



Capital Markets Webcast

WHAT IF packaging could
push new boundaries?

September 17, 2018 | Petra Einarsson, President & CEO

Growing in numbers and reputation

Net sales approx.

22,3

Billion SEK



MEMBER OF
**Dow Jones
 Sustainability Indices**
 In Collaboration with RobecoSAM

Operating profit approx.

2,2

Billion SEK



4 400

Number of employees



8

Production units

Beetham
 Frövi
 Rockhammar
 Gruvön
 Gävle
 Karlsborg
 Pietarsaari
 Skärblacka

Business areas

38%

Packaging Paper
 Share of net sales

37%

Consumer Board
 Share of net sales

17%

Corrugated
 Solutions
 Share of net sales

A strong platform
 for growth and
 profitability

With a focus on
 customer value,
 innovation and
 sustainability

Creating networks
 with an open mind

WHAT IF
 paper packaging
 is the solution

Offerings for a sustainable future



Packaging
materials



Packaging
services



Packaging
solutions

Our four key market segments



59%
of sales



24%
of sales



10%
of sales



7%
of sales

First-class materials from the forest



Fluting



Liners



3D Paper



Cartonboard



Kraft Paper
(Specialty)



Sack Paper



Liquid Packaging
Board



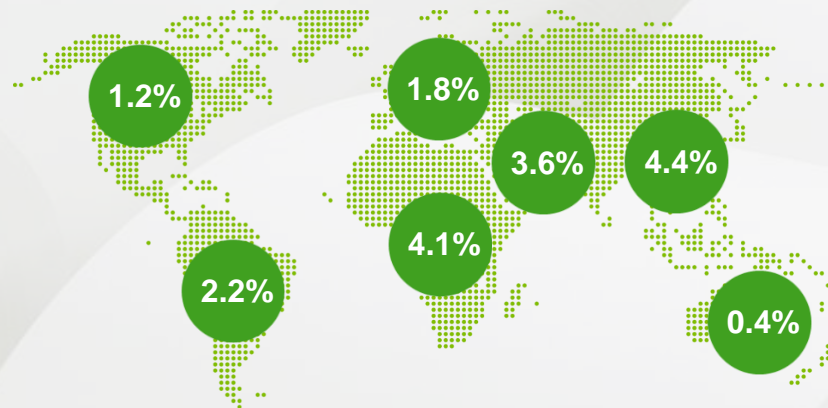
Kraft Paper
(Bags)



Kraft Paper
(Medical)

Global packaging market is growing 3%

- ④ Focus on expanding sales by challenging non-renewable materials
- ④ Key to success capturing growth is sustainable products and new packaging solutions



Unlocking the Potential

SECURE



Successful ramp-up of KM7
Competitive wood supply

IMPROVE



A safe company is a well run company
Stabilise production

ACCELERATE



Innovate for growth
Capture new solutions sales

We have invested for future growth...

2012

Jakobstad



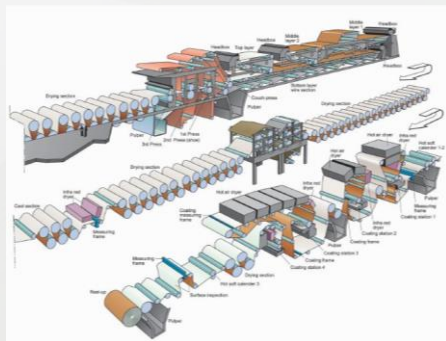
Tervasaari



UPM acquisition:

Production capacity: ~300 ktonnes

2013-2017



Production capacity increases:

Frövi/Rockhammar: ~95 ktonnes
 Skärblacka: ~20 ktonnes
 Gruvön: ~40 ktonnes
 Gävle: ~25 ktonnes

2018



PM10 Skärblacka:

Production capacity: ~90 ktonnes
 Products: MG-papers

2019

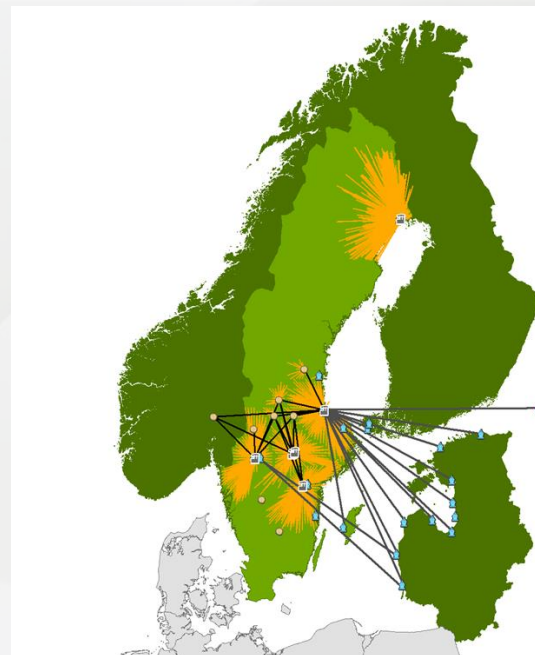
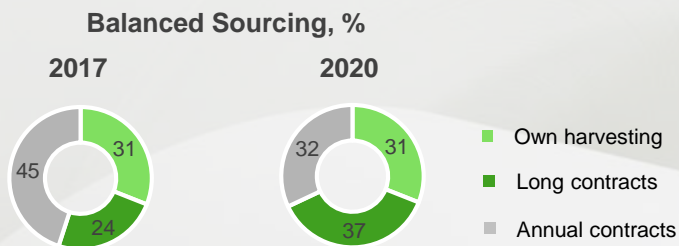


KM7 Gruvön:

Production capacity: ~550,000 tonnes
 Products: Liquid packaging board, cartonboard and liner

...and are securing a competitive wood supply

- ⊕ Domestic purchases
 - > Private forest owners
- ⊕ Import
 - > Baltic sea region
 - > Balance with volumes from remote areas
- ⊕ Logistics system



A safe company is a well run company

Lost time injury frequency rate, LTIFR*

7.7 2017

<1.5 2023

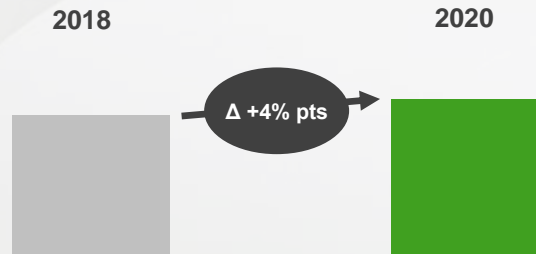


*Number of injuries per 1 000 000 worked hours

We are improving production stability



Overall equipment efficiency , OEE



We are accelerating innovation to double our NPR

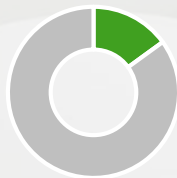
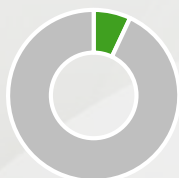
- ⊗ Product innovation – new materials
 - > Product development
 - > Application development
 - > Advanced material research

- ⊗ Business innovation – new solutions
 - > Solutions in business areas
 - > Ventures

New product ratio, NPR

7% by 2017

15% by 2023



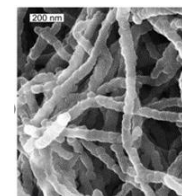
Long history of award-winning packaging innovations



2013: Axello® ZAP



2015: FreeFormPack®



2018: Paper Battery*



2014: D-Sack



2016: QuickFill® Clean



2018: Paper Bottle*

*Under development



Innovative solutions

- ④ Carton Solutions
- ④ Corrugated Solutions
- ④ Formable Solutions
- ④ Bag Solutions
- ④ Sterile Barrier Solutions
- ④ Sack Solutions
- ④ Managed Packaging Solutions

We see increased demand for packaging solutions...

