



INTERIM REPORT January-March 2003

Corporate Identity No. 556025-5001

www.billerud.com

	Quarter			Full year
	2003 I	2002 IV	2002 I	2002
Net turnover, MSEK	1 844	1 735	1 756	7 067
Operating profit, MSEK	297	341	268	1 214
Operating margin, %	16	20	15	17
Profit after financial items, MSEK	276	312	247	1 116
Earnings per share, SEK	3.45	3.85	2.82	13.25

- Demand for Billerud's products were stable during the first quarter of 2003.
- Operating profit was MSEK 297, up 11 % compared with the first quarter of 2002, mainly due to higher prices.
- Compared with the previous quarter, profits were down 13% mainly due to reduced average prices for containerboard and market pulp, higher energy costs and negative exchange rate effects.
- Profit after financial items was MSEK 276 and the return on capital employed during the past 12-month period was 26%; excluding currency flow hedging effects, the return was 17%.
- Operating cash flow was MSEK 95. Adjusted for large investment levels and tax payments during the quarter, cash flow was MSEK 240.
- Deliveries amounted to 334,000 tonnes, up 10% on the final quarter of 2002. The maintenance stoppage at Skärblacka went according to plan.
- Based on an unchanged economic situation, Billerud's estimate is unchanged; that results for 2003 will not differ significantly from the 2002 level.

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Billerud Group

Market

Demand on Billerud's markets during the first quarter of 2003 was stable compared with the end of the previous year. Production capacity could continue to be fully utilised. The total volume delivered was 334,000 tonnes, around 10% higher than the final quarter of 2002 and around the same level as the first quarter of 2002. The annual maintenance stoppage at Skärblacka was completed during the first quarter according to plan.

Orders for Billerud's packaging paper were also stable during the quarter. Price rises have been implemented for sack paper. Billerud's prices for other kraft paper products remained stable. Competition within containerboard has sharpened on certain markets, mainly due to the weaker US dollar. As a result, Billerud's customer mix for containerboard changed negatively in the quarter while selective price adjustments were carried out for certain products and markets. Deliveries of packaging paper amounted to 251,000 tonnes, up 9% on the final quarter of 2002 and unchanged compared with the first quarter of 2002.

Prices for market pulp were low at the start of the year: USD 440 per tonne for long-fibre sulphate pulp. Due to falling supply in North America and generally good demand, market prices rose gradually during the quarter to reach USD 520 per tonne by the end of March. Continued increases, up to USD 560 per tonne, have been announced from 1 April and have already been introduced. Billerud's deliveries of market pulp reached 83,000 tonnes during the quarter, up 11% on the previous quarter and up 1% on the first quarter of 2002.

Sales and results

First quarter

Net turnover for the period amounted to MSEK 1,844. This was up 6% on the final quarter of 2002 and up 5% on the first quarter of 2002. Compared with the final quarter of 2002 the increase was due to higher delivery volumes, while the currency situation had a negative impact. Price levels fell for both containerboard and market pulp and the product mix for containerboard was negative. Compared with the first quarter of 2002, price rises for Billerud's paper products accounted for nearly all of the sales increase.

Operating profit in the first quarter amounted to MSEK 297, a decrease compared with the previous quarter of MSEK 44 or 13%, but an increase compared with the first quarter of 2002 of MSEK 29 or 11%.

The profit decline compared with the final quarter of 2002 is explained by lower average sales prices for containerboard and market pulp, by negative exchange rate effects of around MSEK 17, and by higher variable costs. Energy costs rose by around MSEK 20 between the quarters, mainly due to higher electricity costs. Wood and caustic soda prices also rose and together they represented higher costs of MSEK 10. Lower prices and higher costs were partly compensated for by increased delivery volumes.

The MSEK 29 improvement in profits compared with the first quarter of 2002 was due to higher prices within all product areas. Exchange rate changes did not have a significant impact on profits. Costs were slightly higher, primarily for energy, maintenance and personnel.

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

Net financial items amounted to MSEK -21, an improvement of MSEK 8 compared with the final quarter of 2002 and unchanged compared with the first quarter of 2002. The profit after financial items was MSEK 276.

Foreign exchange exposure

Billerud has hedged around 100% of estimated net flows over 15 months in EUR, USD and GBP at the rates listed below. Of the current hedged amount, 63% is in EUR, 32% in USD and 5% in GBP.

During the first quarter of 2003 net flows have been hedged at the following rates: EUR/SEK 9.47, USD/SEK 10.52 and GBP/ SEK 14.73. Currency hedging boosted profits by around MSEK 129, of which 22% was due to hedging of EUR, 73% to hedging of USD and 5% to hedging of GBP.

