

**Billerud**

**Carnegie**

**Nordic Small Cap Seminar**

**13 September 2004**



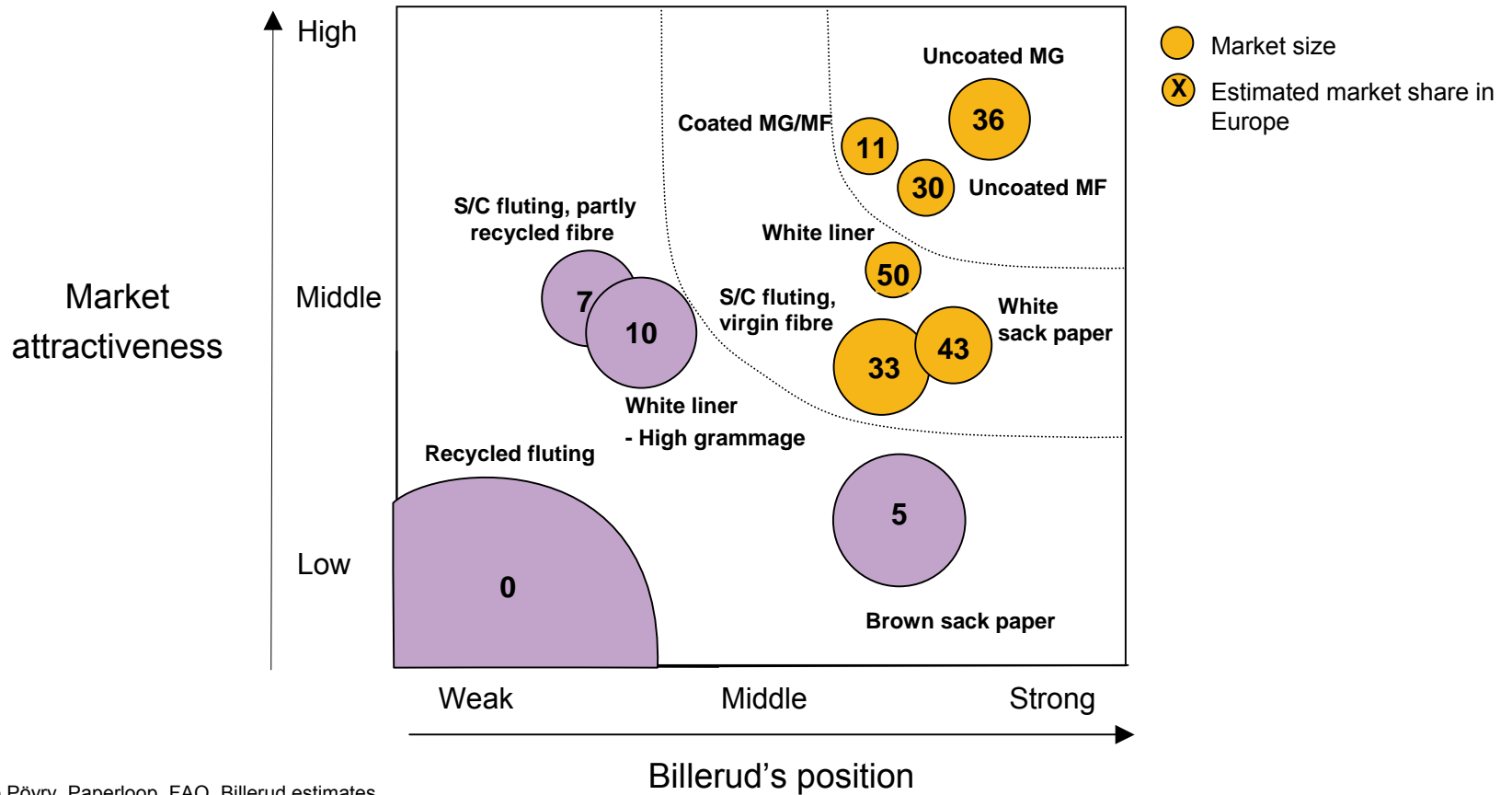
# Billerud in brief

- 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 1.4 million tonnes of paper and pulp and about 2,600 employees
- Net sales of SEK 7 billion and a EBIT margin of 16 percent during 2003

