



BILLERUD

SEB Enskilda

January 10, 2007

Per Lindberg, CEO

Billerud in brief

- » Leading supplier of speciality products for consumer and industrial packaging
- » Sales turnover approx. SEK 7 billion
- » EBIT MSEK 200 in 2005
- » 2,200 employees in 11 countries ¹⁾

1) 2006



Packaging & Speciality Paper

MG, MF & Sack Paper



Packaging Boards

S/C Fluting, Liner, Liquid Board



Market Pulp

Nordic Bleached Softwood Kraft Pulp



Packaging & Speciality Paper

55% of total sales

545 000 tonnes

End Use Areas

- » Carrier Bags & Small Bags
- » Packaged Food
- » Medical Areas
- » Release Liner
- » Interleaving
- » Sacks

Important Criteria

- » Strength
- » Runnability
- » Printability
- » Purity & Porosity



Packaging Boards

30% of total sales

530 000 tonnes

End Use Areas

- Fresh fruit and vegetables
- Milk and other beverages
- Consumer goods
- Gifts and cosmetics

Important Criteria

- » Strength
- » Purity
- » Printability
- » Runnability
- » Top performance in humid environment



Market Pulp

15% of total sales

350 000 tonnes

End Use Areas

- » Uncoated/Coated Fine Paper
- » LWC
- » Tissue
- » Kraft Paper
- » Label Paper

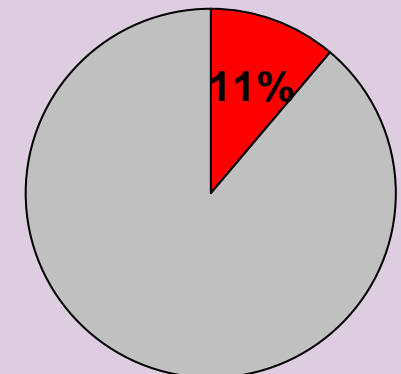
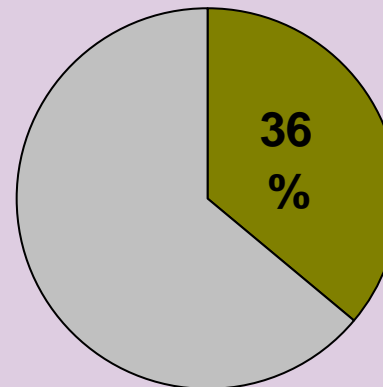
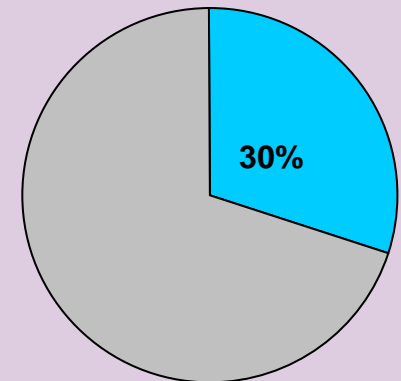
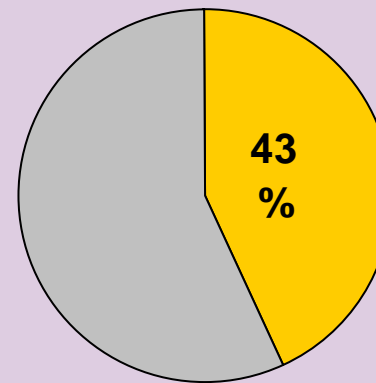
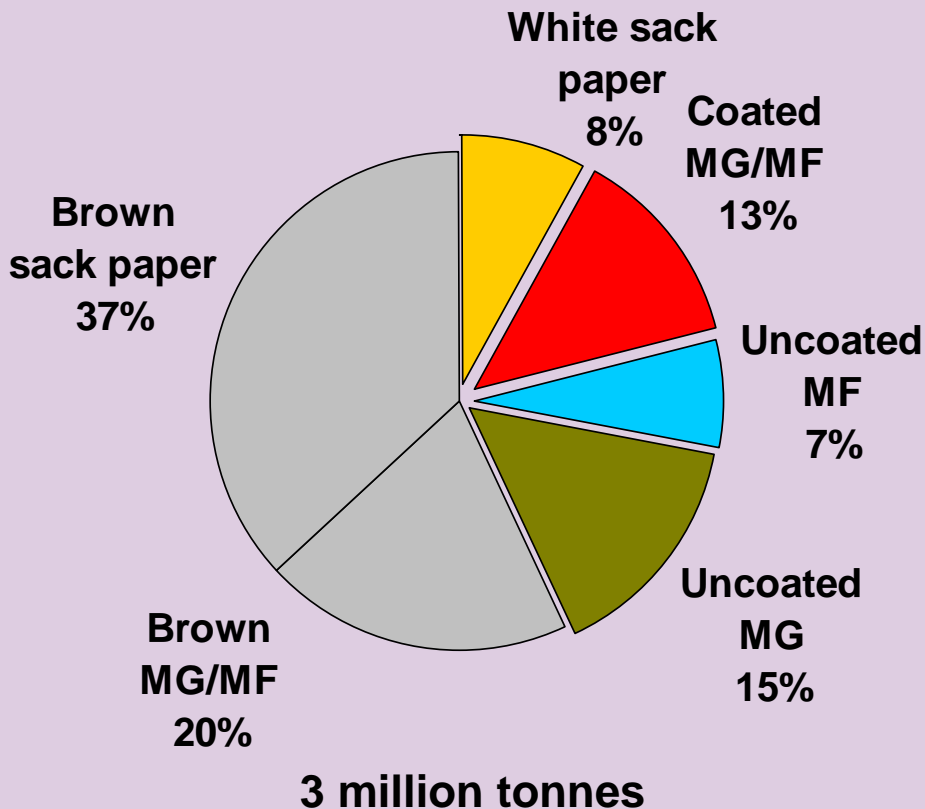


Billerud value drivers

- » Strong position in attractive segments
- » Competitive niche capacity
- » Cost reduction programs
- » Strategic review

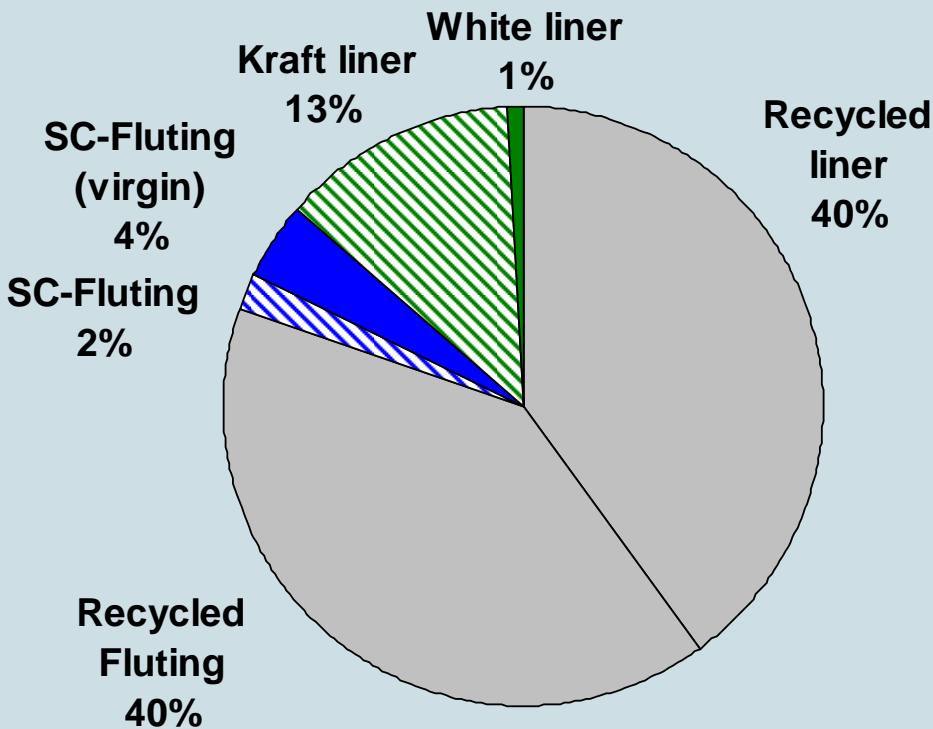
Packaging & Speciality Paper

European market shares and position

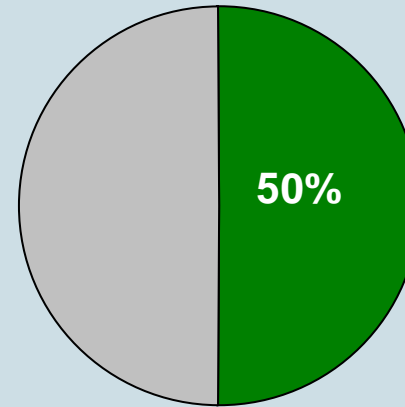


Packaging Boards

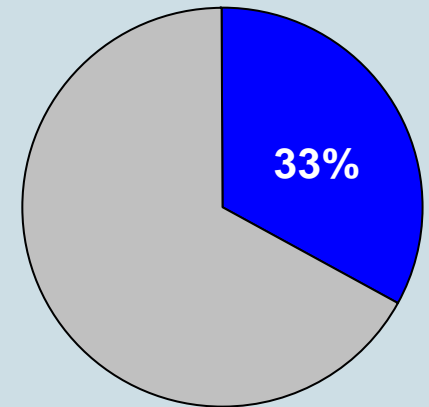
European market shares and position



21 million tonnes



**White liner (1)
(Low grammage)**



**SC-fluting (1)
(100% virgin fibre)**

Competitive niche capacity

Four mills with a total capacity of 1.4 million tonnes of packaging paper and market pulp

