



## Interim report January-June 2007

Published on July 25, 2007

	Quarter			January-June	
	2007 II	2007 I	2006 II	2007	2006
Net turnover, MSEK	1 884	1 932	1 839	3 816	3 624
Operating profit/loss, MSEK	17	177	107	194	171
Operating margin, %	1	9	6	5	5
Profit/loss after financial items, MSEK	-9	151	85	142	128
Net profit/loss, MSEK	-9	107	61	98	93
Earnings per share, SEK	-0.17	2.08	1.18	1.91	1.81

### January-June 2007 compared with January-June 2006

- Net turnover was MSEK 3,816 (3,624).
- Net profit was MSEK 98 (93).
- Earnings per share were SEK 1.91 (1.81).
- Operating profit increased by 13% to reach MSEK 194 (171).
- The market situation and demand remained very good with price increases for all products.
- Prices for raw materials, especially wood, continue to rise.

### April-June 2007 compared with January-March 2007

- The second quarter has, compared to the first quarter, MSEK 210 in costs for periodic maintenance stops at the two largest mills.

### Outlook for 2007

- The market is expected to remain good for the rest of the year with opportunities for further price increases in local currencies.
- The prices for wood continued to increase during the second quarter and further price increases have been announced, which will have an impact in the second half of the year, thus further increasing costs for wood supply.

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**Billerud's President Per Lindberg and CFO Bertil Carlsén will present the interim report live at a press conference today, July 25, at 3 p.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 very good during the second quarter with price and mix improvements for all products.

During the second quarter Billerud opened an office in Shanghai, China, and started up Billerud Box Lab. Billerud Box Lab will work closer with customers in the fruit and vegetables segment while benefiting from and further extending and explore Billerud's competence in packaging optimisation.

Billerud's total deliveries during the first quarter of 2007 amounted to 331,000 tonnes, down 3% on the first quarter of 2006. The decline is due to lower production caused by the planned maintenance stops at Skärblacka and Gruvön that were completed during the second quarter. Deliveries for the first half of 2007 amounted to 674,000 tonnes, down 2% on the same period last year.

Deliveries of packaging paper during the second quarter amounted to 242,000 tonnes, down 7% on the first quarter of 2007. For the first half of 2007 deliveries of packaging paper amounted to 501,000 tonnes, compared with 527,000 tonnes last year. Overall the order situation for packaging paper improved slightly.

Demand for long-fibre sulphate pulp remained good during the second quarter, leading to price increases. At the start of 2007 the price for long-fibre sulphate pulp was USD 730 per tonne, rising to around USD 800 during the second quarter. Billerud's deliveries of market pulp amounted to 89,000 tonnes during the second quarter, up 6% on the previous quarter and up 9% on the second quarter of 2006. Deliveries of long-fibre sulphate pulp in the first six months of 2007 amounted to 173,000 tonnes, compared with 160,000 tonnes in the first six months of 2006.

### **Sales and results**

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

Net turnover for the second quarter was MSEK 1,884, down 2% on the first quarter. The fall in turnover was mainly due to reduced deliveries as a result of the planned maintenance stops. Improved prices and a better customer mix had positive effects on turnover and partly compensated for reduced volumes.

The operating profit was MSEK 17, a fall of MSEK 160, or 90%, on the previous quarter, mainly due to lower delivery volumes and higher maintenance costs caused by the maintenance stops. Earnings were positively affected by an MSEK 27 reversal of structural costs previously charged for the Billerud 2007 project. All decisions and negotiations concerning the Billerud 2007 project have now been concluded and reserves have been adjusted for remaining costs in the project.

Earnings in the second quarter were negatively affected by the planned periodic maintenance stops performed at Billerud's two largest mills, Skärblacka and Gruvön, and by production disruptions at Gruvön. Costs for production stops including lost production amounted to MSEK 210, which was MSEK 50 higher than expected. Most of this excess amount of MSEK 50 was due to higher than expected production losses at Gruvön caused by technical problems in chemicals recovery and complications arising during the maintenance stop.

Improvements in the lime kiln were introduced during the maintenance stop and further measures will be implemented to secure a more stable production at Gruvön.

