

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE



CONTINUING TO DELIVER STABLE SHAREHOLDER RETURNS

Capital Markets Day 2015

2015-11-12 | Susanne Lithander, CFO



CONTINUING TO DELIVER STABLE SHAREHOLDER RETURNS

- We have delivered on our commitments to shareholders
- Revised financial targets better support our growth strategies
- Our balance sheet allows organic growth and M&A





Q3 RESULTS SHOW CONTINUING STABLE PERFORMANCE

+6%

Net sales vs 2014

12 %

Adjusted operating margin

14%

Adjusted return on capital employed

+22%

Operating cash flow vs 2014

0.46

Net debt/Equity

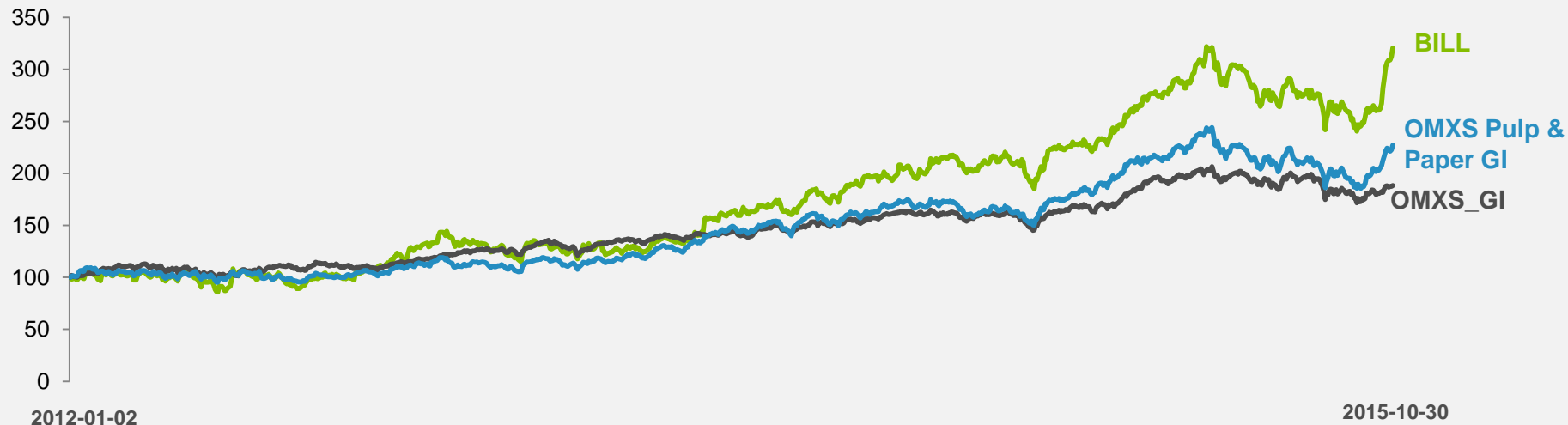


CURRENCY FLUCTUATIONS HAVE SIGNIFICANT IMPACT ON OUR PERFORMANCE

- New hedging policy
 - Default hedging is 0
 - Management mandated to hedge 0-80% of net flows over 15 months
 - Hedging committee (CEO, CFO and Treasury) set levels for hedging and report to Audit committee and Board of Directors
- Disclosure in Q-reports regarding hedging position
- 10% change in SEK rates affects EBIT by SEK 640 million