Gruvön

- » 680 kton
- » Liner, fluting, MG, Sack paper, MF Kraft, Market Pulp

Karlsborg

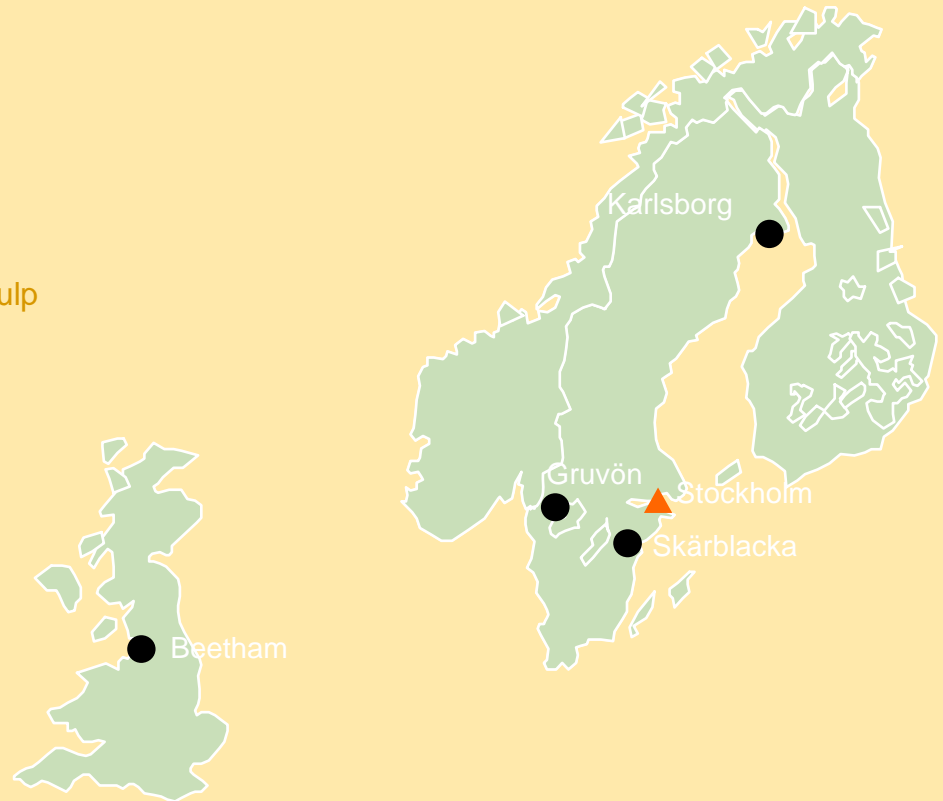
- » 300 kton
- » Sack Paper, Market Pulp

Skärblacka

- » 400 kton
- » MG, Sack Paper, Fluting, Market Pulp

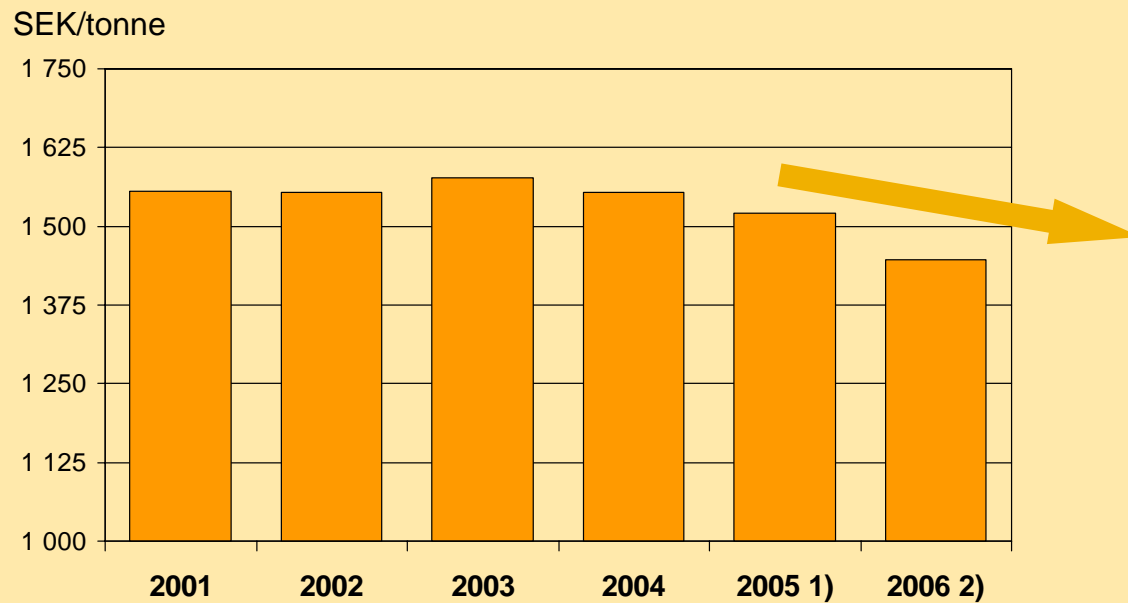
Beetham

- » 40 kton
- » MG



Successful fixed cost reduction

- » Billerud 2007 program reduces headcount 18%
- » Continued focus on fixed cost reduction

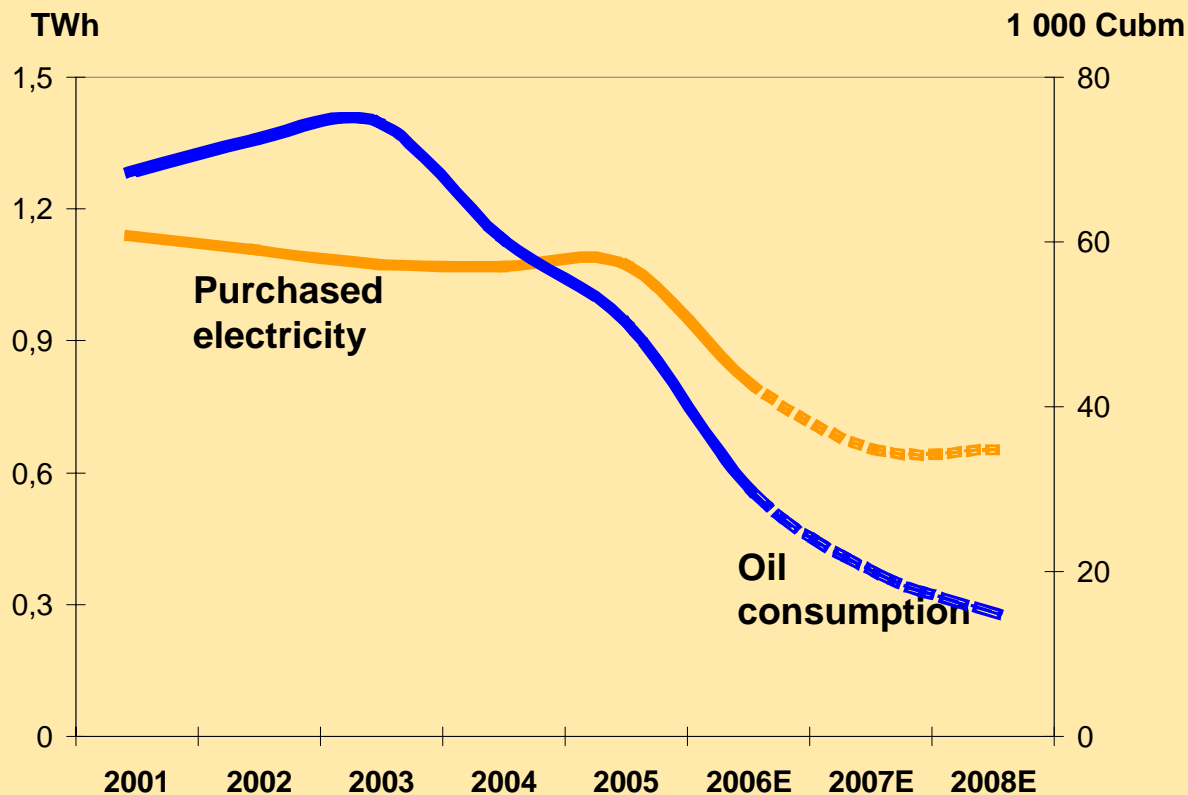


1) For comparable units 2) Data for 2006 are Q3 annualized



Reduced energy costs is key to variable costs

- » 1050 MSEK invested with < 4 years pay-back
- » Further energy saving options will be explored



Improved EBIT-margins*

- Excl. EO-costs 2005



* Rolling 12-months

Key figures

- Jan-Sept 06 vs. Jan-Sept 05

	Jan-Sept 2006	Jan-Sept 2005	Change
Deliveries ('000 tonnes)	1 025	1 010	+1%
Net sales, MSEK	5 502	5 081	+8%
Operating profit, MSEK	376	-281	+657*
Operating margin	7%	-6%	+13
Profit/share, SEK	4,33	-4,75	+9,08
Debt/Equity ratio	0,98	0,86	+0,14

* MSEK 257 excl. one-off costs related to Billerud 2007

Reasons for EBIT development

- Jan-Sept 2006 vs. Jan-Sept 2005

Deliveries and prod. volumes, incl. product mix	+ 79
Sales prices (in local currencies)	+ 209
Increased variable costs	- 170
Decreased fixed costs	+ 80
Increase in depreciations	- 37
Effect of exchange rates, including hedging	+ 96
<u>Total effect on results</u>	<u>+ 257</u>