If the maintenance costs and effects of the Billerud 2007 project are ignored, there is an underlying improvement in operating profit of around 13% between the first and second quarters due to price and customer mix improvements.

See page 5 for comments on the earnings performances of each business area.

Net financial items were MSEK -26. The loss after financial items was MSEK 9.

*January-June compared with the same period last year*

Net turnover was MSEK 3,816, up 5% on the same period in 2006. The increase was due to higher prices and an improved customer mix.

Operating profit was MSEK 194, up MSEK 23 or 13% compared with the same period last year. Two maintenance stops (Gruvön and Skärblacka) were performed in the first half of 2007, compared with just one stop (Skärblacka) in the same period last year, which affects comparisons regarding production volumes, fixed costs and to a certain extent variable costs.

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

	Q 1-07/ Q 1-06	Q 2-07/ Q 2-06	Jan-June 07/ Jan-June 06
Delivery and production volumes, including product mix	0	-40	-40
Sales prices (in respective sales currency)	+183	+199	+382
Change in variable costs	-25	-80	-105
Change in fixed costs	+4	-96	-92
Change in depreciation	-6	-7	-13
Effects of exchange rate changes, including hedging	-43	-66	-109
Total change in earnings	+113	-90	+23

The negative deviation in volumes and product mix of MSEK 40 is the net outcome of a positive deviation in the customer mix and a negative deviation in volume and product mixes. The increase in variable costs is mainly due to higher costs for wood materials (MSEK 106) and for chemicals (MSEK 32). The average price of wood in the first half of 2007 was 10% higher than the average price in the final quarter of 2006 and in the second quarter 2007 it was 15% higher than in fourth quarter 2006. Increased variable costs were compensated to some extent by a fall of MSEK 42 in costs for electricity and energy. Fixed costs rose mainly because of higher maintenance costs, primarily for the maintenance stop at Gruvön in 2007. There was no maintenance stop at Gruvön in 2006.

Net financial items were MSEK -52, down MSEK 9, due to increased borrowings.

The estimated tax cost was MSEK 44, representing a tax rate of 31%.

**Significant risks and uncertainties**

Billerud's products are generally dependent on the business cycle in terms of both price development and delivery volumes. The Group is exposed to changes in currency exchange rates because most of the revenues are invoiced in foreign currency while costs are incurred in SEK.

Billerud does not own its own forest but purchases wood materials at market rates from a few major suppliers. The price of wood has risen as shortages have occurred.

To meet growing competition for wood, Billerud has formed Billerud Skog AB whose role will be supply raw materials to Billerud's mills.

Billerud's current purchases of raw materials come from a few large suppliers. The wood purchasing department has been strengthened with resources so that it already in 2007 can handle a larger number of suppliers. At present reinforcement has been focused on the purchasing organisation in northern Sweden and on the import market.

For an analysis of business sensitivity and further details of risks, see pages 46-48 of Billerud's 2006 Annual Report.

After the end of the second quarter Billerud has received a letter from the Swedish Environmental Protection Agency announcing its assessment that Billerud has not met the requirements in the prescribed period for reporting of emission rights utilised in 2006. The Agency has notified Billerud that there will be an administrative charge of MSEK 19. Billerud has asked the Agency to review its position since the sanction is not in reasonable proportion to the infringement. A financial reserve for this issue has hence not been charged to results for the period.

### Related party transactions

No transactions have been carried out between Billerud and related parties that had a material impact on the company's financial position and results.

### Currency hedging

In the first half of 2007 net flows were hedged at the following rates: EUR/SEK 9.23 (9.38), USD/SEK 7.04 (7.33), GBP/SEK 13.55 (13.38) and DKK/SEK 1.23 (1.25). Currency hedging had an overall negative effect on profits of MSEK 27 (43) (compared with if no hedging had been performed).

Billerud's outstanding currency contracts as of 30 June 2007 had a market value of MSEK 0. The share of contracts corresponding to accounts receivable affected results during the first quarter by MSEK -8. Other contracts had a market value of MSEK 8.

