

Billerud

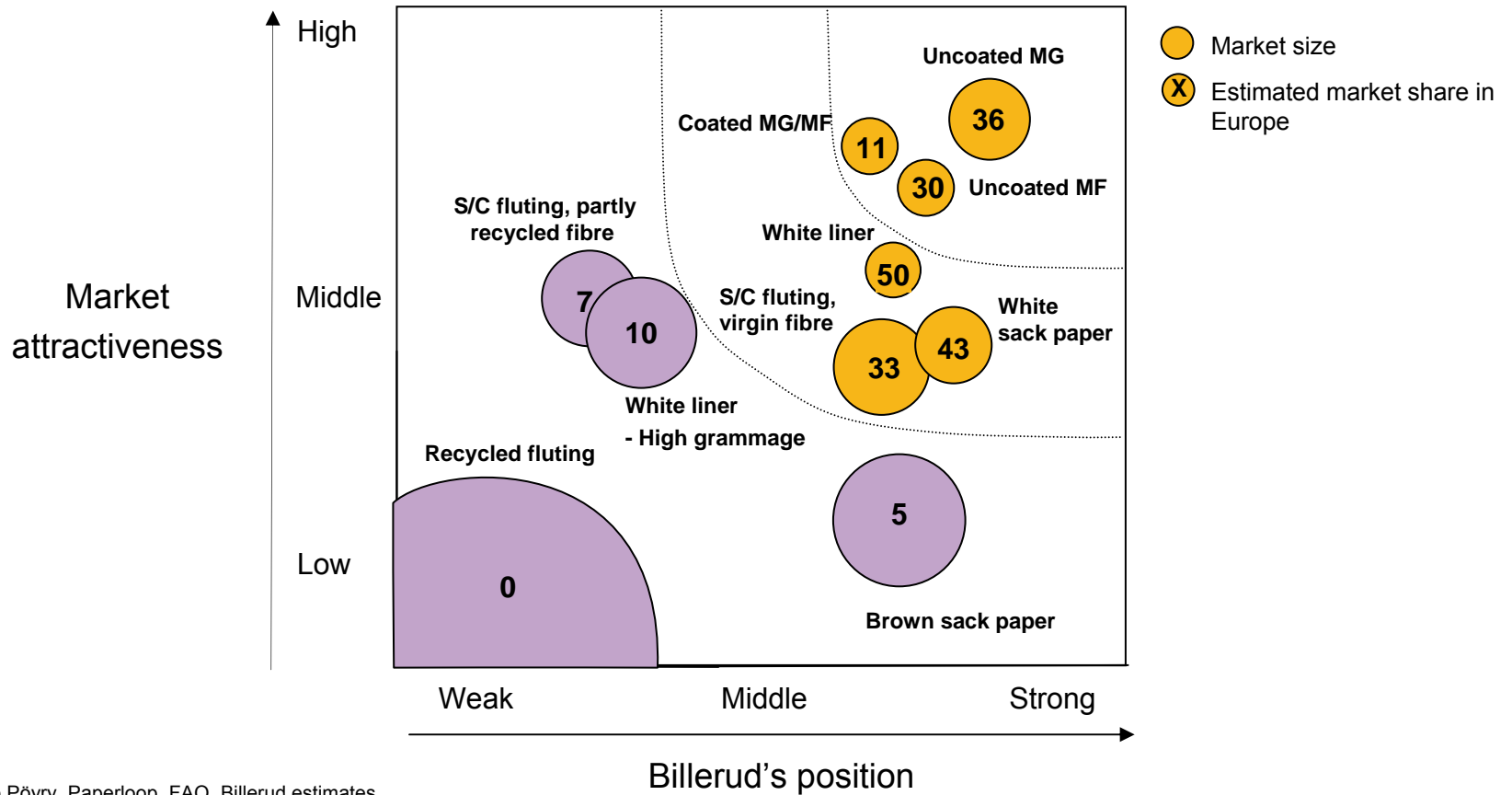
**DnB NOR's
Pulp & Paper Seminar
30 November 2004**



