



**BILLERUD**

7<sup>th</sup> Annual Nordic  
Basic Industry Seminar

Per Lindberg, CEO

## Billerud in brief

- » Leading supplier of speciality products for consumer and industrial packaging
- » Sales turnover SEK 7,4 billion
- » EBIT MSEK 552 in 2006
- » 2,200 employees in 11 countries <sup>1)</sup>

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



## Strategy reviewed during 2006

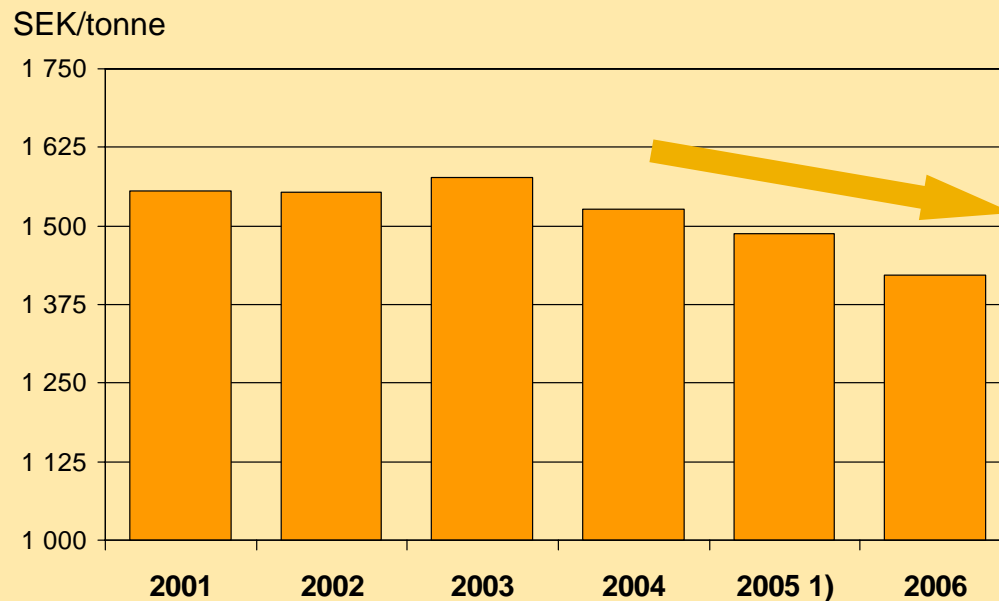
- » Significantly reduced profitability and slow growth
- » Five years since formation of Billerud – the synergies from the combination now taken
- » New management team
- » Review of strategy and targets was a natural step