WE CONTINUE TO REWARD OUR INVESTORS



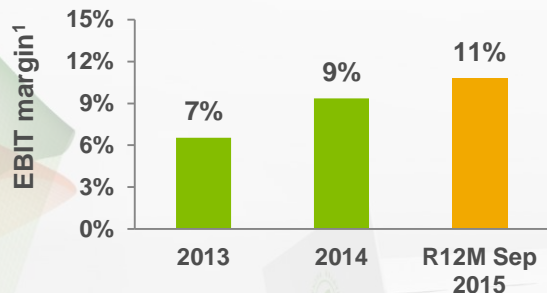
Total shareholder return **382%**

SEK **1.9** billion in dividends
SEK **22** billion in market cap

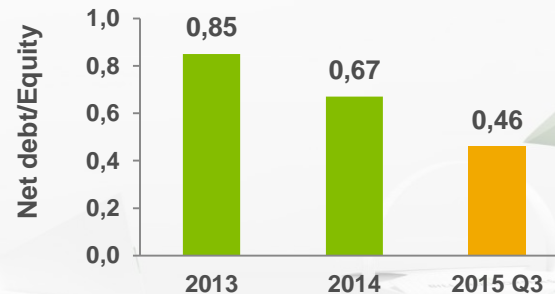
Dividend policy remains unchanged – distribute 50% of net profit

WE DELIVER ON OUR COMMITMENT TO SHAREHOLDER VALUE FROM CMD 2013

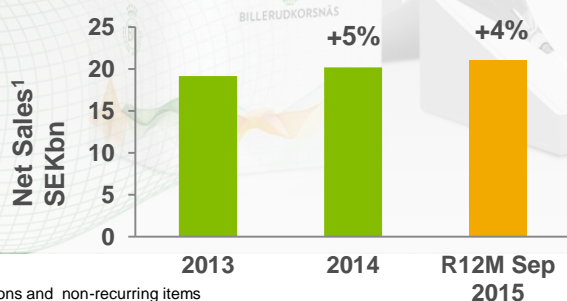
1 RESTORE MARGINS ✓



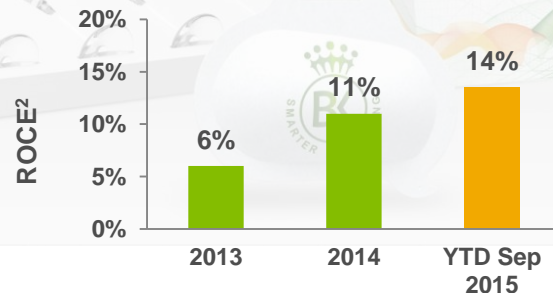
2 PAY DOWN DEBT ✓



3 ACHIEVE PROFITABLE GROWTH ✓



4 ACHIEVE ROCE >13% ✓



¹ Excluding divested operations and non-recurring items

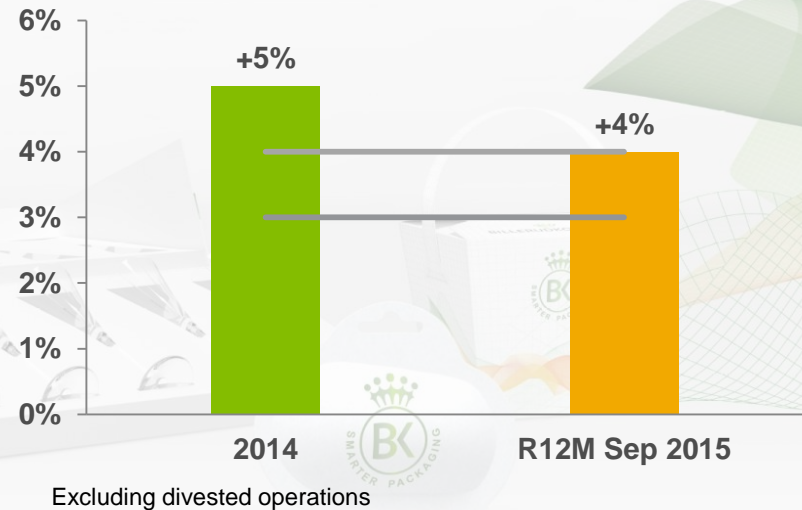
² Excluding non-recurring items

REVISED FINANCIAL TARGETS BETTER SUPPORT GROWTH STRATEGY

GROWTH

- Previously communicated target of 15-20% organic growth between 2013 and 2018
- Growth target above estimated market growth

