

January-March 2007

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Quarterly update & news

- Highlights
- Development by Business area
- Ongoing projects
- Financials
- Outlook



Highlights Q1, 2007

- Continued strong demand
- Higher prices
- Operating result 177 MSEK, an increase of 177% compared to Q1 2006
- Operating margin 9% (4% in Q1 2006)
- Wood cost 46 MSEK higher in Q1 2007 than Q4 2006



Key figures

Q1 2007 vs. Q4 2006

	Q1 2007	Q4 2006	vs. Q4 2006
Deliveries ('000 tonnes)	343	339	+1%
Net sales, MSEK	1,932	1,867	+3.5%
Operating profit, MSEK	177	176	+0.6%
Operating margin	9%	9%	+/-0
Profit/share, SEK	2.08	1.75	+19%
Debt/Equity ratio	0.89	0.94	-0.05

Business areas and segments

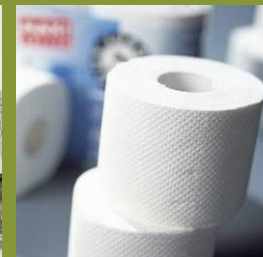
Packaging & Speciality Paper
 MG, MF & Sack Paper



Packaging Boards
 S/C Fluting, Liner, Liquid Board



Market Pulp
 Nordic Bleached Softwood Kraft Pulp



Packaging & Speciality Paper

Market situation

Q1

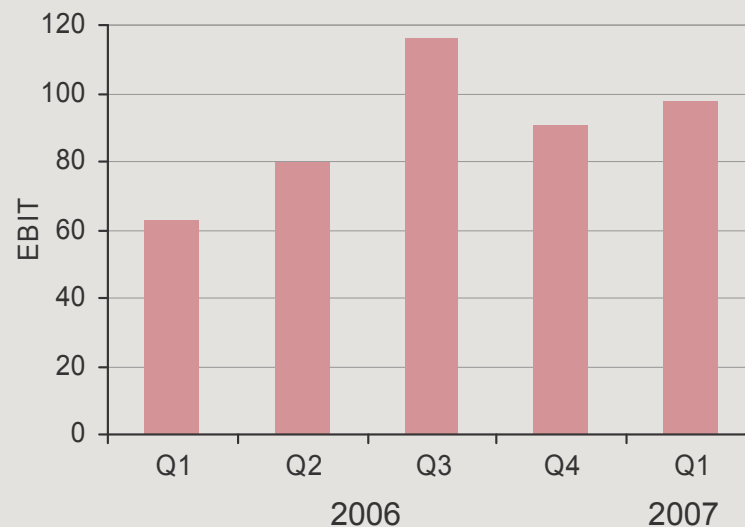
- Good order book
- Continued healthy supply and demand balance in brown sack paper
- Announced price increases in October had gradual impact during the quarter
- Further price increases with 4-8% announced for Q2 / Q3, 2007



Packaging & Speciality Paper

Financials

- Deliveries +4% vs. Q4 2006
- Turnover +7% vs. Q4 2006



	Q1 2007	Q4 2006*	Q1 2006*	2006*
Net sales, MSEK	988	926	949	3,750
Operating profit, MSEK	98	91	63	350
Operating margin	10	10	7	9

* restated to 2007 definitions

Packaging Boards

Market situation

Q1

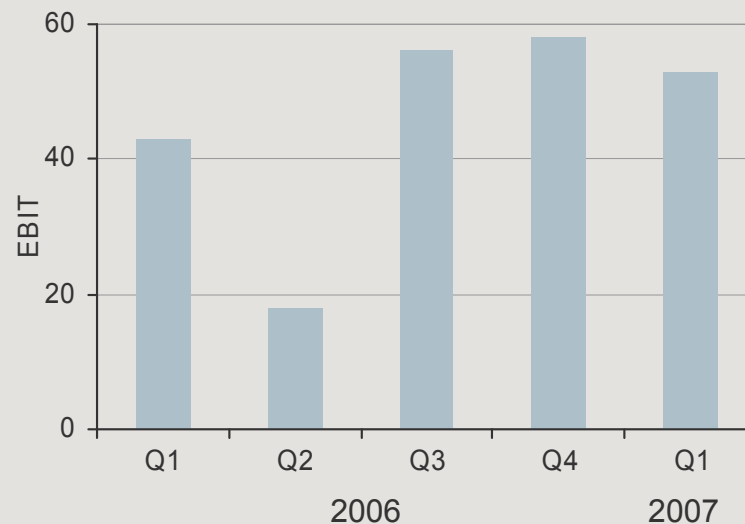
- Continued strong order book for S/C fluting, stable situation for white liner
- Continued improvement of prices and market mix
- New Billerud Flute® at 75% adoption
- Price increases announced during Q1 with EUR 40 / ton



