



## **FibreForm® – “Technology Innovation Award 2010” in China**

**At ProPak – China’s largest packaging and processing technology exhibition – Billerud’s FibreForm® packaging material scooped the Technology Innovation Award, China’s most prestigious industry accolade.**

The jury whose task is to select the winner of this prestigious, well-recognised award for innovation comprises professors from various Chinese universities and research institutions, a number of trade associations, and experts in China’s packaging technology market. The Technology Innovation Award rewards companies and individuals that have in some way distinguished themselves by contributing to industry development during the year.

This award comes shortly after Billerud’s participation in World Exhibition in Shanghai, where 140 international companies, brand owners and customers showed great interest in Billerud and FibreForm®.

In order to stay at the cutting edge, Billerud regularly adds to its portfolio new products, concepts and services that will benefit the market – development work that is often carried out in concert with customers and business partners. Behind all the new innovations is a drive to ensure that all players gain from new solutions that protect the products and that are based on a renewable and sustainable resource.

Submitted for publication at 10.30 CET on 22 July 2010

	3 months			6 months	
	Apr-Jun 2010	Jan-Mar 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009
Net sales, SEKm	2 108	2 190	1 907	4 298	3 807
EBITDA, SEKm	350	380	181	730	283
Operating profit/loss, SEKm	201	234	42	435	5
Operating margin, %	10%	11%	2%	10%	0%
Profit/Loss before tax, SEKm	182	212	12	394	-57
Net profit/loss for the period, SEKm	134	156	8	290	-31
Earnings per share, SEK	1,30	1,52	0,11	2,82	-0,42

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

- Net sales amounted to SEK 4 298 million (3 807), an increase of 13%.
- Profit for the period amounted to SEK 290 million (-31).
- Earnings per share amounted to SEK 2,82 (-0,42).
- Operating profit amounted to SEK 435 million (5), corresponding to a margin of 10% (0).
- The 2010 Annual General Meeting resolved in accordance with the Board's proposal to issue a dividend of SEK 0,50 (0) per share for 2009.

### April-June 2010 compared with January-March 2010

- Net sales amounted to SEK 2 108 million (2 190).
- Profit for the period amounted to SEK 134 million (156).
- Operating profit amounted to SEK 201 million (234), a decrease of SEK 33 million.
- The second quarter of 2010 was charged with costs of approximately SEK 110 million for a periodic maintenance shutdown at Gruvön mill. The maintenance shutdown, which takes place at 18-month intervals, was more expensive and more complicated than anticipated due, among other things, to strike action.
- Strike action during the second quarter led to a loss of production of approximately 26 000 tonnes as well as extraordinary costs. Together these amounted to SEK 77 million. The Confederation of Swedish Enterprise has for strike-related costs offered full compensation. The expected compensation has been recognised as income during the second quarter.
- The strong order bookings continued in the second quarter. The packaging paper segment increased prices in local currency by an average of approximately 6% compared with the first quarter.
- A new 7-year credit facility for SEK 800 million was raised after the end of the quarter.

### Outlook for the full-year 2010

- The third quarter of 2010 started with continued good demand within all segments.
- Price increases have been implemented for all products and additional increases have been announced in order to gradually restore prices to levels prevailing end of 2008.
- Strike action in the second quarter will result in lower total deliveries for the full year.

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**Billerud's CEO Per Lindberg and CFO Bertil Carlsén will present the interim report at a press and analysts conference on Thursday, 22 July at 13.00 CET. Venue: Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm.**

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*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. Production takes place at the Group's three integrated pulp and paper mills in Sweden, and at a paper mill in the UK.*

www.billerud.com

## Comments by Billerud's CEO Per Lindberg:

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

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

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

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

## **Billerud Group**

### **Market**

Demand within all Billerud's segments for packaging paper remained good during the second quarter of 2010. Price increases were announced during the first half of this year for all Billerud's products in order to restore prices to long-term, sustainable levels. Prices in local currency increased by an average of approximately 6% during the second quarter compared with the first. The pace of implementation of these price increases varied for different products depending on customer's ability to achieve their own price increases as well as the proportion of fixed-price contracts. Further price increases have been announced for the third quarter of 2010 for all Billerud's main packaging paper products.

Demand for Nordic long-fibre sulphate pulp (NBSK) remained good in the second quarter of 2010. Reduced demand from Asia, primarily China, was noted, but global stock levels at producers and consumers remain low. The loss of production resulting from the earthquake in Chile at the end of February, was gradually restored during the second quarter as the Chilean pulp mills restarted their operations. A number of price increases in USD were implemented during the quarter.

Billerud's total deliveries amounted to 309 000 tonnes in the second quarter of 2010, a decrease of 10% compared with the previous quarter and a 4% decrease compared with the same period in the previous year. The lower deliveries during the second quarter of 2010 are due to a periodic maintenance shutdown at the Gruvön mill as well as loss of production in connection with the industrial dispute.

