

Billerud

Handelsbanken

Basic Industry Seminar

March 4, 2004

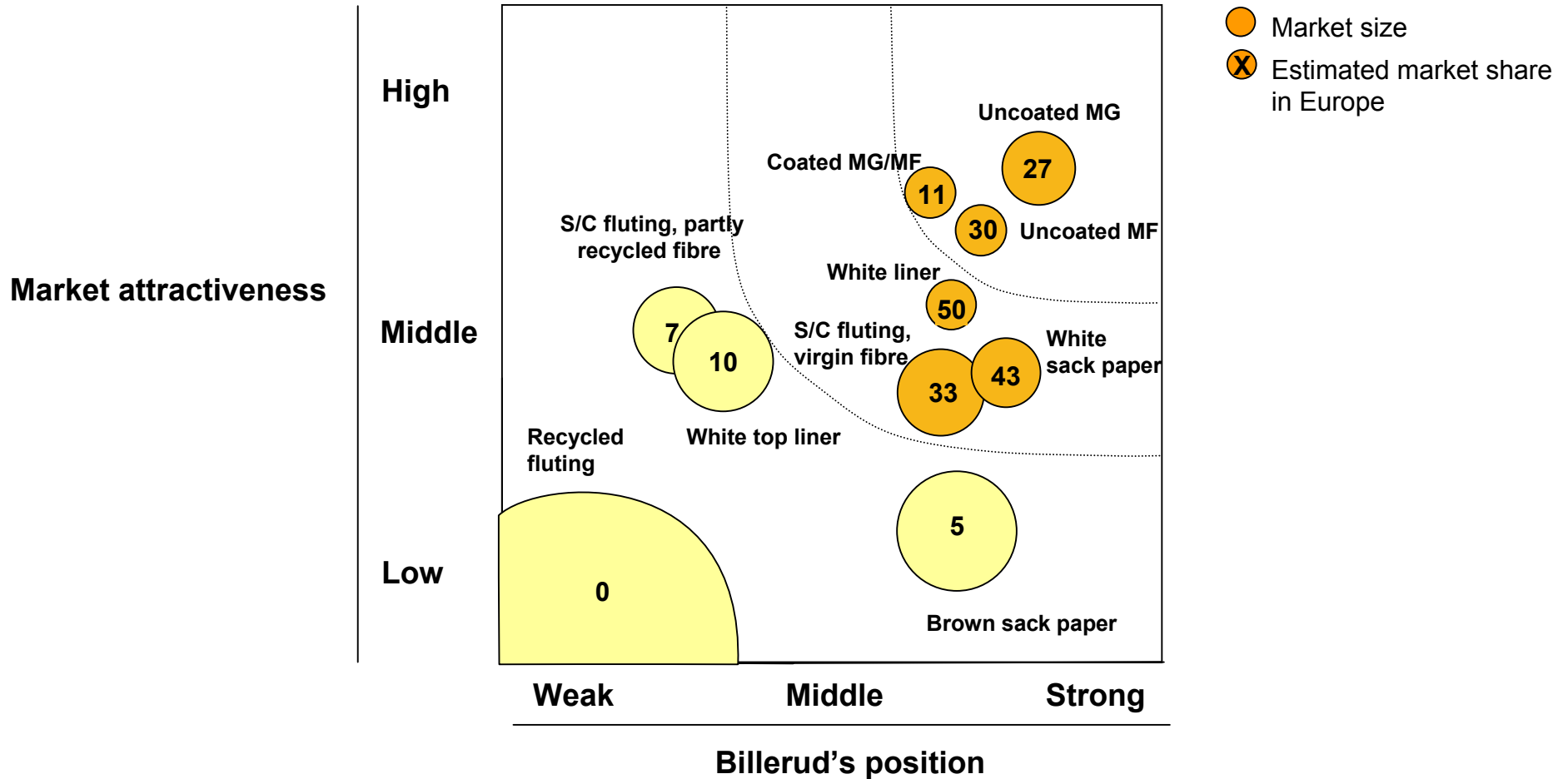
Bert Östlund, CEO



Billerud

- 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 7.0 billion and an EBIT margin of 16 percent during 2003

Product strategy



Source : Jaakko Pöyry, Paperloop, FAO, Billerud estimates

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%

Financial objectives

	Target	2002	2003
Return on capital employed	$\geq 15\%$ ¹⁾	25%	24 %
Debt/equity ratio	0.6-0.9	0.44	0.38
Investments	In line with depreciation ¹⁾	Yes	Yes
Pay-out ratio	50%	49%	50%