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

Product strategy



Source : Jaakko Pöyry, Paperloop, FAO, Billerud estimates

Capacity increase 2000 - 2003

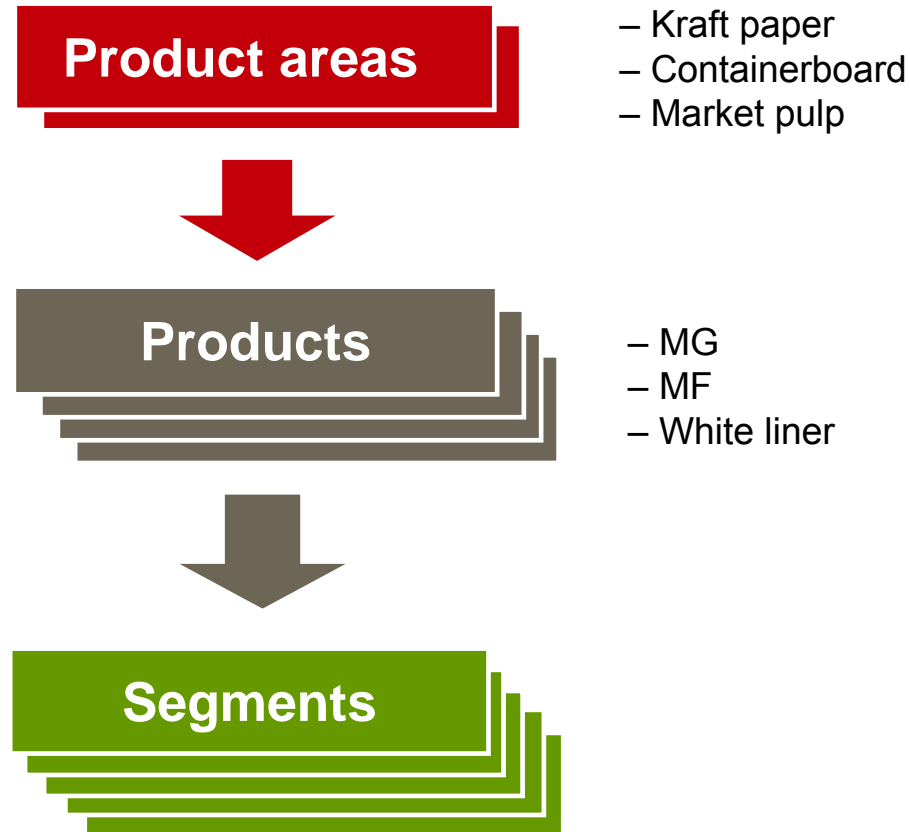
 Growth products +15%

 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

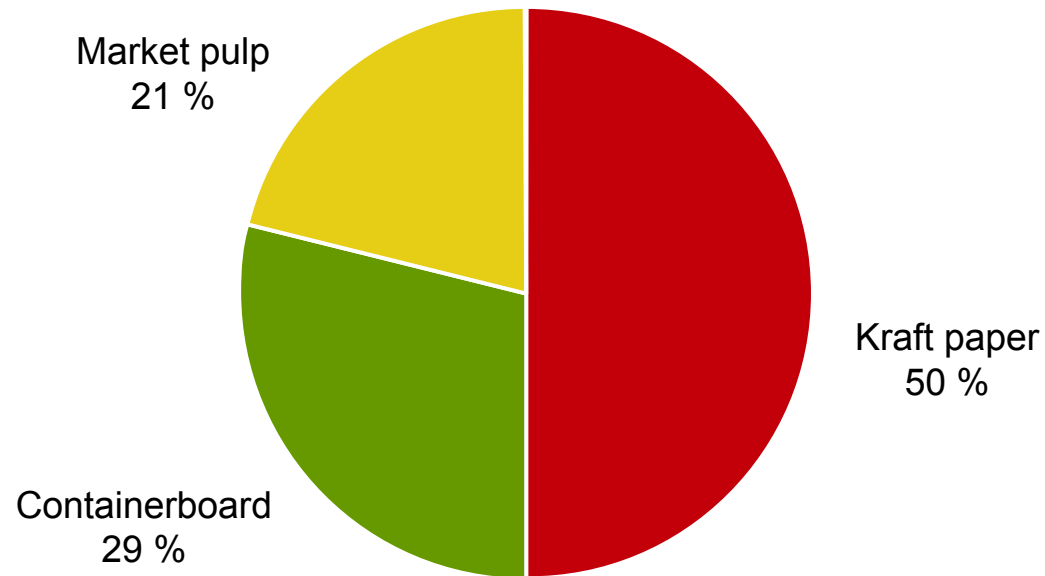


Fruit & vegetables



Promotion packaging

Products areas – share of net sales 2003



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	
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

-
- Growth

Growth = Growth in profits

- By reduced cost
- By increased income
 - Product/segment mix
 - Increased volume

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 m³ to 15.000 m³
- 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

Highlights – Q3 2004

- Full capacity utilization, maintenance stop in Karlsborg
- Deliveries 339 000 tonnes, +5% vs Q2-04
- Operating profit MSEK 269, +67% vs Q2-04
 - Higher volumes
 - Lower costs
- Pre-tax profit MSEK 251, +79% vs Q2-04
- ROCE 20% (12 months), 13% excluding currency contracts
- Energy related capex of MSEK 1050 approved

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 vs. Forestry index



Index 100 = 2001-11-20. Updated to 2004-11-26. 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