

# Billerud

## Carnegie

### Nordic Small & Midcap Seminar 2002

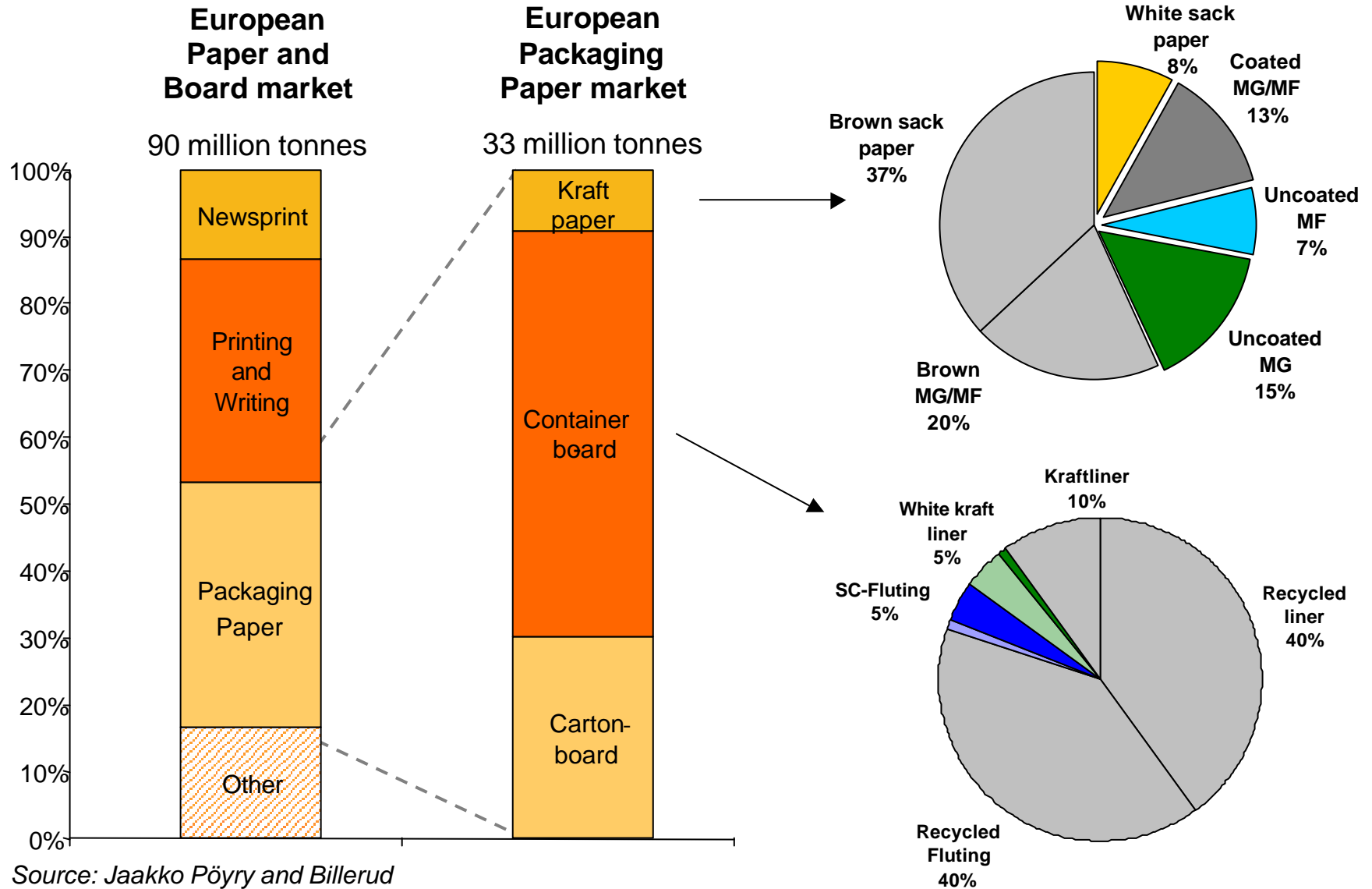
7 October, 2002  
Bert Östlund, CEO



# 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

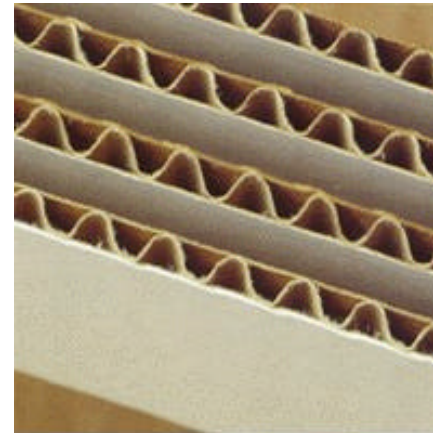


# Examples of products

## Kraft paper



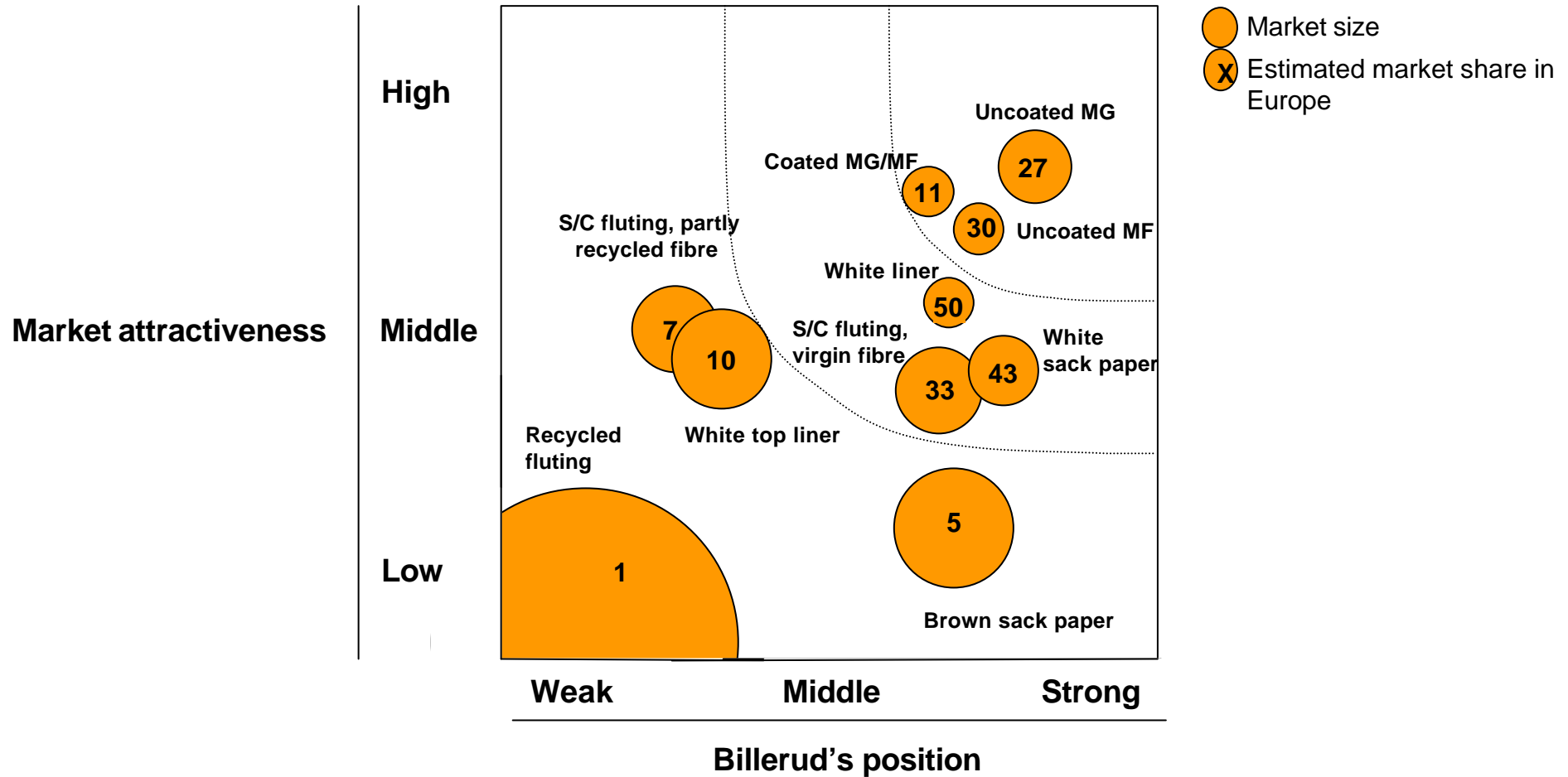
## Containerboard



# Billerud – investment considerations

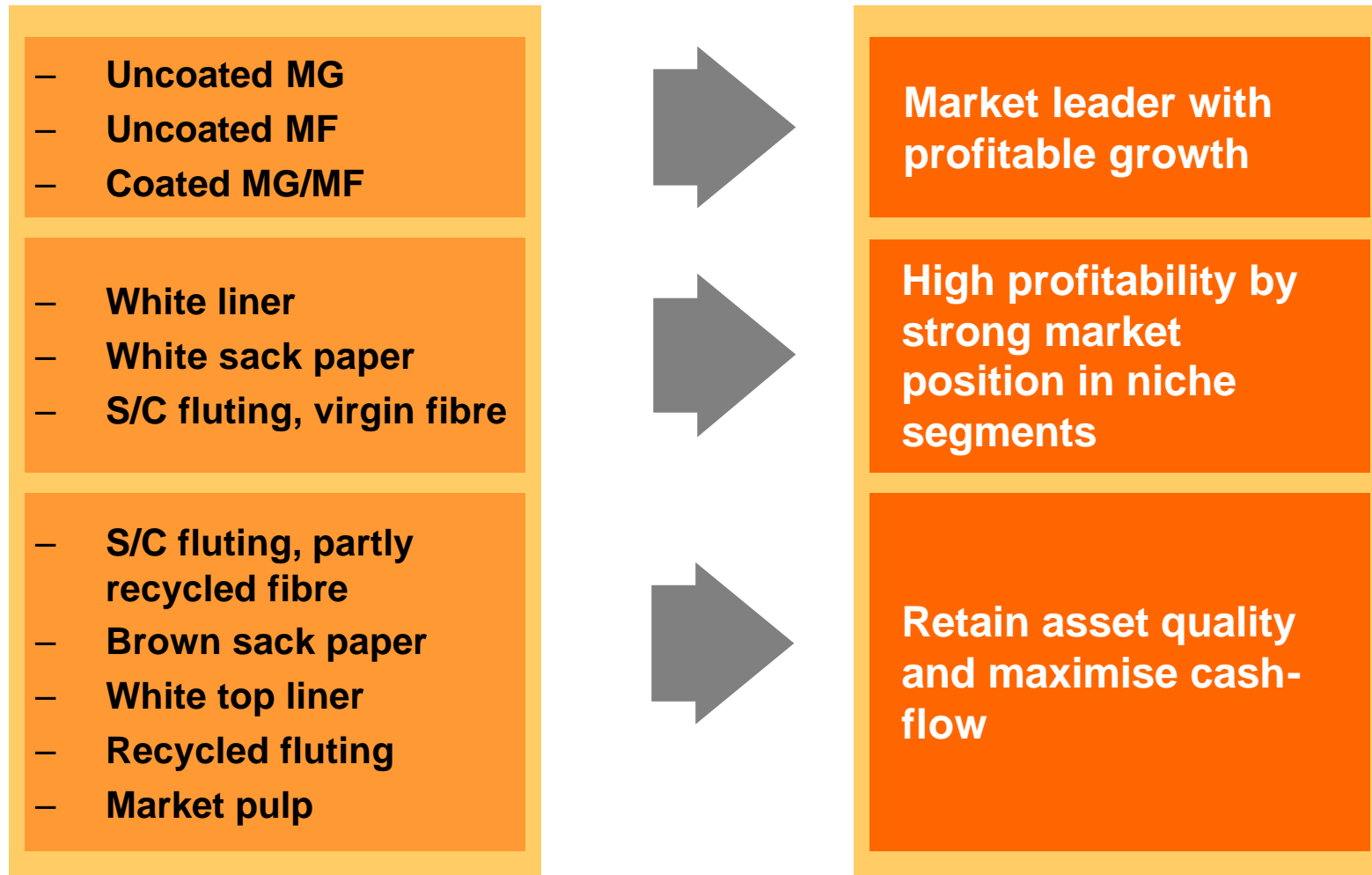
- Strong market position in attractive segments
  - >50% of turnover in segments where Billerud is No. 1 or 2 in Europe
  - Markets with stable growth and low capacity additions
  - Few focused competitors
- Competitive production
  - Well invested mills
  - Economies of scale
  - Integrated production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

