

# Nordea Forest Products and Paper Seminar

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Stina Blombäck,  
Mill Manager Karlsborg



## Billerud in brief

- Leading supplier of speciality products for consumer and industrial packaging
- Sales turnover SEK 7,4 billion
- EBIT MSEK 552 in 2006
- 2,400 employees in 11 countries



# Business areas and segments

## Packaging & Speciality Paper

MG, MF & Sack Paper



## Packaging Boards

S/C Fluting, Liner, Liquid Board



## Market Pulp

Nordic Bleached Softwood Kraft Pulp



## Challenges to profitability

- Rising global cost trends for wood fibre, electricity and oil
- Currency fluctuations – weak USD
- Cyclical nature of market pulp price
- Lower growth rates in Europe
- Highly fragmented – highly competitive industry

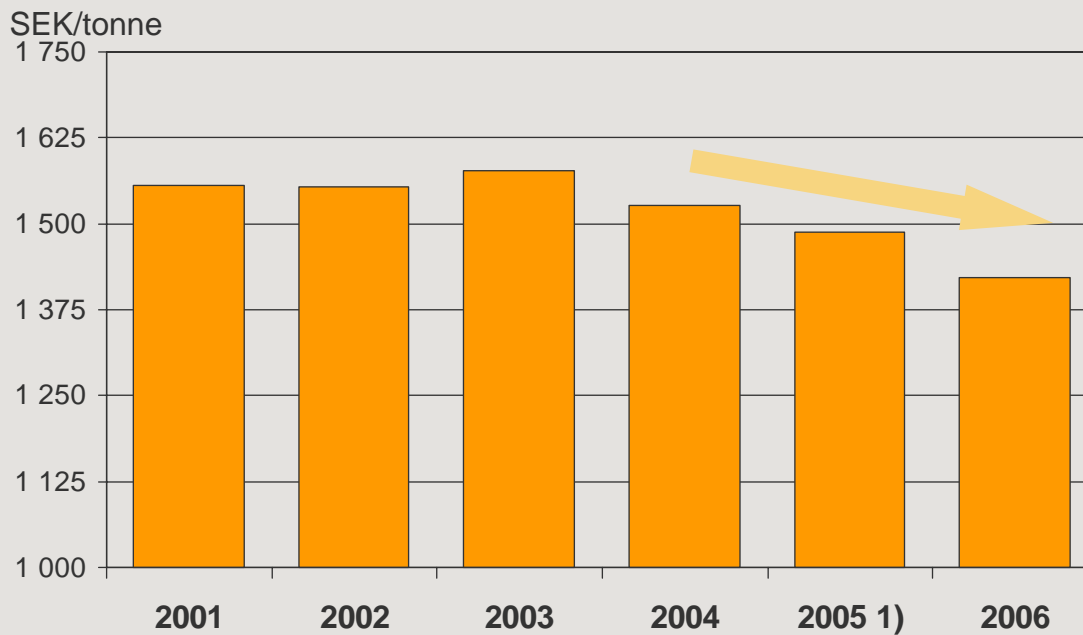


## Actions initiated

- 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

# Successful fixed cost reduction

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

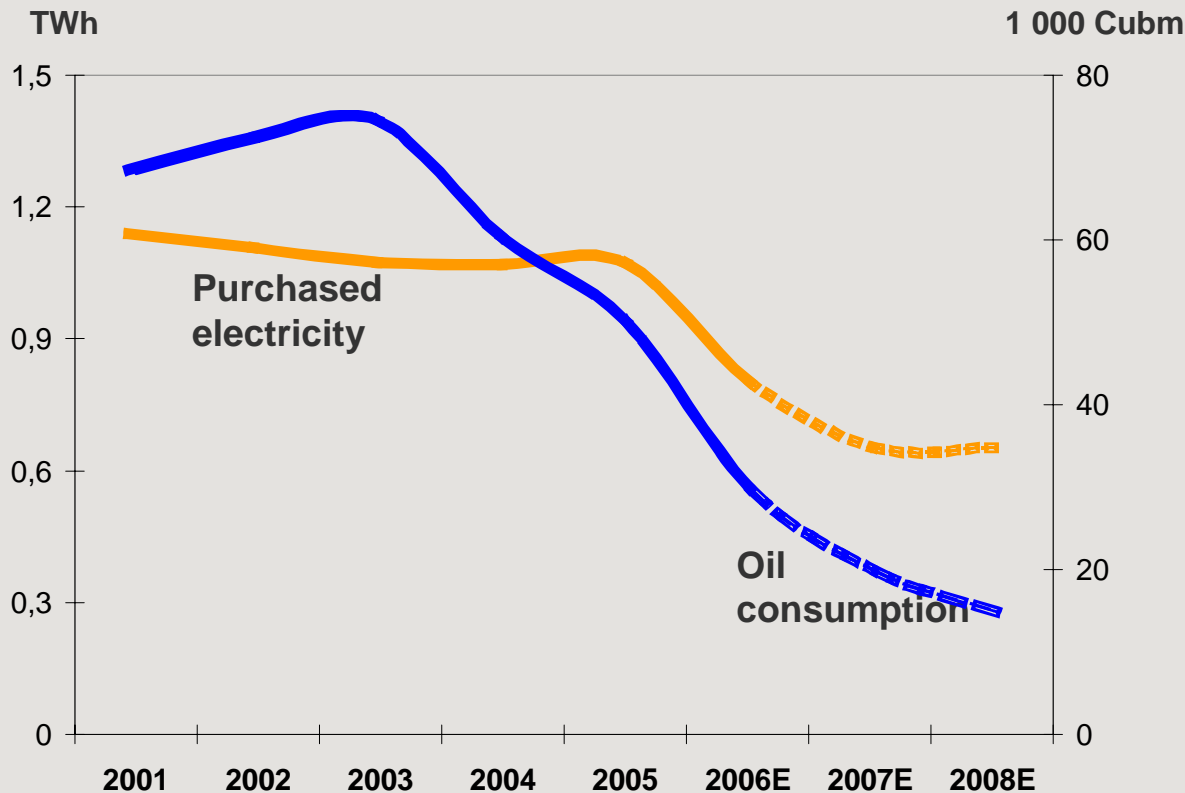


1) For comparable units and ex Billerud 2007



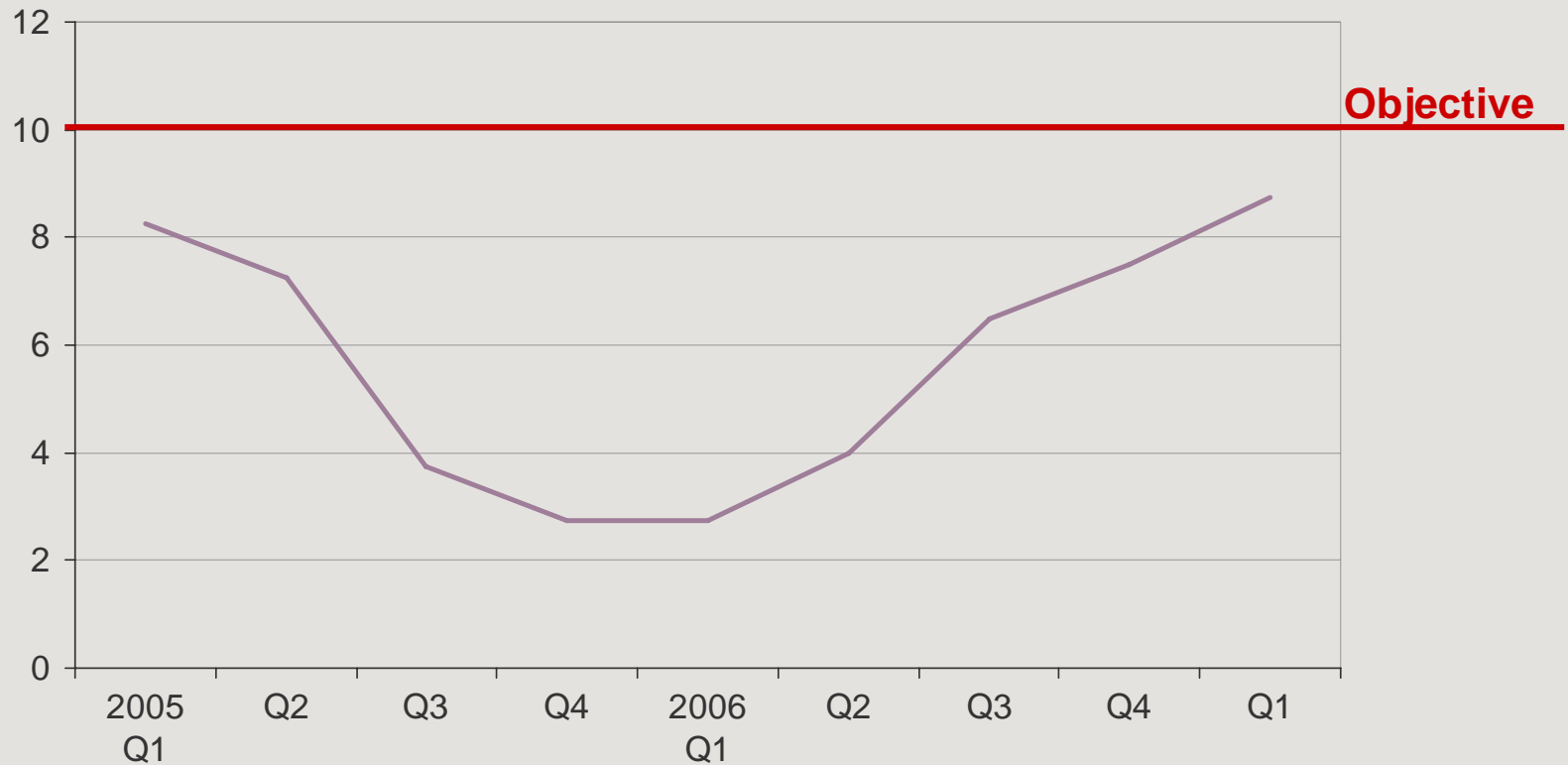
# Reduced energy costs is key to variable costs

