BILLERUD

Interim report
January-March 2005

Corporate Identity No. *556025-5001* *www.billerud.com*

	Quarter			Full year
	2005 I	2004 IV	2004 I	**2004**
Net turnover, MSEK	**1 739**	1 753	1 820	7 159
Operating profit, MSEK	**66**	161	255	781
Operating margin, %	**4**	9	14	11
Profit after financial items, MSEK	**49**	146	235	707
Net profit, MSEK	**35**	107	169	509
Earnings per share, SEK	**0.68**	2.07	3.13	9.66

2005 compared with the same period in 2004
- Net turnover amounted to MSEK 1,739 (1,820).
- Net profit was MSEK 35 (169).
- Earnings per share were SEK 0.68 (3.13).
- Market remains weak, with no opportunities to compensate for higher costs.
- Operating profit was MSEK 66 (255). The fall was mainly due to changed exchange rates, higher wood costs and one-off costs of MSEK 40.
- Operating profit, excl profit from currency hedging, amounted to MSEK 60 (181).

Programme started for cost reductions in Billerud's organisation

Outlook for full year 2005
- Important cost increases for wood, chemicals and energy.
- Currency changes having a negative impact of MSEK 300.
- Given the present market situation, operating profit for the full year 2005 is expected to be around MSEK 200.

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Billerud's acting CEO Peter Davidson will present the Financial Statement live at a press conference at 10 a.m. on Wednesday 4 May. Location: Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm. The press conference will be transmitted live at www.billerud.se

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Billerud is a packaging paper company with a business concept to supply customers with innovative 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

Changes in accounting principles

From beginning of 2005, Billerud is following International Financial Reporting Standards, IFRS, when preparing its accounts. IFRS were introduced in Sweden in 2005. The consequences for Billerud are explained in greater detail on page 7 and in supplement 2. The effects are relatively limited. In this interim report all comparable figures for 2004 have been restated in accordance with IFRS principles. Alongside the first-time adoption of IFRS, from 2005 the direct costs for annual maintenance stoppages will no longer be distributed over the year but charged to the period when the stoppage occurs. Comparable figures for 2004 have been restated to include this change. For further information, see supplement 2.

Market

The market situation for Billerud's products has been lacklustre, which prevented price compensations for higher raw material costs.

Total deliveries during the first quarter amounted to 349,000 tonnes, down 1% on the final quarter of 2004 and down 2 % compared to first quarter 2004. Deliveries and production were affected by production problems at two mills and by reduced supplies of hardwood, which meant that Billerud was unable to fully utilise production capacity. There were no large maintenance stoppages during the period.

Deliveries of packaging paper reached 270,000 tonnes, down 1% on the previous quarter and virtually unchanged compared with the first quarter of 2004. Adjusted for the acquired mill in Beetham, UK, deliveries of packaging paper fell by 2% compared with the same period in 2004.

Demand primarily for long fibre sulphate pulp was stable during the quarter, with moderate price increases as a result. The price of long fibre sulphate pulp was USD 620 per tonne at the start of 2005 and climbed to reach USD 645. Billerud's deliveries of market pulp amounted to 79,000 tonnes during the quarter, up 1% on the previous quarter but down 9% on the first quarter of 2004.

Sales and results

First quarter

Net turnover for the quarter was MSEK 1,739, down 1% on the previous quarter and down 4% on the first quarter of 2004. The fall was mainly due to changed currency rates resulting from the conclusion of currency hedging.

Compared with the final quarter of 2004 average prices, expressed in local currency, were approximately unchanged. Compared with the first quarter of 2004 prices were slightly higher for both packaging paper and market pulp.

The operating profit was MSEK 66, down MSEK 189, or 74%, on the previous quarter. The difference is primarily due to the following components (figures in MSEK):

Reduced deliveries and production volumes, including product mix	-30
Higher sales prices (in local currencies)	+40
One-off costs	- 40
Higher costs, mainly wood	-50
Effect of unfavourable exchange rates	- 110
Total effect on results (rounded off)	- 190

Earnings in the first quarter were hit by one-off costs of around MSEK 40, of which MSEK 17 was severance pay (including social costs) for the company's former CEO. The remaining amount comprises costs for planning the Billerud 2009 project and other costs relating to staff redundancies. Higher costs were due to a hike of around MSEK 40 in wood costs and higher costs for chemicals.

Compared with the final quarter of 2004 the operating profit was down by MSEK 95. The difference is primarily due to the following components (figures in MSEK):

Reduced deliveries and production volumes, including product mix	-40
Sales prices (in local currencies)	0
One-off costs	- 40
Reduced costs, other	+5
Effect of unfavourable exchange rates	- 20
Total effect on results (rounded off)	- 95

The reduction in other costs is the net result of higher energy costs, lower fixed costs and increased depreciation.

Earnings for each product area are commented on in greater detail on page 5.

Net financial items were MSEK –17, which was slightly worse than the previous quarter but slightly better than the same period last year. Increased borrowings compared with the previous year were countered by falling interest rates. The profit after financial items was MSEK 49.

Foreign exchange exposure

During the first quarter of 2005 net flows were hedged at the following rates: EUR/SEK 9.14 (9.21), USD/SEK 7.31 (9.28), GBP/SEK 13.34 (14.36) and DKK/SEK 1.21 (-). Currency hedging had an overall positive effect of MSEK 6 (74), of which 17% was due to EUR, 82% to USD and 1% to GBP. For operating profit per product area excluding currency hedging effects, see page 6.

Billerud's outstanding currency contracts as of 31 March 2005 had a market value of MSEK 3. The share of contracts corresponding to accounts receivable affected results in the first quarter. Other contracts, i.e. outstanding contracts as of 31 March 2005 not corresponding to accounts receivable, had a market value of MSEK -1.