## 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

## Successful fixed cost reduction

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

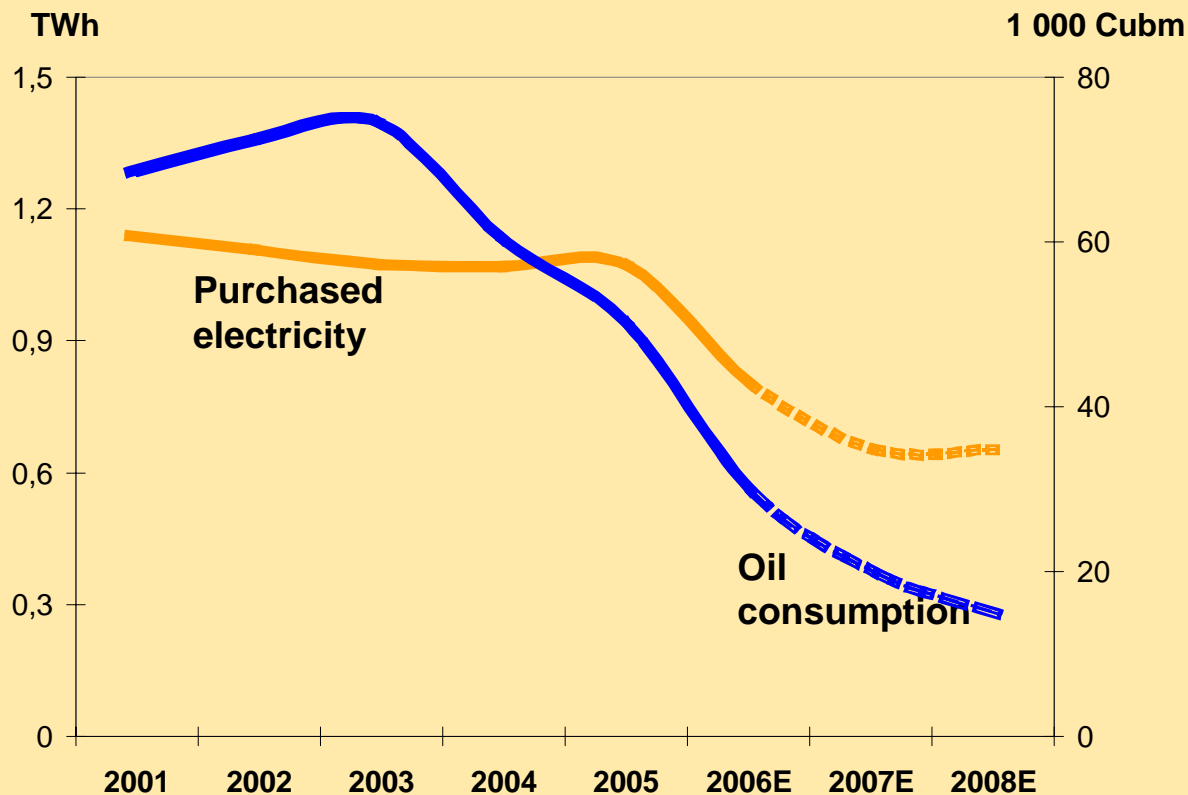


1) For comparable units and ex Billerud 2007



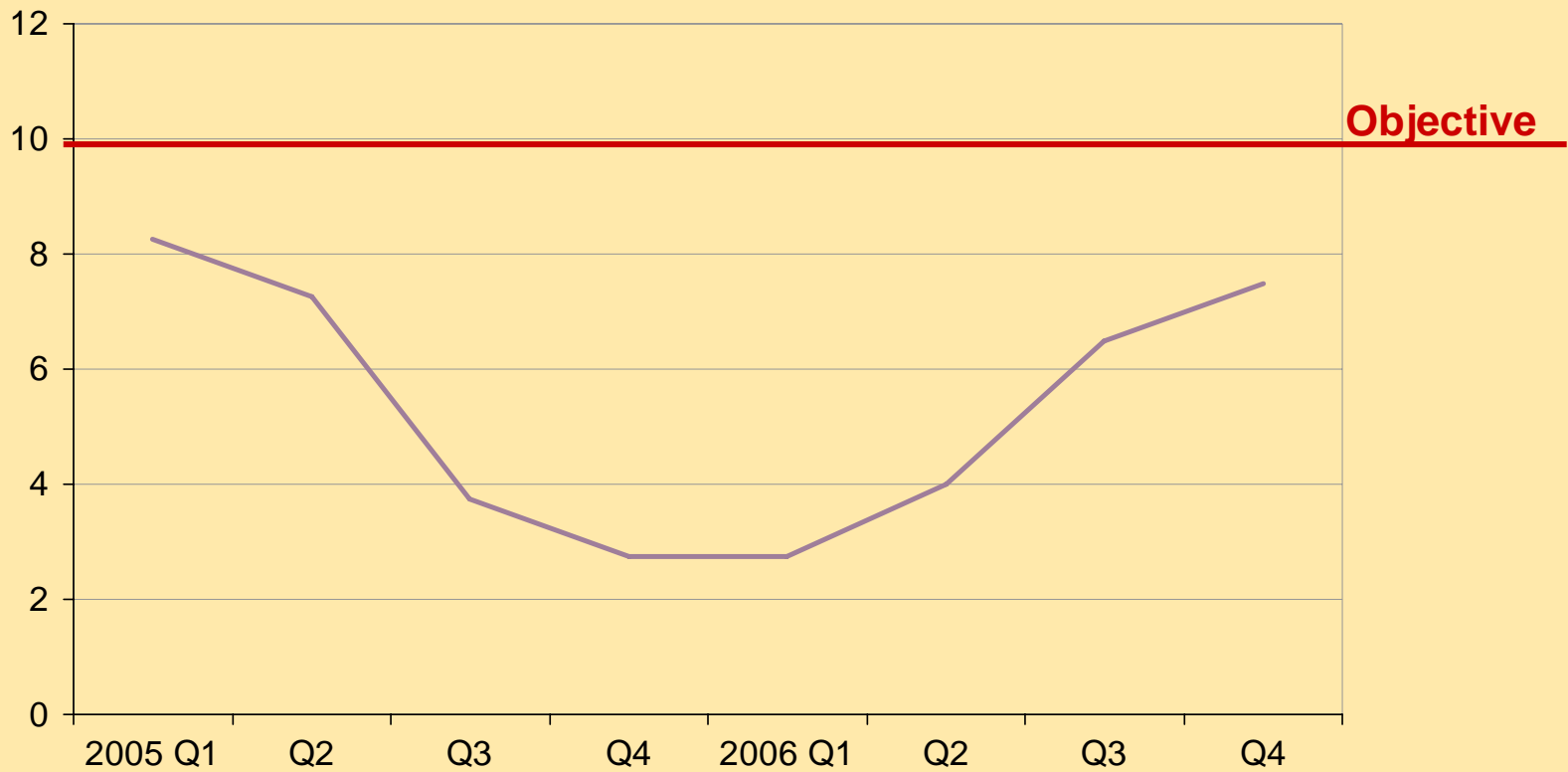
## Reduced energy costs is key to variable costs

