

# Billerud

Alfred Berg Seminar

Forest & Paper Products

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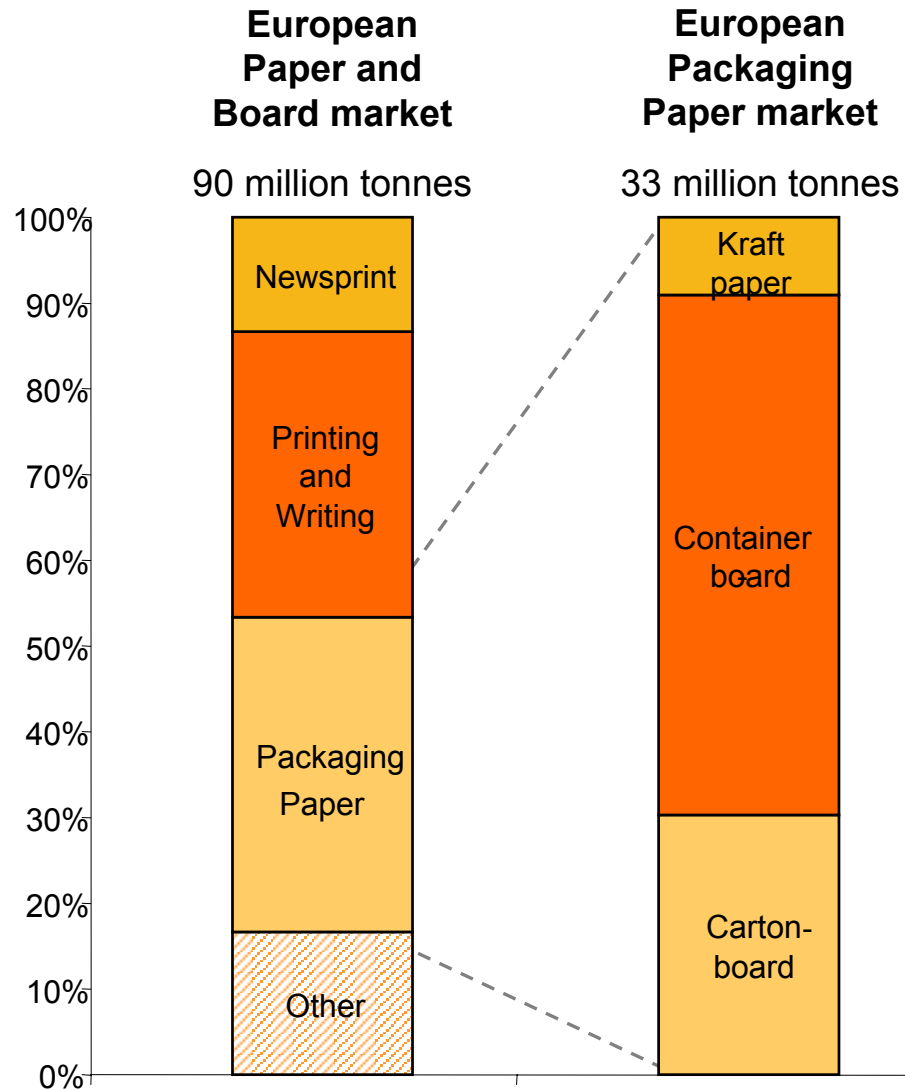
Bert Östlund, CEO