# Product positioning



Source : Jaakko Pöyry, Paperloop, FAO, Billerud

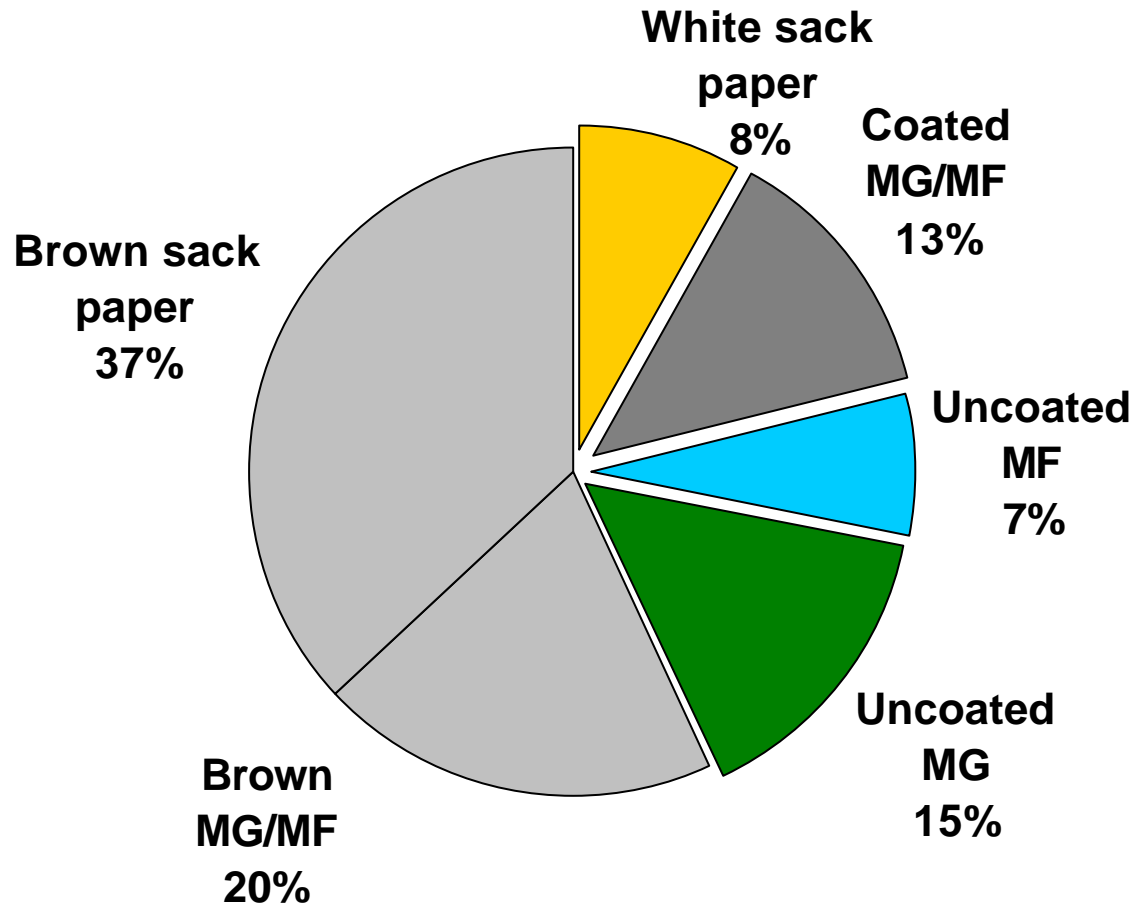
# Product strategy



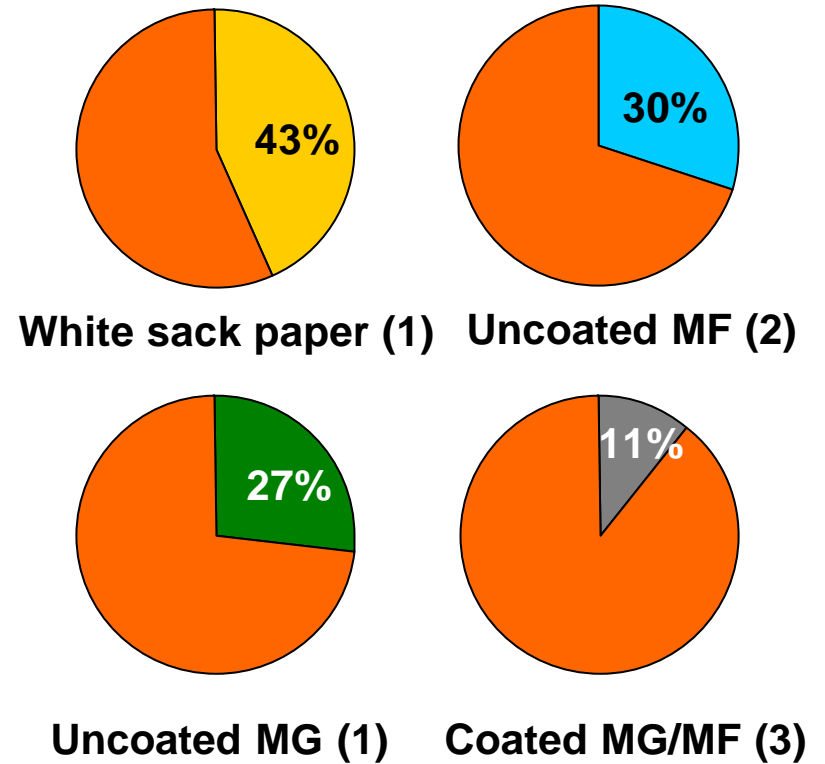
# Core areas in Kraft Paper

European market

Billerud market shares and position (x)