ORGANIC SALES GROWTH 3-4% - NEW

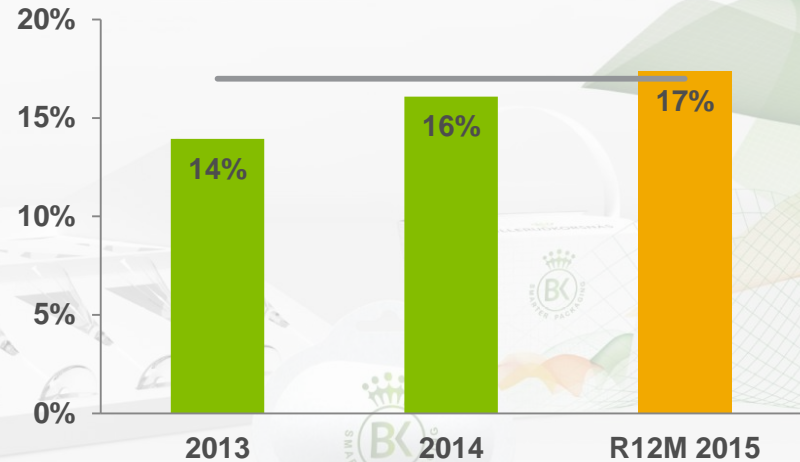


REVISED FINANCIAL TARGETS BETTER SUPPORT GROWTH STRATEGY

MARGIN

- EBITDA close to cash focusing on cash generation
- Better benchmarking across units

EBITDA-MARGIN > 17% - NEW



Excluding divested operations and non-recurring items

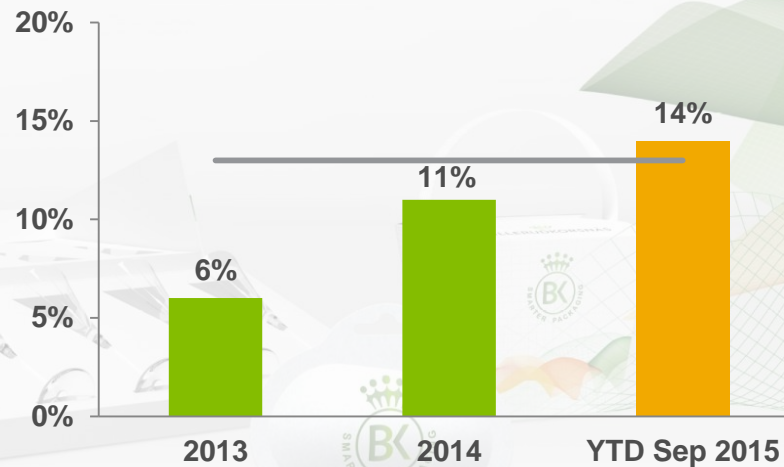


REVISED FINANCIAL TARGETS BETTER SUPPORT GROWTH STRATEGY

RETURN

- Capturing efficient use of capital employed
- Targeting long term excess returns

ROCE > 13% - REMAINS



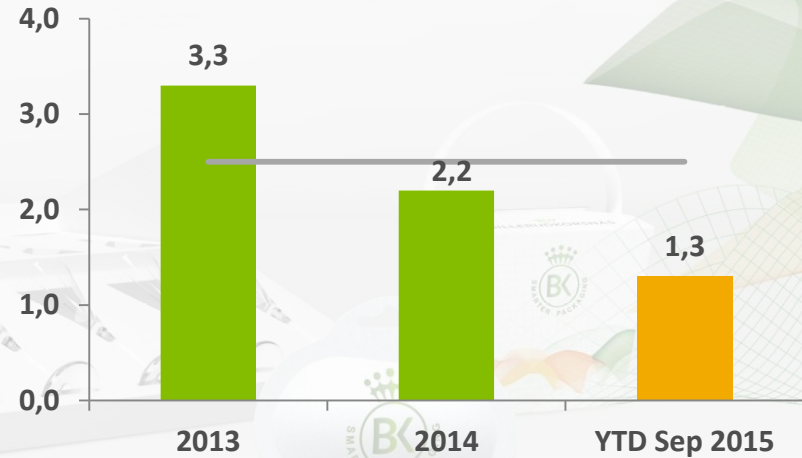
Excluding non-recurring items

REVISED FINANCIAL TARGETS BETTER SUPPORT GROWTH STRATEGY

RISK

- Simple risk measurement
- Better reflects M&A potential
- Target investment grade rating

