

Billerud

UBS

Northern European

Small Midcap Conference

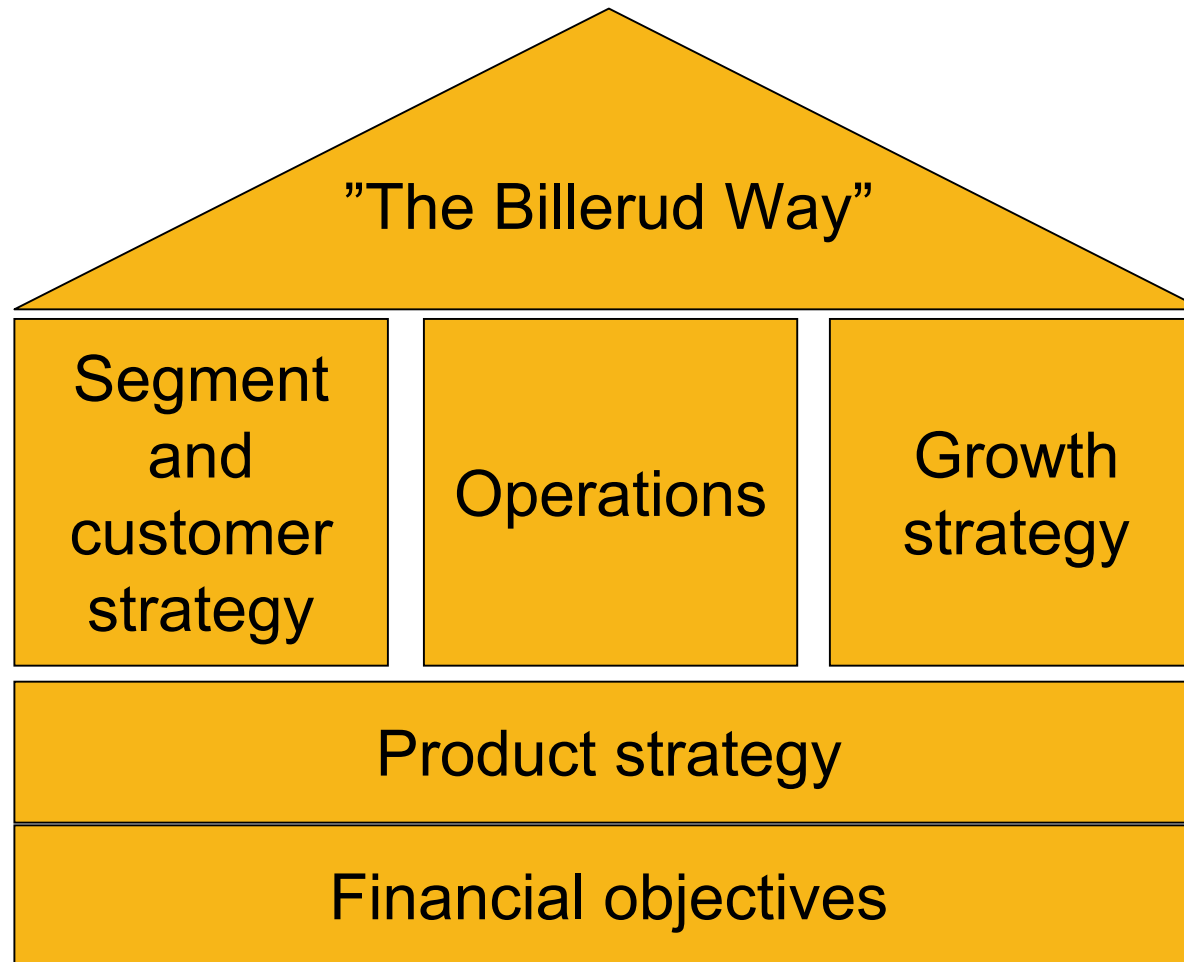
Bert Östlund, CEO

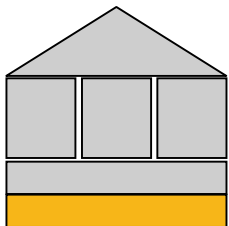


Billerud

- 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 1.3 million tonnes of paper and pulp and about 2,400 employees
- Net sales of SEK 7.1 billion and an EBIT margin of 17 percent during 2002

