

Billerud

Enskilda Securities

Nordic Small & Mid Cap Seminar

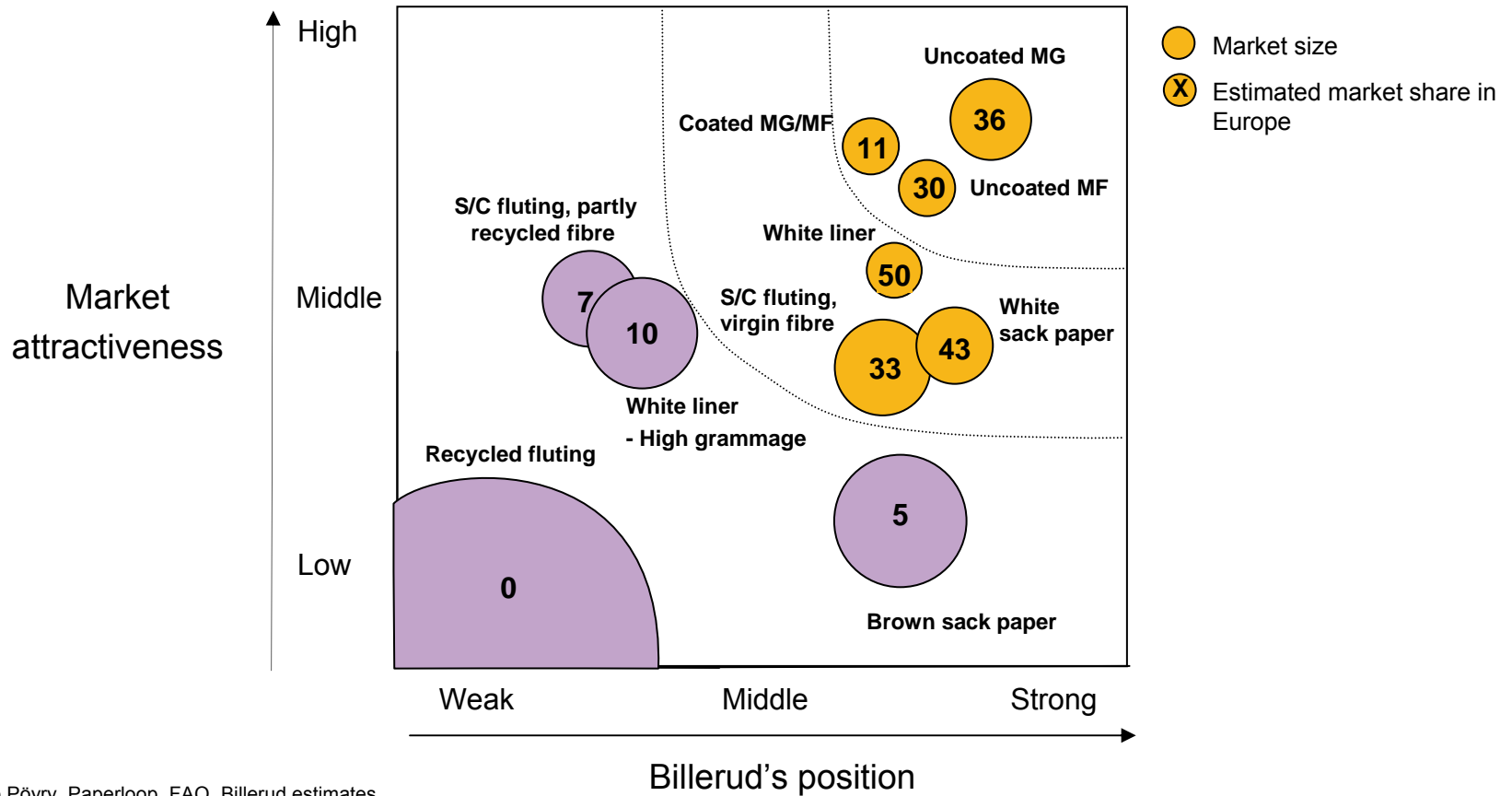
20 January 2005



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 forecasted EBIT margin of 10 percent 2004