NET DEBT / EBITDA < 2,5 - NEW





REVISED FINANCIAL TARGETS BETTER SUPPORT GROWTH STRATEGY

AMBITION LEVEL IRRESPECTIVE OF BUSINESS CYCLES

**Organic growth 3-4%
per year**

EBITDA > 17%

ROCE > 13%

**Net Debt / EBITDA
< 2,5**

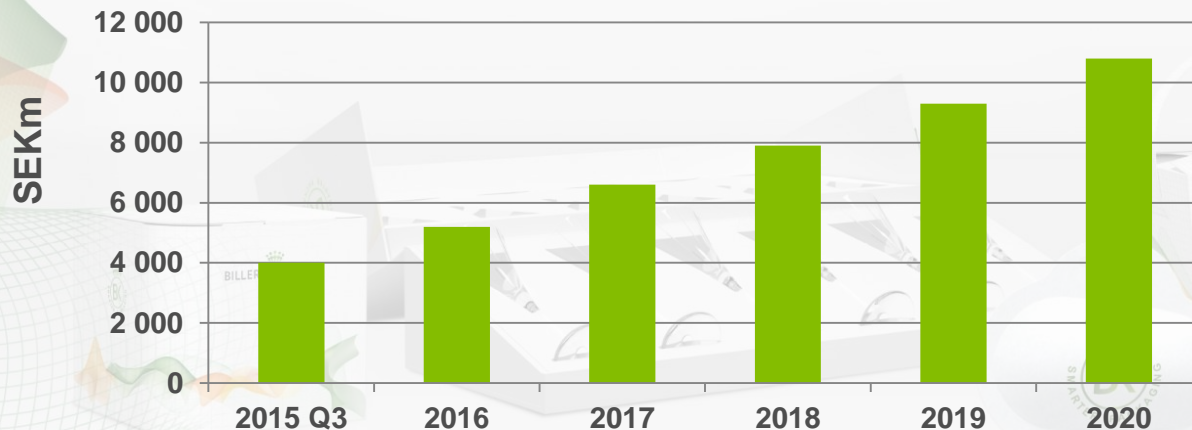
**Dividend policy remains unchanged – distribute
50% of net profit as dividend**