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		Jul-Sept 2007	Oct-Dec 2007	Jan-June 2008	Total 12 months
EUR	Proportion of total flow	100 %	67 %	36 %	60 %
	Rate	9.13	9.16	9.30	9.19
USD	Proportion of total flow	99 %	64 %	22 %	52 %
	Rate	6.91	6.88	6.82	6.88
GBP	Proportion of total flow	96 %	61 %	13 %	47 %
	rate	13.48	13.46	13.45	13.47

As of 19 July 2007, Billerud has hedged around 52% of estimated net flows in EUR over 12 months, around 43% of estimated net flows in USD over 12 months, around 38% of estimated net flows in GBP over 12 months and around 45% of estimated net flows in DKK over 12 months.

### Investments and capital employed

Gross investment amounted to MSEK 323 (384). Depreciation for the first half of 2007 amounted to MSEK 241 (228).

Billerud's capital employed amounted to MSEK 5,352 as of 30 June 2007, compared with MSEK 5,190 on 31 December 2006.

The return on capital employed over the most recent 12 months was 11%. The return on shareholders' equity after tax was 12%.

### Cash flow and financial position

Cash flow from current activities in the first half of 2007 amounted to MSEK 301, compared with MSEK 186 in the same period last year. Higher cash flow was mainly due to lower payments for structural costs and a lower increase in operating capital. Cash flow for investment activities was MSEK -322 (-370).

Operating cash flow amounted to MSEK -21, compared with MSEK -184 in the first half of 2006. The dividend for 2006 of SEK 3.50 per share, a total of MSEK 180, was paid in May 2007. Billerud's net debt increased by MSEK 195 in the first six months of 2007.

On 30 June 2007 interest-bearing net debt amounted to MSEK 2,708, compared with MSEK 2,513 on 31 December 2006 and MSEK 2,849 on 30 June 2006.

The Group's net debt/equity ratio at the end of the period was 1.02, compared with 0.94 at the end of 2006 and 1.14 on 30 June 2006. According to Billerud's financial targets, the ratio should be between 0.6 and 0.9.

### Cash flow summary

MSEK (positive figure indicates a reduction in debt)	Jan- June 2007	Jan- March 2007	April- June 2007	Jan- June 2006
Current activities	301	207	94	186
Current net investments, excluding energy projects	-316	-120	-196	-177
Energy project investments	-6	-6	-	-193
Operating cash flow	-21	81	-102	-184
Dividend	-180	-	-180	-167
Other items not affecting cash flow	6	5	1	5
Change in net debt during the period	-195	86	-281	-346

### Financing

Interest-bearing loans as of 30 June 2007 amounted to MSEK 2,964. 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 1,140 of Billerud's certificate programme (maximum: MSEK 1,500).

### Personnel

The average number of employees during the first half of 2007 was 2,389, compared with 2,523 in the first half of last year, a reduction of 134 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 continues to be included in the results of the business areas. Comparable figures have been adjusted in line with the new definition.

Billerud is monitored and controlled operationally from a business area perspective. 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 regard 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

MSEK	Net turnover						Operating profit					
	Q 2	Q 1	%	Jan-	Jan-	%	Q 2	Q 1	%	Jan-	Jan-	%
	2007	2007	change	2007	2006	Change	2007	2007	Change	2007	2006	Change
Packaging & Speciality Paper	960	988	-3	1 948	1 876	4	17	98	-83	115	143	-20
Packaging Boards	508	540	-6	1 048	1 088	-4	-9	53		44	61	-28
Market Pulp	425	389	9	814	674	21	16	32	-50	48	0	
Currency hedging	-9	15		6	-14		-9	15		6	-14	
Other and eliminations	-	-		-	-		2	-21		-19	-19	
<b>Group total</b>	<b>1 884</b>	<b>1 932</b>	<b>-2</b>	<b>3 816</b>	<b>3 624</b>	<b>5</b>	<b>17</b>	<b>177</b>	<b>-90</b>	<b>194</b>	<b>171</b>	<b>13</b>

### General development of business areas

#### Second quarter

In general, price increases in the second quarter made up for both currency changes and higher wood prices, which meant a better contribution for sold products in all business areas compared with the first quarter.

The two maintenance stops at Gruvön and Skärblacka had a negative effect on delivery volumes and meant higher fixed costs compared with the first quarter, which meant worse operating margins for all business areas and Packaging Boards especially.

#### January-June

A comparison with the previous year is complicated by the fact that two maintenance stops (Skärblacka and Gruvön) were performed this year, but only one (Skärblacka) was performed last year.