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



# EBIT-margin is improving

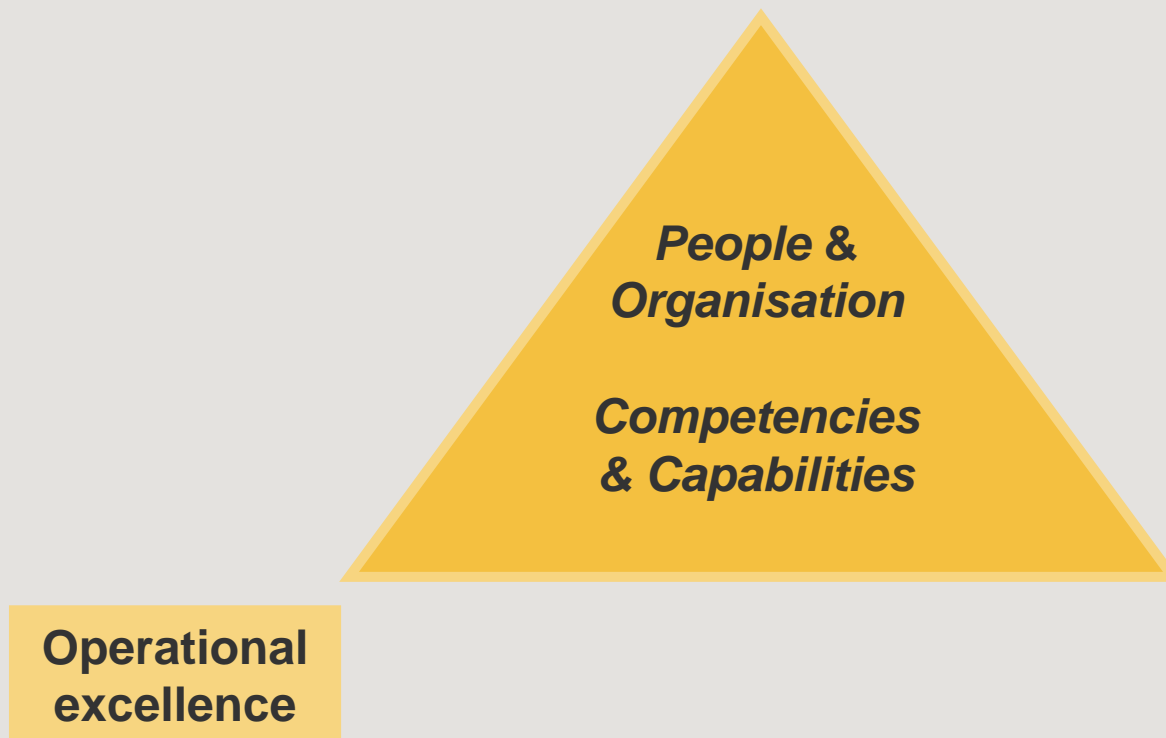
Rolling 12 months figures, excl. one time costs 2005



