BILLERUD

Billerud AB

Aktiespararna i Kalix

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Per Lindberg, CEO
Billerud AB

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Billerud in brief

- Leading supplier of speciality products for consumer and industrial packaging
- Sales turnover SEK 7,4 billion
- EBIT MSEK 552 in 2006
- 2,400 employees in 11 countries

Production sites

Four mills with a total capacity of 1.4 million tonnes of packaging paper and market pulp

- **Gruvön**
  - » 680 kton
  - » Liner, fluting, MG, Sack paper, MF Kraft, Market Pulp
- **Karlsborg**
  - » 300 kton
  - » Sack Paper, Market Pulp
- **Skärblacka**
  - » 400 kton
  - » MG, Sack Paper, Fluting, Market Pulp
- **Beetham**
  - » 40 kton
  - » MG

Highlights 2006

- Strong market conditions throughout 2006
- Price increases exceeds increase in variable costs
- Reduction of fixed costs
- Savings programs on track during 2006

- EBIT MSEK 552, an increase of 176% (7% EBIT margin)
- Return on capital employed 11%
- Return on equity 12%

Key figures
2006 vs 2005

	2006	2005	Change
Deliveries (‘000 tonnes)	1,364	1,351	+1%
Net sales, MSEK	7,369	6,823	+8%
Operating profit, MSEK	552	-200	+752
Operating margin	7%	-3%	+10
Profit/share, SEK	6.08	-3.56	+9.64
Debt/Equity ratio	0.94	0.99	-0.05

Key figures
Q4 vs. Q3 2006

	Q4 2006	Q3 2006	vs. Q3 2006
Deliveries (‘000 tonnes)	339	338	+/– 0%
Net sales, MSEK	1,867	1,878	– 0.6%
Operating profit, MSEK	176	205	- 14%
Operating margin	9%	11%	-2
Profit/share, SEK	1.75	2.52	-31%
Debt/Equity ratio	0.94	0.98	-0.04

Business areas and segments

Packaging & Speciality Paper

MG, MF & Sack Paper

Packaging Boards

S/C Fluting, Liner, Liquid Board

Market Pulp

Nordic Bleached Softwood Kraft Pulp

Packaging & Speciality Paper

55% of total sales

545 000 tonnes

End Use Areas

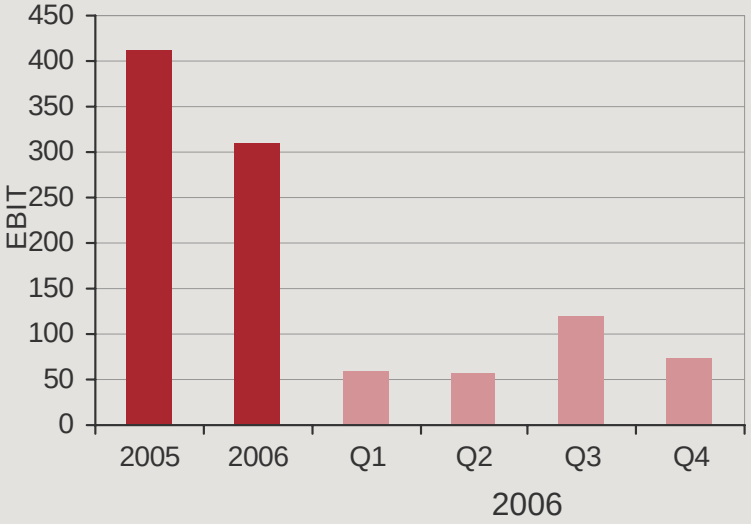
- Carrier Bags & Small Bags
- Packaged Food
- Medical Areas
- Release Liner
- Interleaving
- Sacks

Important Criteria

- Strength
- Runnability
- Printability
- Purity & Porosity

Packaging & Speciality Paper
Financials

- Deliveries -3% vs. Q3-06, +/- 0% 2006 vs. 2005
- Turnover -1% 2006 vs. 2005
- Prices + 3% in 2006 (local currencies)



	Q4 2006	Q3 2006	2006	2005
Net sales, MSEK	908	950	**3,709**	**3,751**
Operating profit, MSEK	73	118	**309**	**411**
Operating margin	8	12	**8**	**11**

Packaging Boards

30% of total sales

530 000 tonnes

End Use Areas

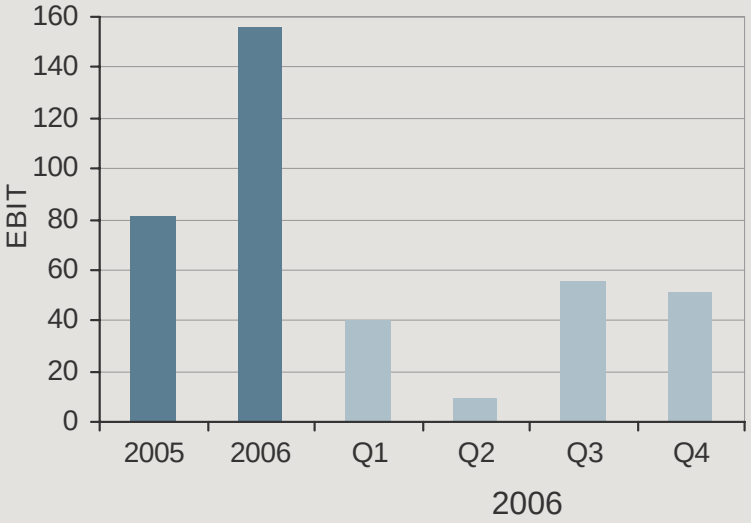
- Fresh fruit and vegetables
- Milk and other bewerages
- Consumer goods
- Gifts and cosmetics

