

# Billerud

January – December 2005

Stockholm, February 8



Per Lindberg, CEO

Nils Lindholm, CFO



# Highlights – Q4 2005

- Good orderbook situation
- Price increases implemented on most products
- Deliveries 341 000 tonnes, +5% vs. Q3-05
- Operating profit MSEK 81, compared to MSEK -367 Q3-05  
(During Q3, one-off costs regarding organisation change “Billerud 2007” amounted to MSEK 376)
- Pre-tax profit MSEK 60, compared to MSEK -390 Q3 -05
- ROCE -4% (12 months), +8% excluding currency hedging and one-off costs

# Market Situation – Kraft Paper

## Q4

- Continued strong order book in improved market
- Deliveries +9% vs. Q3-05, +5% vs. Q4-04

## Outlook

- Full effect of price increases in Q1

# Market Situation – Containerboard

## Q4

- Improved order book
- Price increase implemented
- Deliveries +6% vs. Q3-05, -8% vs. Q4-04

## Outlook

- Continued strong market

# Market Situation – Market Pulp

## Q4

- Market price for NBSK stable during the quarter at USD 600/tonne
- External deliveries -3% vs. Q3-05, -9% vs. Q4-04

## Outlook

- Price increase Feb. 1, 2006 to USD 630/tonne

# Organisation cost reduction programme

- Organisation cost will be cut by at least MSEK 250 per year
- Reduction of 450 employees
- The programme will come into immediate effect and should be completed by the end of 2006.
  - 2005 MSEK 25
  - 2006 MSEK 80
  - 2007 MSEK 250 (full effect)
- One-off costs for the programme are MSEK 400, included in January – December accounts
- Programme develops according to plan

# Energy cost reduction programme

- Decision to invest around MSEK 1 050. On stream gradually from the second half of 2005 up to the end of 2006
- Includes new turbines for backpressure power and rebuilt bark boilers and new electricity supply at Gruvön
- Profit impact by reduced energy volume
  - 2006 MSEK 100 (before depreciation)
  - 2007 MSEK 250 (full effect, before depreciation)(Depreciation MSEK 50)
- Capex Jan – Dec. 2005 MSEK 670
- Programme develops according to plan

# *Financials*

# Key Figures 2005

	<b>Q4</b>	<b>vs Q3</b>	<b>2005</b>	<b>vs 2004</b>
Net sales, MSEK	1,742	+6%	6,823	-5%
Operating profit, MSEK	81	+448	-200	-981
Operating margin	5%	+27	-3%	-14
Profit/share, SEK	1.19	+6,66	-3.56	-13.22
Debt/Equity ratio <sup>1)</sup>	0.99	+0.13	0.99	+0.51
Deliveries (ktonnes)	341	+5%	1 351	-1%