## Billeruds new strategy in summary

- Secure long-term competitiveness by operational excellence and selective investments
- Focus on profitability
- Develop new competence and knowledge for profitability and growth
- Follow customers to new markets for faster growth
- Increased co-operations and selective acquisitions
- Increased focus on solutions rather than products

# Billerud strategy – key components

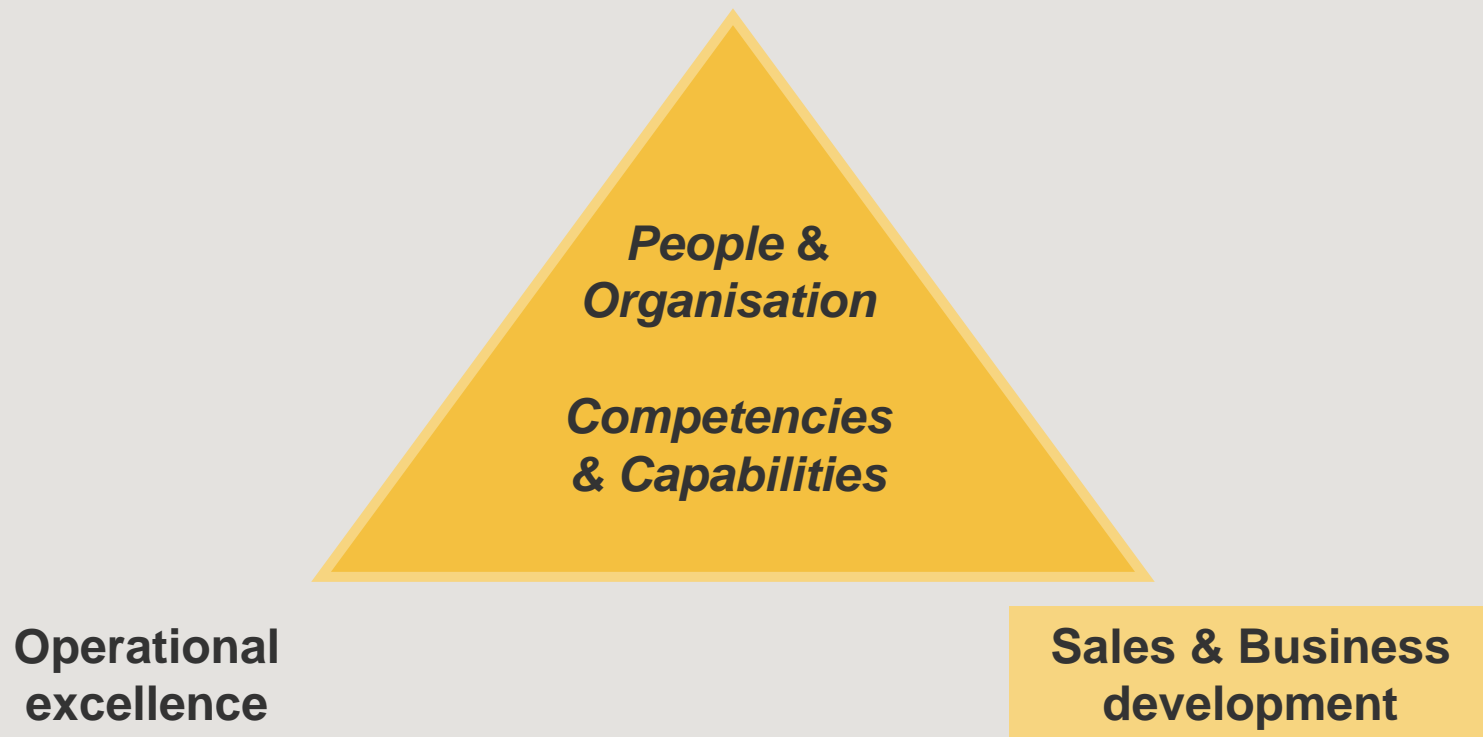




## Operational excellence

- Company-wide productivity program to increase cost efficiency
- Selective investments to increase competitiveness
  - » 100 000 tons production volume increase
- Centralized purchasing and logistics
- Cost and profitability control
- Health and employer safety

# Billerud strategy – key components





## Sales & Business development

- Focus on profitable segments and products
- Prioritise profitable and growing markets
- Increased flexibility between markets and products
- Stringent pricing policy
- Develop new business models