Currently, Billerud has hedged around 65% of estimated net flows in EUR over 12 months, around 56% of estimated net flows in USD over 12 months, around 51% of estimated net flows in GBP over 12 months and around 54% of estimated net flows in DKK over 12 months at the rates shown below. 60% of hedged amounts are in EUR, 35% in USD and 5% in GBP. Hedging of net flows in DKK represent around 0.4% of the total hedged sum.

Hedged exchange rates

Currency	Q 2 2005	Q 3 2005	Q 4 2005	Q 1 2006	Q 2 2006	Average rate
EUR/SEK	9.28	9.18	9.16	9.11	-	9.20
USD/SEK	7.05	7.08	6.94	6.96	-	7.01
GBP/SEK	13.13	12.93	12.81	12.94	-	12.97
DKK/SEK	1.22	1.22	1.22	1.23	-	1.22

Investments and capital employed

Investments amounted to MSEK 203 gross, of which MSEK 110 was for energy investments, which are described on page 7, and the remainder, MSEK 93, was for other investments, including the biological treatment plant at Gruvön and increased capacity for sack paper and kraft paper at Skärblacka.

Depreciation in the first quarter of 2005 amounted to MSEK 103. Billerud has established an investment framework that corresponds to the depreciation level. The energy investments, however, are outside this framework.

Billerud's capital employed amounted to MSEK 4,683 as of 31 March 2005, compared with MSEK 4,506 at the end of 2004. The increase is mainly due to the higher investment level during the year. The increase was reduced by higher liabilities due to deferred tax.

The return on capital employed over the most recent 12 months was 13%, compared with 23% last year. The return on shareholders' equity after tax was 12%.

Cash flow and financial position

Cash flow from current activities during the period amounted to MSEK 91, compared with MSEK 317 for the same period last year. The lower cash flow was mainly due to the reduced profit. Cash flow from investment activities amounted to MSEK –203. Ongoing investments are higher than in the previous year, mainly due to the energy projects that have started.

Operating cash flow amounted to MSEK -112, compared with MSEK 55 in the final quarter of 2004 and MSEK 239 in the first quarter of 2004.Net debt thus increased during the first quarter by MSEK 125.

On 31 March 2005 interest-bearing net debt amounted to MSEK 1,594, compared with MSEK 1, 469 on 31 December 2004 and MSEK 1,306 on 31 March 2004. The Group's net debt/equity ratio at the end of the period was 0.52, compared with 0.48 at the end of 2004 and 0.40 on 31 March 2004. Net debt/equity ratio should be between 0.6 and 0.9 according to Billerud's financial goals.

Cash flow summary

MSEK (positive figure indicates a reduction in debt)	**Jan-March 2005**	Oct -Dec 2004	Jan-March 2004
Current activities	**91**	260	317
Current net investments, excluding energy projects	**-93**	-162	-78
Energy project investments	**-110**	-43	-
Operating cash flow	**-112**	55	239
Acquisition of Billerud Beetham Ltd	**-**	-	-213
Cash flow after investments	**-112**	55	26
Dividend	**-**	-	-
Share buy-back	**-**	-88	-96
To shareholders	**-**	-88	-96
Other items not affecting cash flow	**-13**	-6	-16
Change in net debt during the period	**-125**	-39	-86

Financing

Interest-bearing loans as of 31 March 2005 amounted to MSEK 1,855. This includes utilisation of a syndicated bank loan of MSEK 234, bond loans of MSEK 1,057 and utilisation of Billerud's certificate programme of MSEK 527 (of a maximum MSEK 1,000). Other interest-bearing debt amounted to MSEK 8. There is also a convertible debenture with a market value of MSEK 29.

During the first quarter of 2005 Billerud signed a new eight-year bond loan worth MSEK 300. The money from this loan will be used to fund Billerud's investment programme within the energy field.

Personnel

The average number of employees during the first quarter was 2,556, compared with 2,463 in the first quarter of 2004. The rise was due to the acquisition of Billerud Beetham, otherwise the average number of employees fell slightly.

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 and a primary segment. Markets are not considered to differ significantly in terms of risks and opportunities.

Net turnover and operating profit

	Net turnover					Operating profit				
MSEK	**Q 1 2005**	Q 4 2004	% change	Q 1 2004	% change	**Q 1 2005**	Q 4 2004	% change	Q 1 2004	% change
Kraft paper	**927**	878	6	902	3	**75**	110	-32	152	-51
Containerboard	**509**	568	-10	520	-2	**37**	58	-36	43	-14
Market pulp	**303**	307	-1	398	-24	**-7**	18	neg	70	neg
Other and eliminations	**-**	-	-	-	-	**-39**	-25	-	-10	-
Total Group	**1 739**	1 753	-1	1 820	-4	**66**	161	-59	255	-74

Kraft paper

First quarter
The operating profit for the quarter was MSEK 75, down MSEK 35, or 32%, on the previous quarter mainly due to the effects of the product mix, i.e. a higher proportion of products that contribute less profit. Compared with the same period last year the profit was down by MSEK 77, or 51%, mainly due to unfavourable exchange rates and higher variable costs.

Containerboard

First quarter
The operating profit for the quarter was MSEK 37, down MSEK 21, or 36%, on the previous quarter mainly due to lower delivery volumes. Compared with the same period last year the profit was down by MSEK 6, or 14%, mainly due to unfavourable exchange rates and slightly lower delivery volumes.