A further effect on profits arises when customer receivables in foreign currency at the end of the period are assessed at the hedged rates. Including this re-evaluation and other exchange rate effects, changed exchange rates had a negative effect on profits during the quarter of MSEK 17 compared with the final quarter of 2002.

Hedged exchange rates for the next 15 months (five quarters)

Currency	Q 2 2003	Q 3 2003	Q 4 2003	Q 1 2004	Q 2 2004	Average
EUR/SEK	9.21	9.30	9.24	9.20	9.31	9.25
USD/SEK	10.54	10.05	9.69	9.30	8.76	9.58
GBP/SEK	14.71	14.59	14.35	14.26	13.63	14.26

Outstanding contracts, which did not correspond to accounts receivable as of 31 March 2003, have not affected results. If these contracts had been redeemed on the closing date they would have boosted results by MSEK 176.

Hedging of electricity prices and other energy prices

Billerud purchases around 1.1 TWh of electricity from external suppliers each year. Electricity prices are continually hedged. During the first quarter of 2003 around 95% of electricity deliveries had been hedged. At present around 80% of Billerud's electricity consumption in 2003 and around 50% of consumption in 2004 is hedged. Billerud also buys around 60,000 tonnes of oil per year. Oil prices are not hedged at present.

Despite hedging of electricity costs, overall energy costs increased in the first quarter of 2003 by around MSEK 20 compared with the final quarter of 2002.

Investments and capital employed

Investments in fixed assets during the first quarter amounted to MSEK 163 while depreciation in the same period amounted to MSEK 95. Investment costs are for environmental and capacity increase projects in Karlsborg, for the completion of the rebuild of PM 4 at Gruvön and for several smaller maintenance projects.

Due to payment plans for investment projects, investment levels were relatively high during the first quarter. For the full year, however, investment is expected to be in line with depreciation, i.e. around MSEK 380.

Billerud's capital employed amounted to MSEK 4,760 as of 31 March 2003, compared with MSEK 4,653 at the end of 2002. The increase in capital employed is due to lower tax liability and increasing value of fixed assets due to greater investment.

Cash flow and financial position

Cash flow from operating activities amounted to MSEK 258 in the first quarter. Cash flow was affected by supplementary preliminary tax payments of MSEK 102 concerning tax for 2002. Investment during the quarter amounted to MSEK 163. The operating cash flow reached MSEK 95, compared with MSEK 302 in the final quarter of 2002 and MSEK 66 in the first quarter of 2002. Operating cash flow corresponds predominantly with the change in Billerud's net debt level. After amortisation of interest-bearing liabilities (MSEK 200), liquid assets fell by MSEK 105.

Compared with levels forecast for the full year, cash flow in the first quarter was negatively affected by the large investment outlays and tax payments. Adjusted for the high level of investment and tax payments during the quarter, operating cash flow reached around MSEK 240.

The interest-bearing net debt amounted to MSEK 1,327 on 31 March 2003, compared with MSEK 1,420 at the end of 2002 and MSEK 1,665 on 31 March 2002. The Group's net debt/equity ratio at the end of the period was 0.39 compared with 0.44 at the end of the previous year and 0.51 on 31 March 2002. On average the net debt/equity ratio over the past 12 months was 0.51.

Personnel

The average number of employees during the first quarter of 2003 was 2,397, compared with 2,335 during the first quarter of 2002. The average number of employees in 2002 was 2,385.

Product areas

Billerud's activities consist of three product areas – Kraft paper, Containerboard and Market pulp – which are strongly integrated in terms of production, making them hard to identify for accounting purposes. Risks and opportunities do not differ significantly between the product areas. Billerud has chosen to report and control its activities in these three product areas which in the company's judgement form a joint operation. Production costs are divided between the three product areas according to the resources used by each product area.

Net turnover and operating profit

MSEK	Net turnover					Operating profit				
	Q 1 2003	Q 4 2002	% change	Q 1 2002	% change	Q 1 2003	Q 4 2002	% change	Q 1 2002	% change
Kraft paper	945	894	6	875	8	202	189	7	180	12
Containerboard	541	507	7	543	-	82	110	-26	96	-15
Market pulp	358	334	7	338	6	23	48	-52	15	53
Other and eliminations	-	-	-	-	-	-10	-6	-	-23	-
Total Group	1 844	1 735	6	1 756	5	297	341	-13	268	11

Kraft paper

First quarter

The operating profit for the quarter was MSEK 202, up MSEK 13 or 7% on the final quarter of 2002 mainly due to higher delivery volumes of around 7%. Price levels rose slightly for sack paper and were stable for other kraft paper products. Profit was negatively affected by exchange rates and higher variable costs. Compared with the same period in 2002, profit was up MSEK 22 or 12% due to higher prices and volumes.