# Billerud strategy – key components





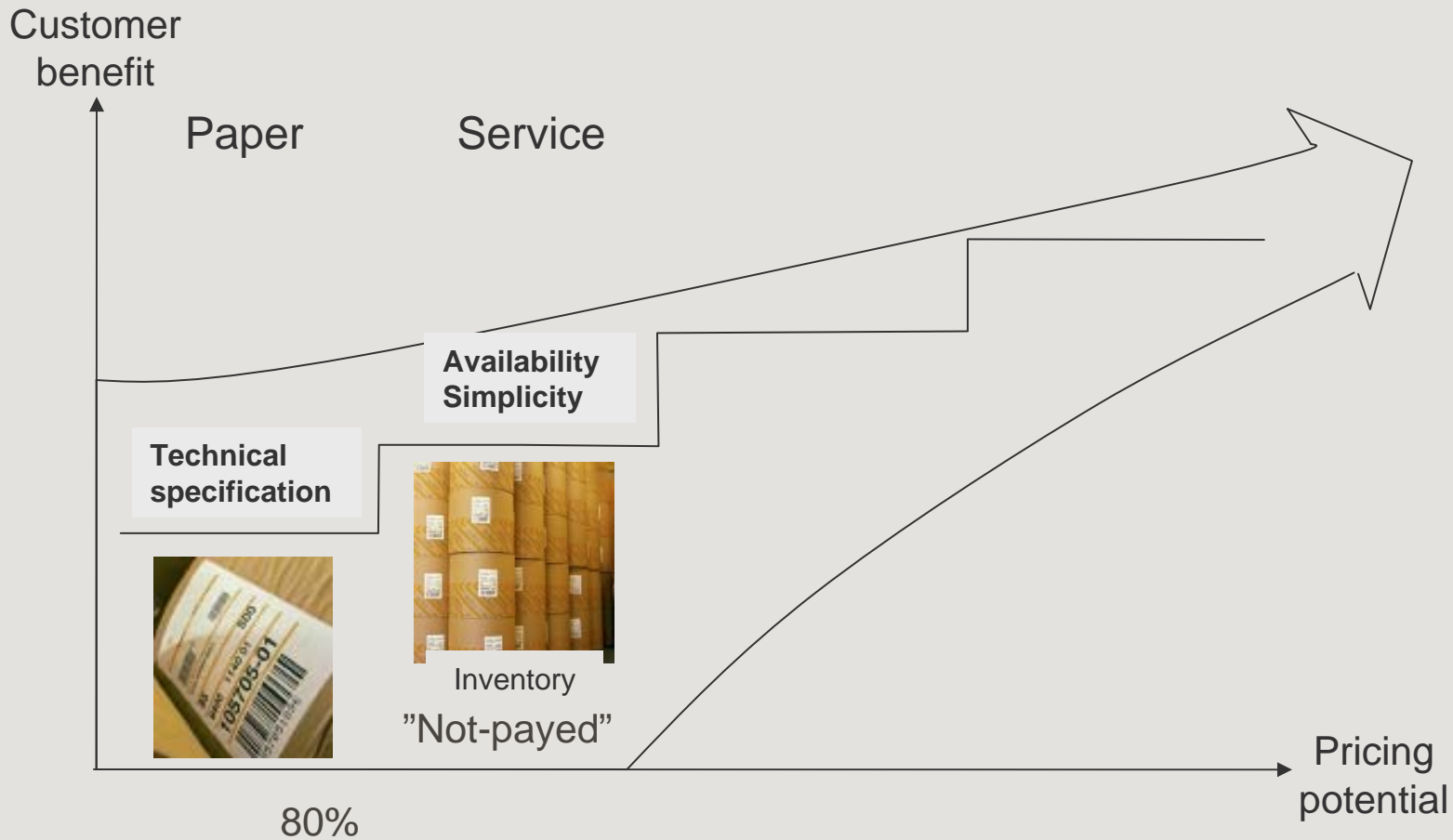
## The future: Exploiting new opportunities