Important Criteria

- Strength
- Purity
- Printability
- Runnability
- Top performance in humid environment

Packaging Boards
Financials

- Deliveries –2% vs. Q3-06, +/–0% 2006 vs. 2005
- Turnover +5% 2006 vs. 2005
- Prices + 13% in 2006 (local currencies)



	Q4 2006	Q3 2006	**2006**	**2005**
Net sales, MSEK	552	541	**2,169**	**2,058**
Operating profit, MSEK	51	56	**156**	**81**
Operating margin	9	10	**7**	**4**

Market Pulp

15% of total sales

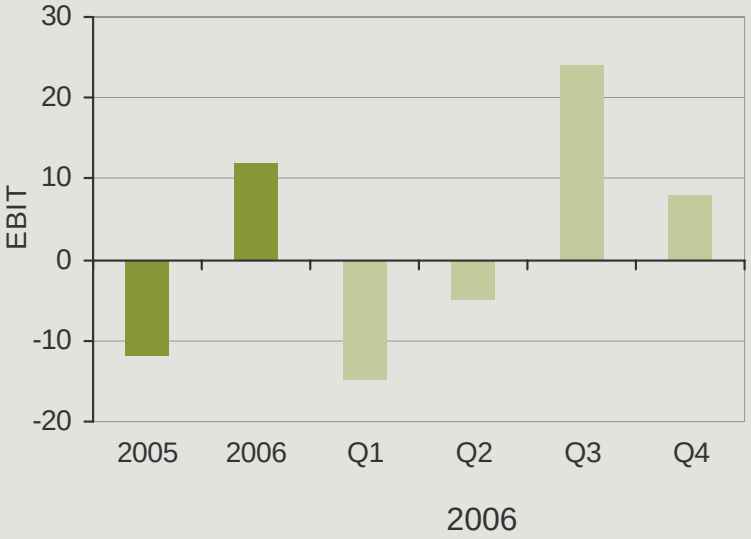
350 000 tonnes

End Use Areas

- **Uncoated/Coated Fine Paper**
- **LWC**
- **Tissue**
- **Kraft Paper**
- **Label Paper**

Market Pulp
Financials

- Deliveries +7% vs. Q3-06, +5% 2006 vs. 2005
- Turnover +13% 2006 vs. 2005
- Prices + 20% in 2006 (USD)



	Q4 2006	Q3 2006	**2006**	**2005**
Net sales, MSEK	338	356	**1,348**	**1,197**
Operating profit, MSEK	8	24	**12**	**–12**
Operating margin	2	7	**1**	**–1**

Cost reduction programs

- Energy program
  - » On track
  - » Investment 1050 MSEK, total savings above 250 MSEK
  - » Savings of 90 MSEK expected in 2007
  - » Increased depreciation 50 MSEK

- Billerud 2007
  - » On track 2006
  - » Total savings 250 MSEK (vs. 2004)
  - » Program partly delayed in Gruvön and Beetham
  - » Full effect expected Q4, 2007

Wood
Raw material supplies

- Increased prices during 2006
- Difficult supply situation due to warm winter in beginning of 2007.
- Cost increase for Q1 2007 estimated to 50 MSEK compared to Q4.

- Total consumption 5,4 million m3fub
- Import share around 20-25%
- Main import from Latvia, Lithuania, Estonia, Finland and Norway

Outlook

- A continued strong market in 2007 is expected, with potentials for further price increases in local currencies.
- At current price levels, wood costs will increase 50 MSEK in Q1, 2007
- Cost savings programs will continue to decrease costs