OUR BALANCE SHEET ALLOWS ORGANIC GROWTH AND M&A

WE CAN INVEST IN OUR OWN STRUCTURE AND STILL MAKE BOLT-ON ACQUISITIONS

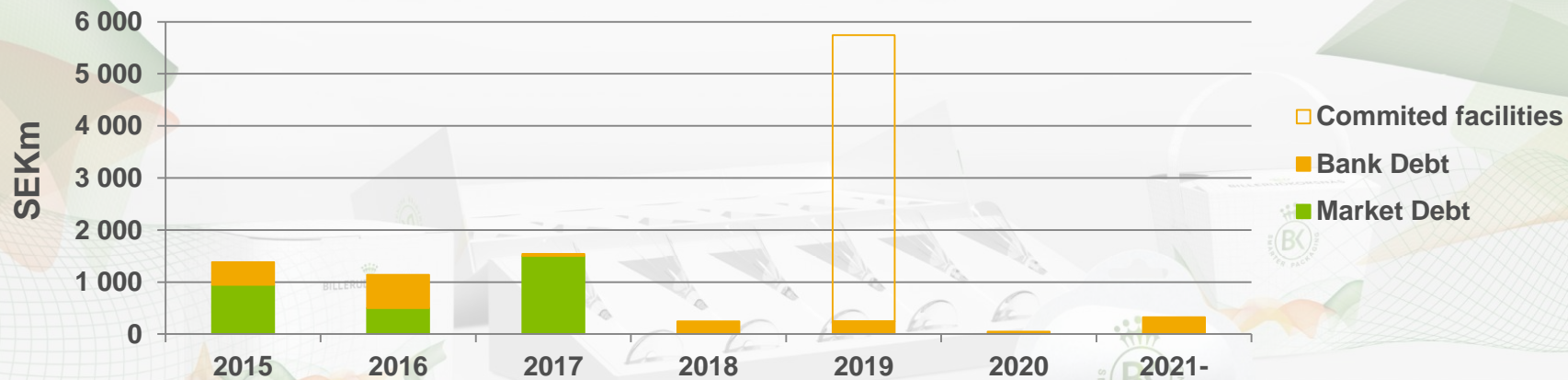
NET DEBT HEADROOM¹



¹ Not a forecast from the company

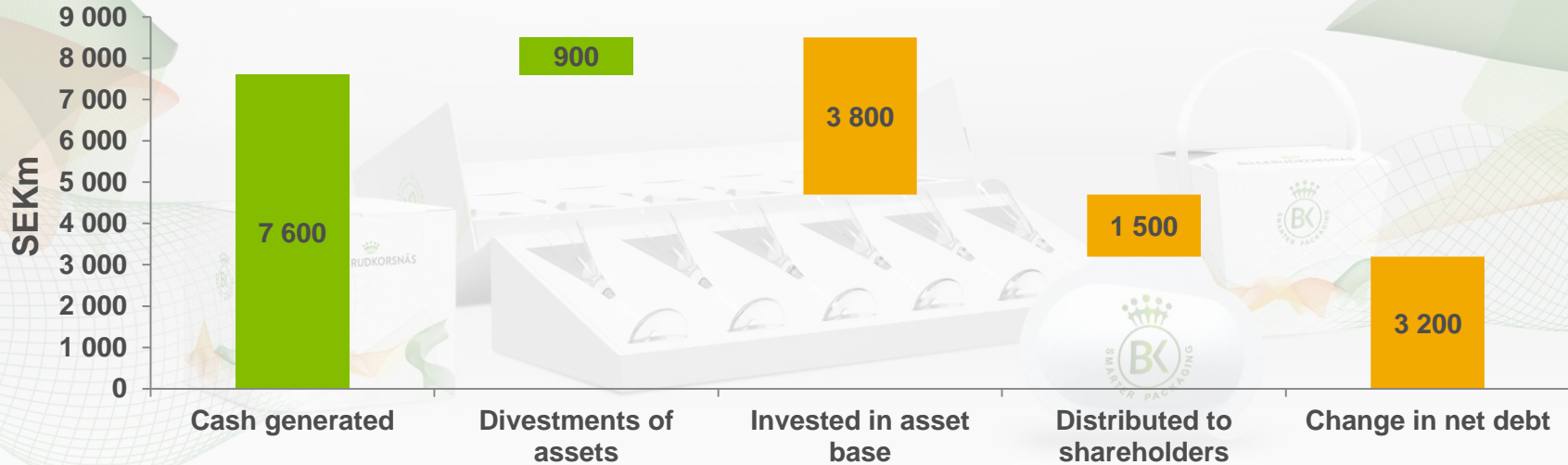
WELL POSITIONED TO FINANCE GROWTH

DEBT MATURITY PROFILE



HISTORIC CAPITAL ALLOCATION FOCUSED ON DIVIDEND AND DEBT REDUCTION

CAPITAL ALLOCATION, 2013 - SEP 2015



NOW, CAPITAL ALLOCATION FOCUSES ON GROWTH

WE HAVE CLEAR PRIORITIES

1

Maintain a capital structure and liquidity position that secure execution of dividend policy