1) Average over a business cycle

Return to shareholders 2001 - 2003

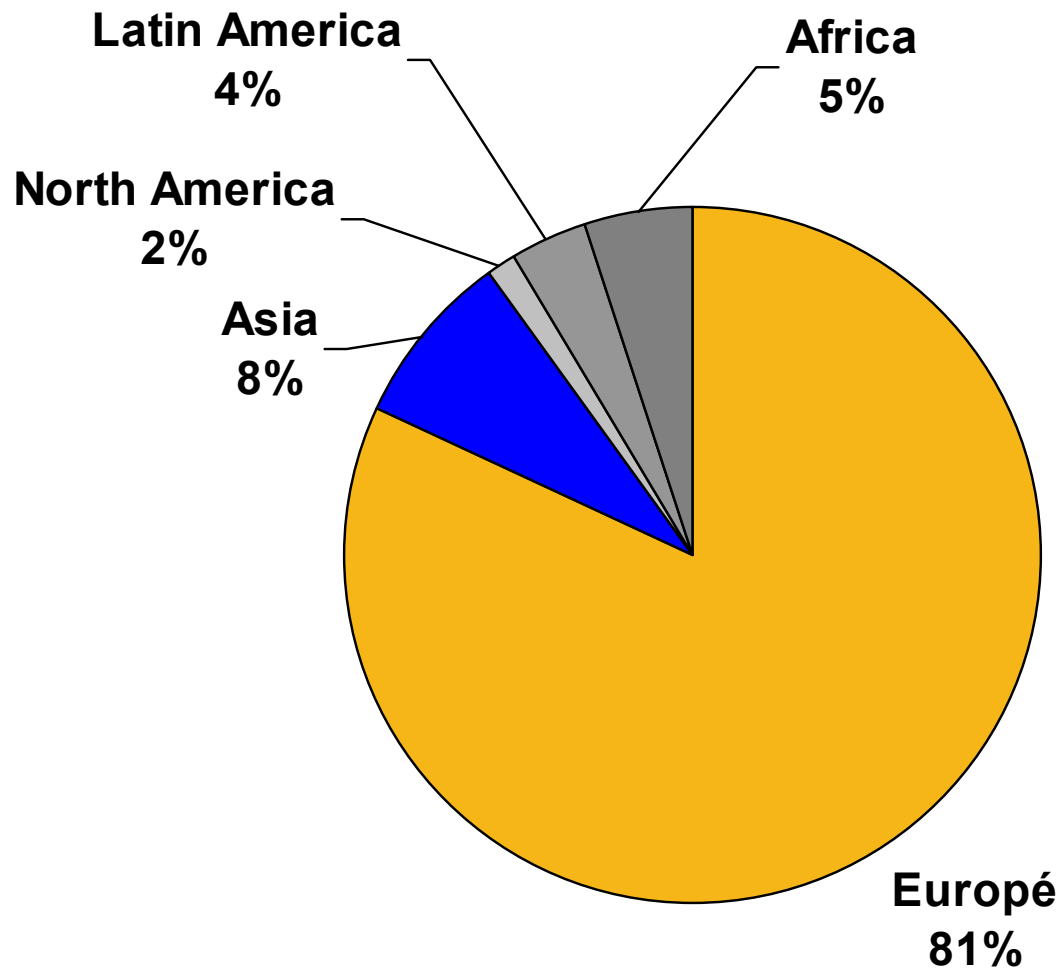
	2003	2002	2001 *)
Share price increase during year, SEK	13,50	24,00	16,00
Dividend per share, SEK	6,50	3,50	
Total return, SEK per share	20,00	27,50	16,00
Total return in % of share value	21 %	39 %	29 %
Share buy backs, million shares	3.8	4.8	
Share buy backs, MSEK	401	441	

*) Nov 20 – Dec 31

Growth options

- “Grow with the market” (secure competitiveness)
 - Keep current market positions within core areas
- Further growth
 - Expand current platform through acquisitions or organic growth

Billeruds' sales by region



Total volume 1.288 ktonnes

Billerud market presence outside Europe

Physical Map of the World, June 2002



- = Billerud sales office (Stockholm, Cyprus, Dubai, Jakarta, Bangkok) with Billerud staff
- = Main agents (local representative)

Billerud in Asia

- Indonesia, China, Thailand, Saudi-Arabia, Philippines most important countries
- Most important products
 - Sack paper
 - White Technical Kraft paper
 - SC-Fluting

Why Asia?