Deliveries of packaging paper totalled 238 000 tonnes in the second quarter of 2010, a decrease of 11% compared with the previous quarter and a 3% decrease compared with the same period in the previous year.

Market pulp deliveries amounted to 71 000 tonnes during the second quarter of 2010, a decrease of 5% compared with the previous quarter and a 8% decrease compared with the same period in the previous year.

## Sales and results

### **Second quarter compared with the first quarter**

Net sales amounted to SEK 2 108 million, a decrease of 4% compared with the first quarter. Improved prices had a positive effect on net sales while lower delivery volumes due to the industrial dispute and the maintenance shutdown in Gruvön had a negative impact.

During the second quarter the Swedish Paper Worker's Union implemented a strike at the Skärblacka mill as well as an overtime ban, a ban on employing new staff, and a ban on hiring temporary staff at all Billerud's Swedish mills. This strike action resulted in a loss of production of approximately 26 000 tonnes as well as extraordinary costs, which combined amount to SEK 77 million. Since the Confederation of Swedish Enterprise has offered full compensation for costs related to the strike, Billerud has submitted documentation related to the costs attributable to the strike to the Confederation of Swedish Enterprise. The documentation has been checked by auditors appointed by the Confederation of Swedish Enterprise. The compensation, which is expected to be paid during the third quarter of 2010, is recognised under Other income for the second quarter. Total operating income amounted to SEK 2 187 million, which is the same level as the first quarter.

The second quarter was charged, unlike the previous quarter, with costs of approximately SEK 110 million for a periodic maintenance shutdown at Gruvön mill. The maintenance shutdown, which takes place at 18-month intervals, was more expensive and more complicated than anticipated due, among other things, to strike action.

Operating profit amounted to SEK 201 million, a decrease of SEK 33 million. The change in operating profit is shown in the table below. The operating margin amounted to 10% (11).

### **Change in operating profit compared with previous quarter**

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

\* Effects of exchange rate fluctuations totalling SEK -49 million comprise the following components: changed spot rates SEK -32 million, currency hedging SEK -102 million and currency effects from remeasurement of trade receivables and payments from customers SEK 85 million.

Lower delivery and production volumes had a negative impact on operating profit of SEK 120 million, of which approximately SEK 70 million was attributable to the maintenance shutdown and the remainder was mainly related to the strike. Improved selling prices in local currency had a positive impact of SEK 147 million. The packaging paper segment increased its prices in local currency by an average of 6% compared with the first quarter. Variable costs increased by SEK 47 million, of which the maintenance shutdown accounted for approximately SEK 20 million and higher wood prices for SEK 33 million. Fixed costs increased by SEK 39 million, of which approximately SEK 20 million was directly attributable to the maintenance shutdown.

## Operating profit per business area

Business area (share of sales)	Operating margin, %		Operating profit/loss, SEKm		Deviation
	Apr-Jun	Jan-Mar	Apr-Jun	Jan-Mar	
	2010	2010	2010	2010	
Packaging & Speciality Paper and Packaging Boards <i>Packaging paper (approx. 80%)</i>	5%	9%	70	152	-82
Market Pulp <i>Market pulp (approx. 20%)</i>	22%	8%	100	31	69
Currency hedging and other			31	51	-20
<b>Total</b>	<b>10%</b>	<b>11%</b>	<b>201</b>	<b>234</b>	<b>-33</b>

In addition to the three business areas, the Group also includes Currency hedging, etc. and Other and eliminations according to the specification on page 18.

Operating profit for packaging paper (Packaging & Speciality Paper and Packaging Boards) decreased by SEK 82 million, corresponding to a decrease in the operating margin from 9% to 5% due to the increased costs for the maintenance shutdown. Operating profit for market pulp (Market Pulp) improved by SEK 69 million and the operating margin amounted to 22% compared with 8%. For further accounting by business area, see pages 8-9.

Net financial items amounted to SEK -19 million (-22), an improvement of SEK 3 million, which is explained by lower debt and a lower cost for credit limits.

Profit before tax amounted to SEK 182 million. Estimated tax was SEK -48 million. Net profit therefore amounted to SEK 134 million.

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

Net sales increased by 11% (SEK 201 million) compared with the same period in the previous year.

Operating profit increased by SEK 159 million to SEK 201 million due to improved prices (see table below). Operating margin amounted to 10% (2).

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

Net sales amounted to SEK 4 298 million, an increase of 13% compared with the same period in the previous year. Deliveries amounted to 652 000 tonnes, which was the same level as in the same period in the previous year.

Operating profit amounted to SEK 435 million, an increase of SEK 430 million which was mainly due to improved prices and an improved product mix. The operating margin amounted to 10% (0).