Packaging Boards

Financials

- Deliveries -7% vs. Q4 2006
- Turnover -3% vs. Q4 2006



	Q1 2007	Q4 2006*	Q1 2006*	2006'
Net sales, MSEK	540	559	546	2,188
Operating profit, MSEK	53	58	43	175
Operating margin	10	10	8	8

* restated to 2007 definitions

Market Pulp

Market situation

Q1

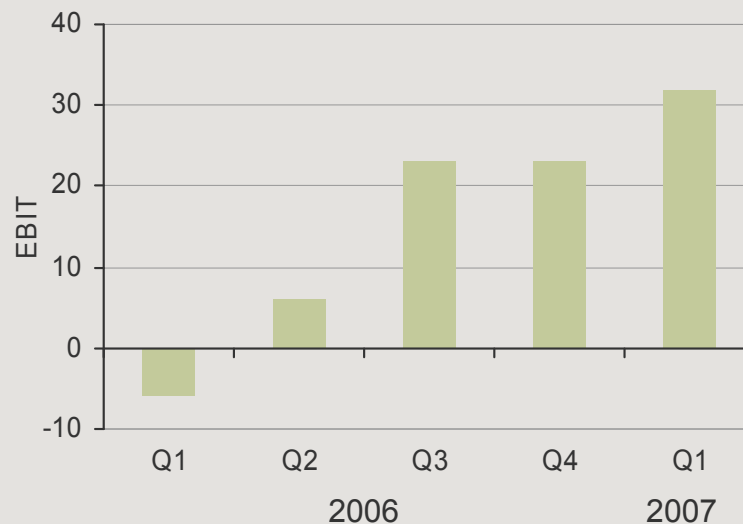
- Continued strong demand situation
- Price increase from USD 730 end of December to USD 760 (April 1: USD 780)
- Higher prices have improved margins and fully compensated for a weaker USD



Market Pulp

Financials

- Deliveries +11% vs. Q4 2006
- Turnover +10% vs. Q4 2006



	Q1 2007	Q4 2006*	Q1 2006*	2006*
Net sales, MSEK	389	353	318	1,382
Operating profit, MSEK	32	23	-6	46
Operating margin	8	7	-2	3

* restated to 2007 definitions

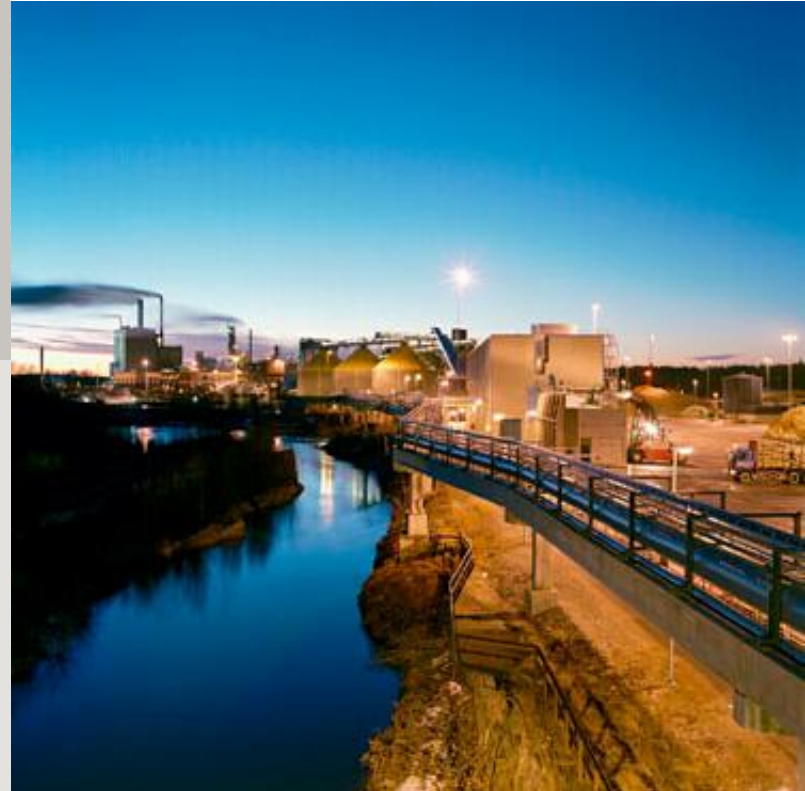
Cost reduction programs

- Energy program
 - » Completed
 - » Investment 1050 MSEK, total savings above 250 MSEK
 - » Savings of 90 MSEK expected in 2007
 - » Increased depreciation 50 MSEK

