



FOCUSING GROWTH ON SELECTED END MARKETS

Capital Markets Day 2013 – Business Area Packaging Paper

2013-11-14 | Johan Nellbeck, SVP Business Area Packaging Paper



FOCUSING GROWTH ON SELECTED END MARKETS & SEGMENTS – KEY TO SUCCESS

Focus on growth segments

Continue to differentiate packaging solutions

Increase international sales beyond Europe

Selective growth
CAGR 0-4%





PACKAGING PAPER IN BRIEF

PERCENTAGE OF GROUP'S NET SALES



39%
MSEK 7 800

PERCENTAGE OF GROUP'S OPERATING PROFIT



34%
MSEK 440

NET SALES PER MARKETING SEGMENT



- Industry, 56%
- Food and Beverages, 20 %
- Medical and Hygiene, 13%
- Consumer and Luxury, 11%

NET SALES PER GEOGRAPHICAL AREA



- Europe, 71%
- Asia, 15%
- Africa, 8%
- South America, 3%
- Middle East, 1%
- Others, 2%

KRAFT PAPER

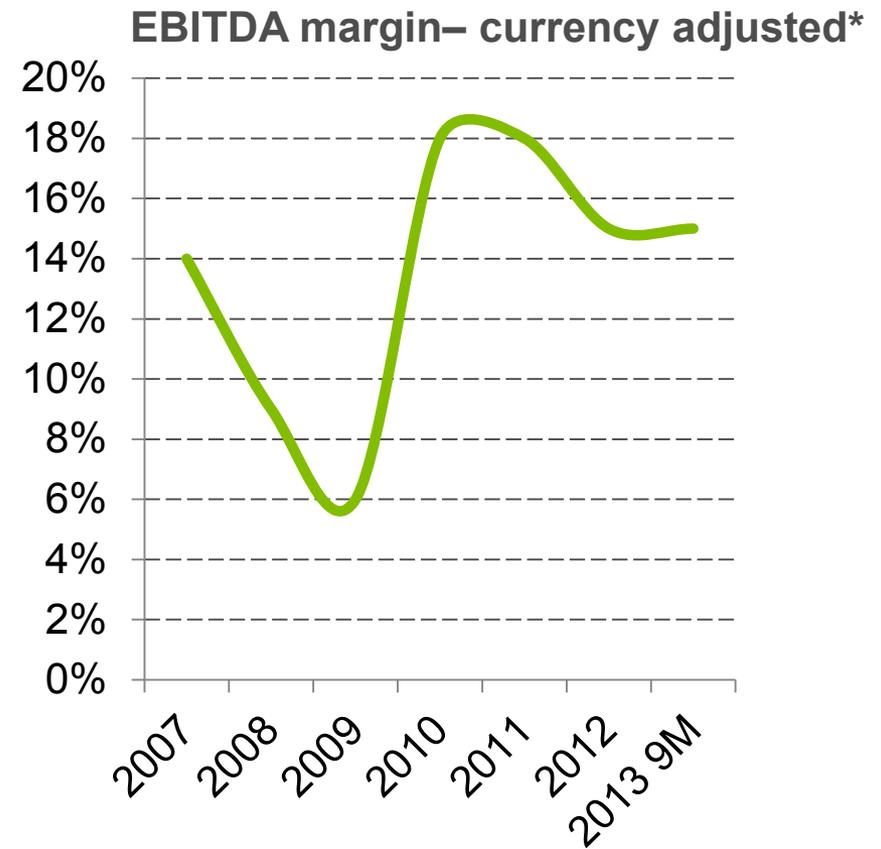
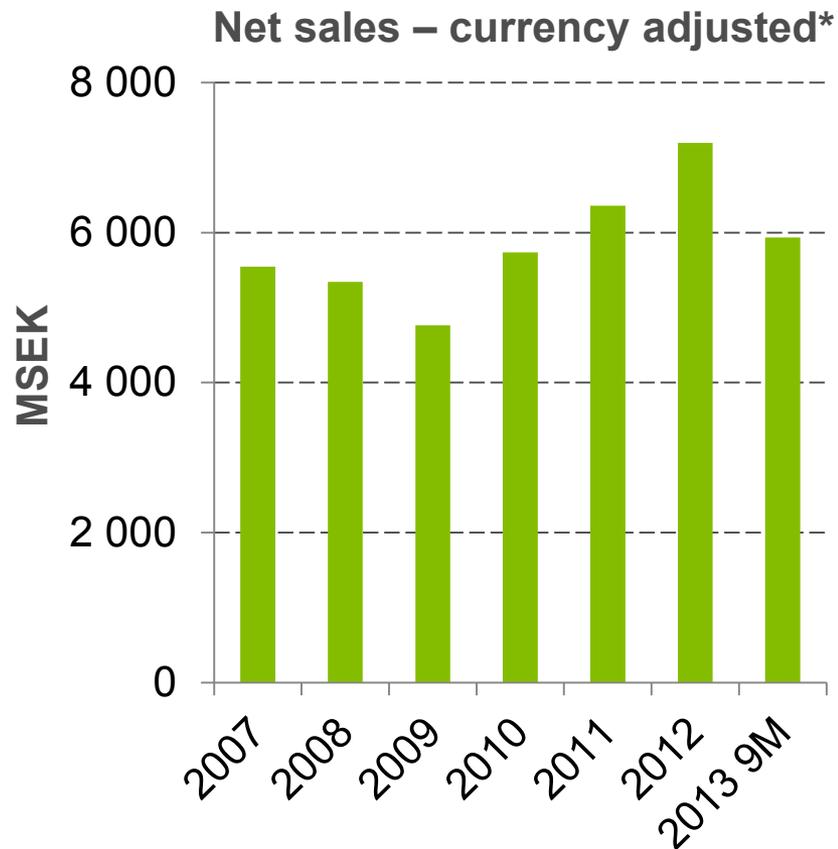


