



Interim report January-March 2006

Corporate Identity No. 556025-5001

	Quarter			Full year
	2006 I	2005 IV	2005 I	2005
Net turnover, MSEK	1 785	1 742	1 739	6 823
Operating profit/loss, MSEK	64	81	66	-200
Operating margin, %	4	5	4	-3
Profit/loss after financial items, MSEK	43	60	49	-278
Net profit/loss, MSEK	32	61	35	-183
Earnings per share, SEK	0.63	1.19	0.68	-3.56

2006 compared with same period in 2005

- Net turnover rose 3% to reach MSEK 1,785 (1,739).
- Net profit fell by 9% to MSEK 32 (35).
- Earnings per share were SEK 0.63 (0.68).
- Improved market situation meant price rises were possible.
- Operating profit reached MSEK 64 (66). Rises in Billerud's prices and an improved currency situation could not fully compensate for significantly higher energy and wood prices.
- New organisation based on business areas introduced in first quarter.

Outlook for 2006

- Continued good market situation will enable further price increases.
- Costs for wood materials, energy and chemicals remain high.
- Programme of cost reductions for energy and organisation continues according to plan.

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

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Billerud is a packaging paper company. The company's business concept is to supply customers with efficient packaging paper. Billerud has a world-leading position within several product segments. Food packaging accounts for more than 50 per cent of sales. Billerud's customers are mainly European. Production takes place at three integrated pulp and paper mills in Sweden and at one paper mill in the UK. Billerud's mills are among the most cost-efficient in Europe within their segments.

Billerud Group

Market

Continued good market conditions meant that prices rises could be implemented for most of Billerud's products. Billerud's total deliveries during the first quarter of 2006 amounted to 342,000 tonnes, unchanged on the final quarter of 2005 and down just 2% on the first quarter of 2005. The reduction was mainly due to the completed maintenance stoppage at Skärblacka during the first quarter of 2006.

Deliveries of packaging paper amounted to 264,000 tonnes in the first quarter, down 2% on both the previous quarter and on the first quarter of 2005.

Demand for long fibre sulphate pulp during the quarter was strong and prices rose as a result. At the start of 2006 the price of long fibre sulphate pulp was USD 600 per tonne and rose to reach around USD 650 per tonne. Billerud's deliveries of market pulp amounted to 78,000 tonnes during the quarter, up 10% on the previous quarter, but down 1% on the first quarter of 2005.

Sales and results

First quarter

Net turnover for the quarter was MSEK 1,785, up 2% on the previous quarter and up 3% on the first quarter of 2005. The rise was due to higher prices and more favourable exchange rates.

The operating profit was MSEK 64, down MSEK 2, or 3%, on the first quarter of 2005. The difference was due to higher energy and fibre prices that were not fully covered by higher prices and an improved currency situation. Higher energy prices meant extra costs amounting to MSEK 50.

Compared with the final quarter of 2005 the operating profit was down MSEK 17, or 21%. The difference was mainly due to higher electricity prices and the maintenance stoppage at Skärblacka. There were no maintenance stoppages during the first and final quarters of 2005. Higher prices could not fully compensate for these effects.

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

Net financial items were MSEK -21 (-17). The outcome was the result of increased borrowings. Due to Billerud's interest rate hedging, higher market rates did not affect borrowing costs. The profit after financial items was MSEK 43.

Currency hedging

During the first quarter of 2006 net flows were hedged at the following rates: EUR/SEK 9.35 (9.14), USD/SEK 7.17 (7.31), GBP/SEK 13.37 (13.34) and DKK/SEK 1.25 (1.21). Currency hedging had an overall negative effect on profits of MSEK 13 (13) (compared with if no hedging had been performed).

Billerud's outstanding currency contracts as of 31 March 2006 had a market value of MSEK -7. The share of contracts corresponding to accounts receivable affected results in the first quarter. Other contracts had a market value of MSEK 9.