1) End of period

# Operating profit 2005 vs. 2004

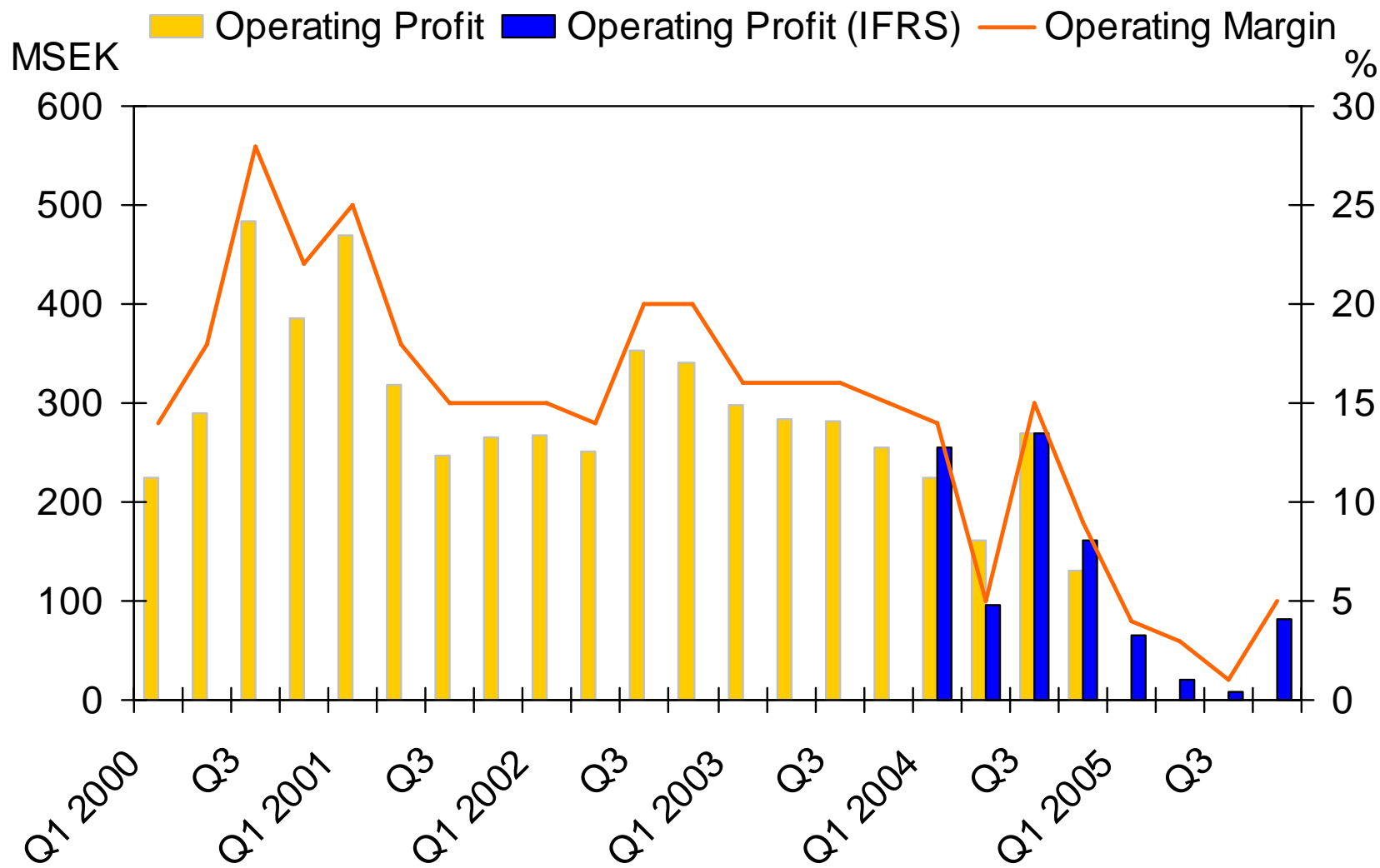
Delivery and production volumes, including prod. mix	-80
Sales prices (in different sales currencies)	+/-0
Increased variable costs	-300
Reduced fixed costs	+80
One-off costs not relating to 'Billerud 2007'	-20
Increased depreciation	-10
Fall in profit due to changed exchange rates (including hedging)	-250
One-off costs "Billerud 2007"	-400
<hr/> <hr/>	
Total change in profit/loss (rounded up)	-980

## Excluding effects from hedging and “Billerud 2007”

	Jan – Dec. 2005	Jan – Dec. 2004	Diff 05. vs. 04
Kraft paper	411	385	26
Containerboard	81	115	-34
Market Pulp	-12	34	-46
Others	-97	-67	-30
<b>Total (ex currency hedging)</b>	<b>383</b>	<b>467</b>	<b>-84</b>
Effect of currency hedging	-183	314	-497
<b>Incl. currency hedging</b>	<b>200</b>	<b>781</b>	<b>-581</b>
One-offs “Billerud 2007”	-400	-	-400
<b>Total</b>	<b>-200</b>	<b>781</b>	<b>-981</b>