Managed Packaging

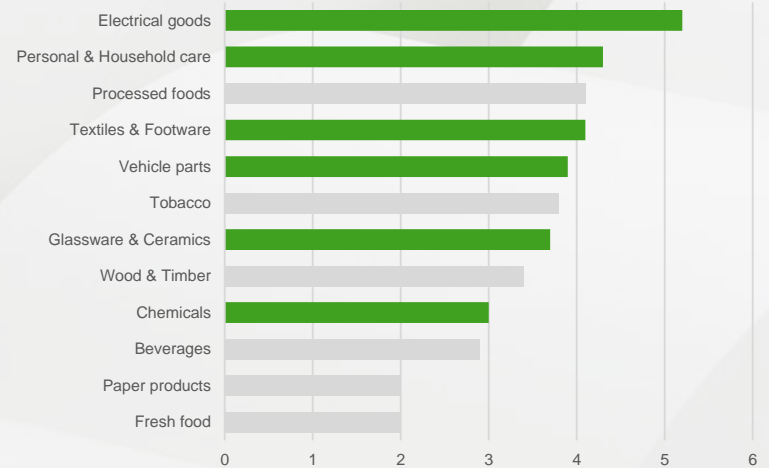
THE COMPLETE PACKAGING DEVELOPMENT AND MANAGEMENT SERVICE



Global development centres | Network in Asia | One contact

Global Corrugated demand 2018

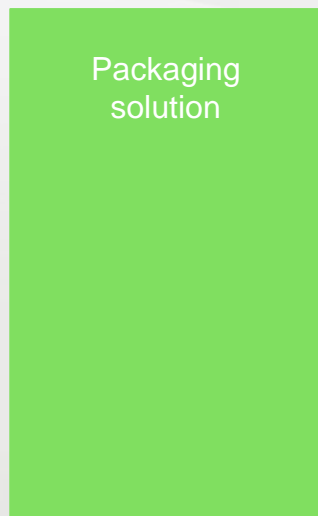
ANNUAL GROWTH RATE (%) BY 2018-2023



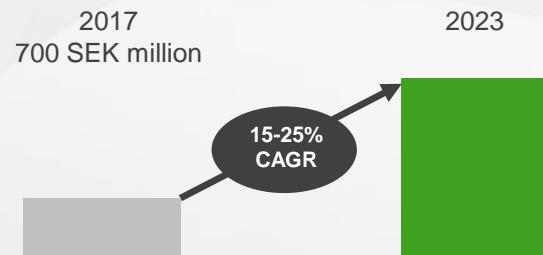
Source: *Smithers PIRA*

...and are reorganising to capture this growth

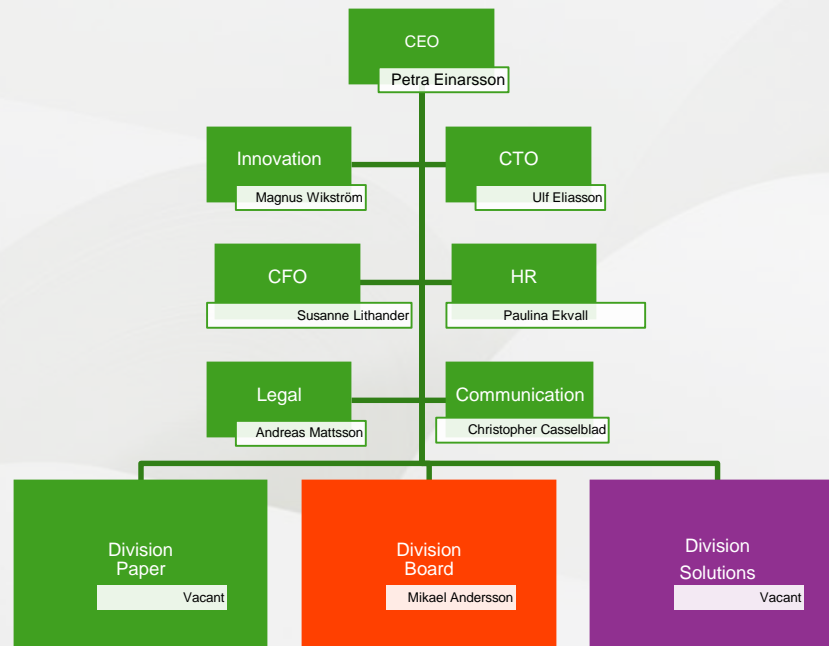
Solutions Division



Organic top-line growth



Reorganising is a key enabler to unlock the potential



Reiterating our long-term financial targets

	Target
TOP-LINE GROWTH	3-4%
EBITDA	>17%
ROCE	>13%
NET DEBT/EBITDA	<2.5
DIVIDEND PAYOUT RATIO	>50%

Unlocking the Potential

SECURE



Successful ramp-up of KM7
Starting March-April 2019
Competitive wood supply
Balanced sourcing