Currently, Billerud has hedged around 63% of estimated net flows in EUR over 12 months, around 52% of estimated net flows in USD over 12 months, around 52% of estimated net flows in GBP over 12 months and around 50% of estimated net flows in DKK over 12 months. The hedged amount of flows and the hedged rates for 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 for EUR, USD and GBP and exchange rate for SEK

Currency		Apr-June 2006	Jul-Dec 2006	Jan-June 2007	Jul-Dec 2007	Total 15 months
EUR	Proportion of total flow	89%	85%	26%	-	56%
	Rate	9.40	9.50	9.54	-	9.48
USD	Proportion of total flow	92%	59%	-	-	52%
	Rate	7.45	7.75	-	-	7.62
GBP	Proportion of total flow	98%	46%	22%	-	53%
	Rate	13.45	13.59	13.27	-	13.49

Investments and capital employed

Gross investments amounted to MSEK 218, of which MSEK 90 was for energy investments as described below on page 5, and the remainder, MSEK 128, was for other investments.

Depreciation in the first quarter of 2006 reached MSEK 114. Billerud has an investment framework corresponding to the depreciation level. The company's energy projects lie outside this investment framework, however.

Billerud's capital employed amounted to MSEK 5,090 as of 31 March 2006, compared with MSEK 5,029 at the end of 2005. The increase is due to the higher investment level this year.

The return on capital employed over the most recent 12 months was -4%, compared with 13% last year. The return on shareholders' equity after tax was -7%. Discounting the effects of MSEK 400 in one-off costs from the Billerud 2007 project, the return on capital employed was 4% over the past 12 months.

Cash flow and financial position

Cash flow from current activities in the first quarter amounted to MSEK 215, compared with MSEK 91 in the same period last year. The higher cash flow was mainly due to better operating capital trends. Investment activity cash flow was MSEK -205. Ongoing investments are higher than in the previous year, mainly due to the energy projects that have started.

Operating cash flow amounted to MSEK 10, compared with MSEK -384 in the final quarter of 2005 and MSEK -112 in the first quarter of 2005. Net debt fell by MSEK 11 in the first quarter.

On 31 March 2006 interest-bearing net debt amounted to MSEK 2,492, compared with MSEK 2,503 on 31 December 2005 and MSEK 1,594 on 31 March 2005. The Group's net debt/equity ratio at the end of the period was 0.96, compared with 0.99 at the end of 2005 and 0.52 on 431 March 2005. The target is between 0.6 and 0.9. The current investments in energy projects are expected to take the net debt/equity ratio over 0.9 during 2006.

Cash flow summary

MSEK (positive figure indicates a reduction in debt)	Jan-Mar 2006	Oct-Dec 2005	Jan-Mar 2005
Current activities	215	-53	91
Current net investments, excluding energy projects	-115	-105	-93
Energy project investments	-90	-226	-110
Operating cash flow	10	-384	-112
Cash flow after investments	10	-384	-112
Other items not affecting cash flow	1	-13	-13
Change in net debt during the period	11	-397	-125

Financing

Interest-bearing loans as of 31 March 2006 amounted to MSEK 2,821. This includes utilisation of a syndicated bank loan of MSEK 402, bond loans of MSEK 1,682 and utilisation of Billerud's certificate programme of MSEK 707 (of a maximum MSEK 1,000). There is also a convertible debenture with a market value of MSEK 30.

In the first quarter of 2006 Billerud signed a new bond loan worth MSEK 150 with a duration of ten years. The money raised will be used to finance Billerud's investment in energy projects. Billerud's existing credit framework covers the current investment programme with a good margin.

Personnel

The average number of employees in the first quarter was 2,477, compared with 2,556 in the first quarter of last year, a reduction of around 80 employees.

New organisation based on business areas, and new senior management team

A new organisation based on business areas was introduced in March 2006. Three business areas, Packaging & Speciality Paper, Packaging Boards and Market Pulp, will have separate responsibility for sales, marketing and development within each area. Billerud's mills will have responsibility for manufacturing and production efficiency. As a result of this re-organisation, Billerud's senior management team have been extended from 1 April to include managers for each business area. The senior management team now includes nine members.

