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PRESS RELEASE

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2004-03-29

Effects of adoption of International Financial Reporting Standards

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 will be the first financial report presented by Billerud in accordance with IFRS. Figures for comparison have been re-calculated from 1 January 2004. This press release provides detailed information about the overall effects of adopting IFRS for Billerud.

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.

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. 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. Below the effects on Billerud’s key figures 2004 are shown:

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. 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.

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. 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.

  The rules that will apply, or may be applied, at the end of 2005 have not yet been fully established. A preliminary 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.

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

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. Furthermore, the accounts for 2004 will be subject to adoption by the Annual General Meeting of Billerud shareholders to be held on 3 May 2005.

Stockholm, 29 March 2005

Billerud AB (publ)

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Supplement

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 provisions	108	10	A1)	118
Non-interest-bearing provisions	973	-3	A2)	970
Interest-bearing liabilities	1 470			1 470
Accounts payable	383			383
Other, non-interest-bearing liabilities	506	3	A3)	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 provisions	148			148
Non-interest-bearing provisions	1 187	-3	B2) B3)	1 184
Interest-bearing liabilities	1 720			1 720
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**
				0
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**
				0
				0
Shareholders' equity	3 037	43		3 080
Interest-bearing provisions	148			148
Non-interest-bearing provisions	1 184	16	C3)	1 200
Interest-bearing liabilities	1 720			1 720
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.