- Billerud 2007
 - » 72% completed
 - » Total savings 250 MSEK (vs. 2004)
 - » Full effect expected Q4, 2007



Financials



Key figures

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Operating margin	9%	9%	+/-0
Profit/share, SEK	2.08	1.75	+19%
Debt/Equity ratio	0.89	0.94	-0.05

Key figures

Q1 2007 vs. Q1 2006

	Q1 2007	Q1 2006	vs. Q1 2006
Deliveries ('000 tonnes)	343	342	+/-0
Net sales, MSEK	1,932	1,785	+8%
Operating profit, MSEK	177	64	+177%
Operating margin	9%	4%	+5
Profit/share, SEK	2.08	0.63	+230%
Debt/Equity ratio	0.89	0.94	-0.05

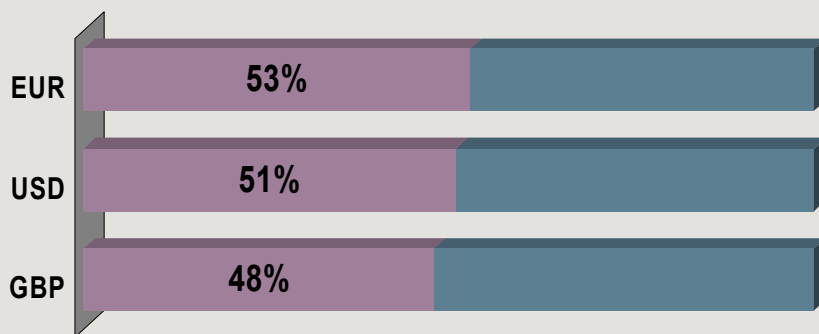
Reason for EBIT Development

Q1 2007 vs. Q1 2006

Deliveries and prod. volumes, incl. product mix	+ 0
Sales prices (in local currencies)	+ 183
Increased variable costs	- 25
Decreased fixed costs	+ 4
Increase in depreciations	- 6
Effect of exchange rates, including hedging	- 43
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Total effect on results	+ 113

Currency situation

- Negative profit effect of net flow hedging MSEK -34 for Q1 2007
- Hedge level 12 months forward:



	Q4 2006		Q1 2007		Q2 2007
	Average hedged currency rates	Average current rates	Average hedged currency rates	Average current rates	Average hedged currency rates
EUR	9.52	9.13	9.31	9.19	9.15
USD	7.46	7.08	7.07	7.01	7.01
GBP	13.51	13.57	13.55	13.70	13.60

Currency exposure management

Currency situation

- Revenues mainly in EUR (2/3) and USD (1/3)
- Main cost items in SEK

Hedging policy

- Policy to hedge 50% of net currency exposure the coming 12 months

Operative management and steering

- Business areas evaluated on spot rates but not on foreign exchange effects in working capital
- EBIT margin objectives
 - » Price increase objective is to cover both increased variable costs and currency costs of stronger SEK

Cash Flow

MSEK	Q1 2007	Q4 2006	Q1 2006	2006
Operating surplus etc	+299	+297	+171	+1021
Cash effect of Billerud 2007	-22	-53	-46	-219
Working capital change	-40	-82	+126	+42
Finance net, taxes	-30	+47	-36	-50
Cash flow from operating activities	+207	+209	+215	+794
Capex, excl. energy investments	-120	-104	-115	-359
Capex (energy inv.)	-6	-52	-90	-269
Capex	-126	-156	-205	-628
Operating cash flow	+81	+53	+10	+166
Dividends/share buy-backs				-167
Other	+5	-4	+1	-9
Change in net debt ¹⁾	+86	+49	+11	-10