IMPROVE



A safe company is a well run company
LTIFR <1.5 2023
Stabilise production
4%-pts OEE improvement over 2 years

ACCELERATE



Innovate for growth
New product ratio 15% 2023
Capture new solutions sales
Organic top-line growth 15-25% CAGR

Capital Markets Webcast

WHAT IF the world's largest board machine could help save the planet?

Unlocking the Potential

SECURE



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Innovate for growth
Capture new solutions sales

Securing our future growth...

④ Gruvön





- > Greenfield
 - KM7 ~550 ktonnes board machine
- > Brownfield
 - Pulp washing
 - CTMP pulp dissolving
 - Rebuilt recovery
 - Fresh water and water effluent treatment



④ Skärblacka

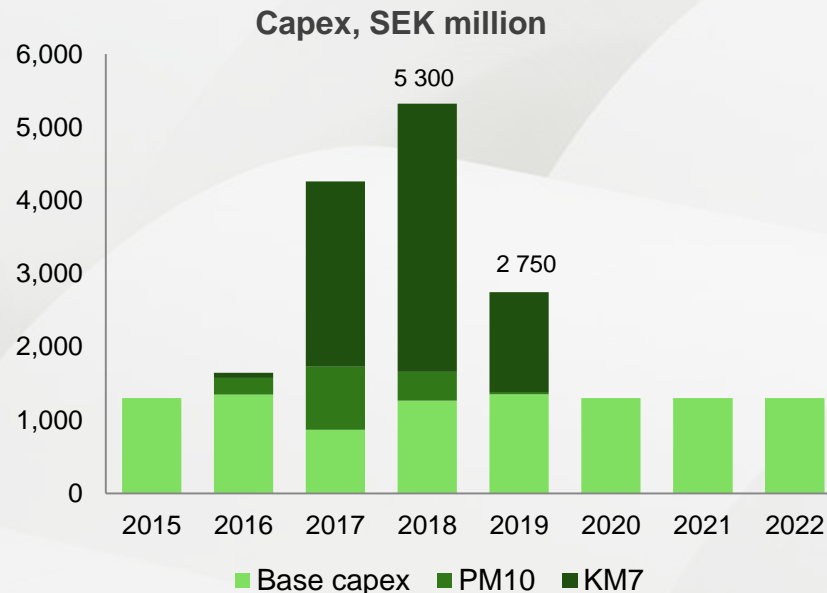
- > Greenfield
 - PM10 ~90 ktonnes MG-machine
- > Brownfield
 - Upgrading paper machine PM7

...supported by strong market demand

Product area	Global capacity	Demand CAGR	
Liquid packaging board 	~4.2 Mtonnes	1-2 %	> Well-balanced market – limited new capacity coming
Carton 	~15.5 Mtonnes	4 %	> Large market – limited effect from new KM7 capacity
White surface Kraftliner 	~4.3 Mtonnes	1-2 %	> Balanced market
Machine glazed paper 	~2.7 Mtonnes	6-7 % in Asia 2-3 % in US & Europe	> Well-balanced in the short term with an increasing gap between capacity and demand in the long term