# Operating Margin Development

## - Ex one-offs "Billerud 2007"



# Currency Situation

- Negative profit effect of net flow hedging MSEK -183 for Jan - Dec. 2005 (+314)
- Hedged shares of net flows for EUR, USD and GPB. (incl. hedging rates)

Currency		Jan-Jun 2006	Jul-Dec 2006	Jan-Jun 2007	Jul-Dec 2007	Total
EUR	Share of flows	86%	84%	26%	-	65%
	Rate	9.39	9.50	9.54	-	9.46
USD	Share of flows	82%	31%	-	-	49%
	Rate	7.32	7.81	-	-	7.49
GBP	Share of flows	85%	26%	-	-	49%
	Rate	13.46	13.66	-	-	13.51

# Financial Objectives

	Target	Achieved 2005
Return on capital employed	$\geq 15\%$ <sup>1)</sup>	-4%
Debt/equity ratio	0.6-0.9	0.99
Investments	In line with depreciation	OK, ex. energy investments
Pay-out ratio	50% <sup>1)</sup>	SEK 3,25

1) Average over a business cycle

2) Average 4 quarters

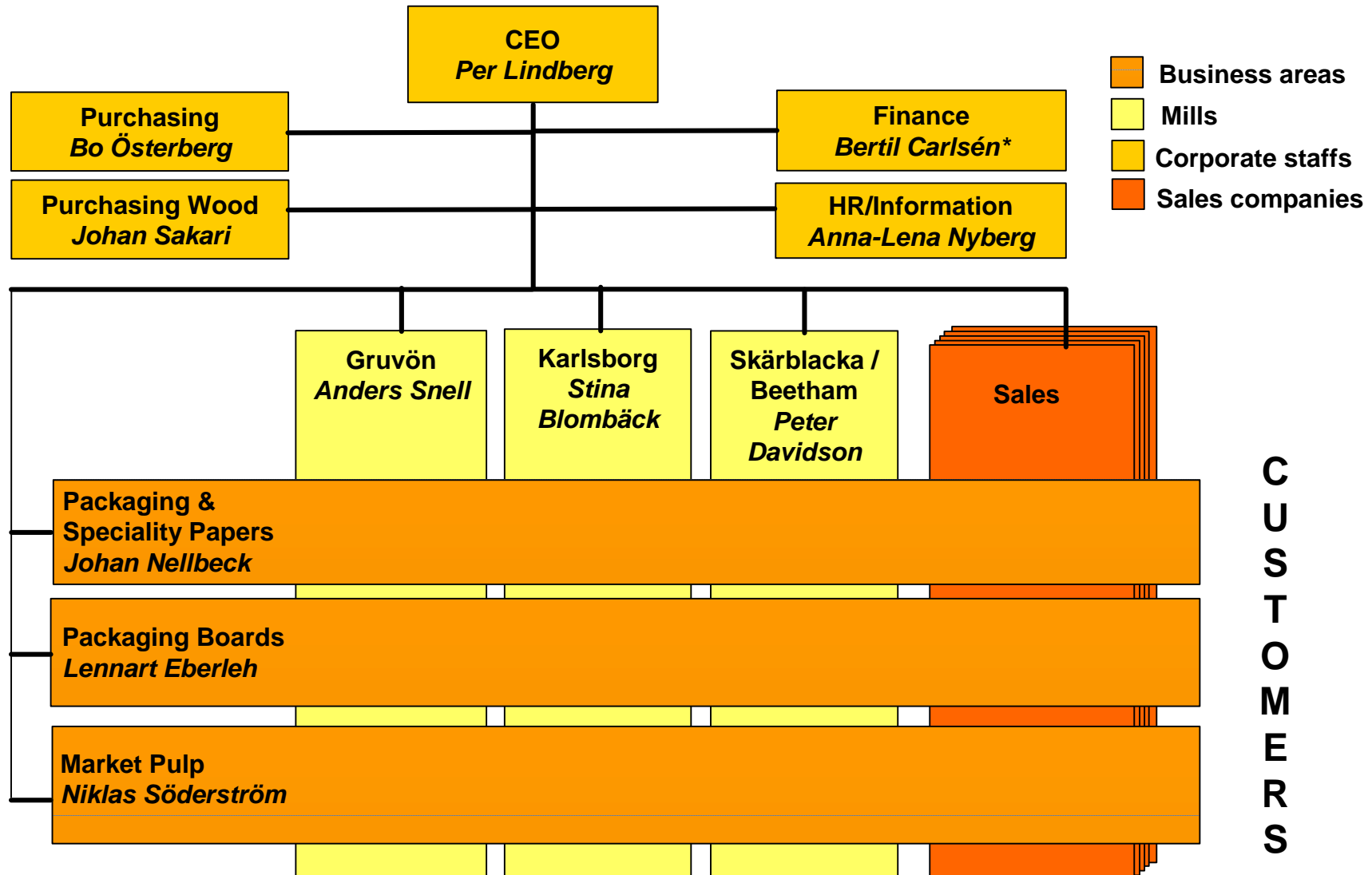
# *Outlook*

# New organisation

## - Business areas implemented during Q1

- Three business areas
  - Packaging and speciality papers
  - Packaging boards
  - Market pulp
- Organization now corresponds to reporting structure
- Improves market and customer responsiveness
- Improves focus on profitable business
- Mill tasks focused on cost, availability, quality

# Organisational chart



\* As from April 1, 2006

# Outlook

- As a consequence of Billerud's present financial position and ongoing discussions regarding future strategy, the Board of Directors will review Billerud's financial goals during 2006
- The market situation for Billerud's packaging paper remains good and is significantly better than at the beginning of 2005
- Price increases implemented at the start of the year for both European and non-European customers will have full impact in the first quarter of 2006
- The price of long fibre market pulp had risen to USD 630 per tonne in February and further increases are expected during the spring. This will most likely have a positive effect also on the packaging paper market
- Costs are expected to remain high in 2006 for wood, energy and chemicals
- Billerud's programme of cost-cutting measures for energy and organisation are proceeding according to plan and are expected to generate the previously announced efficiency improvements

