



Interim report January-March 2007

	Quarter			Full year
	2007 I	2006 IV	2006 I	2006
Net turnover, MSEK	1 932	1 867	1 785	7 369
Operating profit/loss, MSEK	177	176	64	552
Operating margin, %	9	9	4	7
Profit/loss after financial items, MSEK	151	150	43	457
Net profit/loss, MSEK	107	90	32	312
Earnings per share, SEK	2.08	1.75	0.63	6.08

January-March 2007 compared with January-March 2006

- Net turnover was MSEK 1,932 (1,785), a rise of 8%.
- Net profit was MSEK 107 (32).
- Earnings per share were SEK 2.08 (0.63).
- The market situation and demand remained good.
- Operating profit increased by 177% to reach MSEK 177 (64).
- The operating margin was 9% (4%), an increase of 5 percentage points compared with last year mainly due to improved prices.

Outlook for 2007

- The market is expected to remain good for the rest of the year with opportunities for further price rises in local currencies.
- The cost of wood supplies in the first quarter 2007 was MSEK 46 higher than in the final quarter of 2006 and is expected to remain high throughout the year.
- The cost-savings programme is proceeding according to plan and producing positive effects.

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Billerud's President Per Lindberg and CFO Bertil Carlsén will present the interim report live at a press conference on 4 May at 10 a.m. Location: Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm.

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Billerud is a packaging paper company with a business concept to supply customers with innovative and high quality packaging paper. A consistent concentration on attractive market segments and a strong customer focus are cornerstones of Billerud's strategy. Billerud focuses on kraft paper and containerboard and has a world-leading position within several product segments. The company's production units are among the most cost-efficient in Europe for these products.

Billerud Group

Market

The market and demand for Billerud's products remained positive. Demand improved during the quarter, especially for sack paper and pulp.

Billerud's total deliveries during the first quarter of 2007 amounted to 343,000 tonnes, up 1% on the final quarter of 2006 and unchanged on the first quarter of 2006.

Deliveries of packaging paper during the first quarter amounted to 259,000 tonnes, down 2% on both the final quarter of 2006 and the first quarter of 2006.

Demand for long-fibre sulphate pulp was good during the quarter. At the start of 2007 the price for long-fibre sulphate pulp was USD 730 per tonne. The price rose to around USD 760 per tonne during the first quarter. Billerud's deliveries of market pulp amounted to 84,000 tonnes during the quarter, up 11% on the previous quarter and up 8% on the first quarter of 2006.

Sales and results

First quarter

Net turnover for the first quarter was MSEK 1,932, up 3% on the final quarter of 2006 and up 8% on the first quarter of 2006. The increase was mainly due to higher prices.

The operating profit for the first quarter was MSEK 177, up MSEK 113 on the first quarter last year.

The difference was mainly due to the following components (MSEK):

Delivery and production volumes, including product mix	+0
Sales prices (in respective sales currency)	+183
Increased variable costs	-25
Lower fixed costs	+4
Increased depreciation	-6
Effects of exchange rate changes, including hedging	-43
<hr/> Total change in profit	<hr/> +113

The change in variable costs mainly comprises higher wood prices and lower energy costs due to the recently completed investment in energy measures.

The first quarter of last year was affected to some extent by the maintenance stoppage at Skärblacka. This year's maintenance stoppage at Skärblacka will take place exclusively within the second quarter. Gruvön will also perform a maintenance stoppage in the second quarter, while Karlsborg and Beetham will perform theirs in the third quarter.

Compared with the final quarter of 2006, the profit rose by MSEK 1. Increased wood costs of around MSEK 46 were countered mainly by lower fixed costs and higher prices.

Net financial items were MSEK -26, down MSEK 5, or 24%, on the same period in 2006, mainly because of higher market interest rates.

The estimated tax cost was MSEK 44, representing a tax rate of 29%.

Currency hedging

In the first quarter of 2007 net flows were hedged at the following rates: EUR/SEK 9.31 (9.35), USD/SEK 7.07 (7.17), GBP/SEK 13.55 (13.37) and DKK/SEK 1.25 (1.21). Currency hedging had an overall effect on profits of MSEK -34 (-13) (compared with if no hedging had been performed).

Billerud's outstanding currency contracts as of 31 March 2007 had a market value of MSEK-12. The share of contracts corresponding to accounts receivable affected results during the first quarter. Other contracts had a market value of MSEK -24.

The hedged amount of currency flows and exchange rate for SEK in relation to EUR, USD and GBP are shown in the table below.

DKK accounts for just 0.5% of total hedged flows and is therefore not included in the table.