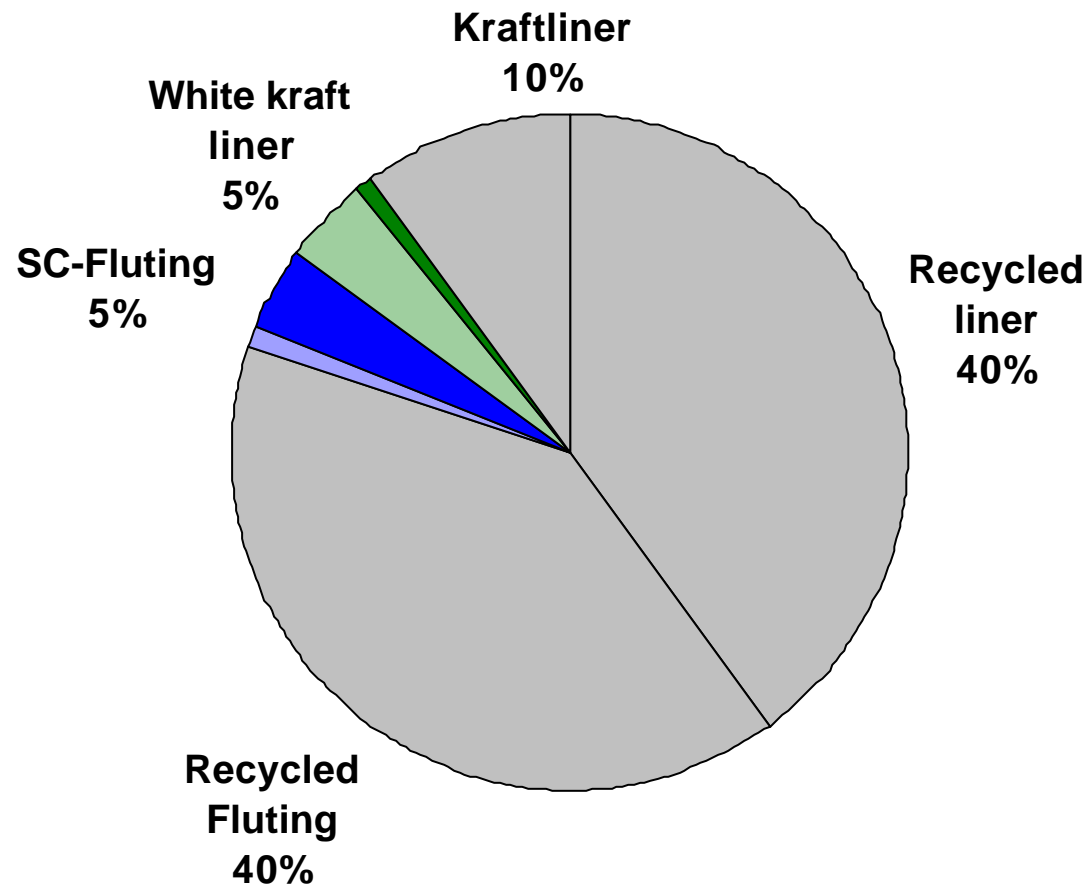
European market 3 million tonnes



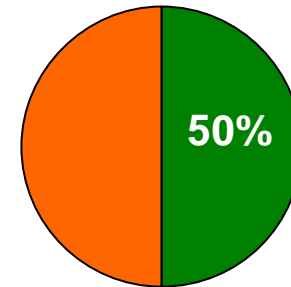
# Core areas in Containerboard

Share of European market

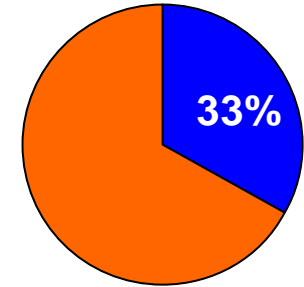
Billerud market shares and position (x)