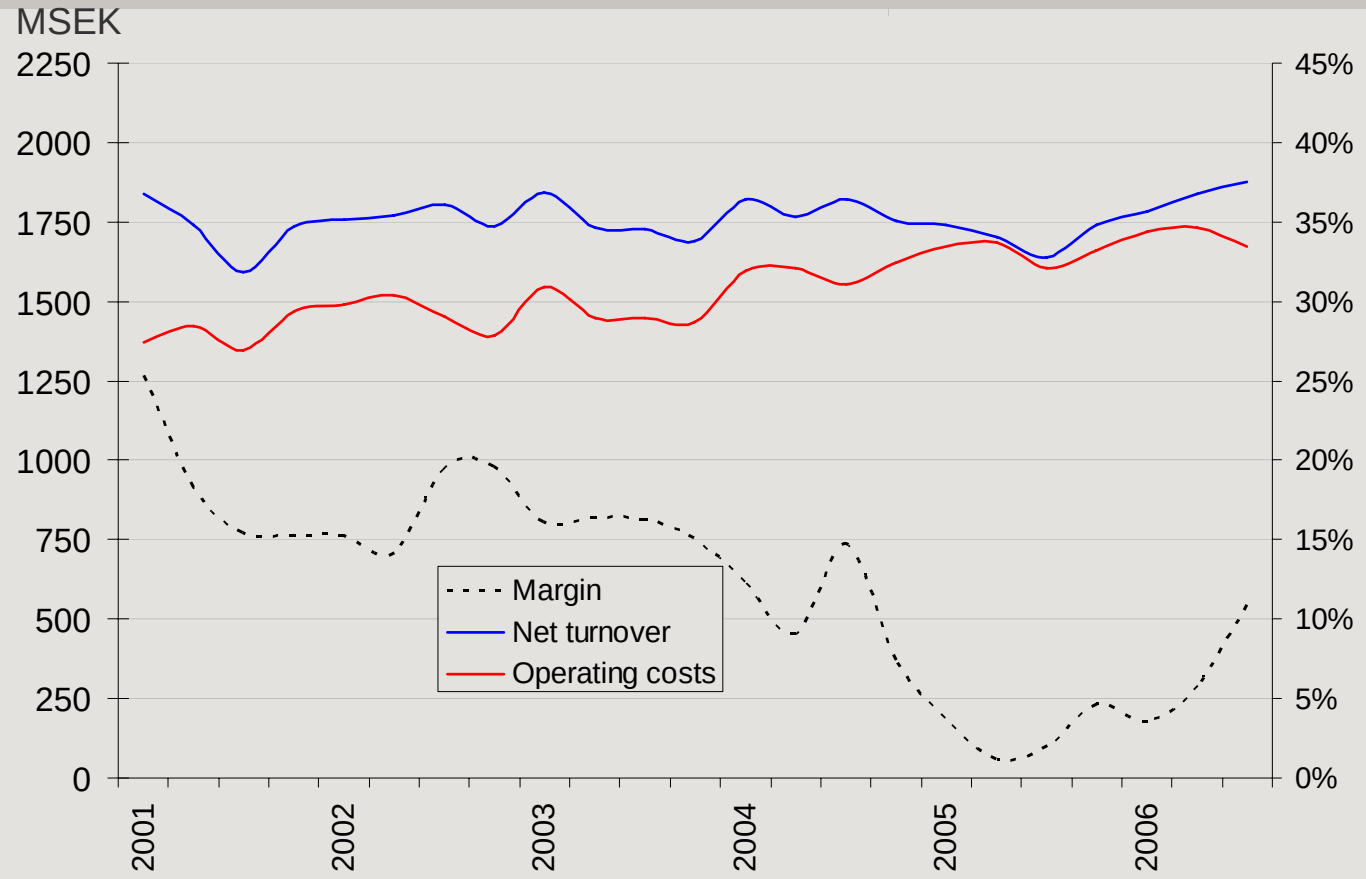
Future

Storm?

Challenges to profitability

- Rising global cost trends for wood fibre, electricity and oil
- Currency fluctuations – weak USD
- Cyclicality of market pulp price
- Lower growth rates in Europe
- Highly fragmented – highly competitive industry

Sales and operating profit 2001-2006



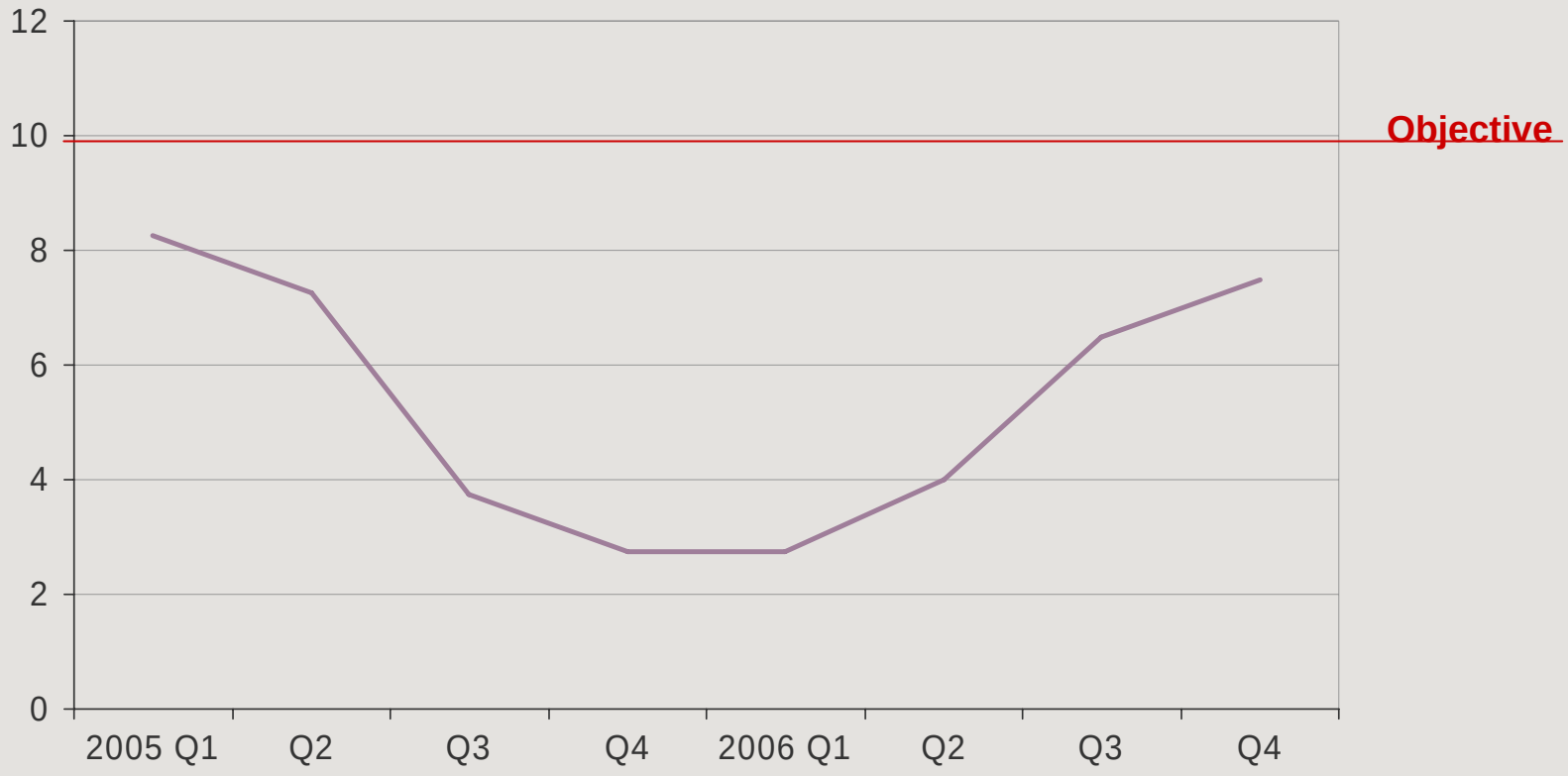
Margin and operating costs data exclude MSEK 400 non-recurring item for ”Billerud 2007” in 2005