Hedged amount of currency flows and exchange rate for SEK in relation to EUR, USD and GBP

Currency		Apr-Jun 2007	Jul-Dec 2007	Jan-Jun 2008	Total 12 months
EUR	Proportion of total flow	100 %	68 %	15 %	63 %
	Rate	9.15	9.12	9.25	9.14
USD	Proportion of total flow	98 %	63 %	-	57 %
	Rate	7.01	6.92	-	6.94
GBP	Proportion of total flow	88 %	52 %	-	48 %
	Rate	13.60	13.45	-	13.48

As of 26 April 2007, Billerud has hedged around 53% of estimated net flows in EUR over 12 months, around 51% of estimated net flows in USD over 12 months, around 48% of estimated net flows in GBP over 12 months and around 50% of estimated net flows in DKK over 12 months.

Investments and capital employed

Gross investment amounted to MSEK 126 (218) and comprised re-investment and new investment in measures aimed at improving volumes and quality at the mills.

Billerud's capital employed amounted to MSEK 5,157 as of 31 March 2007, compared with MSEK 5,190 on 31 December 2006 and MSEK 5,090 on 31 March 2006.

The return on capital employed over the most recent 12 months was 13%, (-4). The return on shareholders' equity after tax was 15%. Discounting the effects of currency hedging, the return on capital employed was 10%.

Cash flow and financial position

Cash flow from current activities in the first quarter amounted to MSEK 207, compared with MSEK 215 in the same period last year.

Operating cash flow amounted to MSEK 81, compared with MSEK 10 in the first quarter of 2006. Billerud's net debt was reduced by MSEK 86 in the first quarter of 2007.

On 31 March 2007 interest-bearing net debt amounted to MSEK 2,427, compared with MSEK 2,513 on 31 December 2006 and MSEK 2,492 on 31 March 2006.

The Group's net debt/equity ratio at the end of the period was 0.89, compared with 0.94 at the end of 2006 and 0.96 on 31 March 2006. According to Billerud's financial targets, the ratio should be between 0.6 and 0.9. During the period when Billerud has invested in increasing the amount of electricity it generates the debt/equity ratio temporarily exceeded the company's financial target, but starting with this quarter it is now back within the target range.

Cash flow summary

MSEK (positive figure indicates a reduction in debt)	Jan-March 2007	Oct-Dec 2006	Jan-March 2006
Current activities	207	209	215
Current net investments, excluding energy projects	-120	-104	-115
Energy project investments	-6	-52	-90
Operating cash flow	81	53	10
Other items not affecting cash flow	5	-4	1
Change in net debt during the period	86	49	11

Financing

Interest-bearing loans as of 31 March 2007 amounted to MSEK 2,836. This includes utilisation of MSEK 142 of a syndicated bank loan (maximum: MSEK 1,800), utilisation of MSEK 1,682 of bond loans and utilisation of MSEK 992 of Billerud's certificate programme (maximum: MSEK 1,500). There is also a convertible debenture with a market value of MSEK 20.

Personnel

The average number of employees during the first quarter was 2,317, compared with 2,477 in the first quarter of last year, a reduction of 160 employees.

Business areas

Billerud's net turnover and operating profit/loss per business area are reported below. The results of the business areas are reported excluding the effects of currency hedging and from 2007 excluding the effects on profits of restating customer receivables in foreign currency and currency effects in connection with payments. These effects are reported on a separate line, Currency hedging etc. The part of currency exposure relating to changes in invoicing rates continue to be included in the results of the business areas. Last year's figures have been adjusted for comparison.

Billerud is monitored and controlled operationally from the perspective of the business areas. This applies for sales, operating profit/loss, product development and market investments. With regard to fixed assets and capital investments a division into business areas with the chosen structure is not possible as the business areas are strongly integrated in terms of production. For accounting purposes and with regards to the definition of business segments in IAS 14, the company will continue to conduct its activities in one business segment.

Net turnover and operating profit

	Net turnover					Operating profit				
	Q 1 2007	Q 4 2006	% change	Q 1 2006	% change	Q 1 2007	Q 4 2006	% change	Q 1 2006	% change
MSEK										
Packaging & Speciality Paper	988	926	7	949	4	98	91	8	63	56
Packaging Boards	540	559	-3	546	-1	53	58	-9	43	23
Market Pulp	389	353	10	318	22	32	23	39	-6	
Currency hedging etc.	15	29		-28		15	29		-28	
Other and eliminations	-			-		-21	-25		-8	
Group total	1 932	1 867	3	1 785	8	177	176	1	64	177

Markets

Packaging & Speciality Paper

First quarter

The operating profit for the period was MSEK 98. Compared with the same period last year, profit increased by MSEK 35 or 56%, mainly due to the higher volumes and better prices. Compared with the final quarter of 2006 profit rose by MSEK 7, or 8%, due to higher volumes and the fact that price increases were higher than cost increases. The operating margin was 10%, compared with 7% in the first quarter of 2006 and 10% in the final quarter.