# Billerud

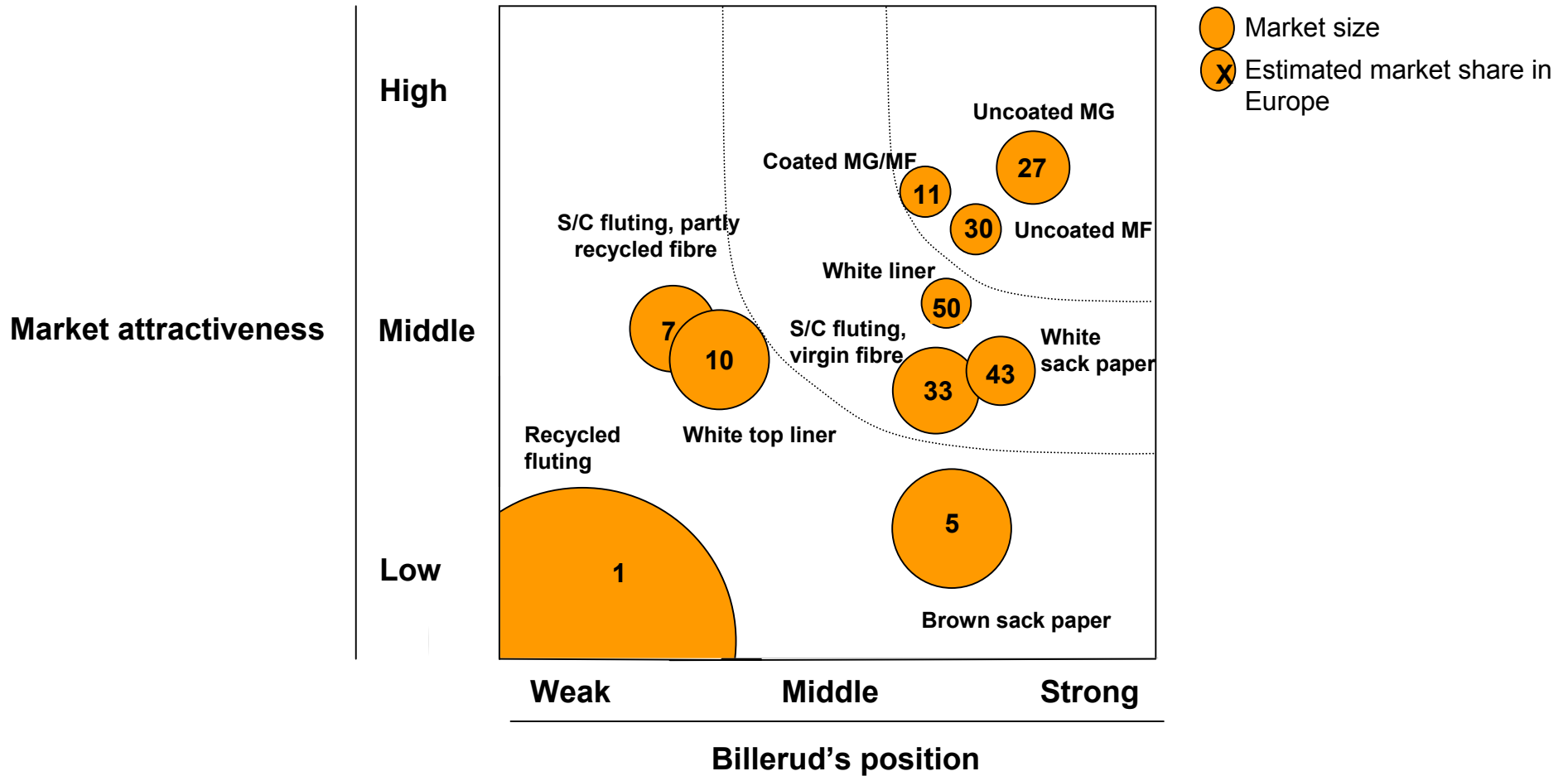
- Billerud is a leading producer within certain niches of kraft paper and containerboard in Europe
- Capacity 1.3 million tonnes of paper and pulp and about 2,400 employees
- Billerud had net sales of SEK 6.9 billion and an EBIT margin of 19 percent during 2001