Market pulp

First quarter
The operating loss for the quarter was MSEK 7, down MSEK 25 on the previous quarter mainly due to unfavourable exchange rates. Compared with the same period last year the result was down by MSEK 77, mainly due to unfavourable exchange rates.

Operating profit per product area, currency hedging effects excluded

MSEK	Q 1 2005	Q 1 2004	Full year 2004
Kraft paper	73	132	385
Containerboard	36	32	115
Market pulp	-10	27	34
Other	-39	-10	-67
Total	**60**	**181**	**467**

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 amounted to MSEK 758. The profit after financial items amounted to MSEK 6. Fixed-asset investments, excluding shares, amounted to MSEK 91. The average number of employees was 1,143. Liquid assets and short-term investments amounted to MSEK 333.

Wood supplies

A storm in early January 2005 caused considerable damage to forests in southern Sweden. Forestry operations have been re-organised to give priority to forest damaged by the storm, which was primarily spruce. As a result, the planned felling of other wood types, including a larger proportion of hardwood, has been reduced. The country’s transport resources have come under great pressure.

As a consequence of the above the price of Swedish softwood has fallen, the price of hardwood has risen and transport costs for delivery to Billerud’s mills have increased significantly. The current shortage of hardwood in Sweden has also led to increased amounts of more expensive imported wood. Overall this means that Billerud’s wood costs are somewhat higher now than before the storm when prices were already higher than the average in 2004 due to a series of price rises throughout the year.

The wood market is currently variable and the situation is likely to change further as storm wood is gradually taken care of. At this stage the effects of the storm, including continued shortages of hardwood, will mean that Billerud’s costs for wood will be around MSEK 160 higher for the full year in 2005 compared with 2004.

Programme for cost reduction - organisation

To meet the current cost increases in wood, energy and chemicals, Billerud during first quarter 2005 started up a number of measures to reduce the organisation cost. These measures have resulted in one-off costs of MSEK 10 during first quarter 2005. The measures constitute the start of the larger cost reduction programme (called organisational review) that was presented in the Financial Statement of 27 January, 2005.

A review of Billerud's working methods and processes is part of that programme in order to gain greater uniformity in the way the company's different units work. Other purposes of the project are to ensure that the company has the right competence for its future activities and to reduce costs. The goal is to reduce the annual cost by at least MSEK 250, which corresponds to raising efficiency by 20%. The already started measures are included in this amount.

The design of the future organisation has been planned since late autumn 2004 and is now largely complete. A decision will be made by the end of May as to how and when the new organisation will be introduced. The cost reductions will come into effect from the end of 2005 and the full effect will be reached during 2008. The change will result in one-off costs, which today cannot be quantified.

Programme for cost reduction - energy

As previously announced the Board has decided to invest MSEK 1,050 in programmes to reduce energy costs at the three pulp and paper mills in Sweden. These investments include new turbines for back-pressure power, a rebuild of the bark boilers at all three mills and new electricity supply at the Gruvön mill.

These investments will approximately double the company's generation of electricity, which will mean that self-sufficiency will rise from around 30% to around 60%. Oil consumption is expected to fall from the current level of around 45,000 m^3 to 15,000 m^3. Heating oil will be replaced by bio-fuel. The new equipment will be brought on stream from the second half of 2005 up to the end of 2006.

The investments more than match Billerud's requirements for financial return and the repayment period is less than five years. As a result of this project, Billerud's profit before depreciation is expected to increase by MSEK 250 per year. Depreciation will increase by MSEK 50 per year. The full effects will be achieved starting in 2007.

Share distribution

As of 31 March 2005 the distribution of shares was as follows:

Registered amount of shares	53 252 998
Bought-back shares in company ownership	- 1 910 000
Shares on the market	51 342 998
Convertible debenture loan (on full conversion)	268 047
Shares on the market (after full conversion)	51 611 045

There were no share buy-backs during the first quarter of 2005.

Introduction of IFRS

From 2005 Billerud will follow the International Financial Reporting Standards/ International Accounting Standards (IFRS/IAS). During the transfer Billerud is affected by IAS 19/RR 29 Employee Benefits, IAS16 Tangible Assets, IFRS 3 Company/Business Acquisitions, and IAS 39 Financial Instruments; Recognition and Measurement.

IAS 19/RR 29 Employee Benefits is being applied by Billerud from 1 January 2004.

To comply with IAS16 Tangible Assets, Billerud will start using component depreciation. The transfer to this method according to IFRS is not judged to have any material effect on the opening balance on 1 January 2004 and the closing balance on 31 December 2004.

The application of IFRS 3 Company/Business Acquisitions produces an effect for Billerud from the acquisition of Billerud Beetham in 2004. The net profit for 2004 and shareholders' equity at the end of 2004, in accordance with IFRS, will be affected by MSEK 5.

IAS 39 Financial Instruments; Recognition and Measurement will be applied from 1 January 2005. In accordance with IAS 39 all financial instruments shall be identified and given a market value at the closing date, which means that, for example, currency derivatives, interest rate swaps and electricity derivatives shall be booked on the balance sheet. The effects increased shareholders' equity on 1 January 2005 by MSEK 43 after tax. At the end of the first quarter the corresponding effect had a market value of MSEK 14, MSEK 29 lower than the figure for 1 January 2005.

Outlook

Deliveries in 2005 are expected to continue at around the same level as 2004.

There is currently uncertainty about the future development of the business cycle. The market is currently lacklustre. Prices are approximately the same as the average for last year.

Concerning wood supplies, based on the current situation and continued future shortages of hardwood, wood costs will increase with around MSEK 160 for the full year in 2005 compared with 2004.

Prices for chemicals and energy have risen while prices for electricity certificates have fallen. Overall this means that costs for chemicals and energy for the full year in 2005 are expected to increase by around MSEK 100 compared with 2004.