Containerboard

First quarter

The operating profit for the quarter was MSEK 82, a decrease of MSEK 28, or 26%, compared with the previous quarter. The fall was due to higher costs, especially for electrical energy. Fluting production consumes high levels of electrical energy. Average prices fell while exchange rates had a negative impact. These factors were only partly compensated for by increased delivery volumes. Compared with the same period in 2002, profit was down by MSEK 14 or 15% mainly due to higher costs.

Market pulp

First quarter

The operating profit reached MSEK 23, down MSEK 25 on the final quarter of 2002. Average prices were lower and variable costs increased. A rise in volumes of 11% countered these effects to some extent. Compared with the previous year, profit was up by MSEK 8 or 53% due to higher prices.

Parent company

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

Net turnover in the first quarter of 2003 amounted to MSEK 852. Profit after financial items amounted to MSEK 122. Fixed-asset investments, excluding shares, amounted to MSEK 68. The average number of employees was 1,149. Liquid assets and short-term investments amounted to MSEK 430.

Distribution of shares

As of 31 March 2003 the distribution of shares was as follows:

Registered amount of shares	62 740 998
Bought-back shares in company ownership	- 4 831 000
Shares on the market	57 909 998
Convertible debenture loan (on full conversion)	268 047
Shares on the market (after full conversion)	58 178 045

Annual General Meeting and share dividend

Billerud AB's Annual General Meeting will be held at 4 p.m. on Tuesday 6 May 2003 in Aula Magna at Stockholms Universitet, Stockholm, Sweden. Notification of attendance at the meeting must be received by the company by 29 April 2003 at the latest.

Billerud's Board of Directors proposes a dividend of SEK 6.50 per share for 2002. The record day for entitlement to the dividend will be Friday 9 May 2003. Payment via VPC (the Swedish Securities Register Centre) is expected on Wednesday 14 May 2003.

Outlook

There is a satisfactory balance in the market for Billerud's paper products and the order situation remains stable. The price rise implemented for sack paper in the first quarter of 2003 will have full effect in the second quarter. Prices for other kraft paper products are relatively stable. Higher waste fibre prices have meant that price rises have been signalled for containerboard based on recycled fibre. This will reduce price pressure for Billerud's products based on virgin fibre. Competition within liner products remains strong in certain markets, however.

Within market pulp a price increase for long-fibre sulphate pulp has been announced from 1 April. The new price of USD 560 per tonne has been nearly fully implemented. After the summer, market pulp prices may decrease. In order to avoid this, supply must be adjusted to current pulp demand.

The pace of production and delivery capability at Billerud's mills continue to be good. Maintenance stoppages will take place according to plan at Karlsborg during the second quarter and at Gruvön during the third quarter.

Based on the current economic conditions Billerud's estimate is unchanged; that results in 2003 will not differ significantly from the 2002 level.

Stockholm, Sweden
22 April 2003
Billerud AB (publ)

Board of Directors

This interim report has not been subjected to a general check by the company's auditors

Future financial statements

Second quarter 2003
Third quarter 2003

17 July 2003
21 October 2003

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

Billerud Group

Accounting principles

The accounts are prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council, including the new recommendations that came into effect on 1 January 2003. The new recommendations are not judged to have any material impact on the accounts. Concerning recommendation RR25 (Reporting for segments – line of business and geographic area) see comments under Products areas on page 5 of this report. The interim report is prepared in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council. For details of accounting principles and definitions of key figures, see the 2002 Annual Report pages 19 and 44-45.

Profit and Loss Account	3 months			Full year
	Jan-Mar 2003	Oct-Dec 2002	Jan-Mar 2002	Jan-Dec 2002
MSEK				
Net turnover	1 844	1 735	1 756	7 067
Other income	2	2	1	10
Operating income	1 846	1 767	1 757	7 077
Raw materials and consumables	-611	-1 305	-1 398	-5 498
Change in stock	-33			
Staff expenses	-292			
Other external expenses	-518			
Depreciation	-95	-91	-91	-365
Operating expenses	-1 549	-1 396	-1 489	-5 863
Operating profit	297	341	268	1 214
Financial items	-21	-29	-21	-98
Profit after financial items	276	312	247	1 116
Tax	-76	-89	-70	-316
Net profit for the period	200	223	177	800
Earnings per share, SEK	3,45	3.85	2.82	
Earnings per share after full conversion, SEK	3,44	3.84	-	
Balance Sheet	31 Mar	31 Mar	31 Dec	
MSEK	2003	2002	2002	
Fixed assets	4 428	4 324	4 360	
Stocks	654	664	669	
Accounts receivable	1 143	1 217	1 107	
Other current assets	171	114	141	
Cash, bank balances and short-term investments	491	412	596	
Total assets	6 887	6 731	6 873	
Shareholders' equity	3 433	3 268	3 233	
Interest-bearing provisions	91	77	88	
Non-interest-bearing provisions	696	508	699	
Interest-bearing liabilities	1 728	2 000	1 928	
Accounts payable	384	331	372	
Other, non-interest-bearing liabilities	555	547	553	
Total shareholders' equity, provisions and liabilities	6 887	6 731	6 873	
Specification of change in equity	Jan-Mar	Jan-Mar	Full year	
MSEK	2003	2002	2002	
Opening equity	3 233	3 091	3 091	
Net profit for the period	200	177	800	
Dividend	-	-	-220	
Share buy-back	-	-	-441	
Convertible subordinated debenture, difference in value				