¹⁾ Minus equals increase in net debt

Financial objectives

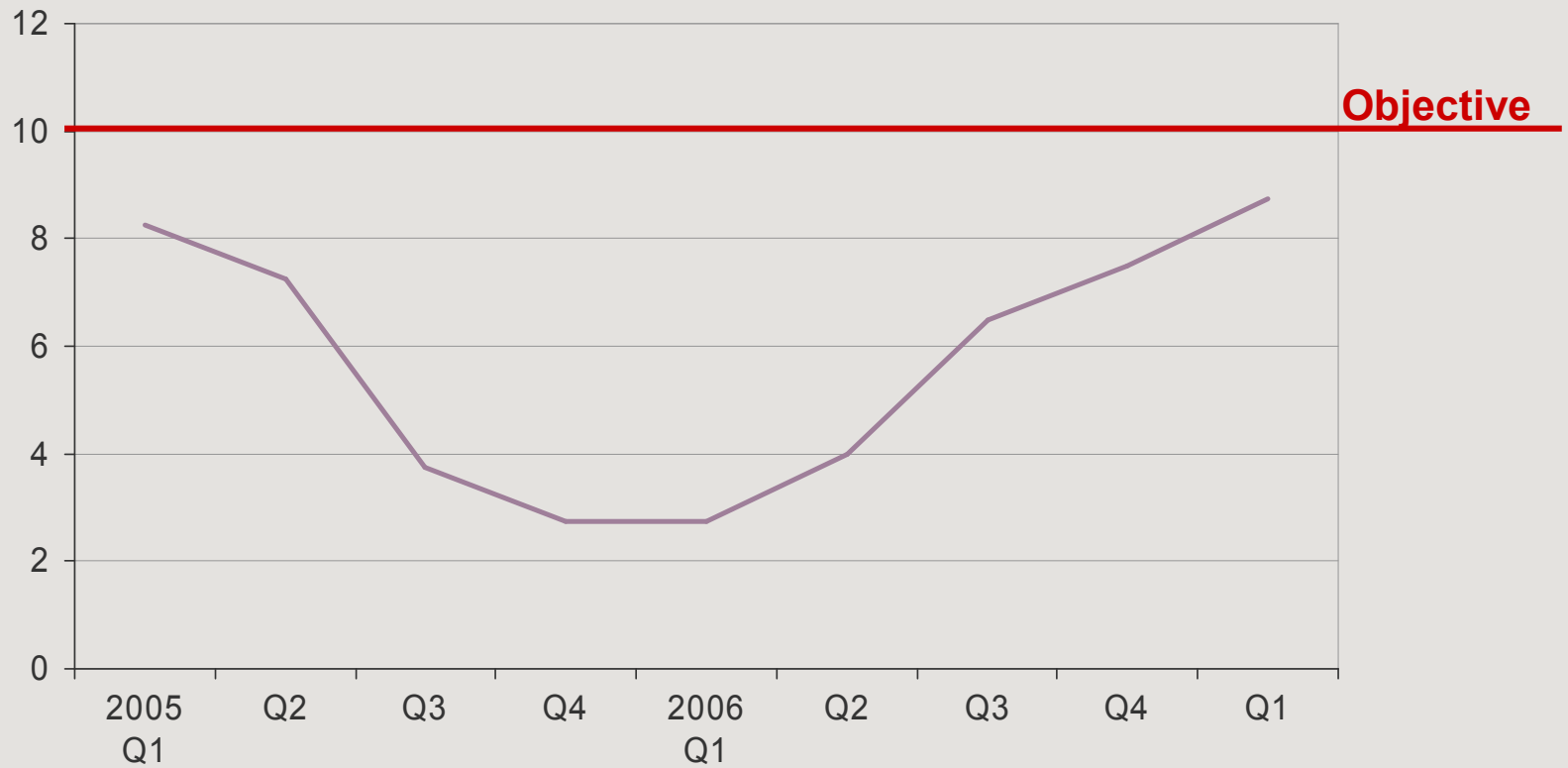
- » Long term organic sales growth rate of at least 3%
- » An EBIT margin of 10% as an average for a business cycle
- » Investments should give a return well above WACC

- » Net debt to equity 0,6-0,9
- » Dividends 50% of net profits over a business cycle