As previously mentioned, one-off costs of MSEK 40 affected results in the first quarter of 2005. Other cost items are expected to remain unchanged compared with the previous year.

Changes in exchange rates, based on entered forward hedging contracts, are expected to have a negative impact of around MSEK 300 in 2005 compared with 2004.

Given the present market situation, operating profit for the full year 2005 is expected to be around MSEK 200.

Stockholm, Sweden
3 May 2005
Billerud AB (publ)
The Board of Directors

This interim report has not been subject to an examination by Billerud's auditors.

Interim reports

Please note that the dates are :

Second quarter 2005	3 August
Third quarter 2005	9 November

Accounting principles

The accounts are prepared in accordance with IAS 34 Interim reports. In comparison with the 2004 Annual Report, the accounting principles have been adapted to IFRS. For further information about the effects of introducing IFRS, see Supplement 2. Concerning IAS 14 Segment reporting, see comments under Product areas on page 5 of this report. For details of accounting principles and definitions of key figures, see the 2004 Annual Report pages 48-53 and page 67.

Profit and Loss Account	**3 months**			**Full year**
MSEK	**Jan-March 2005**	Oct-Dec 2004	Jan-Mar 2004	Jan-Dec 2004
Net turnover	**1 739**	1 753	1 820	7 159
Other income	**2**	3	2	9
Operating income	**1 741**	1 756	1 822	7 168
Raw materials and consumables	**-741**	-741	-665	-2 766
Change in stock	**-23**	24	-36	13
Other external expenses	**-460**	-437	-446	-1 885
Staff expenses	**-348**	-352	-319	-1 350
Depreciation	**-103**	-89	-101	-399
Operating expenses	**-1 675**	-1 595	-1 567	-6 387
Operating profit	**66**	161	255	781
Financial items	**-17**	-15	-20	-74
Profit after financial items	**49**	146	235	707
Tax	**-14**	-39	-66	-198
Net profit for the period	**35**	107	169	509
Earnings per share, SEK	**0.68**	2.07	3.13	9.66
Earnings per share after full conversion, SEK	**0.68**	2.06	3.12	9.62

Balance Sheet MSEK	**31 March 2005**	31 March 2004	31 Dec 2004	1 Jan 2005
Fixed assets	**4 809**	4 511	4 702	4 702
Stocks	**707**	704	749	749
Accounts receivable	**1 155**	1 226	1 128	1 096
Other current assets	**180**	155	170	277
Cash, bank balances and short-term investments	**401**	679	378	378
Total assets	**7 252**	7 275	7 127	7 202
Shareholders' equity	**3 089**	3 267	3 037	3 080
Interest-bearing liabilities	**1 855**	1 867	1 720	1 720
Interest-bearing provisions, pensions	**161**	123	148	148
Non-interest-bearing provisions	**8**	12	7	7
Deferred liabilities	**1 179**	995	1 179	1193
Accounts payable	**452**	414	487	487
Other, non-interest-bearing liabilities	**508**	597	551	567
Total shareholders' equity, provisions and liabilities	**7 252**	7 275	7 127	7 202

Specification of change in equity MSEK	**Jan-March 2005**	Jan-March 2004	Full year 2004
Opening equity	**3 037**	3 194	3 194
Adjustment for new accounting principles, IAS 39	**43**	-	-
Adjusted opening equity according to IFRS	**3 080**	3 194	3 194
Profit/loss for the period	**35**	169	509
Market value of financial instruments in accordance with IAS 39	**-29**		
Dividend	**-**	-	-346
Share buy-back	**-**	-96	-317
Translation difference in shareholders' equity	**3**	-	-3
Closing equity	**3 089**	3 267	3 037

Cash Flow Statement MSEK	**Jan-March** **2005**	Oct-Dec 2004	Jan-March 2004	Jan-Dec 2004
Operating surplus, etc 1)	**183**	255	361	1 185
Change in working capital, etc.	**-59**	-4	-4	91
Net financial items, taxes, etc.	**-33**	9	-40	-66
Cash flow from operating activities	**91**	260	317	1 210
Investment in fixed assets	**-203**	-206	-79	-568
Acquisition of Billerud Beetham Ltd	**-**	-	-213	-213
Disposal of fixed assets	**0**	1	1	4
Cash flow from investment activities	**-203**	-205	-291	-777
Change in interest-bearing debt	**134**	-175	396	258
Dividend	**-**	**-**	-	-346
Share buy-back	**-**	-88	-96	-317
Cash flow from financing activities	**134**	-263	300	-405
Total cash flow (= change in liquid assets)	**22**	-208	326	28
Liquid assets at the beginning of the period	**378**	588	353	353
Translation difference in liquid funds	**1**	-2	0	-3
Liquid assets at the end of the period	**401**	378	679	378

1) The amount for January-March 2005 includes an operating surplus of MSEK 66, returned depreciation of MSEK 103 and other items of MSEK 14.