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



# Improved EBIT-margins\*

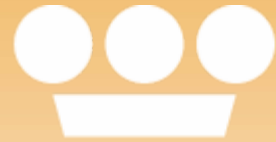
- Excl. EO-costs 2005



\* Rolling 12-months

## Key figures 2006 vs. 2005

	2006	2005	Change
Deliveries ('000 tonnes)	1,364	1,351	+1%
Net sales, MSEK	7,369	6,823	+8%
Operating profit, MSEK	552	-200	+752
Operating margin	7%	-3%	+10
Profit/share, SEK	6.08	-3.56	+9.64
Debt/Equity ratio	0.94	0.99	-0.05



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**SWOT**

- Current business conditions

## Strengths

- » Strong position in attractive segments
- » Competitive niche capacity
- » Ongoing cost reduction programs

## Weaknesses

- » Currently few possibilities to influence raw-material situation
- » “All” production assets in Sweden
  - » currency fluctuations
  - » Local regulations/conditions have major effect

# Opportunities

- » The consumer and industrial packaging markets are very large and growing
- » Fragmented value chains
- » Retail trends driving demand for paper
  - » Branding
  - » Environmental awareness

## Threats

- » Increase fibre consumptions outside of P&P sector
- » Volatility in fibre and energy prices



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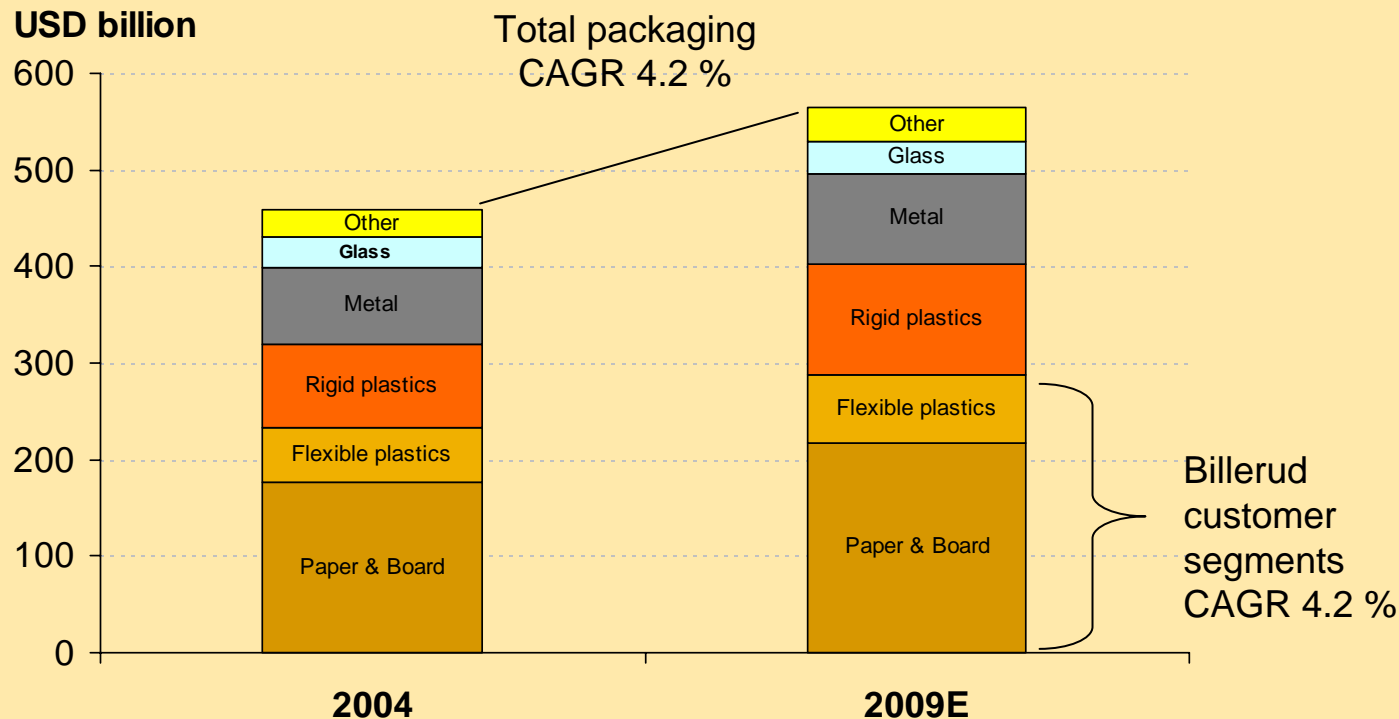
Strategy review