The majority of our investment program is completed

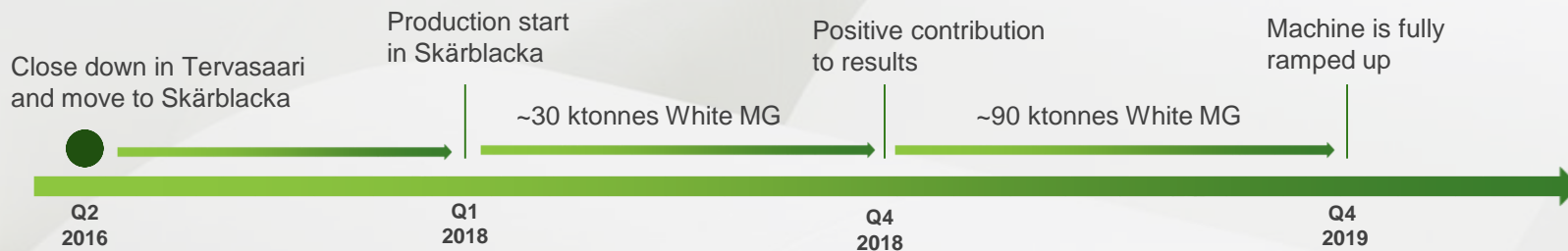
- ⌚ PM10: ~1 300 SEK million
 - > Started and undergoing ramp-up
- ⌚ KM7: ~7 600 SEK million
 - > Increased cost for civil and negative currency effects
 - > Civil and construction 90% completed



Skärblacka PM10 production started on time

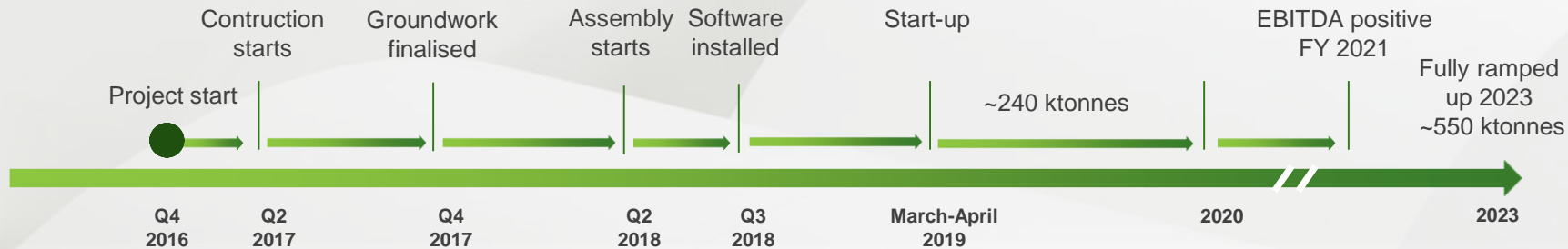
- ④ New paper machine in Skärblacka, PM10
 - > Integrated pulp supply reduces costs
 - > Adding value by increased quality grades

- ④ Upgraded paper machine PM7
 - > New film press surface coater
 - > Target new quality benchmark for medical and food packaging paper
 - > Enhanced capability for future product innovations