- Increased capacity in Billeruds mills
- Manufacturing industry moving east, opportunity to follow our customers
- Goods export demands high quality paper
- Asia biggest market for sack paper, second largest for Kraft papers. Important market for Billerud Containerboards

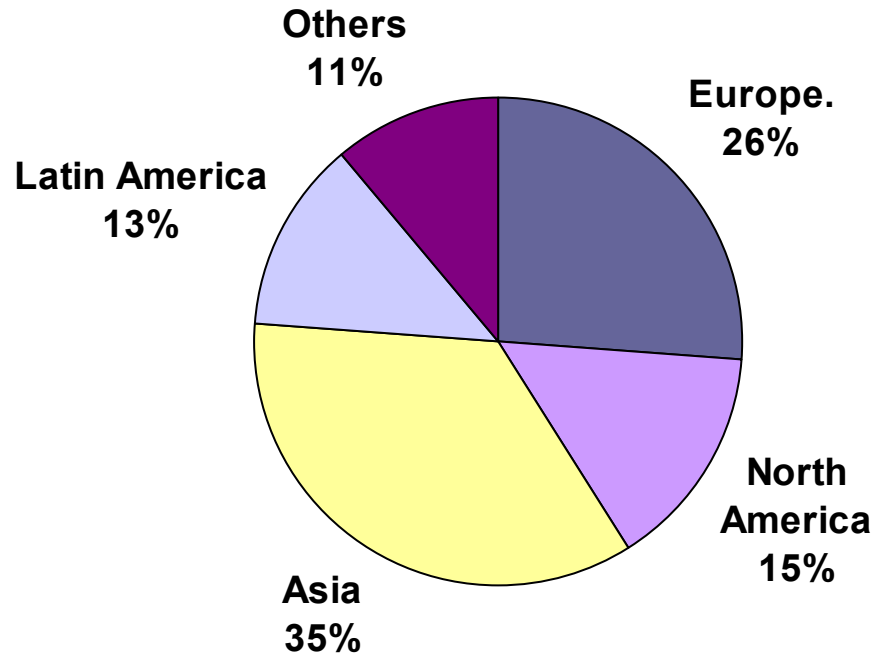
Sack paper

- Demand is expected to grow rapidly in China, Korea, Indonesia, Thailand, Malaysia and India.
- Building materials (cement and DIY), chemicals and fertilizers are the main consumption categories for sackpaper



The world market for Sack paper

- World consumption of sack paper 4.9 million tons, of which 0.5 million bleached sack paper
- Asian market accounts for 35% of sack paper consumption



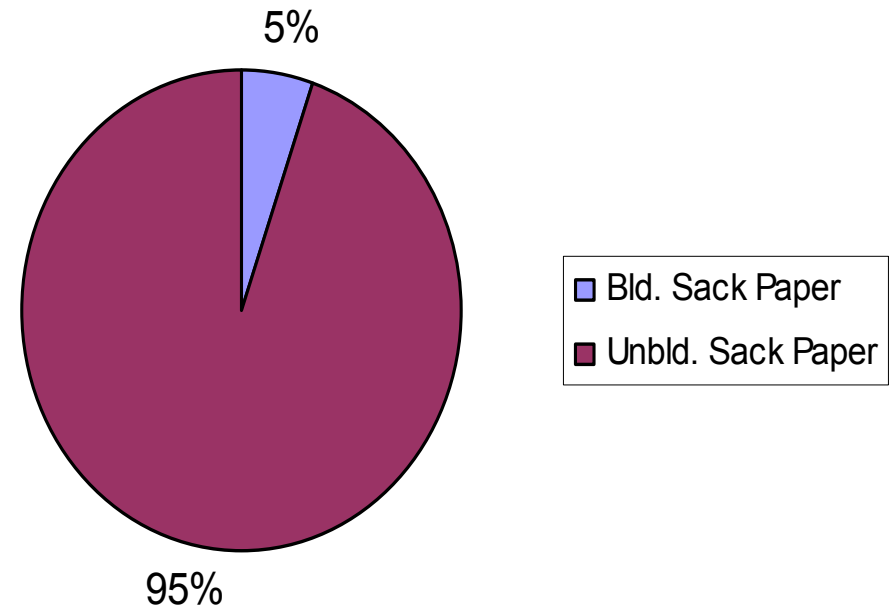
Source: Jaakko Pöyry 2001

Consumption of Sack paper by grade in Asia

- Bleached sack papers only account for 5% of the total sack paper consumption in Asia
- China is the largest consumer of unbleached sack paper in Asia with 38% of the total market
- Japan accounting for 34 % of bleached sack paper consumption