# Billerud

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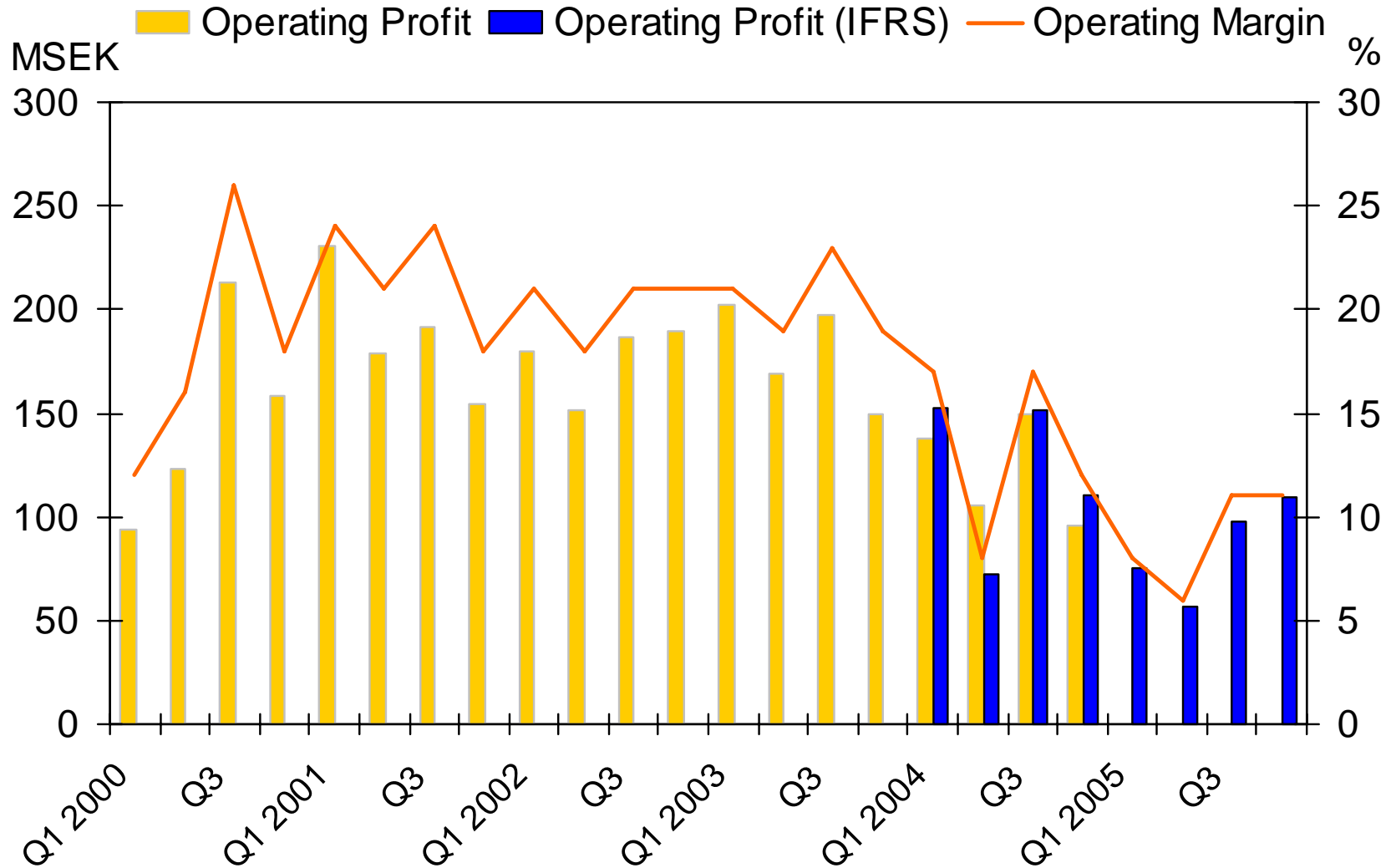