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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



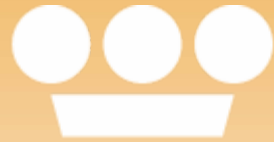


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Operational excellence

## Billerud Operational Excellence program

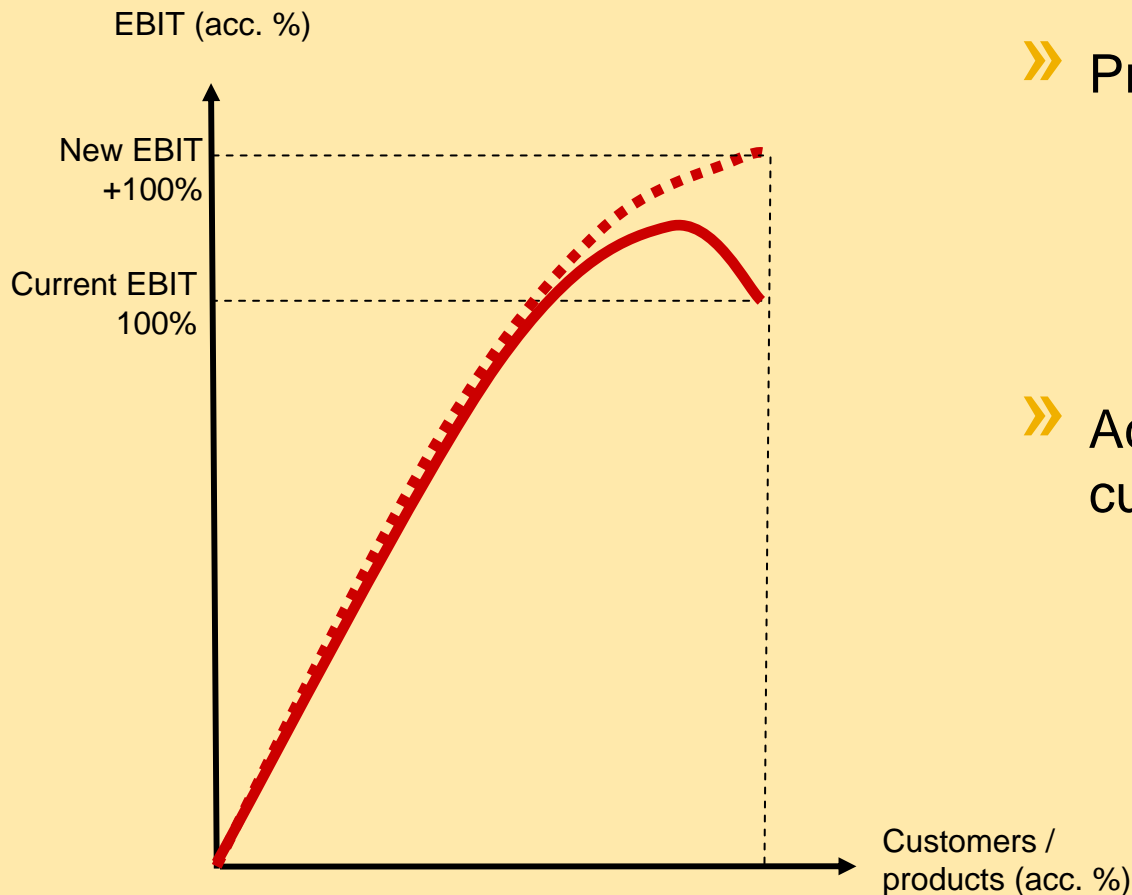
- » Company-wide productivity program to increase cost efficiency
- » 100 000 tons production volume increase
- » Energy efficiency programs
- » Centralized purchasing and logistics
- » Selective investments to increase competitiveness