SACK PAPER





MAINTAINING GROWTH AND DEFENDING UNDERLYING MARGINS IN SPITE OF CHALLENGING MARKET CONDITIONS



*2007 average currency rate applied.

EXAMPLES OF END USE APPLICATIONS

SACK PAPER



Cement sacks
or other building
materials

KRAFT PAPER



Bags



Cup sleeves



Ice-cream cones



Paper trays



Flow pack



Grocery bags



Carrier bags



Form & Fill bags



Sterile pouch



Release liner



Steel interleaving

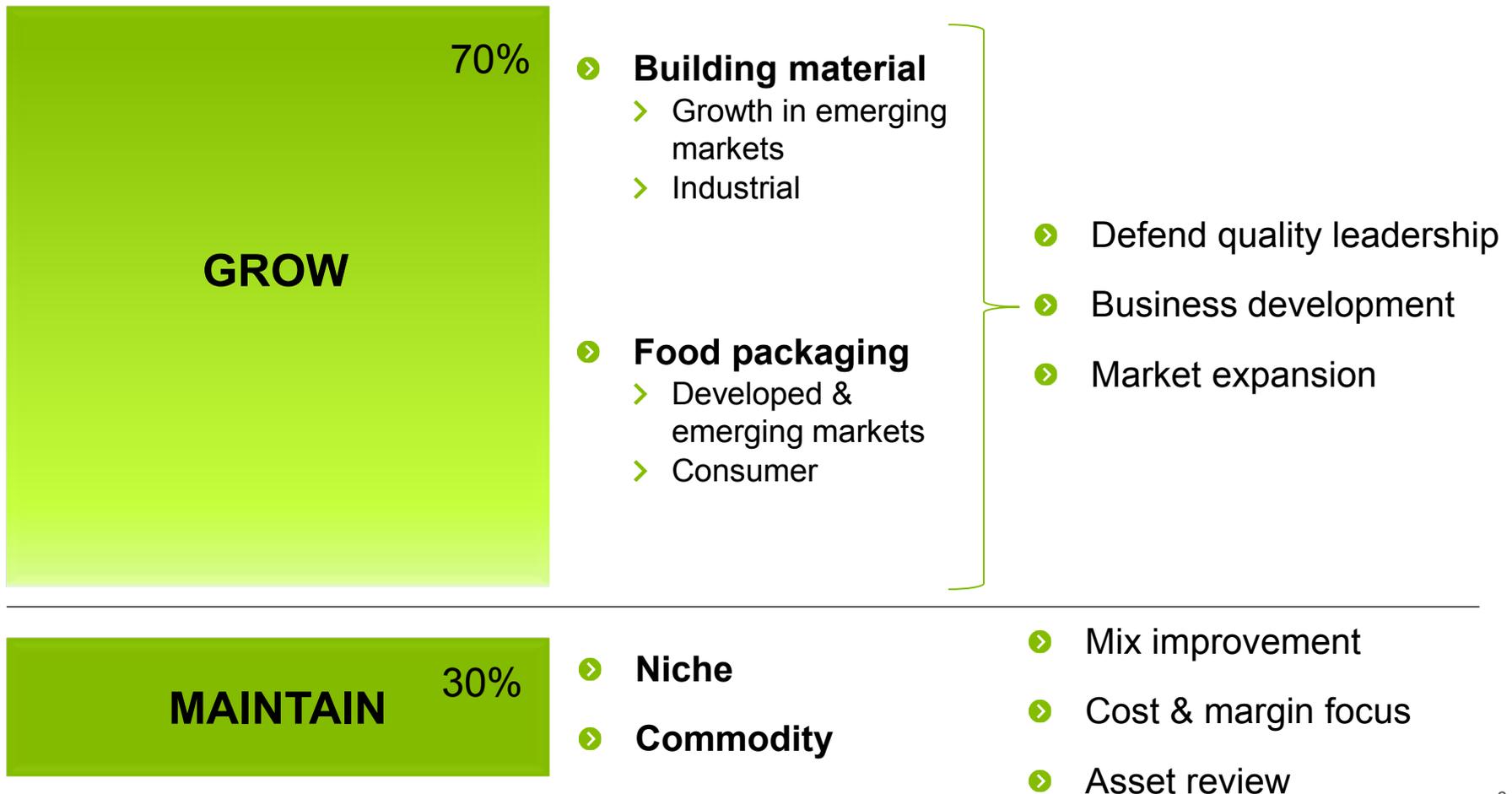


Ream wrapping

SEGMENTS



OUR STRATEGY: FOCUS ON SEGMENTS WITH GROWTH AND THE NEED FOR OUR UNIQUE VALUE OFFERINGS





GLOBAL MEGATRENDS ARE THE BASIS FOR OUR GROWTH OPPORTUNITIES

Focus segments	Main drivers	Vehicles
Building materials	<ul style="list-style-type: none">• Urbanisation in emerging markets that drives demand for building materials• Replace plastic	<ul style="list-style-type: none">• Sack Solutions