Actions initiated 2005/06

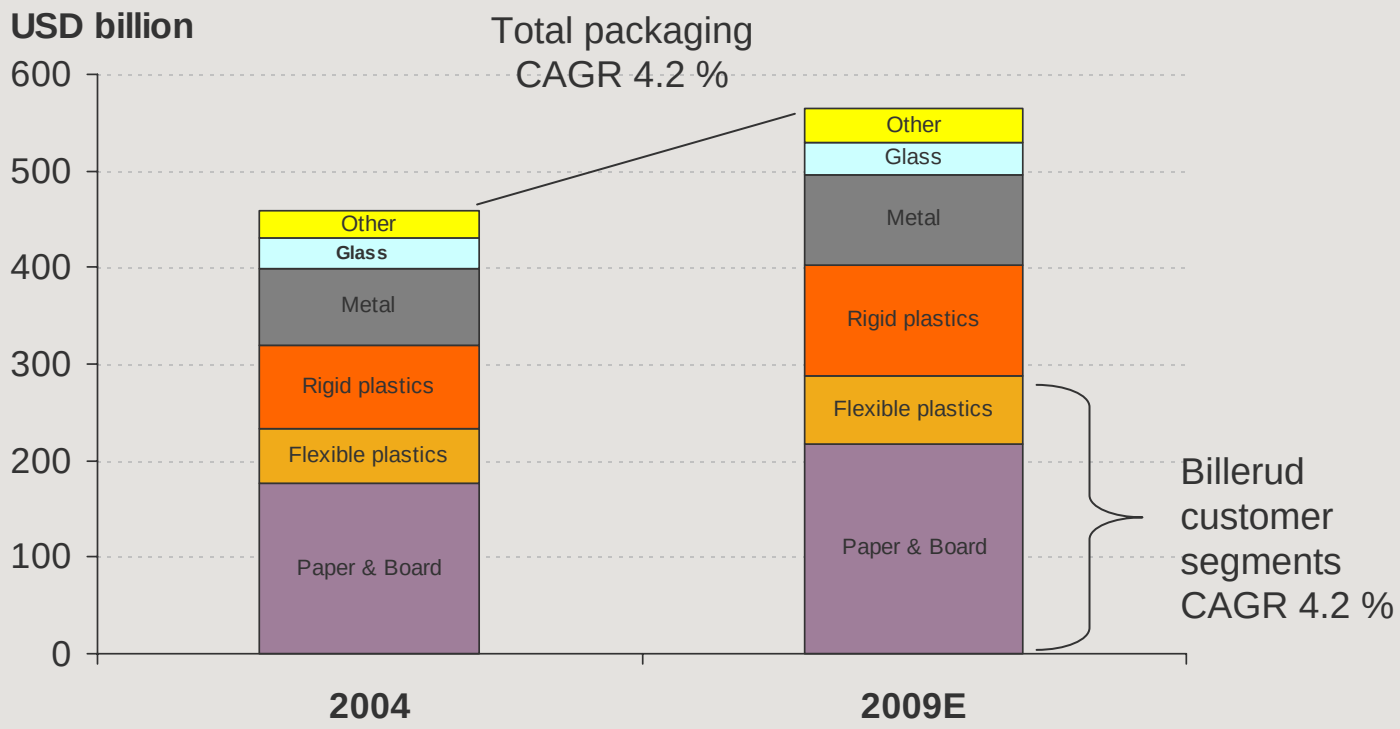
- Cost savings program – speed up implementation of “Billerud 2007”
- Customer focus - new organization with Business areas
- Head office control strengthened - renewed focus on management by objectives
- Initiated steps in marketing activities to target the full length of the packaging value chain
- Full review of strategy and financial targets

EBIT-margin is improving

Rolling 12 months figures,excl. one time costs 2005



Packaging is a growing industry
- World packaging consumption



Source: Billerud och Packforsk estimates

The market presents opportunities

- Size and growth
- Neglected paper promotion
- Fragmented value chains
- Recent trends favour paper
  - » Branding
  - » Environment