Billerud's strategy

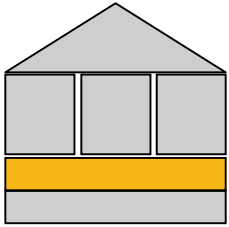




Financial objectives

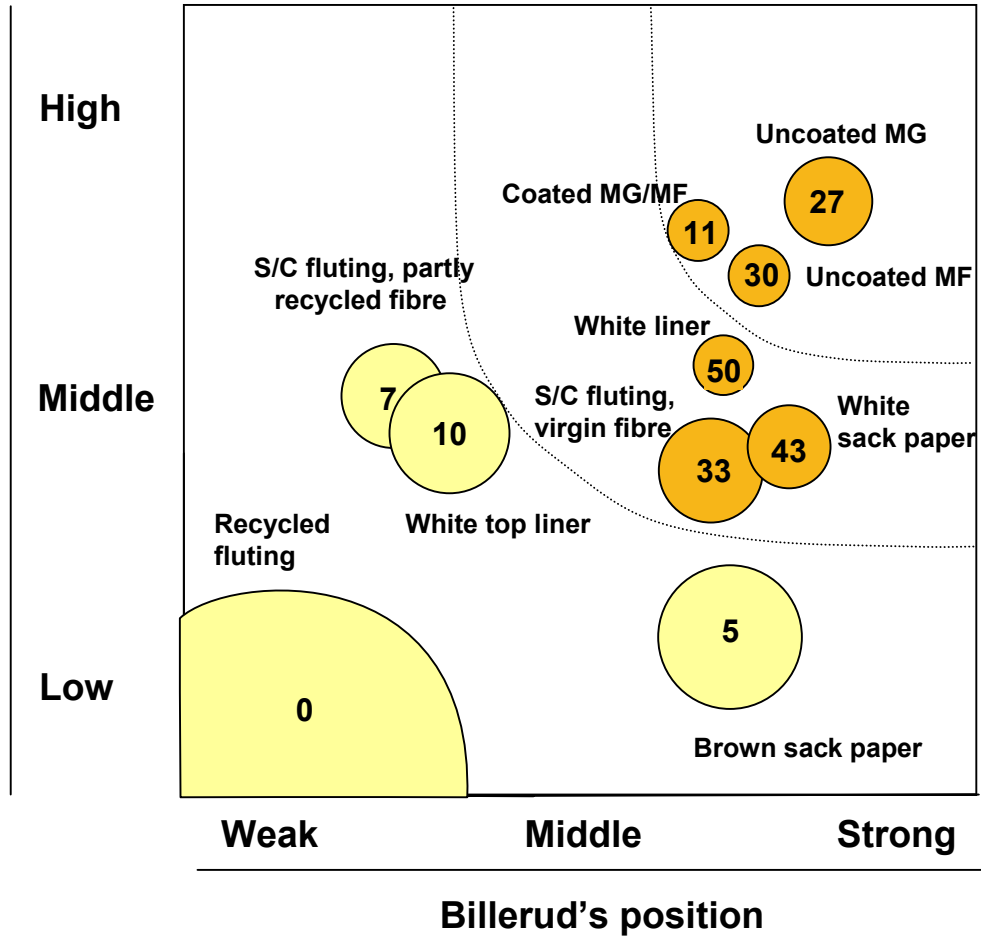
	Target	2002
Return on capital employed	$\geq 15\%$ ¹⁾	25%
Debt/equity ratio	0.6-0.9	0.44
Investments	In line with depreciation ¹⁾	Yes
Pay-out ratio	50%	49%