### Markets

#### Packaging & Speciality Paper

##### Second quarter

The operating profit for the period was MSEK 17. Compared with the first quarter, profit fell by MSEK 81 or 83%, mainly due to the higher fixed costs of MSEK 64 and lower delivery of MSEK -35 due to the maintenance stop. Price rises partly compensated for weaker earnings. The operating margin was 2%, a deterioration compared with the first quarter figure of 10%.

##### January-June

Operating profit fell by MSEK 28 or 20% to MSEK 115, mainly because of higher costs and reduced deliveries which were not fully matched by higher prices.

#### Market development

A boom in the construction industry continues to mean good demand for white and brown sack paper. Order books are very strong. Advertised price increases of EUR 50-60 per tonne as of 1 April had some impact during the second quarter but are expected to have full effect in the third quarter.

Demand for other kraft paper products (MG/MF) sold to customers in the food, production and healthcare sectors remains generally good. Price increases for these products that have previously fallen behind other products kept abreast with other products during the quarter.

## **Packaging Boards**

### *Second quarter*

The operating loss was MSEK 9. Compared with the first quarter of 2007, profit decreased by MSEK 62, mainly due to higher fixed costs of MSEK 46 and lower delivery volumes of MSEK -34. Price rises partly compensated for the effects of weaker earnings. The operating margin fell to -2%.

### *January-June*

Operating profit fell by MSEK 17 or 28% to MSEK 44, mainly because of higher costs and reduced deliveries which were not fully matched by higher prices.

### *Market development*

The market for containerboard in Europe remains good. The order books for Billerud Flute®, and other grades of Flute, have remained very strong over the past 12 months and are expected to remain strong. Order books for white kraft liner were somewhat weaker but there are signs of improvement.

The price for Billerud Flute® has been increased successively since the autumn of 2006 and a new price increase of EUR 50 per tonne from 1 September has been announced. All of Billerud's relevant customers have now chosen the new generation of Billerud Flute®, which has 20% enhanced technical values and better runnability.

Billerud's commitment to the market for fruit and vegetables has been strengthened with the opening of Billerud Box Lab. The centre has received visits from Europe's major fruit growers in Spain, Italy and Morocco. Customers learn how to reduce losses in the delivery phase, exploit lower grammages and increase the amount of Billerud paper in their boxes.

## **Market Pulp**

### *Second quarter*

The operating profit was MSEK 16. Compared with the previous quarter, operating profit fell by MSEK 16, mainly due to higher fixed costs of MSEK 20 and lower delivery volumes of MSEK -7. Price increases partly compensated for the effects of weaker earnings.

### *January-June*

Operating profit increased by MSEK 48 due to higher volumes and improved prices exceeding higher costs.

### *Market development*

Demand is expected to remain strong on the pulp market during the summer when it would normally fall slightly. At the start of 2007 the price for long-fibre sulphate pulp was USD 730 per tonne. The price rose to around USD 800 per tonne during the second quarter. Pulp prices, as denominated in USD, are expected to rise further in the autumn.

## **Parent company**

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

Net turnover in the first half of 2007 amounted to MSEK 1,574 (1,612). The operating loss was MSEK -6 (85), a reduction of MSEK 91 compared with last year, mainly due to lower delivery volumes and higher maintenance costs caused by the maintenance stop at Gruvön in the second quarter. There was no maintenance stop at Gruvön in 2006.

The parent company hedges both its own net currency flows, and those of the Group. The parent company's results include the results of hedging which also cover flows for the rest of the Group. This result amounted to MSEK -27.

Investment in fixed assets excluding shares amounted to MSEK 203 (440). The average number of employees was 1,047 (1,115). Liquid assets and current investments amounted to MSEK 194 (349). Fixed assets fell by MSEK 684 compared with 30 June 2006 mainly due to repaid loans within the Group. Increased customer receivables (MSEK 743) compared with last year are due to the parent company taking over this item from the Swedish mills.

### **Convertible staff loan**

Billerud's convertible scheme for employees ended on 20 June 2007. The subordinated loan amounted to MSEK 31 in total. The conversion rate was SEK 114 and share ownership will increase by 268,047 shares on full conversion. At the end of the conversion period MSEK 10 of the loan had been converted into 90,045 shares, corresponding to a dilution of 0.2%. The outstanding liability for the subordinated loan, MSEK 21, has been settled.