Business areas

Billerud's net turnover and operating profit/loss per business area are reported below. The results of the business areas are reported starting from the first quarter and excluding the effects of currency hedging, which are now reported on a separate line.

Following the introduction of the new organisation, Billerud will to a greater extent be monitored and controlled operationally from the perspective of the business areas. This applies for sales, operating profit/loss and market investments. With regard to fixed assets and capital investments a division into business areas with the current structure is not possible as the business areas are strongly integrated in terms of production. For accounting purposes and with regard to the definition of business segments in IAS 14, it is Billerud's assessment that it will continue to conduct its activities in one business segment.

Net turnover and operating profit

MSEK	Net turnover					Operating profit				
	Q 1 2006	Q 4 2005	% change	Q 1 2005	% change	Q 1 2006	Q 4 2005	% change	Q 1 2005	% change
Packaging & Speciality Paper	946	980	-3	927	3	60	141	-57	73	-18
Packaging Boards	543	542	0	502	7	40	40	0	36	11
Market Pulp	309	301	3	304	2	-15	13	-	-10	-
Currency hedging	-13	-81	0	16	0	-13	-81	-	6	-
Other and eliminations	-	-	-	-	-	-8	-32	-	-39	-
Group total	1 785	1 742	3	1 739	3	64	81	-21	66	-3

Packaging & Speciality Paper

First quarter

The operating profit for the period was MSEK 60. Compared with the same period last year, profit fell by MSEK 13 or 18%, mainly due to a 4% fall in delivery volumes and higher costs, which could not be fully covered by higher prices. Compared with the final quarter of 2005 the profit fell by MSEK 81 or 57%, mainly due to higher costs and unfavourable exchange rates.

Packaging Boards

First quarter

The operating profit for the period was MSEK 40. Compared with the same period last year, profit increased by MSEK 4 or 11%, mainly due to higher prices more than compensating for cost increases. Compared with the previous quarter the operating profit was unchanged.

Market Pulp

First quarter

The operating loss for the period was MSEK 15, down MSEK 5 on the same period last year, mainly due to lower pulp prices, which were only partly compensated for by a better exchange rate for the US dollar. Compared with the previous quarter, earnings were down by MSEK 28, mainly due to an unfavourable exchange rate for the US dollar and higher costs.

Parent company

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

Net sales in the first quarter of 2006 reached MSEK 777. The profit after financial items was MSEK 37. Investment in fixed assets, excluding shares, amounted to MSEK 101. The average number of employees was 1,117. Liquid funds and current investments totalled MSEK 362.

Cost reduction measures

Energy

Since the autumn 2004 Billerud has been implementing measures to increase its own energy production and thus reduce energy costs. These measures include investment in new 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 1,050, of which MSEK 875 has been spent up to March 2006. The bark boilers were taken into operation at the end of 2005. During the first quarter of 2006 the turbines were delivered and they will come into operation during the summer of 2006. This project is proceeding according to plan.

The investments meet Billerud's return requirements with a good margin and have a repayment period of less than five years. The projects will reduce consumption of external energy, which is expected to increase Billerud's earnings before depreciation by MSEK 250 per year from 2007. In 2006 the effect is estimated at MSEK 100. The projects will also increase depreciation by around MSEK 50 per year. In addition to these measures, Billerud is affected by changes in market energy prices.

Organisation

On 8 June the Board decided to implement a programme of changes to Billerud's organisation. This will include a reduction of 450 full-time jobs compared with the existing organisation. 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 will be achieved primarily through early retirement.

The programme will reduce annual costs by at least MSEK 250. Implementation started in 2005, and should be completed during 2006. The project is proceeding according to plan. The full effect on earnings should be noted in 2007. Around one third of the effect on profits will be noted in 2006. One-off costs for implementation amount to MSEK 400, which were charged to the 2005 accounts.

Share distribution

The share capital amounts to SEK 665,662,475 distributed among 53,252,998 shares.