1) Average over a business cycle

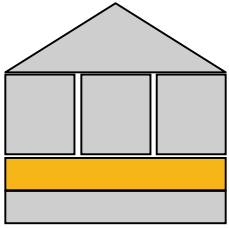


Product strategy

Market attractiveness



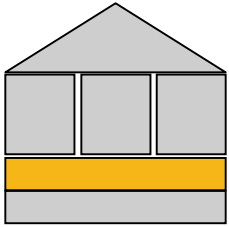
Source : Jaakko Pöyry, Paperloop, FAO, Billerud estimates



Strong market position

Europe

	Product	Estimated market share	Market position	Share of sales
Kraft paper	Uncoated MG	27%	# 1	15%
	Uncoated MF	30%	# 2	6%
	White sack paper	43%	# 1	12%
	Coated MG/MF	11%	# 3	4%
Containerboard	S / C fluting, virgin fibre	33%	# 1	14%
	White liner	50%	# 1	6%



End-uses in Billerud core areas

Food industry Others

Kraft paper

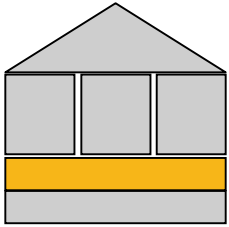
– White Sack paper	55%	45%
– Uncoated MF	25%	75%
– Uncoated MG	70%	30%
– Coated MG/MF	20%	80%

Containerboard

– SC-fluting	80%	20%
– White liner	65%	35%

Total	65%	35%
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- Billerud has higher exposure towards the food industry than the market in general



Low but stable growth

Growth rate

Kraft paper

- | | |
|--------------------|-----|
| - White Sack paper | +2% |
| - Uncoated MG | +1% |
| - Uncoated MF | +2% |
| - Coated MG/MF | +3% |

Containerboard

- | | |
|-----------------------------|------|
| - SC-Fluting (Virgin fibre) | > 0% |
| - White liner | +5% |

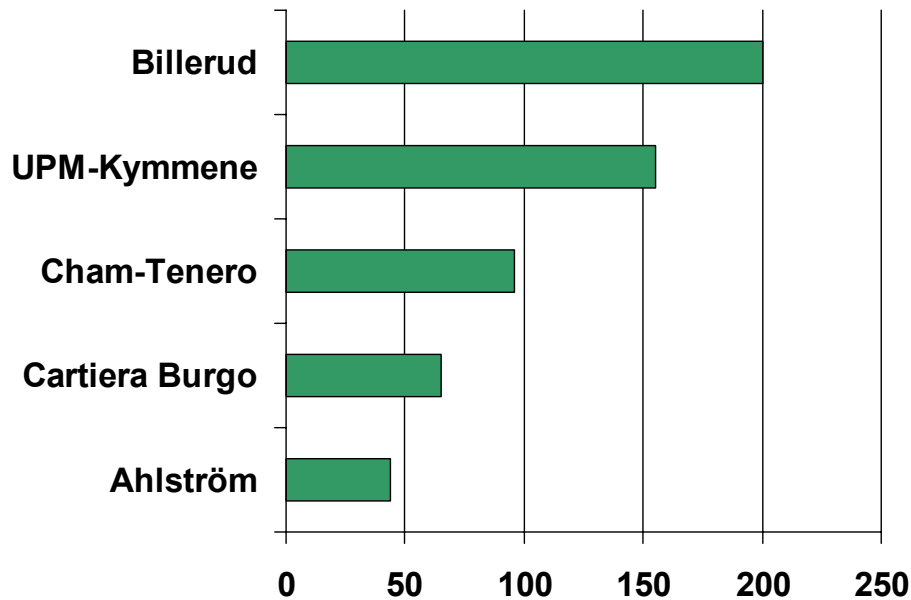
Total in Billerud markets	+2%
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Source: Jaakko Pöyry, 2001

