2000
Net turnover, MSEK	1,742	1,840	1,612	3,582	3,200
Operating profit, MSEK	319	469	290	788	515

- *Billerud was formed through a merger of the paper mills in Skärblacka, Karlsborg and Gruvön.*
- *Return on capital employed, measured as a moving 12-month figure, amounted to 34% (30% for the full year 2000).*
- *Downward trend in the market continued.*
- *Stock-exchange listing planned for December 2001.*

The accounts are prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council. For further details, see page 6.

Billerud Group

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

(All financial information relating to 2000 is pro forma)

Sales and results

Second quarter

Net turnover for the period, MSEK 1,742, decreased compared with the previous quarter by MSEK 98 or 5%. The lower turnover was due to lower volumes of kraft paper. In the same period last year, net turnover amounted to MSEK 1,612.

Operating profit amounted to MSEK 319, a decrease compared with the previous quarter of MSEK 150 or 32%. Lower prices for market pulp and the annual maintenance shutdown in Skärblacka had an impact on earnings. In the same period last year, operating profit amounted to MSEK 290.

January - June

Compared with the first half of 2000, net turnover increased by MSEK 382 or 12% and amounted to MSEK 3,582. All product areas increased their turnover.

The operating profit of MSEK 788 represents an improvement over the first half of 2000 of MSEK 273 or 53%. The increase was attributable to higher average prices mostly due to the favourable foreign exchange trend with a weakened Swedish krona. The result for the period was affected by production shutdowns resulting from the weak market situation. The cost level rose slightly, mainly due to higher prices for wood and chemicals.

Net financial items, amounting to MSEK -55, mainly pertained to interest at market rates charged on loans from the company's owners.

The estimated tax charge was MSEK 208. The tax charge corresponds to a tax rate of just over 28%.

Return on capital employed, calculated on the latest 12-month period, amounted to 34%, compared with 30% for the full year 2000. Return on equity was 42%.

Foreign exchange exposure

25% of the Group's sales are in Swedish kronor and 75% in foreign currency, primarily EUR, USD and GBP. The majority of costs are in Swedish kronor. The Group is therefore exposed to exchange rate fluctuations. In order to manage this, Billerud has hedged exchange rates as shown below.

Currency breakdown of the Group's sales in % of turnover

EUR	40%
SEK	25%
USD	20%
GBP	5%
Others	10%
Totals	100 %

Hedging as % of forecasted net flows for next 12 months

Currency	Months 1-3	Months 4-6	Months 7-12	Total	Average rates
EUR	90	50	15	40	9.29
USD	100	100	100	100	10.43
GBP	85	60	25	45	15.27

Investments, cash flow and financial position

Billerud's capital employed amounted to MSEK 4,853 on 30 June 2001, compared with MSEK 4,828 pro forma on January 1 2001.

Investments amounted to MSEK 198, while depreciation during the same period amounted to MSEK 173. Most of the investment amount relates to investment projects started before year-end 2000, primarily an evaporation unit and recovery boiler at Gruvön.

Cash flow from operating activities amounted to MSEK 698. After investments (MSEK 198) the operating cash flow amounted to MSEK 500. After amortisation of interest-bearing liabilities (MSEK 898) the total cash flow amounted to MSEK -398. The interest-bearing net debt amounted to MSEK 2,104 on 30 June 2001, compared with MSEK 2,604 pro forma on 1 January 2001.

The Group's net debt/equity ratio at the end of the period was 0.8 compared with 1.2 at the beginning of the year. The positive operating cash flow explains the reduced debt/equity ratio.

An agreement on bridge financing has resulted in refinancing of loans from the present owners being secured. This relief will be carried out in conjunction with the planned stock-exchange listing.

Personnel

The average number of employees in the first half of 2001 amounted to 2,412 compared with 2,494 in the same period a year ago. The number of employees was reduced by approximately 140 people in the mills, and some 50 employees in foreign sales companies joined the company in the second quarter through transfers from AssiDomän and Stora Enso.

Product areas

Net turnover and operating profit January - June

MSEK	Net turnover			Operating profit		
	2001	2000	% change	2001	2000	% change
Kraft paper	1,818	1,593	14	410	217	89
Containerboard	993	873	14	216	125	73
Market pulp	771	734	5	189	201	-6
Other	-	-	-	-27	-28	-
Total Group	3,582	3,200	12	788	515	53

Kraft paper

Second quarter

The operating profit for the period was MSEK 179. Compared with the first quarter of 2001 profit fell by MSEK 52 or 23%, mainly due to lower volumes.

