

# Billerud

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Forest & Paper Seminar

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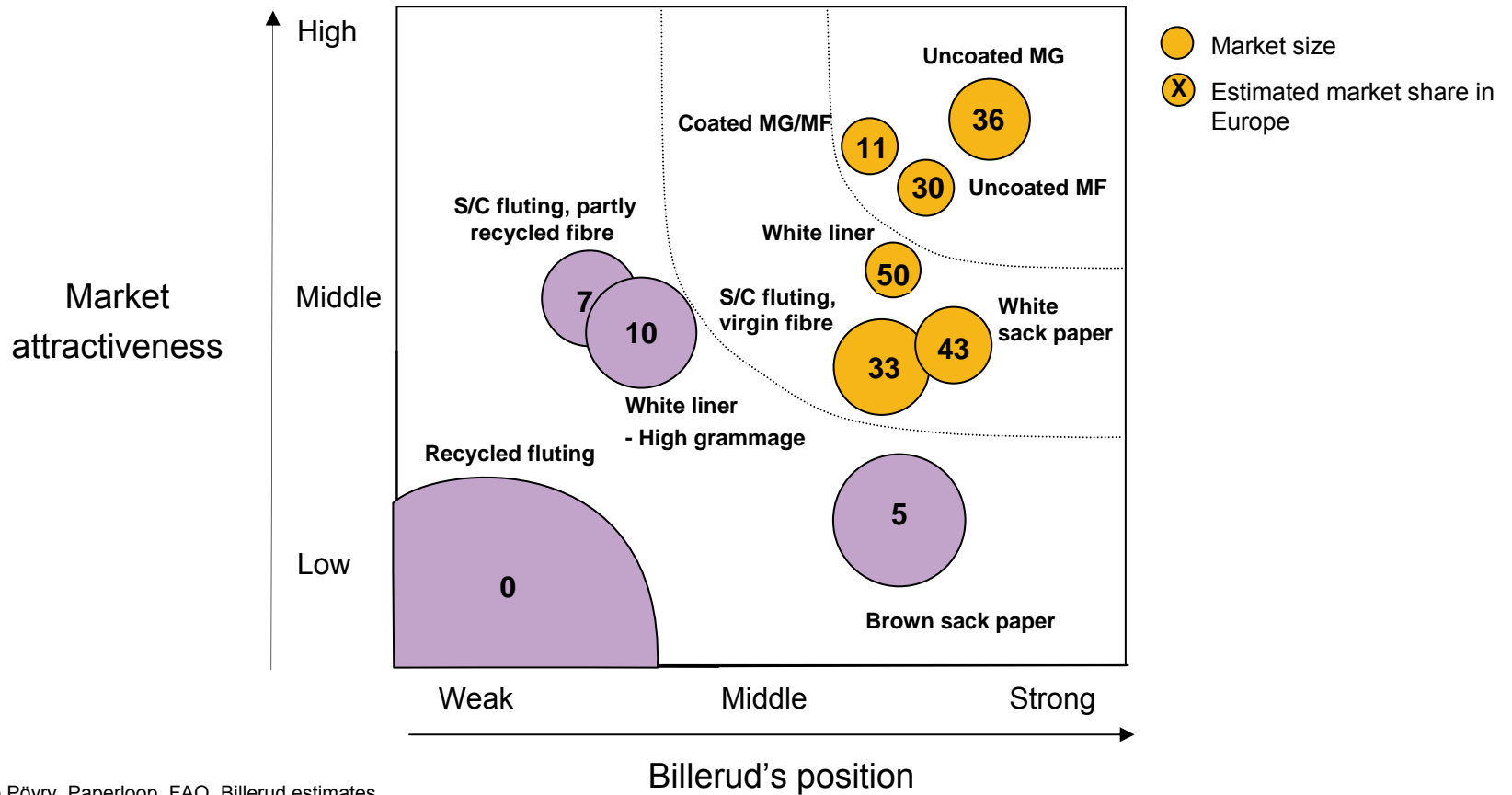
# Billerud in brief