Competitive landscape - Kraft paper

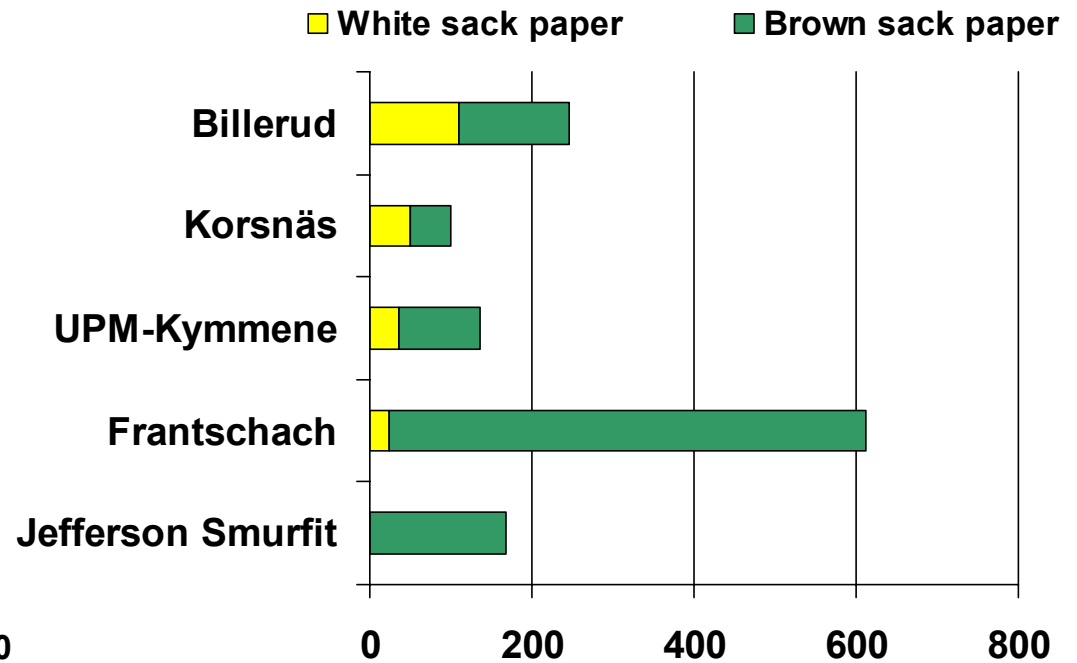
White uncoated kraft paper

European capacity of white uncoated MG/MF (1 000 tonnes)



Sack paper

European capacity (1 000 tonnes)