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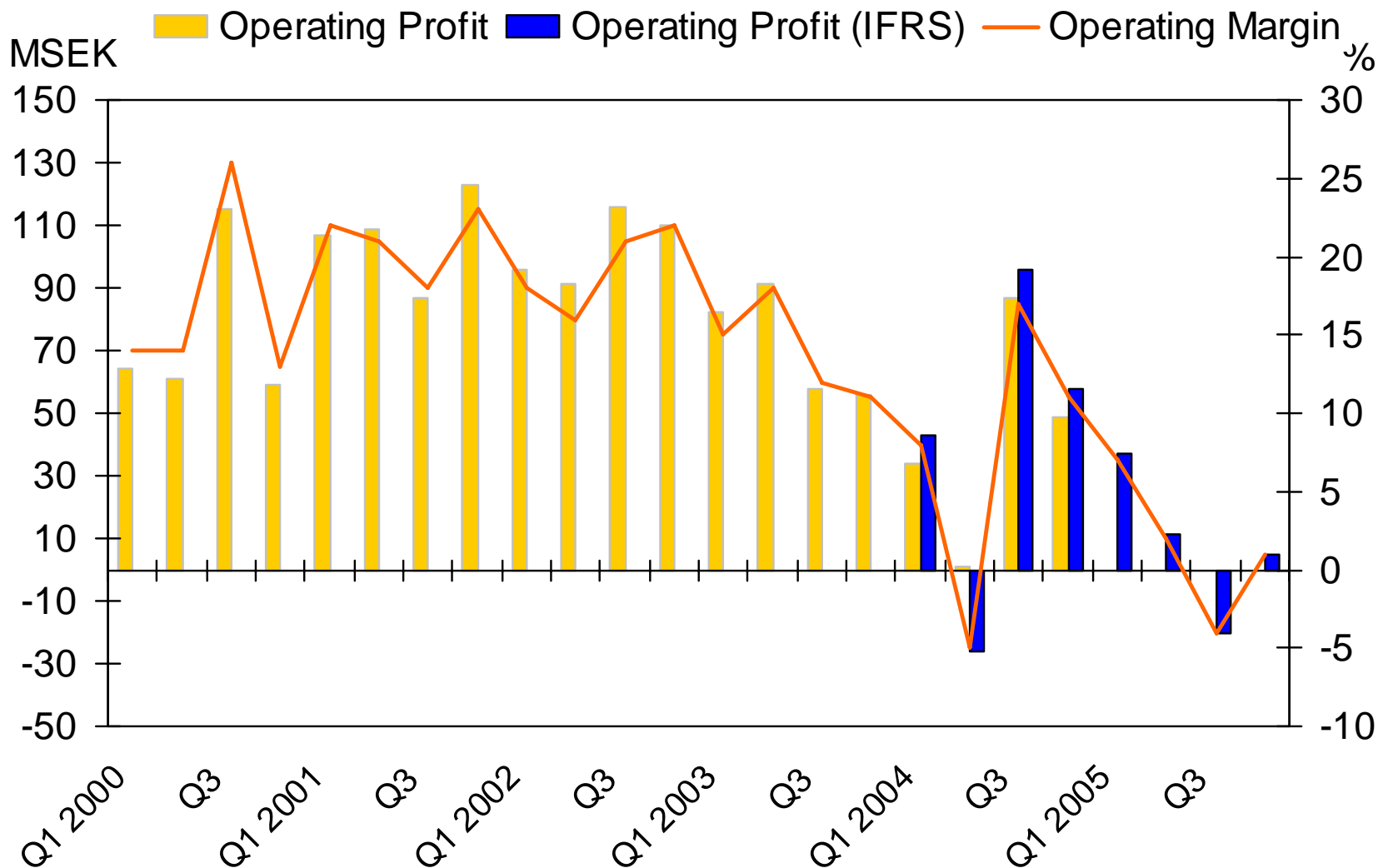
- *Appendix* -