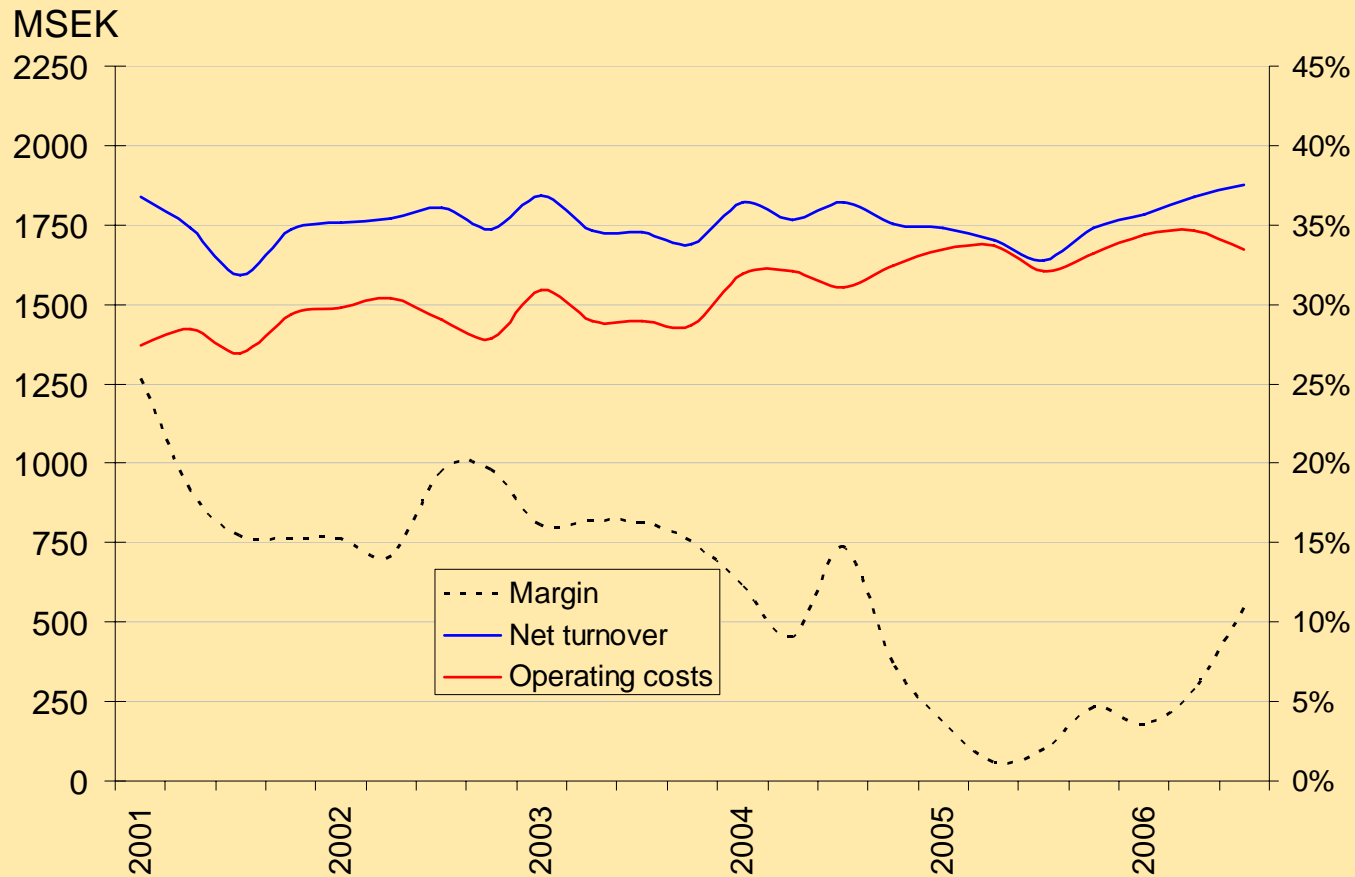
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Strategy review

Strategy review

- » Significantly reduced profitability and slow growth
- » Five years since formation of Billerud – the synergies from the combination now taken
- » New management team
- » Review of strategy and targets a natural step

Sales and operating profit 2001-2006



Margin and operating costs data exclude MSEK 400 non-recurring item for "Billerud 2007" in 2005

Actions initiated 2005/06

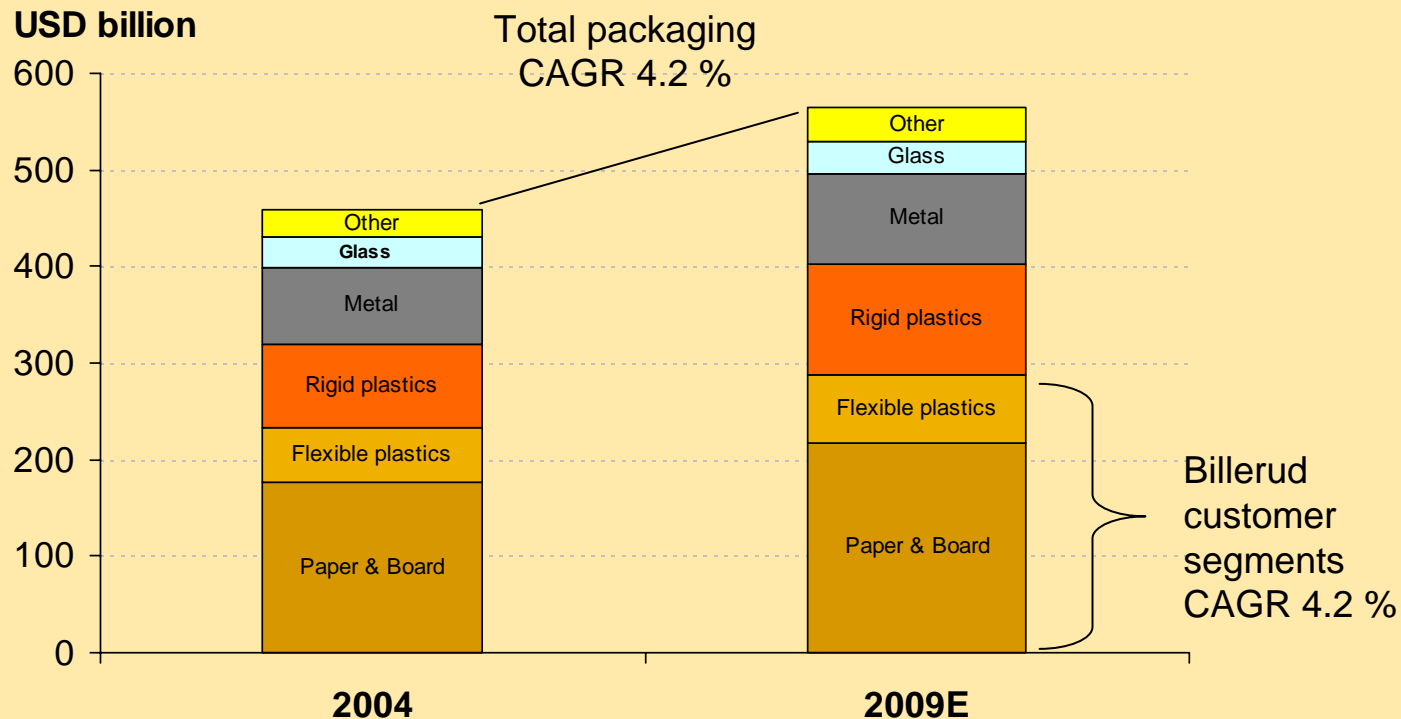
- » Cost savings program – speed up implementation of “Billerud 2007”
- » Customer focus - new organization with Business areas
- » Head office control strengthened - renewed focus on management by objectives
- » Initiated steps in marketing activities to target the full length of the packaging value chain
- » Full review of strategy and financial targets



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Packaging market opportunities

Packaging is a growing industry - World packaging consumption



Source: Billerud och Packforsk estimates

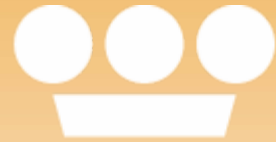
The market presents opportunities

- » Size and growth
- » Neglected paper promotion
- » Fragmented value chains
- » Recent trends favour paper
 - » Branding
 - » Environment

- » Current strength position in priority segments will be exploited

Billerud strategy – key components





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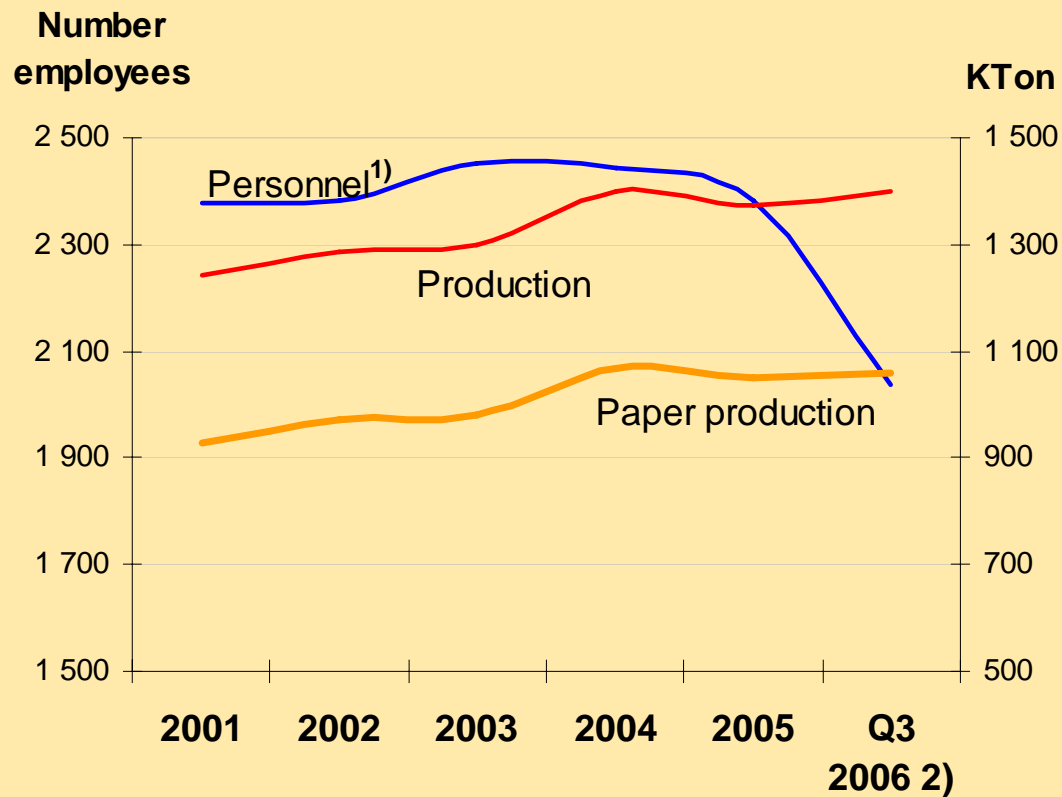
Operational excellence