1000 tons

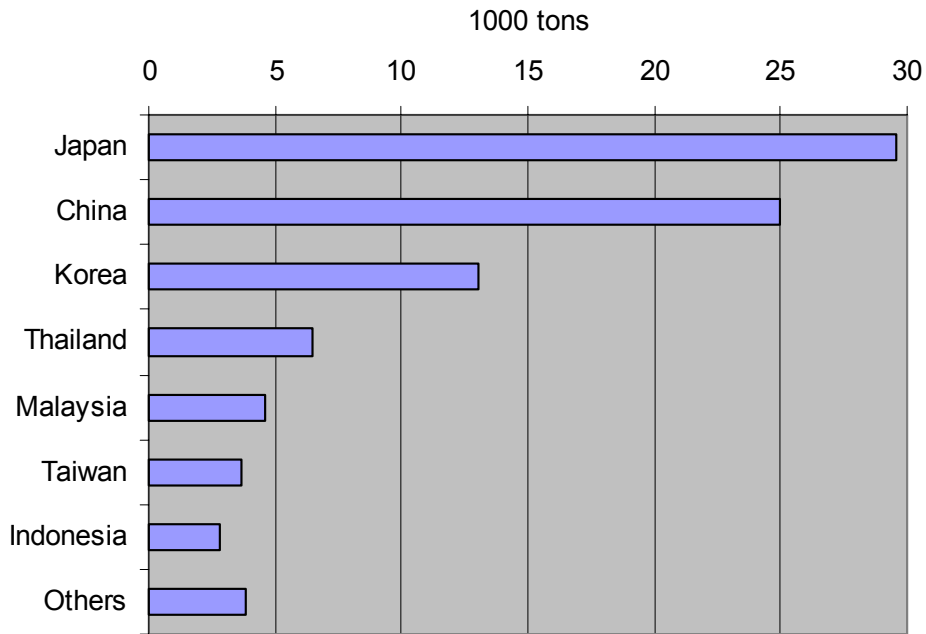
	Asia
Bleached Sack Paper	89
Unbleached Sack Paper	1600
Total	1689