Key figures	**Jan-March** **2005**	Jan-March 2004	Full year 2004
Margins			
Gross margin, %	**10**	20	16
Operating margin, %	**4**	14	11
Return (rolling 12 months)			
Return on capital employed, %	**13**	23	17
Return on equity, %	**12**	22	16
Return on equity after full conversion, %	**12**	22	16
Capital structure at end of period			
Capital employed, MSEK	**4 683**	4 572	4 506
Shareholders' equity, MSEK	**3 089**	3 267	3 037
Interest-bearing net debt, MSEK	**1 594**	1 306	1 469
Net debt/equity ratio, times	**0.52**	0.40	0.48
Net debt/equity ratio after full conversion, times	**0.50**	0.39	0.47
Equity ratio, %	**43**	45	43
Equity ratio after full conversion, %	**43**	45	43
Per share			
Earnings per share, SEK	**0.68**	3.13	9.66
Average no. of shares, '000	**51 343**	53 800	52 735
Earnings per share after full conversion, SEK	**0.68**	3.12	9.62
Average no. of shares, '000	**51 611**	54 068	53 004
Per share at end of period			
Equity per share, SEK	**60.17**	61.34	59.16
No. of shares, '000	**51 343**	53 253	51 343
Equity per share after full conversion, SEK	**60.43**	61.56	59.41
No. of shares, '000	**51 611**	53 521	51 611
Gross investments, MSEK	**197**	79	568
Acquisition of Billerud Beetham Ltd	**-**	213	213
Average number of employees	**2 556**	2 463	2 623

Product areas

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

	2005	2004				
MSEK	**I**	Full year	IV	III	II	I
Kraft paper	**927**	3 613	878	904	929	902
Containerboard	**509**	2 131	568	573	470	520
Market pulp	**303**	1 415	307	345	365	398
Other and eliminations	**-**	-	-	-	-	-
Total Group	**1 739**	7 159	1 753	1 822	1 764	1 820

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

	2005	2004				
MSEK	**I**	Full year	IV	III	II	I
Kraft paper	**75**	485	110	151	72	152
Containerboard	**37**	171	58	96	-26	43
Market pulp	**-7**	192	18	45	59	70
Other and eliminations	**-39**	-67	-25	-22	-10	-10
Total Group	**66**	781	161	270	95	255

For operating profit per product area excluding currency hedging effects, see page 6.

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

	2005	2004				
%	**I**	Full year	IV	III	II	I
Kraft paper	**8**	14	13	17	8	17
Containerboard	**7**	8	10	17	-5	8
Market pulp	**-2**	14	6	13	16	18
Group	**4**	11	9	15	5	14

Quarterly delivery volumes per product area

	2005	2004				
000 tonnes	**I**	Full year	IV	III	II	I
Kraft paper	**140**	528	131	129	132	136
Containerboard	**130**	531	143	137	117	134
Market pulp	**79**	312	78	73	74	87
Total	**349**	1 371	352	339	323	357

Supplement 2

Effects of introduction of IFRS

From 1 January 2005, Billerud AB (publ) is applying the International Financial Reporting Standards (IFRS) as approved by the EU Commission. The interim report for the first quarter of 2005 is the first financial report presented by Billerud in accordance with IFRS. Figures for comparison have been re-calculated from 1 January 2004.

The accounting rules included in IFRS (previously called IAS, International Accounting Standards) were decided by the International Accounting Standards Board, the IASB. Before the rules come into effect within the EU, they must first be given special approval by the EU.

The recommendations made by the Swedish Financial Accounting Standards Council have been harmonised with IFRS, especially in recent years. However, the Swedish recommendations have neither covered all the areas dealt with by IFRS nor been fully updated as changes have been made to individual IFRS rules. Billerud has followed the recommendations (RR) of the Swedish Financial Accounting Standards Council and has therefore gradually applied practices in accordance with IFRS.

The 2005 Annual Report and the ensuing interim reports shall contain comparable figures from previous years. Figures for 2004 have therefore been re-stated in accordance with IFRS. The introduction date for IFRS is 1 January 2004. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting.

Transfer to IFRS
The transfer to IFRS has been carried out in accordance with ”First time adoption of International Financial Reporting Standards” which contains special instructions for introducing the standards and making re-calculations. The special adoption rules are contained in IFRS 1. The effects on Billerud’s results and financial position depend partly on the choices Billerud makes in areas where choices can be made. Billerud has chosen to apply IAS 39 (Recognition and Measurement) from 1 January 2005, and thereby not report comparable figures for 2004 (the adjustments are included in the adjusted balance sheet as of January 1, 2005).

Billerud’s 2005 Annual Report will be produced in accordance with IFRS, and comparable figures for 2004 will be re-calculated in accordance with IFRS. The net effect of the changed accounting principles upon the adoption is reported directly under shareholders’ equity as of 1 January 2004, and the net effects of the application of IAS 39 is reported directly under shareholders’ equity as of 1 January 2005.

The survey concerning the effect of the adoption of IFRS is complete and this is further described in the enclosed summary of adjustments and estimated effects on earnings for those areas which are expected to materially affect Billerud’s income statement and balance sheet for the full year 2004 and the quarterly income statements in 2004. There is also a description of the effects of applying IAS 39 from 1 January on Billerud’s balance sheet as of 1 January 2005. The effects on Billerud’s key figures 2004 are shown below:

Key Figures 2004

	According to Swedish accounting rules	According to IFRS
Return on capital employed, %	17	17
Return on shareholders’ equity, %	17	16
Debt/equity ratio	0.48	0.48
Earnings per share, SEK	9.75	9.66

The following IAS/IFRS standards are considered to have the largest impact on Billerud's comparable figures for 2004:

- Reporting of pension liabilities in accordance with IAS 19 (Employee Benefits). From 1 January 2004, Billerud has applied RR29, which is in agreement with IAS 19 (Employee Benefits).

- Reporting of restructuring reserves in connection with acquisitions, in accordance with IFRS 3 (Business Combinations). According to IFRS 3, restructuring reserves may be included in the acquisition balance only if they have already been reported in the acquired company. Billerud applies IFRS 3 as from 1 January 2004. In accordance with IFRS 3 Business Combinations, goodwill is no longer amortised but is instead tested annually to see if there is a write-down requirement. Billerud has no goodwill on its balance sheet. The rules in IFRS 3 regarding depreciation of goodwill will therefore not affect the comparable figures for 2004. Billerud is utilising the optional exceptions in IFRS 1 and is therefore not restating figures for business combinations performed before 1 January 2004.