- Current strength position in priority segments will be exploited

Billerud strategy – key components

New business growth

People & Organisation

Competencies & Capabilities

Operational excellence

Sales & Business development

Billerud Operational Excellence program

- Company-wide productivity program to increase cost efficiency
- 100 000 tons production volume increase
- Energy efficiency programs
- Centralized purchasing and logistics
- Selective investments to increase competitiveness
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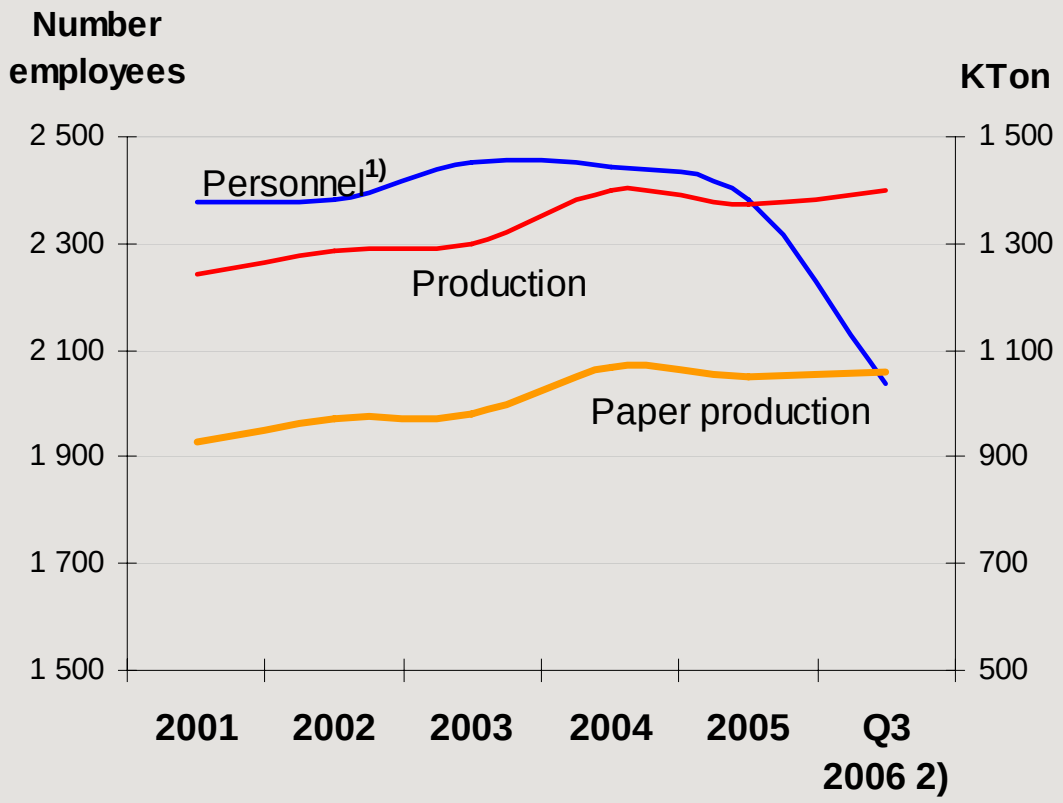
Volume increase and cost reduction

- Target 2010: +100,000 tonnes of paper



1) For comparable units 2) Data for 2006 are Q3 annualized

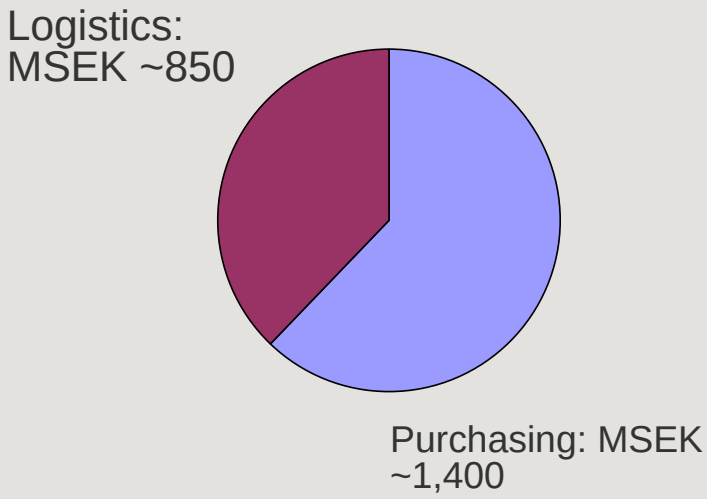
Investments

- Secure operational excellence
  - Selective investments in existing production – primarily to further improve quality
- Support growth strategy
  - Extending our offer along the full length of the value chain, means adding capabilities, competencies, concepts, and some-times also capacity
  - Acquire or cooperate to enhance our offer
  - Willing to invest in new geographical markets in limited scale
- "Opportunistic" acquisitions
  - Opportunities that arise from of industrial restructuring will also be considered – but only if significant value can be proven
- All investments must give a return well above WACC

Reducing cost through purchasing and logistics

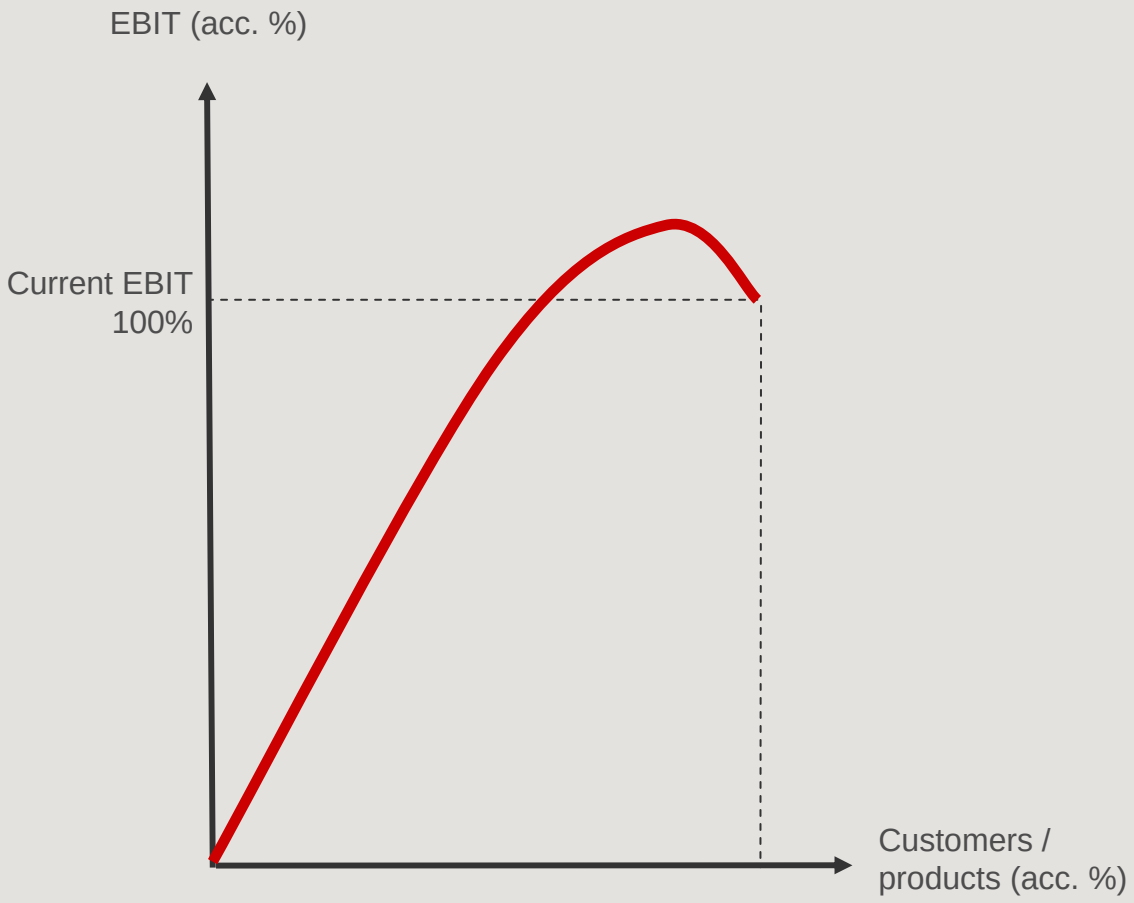
- Purchasing
  - Chemicals
  - Machine supplies
  - Services
- Logistics
  - Transports
  - Warehousing
  - Services