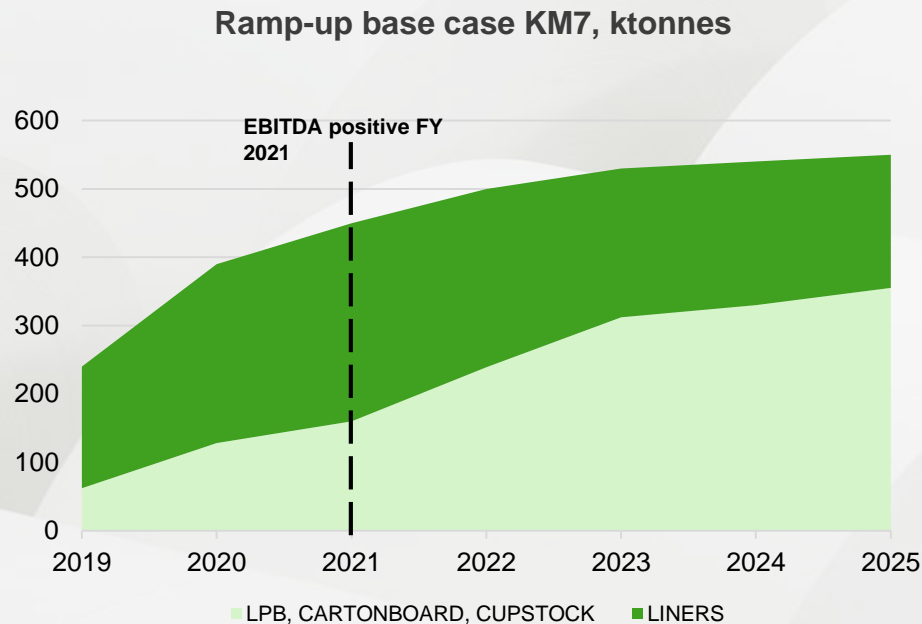
Gruvön KM7 project is on schedule

- ⌚ Machine ready
- ⌚ Mill ready
- ⌚ Product ready
- ⌚ Business ready



We are committed to a stable ramp-up of KM7

- ⊗ Liner will be the major product during the start-up phase
- ⊗ Increasing LBP production in pace with market growth
- ⊗ Flexibility to produce premium products to meet change in product demand



Increased production volumes

- ④ Three machines closing down in Gruvön 2019
 - > PM1, PM2 and PM5
- ④ Capacity increases in Gävle and Frövi adding LPB and Liner 2020
- ④ KM7 expected to produce ~390 ktonnes in 2020
 - > PM4 in Gruvön not yet closed
- ④ When fully ramped up 2023 KM7 expected to produce ~550 ktonnes
 - > PM4 in Gruvön closed
- ④ Additional potential from gap between actual production and permits



Clear agenda for growth

PAPER DIVISION

Kraft and sack paper for customers with tough demands

BOARD DIVISION

LPB and cartonboard with unique properties and fluting and liner that add value*

SOLUTIONS DIVISION

Smart packaging solutions for brand owners who want to challenge conventional solutions

SELECTIVE GROWTH

**0-2%
CAGR**

Ability to leverage asset base in tight market

Development of new business models

Expansion to growing markets

VOLUME GROWTH

**4-5%
CAGR**

Solid growth in attractive segments

Strong assets to reinforce strong BK position

Innovation with customers and brand owners

VALUE GROWTH

**15-25%
CAGR**

Attractive sub-segments and geographies

Leading offerings with ability to expand

Innovative new solutions

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WHAT IF innovation makes the difference?



Unlocking the Potential

SECURE



Successful ramp-up of KM7
Competitive wood supply

IMPROVE



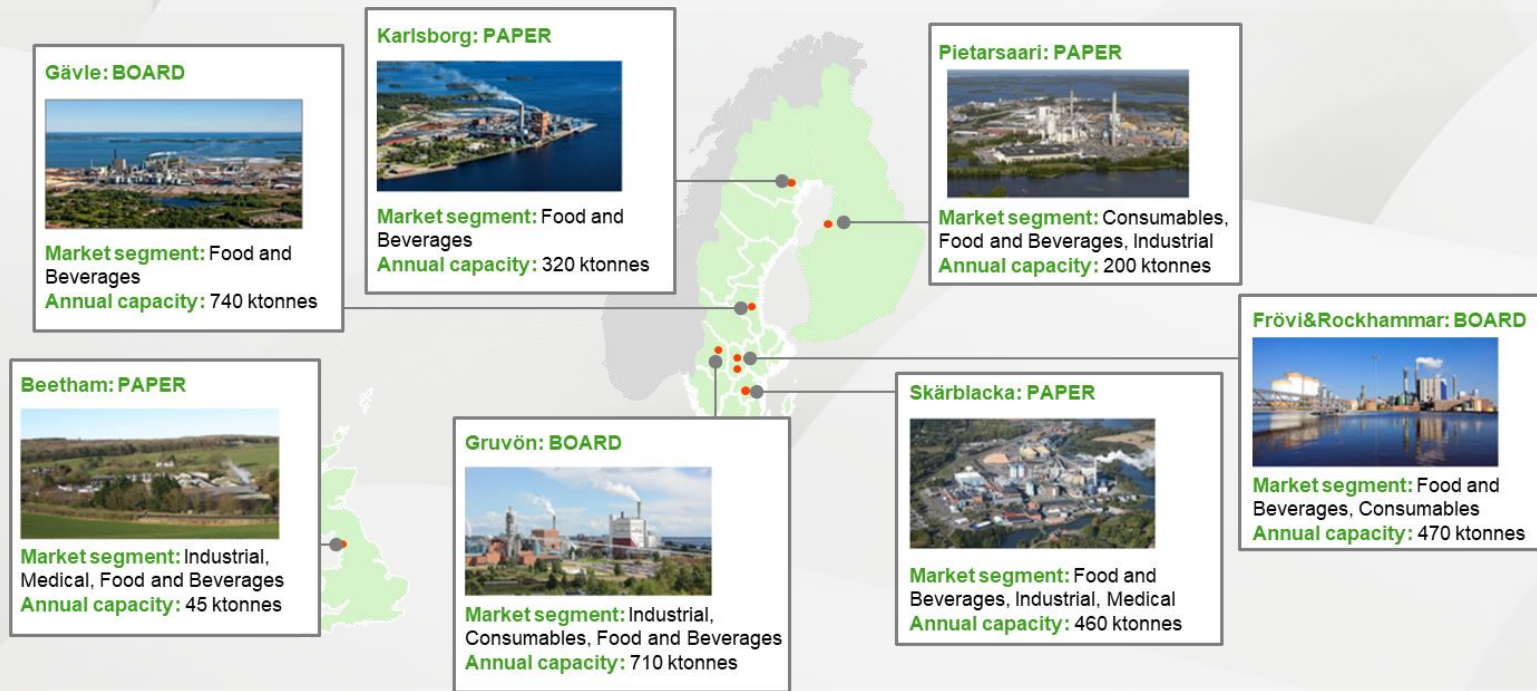
A safe company is a well run company
Stabilise production