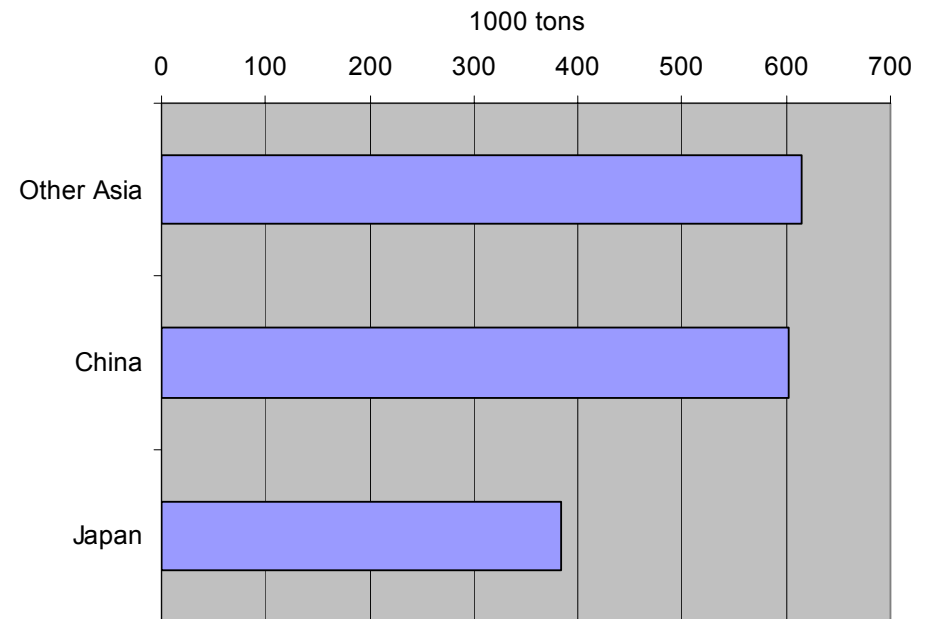
Source: Jaakko Pöyry, Market Survey

Consumption Sack paper by country

Bleached Sack paper

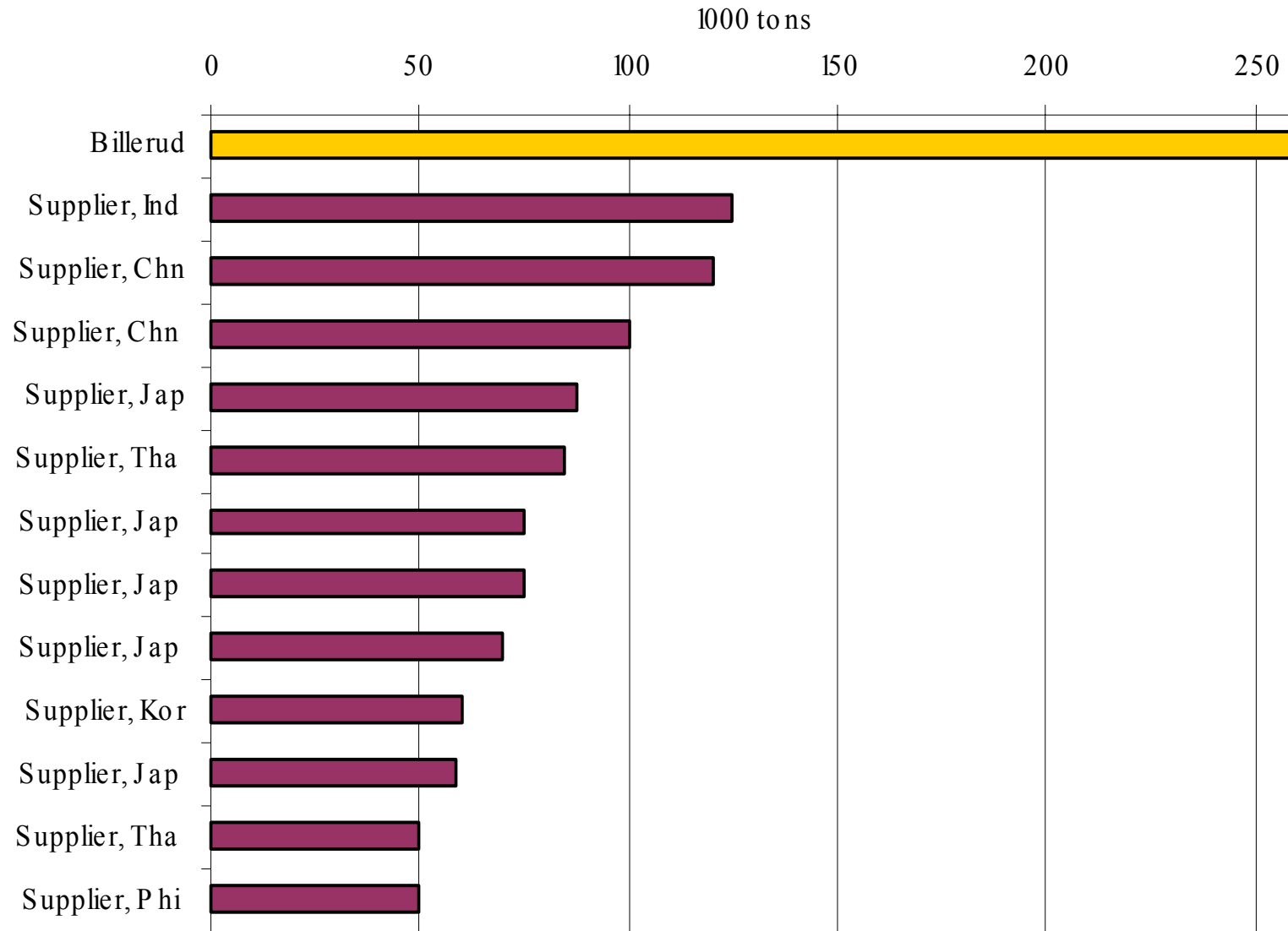


Unbleached Sack paper



Source: Jaakko Pöyry, Market Survey

Sack Paper producers in Asia



Source : JP Smart Terminal

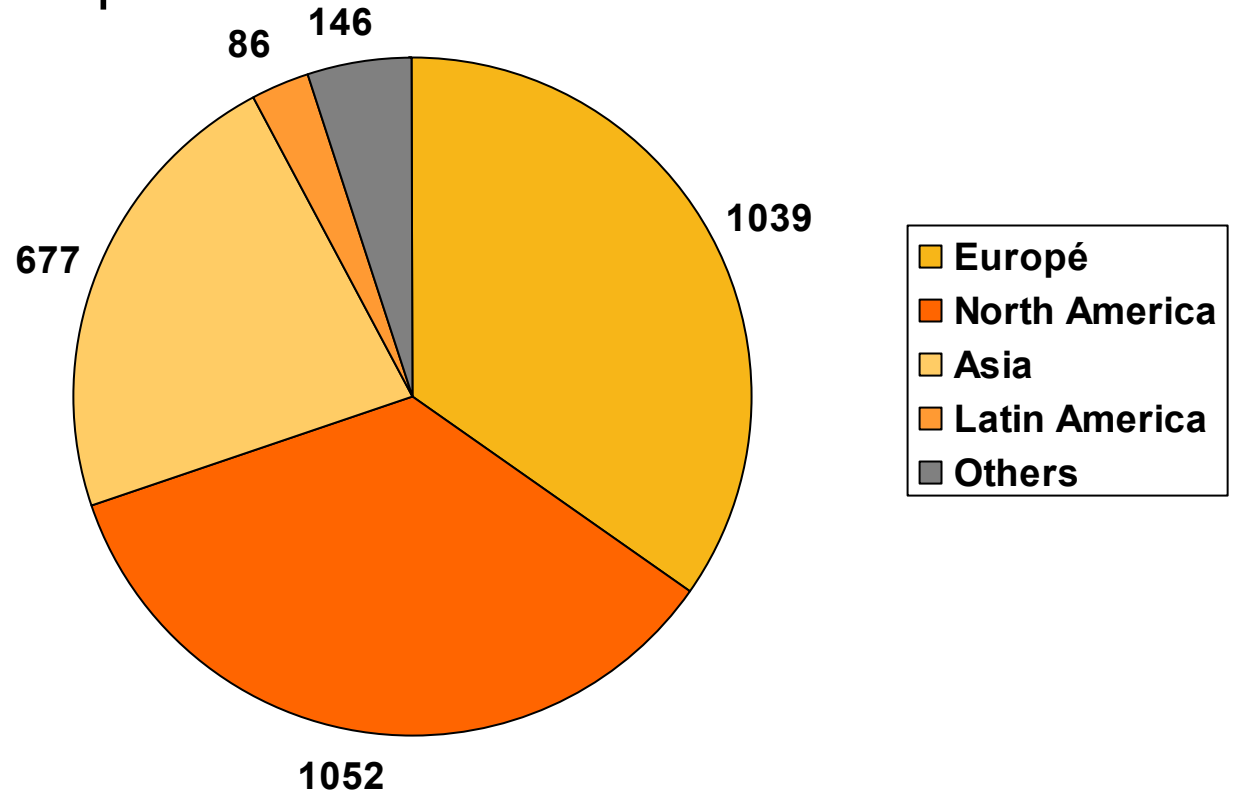
Technical Kraft Papers

- Japan and China are the largest consumers of bleached Kraft papers.
- The biggest end-use areas are bags and pouches, flexpacks, wrappings and release base.