Product strategy



Source : Jaakko Pöyry, Paperloop, FAO, Billerud estimates

Capacity increase 2000 - 2003

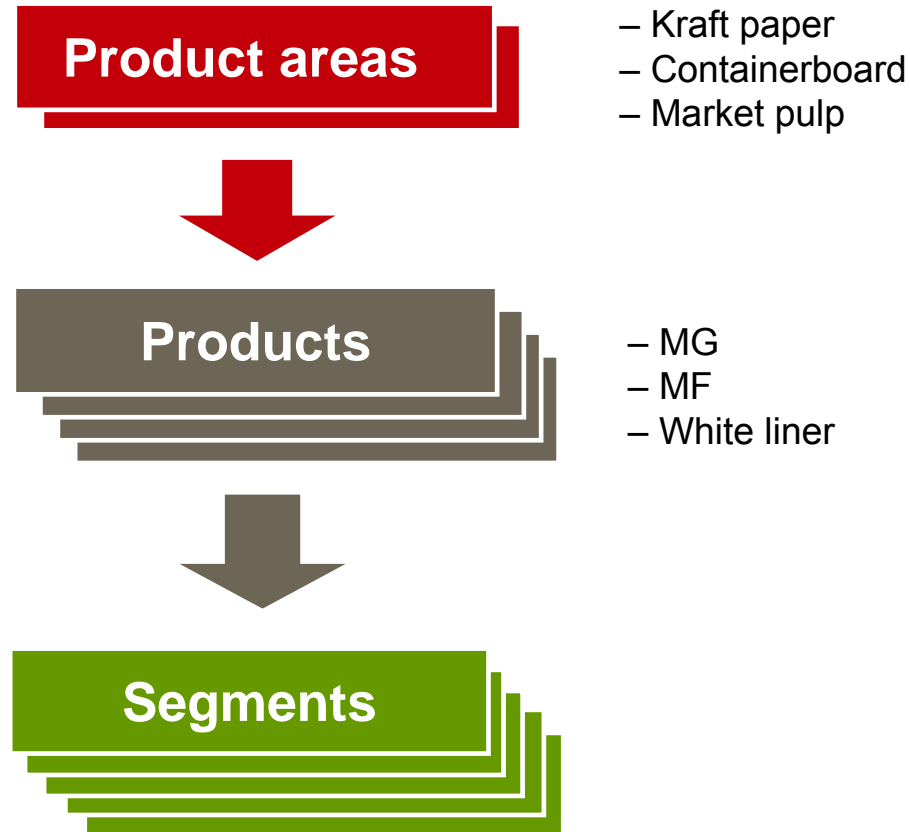
 Growth products +15%

 Cash flow products -5%

Market pulp +5%

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

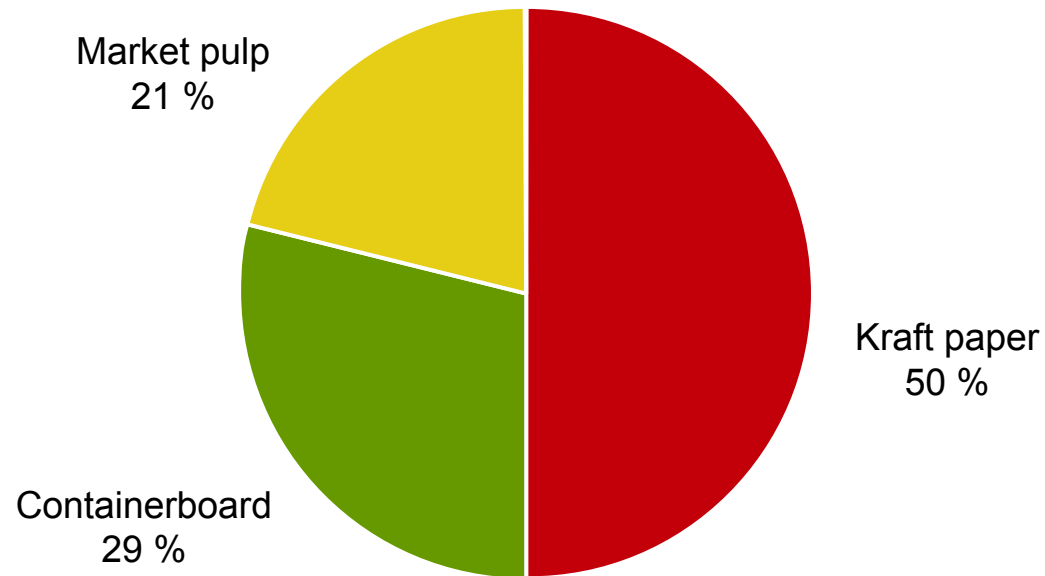


Fruit & vegetables



Promotion packaging

Products areas – share of net sales 2003



Production Units



Sweden

- Gruvön 660 ktonnes
- Karlsborg 300 ktonnes
- Skärblacka 400 ktonnes

UK

- Beetham 45 ktonnes

Total capacity 1.4 million tonnes

Streamlining programme 2001-2003
improved profits by MSEK 230

Financial objectives

	Target	2001 - 2003	Jan – Sept 2004
Return on capital employed	$\geq 15\%$ ¹⁾	25 %	20%
Debt/equity ratio	0.6 – 0.9	0.59	0.47
Investments	In line with depreciation	Yes	Yes, but energy investments in addition
Pay-out ratio	50 % ¹⁾	41 %	