# European paper market



Source: Jaakko Pöyry and Billerud

# Product positioning



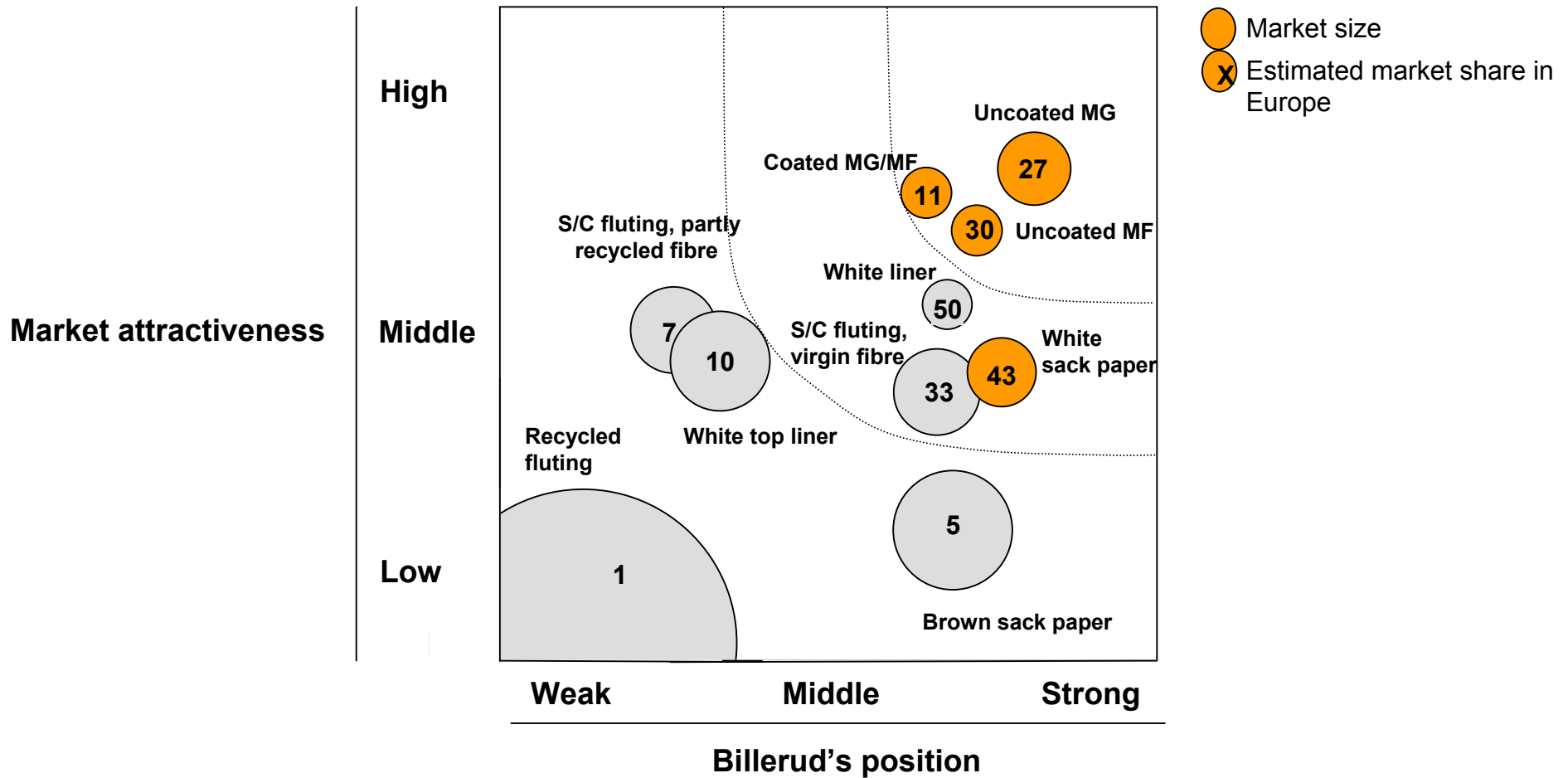
Source : Jaakko Pöyry, Paperloop, FAO, Billerud