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

SEKm	Jan-Mar 10/ Jan-Mar 09	Apr-Jun 10/ Apr-Jun 09	Jan-Jun 10/ Jan-Jun 09
Delivery and production volumes, incl. product mix	122	-70	52
Selling prices (in respective sales currency)	122	315	437
Estimated strike compensation	-	77	77
Change in variable costs	57	-67	-10
Change in fixed costs	-31	-30	-61
Change in depreciation	-7	-10	-17
Effects of exchange rate fluctuations, incl. hedging*	8	-56	-48
<b>Total change in operating profit/loss</b>	<b>271</b>	<b>159</b>	<b>430</b>

\* Effects of exchange rate fluctuations totalling SEK -48 million comprise the following components: changed spot rates SEK -369 million, currency hedging SEK 331 million and currency effects from remeasurement of trade receivables and payments from customers SEK -10 million.

Net financial items amounted to SEK -41 million (-62), an improvement of SEK 21 million due to lower debt.

Profit before tax amounted to SEK 394 million. Estimated tax amounted to SEK -104 million. Net profit therefore amounted to SEK 290 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.

On 10 December 2007 the Swedish Environmental Protection Agency decided to impose a sanction on Billerud of SEK 19 million for inaccurate reporting of emission rights for 2006. Billerud's assessment is that the company met its commitments and that the SEK 19 million sanction lacks legal basis and is not proportionate. Billerud lodged an appeal against the decision to the Environmental Court, which ruled in September 2009 that Billerud should pay the fine in accordance with the Swedish Environmental Protection Agency's decision. Billerud therefore made a provision for this amount in the third quarter of 2009 but also appealed against the decision to the Environmental Court of Appeal. Leave to appeal has been granted by the Environmental Court of Appeal.

### **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 half of 2010 net flows were hedged at EUR/SEK 10,94 (9,93), USD/SEK 7,95 (7,05), GBP/SEK 11,89 (12,09) and DKK/SEK 1,48 (1,32). Currency hedging had an overall earnings impact of SEK 146 million (-193) (compared with if no hedging had taken place).

Billerud's outstanding forward currency contracts at 30 June 2010 had a market value of SEK 98 million. The contracts matched by trade receivables affected earnings in the second quarter. Other contracts had a market value of SEK 64 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. During the second quarter, currency hedging in USD was extended to at least 50% of net flows in each month for 15 months. This was done through a sale of USD 50 million at an average rate of 8,04.

The hedged portion of the flows and the hedged rates for EUR, USD and GBP at 30 June, 2010, are shown in the table below. DKK only accounts for 0,2% 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

		July-Sep	Oct-Dec	Jan-Jun	Jul-Sep	Total
Currency		2010	2010	2011	2011	15 month
EUR	Share of net flow	97%	71%	31%	0%	46%
	Rate	10,70	10,37	10,16	-	10,45
USD	Share of net flow	95%	68%	50%	50%	62%
	Rate	7,36	7,40	7,61	8,05	7,56
GBP	Share of net flow	91%	65%	34%	0%	45%
	Rate	11,41	11,46	11,36	-	11,41

## Investments and capital employed

Gross investments, including company acquisitions, in the first half of 2010 amounted to SEK 137 million (150).

Billerud's capital employed amounted to SEK 5 137 million at 30 June 2010, compared with SEK 5 084 million at 31 March 2010 and SEK 5 148 million at 31 December 2009.

Return on capital employed, calculated over the past 12-month period, amounted to 14% (-1). If the effects of currency hedging are excluded, return on capital employed was 8% (8). Return on equity after tax was 13% (-2).

## Cash flow and financial position

### Summary cash flow statement

	3 months		6 months	
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun
SEKm (positive figure indicates reduction in debt)	2010	2009	2010	2009
Operating surplus, etc.	246	214	625	263
Change in working capital, etc.	-11	56	-99	-107
Net financial items, taxes, etc.	-28	-42	-58	-88
<b>Cash flow from operating activities</b>	<b>207</b>	<b>228</b>	<b>468</b>	<b>68</b>
Current net investments	-87	-58	-137	-103
Business combinations	-	0	-	-36
<b>Operating cash flow</b>	<b>120</b>	<b>170</b>	<b>331</b>	<b>-71</b>
New issue	-	-	-	-
Dividend	-52	-	-52	-
Other items, not affecting cash flow	31	-5	-4	-20
<b>Change in net debt during the period</b>	<b>99</b>	<b>165</b>	<b>275</b>	<b>-91</b>

Cash flow from operating activities in the first half of 2010 amounted to SEK 468 million (68). The increase is due to an improved operating surplus.

Operating cash flow in the first half of 2010 amounted to SEK 331 million (-71).