### **Long-term incentive scheme**

The 2007 AGM agreed to introduce a long-term incentive scheme for Billerud and a related transfer of shareholdings. The scheme comprises a share matching programme for all employees involving so-called matching shares, and an incentive scheme with so-called performance shares for senior executives and other key individuals within the Billerud Group. The main purpose of the incentive scheme is to strengthen Billerud's ability to retain and motivate staff. The scheme aims to help Billerud achieve its financial targets and comes into effect as previous schemes come to an end. The purpose of the performance share scheme is to encourage senior executives and other key individuals, whose activities have a direct impact on Billerud's earnings, profitability and growth in value, by linking their interests and perspective with those of the company's shareholders.

In addition to continued employment at Billerud, the option to buy performance shares is linked to financial performance. In 2007 this means that Billerud's operating margin remains between 7 and 11% and is above certain comparable companies. In 2008 Billerud's operating margin must remain between 8 and 12% and be above certain comparable companies. In 2007-2009 overall Billerud's total return to shareholders shall exceed the total return for certain comparable paper industries in the Nordic region.

Within the framework of the scheme, Billerud's employees bought 58,527 shares at a price per share of SEK 104.5 from Billerud during May 2007. An additional maximum 134,002 shares may be acquired during the remaining period of the scheme. The expected outcome is 78,543 shares. This estimate is based on forecast staff turnover and expected utilisation.

The cost of the scheme in accordance with IFRS is calculated at MSEK 6. For the period January-June 2007 earnings were affected by MSEK 0.2.

For further information about the scheme see the press release dated 26 March 2007.

### **Cost reduction measures**

#### **Energy programme and long-term supply agreement**

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 was completed at the start of 2007.

Annual savings before depreciation from the projects, compared with no investment, are in excess of the target of 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. Depreciation will increase by around MSEK 50 because of the programme.

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.

In May Billerud signed a ten-year fixed-price agreement for electricity supplies with Vattenfall. The agreement covers basic power of around 0.4 Twh per year for the period 2008 to 2017. Due to the agreement, Billerud has secured more than 80% of electricity requirements in a satisfactory manner with a balance between internal production and long-term supply agreements. The remainder will be purchased on spot markets or be covered by ongoing energy efficiency improvements.

### **Organisation**

On 8 June 2005 the Board decided to implement a project entitled "Billerud 2007" concerning 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 the programme was agreed and negotiations were concluded during the second quarter. Reserves have been adjusted for the remaining costs of the Billerud 2007 project, which led to a difference of MSEK 27 that was returned during the quarter. As of 30 June 2007, 84% of the targeted savings of MSEK 250 had been realised. The full effect on earnings should be noted in the final quarter of 2007.

### **Process efficiency**

The Billerud 2007 project was followed by a programme entitled "One Billerud" aimed at continuing work on improving efficiency and introducing shared master-class processes within purchasing, order management, production, control and sales.

## Largest shareholders

Billerud's ten largest shareholders according to the register of VPC (the Swedish Securities Register Centre) and Sanderson Asset Management as of 29 June 2007 (excluding 1.9 million shares owned by the company itself and shares owned by deposit banks):

<b>Owner</b>	<b>No. of shares (million) (shares = votes)</b>	<b>Proportion of shares on market, %</b>
Frapag Vermögensverwaltung GmbH	9.1	17.7
Sanderson Asset Management	3.0	5.8
SEB Fonder/SEB Trygg Liv/Securities	1.9	3.8
Prior & Nilsson Funds	1.0	2.0
Citibank	0.8	1.6
Gladiator	0.7	1.3
Länsförsäkringar	0.6	1.3
Swedbank inkl Swedbank Robur Funds	0.6	1.1
Mellon Funds	0.5	0.9
SIS Segaintersettle	0.4	0.9
<b>Total 10 largest</b>	<b>18.6</b>	<b>36.2</b>
<b>Total Billerud excluding own holding</b>	<b>51.5</b>	<b>100</b>

The share of foreign ownership was 42.7% of total shares on the market. The total number of shareholders (including nominees) was around 148,600.