European market 20 million tonnes



White liner (1)



SC-fluting (1)

# 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
<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

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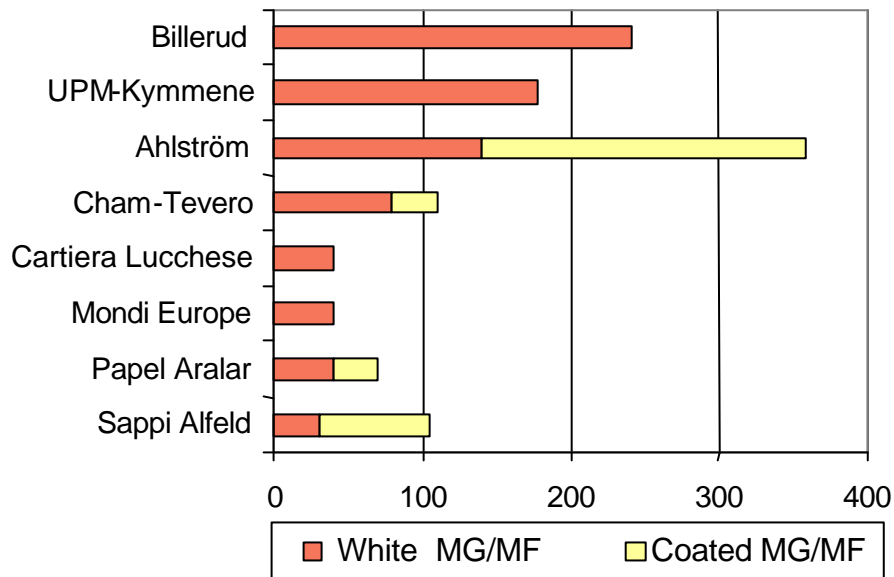
Total in Billerud markets	+2%
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Source: Jaakko Pöyry, 2001

# Competitive landscape - Kraft paper

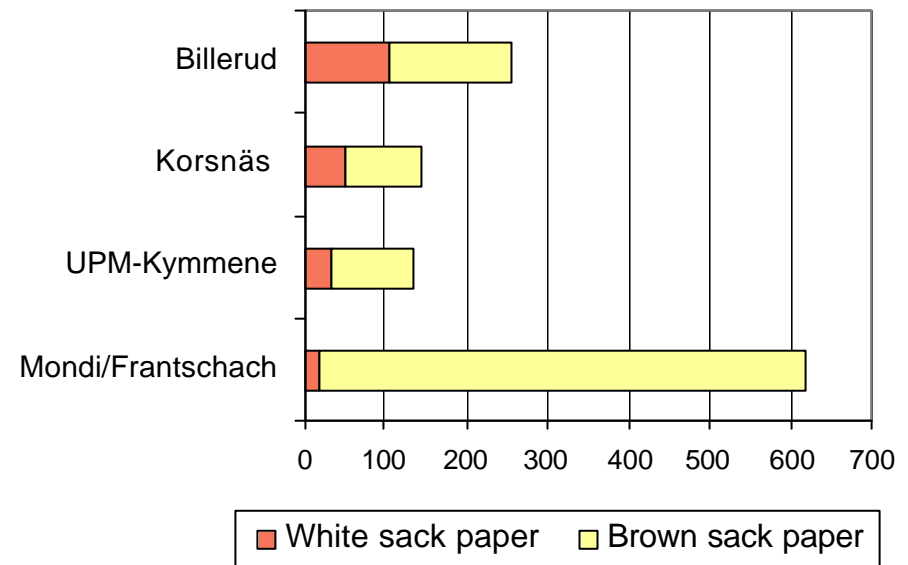
## Technical kraft paper

European capacity (1 000 tonnes)