Interest-bearing net debt amounted to SEK 877 million at 30 June 2010 compared with SEK 1 152 million at 31 December 2009. The Group's net debt/equity ratio at the end of the period was 0,21 compared with 0,29 at 31 December 2009. Billerud's financial target for the debt/equity ratio is between 0,60 and 0,90 over a business cycle. Cash and cash equivalents at 30 June 2010 amounted to SEK 422 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. After the end of the second 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 1 212 million at 30 June 2010. Of this amount, utilisation of the syndicated credit facility (maximum: SEK 1 200 million) accounted for SEK 134 million, the syndicated bank loan for SEK 150 million, bond loans for SEK 825 million, and utilisation of Billerud's commercial paper programme (maximum: SEK 1 500 million) for SEK 100 million and other interest-bearing liabilities for SEK 3 million.

### Financing at 30 June 2010

Loan	Credit limit, SEKm	Utilised, SEKm	Maturity
Syndicated credit facility	1 200	134	April 2012
Syndicated bank loan	150	150	December 2012
Commercial paper		100	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
<b>Total</b>		<b>1 209</b>	

## Personnel

The average number of employees in the first half of 2010 was 2 226 compared with 2 247 in the same period in 2009, i.e. a reduction of 21 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 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-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
SEKm										
Net sales	2 061	2 016	1 131	1 240	829	633	277	-82	4 298	3 807
Other income	39	-	26	-	12	-	4	6	81	6
Operating expenses, other	-1 765	-1 651	-1 035	-1 030	-654	-718	-195	-131	-3 649	-3 530
Depreciation and impairment	-155	-138	-80	-85	-56	-50	-4	-5	-295	-278
Share of profits of associates/JV	-	-	-	-	-	-	0	0	0	0
<b>Operating profit/loss</b>	<b>180</b>	<b>227</b>	<b>42</b>	<b>125</b>	<b>131</b>	<b>-135</b>	<b>82</b>	<b>-212</b>	<b>435</b>	<b>5</b>
<i>Operating margin</i>	9%	11%	4%	10%	16%	-21%			10%	0%
Financial items									-41	-62
Tax									-104	26
<b>Net profit/loss</b>									<b>290</b>	<b>-31</b>

For quarterly data commented on below, see page 18 of this report.

## Packaging & Speciality Paper business area

### *Second quarter*

Operating profit amounted to SEK 84 million, a decrease of SEK 12 million compared with the first quarter of 2010. Improved prices had a positive impact on operating profit while higher costs and lower delivery volumes due to the maintenance shutdown had a negative impact.

Compared with the same period in 2009, operating profit decreased by SEK 49 million. Improved prices in local currency largely compensated for the less favourable currency situation but not for increased costs which were mainly related to the maintenance shutdown.

The operating margin was 8% compared with 9% in the first quarter of 2010 and 13% in the same period in the previous year.

### *January-June*

Operating profit decreased by SEK 47 million to SEK 180 million compared with the same period in the previous year, mainly due to a less favourable currency situation which was partly compensated by improved prices in local currency and increased deliveries.

### *Market development*

The order situation in the second quarter remained very good for sack and kraft paper. At the end of the quarter order books were still very good. The price level in local currency increased for all products compared with the previous quarter and new price increases were announced.

## Packaging Boards business area

### *Second quarter*

Packaging Board's production mainly takes place at the Gruvön mill. Since the business area accounts for more than half of the mill's production, Packaging Boards has to bear a corresponding proportion of the costs for a maintenance shutdown at Gruvön. During a quarter with a maintenance shutdown, Packaging Boards is not only affected by the costs for the maintenance shutdown but also by the loss of delivery volumes. During the second quarter Packaging Boards was charged with approximately SEK 65 million of the total cost for the maintenance shutdown which amounted to approximately SEK 110 million.

Operating loss amounted to SEK 14 million, a decline of SEK 70 million compared with the first quarter of 2010. The change is mainly explained by considerably lower delivery volumes

as well as increased costs due to the maintenance shutdown. Improved prices, however, had a positive effect. The second quarter is seasonally normally less good than the first quarter.

Compared with the same period in 2009 operating profit decreased by SEK 39 million, mainly due to increased variable costs, primarily due to the maintenance shutdown, as well as a less favourable currency situation.

The operating margin amounted to -3% compared with 9% for the first quarter of 2010 and 4% for the same period in the previous year.

#### *January-June*

Operating profit decreased by SEK 83 million to SEK 42 million compared with the same period in the previous year due to a less favourable currency situation which was compensated to some extent by improved prices in local currency. In addition a maintenance shutdown was carried out in the first half of the year but not in the same period in 2009.

#### *Market development*

The market for containerboard remained strong during the second quarter. The order books for fully bleached virgin fibre-based liner were good and very good for S/C fluting. This was also the situation at the end of the quarter. The price level in local currency has increased for all products compared with the previous quarter and further price increases were announced.

## **Market Pulp business area**

#### *Second quarter*

Operating profit amounted to SEK 100 million, an increase of SEK 69 million compared with the first quarter of 2010, due to improved prices in local currency and an improved currency situation.