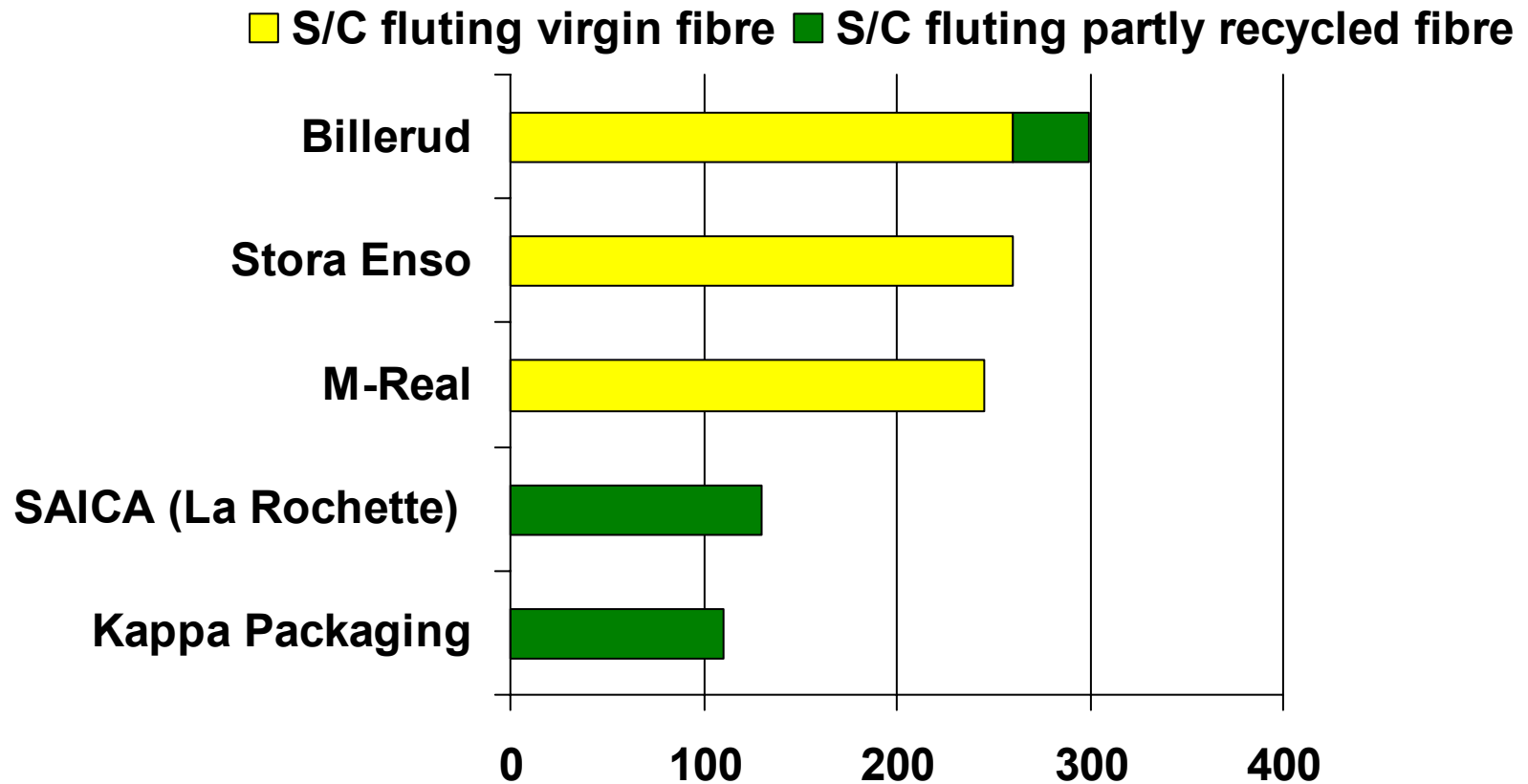


Source : Jaakko Pöyry and Billerud

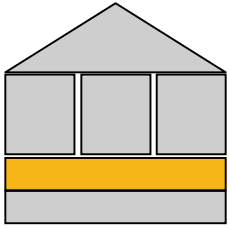
Competitive landscape - Containerboard

S/C fluting

European capacity (1 000 tonnes)