Billerud Operational Excellence program

- » Company-wide productivity program to increase cost efficiency
- » 100 000 tons production volume increase
- » Energy efficiency programs
- » Centralized purchasing and logistics
- » Selective investments to increase competitiveness

Volume increase and cost reduction

» Target 2010: +100,000 tonnes of paper



1) For comparable units 2) Data for 2006 are Q3 annualized



Reducing cost through purchasing and logistics

Total spend MSEK : ~2,250

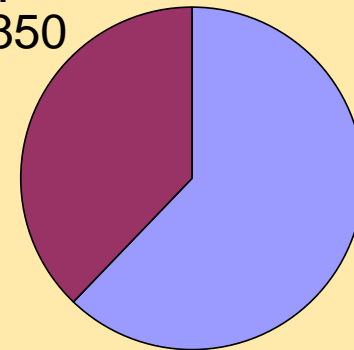
» Purchasing

- » Chemicals
- » Machine supplies
- » Services

» Logistics

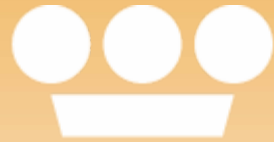
- » Transports
- » Warehousing
- » Services

Logistics:
MSEK ~850



Purchasing:
MSEK ~1,400

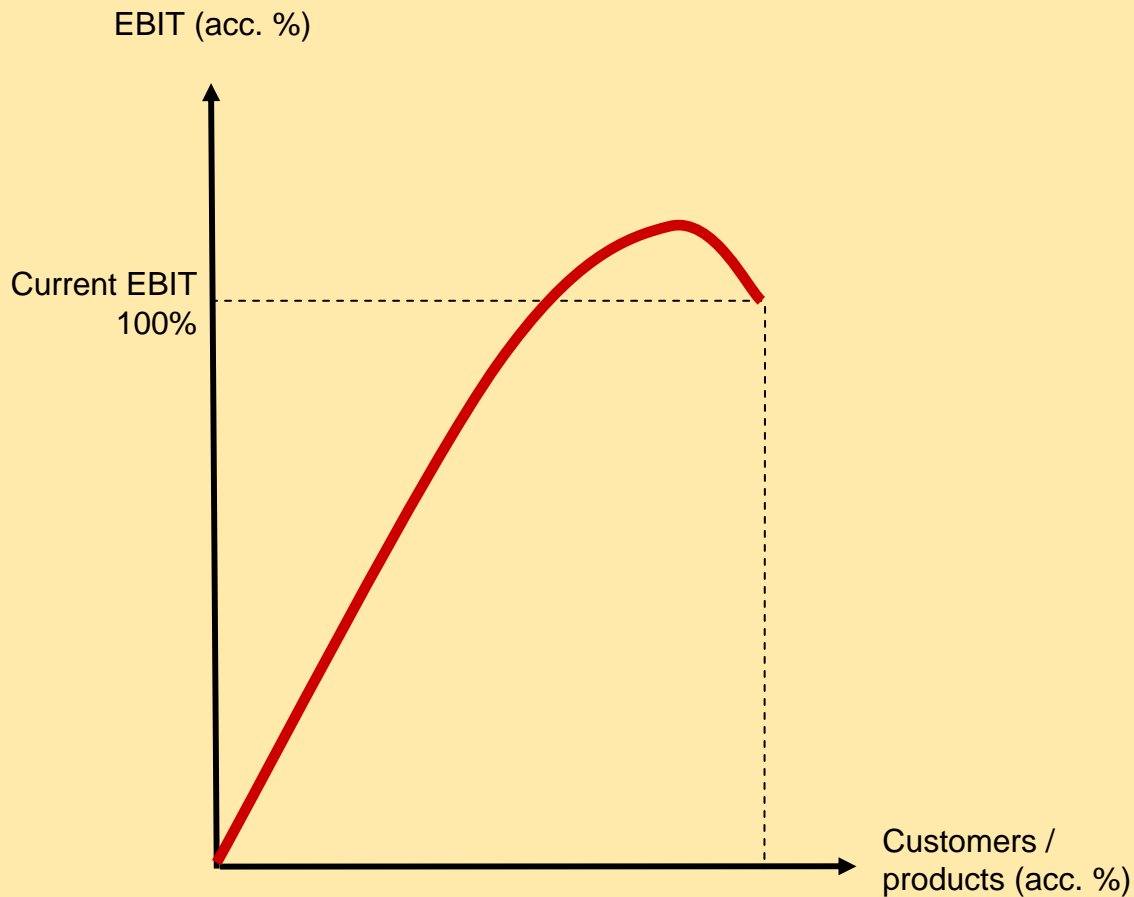
 Potential for large savings



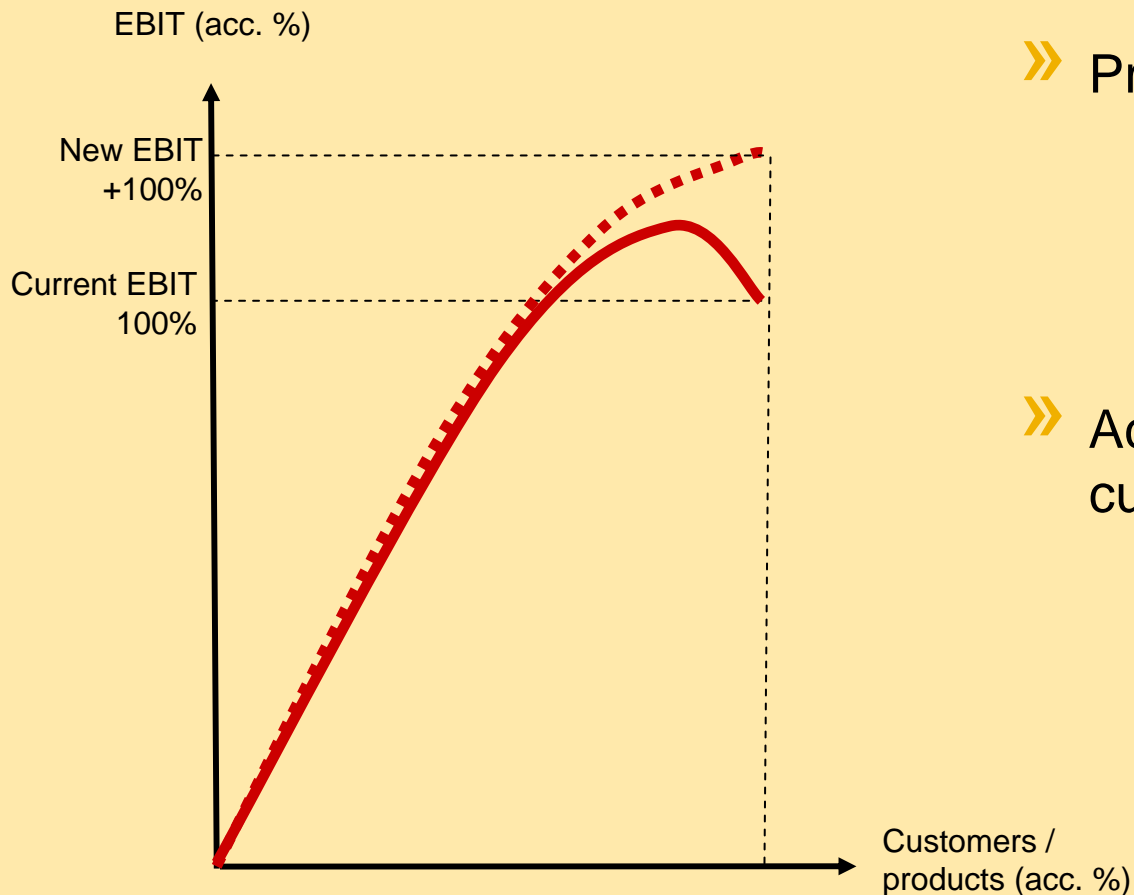
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Sales & Business development