Compared with the same period in 2009, operating profit increased by SEK 158 million. The change is explained by improved prices in local currency although a less favourable currency situation had a negative impact.

The operating margin amounted to 22% compared with 8% for the first quarter of 2010 and -19% for the same period in the previous year.

#### *January-June*

Operating profit increased by SEK 266 million to SEK 131 million compared with the same period in the previous year, primarily due to improved prices and low variable costs.

#### *Market development*

The market for Nordic long-fibre sulphate pulp (NBSK) remained strong during the second quarter. Reduced demand from Asia, primarily China, was noted, but global stock levels at producers and consumers remain low. The loss of production resulting from the earthquake in Chile at the end of February, was gradually restored during the second quarter as the Chilean pulp mills restarted their operations. A number of price increases were implemented during the quarter where the price at the end of the quarter was USD 980 per tonne, which is an increase of USD 90 per tonne compared with the end of the first 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 in the first half of 2010 amounted to SEK 1 759 million (1 517). Operating profit amounted to SEK 168 million (-141), an increase compared with the same period in the previous year of SEK 309 million, mainly due to positive results from currency hedges in the parent company.

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 (-193).

Investments in property, plant and equipment and intangible assets excluding shares in the first half of 2010 amounted to SEK 86 million (35). The average number of employees was 926 (947). Cash and bank balances and short-term investments amounted to SEK 338 million (295).

## 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.

Mill	2010	2009
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® 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® 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 June 2010 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	2 733 007	2,7
Government of Norway	2 032 415	2,0
Sundh Stefan company (Proad AB)	2 000 000	1,9
SHB funds	1 553 409	1,5
Avanza Pension Försäkring AB	1 421 502	1,4
SEB funds	1 231 938	1,2
Swedbank Robur funds	1 176 599	1,1
Östersjöstiftelsen	998 602	1,0
Apoteket AB:s pension foundation	805 687	0,8
<b>Total 10 largest shareholders</b>	<b>35 574 559</b>	<b>34,5</b>
<b>Total number of shares in the market</b>	<b>103 100 233</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 122 345. More information about shareholder structure is available at [www.billerud.com/en/investors](http://www.billerud.com/en/investors).

## Distribution of shares

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

Registered number of shares	104 834 613
Treasury shares	-1 734 380
<b>Total number of shares in the market</b>	<b>103 100 233</b>

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

## Long-term incentive programme (LTIP 2010)

The 2010 Annual General Meeting decided on the introduction of a long-term incentive programme (LTIP 2010) for Billerud and in connection with this a transfer of Billerud's holding of treasury shares. The previous long-term incentive programme from 2007 expires during 2010.

The Board's main objective with the proposal for LTIP 2010 is to strengthen Billerud's capability to retain the best talent for key leadership positions. The objective is further that senior executives and key people whose efforts have a direct impact on Billerud's earnings, profitability and growth in value should be encouraged to increased effort by aligning their interests and perspectives with those of shareholders.

LTIP 2010 covers a maximum of 90 senior executives and other key people within the Billerud Group, people who are identified as essential for the Group's future development. In order to take part in LTIP 2010 participants are required to own Billerud shares, known as Saving Shares. Following a three-year vesting period which starts on the day an agreement is concluded on LTIP 2010 and ends with publication of Billerud's interim report for the first quarter of 2013, participants will be allocated for each Saving Share one Matching Share right and three Performance Share rights free of consideration. These share rights carry entitlement to Billerud shares provided certain conditions are met. Both share rights require the participant during the vesting period to remain employed within the Billerud Group and not to sell his or her Saving Shares. For Performance Share rights the requirement is further that additional financial performance requirements are achieved. These performance requirements are linked to Billerud's average operating margin for the period 2010-2012 in absolute terms and relative to a peer group composed of specially selected companies, as well as Billerud's total return for the period 2010-2012 compared with the total return for the same period for a peer group consisting of specially selected listed Nordic companies.

LTIP 2010 comprises a maximum of 86 600 Saving Shares, which can result in allocation of a maximum of 346 400 Billerud shares. In addition LTIP 2010 comprises 109 000 Billerud shares attributable to shares that can be transferred by Billerud in order to cover certain costs, primarily social security costs. The maximum number of Billerud shares included in LTIP 2010 thus amounts to 455 400, corresponding to approximately 0,4% of the total number of outstanding Billerud shares.

Based on a theoretical assumption of an annual increase of 10% in the share price and a vesting period of three years, the cost for LTIP 2010 including social security costs equals approximately SEK 12 million, which is on annualised basis equivalent to approximately 0,3% of Billerud's total staff costs for the financial year 2009. The maximum cost for LTIP 2010, based on the above assumptions, equals approximately SEK 35 million, including SEK 22 million in social security costs. For the period January-June 2010 earnings were charged with SEK 0 million.