- 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

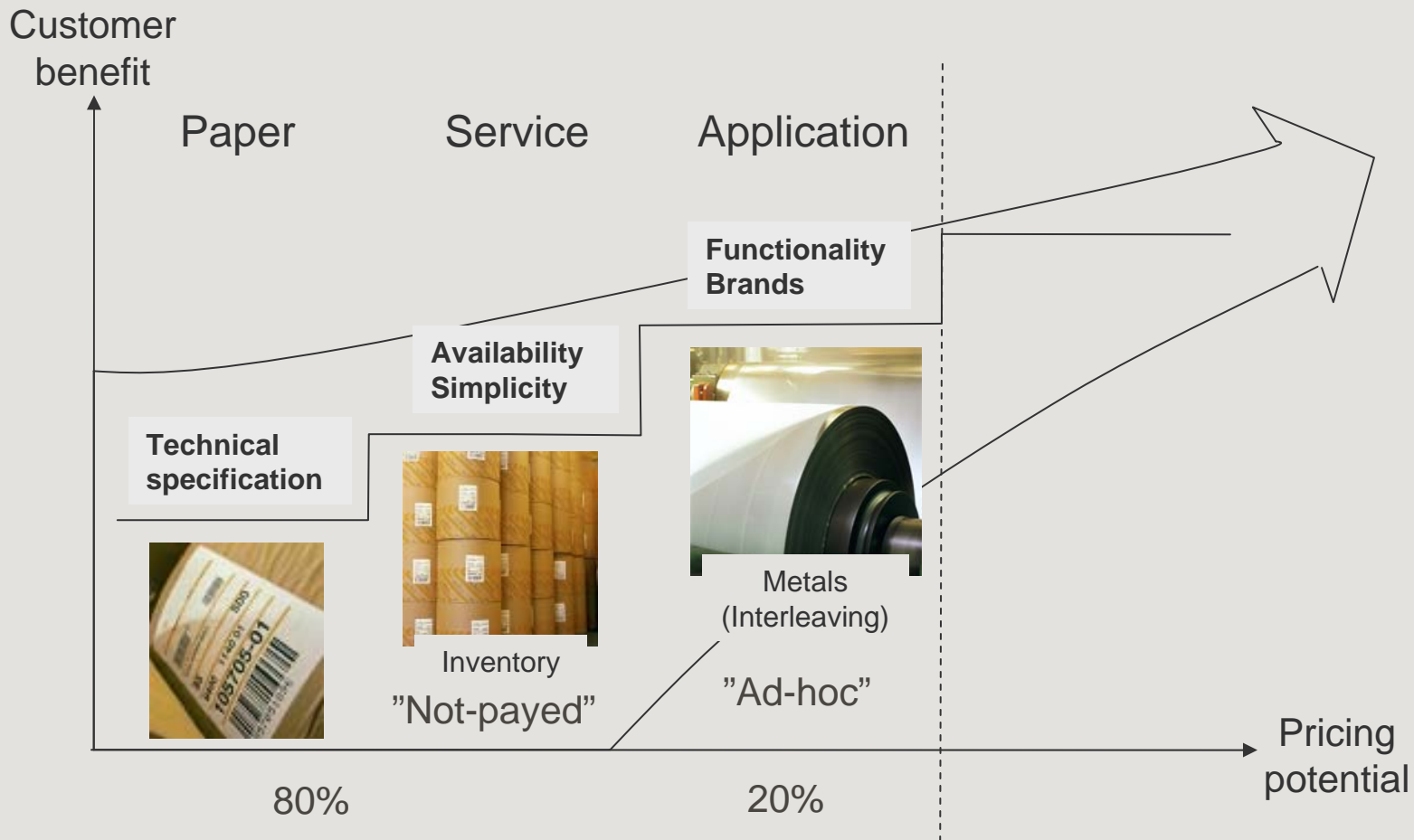
# A changed sales approach



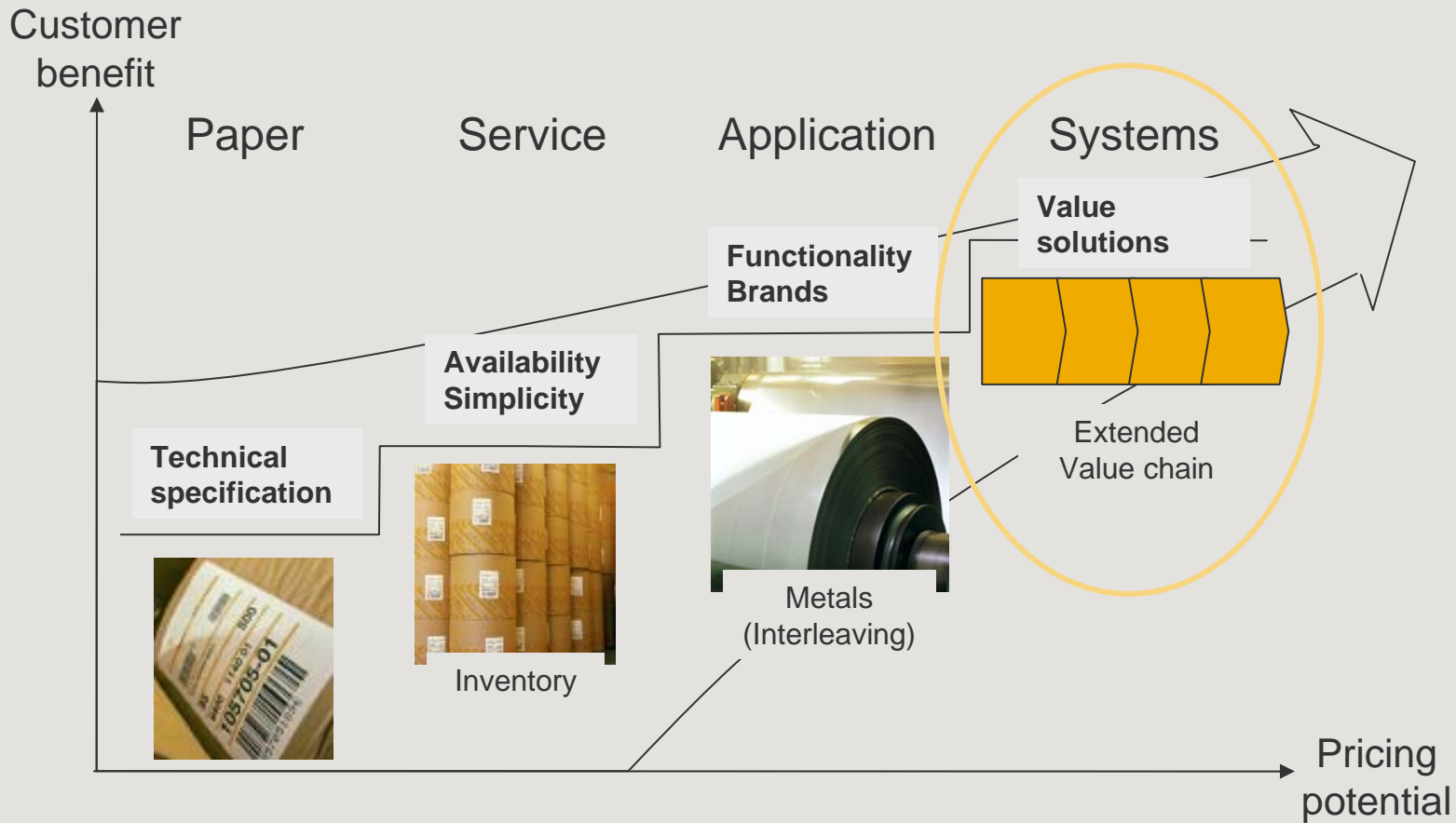
# A changed sales approach



# A changed sales approach



# New business potential



# 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

Q1 in brief  
Market outlook



## Highlights Q1, 2007

- Continued strong demand
- Higher prices
- Operating result 177 MSEK, an increase of 177% compared to Q1 2006
- Operating margin 9% (4% in Q1 2006)
- Wood cost 46 MSEK higher in Q1 2007 than Q4 2006



# Key figures

Q1 2007 vs. Q4 2006

	Q1 2007	Q4 2006	vs. Q4 2006
Deliveries ('000 tonnes)	343	339	+1%
Net sales, MSEK	1,932	1,867	+3.5%
Operating profit, MSEK	177	176	+0.6%
Operating margin	9%	9%	+/-0
Profit/share, SEK	2.08	1.75	+19%
Debt/Equity ratio	0.89	0.94	-0.05

# Wood

## Raw material supplies

- Difficult supply situation due to warm winter in beginning of 2007
- Increased competition for fibre
- Cost increase for Q1 2007 46 MSEK compared to Q4 2006
  
- Total consumption 5,4 million m<sup>3</sup>fub
- Import share around 20-25%
- Main import from Latvia, Lithuania, Estonia, Finland and Norway



## Outlook

- A continued strong market during rest of 2007 is expected, with potentials for further price increases in local currencies
- Wood costs expected to remain high throughout 2007
- Cost-saving programs will continue to decrease fixed costs





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