Target : Improve product and customer mix



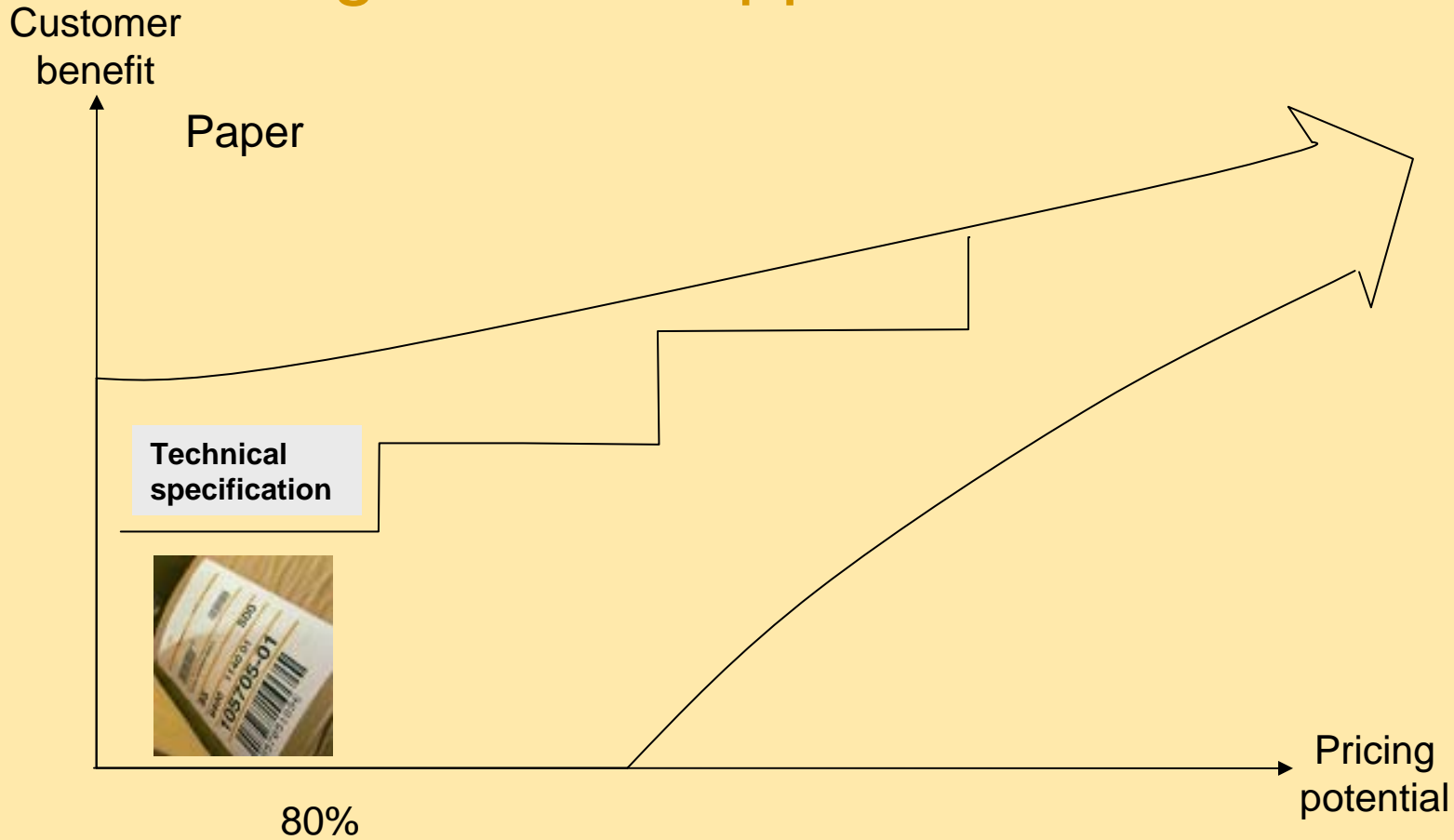
Target : Improve product and customer mix



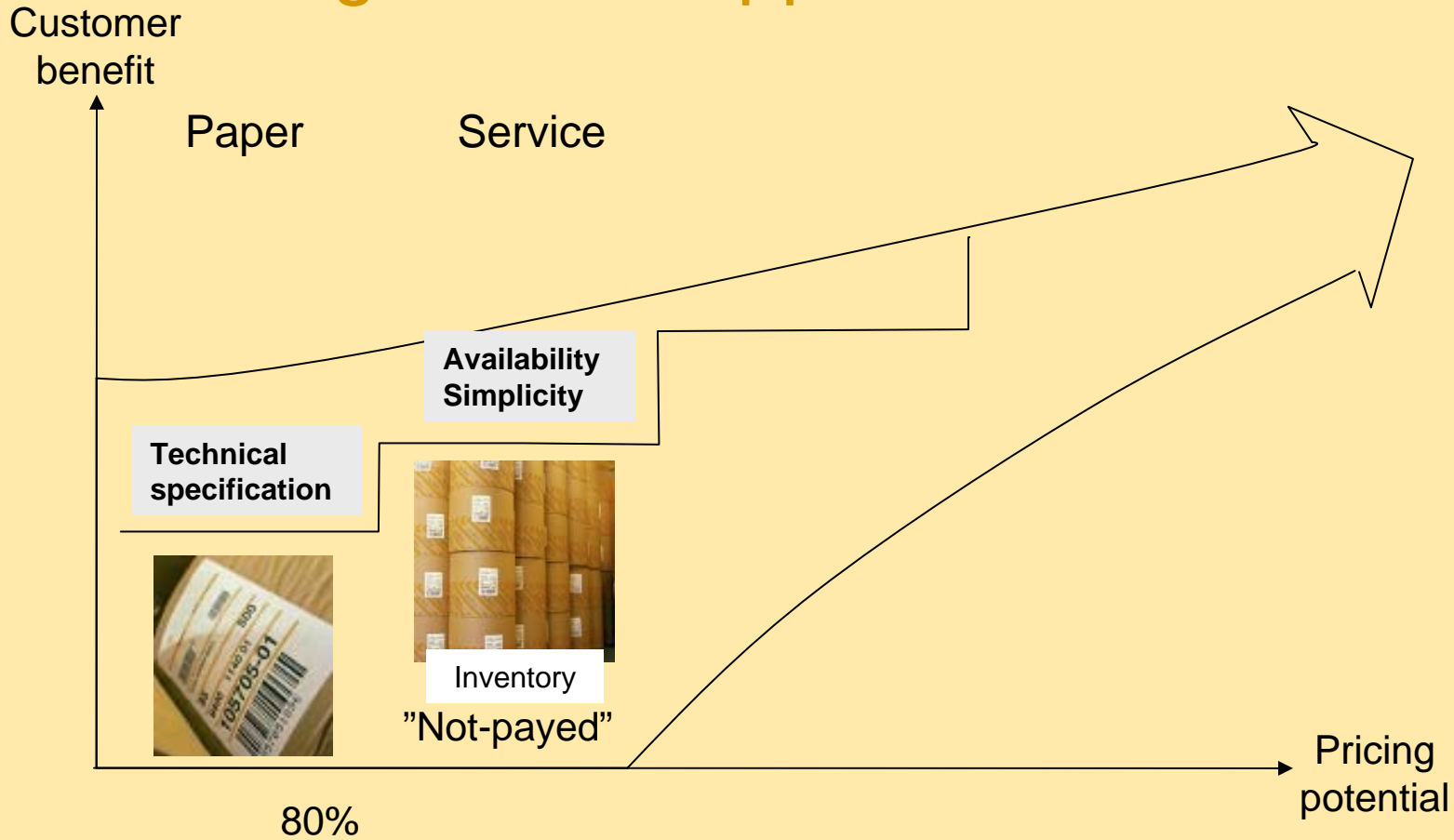
- » Product mix improvement
 - » Between business areas
 - » Between segments
 - » Within segments

- » Active adjustments of customer base
 - » More partner and strategic customers
 - » Fewer spot customers
 - » Enter new markets