## Distribution of shares

As of 29 June 2007 the distribution of shares was as follows:

Registered amount of shares	53 343 043
<u>Bought-back shares in company ownership</u>	<u>- 1 851 473</u>
Shares on the market	51 491 570

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

As of 22 May, 58,527 shares owned by the company were transferred to employees of the company within the framework of LTIP 2007 as approved by the AGM. Following the transfer, the company owns 1,851,473 of its own shares.

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. The convertible scheme for employees ended on 20 June 2007 and no further convertible debt instruments remain outstanding.

## Outlook

The market is expected to remain good for the rest of the year with opportunities for further price increases in local currencies. The prices for wood continued to increase during the second quarter and further price increases have been announced, which will have an impact in the second half of the year, thus further increasing costs for wood supply.

The interim report gives a fair picture of the Group's and parent company's activities, position and results. The report also describes the significant risks and uncertainties facing the parent company and Group companies.

Stockholm, Sweden  
25 July 2007  
Billerud AB (publ)

Ingvar Petersson  
*chairman*

Michael M.F. Kaufmann,  
*vice chairman*

Stewe Cato  
*director*

Gunilla Jönson  
*director*

Per Lundberg  
*director*

Ewald Nageler  
*director*

Per Nilsson  
*director*

Yngve Stade  
*director*

Meg Tivéus  
*director*

Per Lindberg  
*CEO*

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

### **Future financial reports**

Third quarter 2007	14 November 2007
2007 financial statement	5 February 2008
First quarter 2008	29 April 2008
Second quarter 2008	24 July 2008
Third quarter 2008	13 November 2008

The 2008 Annual General Meeting will be held at 4 p.m. on 29 April 2008 at Aula Magna, Stockholm University

**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. 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	3 months			6 months		Full year
	Apr-June 2007	Jan-March 2007	Apr-June 2006	Jan- June 2007	Jan-June 2006	Jan-Dec 2006
MSEK						
Net turnover	1 884	1 932	1 839	3 816	3 624	7 369
Other income	3	2	3	5	11	15
<b>Operating income</b>	<b>1 887</b>	<b>1 934</b>	<b>1 842</b>	<b>3 821</b>	<b>3 635</b>	<b>7 384</b>
Raw materials and consumables	-773	-764	-778	-1 537	-1 540	-3 114
Change in stock	-62	-16	-8	-78	-16	28
Other external expenses	-585	-536	-480	-1 121	-1 003	-1 974
Staff expenses	-329	-321	-355	-650	-677	-1 306
Depreciation	-121	-120	-114	-241	-228	-466
<b>Profit share from associated companies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating expenses</b>	<b>-1 870</b>	<b>-1 757</b>	<b>-1 735</b>	<b>-3 627</b>	<b>-3 464</b>	<b>-6 832</b>
<b>Operating profit</b>	<b>17</b>	<b>177</b>	<b>107</b>	<b>194</b>	<b>171</b>	<b>552</b>
Financial items	-26	-26	-22	-52	-43	-95
<b>Profit after financial items</b>	<b>-9</b>	<b>151</b>	<b>85</b>	<b>142</b>	<b>128</b>	<b>457</b>
Tax	0	-44	-24	-44	-35	-145
<b>Net profit for the period</b>	<b>-9</b>	<b>107</b>	<b>61</b>	<b>98</b>	<b>93</b>	<b>312</b>
<b>Earnings per share, SEK</b>	<b>-0.17</b>	<b>2.08</b>	<b>1.18</b>	<b>1.91</b>	<b>1.81</b>	<b>6.08</b>
<b>Earnings per share after full conversion, SEK</b>	<b>-0.16</b>	<b>2.07</b>	<b>1.18</b>	<b>1.91</b>	<b>1.81</b>	<b>6.07</b>
<b>Balance Sheet</b>			<b>30 June</b>	<b>30 June</b>	<b>31 March</b>	<b>31 Dec</b>
MSEK			<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Fixed assets			5 618	5 489	5 547	5 539
Stocks			742	734	767	727
Accounts receivable			1 402	1 236	1 304	1 201
Other current assets			280	309	159	283
Cash, bank balances and short-term investments			425	445	575	443
<b>Total assets</b>			<b>8 467</b>	<b>8 213</b>	<b>8 352</b>	<b>8 193</b>
Shareholders' equity			2 643	2 501	2 730	2 678
Interest-bearing liabilities			2 964	3 139	2 836	2 791
Interest-bearing provisions, pensions			170	155	167	164
Non-interest-bearing provisions			86	238	126	148
Deferred tax liabilities			1 235	1 110	1 199	1 225
Accounts payable			580	499	567	591
Other, non-interest-bearing liabilities			789	571	727	596
<b>Total shareholders' equity, provisions and liabilities</b>			<b>8 467</b>	<b>8 213</b>	<b>8 352</b>	<b>8 193</b>
<b>Specification of change in equity, MSEK</b>			<b>Jan-June</b>	<b>Jan-June</b>	<b>Jan-March</b>	<b>Full year</b>
			<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Opening equity			2 678	2 526	2 678	2 526
Profit/loss for the period			98	93	107	312
A Market value of financial instruments in accordance with IAS 39 used in hedge reserve			31	48	-64	6
Dividend			-180	-167	-	-167
Convertible loan converted into shares			7	1	7	3
Sale of own shares, incentive scheme			6	-	-	-
Translation difference in shareholders' equity			3	-	2	-2
<b>Closing equity</b>			<b>2 643</b>	<b>2 501</b>	<b>2 730</b>	<b>2 678</b>