② Investing in organic growth based on the strategy

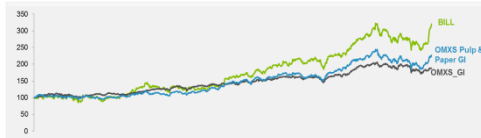


③ M&A to support strategy



④ Excess capital return to shareholders

CONTINUING TO DELIVER STABLE SHAREHOLDER RETURNS



50% to be distributed in dividends

We will continue to deliver on our commitments to shareholders

Organic growth

EBITDA

ROCE

Net Debt / EBITDA

Revised financial targets better support our growth strategies

2. Grow organically

3. Grow through M&A

4. Distribute to shareholders

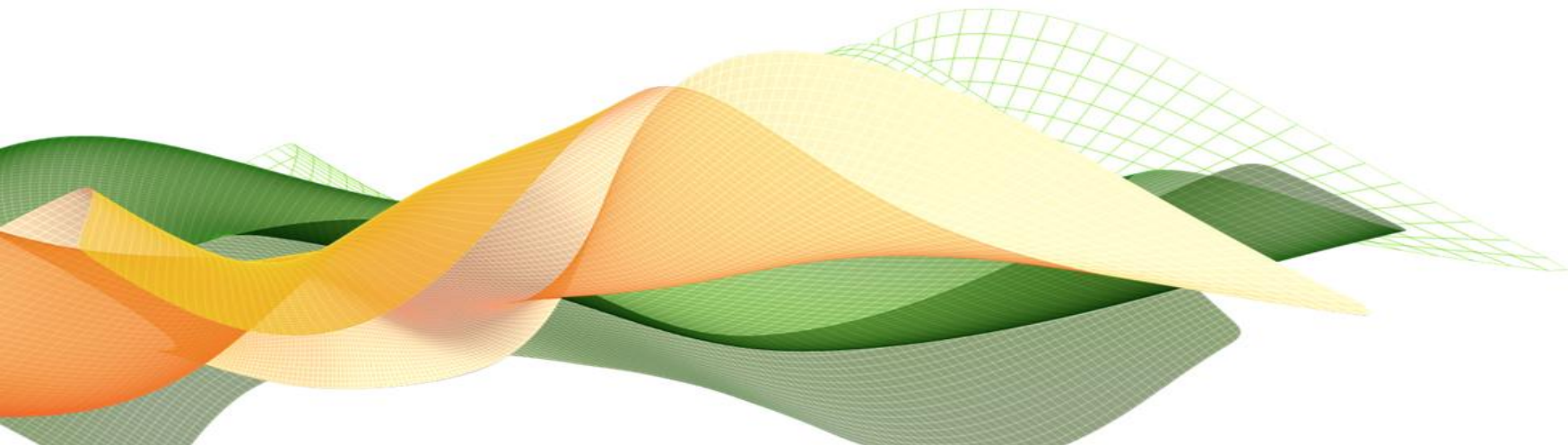
Our capital allocation focuses on growth and our balance sheet allows for investment in our own structure as well as bolt-on acquisitions