Total spend MSEK : ~2,250

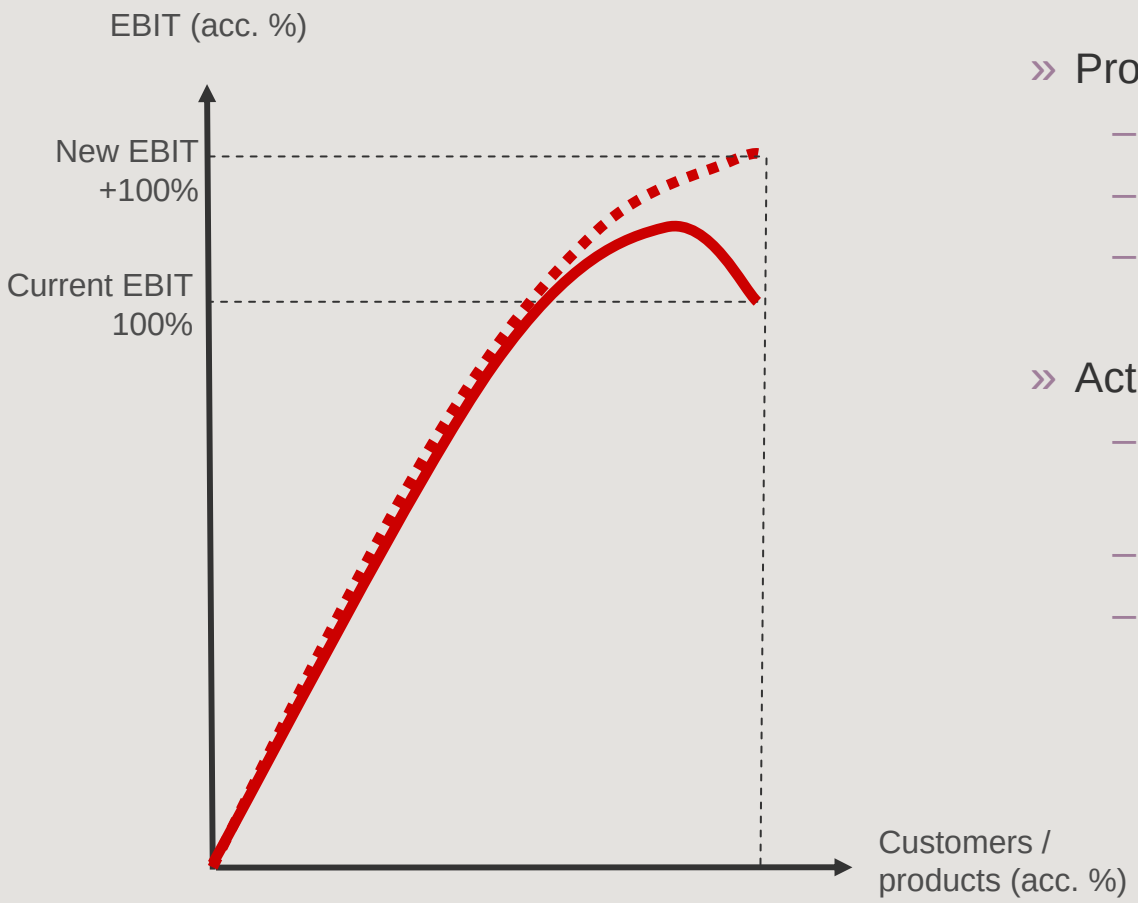


Potential for large savings

Target : Improve product and customer mix



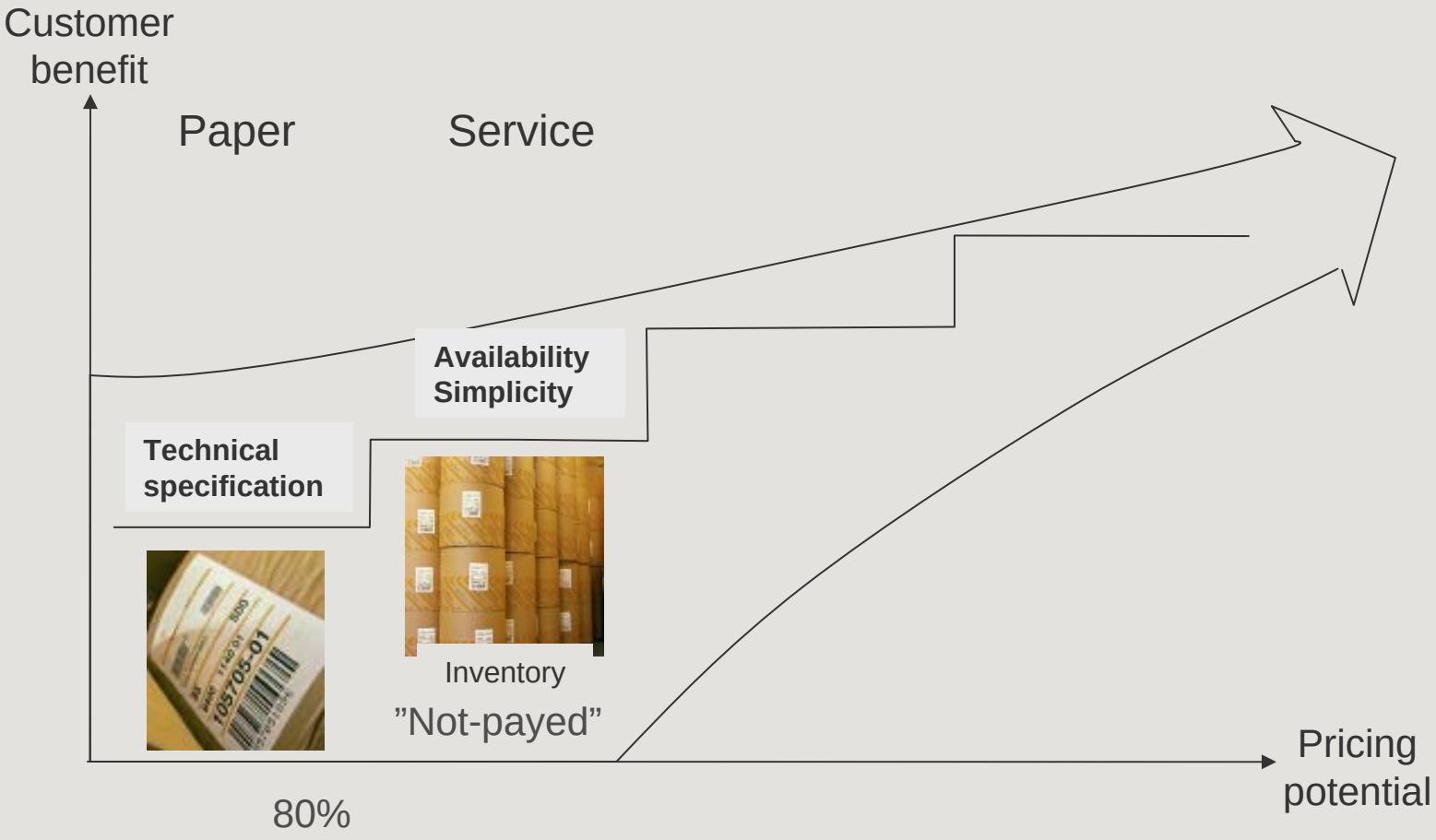
Target : Improve product and customer mix