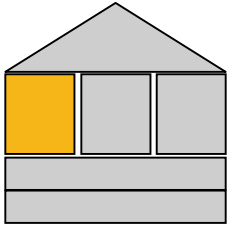


Source : Jaakko Pöyry and Billerud

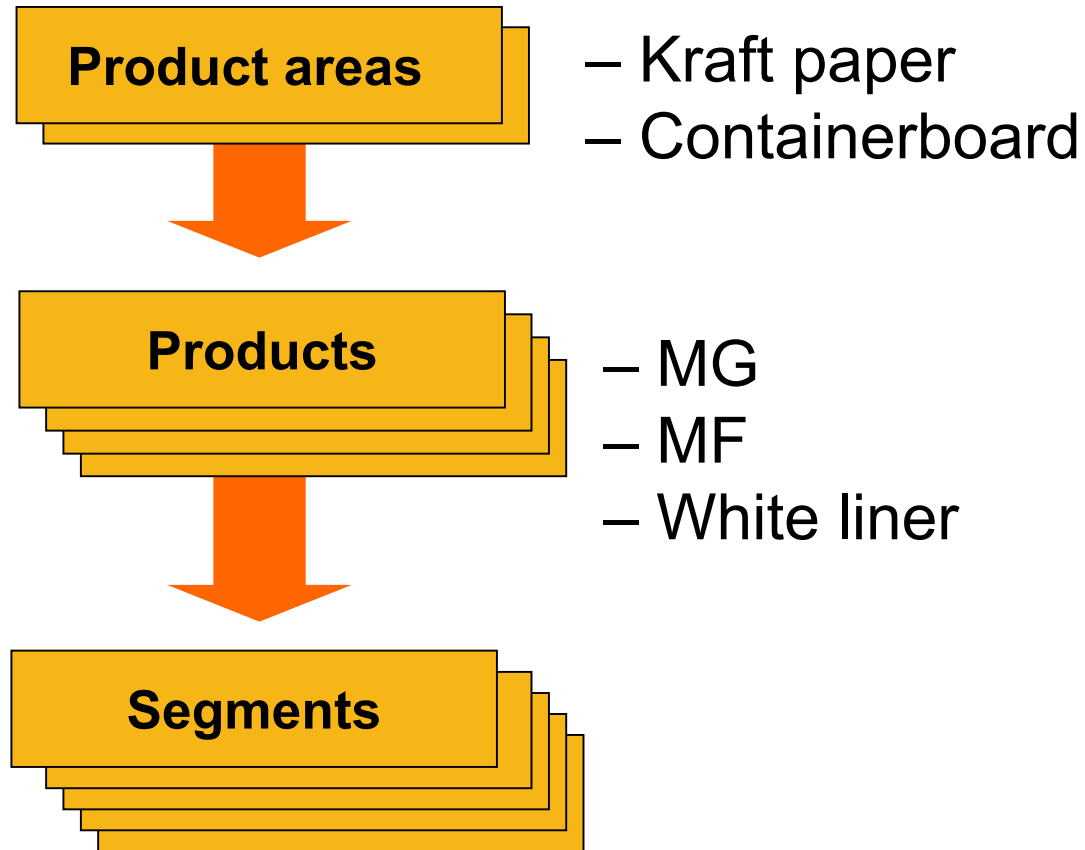


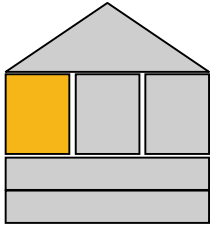
Limited capacity additions

- Billerud organic growth +10%, 2000 to 2003
- Generally, some capacity creep, no new machines
- Capacity shutdown 2000-2002 approx. 200 ktonnes within Billerud niches



Segment focus





MG/MF – Segments



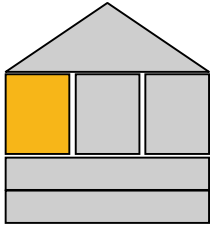
Medical packaging



Protective envelopes



Flexible packaging



MG/MF – Segments



Consumer bags



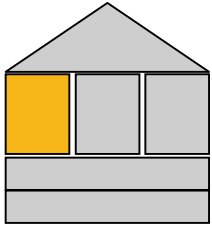
Form & Fill



Carrier bags



Carrier bags
– Fashion



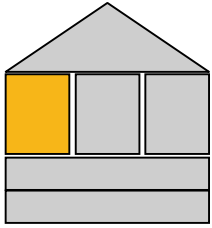
MG/MF – Segments

Release liner



Interleaving





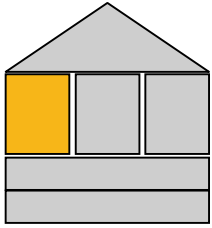
MG/MF – Segments



Ream wrap



Consumer wrap



Sack paper end-users (examples)