# 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%

# Product positioning - Kraft paper

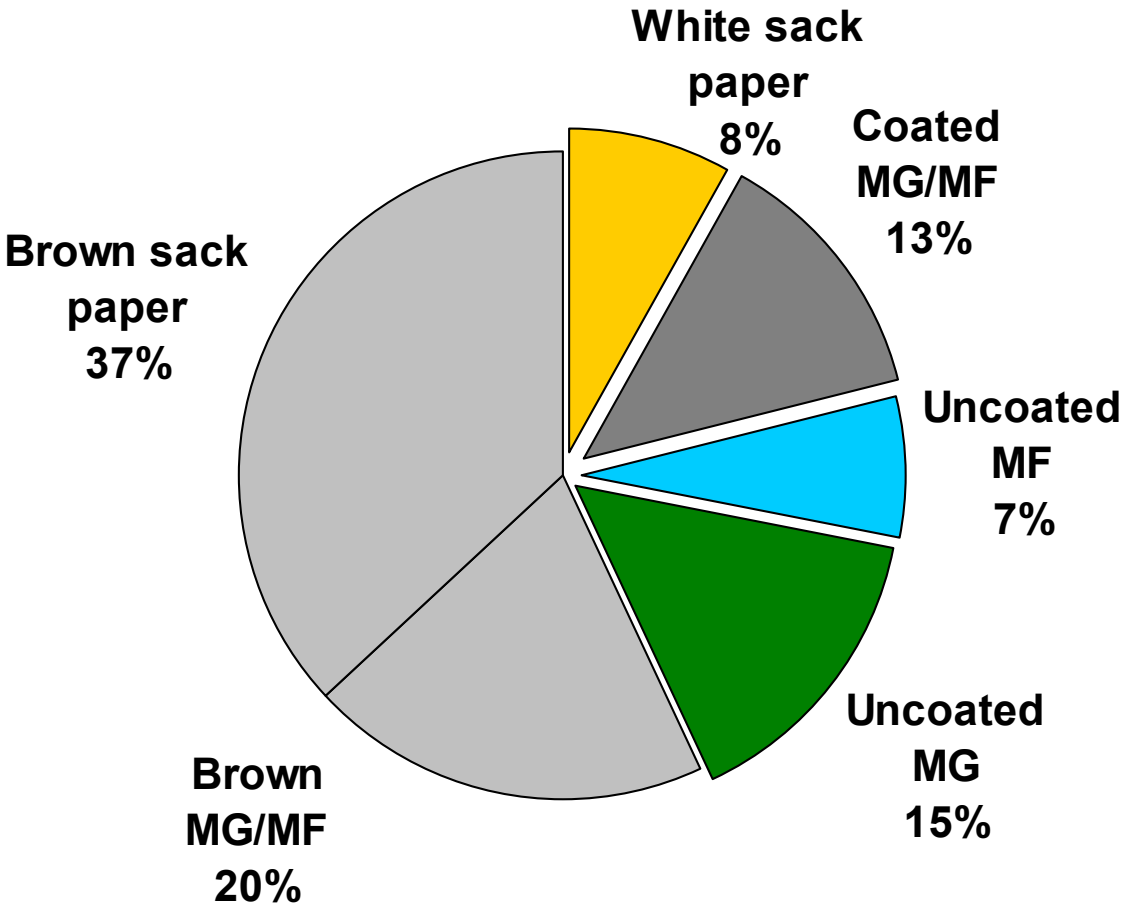


Source : Jaakko Pöyry, Paperloop, FAO, Billerud