Additional information about the content of this programme is available in the press release dated 24 March 2010 as well as in the documentation for the 2010 Annual General Meeting which is available on Billerud's website.

## Events after the end of the quarter

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

## Outlook

The third quarter of 2010 started with continued good demand within all segments.

Price increases have been implemented for all products and additional increases have been announced in order to gradually restore prices to levels prevailing end of 2008.

Strike action in the second quarter will result in lower total deliveries for the full year.

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The undersigned hereby confirm that this six-month report provides a true and fair overview of the parent company's and the Group's operations, their financial position and performance, and describes material risks and uncertainties facing the parent company and other companies in the Group.

Stockholm, 22 July 2010  
Billerud AB (publ)

Ingvar Petersson  
*Chairman*

Michael M.F. Kaufmann,  
*Deputy Chairman*

Stewe Cato  
*Board Member*

Gunilla Jönson  
*Board Member*

Per Lundberg  
*Board Member*

Ewald Nageler  
*Board Member*

Stefan Ragnarsson  
*Board Member*

Yngve Ståde  
*Board Member*

Meg Tivéus  
*Board Member*

Per Lindberg  
*CEO*

## Review report

To the Board of Directors of Billerud AB (publ)

### *Introduction*

We have performed a review of the condensed interim financial statements for Billerud AB (publ) at 30 June 2010 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the condensed interim financial statements based on our review.

### *The Scope of the Review*

We conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, *Review of the Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Federation of Authorized Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different purpose and a substantially less scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the opinion based on a review does not constitute the same level of assurance as an conclusion based on an audit.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Stockholm, 22 July, 2010

Ernst & Young AB

Lars Träff  
Authorized Public Accountant

### **Financial calendar**

Interim report January-September 2010	29 October 2010
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.

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.

## 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.

Income statement SEKm	3 months			6 months		Full year
	Apr-Jun 2010	Jan-Mar 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales	2 108	2 190	1 907	4 298	3 807	7 760
Other income	79	2	2	81	6	32
<b>Operating income</b>	<b>2 187</b>	<b>2 192</b>	<b>1 909</b>	<b>4 379</b>	<b>3 813</b>	<b>7 792</b>
Change in inventories	-85	9	-16	-76	-44	26
Raw materials and consumables	-977	-1 044	-945	-2 021	-1 967	-3 870
Other external costs	-425	-446	-410	-871	-832	-1 706
Employee benefits expense	-350	-331	-357	-681	-687	-1 380
Depreciation and impairment of non-current assets	-149	-146	-139	-295	-278	-561
Profit/Loss from participations in associated companies and joint ventures	0	0	0	0	0	-1
<b>Operating expenses</b>	<b>-1 986</b>	<b>-1 958</b>	<b>-1 867</b>	<b>-3 944</b>	<b>-3 808</b>	<b>-7 492</b>
<b>Operating profit/loss</b>	<b>201</b>	<b>234</b>	<b>42</b>	<b>435</b>	<b>5</b>	<b>300</b>
Financial income and expenses	-19	-22	-30	-41	-62	-114
<b>Profit/Loss before tax</b>	<b>182</b>	<b>212</b>	<b>12</b>	<b>394</b>	<b>-57</b>	<b>186</b>
Taxes	-48	-56	-4	-104	26	-21
<b>Net profit/loss for the period</b>	<b>134</b>	<b>156</b>	<b>8</b>	<b>290</b>	<b>-31</b>	<b>165</b>
<b>Earnings per share, SEK</b>	<b>1,30</b>	<b>1,52</b>	<b>0,11</b>	<b>2,82</b>	<b>-0,42</b>	<b>2,04</b>
<b>Deluted earnings per share, SEK</b>	<b>1,30</b>	<b>1,51</b>	<b>0,11</b>	<b>2,81</b>	<b>-0,42</b>	<b>2,03</b>

Statement of comprehensive income SEKm	Jan-Jun 2010	Jan-Jun 2009	Jan-Mar 2010	Jan-Dec 2009
<b>Net profit/loss for the period</b>	<b>290</b>	<b>-31</b>	<b>156</b>	<b>165</b>
Other comprehensive income				
Differences arising from the translation of foreign operations' accounts	-3	11	-8	-3
Change in fair value of available-for-sale financial assets for the period	0	-	0	-
Change in fair value of cash flow hedges	-245	422	-160	366
Change in fair value of cash flow hedges transferred to net profit/loss for the period	130	-185	113	-1
Tax attributable to components of other comprehensive income	30	-62	12	-96
<b>Total comprehensive income for the period</b>	<b>202</b>	<b>155</b>	<b>113</b>	<b>431</b>