- 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%

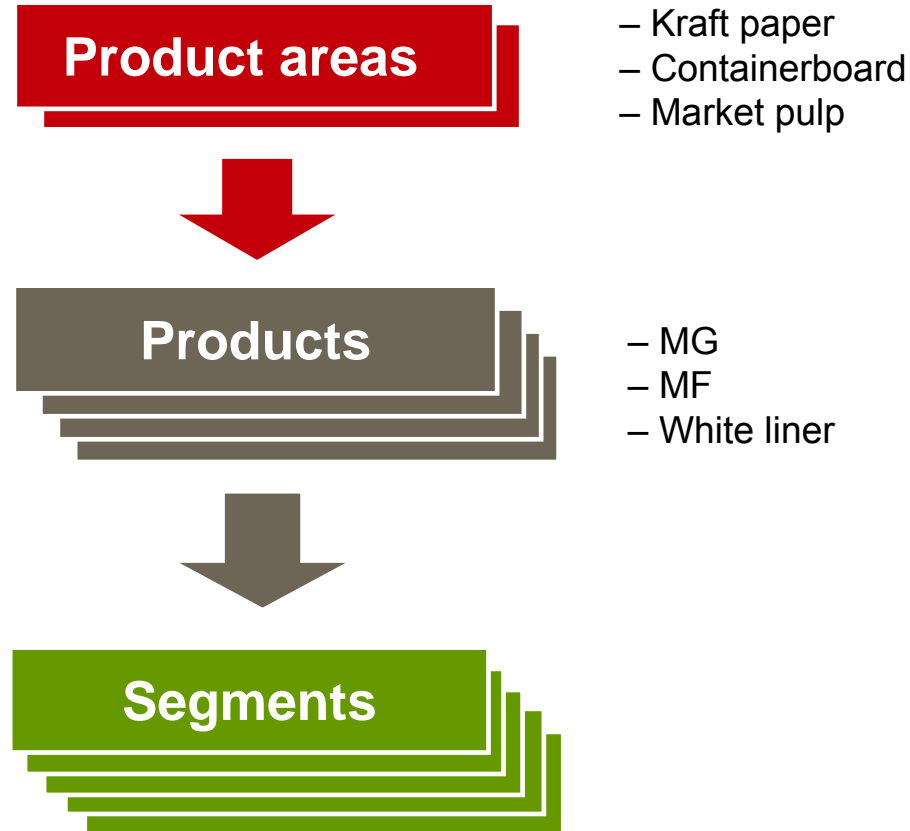
 Cash flow products -5%

Market pulp +5%

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**Total +10%**

# Segment focus



# Technical kraft papers – Segments



Medical packaging



Flexible packaging



Protective envelopes

# Market Situation – Kraft Paper

## Q3

- Weaker orderbook vs. Q2
- Stable average prices for Technical Kraft Papers
- Some prices increases for sack paper, especially for white
- Deliveries -2% vs. Q2-04, +6% vs. Q3-03
- Single-ply sack paper introduced

## Outlook

- Stable demand situation

# Market Situation – Containerboard

## Q3

- Stable orderbook situation
- Increased prices
- Deliveries +17% vs. Q2-04, +19% vs. Q3-03
- Virgin flute 99 gsm introduced

## Outlook

- Stable demand situation

# Market Situation – Market Pulp

## Q3

- Market price for NBSK decreased during the quarter from USD 660/tonne to USD 590/tonne
- Billeruds average price -4% compared to Q2-04
- Deliveries -1% vs. Q2-04, -14% vs. Q3-03

## Outlook

- Price increase to USD 620/tonne up to year end

# 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

# Financial objectives

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

1) Average over a business cycle

# Billerud vs. Forestry index



Index 100 = 2001-11-20. Updated to 2004-11-15. Source: ECOWIN