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

As of 31 March 2006 the distribution of shares was as follows:

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

Billerud's ten largest shareholders according to the register of VPC (the Swedish Securities Register Centre) and Sanderson Asset Management as of 31 March 2006 (excluding shares owned by the company itself):

Owner/manager/bank	No. of shares (million)	Proportion of shares (shares = votes) on market, %
Frapag Vermögensverwaltung GmbH	8.6	16.8
Sanderson Asset Management	2.7	5.3
SEB Funds/SEB Trygg Liv/Securities	2.2	4.3
JP Morgan Chase	1.3	2.5
Robur Funds	1.0	1.9
DFA	0.6	1.2
Enter Funds	0.6	1.2
Mellon	0.5	1.0
BNY GCM	0.4	0.8
Nordea	0.4	0.8
Total 10 largest	18.3	35.7
Total no. of shares on market	51.3	100

Outlook

The market situation for Billerud's products is expected to remain good and thus enable further price rises for Billerud's packaging paper as the year develops. The price of long fibre market pulp, currently USD 650 per tonne, is expected to rise further during the spring.

Costs are expected to remain high in 2006 for wood, energy and chemicals. Compared with the situation in the first quarter, electricity prices are expected to increase further. Billerud's programme of cost-cutting measures for energy and organisation are proceeding according to plan.

Stockholm, Sweden
3 May 2006
Billerud AB (publ)

The Board of Directors

This report has not been verified by Billerud's auditors.

Interim reports 2006

Second quarter 2006	27 July 2006
Third quarter 2006	15 November 2006

Billerud Group

Supplement 1

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 5 of this report. For details of accounting principles and definitions of key figures, see the 2005 Annual Report pages 53-60 and page 90.

Profit and Loss Account	3 months			Full year Jan-Dec 2005
	Jan-Mar 2006	Oct-Dec 2005	Jan-Mar 2005	
MSEK				
Net turnover	1 785	1 742	1 739	6 823
Other income	8	2	2	10
Operating income	1 793	1 744	1 741	6 833
Raw materials and consumables	-762	-812	-741	-2 982
Change in stock	-8	49	-23	-21
Other external expenses	-523	-459	-460	-1 897
Staff expenses	-322	-337	-348	-1 720
Depreciation	-114	-104	-103	-413
Profit participation in associated company	0	0	0	0
Operating expenses	-1 729	-1 663	-1 675	-7 033
Operating profit	64	81	66	-200
Financial items	-21	-21	-17	-78
Profit after financial items	43	60	49	-278
Tax	-11	1	-14	95
Net profit for the period	32	61	35	-183
Earnings per share, SEK	0.63	1.19	0.68	-3.56
Earnings per share after full conversion, SEK	0.63	1.19	0.68	-3.56
Balance Sheet	31 Mar 2006	31 Mar 2005	31 Dec 2005	
MSEK				
Fixed assets	5 440	4 788	5 350	
Stocks	726	707	739	
Accounts receivable	1 204	1 155	1 204	
Other current assets	274	180	282	
Cash, bank balances and short-term investments	484	401	182	
Total assets	8 128	7 231	7 757	
Shareholders' equity	2 598	3 089	2 526	
Interest-bearing liabilities	2 821	1 855	2 532	
Interest-bearing provisions, pensions	155	140	153	
Deferred tax liabilities	1 107	1 179	1 081	
Non-interest-bearing provisions	299	8	346	
Accounts payable	586	452	555	
Other, non-interest-bearing liabilities	562	508	564	
Total shareholders' equity, provisions and liabilities	8 128	7 231	7 757	
Specification of change in equity	Jan-Mar 2006	Jan-Mar 2005	Full year 2005	
MSEK				
Opening equity	2 526	3 037	3 037	
Adjustment for new accounting principles, IAS 39	-	43	43	
Adjusted opening equity according to IFRS	2 526	3 080	3 080	
Profit/loss for the period	32	35	-183	
Market value of financial instruments in accordance with IAS 39	40	-29	-41	
Dividend	-	-	-334	
Translation difference in shareholders' equity	-	3	4	
Closing equity	2 598	3 089	2 526	