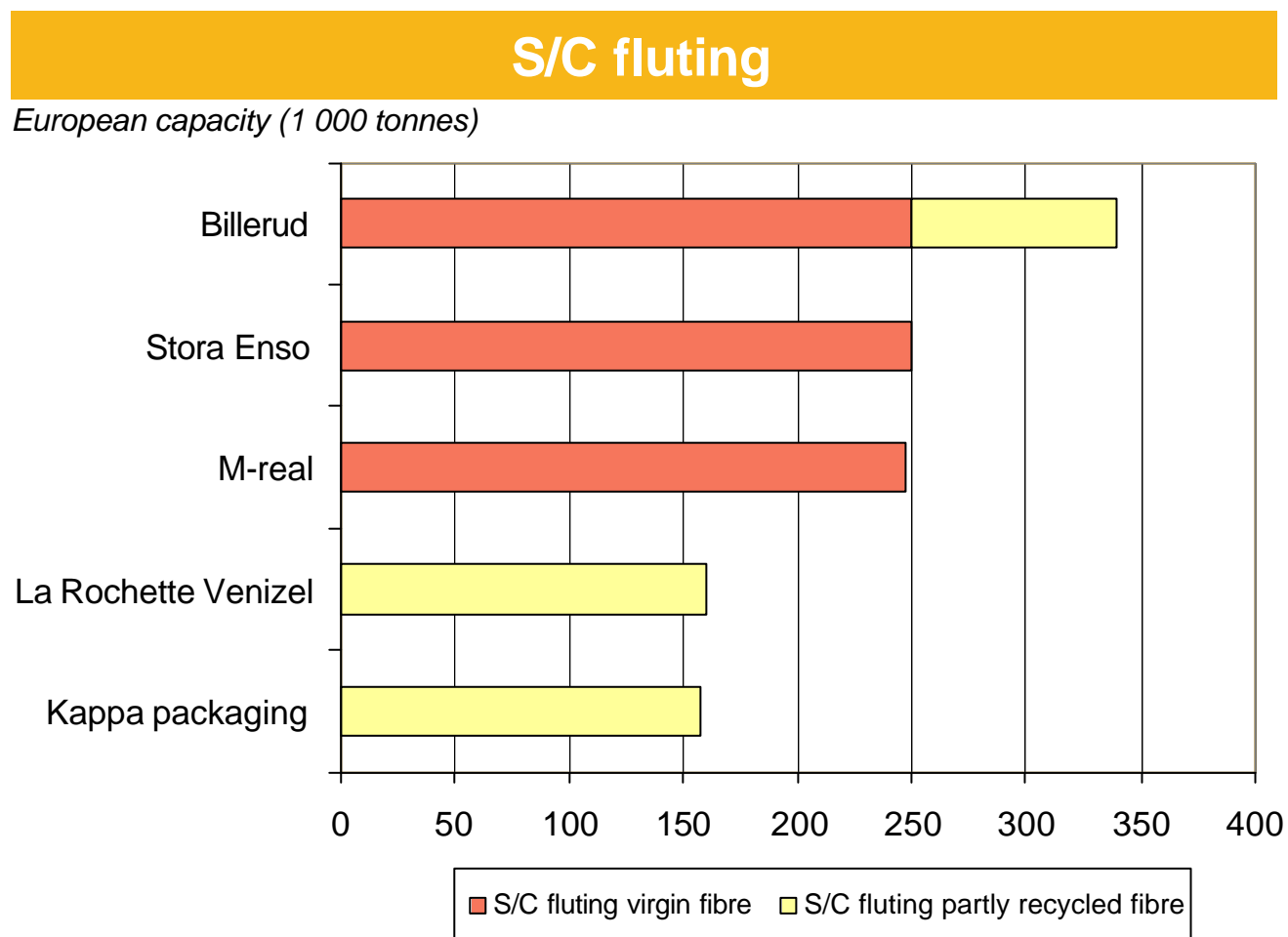
## Sack paper

European capacity (1 000 tonnes)



Source : Jaakko Pöyry

# Competitive landscape - Containerboard



Source : Jaakko Pöyry

# 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

# Competitive production

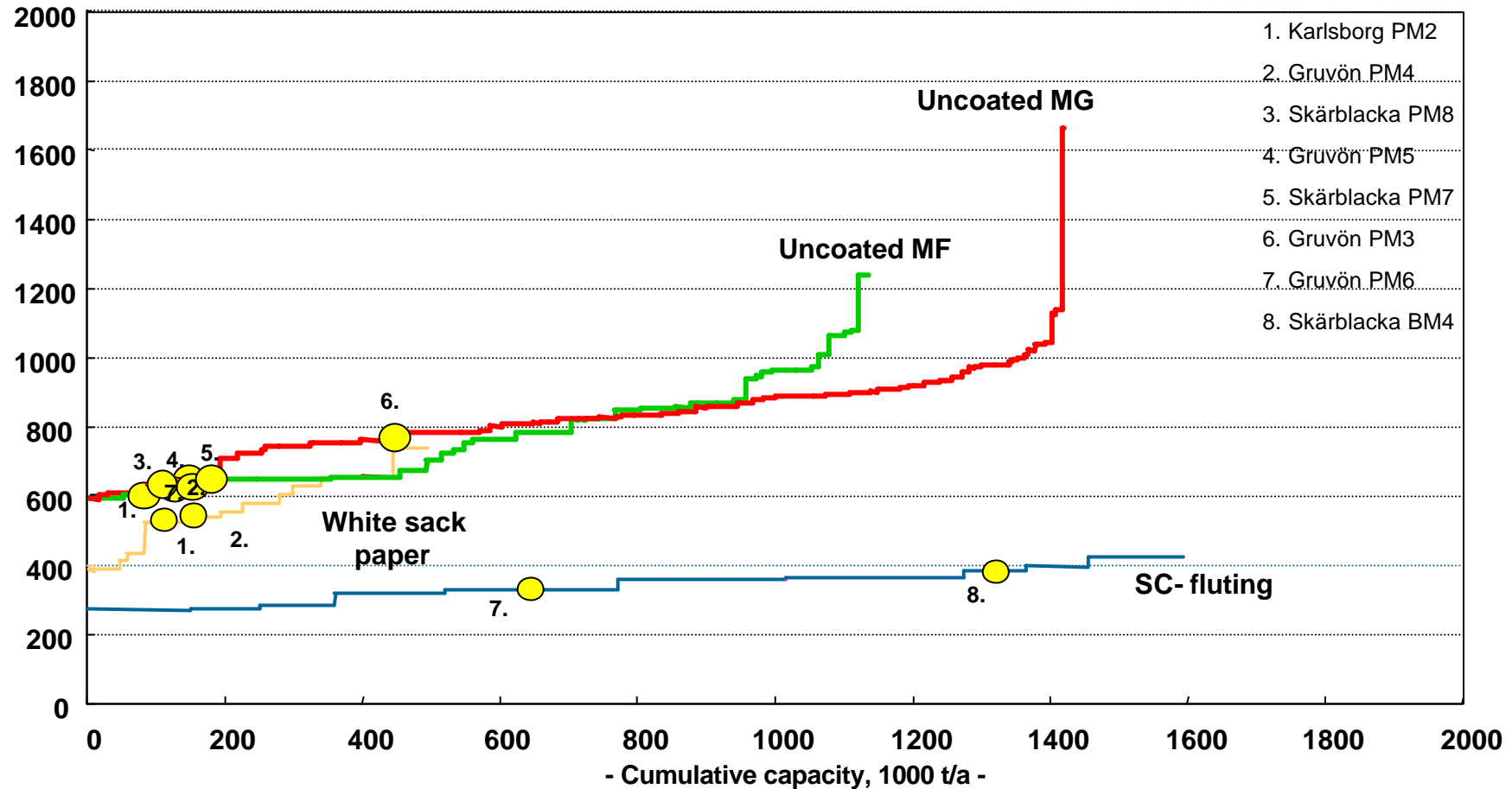
- Well invested mills
  - SEK 4 billion invested during 1996 – 2000 (3.5× depreciation) increasing capacity and quality
- Economies of scale
- Integrated pulp and paper production creates cost advantage
- Profit improvement SEK 200 million (~3% of sales) from optimisation of production and past investments