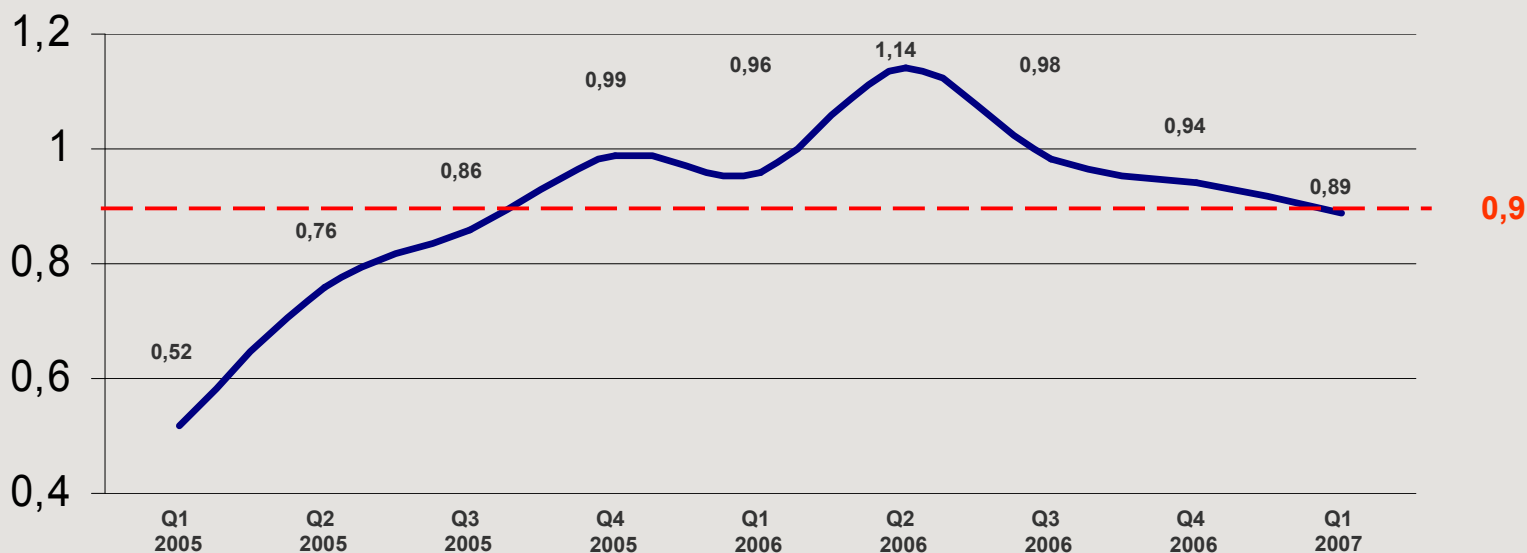
EBIT-margin is improving

Rolling 12 months figures, excl. one time costs 2005



Improved D/E ratio

Net debt ratio



Market prices affecting result

Electricity index (Sweden*)



Source: Nordpool. *Price area Sweden

Wood price index

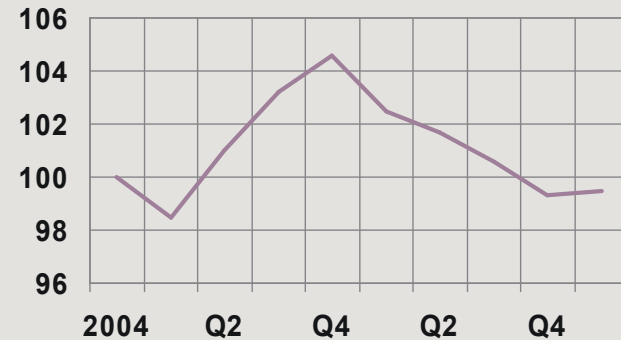


Source: Billerud

Market Pulp (USD/t)



TCW index



Source: Riksbanken

Cost structure

% of total costs 2006

Wood fibre	30
Staff	19
Freight	12
Chemicals	8
Energy	7
Depreciation	7
Other materials	4
Purchased services	6
Other	7
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Total	100



Outlook



Wood

Raw material supplies

- Difficult supply situation due to warm winter in beginning of 2007
- Increased competition for fibre
- Cost increase for Q1 2007 46 MSEK compared to Q4 2006
- Total consumption 5,4 million m³sub
- Import share around 20-25%
- Main import from Latvia, Lithuania, Estonia, Finland and Norway



Outlook

- A continued strong market during rest of 2007 is expected, with potentials for further price increases in local currencies
- Wood costs expected to remain high throughout 2007
- Cost-saving programs will continue to decrease fixed costs



Q&A