Impact of other IAS/IFRS standards

- IAS 16 (Property, Plant and Equipment). Billerud has previously to all extents and purposes applied so-called component depreciation, which is why the clearer requirements for the use of this depreciation method according to the reworked IAS 16 will not have a significant impact.

- IAS 32 and IAS 39 (Financial Instruments: Disclosure and Presentation; Recognition and Measurement), which both refer to financial instruments, will be applied starting from 1 January 2005. A recalculation for comparable figures in 2004 will not be made, in accordance with IFRS regulations. The new rules mean that most financial instruments, including derivatives, will be assessed at market value. Billerud uses derivatives mainly for managing currency risks on future payment flows connected with sales and purchases, price risks when buying electricity and also for interest rate risks.

  In the opening balance for 1 January 2005 all financial instruments have been given a market value in accordance with IAS 39. The differences in the value of financial instruments between the 2004 balance sheet and the opening balance of 1 January 2005 has been reported directly under shareholders' equity. The differences are mainly due to the changes in definition and valuation of derivatives, and the requirement that liabilities shall be assessed using the effective interest method. In accordance with IAS 39 currency contracts are given a value by discounting future cash flows. Further in accordance with IAS 39 all embedded derivatives not closely linked with the main contract shall be assessed at fair value and reported separately. All the embedded derivatives identified by Billerud are closely linked with main contracts, and are therefore not reported separately.

  The rules that will apply, or may be applied, at the end of 2005 have not yet been fully established. An assessment of the revaluation effects as of 1 January 2005 regarding these instruments, however, indicates a positive impact of around MSEK 43 on shareholders' equity after the expected tax effect.

  The results of restatement for assets and liabilities given a market value in 2005 and onward shall be reported in the income statement or directly under shareholders' equity, depending on whether or not hedge accounting is used. Billerud uses hedge accounting in accordance with IAS 39 regarding currency hedging for transaction and translation exposure, hedging of interest rates and hedging of electricity prices. The results of restatement for market value are therefore reported directly under shareholders' equity. Restatement as of 31 March 2005 had a positive effect of MSEK 14 on shareholders' equity, which meant a fall of MSEK 29 compared with the market value of 1 January 2005.

- No material effects occur in the Cash Flow Analysis as a consequence of IAS 7 (Cash Flow Statements).

- Billerud is exercising the option to refrain from restating accumulated translation differences for foreign subsidiaries. Accumulated translation differences were set to zero in the opening balance of 1 January 2004 in accordance with IFRS.

The information concerning the first-time adoption has been presented according to IFRS principles that are expected to be applied as of 31 December 2005. IFRS is subject to continuous monitoring and approval by the EU, which is why further changes are still possible.

Summary of adjustments and estimated effects on earnings from the adoption of IFRS

Consolidated balance sheet, 1 January 2004

MSEK	Using previous accounting principles	IFRS adjust-ment		Using IFRS
Tangible fixed assets	4 348			4 348
Financial assets	16			16
Total fixed assets	**4 364**			**4 364**
Inventories	690			690
Accounts receivable	1 083			1 083
Other current assets	154			154
Cash and bank balances and short-term investments	353			353
Total current assets	**2 280**			**2 280**
Total assets	**6 644**			**6 644**
Shareholders' equity	3 204	-10		3 194
Interest-bearing liabilities	1 470			1 470
Interest-bearing provisions, pensions	108	10	A1)	118
Non-interest-bearing provisions	13			13
Deferred tax liabilities	960	-3	A3)	957
Accounts payable	383			383
Other, non-interest-bearing liabilities	506	3	A2)	509
Total shareholders' equity, provisions and liabilities	**6 644**	**0**		**6 644**

Specification of change in shareholders' equity in accordance with IFRS

Shareholders' equity on 1 Jan 2004 in accordance with previous accounting principles	**3 204**
A1) Increased pension liability on adoption of RR 29, which agrees with IAS 19	-10
A2) Increased liability for payroll tax on adoption of RR 29	-3
A3) Increased deferred tax receivable on adoption of RR 29	3
Shareholders' equity 2004 in accordance with IFRS	**3 194**

A) Billerud has applied recommendation RR 29 of the Swedish Financial Accounting Standards Council from 1 January 2004, which follows IAS 19 (Employee Benefits). The recalculation of pension liabilities as of 1 January 2004 in accordance with IAS 19 produces an increase in the pension liability, increased liability for payroll tax and an increase in deferred tax receivable.

Consolidated balance sheet, 31 December 2004

MSEK	Using previous accounting principles	IFRS adjust-ment		Using IFRS
Tangible fixed assets	4 677	-8	B1)	4 669
Financial assets	33			33
Total fixed assets	**4 710**	**-8**		**4 702**
Inventories	749			749
Accounts receivable	1 128			1 128
Other current assets	170			170
Cash and bank balances and short-term investments	378			378
Total current assets	**2 425**	**0**		**2 425**
Total assets	**7 135**	**-8**		**7 127**
Shareholders' equity	3 042	-5		3 037
Interest-bearing liabilities	1 720			1 720
Interest-bearing provisions, pensions	148			148
Non-interest-bearing provisions	8	-1	B3)	7
Deferred tax liabilities	1 179	-2	B2)	1 177
Accounts payable	487			487
Other, non-interest-bearing liabilities	551			551
Total shareholders' equity, provisions and liabilities	**7 135**	**-8**		**7 127**

