

Billerud

Alfred Berg ABN AMRO

Small Cap Seminar

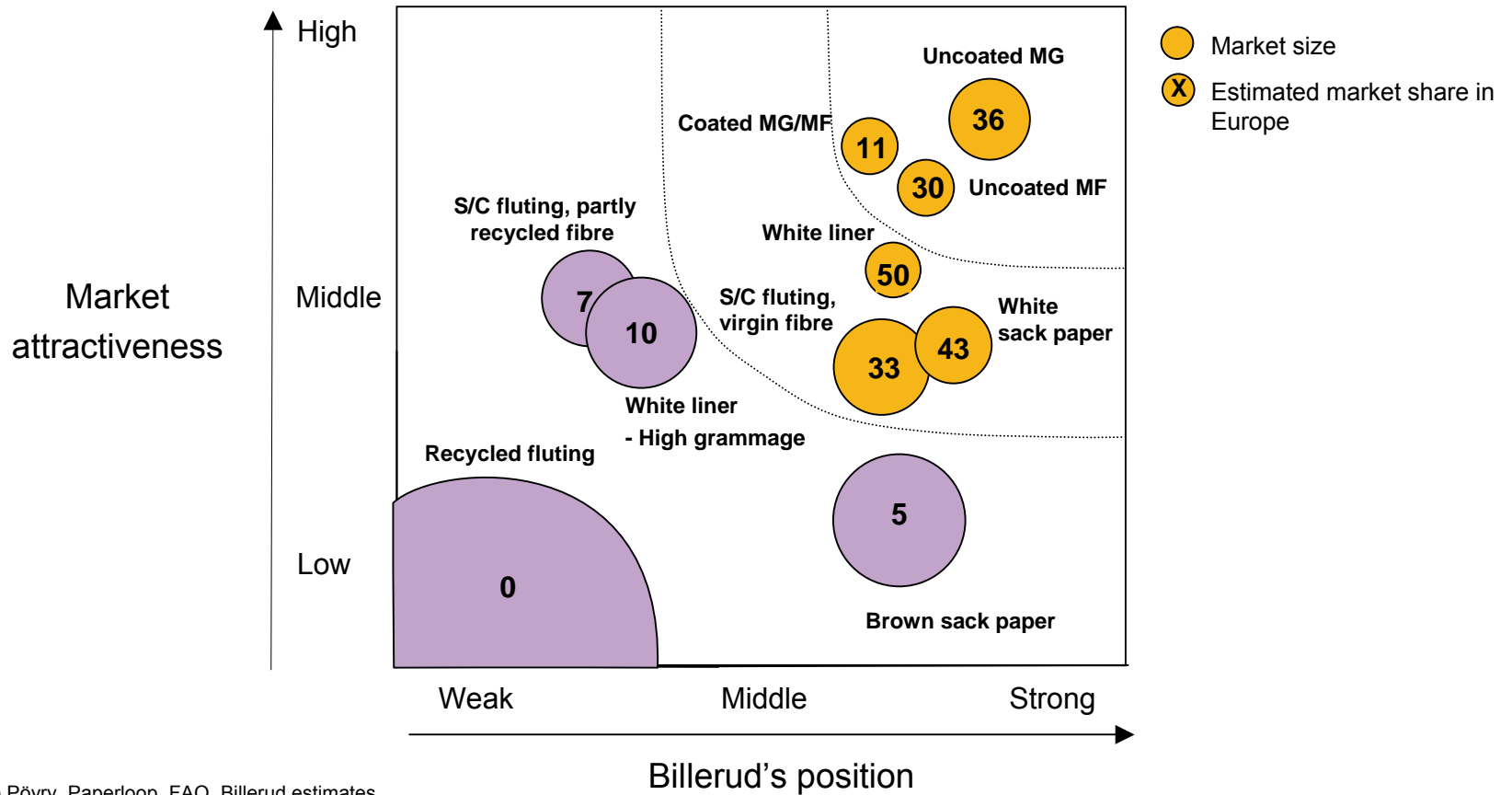
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Billerud in brief