1) Average over a business cycle

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
 - Acquisitions
- Focus today on reduced costs and mix changes
 - Energy
 - Organisation
 - Continue move to prioritized segments

Cost structure and currency

Cost structure % of total cost

Wood fibre	30
Staff	21
Freight	11
Purchased services	8
Chemicals	7
Other materials	7
Energy	6
Depreciation	6
Other	4
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Currency situation

- Revenues mainly in EUR (2/3) and USD (1/3)
- Main cost items in SEK
- Hedging policy
 - Constant hedgings approx 6 months future net flow
 - If ROCE \geq 20 %, increased to 15 months future net flow

Billerud invests in cost cutting measures in the energy field

- Decision to invest around MSEK 1 050 in 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
- Pay-back less than five years
- Outside of “capex in line with depreciations” objective

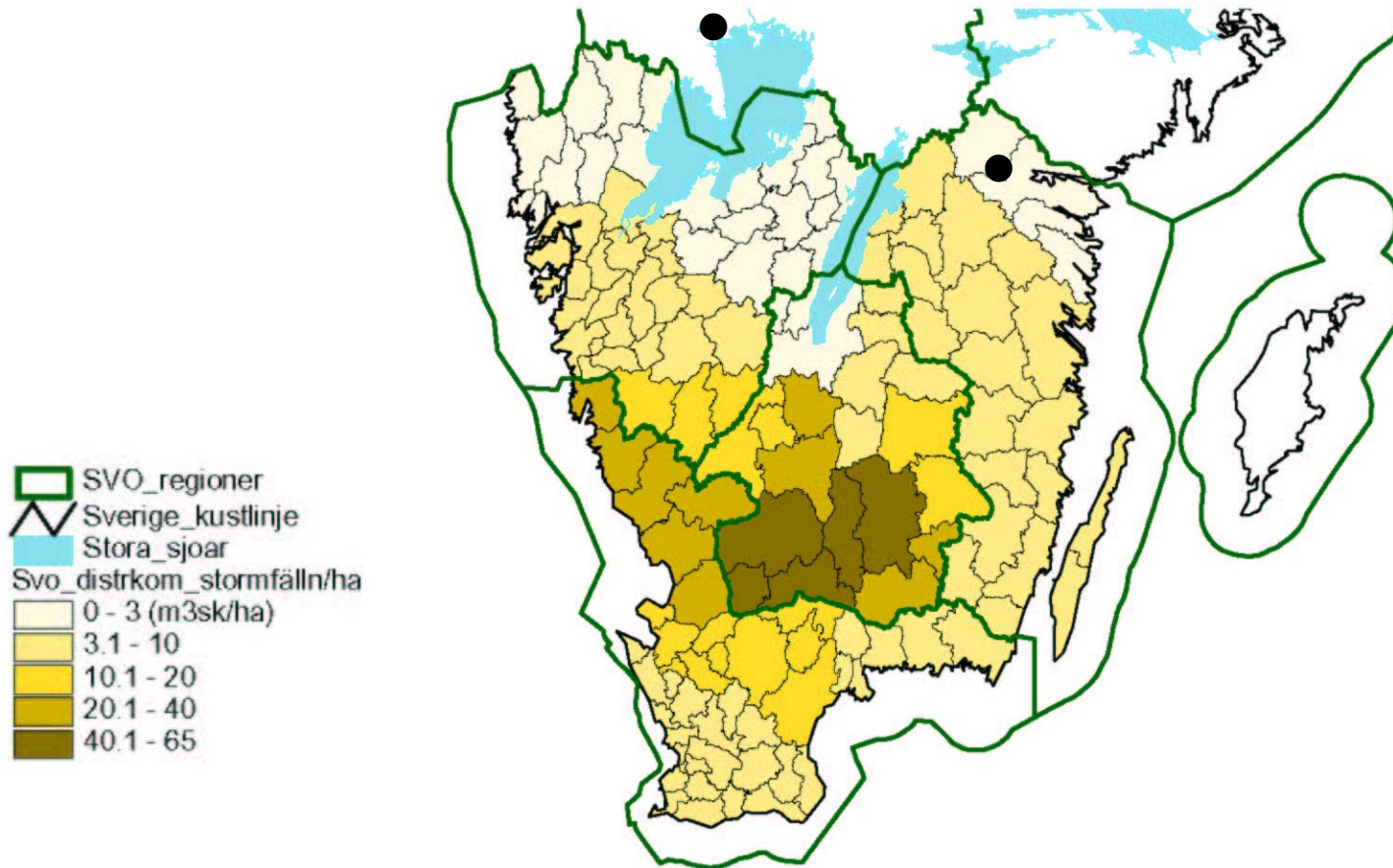
Profit forecast 2004

- Profit after financial items MSEK 700
- Lower profit than earlier expected, due to
 - Changed product mix
 - Higher costs for imported wood fibre
 - Towards end of Q 4