# Billerud – investments 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 strategy



Source : Jaakko Pöyry, Paperloop, FAO, Billerud estimates

# Capacity increase 2000 - 2003

 Growth products +15%

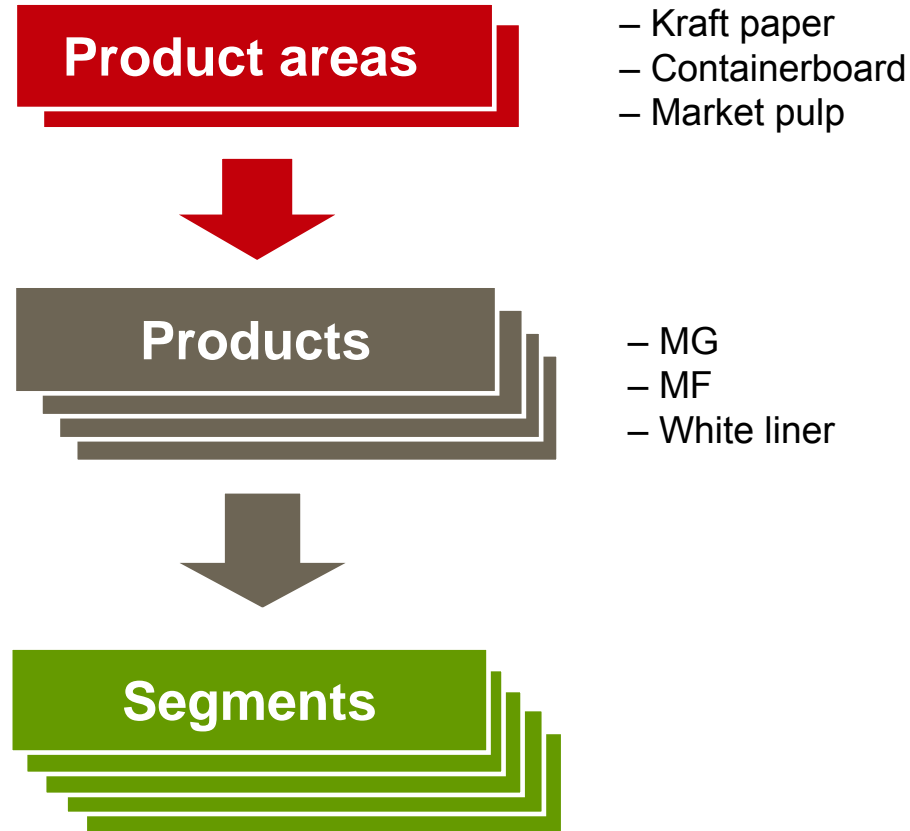
 Cash flow products -5%

Market pulp +5%

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**Total +10%**

# Segment focus



# Technical kraft papers – Segments



Medical packaging



Flexible packaging



Protective envelopes

# Technical kraft papers – Segments

Release liner



Interleaving



# Sack paper - segments



# Containerboard - segments



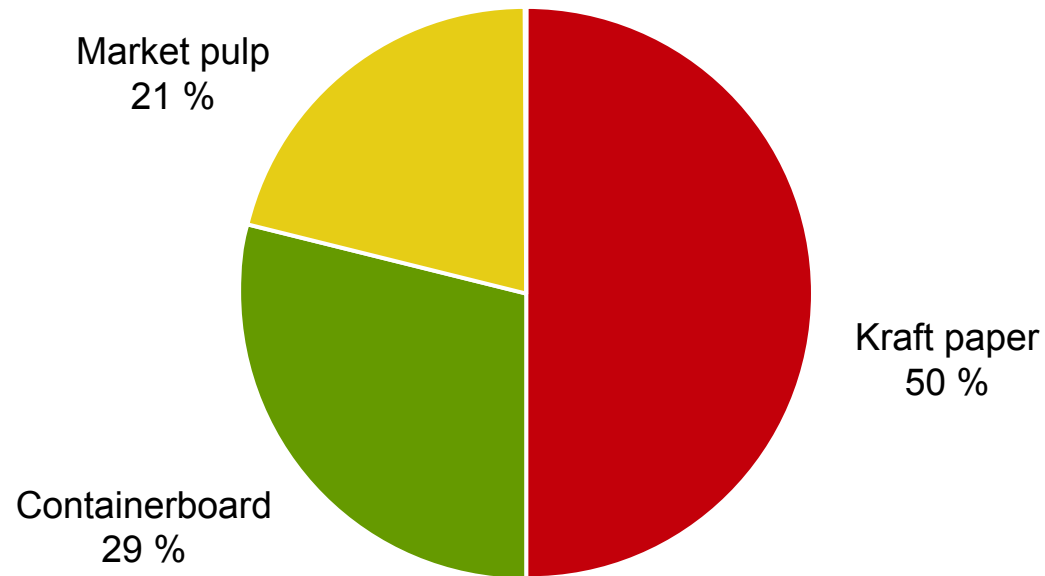
Fruit & vegetables



Promotion packaging



# Products areas – share of net sales 2003



# Financial objectives

	Target	2001 - 2003	Jan - June 2004
Return on capital employed	$\geq 15\%$ <sup>1)</sup>	25 %	20%
Debt/equity ratio	0.6 – 0.9	0.59	0.54
Investments	In line with depreciation	Yes	
Pay-out ratio	50 % <sup>1)</sup>	41 %	

1) Average over a business cycle

# Funds Flow 2001 - 2003

MSEK	3-year period	Average/year
From operating activities	4,028	1,343
Net capex	-1,193	-398
Operating cash flow	2,835	945
Dividends <sup>1)</sup>	- 942	-314
Share buy-backs	-842	-281
Surplus	1,051	350

41% of net profit

14% of total no.of shares

Net debt/equity ratio	1.2	→	0.4
Equity (MSEK bn)	2.2	→	3.2

1) Incl. dividend for 2003

# Future investments

## Four different kinds of Investments

- Maintenance
  - Fluctuates, difficult to influence
- Environmental
- “Grow with the market” (*secure competitiveness*)
  - Keep current market positions within core areas