- Producer of packaging paper (kraft paper and containerboard)
- Niche oriented with strong market positions in small but attractive segments
- Integration from pulp into paper, no forestry or converting operations
- Capacity 1.4 million tonnes of paper and pulp and about 2,600 employees
- Net sales of SEK 7 billion and a EBIT margin of 16 percent during 2003

Product strategy



Source : Jaakko Pöyry, Paperloop, FAO, Billerud estimates

Technical kraft papers – Segments



Medical packaging



Flexible packaging



Protective envelopes

Technical kraft papers – Segments

Release liner



Interleaving



Sack paper - segments



Containerboard - segments



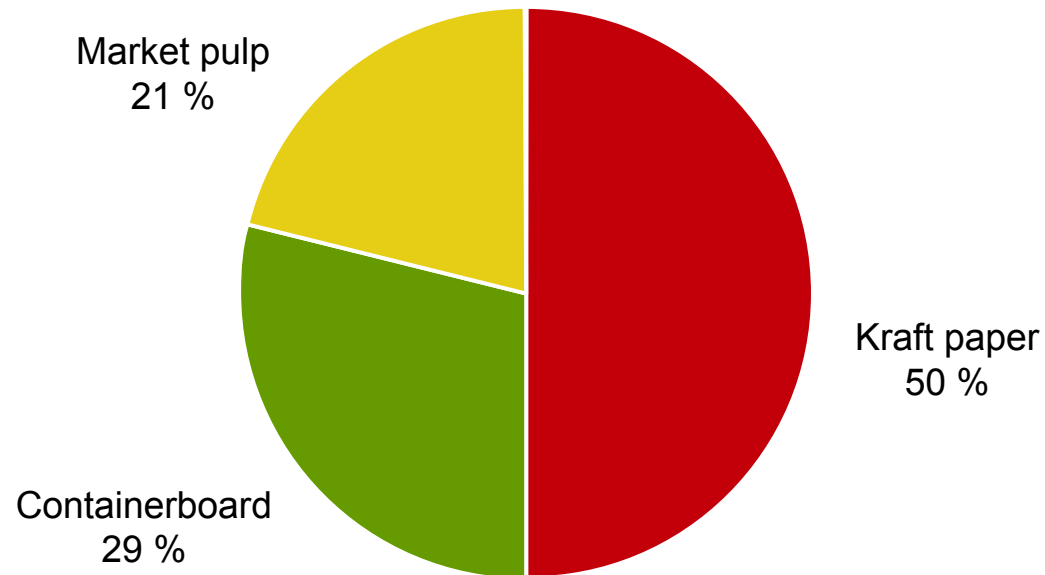
Fruit & vegetables



Promotion packaging



Products areas – share of net sales 2003



Financial objectives creates excess funds

| | Target | 2001 - 2003 |
|----------------------------|---------------------------|-------------|
| Return on capital employed | $\geq 15\%$ ¹⁾ | 25 % |
| Debt/equity ratio | 0.6 – 0.9 | 0.59 |
| Investments | In line with depreciation | Yes |
| Pay-out ratio | 50 % ¹⁾ | 41 % |

1) Average over a business cycle

Funds Flow 2001 - 2003

| MSEK | 3-year period | Average/year |
|---------------------------|---------------|--------------|
| From operating activities | 4,028 | 1,343 |
| Net capex | -1,193 | -398 |
| Operating cash flow | 2,835 | 945 |
| Dividends ¹⁾ | - 942 | -314 |
| Share buy-backs | -842 | -281 |
| Surplus | 1,051 | 350 |

41% of net profit

14% of total no.of shares

| | | | |
|-----------------------|-----|---|-----|
| Net debt/equity ratio | 1.2 | → | 0.4 |
| Equity (MSEK bn) | 2.2 | → | 3.2 |

1) Incl. dividend for 2003

Future investments

Four different kinds of Investments

- Maintenance
 - Fluctuates, difficult to influence
- Environmental
 - Projects in pipeline due to environmental legislations
- “Grow with the market” (*secure competitiveness*)
 - Keep current market positions within core areas