<b>Cash Flow Statement</b>	<b>Jan-June 2007</b>	Jan-June 2006	<b>April-June 2007</b>	Jan-Dec 2006
Operating surplus, etc 1)	<b>375</b>	290	<b>98</b>	802
Change in working capital, etc.	<b>-14</b>	-62	<b>26</b>	42
Net financial items, taxes, etc.	<b>-60</b>	-42	<b>-30</b>	-50
<b>Cash flow from operating activities</b>	<b>301</b>	186	<b>94</b>	794
Investment in fixed assets	<b>-323</b>	-384	<b>-197</b>	-643
Sale of fixed assets	<b>1</b>	14	<b>1</b>	15
<b>Cash flow from operating activities</b>	<b>-322</b>	-370	<b>-196</b>	-628
Change in interest-bearing debt	<b>176</b>	616	<b>127</b>	264
Dividend	<b>-180</b>	-167	<b>-180</b>	-167
Sale of own shares, incentive scheme	<b>6</b>		<b>6</b>	
<b>Cash flow from financing activities</b>	<b>2</b>	449	<b>-47</b>	97
<b>Total cash flow (= change in liquid assets)</b>	<b>-19</b>	265	<b>-149</b>	263
<b>Liquid assets at the beginning of the period</b>	<b>443</b>	182	<b>575</b>	182
<b>Translation difference in liquid funds</b>	<b>1</b>	-2	<b>-1</b>	-2
<b>Liquid assets at the end of the period</b>	<b>425</b>	445	<b>425</b>	443

1) The amount for January-June 2007 includes an operating profit of MSEK 194, returned depreciation of MSEK 241, payment of structural costs of MSEK -62, an increase in pension liabilities of MSEK 3 and other items, MSEK -1.

The amount for the period January-June 2006 includes the operating profit of MSEK 171, returned depreciation of MSEK 228, payment of structural costs of MSEK -108, and other items of MSEK -1.