Specification of change in shareholders' equity in accordance with IFRS

Shareholders' equity on 31 Dec 2004 in accordance with previous accounting principles	**3 042**
B1) Recalculation due to application of IFRS 3	-8
B2) Change in deferred tax liability due to application of IFRS 3	2
B3) Change in non-interest-bearing provisions due to application of IFRS 3	1
Shareholders' equity 31 Dec 2004 in accordance with IFRS	**3 037**

B) In accordance with IFRS 3 (Business Combinations), after a company acquisition only those restructuring reserves reported in the acquired company's balance sheet may be included in the acquisition balance. Adaptation to IFRS 3 entails a re-calculation of machinery and inventories and a reduction of the corresponding amount of deferred tax liability and the elimination of the restructuring reserve as of 31 December 2004. Results in 2004 are affected because restructuring costs are reported as costs and depreciation of devalued part of machines and inventories made in 2004 is returned with an adjustment to deferred tax.

Consolidated profit and loss accounts 2004

MSEK	Using previous accounting principles	IFRS adjust-ment		Using IFRS
Net turnover	7 159			7 159
Other operating income	9			9
Operating income	**7 168**	**0**		**7 168**
Operating expenses				
Raw materials and consumables	-2 766			-2 766
Change in inventories	13			13
Other external costs	-1 879	-6	B4)	-1 885
Staff costs	-1 350			-1 350
Depreciation and reduction of tangible fixed assets	-400	1	B5)	-399
Operating expenses	**-6 382**	**-5**		**-6 387**
Operating profit	**786**	**-5**		**781**
Financial items	-74			**-74**
Profit after financial items	**712**	**-5**		**707**
Taxes	-198	0	B6)	-198
Net profit for the year	**514**	**-5**		**509**

Specification of change in profit in accordance with IFRS

Profit for the period in accordance with previous accounting principles	**514**
B4) Change in costs for restructuring due to application of IFRS 3	-6
B5) Change in depreciation due to application of IFRS 3	1
B6) Change in deferred tax due to application of IFRS 3	0
Profit for the period in accordance with IFRS	**509**

Consolidated balance sheet 1 January 2005

MSEK	In accordance with application of IFRS 31 Dec 2004	IFRS adjustment on application of IAS 39		In accordance with IFRS 1 Jan 2005
Tangible fixed assets	4 669			4 669
Financial assets	33			33
Total fixed assets	**4 702**	**0**		**4 702**
Inventories	749			749
Accounts receivable	1 128			1 128
Other current assets	170	75	C1) C2)	245
Cash and bank balances and short-term investments	378			378
Total current assets	**2 425**	**75**		**2 500**
Total assets	**7 127**	**75**		**7 202**
Shareholders' equity	3 037	43		3 080
Interest-bearing liabilities	1 720			1 720
Interest-bearing provisions, pensions	148			148
Non-interest-bearing provisions	7			7
Deferred tax liabilities	1 177	16	C3)	1 193
Accounts payable	487			487
Other, non-interest-bearing liabilities	551	16	C4) C5)	567
Total shareholders' equity, provisions and liabilities	**7 127**	**75**		**7 202**

Specification of change in shareholders' equity in accordance with IFRS

Shareholders' equity, 31 Dec 2004	**3 037**
C1) Market value of currency forward agreement due to application of IAS 39	74
C2) Market value of cross currency swaps due to application of IAS 39	1
C3) Change in deferred tax liability due to application of IAS 39	-16
C4) Market value of interest rate swaps due to application of IAS 39	-3
C5) Market value of electricity price contracts due to application of IAS 39	-13
Total IFRS – adjustments	**43**
Shareholders' equity 1 Jan 2005 in accordance with IFRS	**3 080**

C) Adaptation to IAS 39 (Financial instruments: Recognition and measurement) means that financial derivatives shall be reported at their fair value on the balance sheet. Changes in fair value are reported in the profit and loss accounts when they arise unless hedge accounting can be used. Hedge accounting is only allowed when certain criteria are met, whereupon change in fair value is reported directly under shareholders' equity. Billerud uses derivatives mainly to manage future payment flows in foreign currency, future electricity prices and hedging of interest rates on loans and loans in EUR. Deferred tax liabilities/tax receivables have been taken into account in the recalculation effects reported.

Effects of introduction of IFRS on consolidated income statements per quarter in 2004

Consolidated profit and loss accounts

MSEK	January-March 2004 Using previous accounting principles[1]	Effect of introducing IFRS	Using IFRS	January-June 2004 Using previous accounting principles[1]	Effect of introducing IFRS		Using IFRS
Net turnover	1 820		1 820	3 584			3 584
Other operating income	2		2	4			4
Operating income	**1 822**		**1 822**	**3 588**			**3 588**
Raw materials and consumables	-665		-665	-1316			-1316
Change in inventories	-36		-36	-47			-47
Other external costs	-446		-446	-978	-6	B4)	-984
Staff costs	-319		-319	-686			-686
Depreciation	-101		-101	-205	0	B5)	-205
Operating expenses	**-1 567**		**-1 567**	**-3 232**	**-6**		**-3 238**
Operating profit	**255**	**-**	**255**	**356**	**-6**		**350**
Financial items	-20		-20	-41			-41
Profit after financial items	**235**	**-**	**235**	**315**	**-6**		**309**
Taxes	-66		-66	-89	0	B6)	-89
Net profit for the year	**169**	**-**	**169**	**226**	**-6**		**220**
Earnings per share, SEK	**3,13**		**3,13**	**4,23**			**4,13**
Earnings per share after full conversion, SEK	**3,12**		**3,12**	**4,22**			**4,12**

[1] Includes effects of changed principle concerning reporting of maintenance costs, for further information, see page 22.