Market development

The market for sack paper, especially brown sack paper, remained strong. One explanation for this is the capacity reductions expected on the market in 2007. Other products are experiencing good demand. Price rises of 4-8% in local sales currencies have been announced for sack paper in the first quarter.

Packaging Boards

First quarter

The operating profit was MSEK 53. Compared with the same period last year, profit increased by MSEK 10 or 23%, mainly due to higher prices. Compared with the final quarter of 2006 profit fell by MSEK 5, due to lower volumes. The operating margin was 10%, compared with 8% in the first quarter of 2006 and 10% in the final quarter.

Market development

Capacity reductions on the market for S/C fluting have meant that Billerud's order books are very strong. The market for white kraftliner is stable. Price increases of EUR 40 per tonne were announced during the quarter for S/C fluting

The market penetration of New Billerud Flute®, the next generation of S/C fluting, reached 75% during the quarter, which had a positive effect on average prices for S/C fluting. The new quality is the strongest fluting on the market, with a 20% improvement in technical values and better runnability. The new product means a new market standard has been established while Billerud's position as market leader in S/C fluting has been strengthened even further.

Market Pulp

First quarter

The operating profit was MSEK 32. Compared with the previous quarter, operating profit rose by MSEK 38, mainly due to higher prices and higher volumes. In relation to the final quarter of 2006 operating profit was up MSEK 9, or 39%, mainly because of higher volumes. The weaker USD exchange rate was countered by higher pulp prices in USD.

Market development

Demand is expected to remain strong on the pulp market in the coming quarter. At the start of 2007 the price for long-fibre sulphate pulp was USD 730 per tonne. The price rose to around USD 760 per tonne during the first quarter. Pulp prices, as denominated in USD, are expected to rise further in the spring.

Cost reduction measures

Energy

Since the autumn 2004 Billerud has been implementing measures to increase its own energy production and thus reduce energy costs. The investment in energy projects includes new steam turbines for back-pressure and the rebuild of bark boilers at all three Swedish mills and new electricity supply for the Gruvön mill. The total investment sum is MSEK 1,090. The bark boilers were taken into operation at the end of 2005 and the steam turbines were taken into operation in 2006. Some optimisation of electricity generation remains to be performed, but the majority of the project has now been completed.

Annual savings before depreciation from the projects, compared with no investment, are in excess of the targeted MSEK 250. The effects of the energy projects on Billerud's energy costs for 2007 compared with 2006 are expected to produce savings of around MSEK 90. Energy costs for the first quarter were MSEK 26 lower than for the corresponding period last year. Depreciation cost increased with approximately MSEK 50 due to the energy program.

The investments enable Billerud to generate around 0.9 TWh of electricity from its own production process out of a total requirement of 1.6 TWh. The remainder is currently purchased on the electricity market, with prices hedged for the coming 6 months approximately. Billerud is working to secure an additional part of the overall requirement via long-term agreements and by investing further in electricity generation.

Organisation

On 8 June 2005 the Board decided to implement a programme of changes to Billerud's organisation. This will include a reduction of 450 full-time jobs. The proposed staff changes affect all four of the Group's mills; Gruvön, Karlsborg and Skärblacka in Sweden and Beetham in the UK. Staff reductions have now been mostly completed through early retirement.

The programme will reduce annual costs by at least MSEK 250 compared with cost levels in 2004. Implementation started in 2005, and is proceeding largely according to plan. The programme for Skärblacka and Karlsborg was completed at the end of 2006. At Gruvön and Beetham completion of the programme is being postponed to the end of 2007. As of 30 March 2007, 72% of the targeted savings of MSEK 250 had been realised. The full effect on earnings should be noted in the final quarter of 2007.