January – June

Compared with the first half of 2000, earnings rose by MSEK 193 to MSEK 410. This improved result was due to higher prices, which were mainly attributable to the weaker Swedish krona. Volumes were lower this year and costs were slightly higher.

Containerboard

Second quarter

Operating profit amounted to MSEK 109, an increase of MSEK 2 over the previous quarter. Volumes were higher than in the previous quarter, while prices were lower.

January – June

Compared with the first half of 2000, earnings increased by MSEK 91 to MSEK 216. Prices were higher this year. However, volumes were lower than in the first half of 2000 and costs were slightly higher.

Market pulp

Second quarter

Sales volumes for market pulp were higher in the second quarter than in the first quarter of this year. Market prices, however, continued to fall which led to operating profit decreasing from MSEK 141 to MSEK 48.

January – June

Compared with the same period in 2000, volumes were slightly higher in the first half of this year. Prices in Swedish kronor were largely unchanged, while higher costs in the first six months of the year explain the slightly lower result.

Integration

At the beginning of the year a number of projects were initiated where the potential synergies between the three paper mills, Gruvön, Karlsborg and Skärblacka, were identified. These efforts, which are organised in a number of working groups, are continuing with great intensity. The largest structural synergy gains are to be found within production as well as in the sales organisation.

The combination of three mills with a similar product mix provides major opportunities for efficiency enhancement and co-ordination. In addition, there is the effect of increased capacity from recently completed investments which has not yet been fully utilised. Synergies, including this higher capacity, are expected to have an earnings impact of approximately MSEK 200 with full effect in 2003, provided capacity utilisation is normal.

Parent Company

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

In the first half of 2001, net turnover amounted to MSEK 1,645. Profit after financial items amounted to MSEK 326. Fixed-asset investments, excluding shares, amounted to MSEK 107. The average number of employees was 1,110 (1,156). Liquid assets and short-term investments amounted to MSEK 255.

Planning for stock-exchange listing

AssiDomän intends to distribute its shares in Billerud to its shareholders in accordance with a decision adopted at the Annual General Meeting. The distribution is expected to be carried out at the end of 2001. Listing on Stockholmsbörsen (O-list) is planned in conjunction with the distribution. A listing prospectus will be published prior to the distribution.

Ownership structure

	30 June 2001
AssiDomän AB	50%
Stora Kopparbergs Bergslags AB	50%
Total	100%

The following illustrates Billerud's ownership structure had the distribution taken place in February 2001. The table below reflects the ownership structure in Billerud assuming that prior to the distribution Stora Enso sells 20% of its shares to institutional investors (alt. 1) or if Stora Enso alternatively sells its shares to AssiDomän (alt. 2). In the latter case, AssiDomän will also distribute these shares to its shareholders.

Stora Enso intends to sell its remaining shareholding.

	Alt. 1 % of capital and votes	Alt. 2 % of capital and votes
Stora Enso	30.0	30.0
New institutional investors	20.0	0
Swedish State	17.6	24.7
Capital Group funds	3.5	5.0
SEB funds	3.0	4.1
Franklin-Templeton funds	2.5	3.5
Alecta	1.4	1.9
Others	22.0	30.8
Total	100.0%	100.0%

Market prospects

Demand remained weak in the second quarter. The order book for kraft paper has decreased significantly compared with the situation a year ago. Marginal price reductions have been made in local currencies during the quarter and price pressure remains, largely due to falling pulp prices.

The market for containerboard has also weakened considerably compared with the previous year. Minor price reductions have been made and there is still price pressure.

In the market for pulp deliveries were low, but due to substantial production curtailments stocks at pulp producers only rose marginally compared with the situation at year-end 2000. The price of long-fibre pulp of Nordic type (NBSK) fell during the quarter by USD 100-120 to USD 480. Continued price reductions cannot be ruled out and there is considerable uncertainty as to when this trend will be reversed.

The planned annual maintenance shutdown at Skärblacka took place in the second quarter. Maintenance shutdowns will be carried out in Gruvön and Karlsborg in the third quarter. Billerud implemented production curtailments due to the demand situation in the first and second quarters. The current market situation, combined with a normal weaker trend during the holiday period in Europe, means that further production curtailments are expected in the third quarter.