Specification of change in profit in accordance with IFRS

(No impact on profits for the first quarter 2004)

Profit for the period in accordance with previous accounting principles	**226**
B4) Change in costs for restructuring due to application of IFRS 3	-6
B5) Change in depreciation due to application of IFRS 3	0
B6) Change in deferred tax due to application of IFRS 3	0
Profit for the period in accordance with IFRS	**220**

Consolidated profit and loss accounts

MSEK	January-September 2004 Using previous accounting principles[1)]	Effect of introducing IFRS		Using IFRS	January-December 2004 Using previous accounting principles	Effect of introducing IFRS		Using IFRS
Net turnover	5 406			5 406	7 159			7 159
Other operating income	6			6	9			9
Operating income	**5 412**			**5412**	**7 168**			**7 168**
Raw materials and consumables	-2 025			-2025	-2 766			-2 766
Change in inventories	-11			-11	13			13
Other external costs	-1 442	-6	B4)	-1448	-1 879	-6	B4)	-1 885
Staff costs	-998			-998	-1 350			-1 350
Depreciation	-311	1	B5)	-310	-400	1	B5)	-399
Operating expenses	**-4 787**	**-5**		**-4792**	**-6 382**	**-5**		**-6 387**
Operating profit	**625**	**-5**		**620**	**786**	**-5**		**781**
Financial items	-59			-59	-74			-74
Profit after financial items	**566**	**-5**		**561**	**712**	**-5**		**707**
Taxes	-159	0	B6)	-159	-198	0	B6)	-198
Net profit for the year	**407**	**-5**		**402**	**514**	**-5**		**509**
Earnings per share, SEK	**7,68**			**7,58**	**9,75**			**9,66**
Earnings per share after full conversion, SEK	**7,66**			**7,55**	**9,72**			**9,62**

[1)] Includes effects of changed principle concerning reporting of maintenance costs, for further information, see page 22.

Specification of change in profit in accordance with IFRS

	January-September 2004	January-December 2004
Profit for the period in accordance with previous accounting principles	**407**	**514**
B4) Change in costs for restructuring due to application of IFRS 3	-6	-6
B5) Change in depreciation due to application of IFRS 3	1	1
B6) Change in deferred tax due to application of IFRS 3	0	0
Profit for the period in accordance with IFRS	**402**	**509**

Effects of introduction of IFRS on operating profit per product area

MSEK	January-March 2004 Using previous account-ting principles 1)	Effect of introducing IFRS	Using IFRS	January-June 2004 Using previous account-ting principles 1)	Effect of introducing IFRS	Using IFRS
Kraft paper	152		152	230	-6	224
Containerboard	43		43	17		17
Market pulp	70		70	129		129
Other and eliminations	-10		-10	-20		-20
Total Group	**255**	**-**	**255**	**356**	**-6**	**350**

MSEK	January-September 2004 Using previous account-ting principles 1)	Effect of introducing IFRS	Using IFRS	January-December 2004 Using previous account-ting principles	Effect of introducing IFRS	Using IFRS
Kraft paper	380	-5	375	490	-5	485
Containerboard	113		113	171		171
Market pulp	174		174	192		192
Other and eliminations	-42		-42	-67		-67
Total Group	**625**	**-5**	**620**	**786**	**-5**	**781**

1) Includes effects of changed principle concerning reporting of maintenance costs, for further information, see page 22.

Effects of introduction of IFRS on consolidated shareholders' equity 2004

MSEK	Jan-March	Jan-June	Jan-Sept	Jan-Dec
Shareholders' equity on 1 Jan 2004 in accordance with previous accounting principles	3 204	3 204	3 204	3 204
Adjustment in accordance with recommendation RR 29 of the Swedish Financial Accounting Standards Council / IAS 19	-10	-10	-10	-10
Adjusted shareholders' equity, 1 January 2004	**3 194**	**3 194**	**3 194**	**3 194**
Dividend	-	-346	-346	-346
Share buy-back	-96	-168	-229	-317
Translation difference in shareholders' equity	-	-	-1	-3
Profit/loss for the period	147	248	429	514
Change in accounting principle for maintenance	22	-22	-22	-
Closing equity in accordance with previous principles	**3 267**	**2 906**	**3 025**	**3 042**
Effect on equity of introduction of IFRS due to:				
Recalculation of fixed assets due to application of IFRS 3	-9	-9	-8	-8
Change in deferred tax liability due to application of IFRS 3	3	2	2	2
Change in non-interest-bearing provisions due to application of IFRS 3	6	1	1	1
Shareholders' equity 31 Dec 2004 in accordance with IFRS	**3 267**	**2 900**	**3 020**	**3 037**

Effects of changed principles concerning reporting of maintenance costs on profit/loss for the Group’s product areas, per quarter in 2004

	Using previous accounting principles				Effects of change				Using new accounting principles			
MSEK	Jan-March 2004	Jan-June 2004	Jan-Sept 2004	Jan-Dec 2004	Jan-March 2004	Jan-June 2004	Jan-Sept 2004	Jan-Dec 2004	Jan-March 2004	Jan-June 2004	Jan-Sept 2004	Jan-Dec 2004
Kraft paper	138	244	394	490	14	-14	-14	-	152	230	380	490
Containerboard	34	35	122	171	9	-18	-9	-	43	17	113	171
Market pulp	63	127	181	192	7	2	-7	-	70	129	174	192
Other	-10	-20	-42	-67	-	-	-	-	-10	-20	-42	-67
Total Group	**225**	**386**	**655**	**786**	**30**	**-30**	**-30**	**-**	**255**	**356**	**625**	**786**