market rate/nominal rate	-	-	3
Closing equity	3 433	3 268	3 233

Cash Flow Statement	Jan-Mar	Oct-Dec	Jan-Mar	Full year
MSEK	2003	2002	2002	2002
Operating surplus, etc	392	428	358	1 567
Change in working capital, etc.	12	-	-36	48
Net financial items, taxes, etc.	-146	-19	-196	-276
Cash flow from operating activities	258	409	126	1 339
Investment in fixed assets	-163	-109	-60	-373
Disposal of fixed assets	-	2	-	3
Change in long-term receivables	-	-	-	-
Cash flow from investment activities	-163	-107	-60	-370
Operating cash flow	95	302	66	969
Change in interest-bearing debt	-200	-288	-1	-62
Dividend	-	-	-	-220
Share buy-back	-	-	-	-441
Convertible subordinated debenture, difference in value	-	-	-	3
market rate/nominal rate	-	-	-	3
Cash flow from financing activities	-200	-288	-1	-720
Total cash flow (= change in liquid assets)	-105	14	65	249
Liquid assets at the beginning of the year	596	582	347	347
Total cash flow	-105	14	65	249
Liquid assets at the end of the period	491	596	412	596

Key figures	Jan-March	Jan-Mar	Full year
	2003	2002	2002
Margins			
Gross margin, %	21	20	22
Operating margin, %	16	15	17
Return (rolling 12 months)			
Return on capital employed, %	26	23	25
Return on equity, %	26	25	26
Return on equity after full conversion, %	26	-	26
Capital structure at end of period			
Capital employed, MSEK	4 760	4 932	4 653
Shareholders' equity, MSEK	3 433	3 268	3 233
Interest-bearing net debt, MSEK	1 327	1 665	1 420
Net debt/equity ratio, times	0.39	0.51	0.44
Net debt/equity ratio after full conversion, times	0.38	-	0.43
Equity ratio, %	50	49	47
Equity ratio after full conversion, %	50	-	47
Per share			
Earnings per share, SEK	3.45	2.82	13.25
Average no. of shares, '000	57 910	62 741	60 405
Earnings per share after full conversion, SEK	3.44	-	13.23
Average no. of shares, '000	58 178	-	60 546
Per share at end of period			
Equity per share, SEK	59.28	52.08	55.82
No. of shares, '000	57 910	62 741	57 910
Equity per share after full conversion, SEK	59.48	-	56.04

No. of shares, '000	58 178	-	58 178
Gross investments, MSEK	163	60	373
Average number of employees	2 397	2 335	2 383

Product areas

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

MSEK	2003	2002				
	I	Full year	IV	III	II	I
Kraft paper	945	3 507	894	878	860	875
Containerboard	541	2 162	507	560	552	543
Market pulp	358	1 400	334	367	361	338
Other and eliminations	-	-2	0	-1	-1	-
Total Group	1 844	7 067	1 735	1 804	1 772	1 756

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

MSEK	2003	2002				
	I	Full year	IV	III	II	I
Kraft paper	202	707	189	187	151	180
Containerboard	82	413	110	116	91	96
Market pulp	23	158	48	67	28	15
Other and eliminations	-10	-64	-6	-16	-19	-23
Total Group	297	1 214	341	354	251	268

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

%	2003	2002				
	I	Full year	IV	III	II	I
Kraft paper	21	20	21	21	18	21
Containerboard	15	19	22	21	16	18
Market pulp	6	11	14	18	8	5
Group	16	17	20	20	14	15

Quarterly breakdown of deliveries by product area

000' tonnes	2003	2002				
	I	Full year	IV	III	II	I
Kraft paper	126	482	118	120	120	124
Containerboard	125	494	112	126	129	127
Market pulp	83	316	75	75	84	82
Total	334	1 292	305	321	333	333