Largest shareholders

Billerud's ten largest shareholders according to the register of VPC (the Swedish Securities Register Centre) and Sanderson Asset Management as of 30 March 2007 (excluding 1.9 million shares owned by the company itself) and shares owned by deposit banks):

Owner	No. of shares (million) (shares = votes)	Proportion of shares on market, %
Frapag Vermögensverwaltung GmbH	9.1	17.7
Sanderson Asset Management	3.0	5.8
SEB Fonder/SEB Trygg Liv/Securities	1.4	2.8
Prior & Nilsson Fonder	1.0	2.0
Gladiator	0.9	1.7
DFA	0.8	1.6
Swedbank inkl Swedbank Robur Fonder	0.6	1.1
Morgan Stanley	0.6	1.1
Sis Segaintersettle	0.5	1.0
Mellon	0.4	0.9
Total 10 largest	18.3	35.7
Total Billerud excluding own holding	51.4	100.0

The share of foreign ownership was 41.5% of total shares on the market. The total number of shareholders (including nominees) was around 151,000.

Distribution of shares

As of 30 March 2007 the distribution of shares was as follows:

Registered amount of shares	53 343 043
Bought-back shares in company ownership	- 1 910 000
Shares on the market	51 433 043
Convertible debenture loan (on full conversion)	178 002
Shares on the market (after full conversion)	51 611 045

Since the end of 2004 there have been no share buy backs.

During the first quarter there were two new share issues connected with the exercising of convertible debentures. This resulted in the issue of 63,423 new shares, taking the registered total number of shares to 53,343, 043.

Outlook

The market is expected to remain good for the rest of the year with opportunities for additional prices rises in local currencies.

The cost of wood supplies rose by MSEK 46 in the first quarter compared with the final quarter, and is expected to remain high during the year.

The cost savings programme is proceeding according to plan and continues to have positive effects.

Stockholm, Sweden
3 May 2007
Billerud AB (publ)

The Board of Directors

This part of the interim report has not been checked by the company's auditors.

Interim reports 2007

Second quarter 2007 25 July 2007
Third quarter 2007 14 November 2007

Please note that the date for the 6 month Interim report has been changed to 25 July.

Accounting principles

The accounts are prepared in accordance with IAS 34 Interim reports and RR 31 Group Interim Reports. Concerning IAS 14 Segment reporting, see the comments on the business areas on page 4 in this report. The same accounting principles used in the most recent annual report have been used in this interim report. For definitions of key figures see the 2006 Annual Report pages 57-67 and page 93.

Profit and Loss Account MSEK	3 months		Full year	
	Jan- March 2007	Oct-Dec 2006	Jan- March 2006	Jan-Dec 2006
Net turnover	1 932	1 867	1 785	7 369
Other income	2	3	8	15
Operating income	1 934	1 870	1 793	7 384
Raw materials and consumables	-764	-796	-762	-3 114
Change in stock	-16	43	-8	28
Other external expenses	-536	-495	-523	-1 974
Staff expenses	-321	-326	-322	-1 306
Depreciation	-120	-120	-114	-466
Profit share from associated companies	0	0	0	0
Operating expenses	1 757	- 1 694	-1 729	-6 832
Operating profit	177	176	64	552
Financial items	-26	-26	-21	-95
Profit after financial items	151	150	43	457
Tax	-44	-60	-11	-145
Net profit for the period	107	90	32	312
Earnings per share, SEK	2.08	1.75	0.63	6.08
Earnings per share after full conversion, SEK	2.07	1.75	0.63	6.07
Balance Sheet MSEK	31 March 2007	31 March 2006	31 Dec 2006	
Fixed assets	5 547	5 440	5 539	
Stocks	767	726	727	
Accounts receivable	1 304	1 204	1 201	
Other current assets	159	274	283	
Cash, bank balances and short-term investments	575	484	443	
Total assets	8 352	8 128	8 193	
Shareholders' equity	2 730	2 598	2 678	
Interest-bearing liabilities	2 836	2 821	2 791	
Interest-bearing provisions, pensions	167	155	164	
Non-interest-bearing provisions	126	299	148	
Deferred tax liabilities	1 199	1 107	1 225	
Accounts payable	567	586	591	
Other, non-interest-bearing liabilities	727	562	596	
Total shareholders' equity, provisions and liabilities	8 352	8 128	8 193	
Specification of change in equity	Jan-March 2007	Jan-March 2006	Full year 2006	
Opening equity	2 678	2 526	2 526	
Profit/loss for the period	107	32	312	
Market value of financial instruments in accordance with IAS 39 used in hedge reserve	-64	40	6	
Dividend	-	-	-167	
New share issue via conversion	7	-	3	
Translation difference in shareholders' equity	2	-	-2	
Closing equity	2 730	2 598	2 678	