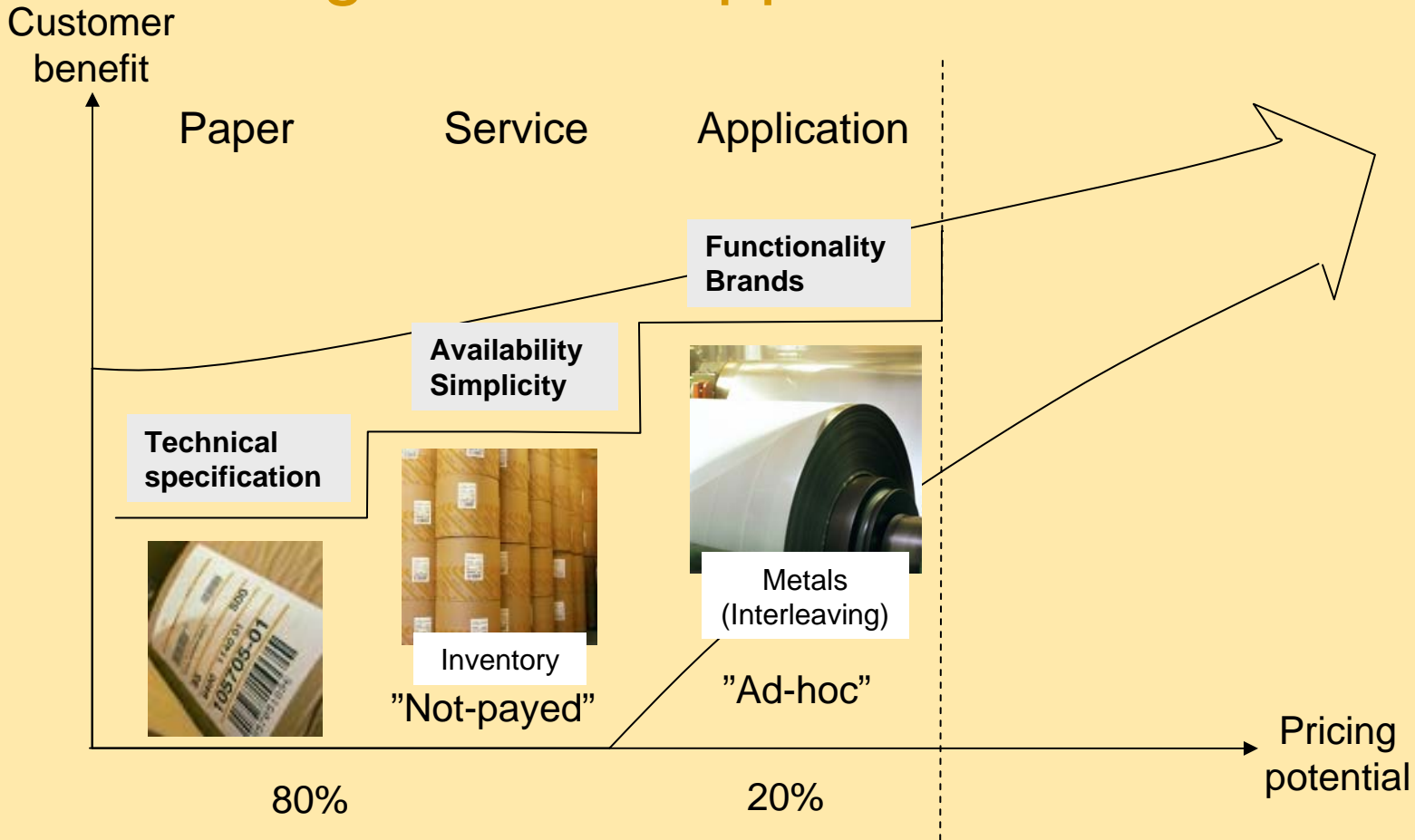
A changed sales approach



A changed sales approach



A changed sales approach





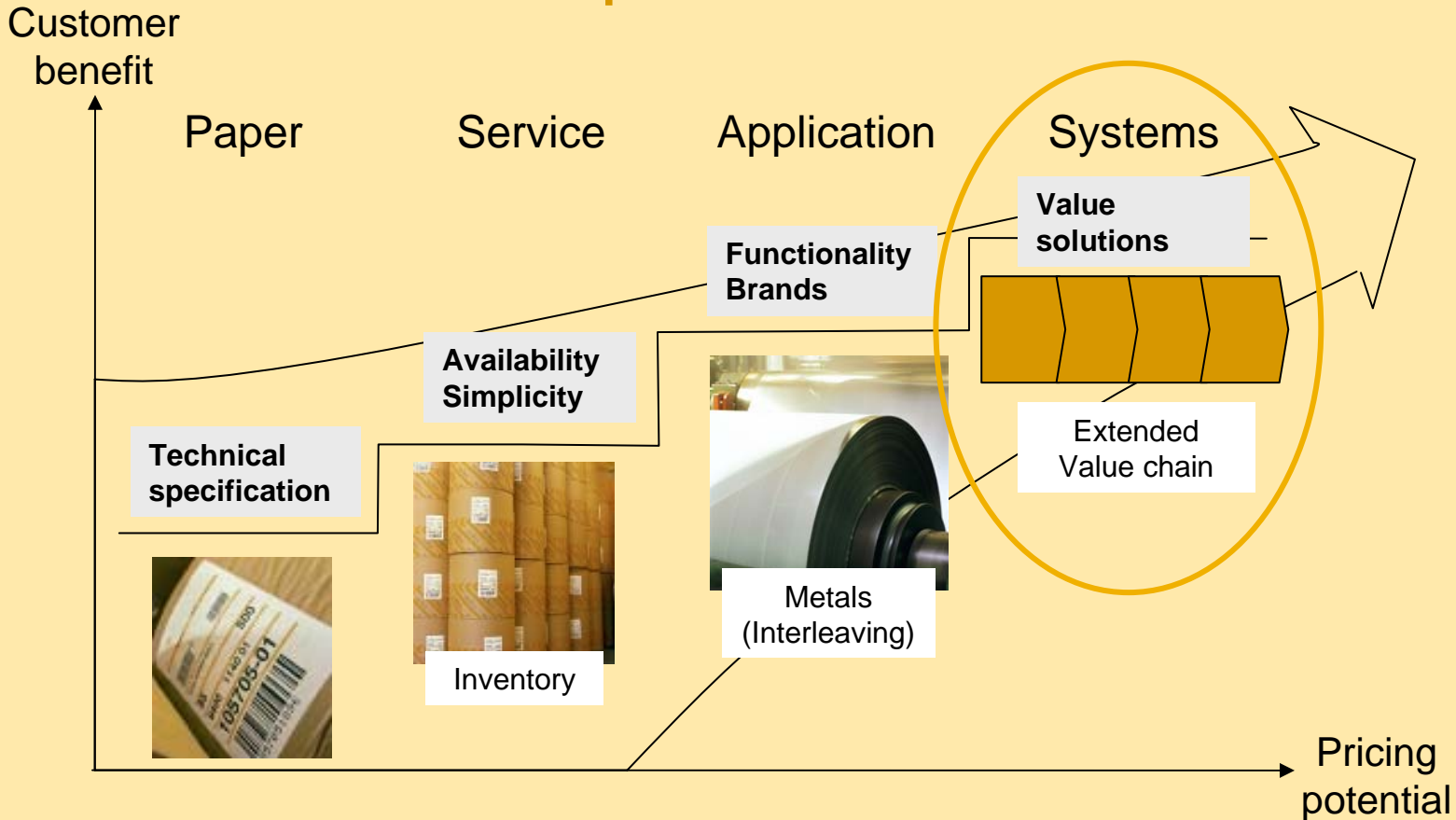
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New Business Growth

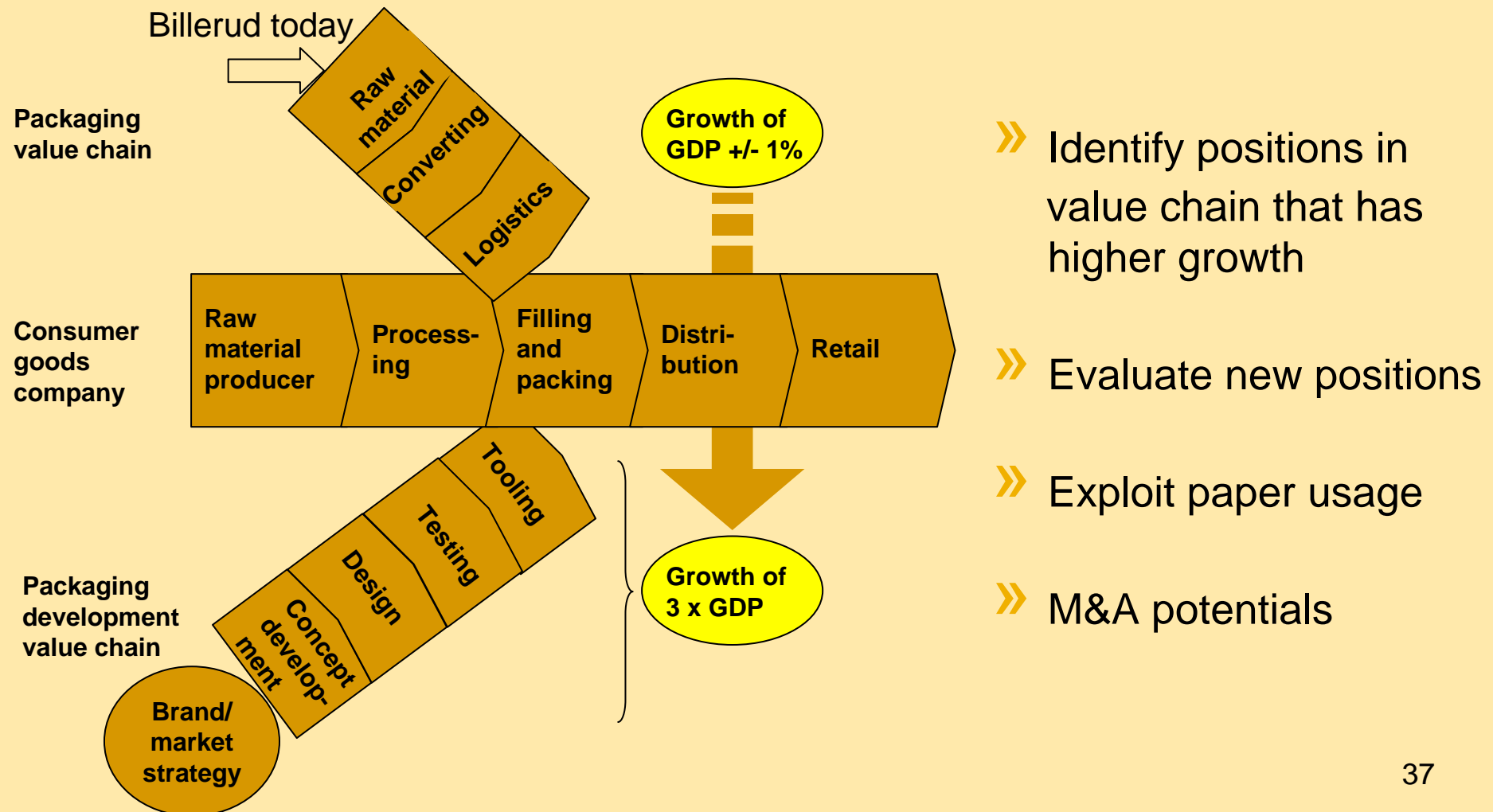
The future: Exploiting new opportunities

- » Billerud can exploit market trends from a position of strength in key segments
- » This requires a new market definition
- » It also requires an expanded view of the value chain in which we operate
- » We intend to expand our capacity to move in this new direction