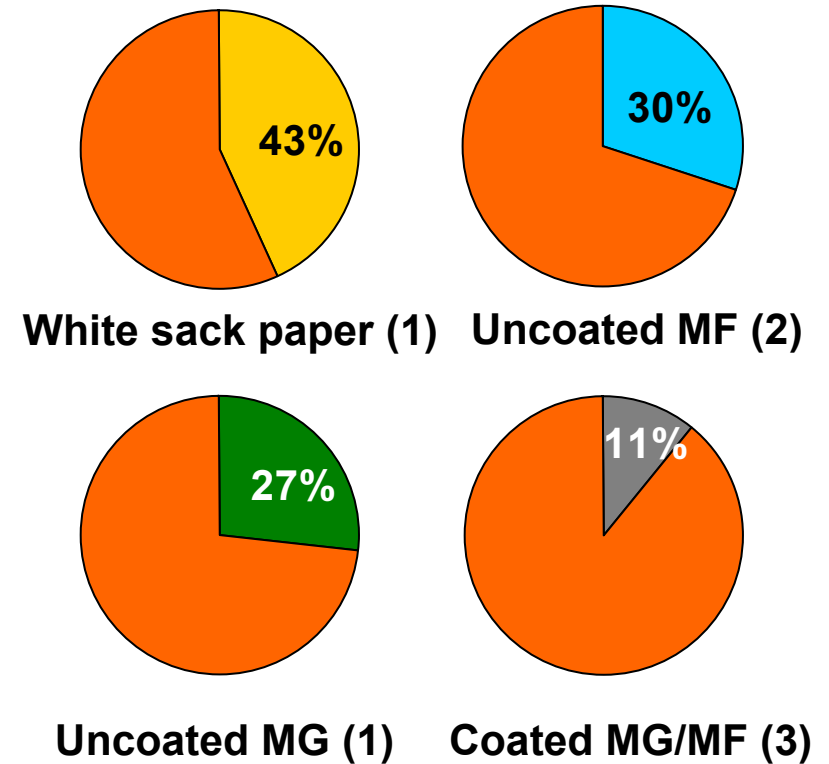
# Core areas in Kraft Paper

## European market

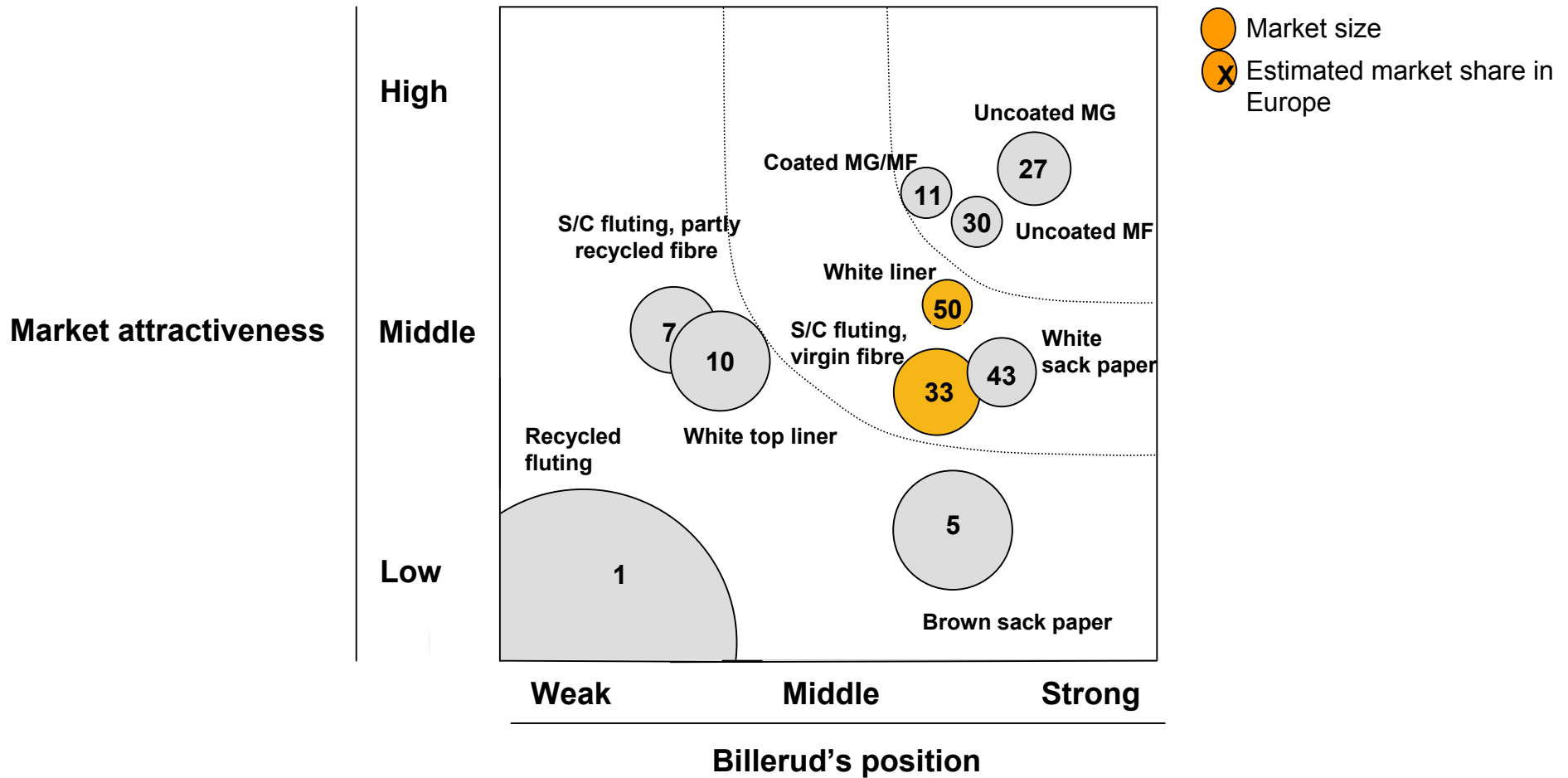
## Billerud market shares and position (x)