ACCELERATE



Innovate for growth
Capture new solutions sales

8 mills producing ~3 million tonnes of premium packaging material

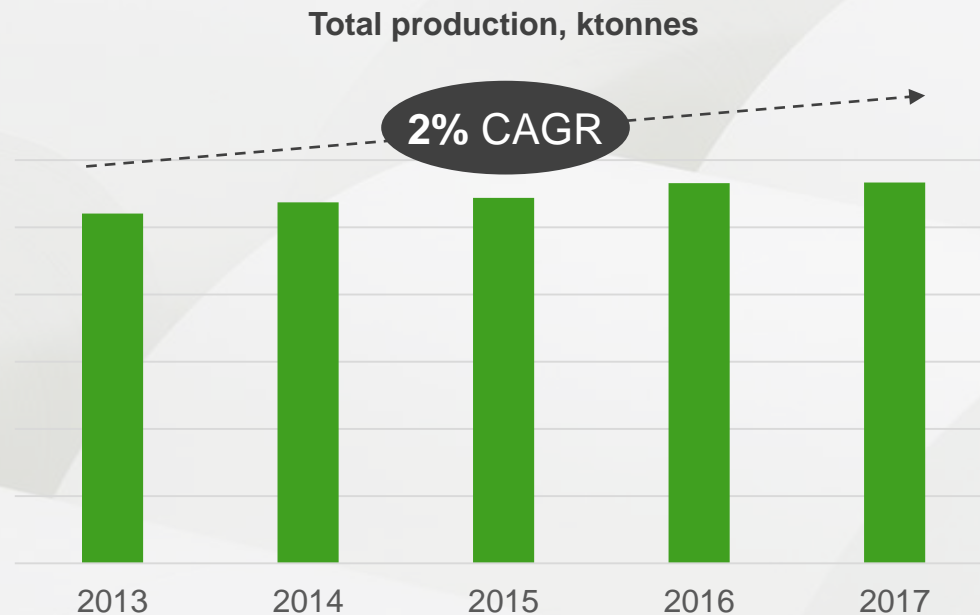


Production has grown steadily...