Q&A





APPENDIX





PRODUCTION UNITS

SWEDEN

Gävle, 725 ktonnes

Gruvön, 685 ktonnes

Frövi/Rockhammar, 450 ktonnes

Skärblacka, 400 ktonnes

Karlsborg, 300 ktonnes

FINLAND

Pietarsaari, 200 ktonnes

Tervasaari, 100 ktonnes

UNITED KINGDOM

Beetham, 45 ktonnes

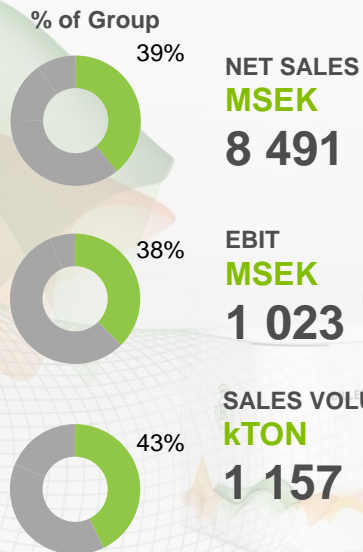
Total production capacity

2 905
Thousand
tonnes

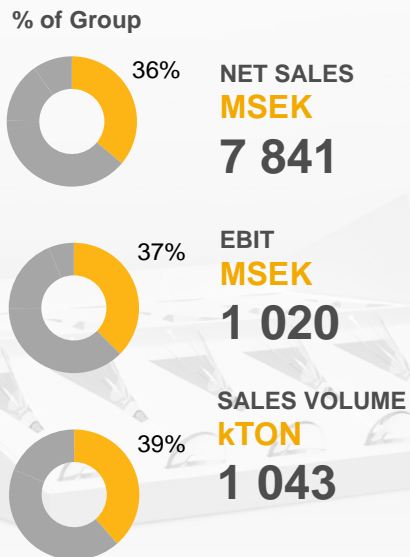


THREE BUSINESS AREAS

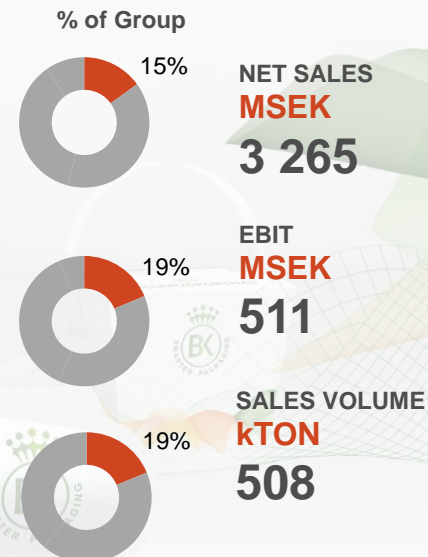
PACKAGING PAPER



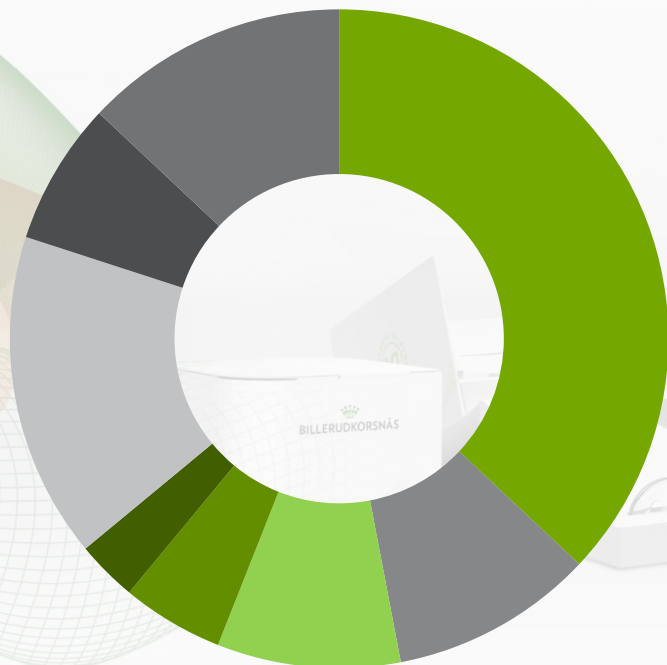
CONSUMER BOARD



CONTAINERBOARD



BREAKDOWN OF OPERATING COSTS



- Fibre (wood and external pulp), 37%
- Chemicals, 10%
- Customer delivery expenses, 9%
- Energy, 5%
- Other variable costs, 3%
- Employee benefit expense, 16%
- Depreciation/amortisation, 7%
- Other fixed costs, 13%

SENSITIVITY ANALYSIS

IMPACT ON PROFIT/LOSS BEFORE TAX

Variable	Change	SEKm
Sales volume	+/- 10%	+/-850
Exchange rate, SEK ¹	+/- 10%	+/-640
Fibre prices	+/- 10%	-/+700
Price of electricity ²	+/- 10%	-/+40
Interest rate on loans ³	+/- 1 percentage point	-/+43

1 Excluding effects of currency hedging.

2 Excluding effects of electricity price hedging.

3 Excluding effects of interest hedging.



BILLERUDKORSNÄS