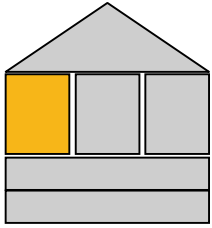
Building materials



Chemicals



Animal feed



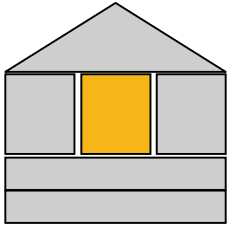
End-users for Billerud Containerboard (examples)



Fruit & vegetables

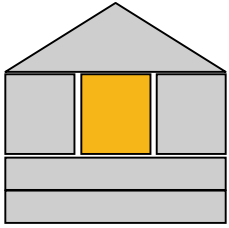


Beverages/Consumer goods



Operations

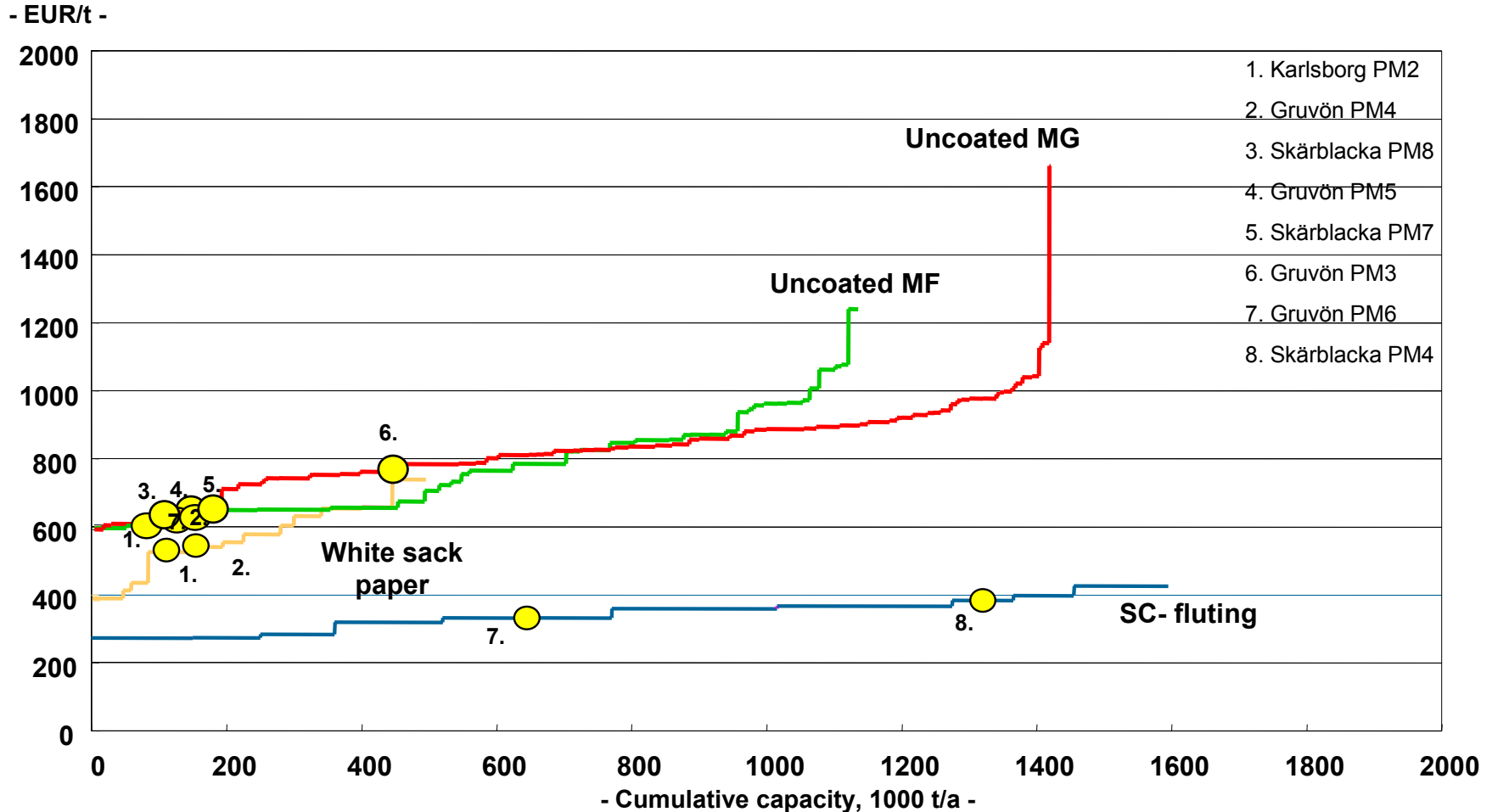
- Billerud mills have a competitive production cost and product quality position
- Streamlining projects and other synergies is improving profits by MSEK 200 up to end 2003
- Continuous improvement programmes in place to enhance productivity