-
- Growth

Growth = Growth in profits

- By reduced cost
- By increased income
 - Product/segment mix
 - Increased volume

Billerud vs. Forestry index



Index 100 = 2001-11-20. Updated to 2004-05-28. Source: ECOWIN

Total return per share

(November 2001 – April 2004)

- Strong share price performance since stock listing
 - SEK 121,50 – 55 = 66,50 or 121 %
- Dividend SEK 10/share (excl. current year)
- Total return 139 %
- Annualised return 38 %

Market for Billerud products

- 80 % of deliveries to Europe
 - Asia 8%
 - North- and South America 6%
 - Rest of the world 6%
- Stable but relatively low growth
- Small but attractive segments
- Few focused competitors

Potential for growth

- Create increased demand on current markets
- New markets outside of Europe
- Acquisitions
- Expansion to other but similar products

How to create growth?

- Through an active dialog with our customers be able to influence their choice of packaging solution
 - Solid knowledge regarding the value chain, both from a commercial and a technical point of view
 - Segment focused organisation

Quick Fill Plus



Potential markets outside of Europe

| | Market size (000 tonnes)* | Annual Growth rate * |
|-------------------------|------------------------------|-------------------------|
| Technical kraft paper | | |
| -- North America | 1 050 | 0% |
| -- Latin America | 100 | 5% |
| -- Asia | 680 | 4% |
| (Europe) | (1 040) | (2%) |
| Sack paper (bl + unbl.) | | |
| -- North America | 740 | -1% |
| -- Latin America | 640 | 1% |
| -- Asia | 1720 | 2% |
| (Europe) | (1 280) | (0%) |

* Source: Jaakko Pöyry

Framework for acquisitions

Three conditions for acquisitions:

- Strategically right?
 - Are the activities in line with the prioritised growth products and segments for Billerud
- Possibilities for Billerud to manage the operations?
 - Should fit into the existing management structure – "The Billerud Way"
- Financially attractive
 - Should add to and not dilute Billerud's long term key financials

European producers

| | <u>No of companies</u> | <u>No of mills</u> |
|---|------------------------|--------------------|
| Technical Kraft papers | 40 | 54 |
| Sack paper | 20 | 25 |
| Containerboard (in Billerud product areas) | Few | Few |



Around 20 acquisition projects studied 2002-2004

Acquisition Henry Cooke

- Acquired Feb 27, 2004, consolidated from March 1
- Renamed to Billerud Beetham
- Annual figures
 - Capacity 45 000 tonnes of Technical Kraft paper
 - Deliveries 40 000 tonnes
 - Sales MSEK 400
 - Employees 180
- Markets
 - UK 35%, Rest of Europe 45%, Rest of world 20%

Acquisition Henry Cooke, cont

- Acquisition price MSEK 209, incl. net debt
 - Total cash out is MSEK 222 (incl. costs and changes in market organisation)
- Acquisition price “per tonne” SEK 2800 excl. working capital
- Positive EPS contribution in 2004
- 15% ROCE will be reached after integration in Billerud

Acquisition is in line with Billeruds strategy

- Fits in with Billeruds' segment strategy
 - Focus on papers for medical packaging
- Creates opportunities for synergies
- Increased pulp integration
- Fulfils ROCE criteria

Competition authorities view

- Acquisition of Henry Cooke Ltd cleared by German and UK competition authorities – too small for EU
- Office of Fair Trading in the UK:
 - For Sack- and Kraft paper market in Europe, no concern due to large number of competitors
 - For Medical segment, Billeruds' market share in EU increases with 15-25% to 35-45%
 - Due to ability of other suppliers to switch production to Medical segment, the increase in market share poses no problem

Summary

- Growth = Growth in profits
- Financial strength for higher growth
- Higher volume growth for Billerud could be created by:
 - Taking higher share of growth or creating growth
 - Growth outside of Europe
 - Acquisitions
- All growth projects should be compared with distributing funds to shareholders