Stockholm, 31 July 2001
Billerud AB (publ)

Board of Directors

All financial information relating to 2000 is pro forma. Earnings per share are not reported since the future share structure of the company will first be decided ahead of the stock-exchange listing. Since until 31 December 2000 the paper mill in Gruvön comprised a profit unit within the then Stora Enso Paperboard AB, it did not have an independent balance sheet with its own loan financing. Against this background, the result is reported in the pro forma profit and loss accounts down to operating profit.

This interim report has not been reviewed by the Company's auditors.

Financial calendar

Interim Report for January-September 2001 30 October 2001

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Billerud manufactures and sells packaging paper in the form of kraft paper and containerboard as well as market pulp. Production is carried out at the Group's integrated pulp and paper mills in Gruvön, Karlsborg and Skärblacka. Billerud has a world-leading position within several well-defined product segments. The main customer base is Europe but also includes the rest of the world. Billerud has annual sales of approximately SEK 7 billion and 2,400 employees.

Appendix

Billerud Group

Profit and Loss Account	April-Jun	Jan-Mar	Jan-Jun	Jan-Jun
MSEK	2001	2001	2001	2000
Net turnover	1,742	1,840	3,582	3,200
Other income	1	5	6	8
Operating income	1,743	1,845	3,588	3,208
Operating expenses	-1,336	-1,291	-2,627	-2,543
Depreciation	-88	-85	-173	-150
Operating expenses	-1,424	-1,376	-2,800	-2,693
Operating profit	319	469	788	515
Financial items	-27	-28	-55	-
Profit after financial items	292	441	733	-
Taxes	-83	-125	-208	-
Net profit for the period	209	316	525	-

Balance Sheet

	30 June	Pro forma 1 Jan
MSEK	2001	2001
Fixed assets	4,282	4,257
Stocks	676	633
Accounts receivable	1,209	1,064
Other current assets	139	176
Cash, bank balances and short-term investments	331	729
Total assets	6,637	6,859
Shareholders' equity	2,749	2,224
Interest-bearing provisions	74	102
Non-interest-bearing provisions	448	431
Interest-bearing liabilities	2,361	3,231
Accounts payable	354	508
Other, non-interest-bearing liabilities	651	363
Total shareholders' equity, provisions and liabilities	6,637	6,859

Specification of change in equity

	Jan-Jun
MSEK	2001
Opening equity	2,224
Net profit for the period	525
Closing equity	2,749

Cash Flow Statement	Jan-June
MSEK	2001
Operating surplus	961
Change in working capital, etc.	0
Net financial items, taxes, etc.	-263
Cash flow from operating activities	698
Cash flow from investing activities	-198
Operating cash flow	500
Cash flow from financing activities	-898
Total cash flow	-398
Liquid assets at the beginning of the year	729
Total cash flow	-398
Liquid assets at the end of the period	331

Key Figures	Jan-June	Jan-June	Full year
	2001	2000	2000
<i>Margins</i>			
Gross margin, %	27	21	25
Operating margin, %	22	16	21
<i>Return</i>			
Return on capital employed, %	34 ²⁾	22 ³⁾	30 ²⁾
Return on equity, %	42 ³⁾	- ¹⁾	- ¹⁾
<i>Capital structure</i>			
Capital employed, MSEK	4,853	4,658	4,828 ⁴⁾
Shareholders' equity, MSEK	2,749	- ¹⁾	2,224 ⁴⁾
Interest-bearing net debt, MSEK	2,104	- ¹⁾	2,604 ⁴⁾
Debt/equity ratio, times	0.8	- ¹⁾	1.2 ⁴⁾
Equity ratio, %	41	- ¹⁾	32 ⁴⁾
Gross investments, MSEK	198	379	679
Average number of employees	2,412	2,494	2,442

¹⁾ Historical data not available

²⁾ Moving 12 months

³⁾ Historical 12-month results not available.

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

⁴⁾ Pro forma 1 January 2001

Product areas

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

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

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

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

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

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

Quarterly breakdown of deliveries by product area

ktonnes	2001			2000		
	II	I	IV	III	II	I
Kraft paper	106	133	120	125	123	132
Containerboard	115	108	102	102	112	118
Market pulp	81	64	72	70	71	68