Key indicators	<b>Jan-June 2007</b>	Jan-June 2006	Jan-March 2007	Full year 2006
<b>Margins</b>				
Gross margin, %	<b>11</b>	11	15	14
Operating margin, %	<b>5</b>	5	9	7
<b>Return (rolling 12 months)</b>				
Return on capital employed, %	<b>11</b>	-2	13	11
Return on equity, %	<b>12</b>	-5	15	12
Return on equity after full conversion, %	<b>12</b>	-5	15	12
<b>Capital structure at end of period</b>				
Capital employed, MSEK	<b>5 352</b>	5 351	5 157	5 190
Shareholders' equity, MSEK	<b>2 643</b>	2 501	2 730	2 678
Interest-bearing net debt, MSEK	<b>2 708</b>	2 849	2 427	2 513
Net debt/equity ratio, times	<b>1,02</b>	1,14	0,89	0,94
Net debt/equity ratio after full conversion, times	<b>1,02</b>	1,11	0,88	0,92
Equity ratio, %	<b>31</b>	30	33	33
Equity ratio after full conversion, %	<b>31</b>	31	33	33
<b>Per share</b>				
Earnings per share, SEK	<b>1,91</b>	1,81	2,08	6,08
Average no. of shares, '000	<b>51 430</b>	51 345	51 401	51 351
Earnings per share after full conversion, SEK	<b>1,91</b>	1,81	2,07	6,07
Average no. of shares, '000	<b>51 450</b>	51 611	51 611	51 611
<b>Per share at end of period</b>				
Equity per share, SEK	<b>51,33</b>	48,70	53,08	52,12
No. of shares, '000	<b>51 492</b>	51 354	51 433	51 370
Equity per share after full conversion, SEK	<b>51,25</b>	49,02	53,29	52,41
No. of shares, '000	<b>51 570</b>	51 611	51 611	51 611
Gross investments, MSEK	<b>322</b>	384	126	643
Average number of employees	<b>2 389</b>	2 523	2 317	2 476

## Parent company

Summarised income statement	3 months	6 months		Full year
	Apr-June 2007	Jan- June 2007	Jan-June 2006	Jan-Dec 2006
MSEK				
Operating income	735	1 574	1 612	3 311
Operating expenses	-814	-1 580	-1 527	-3 010
<b>Operating profit/loss</b>	<b>-79</b>	<b>-6</b>	85	301
Financial items	-18	-48	-28	-110
<b>Profit/loss after financial items</b>	<b>-97</b>	<b>-54</b>	57	191
Appropriations	-	-	-	1 330
<b>Profit/loss before tax</b>	<b>-97</b>	<b>-54</b>	57	1 521
Tax	29	17	-16	-432
<b>Net profit/loss</b>	<b>-68</b>	<b>-37</b>	41	1 089

Summarised balance sheet	30 June 2007	30 June 2006	31 March 2007	31 Dec 2006
MSEK				
Fixed assets	4 122	4 806	4 212	4 136
Current assets	2 036	1 976	2 301	2 189
<b>Total assets</b>	<b>6 158</b>	6 782	6 513	6 325
Shareholders' equity	1 645	1 159	1 887	1 849
Untaxed reserves	-	1 330	-	-
Allocations	716	548	738	754
Long-term liabilities	1 970	2 411	1 851	1 809
Current liabilities	1 827	1 334	2 037	1 913
<b>Total shareholders' equity, allocations and liabilities</b>	<b>6 158</b>	6 782	6 513	6 325

## Business areas

The business areas' results have been re-stated since last year excluding the effects of currency hedging. From 2007 onward the business areas' results are also reported 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				
	II	I	Full year	IV	III	II	I
MSEK							
Packaging & Speciality Paper	960	988	3 750	926	948	927	949
Packaging Boards	508	540	2 188	559	541	542	546
Market Pulp	425	389	1 382	353	355	356	318
Currency hedging	-9	15	49	29	34	14	-28
Other and eliminations	-	-	-	-	-	-	-
Total Group	1 884	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				
	II	I	Full year	IV	III	II	I
MSEK							
Packaging & Speciality Paper	17	98	350	91	116	80	63
Packaging Boards	-9	53	175	58	56	18	43
Market Pulp	16	32	46	23	23	6	-6
Currency hedging	-9	15	49	29	34	14	-28
Other and eliminations	2	-21	-68	-25	-24	-11	-8
Total Group	17	177	552	176	205	107	64

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

	2007		2006				
	II	I	Full year	IV	III	II	I
%							
Packaging & Speciality Paper	2	10	9	10	12	9	7
Packaging Boards	-2	10	8	10	10	3	8
Market Pulp	4	8	3	7	6	2	-2
The Group	1	9	7	9	11	6	4

### Quarterly delivery volumes per business area

	2007		2006				
	II	I	Full year	IV	III	II	I
000 tonnes							
Packaging & Speciality Paper	131	139	535	134	135	132	134
Packaging Boards	111	120	515	129	125	131	130
Market Pulp	89	84	314	76	78	82	78
Total	331	343	1 364	339	338	345	342