New business potential



Extending perspective on value chains





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Financial targets

New financial targets

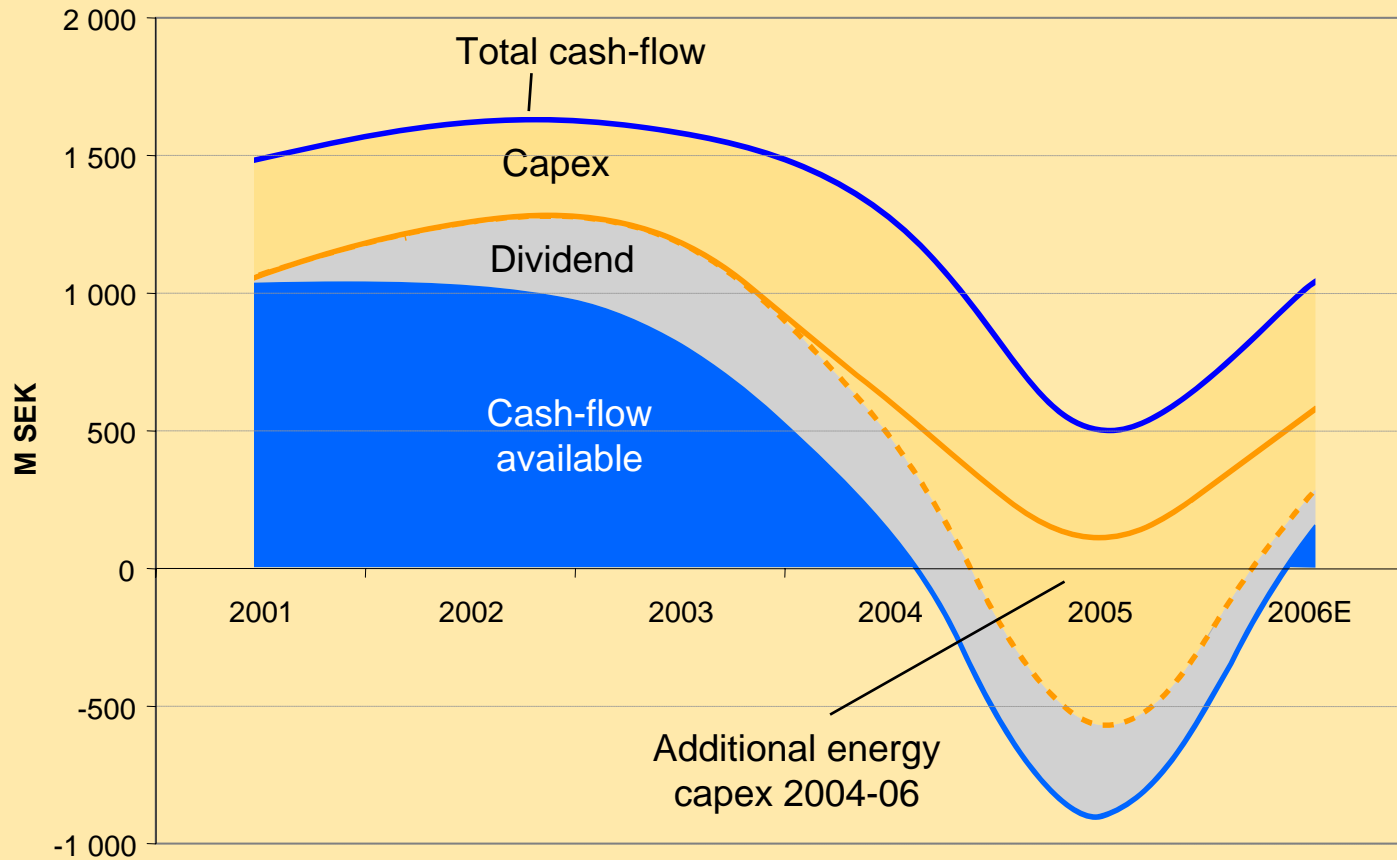
Revised

- » Long term organic sales growth rate of at least 3%
- » An EBIT margin of 10% as an average for a business cycle
- » Investments should give a return well above WACC

Unchanged

- » Net debt/equity 0.6-0.9
- » Dividends 50% of net profit, over a business cycle

Cash-flow generation and capex



Data for 2006 are actual 3Q adjusted to full year basis

Investment strategy

» Secure operational excellence


- » Selective investments in existing production – primarily to further improve quality

» Support growth strategy

- » Extending our offer along the full length of the value chain, means adding capabilities, competencies, concepts, and some-times also capacity
- » Acquire or cooperate to enhance our offer
- » Willing to invest in new geographical markets in limited scale

» “Opportunistic” acquisitions

- » Opportunities that arise from of industrial restructuring will also be considered – but only if significant value can be proven

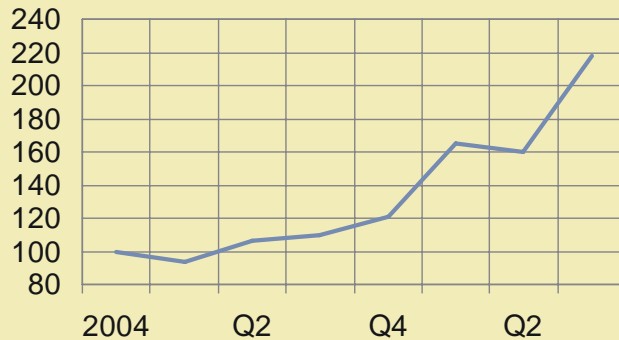
 All investments must give a return well above WACC



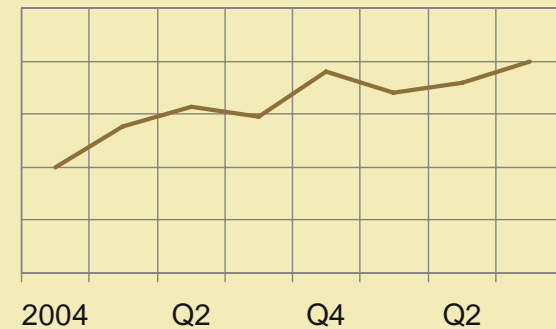
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Protecting your natural interests

Market prices affecting result

Electricity index (Sweden*)


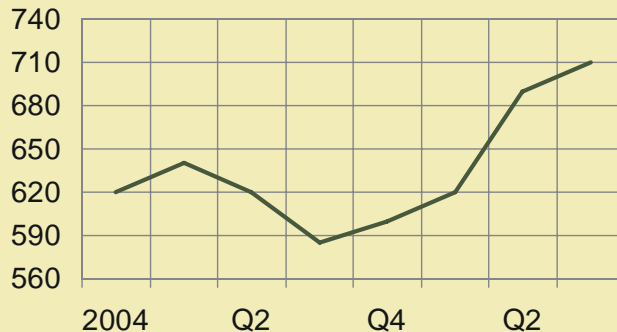
Source: Nordpool. *Price area Sweden

Wood price index


Source: Billerud

Market Pulp (USD/t)

Q1 2006 USD 620/t

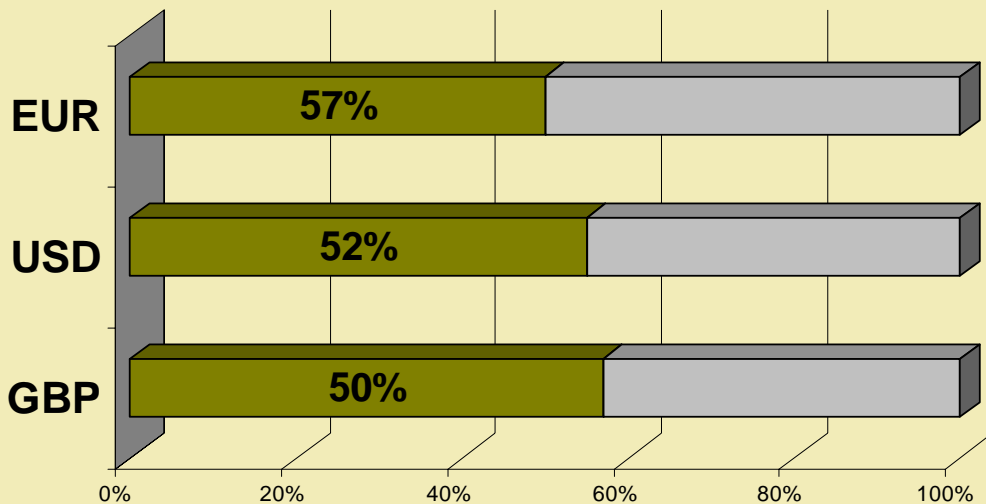

TCW index


Source: Riksbanken

Currency situation

Positive profit effect of net flow hedging MSEK 31 for Q3 2006

	Jan-Sept		Q3		Q4
	Average hedged currency rates 9M	Average current rates 9M	Average hedged currency rates Q3	Average current rates Q3	Average hedged currency rates Q4