European market 3 million tonnes



# Product positioning - Containerboard

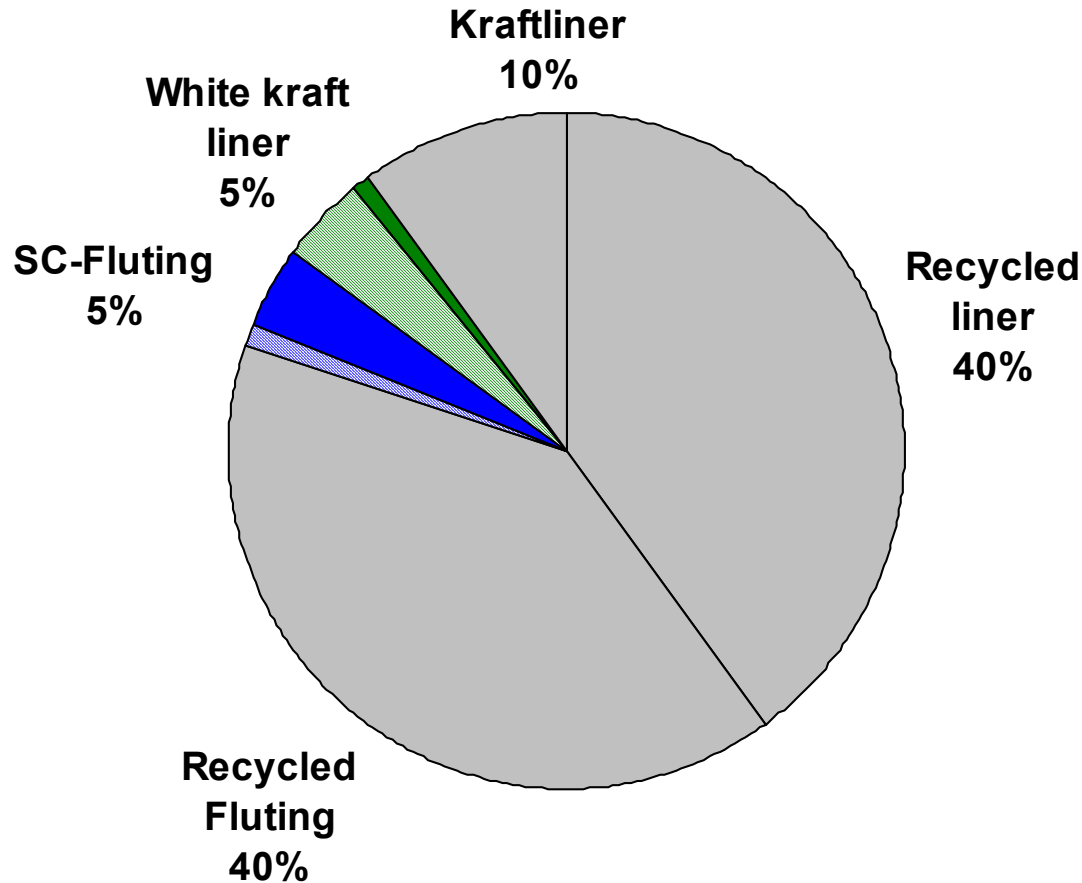


Source : Jaakko Pöyry, Paperloop, FAO, Billerud

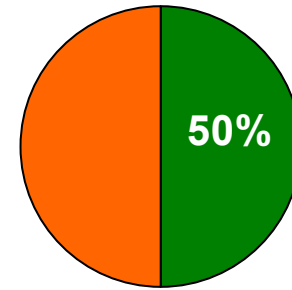
# Core areas in Containerboard

Share of European market

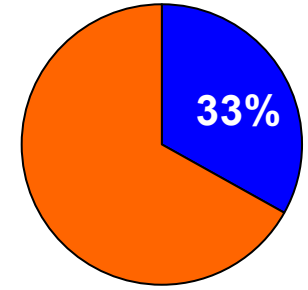
Billerud market shares and position (x)



European market 20 million tonnes



White liner (1)



SC-fluting (1)

# End-uses in Billerud core areas

	Food industry	Others
<u>Containerboard</u>		
– SC-fluting	80%	20%
– White liner	65%	35%
<u>Kraft paper</u>		
– White Sack paper	55%	45%
– Uncoated MF	25%	75%
– Uncoated MG	70%	30%
– Coated MG/MF	20%	80%
Total	65%	35%

- Billerud has higher exposure towards the food industry than the market in general