- Sterile packaging is the fastest growing end-use category



The world market for bleached Kraft paper

- World market 3 million tonnes
- The Asian market accounts for 23% of the bleached Kraft paper consumption.



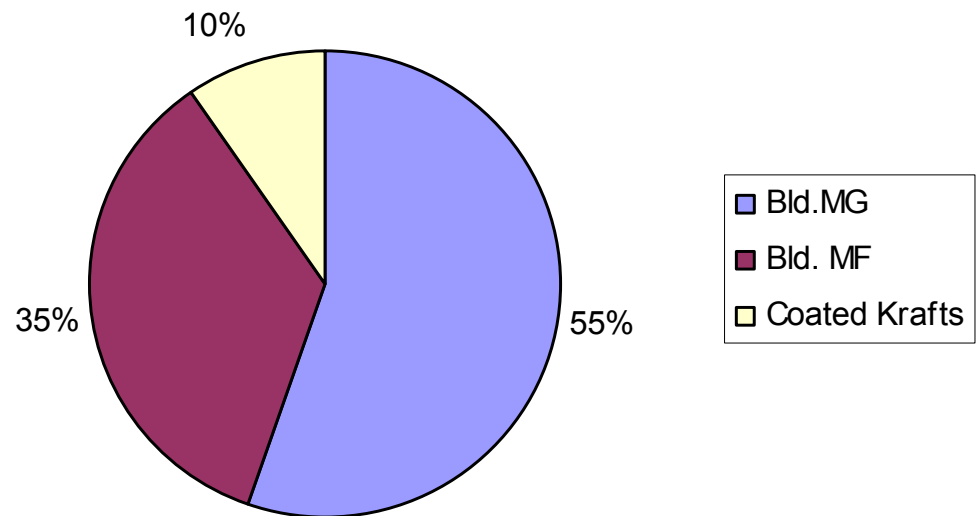
Source: Jaakko Pöyry 2001

Asian market for bleached Kraft papers

- Bleached MG Papers is the largest paper grade
- Japan is the leading market for bleached Kraft paper, representing 50% of the total