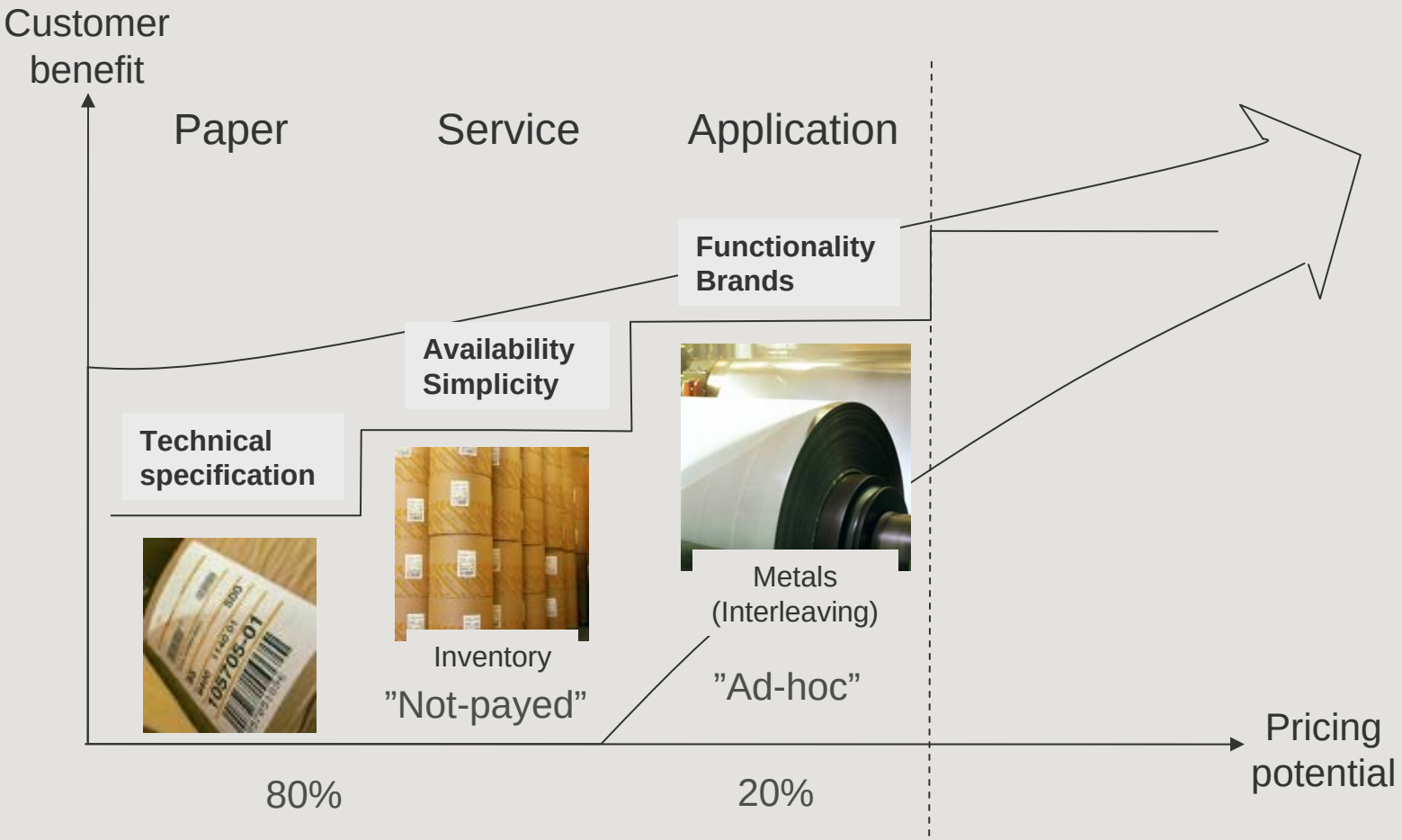
- Product mix improvement
  - Between business areas
  - Between segments
  - Within segments
- Active adjustments of customer base
  - More partner and strategic customers
  - Fewer spot customers
  - Enter new markets