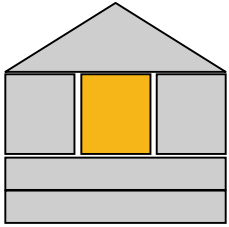
Competitive cost position - mill benchmark

Delivered costs to Frankfurt– Cost level 2001/II,

Trend exchange rates 1 USD = 0.91 EUR = 8.08 SEK; Trend prices for purchased pulp



Source : Jaakko Pöyry

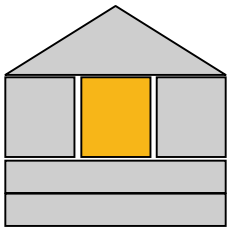


Earlier investments

- Investments 1995-2000

– Gruvön	MSEK 2 600
– Karlsborg/Skärblacka	MSEK 2 400
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– Total	MSEK 5 000

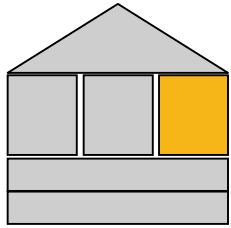
- Average capex/depreciations was 260% between 1995-2000



Future investments

Four different kinds of Investments

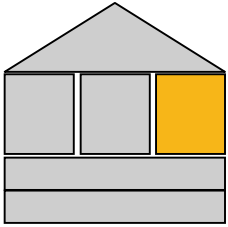
- Maintenance
 - Fluctuates, difficult to influence
 - Environmental
 - Projects in pipeline due to environmental legislations
 - “Grow with the market” (*secure competitiveness*)
 - Keep current market positions within core areas
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- Growth
 - Expand current platform through acquisitions or organic growth



Framework for acquisitions

Three conditions for acquisitions:

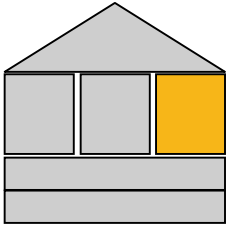
- Strategically right?
 - Are the activities in line with the prioritised growth products and segments for Billerud
- Possibilities for Billerud to manage the operations?
 - Should fit into the existing management structure – “The Billerud Way”
- Financially attractive
 - Should add to and not dilute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



Framework for organic growth

Three conditions for organic growth – after securing competitiveness

- Strategically right?
 - Are the activities in line with the prioritised growth products and segments for Billerud
- Develop the market
 - Market space must be created
- Financially attractive
 - Should add to and not dilute Billerud's long term key financials



Conclusions

- Billerud is well invested compared to it's competitors
- Grow with the market
- No growth objective but financial flexibility to add growth

Billerud vs. Forestry index



Index 100 = 2001-11-20. Updated to 2003-09-11. Source: ECOWIN

Billerud – investment considerations

- Strong market position in attractive segments
 - >50% of turnover in segments where Billerud is No. 1 or 2 in Europe
 - Markets with stable growth and low capacity additions
 - Few focused competitors
- Competitive production
 - Well invested mills
 - Economies of scale
 - Integrated production
 - Profit improvement from optimisation of production and past investments
- Significant pay-out to shareholders
 - High profitability
 - Disciplined capital expenditure