# 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

# Billerud – investment considerations

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# Financial objectives

	Target	Achieved Q2
Return on capital employed	$\geq 15\%$ <sup>1)</sup>	21% <sup>2)</sup>
Debt/equity ratio	0.6-0.9	0.64
Investments	In line with depreciation	Yes
Pay-out ratio	50% <sup>1)</sup>	

1) Average over a business cycle

2) Moving 12 months

## Key figures Q2 2002

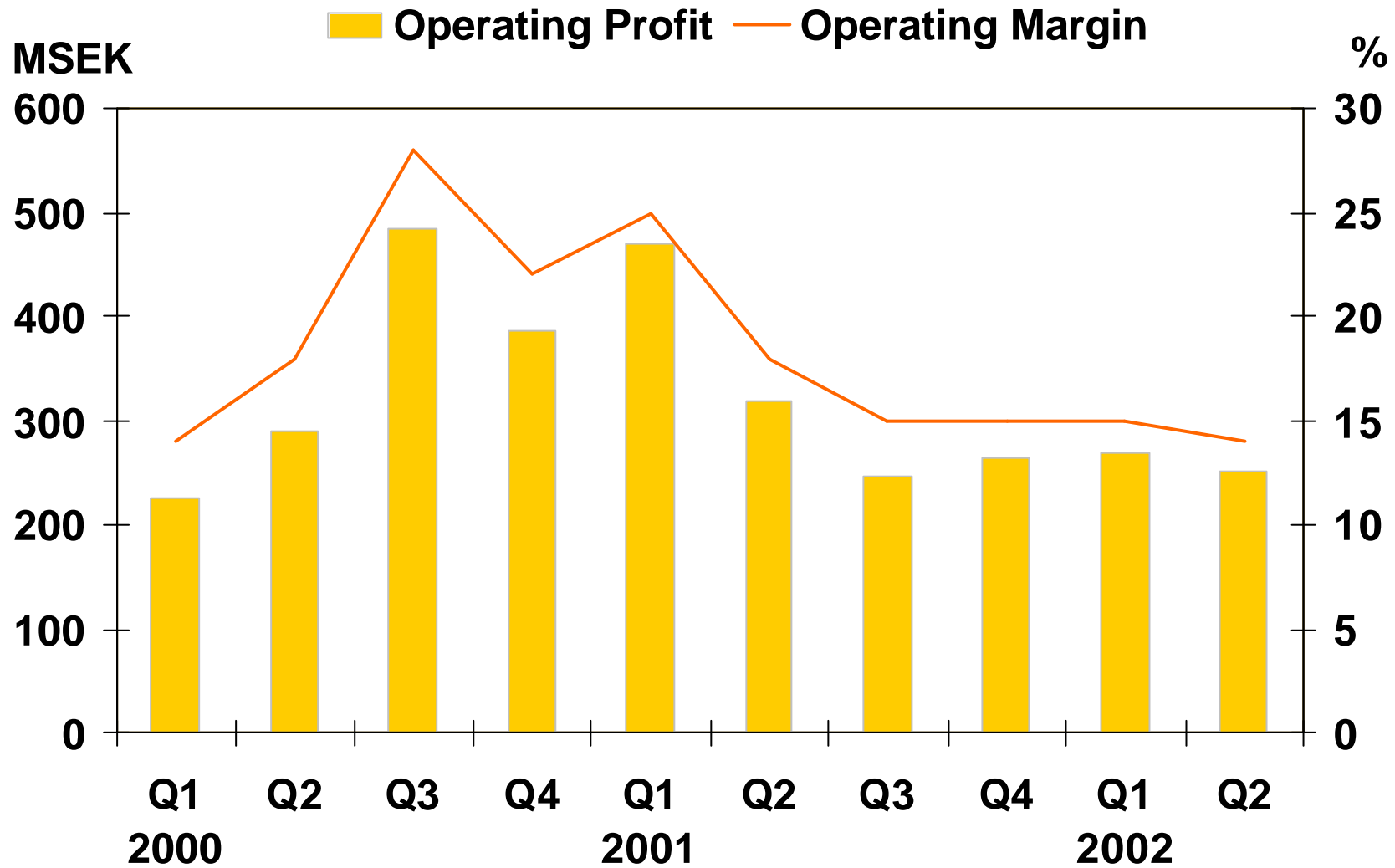
	Q2 2002	vs Q1 2002	H1 2002	vs H1 2001
Net sales, MSEK	<b>1,772</b>	+1%	3,528	-2%
Operating profit, MSEK	<b>251</b>	-6%	519	-34%
Operating margin, %	<b>14</b>	-1	15	-7
ROCE <sup>1)</sup> , %	<b>21</b>	-2	21	-13
Profit/share, SEK	<b>2.64</b>	-6%	5.46 <sup>3)</sup>	-35%
Debt/Equity ratio <sup>2)</sup>	<b>0.64</b>	+0.13	0.64	-0.13
Deliveries, ktonnes	<b>333</b>	+/-0%	666	+10%

1) Moving 12 months

2) End of period

3) Number of shares: 62,503,294 (adjusted after share buy-backs).