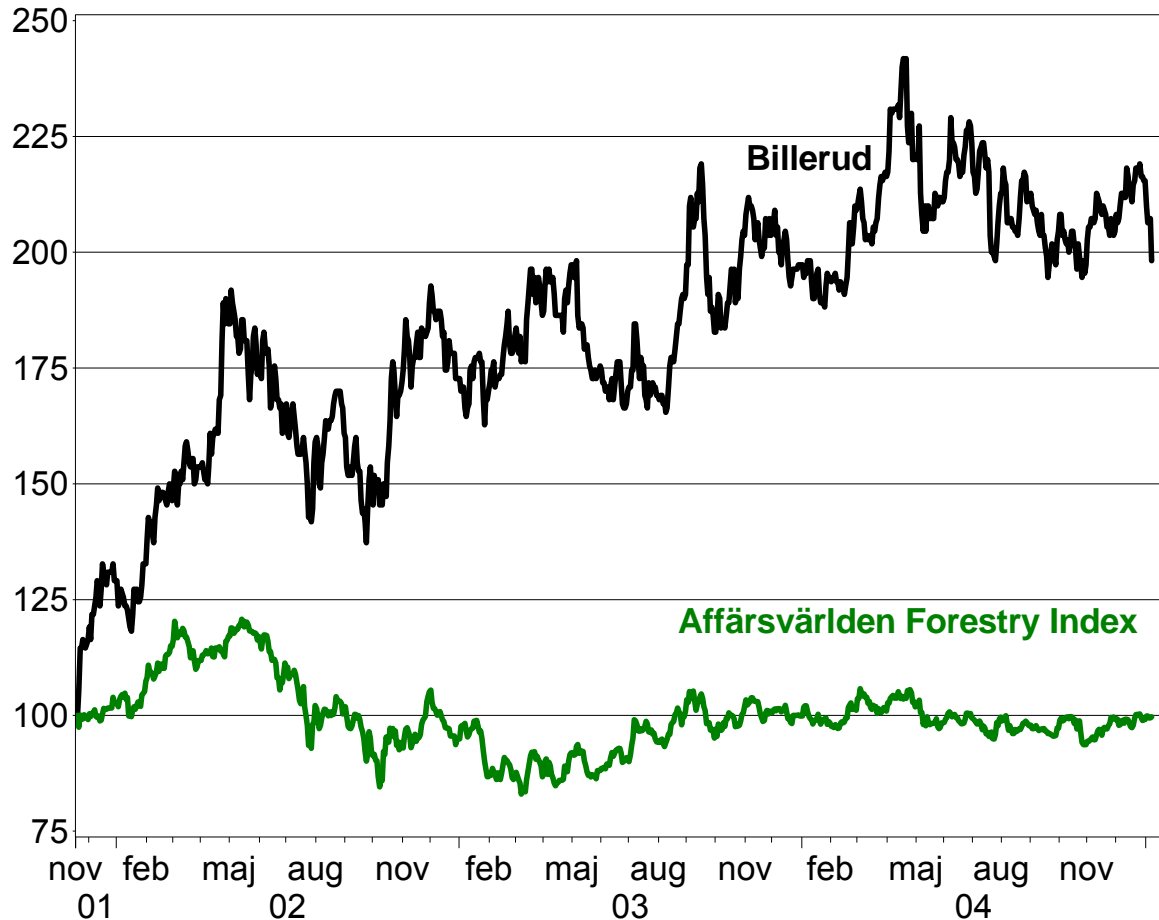
Wood fibre situation in Sweden

- Wood fibre approx 30 percent of total cost for Billerud
- Storm damages January 2005 estimated to 80 million m³; about one year's normal cutting
- Changes in wood fibre flows; in three phases
 - Reduced and distorted wood flows short term (winter -05)
 - Surplus of wood fibre mid term (rest of -05)
 - Reduced supply some years thereafter

Forest damages – storm of January 2005



Billerud vs. Forestry index



Index 100 = 2001-11-20. Updated to 2005-01-07. Source: ECOWIN Source: EcoWin

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