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- Growth

# Growth = Growth in profits

- By reduced cost
- By increased income
  - Product/segment mix
  - Increased volume

# Billerud invests in cost cutting measures in the energy field

- Decision to invest around MSEK 1 050
- Includes new turbines for backpressure power and rebuilt bark boilers and new electricity supply at Gruvön
- The new equipment will come on stream gradually from the second half of 2005 up to the end of 2006

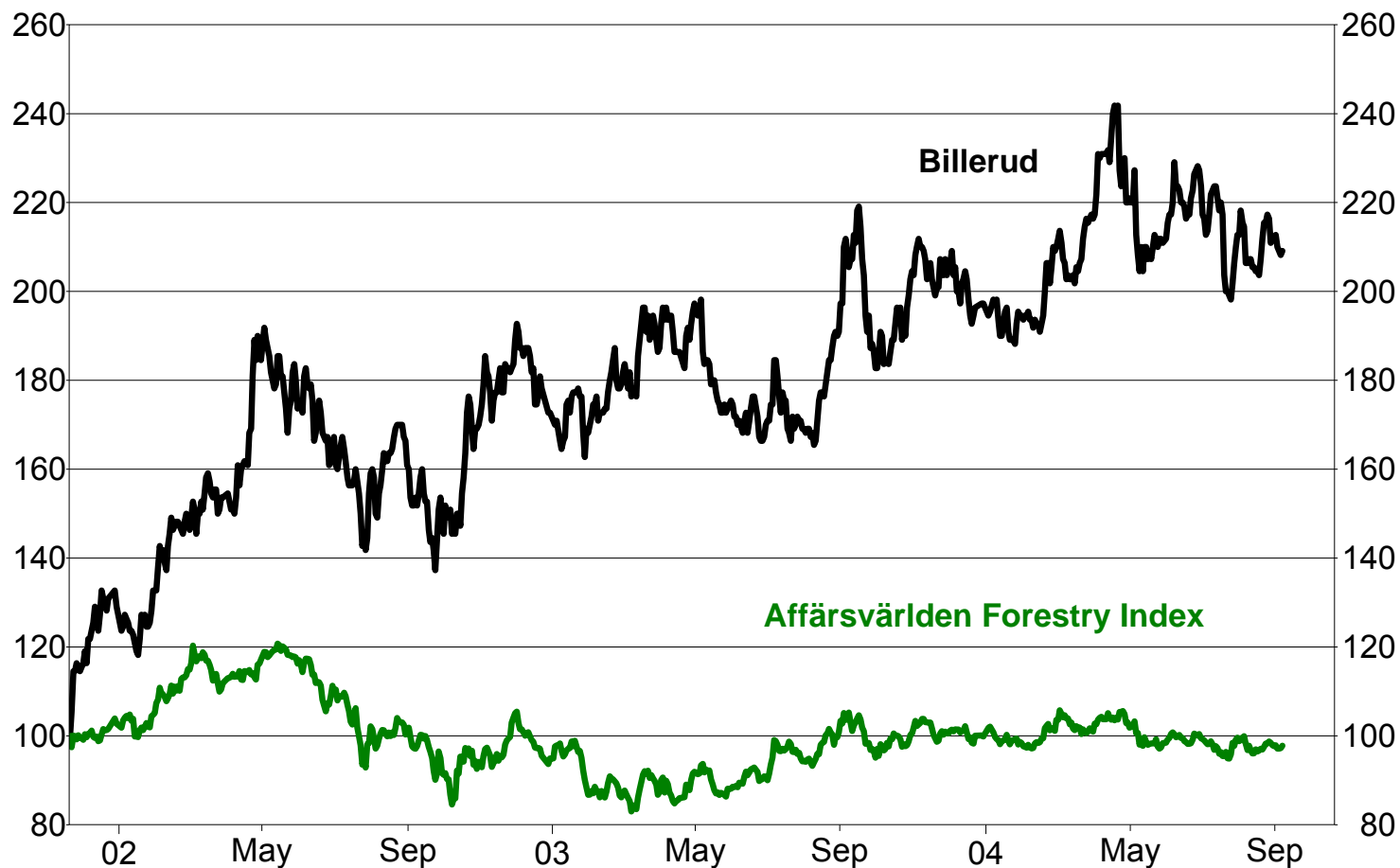
# Financial effects

- Increased internal generation of electricity by around 0.5 TWh
  - Increased self-sufficiency in electricity, currently at around 30%, will soar to around 60%
- Oil consumption will be cut by 30.000 m<sup>3</sup> to 15.000 m<sup>3</sup>
- Annual income from selling electricity certificates will increase
- Increased cost for Bio fuel

# Profitable project

- New investments meet Billerud's requirements for financial return and have a payback period of less than five years
- Billerud has established an investment programme in line with the rate of depreciation. The new energy-related projects outlined above will be outside this investment programme

# Billerud vs. Forestry index



Index 100 = 2001-11-20. Updated to 2004-09-07. Source: ECOWIN