A changed sales approach

A changed sales approach



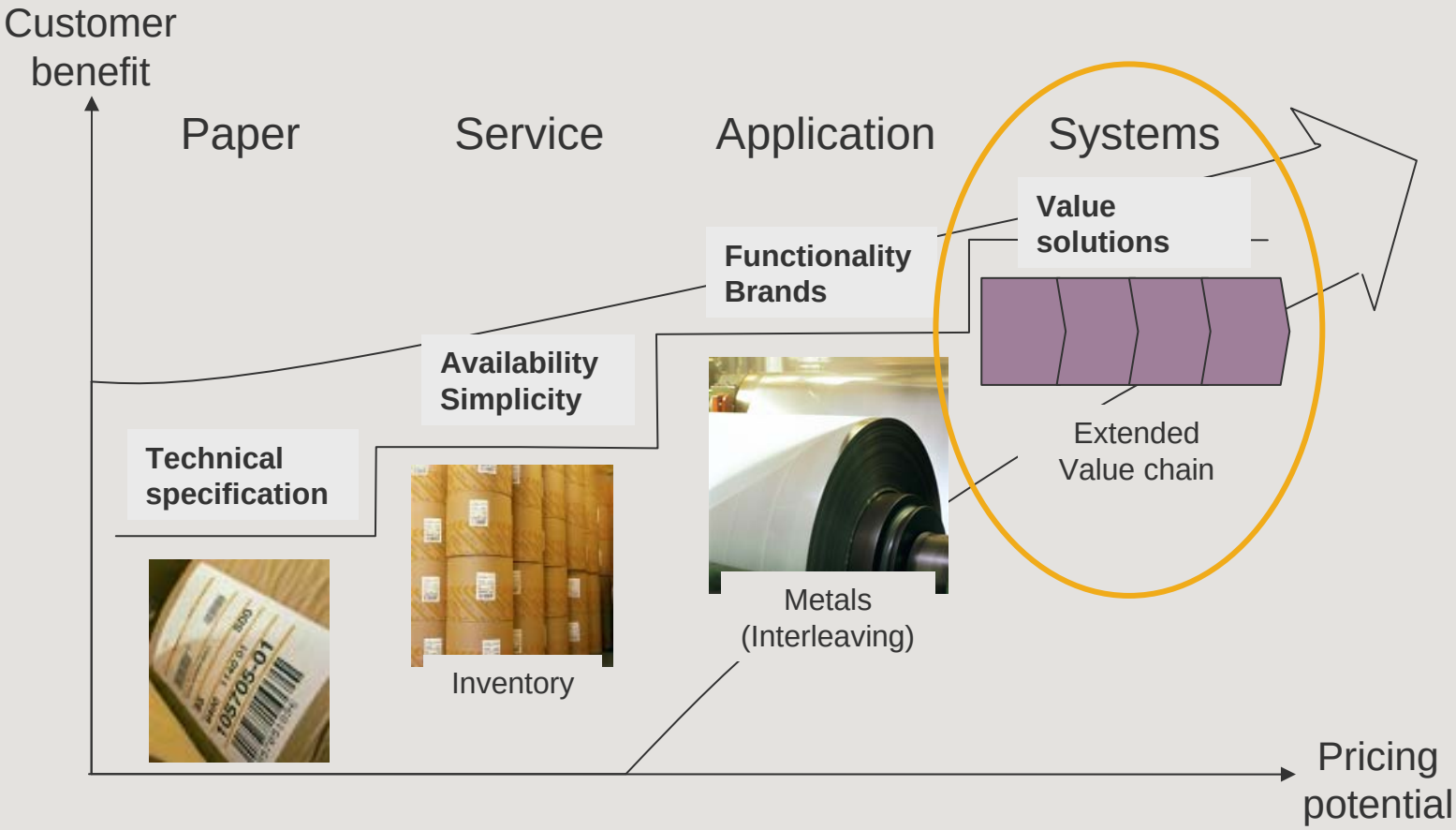
A changed sales approach



The future: Exploiting new opportunities

- Billerud can exploit market trends from a position of strength in key segments
- This requires a new market definition
- It also requires an expanded view of the value chain in which we operate
- We intend to expand our capacity to move in this new direction

New business potential



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Protecting your natural interests