Cash Flow Statement	Jan- March 2007	Oct-Dec 2006	Jan-March 2006	Jan-Dec 2006
Operating surplus, etc 1)	277	244	125	802
Change in working capital, etc.	-40	-82	126	42
Net financial items, taxes, etc.	-30	47	-36	-50
Cash flow from operating activities	207	209	215	794
Investment in fixed assets	-126	-157	-218	-643
Sale of fixed assets	0	1	13	15
Cash flow from operating activities	-126	-156	-205	-628
Change in interest-bearing debt	49	-249	292	264
Dividend	-	-	-	-167
Cash flow from financing activities	49	-249	292	97
Total cash flow (= change in liquid assets)	130	-196	302	263
Liquid assets at the beginning of the period	443	641	182	182
Translation difference in liquid funds	2	-2	-	-2
Liquid assets at the end of the period	575	443	484	443

1) The amount for January-March 2007 includes an operating profit of MSEK 177, returned depreciation of MSEK 120, payment of structural costs of MSEK -22 and an increase in pension liabilities of MSEK 2.
The amount for the period January-March 2006 includes the operating profit of MSEK 64, returned depreciation of MSEK 114, payment of structural costs of MSEK -46, an increase in pension liabilities of MSEK 1 and other items of MSEK -8.

	Jan-March 2007	Jan-March 2006	Full year 2006
<i>Margins</i>			
Gross margin, %	15	10	14
Operating margin, %	9	4	7
<i>Return (rolling 12 months)</i>			
Return on capital employed, %	13	-4	11
Return on equity, %	15	-7	12
Return on equity after full conversion, %	15	-7	12
<i>Capital structure at end of period</i>			
Capital employed, MSEK	5 157	5 090	5 190
Shareholders' equity, MSEK	2 730	2 598	2 678
Interest-bearing net debt, MSEK	2 427	2 492	2 513
Net debt/equity ratio, times	0.89	0.96	0.94
Net debt/equity ratio after full conversion, times	0.88	0.94	0.92
Equity ratio, %	33	32	33
Equity ratio after full conversion, %	33	32	33
<i>Per share</i>			
Earnings per share, SEK	2.08	0.63	6.08
Average no. of shares, '000	51 401	51 343	51 351
Earnings per share after full conversion, SEK	2.07	0.63	6.07
Average no. of shares, '000	51 611	51 611	51 611
<i>Per share at end of period</i>			
Equity per share, SEK	53.08	50.61	52.12
No. of shares, '000	51 433	51 343	51 370
Equity per share after full conversion, SEK	53.29	50.92	52.41
No. of shares, '000	51 611	51 611	51 611
Gross investments, MSEK	126	218	643
Average number of employees	2 317	2 477	2 476

Business areas

The business areas' results have been reported since last year excluding the effects of currency hedging. From the current quarter onward the business areas' results are also reported also excluding the share of currency effects relating to changes in value of current assets in foreign currency. This currency exposure is managed centrally and is hedged to a large extent and therefore reported in the item for Currency hedging etc. The Currency hedging etc. item therefore shows the net amount of the profit/loss from currency hedging and currency restatements of current assets including currency effects at the time of payment. Last year's comparable figures have been adjusted for comparison.

The part of currency exposure relating to the effects of currency changes in the invoicing exchange rate will continue to be reported as part of the business areas' profit/loss.

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

2007		2006				
MSEK	I	Full year	IV	III	II	I
Packaging & Speciality Paper	988	3 750	926	948	927	949
Packaging Boards	540	2 188	559	541	542	546
Market Pulp	389	1 382	353	355	356	318
Currency hedging etc.	15	49	29	34	14	-28
Other and eliminations		-	-	-	-	-
Total Group	1 932	7 369	1 867	1 878	1 839	1 785

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

2007		2006				
MSEK	I	Full year	IV	III	II	I
Packaging & Speciality Paper	98	350	91	116	80	63
Packaging Boards	53	175	58	56	18	43
Market Pulp	32	46	23	23	6	-6
Currency hedging etc.	15	49	29	34	14	-28
Other and eliminations	-21	-68	-25	-24	-11	-8
Total Group	177	552	176	205	107	64

Quarterly operating margin per business area and for the Group

2007		2006				
%	I	Full year	IV	III	II	I
Packaging & Speciality Paper	10	9	10	12	9	7
Packaging Boards	10	8	10	10	3	8
Market Pulp	8	3	7	6	2	-2
Group	9	7	9	11	6	4

Quarterly delivery volumes per business area

2007		2006				
000 tonnes	I	Full year	IV	III	II	I
Packaging & Speciality Paper	139	535	134	135	132	134
Packaging Boards	120	515	129	125	131	130
Market Pulp	84	314	76	78	82	78
Total	343	1 364	339	338	345	342