Source: Jaakko Pöyry, 2001

# Supply - demand balance

- Demand
- Capacity development
- Competitiveness and product quality

# Demand growth in Europe – Core areas

## Growth rate

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### Containerboard

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

### Kraft paper

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

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

# 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

# Billeruds' cost position

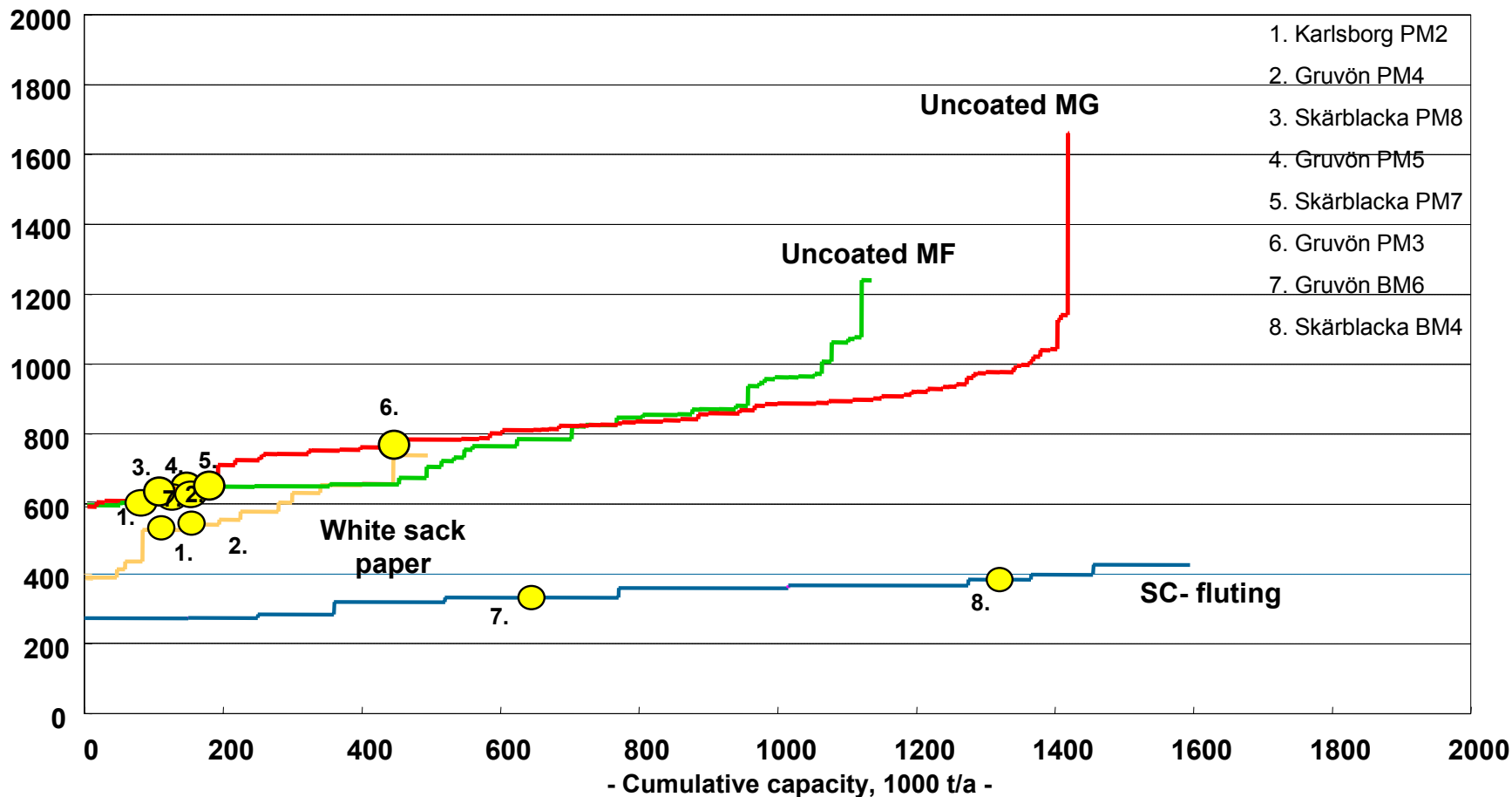
- Well invested mills
  - SEK 4 billion invested during 1996 – 2000  
(3.5× depreciation) increasing capacity and quality
- Economies of scale
- Integrated pulp and paper production creates cost advantage

# 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

- EUR/t -



Source : Jaakko Pöyry

# Supply - demand balance, summary

- Demand
  - Stable growth in Billerud niches
- Capacity additions
  - Billerud increases capacity
  - Several producers shut down PM's
  - Low general capacity growth
- Competitiveness and product quality
  - Large differences in cost and quality positions between producers
  - Billerud has a competitive cost position and high quality products

# Conclusions

- Good balance between demand and supply
- Billerud has a strong position in core areas

# 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