Statement of changes in equity SEKm	Jan-Jun 2010	Jan-Jun 2009	Jan-Mar 2010	Jan-Dec 2009
Opening balance	3 995	2 638	3 995	2 638
Comprehensive income for the period	202	155	113	431
Right issue	-	-	-	925
Share-based payment to be settled in equity instruments, IFRS 2	0	1	0	1
Sales of treasury shares, incentive programme	4	-	-	-
Dividends paid	-52	-	-	-
<b>Closing balance</b>	<b>4 149</b>	<b>2 794</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 Jun</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>2009</b>
Non-current assets	5 507	5 712	5 485	5 555
Inventories	927	1 046	1 046	1 065
Accounts receivable	1 322	1 311	1 273	1 152
Other current assets	417	374	409	491
Cash and cash equivalents	422	397	795	818
<b>Total assets</b>	<b>8 595</b>	<b>8 840</b>	<b>9 008</b>	<b>9 081</b>
<b>Shareholders' equity</b>	<b>4 149</b>	<b>2 794</b>	<b>4 108</b>	<b>3 995</b>
Interest-bearing liabilities	1 112	1 591	1 074	1 080
Provisions for pensions	198	187	197	193
Other provisions	27	26	27	27
Deferred tax liabilities	1 359	1 286	1 377	1 357
<b>Total non-current liabilities</b>	<b>2 696</b>	<b>3 090</b>	<b>2 675</b>	<b>2 657</b>
Interest-bearing liabilities	100	1 327	500	697
Accounts payables	926	934	1 039	1 056
Other liabilities and provisions	724	695	686	676
<b>Total current liabilities</b>	<b>1 750</b>	<b>2 956</b>	<b>2 225</b>	<b>2 429</b>
<b>Total equity and liabilities</b>	<b>8 595</b>	<b>8 840</b>	<b>9 008</b>	<b>9 081</b>

<b>Statement of cash flow</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	<b>Jan-Jun</b>	<b>Jan-Jun</b>	<b>Jan-Dec</b>
<b>SEKm</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Operating surplus, etc. <sup>1)</sup>	246	379	625	263	862
Change in working capital, etc.	-11	-88	-99	-107	116
Net financial items, taxes, etc.	-28	-30	-58	-88	-124
<b>Cash flow from operating activities</b>	<b>207</b>	<b>261</b>	<b>468</b>	<b>68</b>	<b>854</b>
Investments in property, plant and equipment	-87	-50	-137	-113	-271
Acquisition of operations, net effect on cash and cash	-	-	-	-36	-35
Acquisition of financial assets	-80	-30	-110	0	-
Disposal of property, plant and equipment	0	0	0	10	14
<b>Cash flow from investing activities</b>	<b>-167</b>	<b>-80</b>	<b>-247</b>	<b>-139</b>	<b>-292</b>
Change in interest-bearing liabilities	-367	-199	-566	-77	-1 207
Share issue	-	-	-	-	925
Dividend	-52	-	-52	-	-
Sale of treasury shares, incentive programme	4	-	4	-	-
<b>Cash flow from financing activities</b>	<b>-415</b>	<b>-199</b>	<b>-614</b>	<b>-77</b>	<b>-282</b>
<b>Total cash flow (=change in cash and cash equivalents)</b>	<b>-375</b>	<b>-18</b>	<b>-393</b>	<b>-148</b>	<b>280</b>
<b>Cash and cash equivalents at start of period</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>2</b>	<b>-5</b>	<b>-3</b>	<b>3</b>	<b>-4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>422</b>	<b>795</b>	<b>422</b>	<b>397</b>	<b>818</b>

1) The amount for the period January - June 2010 includes operating profit of SEK 435 million, reversed depreciation SEK 295 million, net of produced and sold electricity certificates and sold emission rights SEK -28 million and compensation from the Confederation of Swedish Enterprise SEK -77 million. The amount for the period January - June 2009 includes operating profit SEK 5 million, reversed depreciation SEK 278 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 -13 million and capital gains SEK -3 million.

## Key figures

	Jan-Jun 2010	Jan-Jun 2009	Jan-Mar 2010	Full year 2009
<i>Margins</i>				
Gross margin, %	17	7	17	11
Operating margin, %	10	0	11	4
<i>Return (rolling 12 months)</i>				
Return on capital employed, %	14	-1	11	6
Return on total capital, %	8	0	6	3
Return on equity, %	13	-2	10	5
Return on equity after dilution, %	13	-2	10	5
<i>Capital structure at end of period</i>				
Capital employed, SEKm	5 137	5 501	5 084	5 148
Equity, SEKm	4 149	2 794	4 108	3 995
Interest-bearing net debt, SEKm	877	2 708	976	1 152
Net debt/equity ratio, multiple	0,21	0,97	0,24	0,29
Net debt/equity ratio after dilution, multiple	0,21	0,97	0,24	0,29
Equity ratio, %	48	32	46	44
Equity ratio after dilution, %	48	32	46	44
<i>Per share <sup>1)</sup></i>				
Earnings per share, SEK	2,82	-0,42	1,52	2,04
Average number of shares, thousands	103 019	73 711	102 983	81 029
Earnings per share after dilution, SEK	2,81	-0,42	1,51	2,03
Average number of shares after dilution, thousands	103 210	73 711	103 139	81 155
Cash flow per share, SEK	2,15	-0,96	1,76	6,94
<i>Per share at end of period <sup>1)</sup></i>				
Equity per share, SEK	40,24	37,90	39,89	38,80
Number of share, thousands	103 100	73 711	102 983	102 983
Equity per share after dilution, SEK	40,17	37,90	39,86	38,75
Number of share, thousands	103 292	73 711	103 139	103 117
Gross investments, SEKm	137	114	51	271
Business combinations, SEKm	-	36	-	35
Average number of employees	2 226	2 247	2 175	2 232