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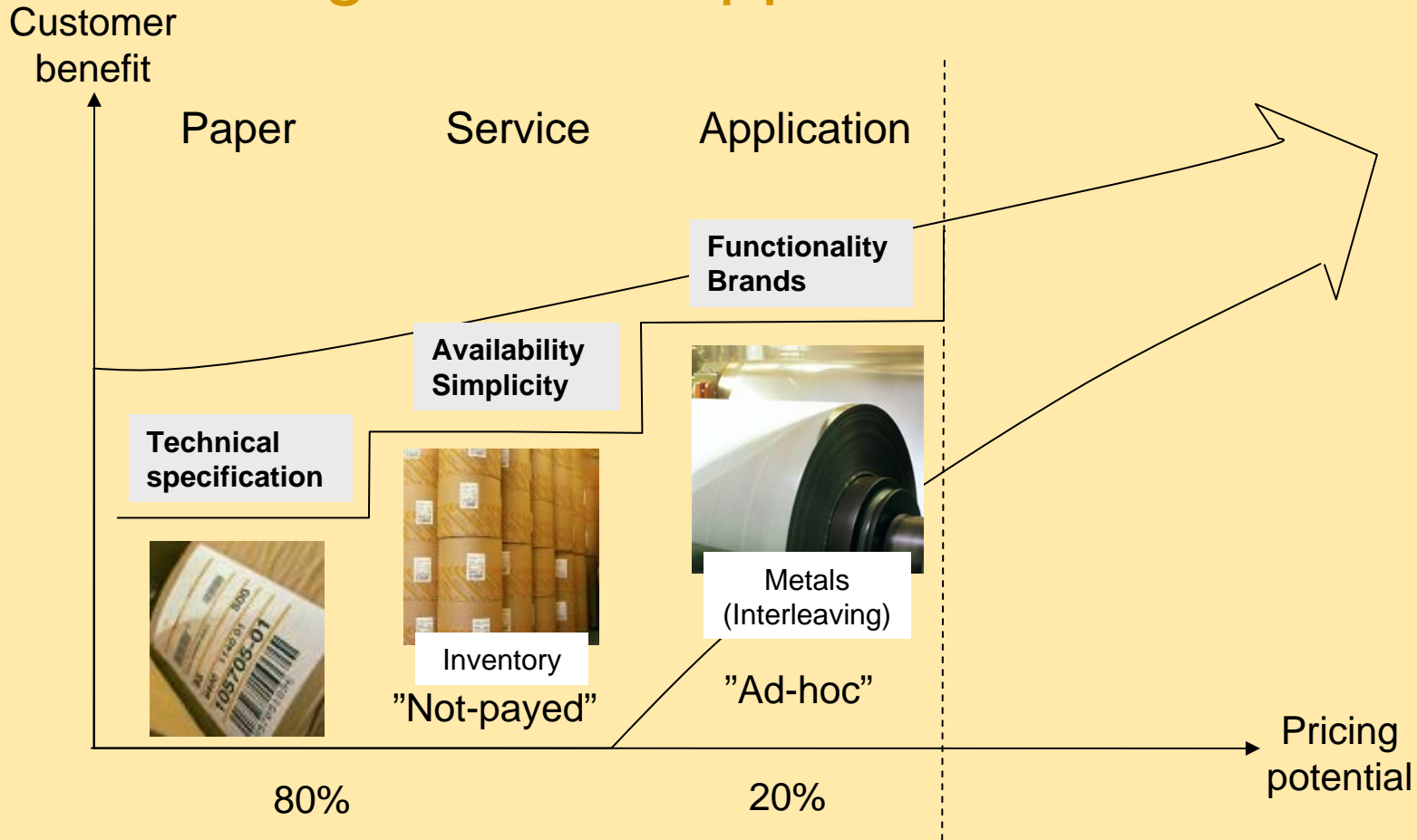
Sales & Business development