# Operating margin development



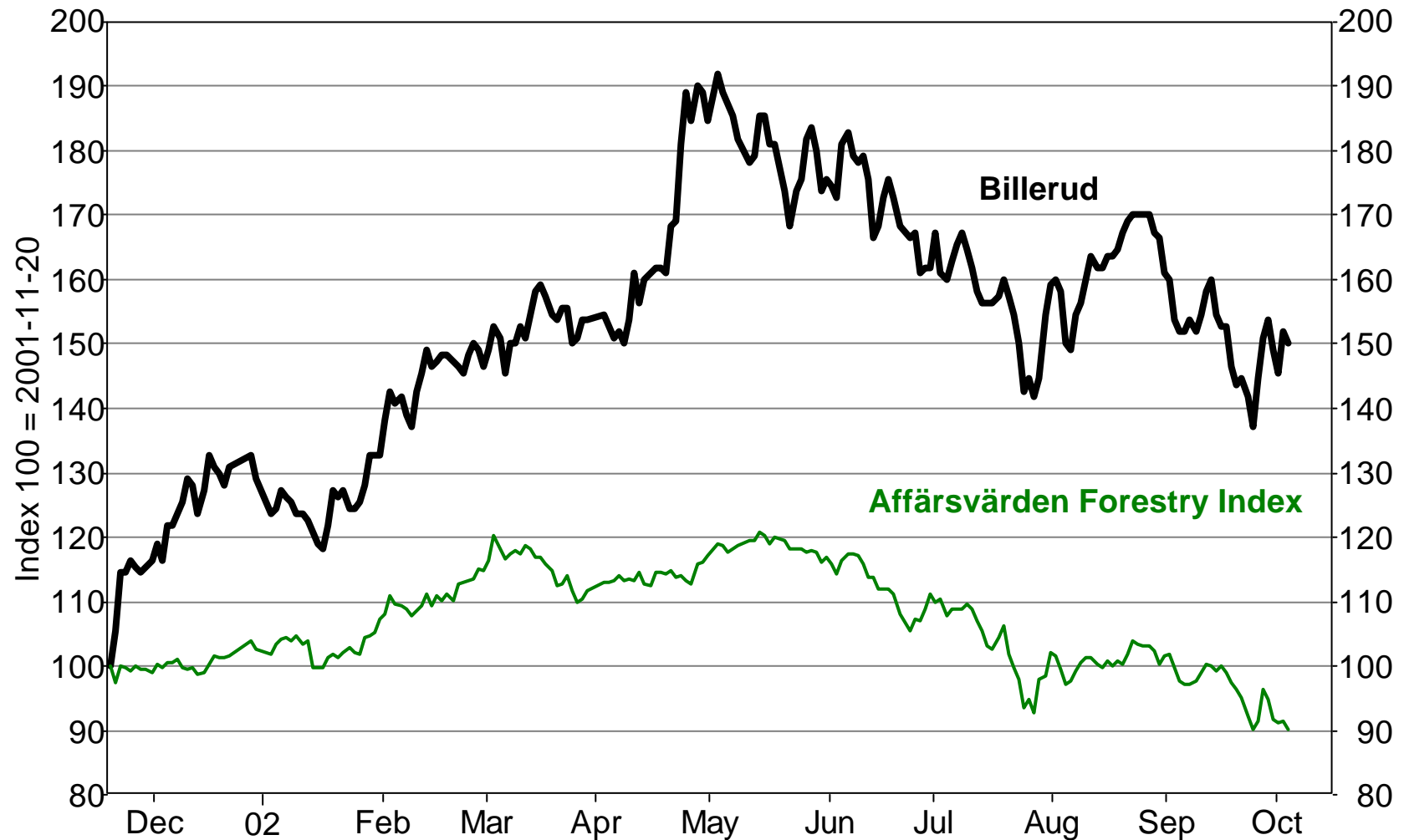
# Cash flow

MSEK	H1 2002	H1 2001	Year 2001
Operating surplus	<b>700</b>	961	1,633
Working capital change	<b>+23</b>	-208	-146
Finance net, taxes	<b>-205</b>	-55	-170
Cash flow from operating activities	<b>518</b>	698	1,317
Capex etc	<b>-186</b>	-198	-443
Operating cash flow	<b>+332</b>	+500	+874
Dividends/share buy backs	<b>-492</b>		
Other	<b>+3</b>		
Change in net debt	<b>-157</b>	+500	+874

# The Billerud share

- Total amount of shareholders is around 172 400
  - 1/3 Swedish private individuals
  - 1/3 Swedish institutions
  - 1/3 Foreign institutions
- Average daily turnover is approx. 460 000 shares
- Repurchase programme
  - Billerud has bought back 4,8 million shares, corresponding to 7,7% of outstanding shares
- During 2002 MSEK 662 has been transferred to the shareholders
  - Dividend MSEK 220
  - Repurchases MSEK 442

# Billerud vs. Forestry index



Index 100 = 2001-11-20. Updated to 2002-10-03 Source: ECOWIN