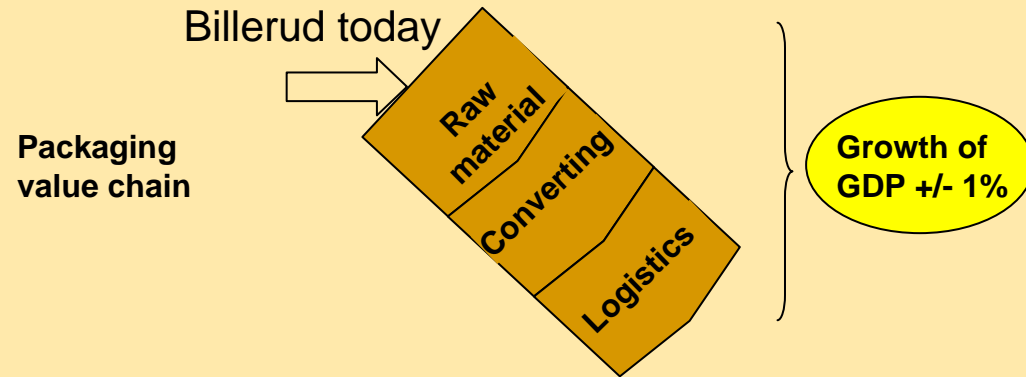


9.47	9.29	9.50	9.23	9.52
7.49	7.47	7.96	7.24	7.46
13.48	13.58	13.63	13.57	13.51

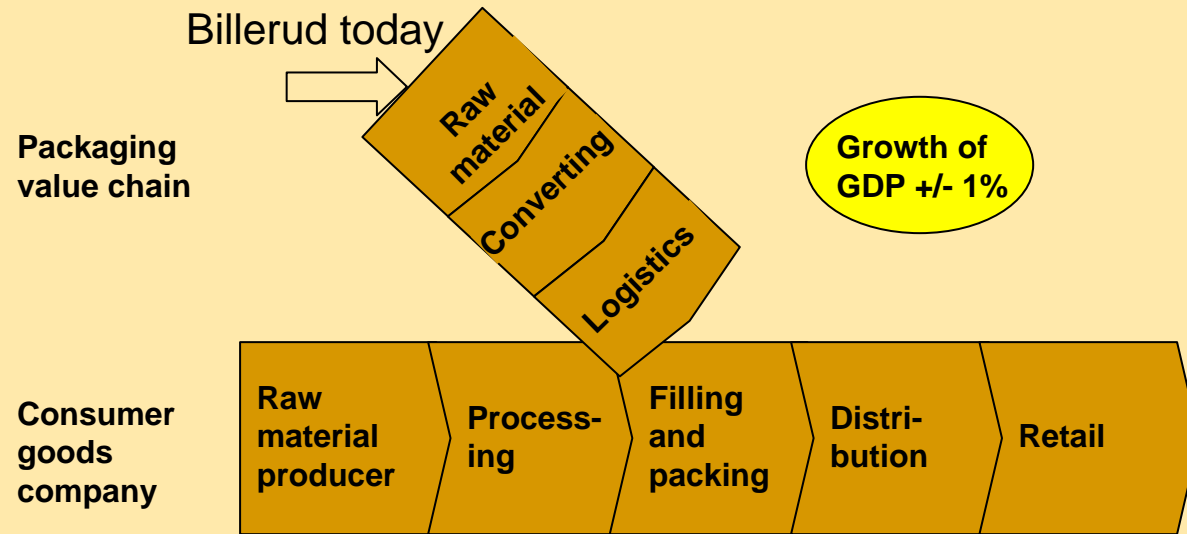
Generating positive Cash Flow

MSEK (positive figure indicates a reduction in debt)	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Current activities	399	-29	215	-53	225
Current net investments, excl. energy projects	-78	-62	-115	-105	-94
Energy project investments	-24	-103	-90	-226	-206
Operating cash flow	297	-194	10	-384	-75
Dividend	-	-167	-	-	-
Other items not affecting cash flow	-10	4	1	-13	8
Change in net debt during the period	287	-357	11	-397	-67

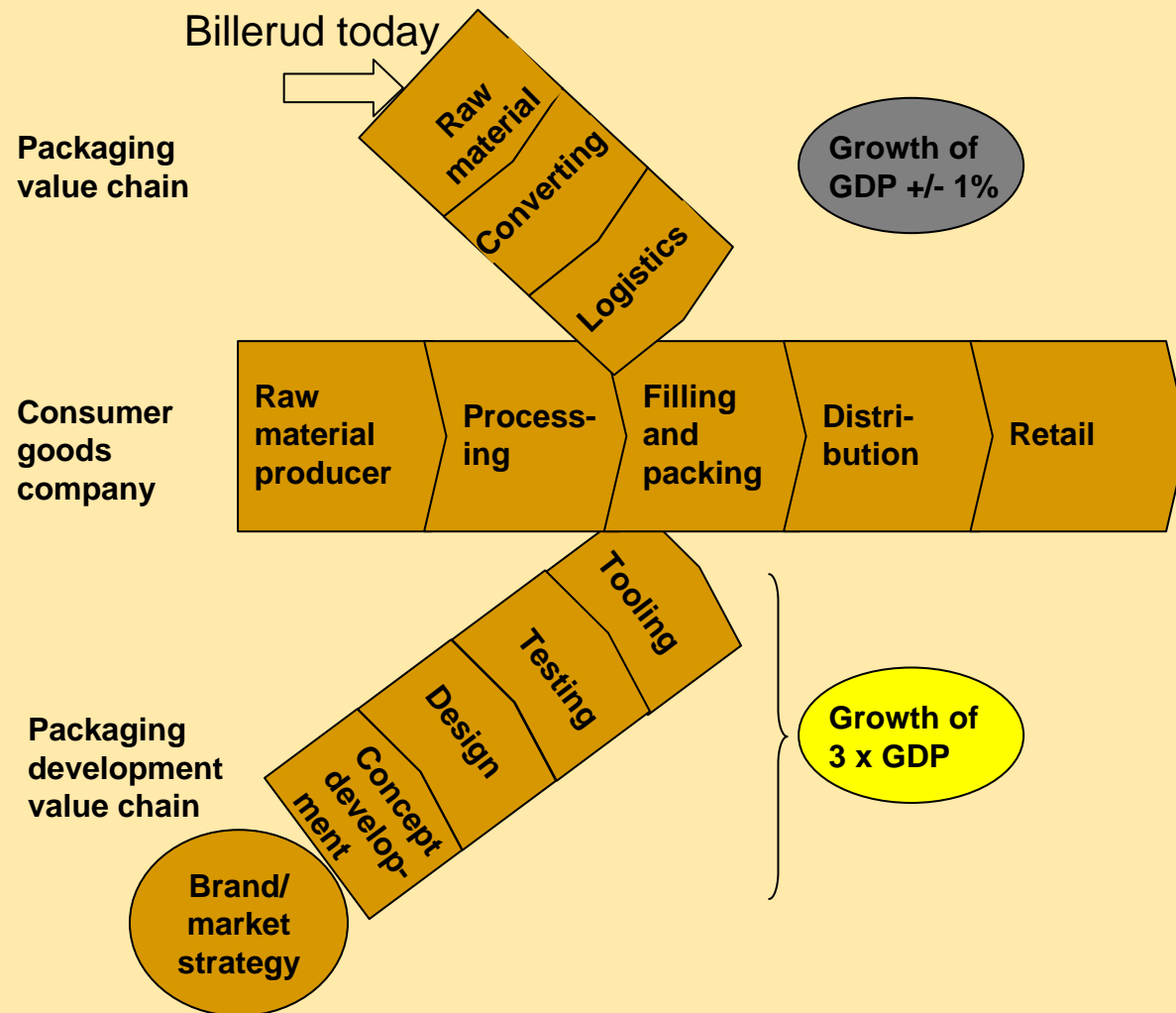
Our traditional value chain...



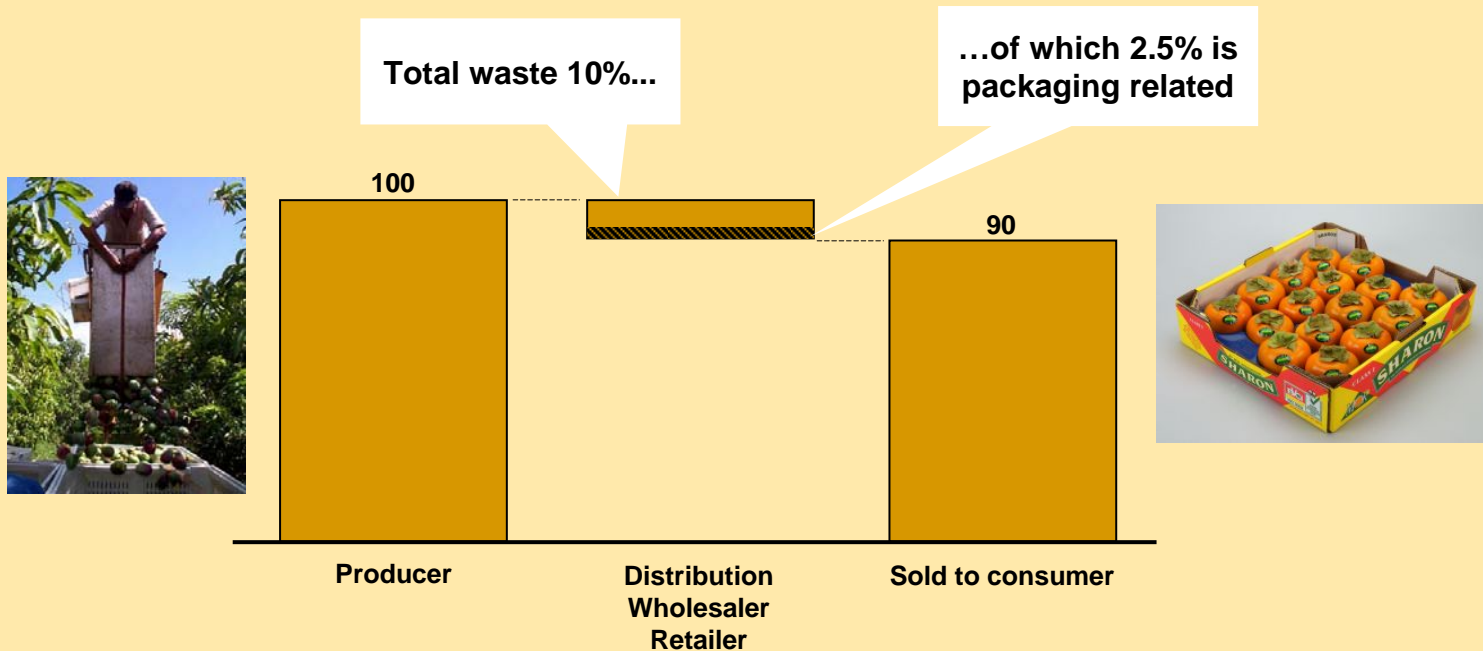
...typically serves consumer goods chains



Other business models grow faster



Significant savings opportunity – European fresh food example



➔ Value of packaging related waste of damaged goods in EU is SEK >23 bn