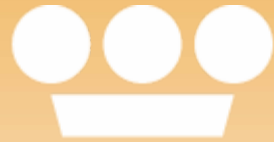
# Target : Improve product and customer mix



- » 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





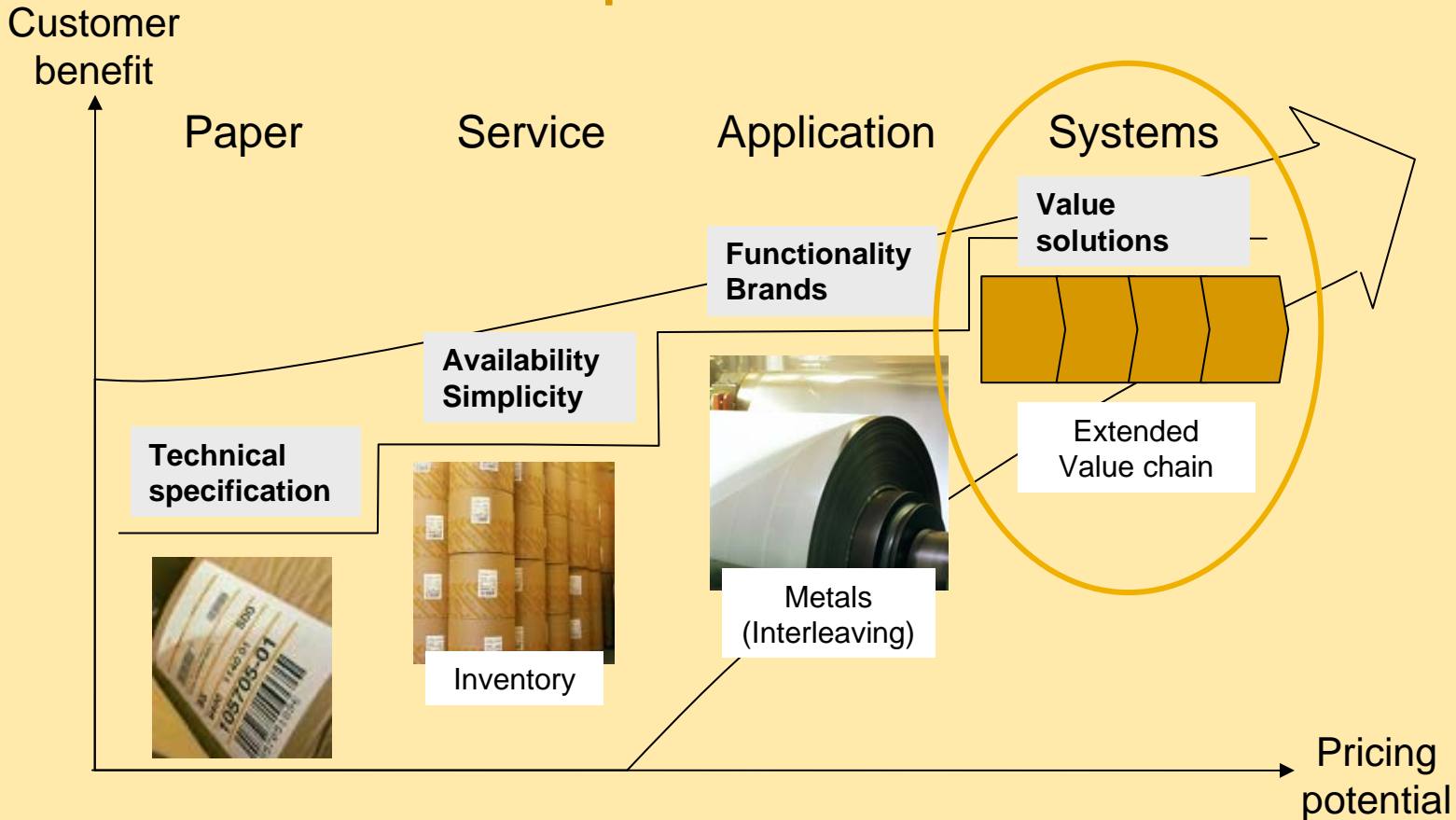
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New Business Growth

## 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