## Key figures, 5 years

	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2007	Jan-Dec 2006	Jan-Dec 2005
Net profit/loss, SEKm	290	-31	165	152	336	312	-183
Earnings per share, SEK <sup>1)</sup>	2,82	-0,42	2,04	2,07	4,56	4,25	-2,49
Return on capital employed, %	9	0	6	5	11	11	-4
Return on total capital, %	5	0	3	3	7	7	-3
Return on equity, %	7	-1	5	5	12	12	-7
Equity ratio, %	48	32	44	29	31	33	33

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

## Parent company

	3 months		6 months		Full year
	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
<b>Summarised income statement</b>					
<b>SEKm</b>					
Operating income	804	722	1 789	1 502	3 322
Operating expenses	-785	-783	-1 621	-1 643	-3 237
<b>Operating profit/loss</b>	<b>19</b>	<b>-61</b>	<b>168</b>	<b>-141</b>	<b>85</b>
Financial income and expenses	-21	-27	-41	-60	-74
<b>Profit/Loss after financial income and expenses</b>	<b>-2</b>	<b>-88</b>	<b>127</b>	<b>-201</b>	<b>11</b>
Appropriations	-	-	-	-	-2 098
<b>Profit/loss before tax</b>	<b>-2</b>	<b>-88</b>	<b>127</b>	<b>-201</b>	<b>-2 087</b>
Taxes	0	24	-33	54	579
<b>Net profit/loss for the period</b>	<b>-2</b>	<b>-64</b>	<b>94</b>	<b>-147</b>	<b>-1 508</b>
<b>Summarised balance sheet</b>					
<b>SEKm</b>					
Non-current assets			4 087	4 108	4 018
Current assets			2 748	2 463	3 368
<b>Total assets</b>			<b>6 835</b>	<b>6 572</b>	<b>7 386</b>
Shareholders' equity			2 274	2 149	2 228
Untaxed reserves			2 098	-	2 098
Provisions			451	754	414
Interest-bearing liabilities			1 318	3 059	1 975
Other liabilities			694	610	671
<b>Total equity and liabilities</b>			<b>6 835</b>	<b>6 572</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	
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
Packaging & Speciality Paper	1 009	1 052	953	965	1 023	993	815	1 008
Packaging Boards	518	613	557	565	573	667	556	598
Market Pulp	445	384	380	325	310	323	334	385
Currency hedging, etc.	52	64	95	-12	-62	-131	-33	38
Other and eliminations	84	77	75	50	63	48	37	9
<b>Total Group</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>	<b>2 038</b>

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

SEKm	2010		2009				2008	
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
Packaging & Speciality Paper	84	96	85	74	133	94	-23	76
Packaging Boards	-14	56	37	68	25	100	29	83
Market Pulp	100	31	8	-21	-58	-77	-110	-39
Currency hedging, etc.	52	64	95	-12	-62	-131	-33	38
Other and eliminations	-21	-13	6	-45	4	-23	-28	-32
<b>Total Group</b>	<b>201</b>	<b>234</b>	<b>231</b>	<b>64</b>	<b>42</b>	<b>-37</b>	<b>-165</b>	<b>126</b>

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

%	2010		2009				2008	
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
Packaging & Speciality Paper	8	9	9	8	13	9	-3	8
Packaging Boards	-3	9	7	12	4	15	5	14
Market Pulp	22	8	2	-6	-19	-24	-33	-10
<b>Group</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>3</b>	<b>2</b>	<b>-2</b>	<b>-10</b>	<b>6</b>

### Quarterly delivery volumes per business area

ktonnes	2010		2009				2008	
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
Packaging & Speciality Paper	132	138	128	130	132	118	103	128
Packaging Boards	106	130	126	123	114	125	108	121
Market Pulp	71	75	82	75	77	82	78	85
<b>Total</b>	<b>309</b>	<b>343</b>	<b>336</b>	<b>328</b>	<b>323</b>	<b>325</b>	<b>289</b>	<b>334</b>