- ⊕ Total production increase
2013-2017 was 230 ktonnes (2% CAGR)

- ⊕ Record annual production 2017 at:

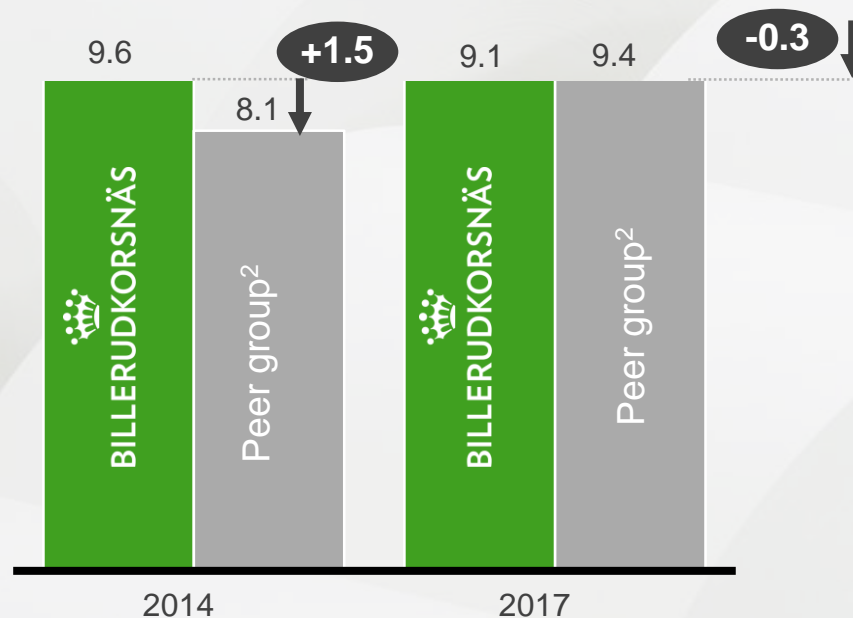
- > Gävle
- > Frövi
- > Skärblacka



...with record output in 2017 – and significant potential to improve EBITDA

- Record production in 2017...
- ...despite losing 50,000 tonnes¹ through disruptions in production
- Competitors have closed the valuation gap (our value in 2017 has decreased ~2 SEK billion vs 2014)

EBITDA-multiples



¹ Reduced production CAGR from potential 2.6% to 2.1%

² Peer group: Holmen, Metsä Board, Mondi, UPM, Stora Enso, Smurfit Kappa, Europac, DS Smith, Ahlström Munksjö

Production excellence will drive improved EBITDA...

Overall Equipment Efficiency (OEE)

Percentage Points



1 pp = 100 SEK
million EBITDA

...and this is where we are focusing

Production stability

Product quality

Environmental performance

Occupational Health & Safety

Potential for
2 percentage points OEE
improvement
yearly

Recognised as
industry leader

Driving the industry
standard
(“0-accidents”)

We are making improvements across all mills...

Ambitious targets



- ⊗ Stretched targets to push change
- ⊗ Rigorous initiative tracking and follow-up across mills

Leadership



- ⊗ Mill Director accountable for the mill program
- ⊗ Mill management responsible for the initiatives

Teamwork



- ⊗ Best practice sharing between mills
- ⊗ Hands-on change approach with OPEX specialist support

Standards



- ⊗ Standardised way of working for productivity
- ⊗ Mill management to secure standards with fast response to deviations

Digital



- ⊗ Specific improvements – practical use cases applied by mill
- ⊗ Operational expertise translated into digital

...to increase stability in production



Market outlook

- ④ Demand and order situation are expected to continue to be strong, with normal seasonal variations for all business areas
- ④ Possibilities of selected sales price increases remain
- ④ Demand-driven wood cost increases are expected to continue
- ④ Financial impact on Q3 2018 from the wood shortage is estimated to be -40 SEK million
- ④ Expected total impact on EBITDA from KM7 ramp-up
 - > 2019 -500 SEK million
 - > 2020 -200 SEK million
 - > 2021 EBITDA positive

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Capture new solutions sales

WHAT IF oceans were full of plankton? Not plastics

- ⊗ In 2014, the global production of plastic packaging was 78 million tonnes.
- ⊗ Only 2 percent of the plastic packages were recycled into new packages.
- ⊗ 40 percent was used for land fill.
- ⊗ 32 percent was leaked into the oceans and the land.





BILLERUDKORSNÄS

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