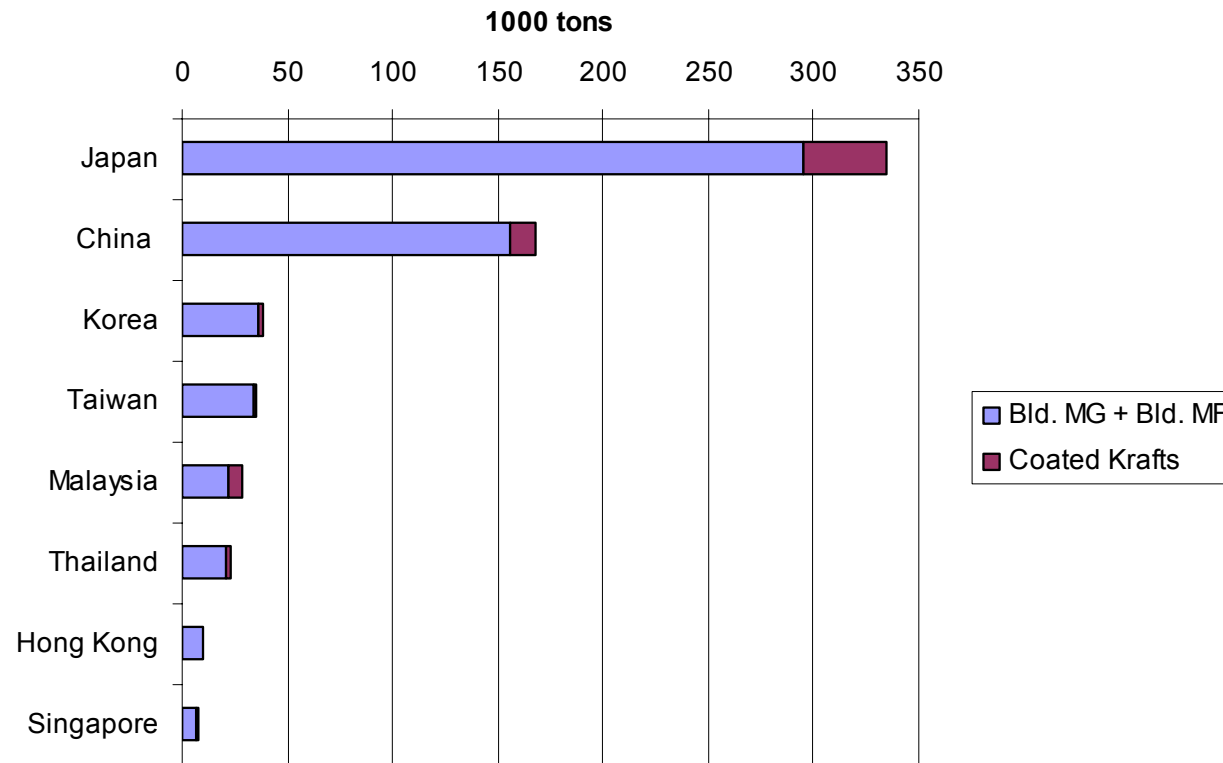
1000 tons

	Asia
Bleached MG	375
Bleached MF	236
Coated Krafts	66
Total	677



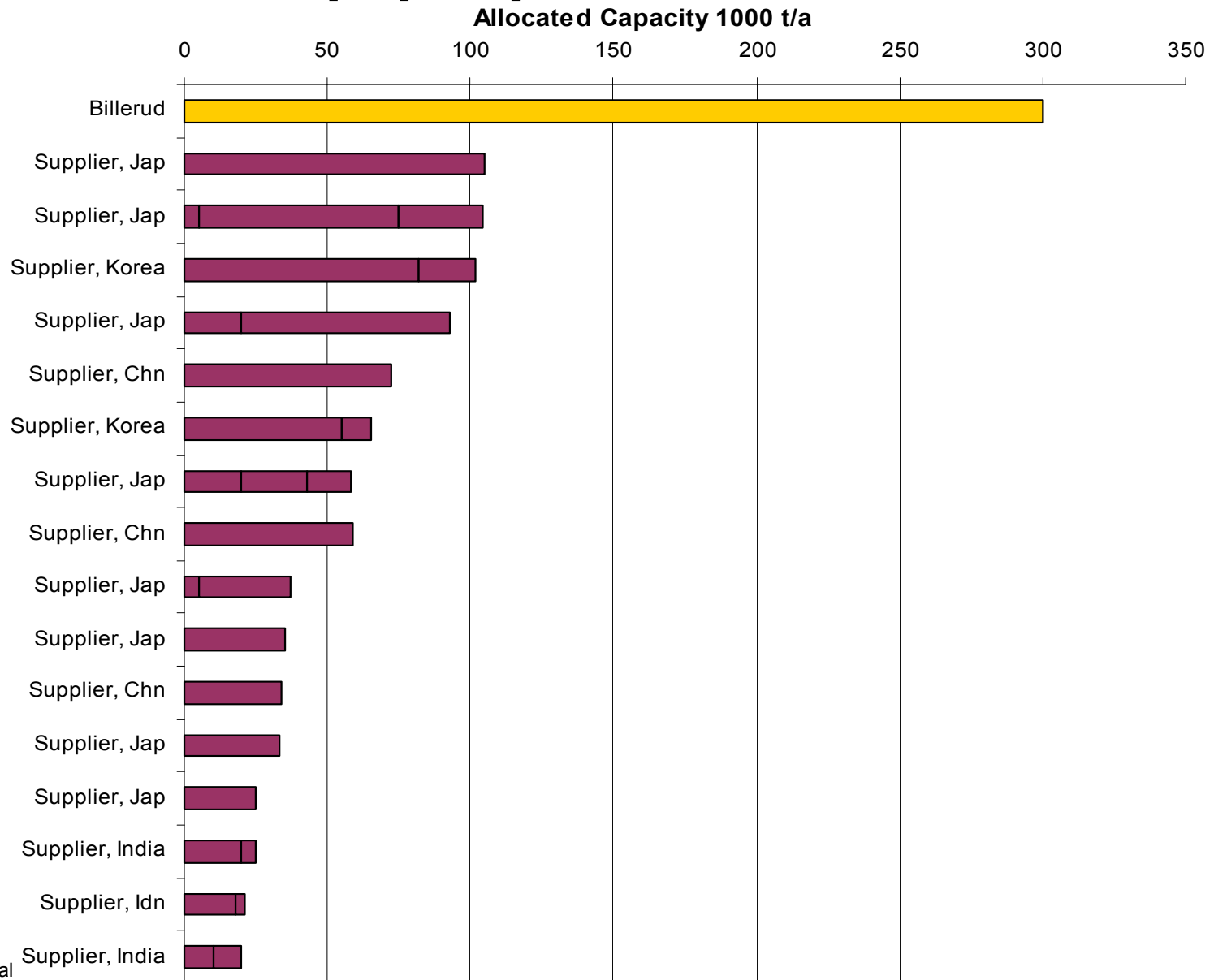
Source: Jaakko Pöyry, Market survey

Consumption of bleached Kraft paper by country



Source: Jaakko Pöyry, Market survey

Kraft paper producers in Asia



Source: JP Smart Terminal

Containerboard

- Virgin fluting
 - Fruit and vegetables main end-use
- White liners
 - Trend that goods produced in Asia also being packed locally



New markets - Strategic approach

Local presence through:

Trading houses

Local agents

Own Office

Determining factors:

- **Regularity in deliveries**
- **Size of business**
- **Strategic importance**

Key figures 2003

	Q4	vs Q3	2003	vs 2002
Net sales, MSEK	1,689	-2%	6,992	-1%
Operating profit, MSEK	255	-10%	1,118	-8%
Operating margin	15%	-1	16%	-1
Profit/share, SEK	3.10	-5%	13.13	-1%
Debt/Equity ratio ¹⁾	0.38	-0.01	0.38	-0.06
Deliveries (ktonnes)	327	+2%	1,288	+/-0%

1) End of period

Cash flow

MSEK	Q4 2003	2003	2002
Operating surplus	349	1,494	1,567
Working capital change	+57	+79	+48
Finance net, taxes	-4	-201	-276
Cash flow from operating activities	402	1,372	1,339
Capex etc	-76	-380	-370
Operating cash flow	+326	+992	+969
Dividends/share buy backs	-260	-777	-661
Other	-4	-15	+3
Change in net debt ¹⁾	+62	+200	+311

¹⁾ Plus equals decrease in net debt

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