# Operating Margin – Kraft Paper



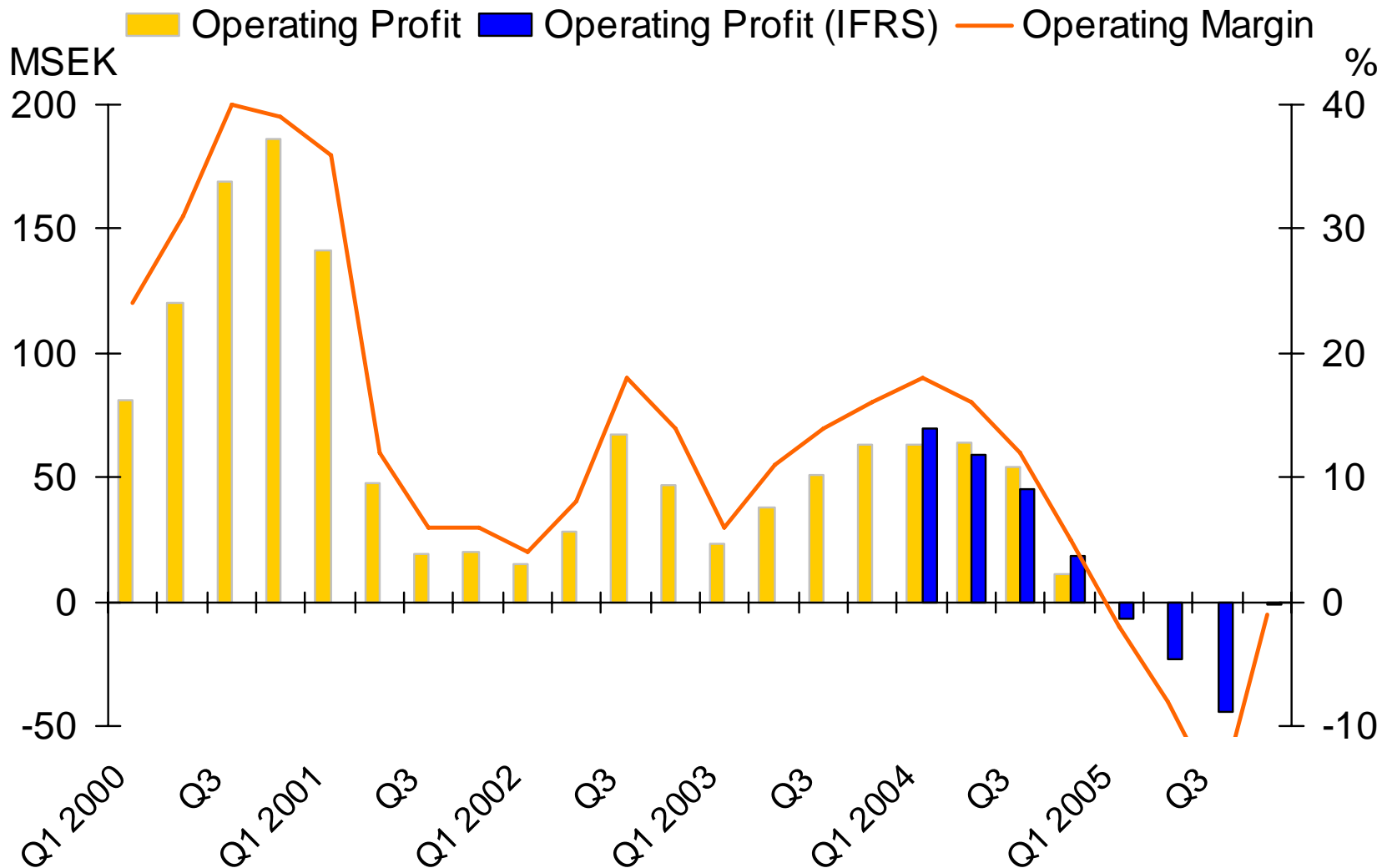
Source: Billerud

# Operating Margin – Containerboard



Source: Billerud

# Operating Margin – Market Pulp



Source: Billerud

# Currency Rates

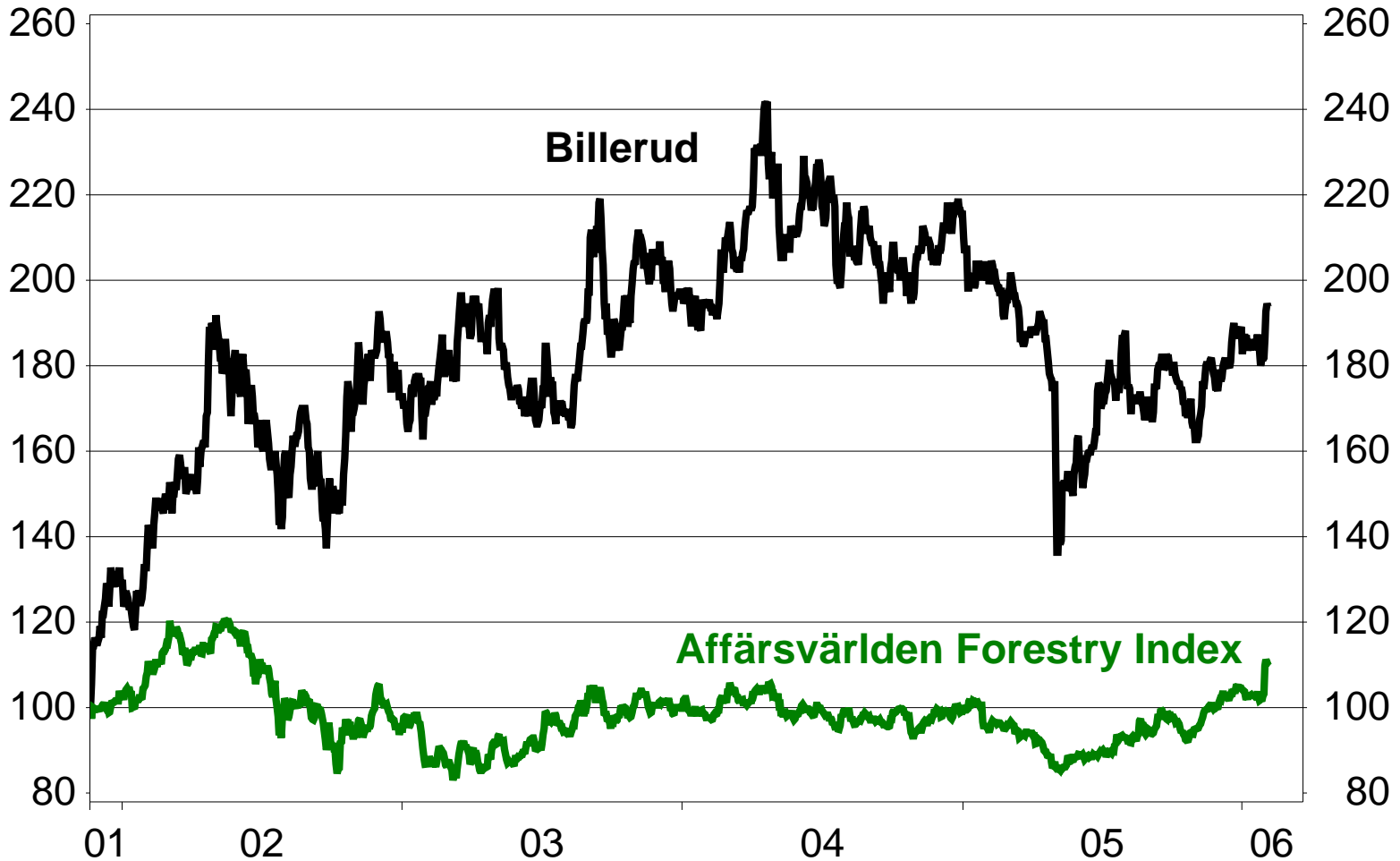
	Average rates per year				Average rates	Hedged rates	Trend
	2001	2002	2003	2004	2005	2005	
EUR/SEK	9,25	9,16	9,12	9,13	9,28	9,19	8,75
USD/SEK	10,33	9,72	8,25	7,35	7,48	7,19	8,00
GBP/SEK	14,87	14,58	13,27	13,46	13,58	13,12	-
EUR/USD	0,90	0,94	1,11	1,24	1,24	1,28	1,09
<b>Billerud weighted index</b>	112	109	102	99	101	99	99

Source: Sveriges Riksbank ([www.riksbanken.se](http://www.riksbanken.se))

# Delivered Volumes

	2005				2004
Ktonnes	Q4	Q3	Q2	Q1	Q4
Kraft paper	<b>138</b>	127	133	140	131
Containerboard	<b>132</b>	125	128	130	143
Market pulp	<b>71</b>	73	75	79	78
<b>Total</b>	<b>341</b>	325	336	349	352

# Billerud vs. Forestry index



Source: EcoWin

Index 100 = 2001-11-20. Updated to 2006-02-06