Cash Flow Statement	Jan-Mar	Oct-Dec	Jan-Mar	Jan-Dec
MSEK	2006	2005	2005	2005
Operating surplus, etc 1)	125	172	183	555
Change in working capital, etc.	126	-215	-59	-44
Net financial items, taxes, etc.	-36	-10	-33	-98
Cash flow from operating activities	215	-53	91	413
Investment in fixed assets	-218	-336	-203	-1 075
Sale of fixed assets	13	5	0	6
Cash flow from operating activities	-205	-331	-203	-1 069
Change in interest-bearing debt	292	-31	134	790
Dividend	-	-	-	-334
Share buy-back	-	-	-	-
Cash flow from financing activities	292	-31	134	456
Total cash flow (= change in liquid assets)	302	-415	22	-200
Liquid assets at the beginning of the period	182	597	378	378
Translation difference in liquid funds	-	-	1	4
Liquid assets at the end of the period	484	182	401	182

1) The amount for January-March 2006 includes an 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.

The amount for the period January-March 2005 includes the operating profit of MSEK 66, returned depreciation of MSEK 103 and other items of MSEK 14.

Key figures	Jan-Mar	Jan-Mar	Full year
	2006	2005	2005
<i>Margins</i>			
Gross margin, %	10	10	3
Operating margin, %	4	4	-3
<i>Return (rolling 12 months)</i>			
Return on capital employed, %	-4	13	-4
Return on equity, %	-7	12	-7
Return on equity after full conversion, %	-7	12	-7
<i>Capital structure at end of period</i>			
Capital employed, MSEK	5 090	4 683	5 029
Shareholders' equity, MSEK	2 598	3 089	2 526
Interest-bearing net debt, MSEK	2 492	1 594	2 503
Net debt/equity ratio, times	0.96	0.52	0.99
Net debt/equity ratio after full conversion, times	0.94	0.50	0.97
Equity ratio, %	32	43	33
Equity ratio after full conversion, %	32	43	33
<i>Per share</i>			
Earnings per share, SEK	0.63	0.68	-3.56
Average no. of shares, '000	51 343	51 343	51 343
Earnings per share after full conversion, SEK	0.63	0.68	-3.56
Average no. of shares, '000	51 611	51 611	51 611
<i>Per share at end of period</i>			
Equity per share, SEK	50.61	60.17	49.20
No. of shares, '000	51 343	51 343	51 343
Equity per share after full conversion, SEK	50.92	60.43	49.52
No. of shares, '000	51 611	51 611	51 611
Gross investments, MSEK	218	203	1 075
Average number of employees	2 477	2 556	2 600

Product areas

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

2006		2005				
	I	Full year	IV	III	II	I
MSEK						
Packaging & Speciality Paper	946	3 751	980	901	943	927
Packaging Boards	543	2 058	542	497	517	502
Market Pulp	309	1 197	301	282	310	304
Currency hedging	-13	-183,	-81	-42	-66	6
Other and eliminations	-	-	-	-	-	-
Total Group	1 785	6 823	1 742	1 638	1 704	1 739

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

2006		2005				
	I	Full year	IV	III	II	I
MSEK						
Packaging & Speciality Paper	60	411	141	114	83	73
Packaging Boards	40	81	40	-27	32	36
Market Pulp	-15	-12	13	-11	-4	-10
Currency hedging	-13	-183	-81	-42	-66	6
Other and eliminations	-8	-497	-32	-401	-25	-39
Total Group	64	-200	81	-367	20	66

Operating margin per product area and for the Group

2006		2005				
%	I	Full year	IV	III	II	I
Packaging & Speciality Paper	6	11	14	13	9	8
Packaging Boards	7	4	7	-5	6	7
Market Pulp	-5	-1	4	-4	-1	-3
Group	4	-3	5	-22	1	4

Quarterly delivery volumes per product area

2006		2005				
'000 tonnes	I	Full year	IV	III	II	I
Packaging & Speciality Paper	134	538	138	127	133	140
Packaging Boards	130	515	132	125	128	130
Market Pulp	78	298	71	73	75	79
Total	342	1 351	341	325	336	349