Food packaging	<ul style="list-style-type: none">• Growing urban middle-class in emerging markets drives food packaging demand• Increasing single house hold & On the Go• Replacing/reducing plastic	<ul style="list-style-type: none">• Bag Solutions• Consumer laminates



FOCUS SEGMENT 1: BUILDING MATERIALS IN EMERGING MARKETS

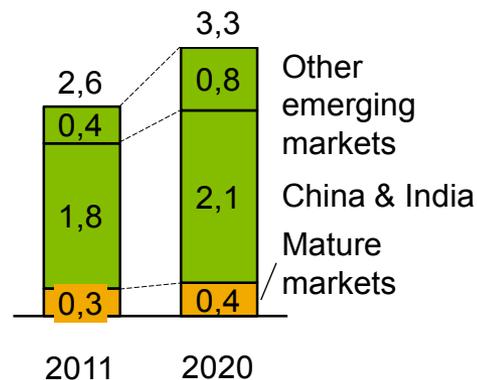


GLOBAL CONSTRUCTION DRIVES DEMAND FOR HIGH QUALITY SOLUTIONS

Strong underlying market growth...

Cement demand¹

billion tonnes

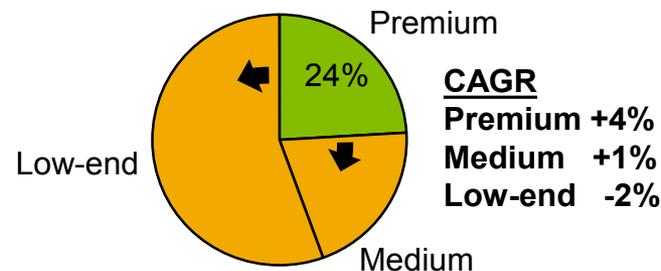


- 60-80% of the cement is packed in sacks in emerging markets
- 71 billion sacks, 22% in paper

...Premium qualities take market share

Brown sack paper demand

Tot 2,7 million tonnes in emerging markets

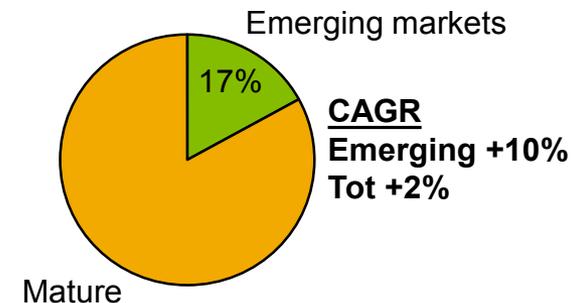


- Premium paper grows at expense of lower quality grades

...White grades have big growth potential

White sack paper demand²

Tot 430 ktonnes



- White grows strongly in emerging markets



WE HAVE SET THE WORLD STANDARD IN CEMENT SACKS WITH OUR BRANDED SOLUTION

➤ QuickFill® – high strength & high porosity

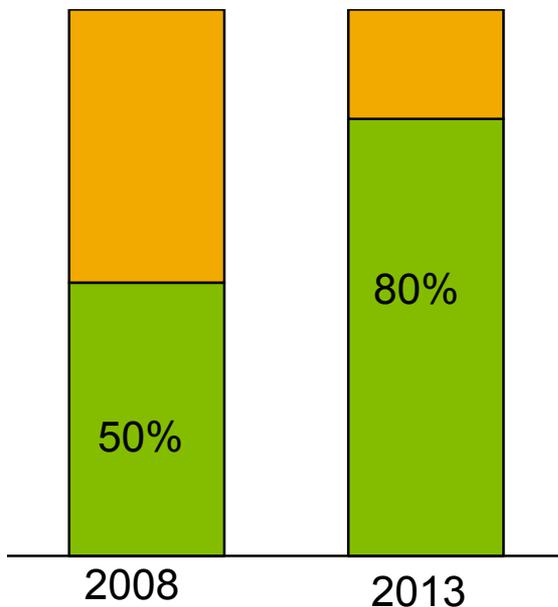
Giving:

- High filling speed > +20%
- Reduce waste >5%
- Sack production efficiency > +30%
- Less material consumption >30%

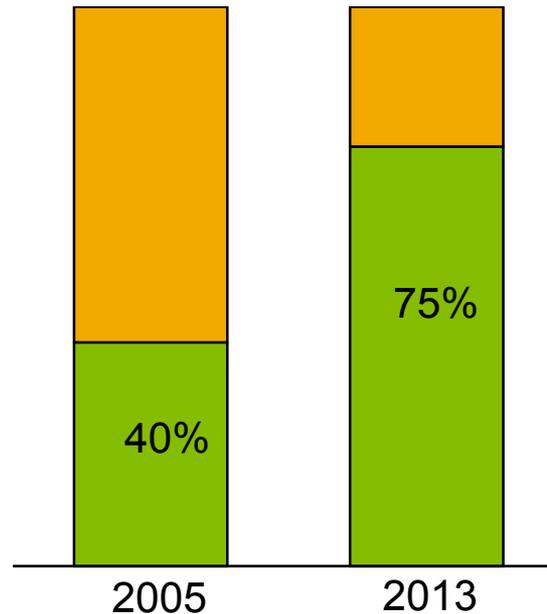


THE QUICKFILL CONCEPT HAS LED TO STABLE GROWTH AND PROFIT

BillerudKorsnäs' share of overseas sales of brown sack



BillerudKorsnäs' share of value-added sales (QuickFill®), brown





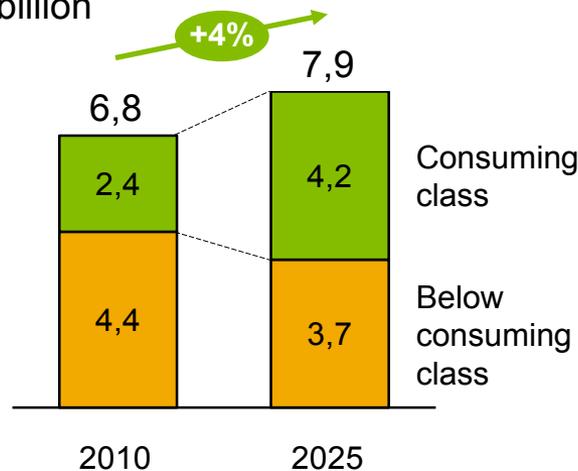
FOCUS SEGMENT 2: FOOD PACKAGING



WE CHALLENGE PLASTICS IN THE GROWING FOOD PACKAGING SEGMENT!

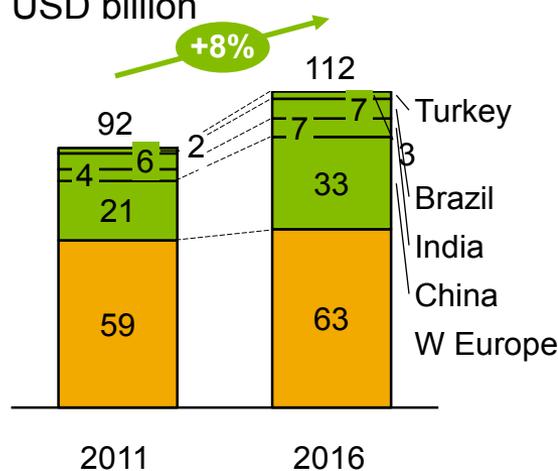
Consuming middle-class to grow by 4% per year

World population¹
billion



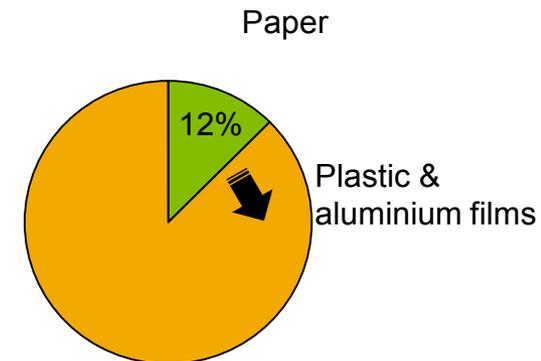
...fuelling food packaging demand by 8% per year

Food packaging demand²
USD billion



Paper has big growth potential

Flexible materials Europe³
Total 3,7 million tonnes



- Plastics dominate flexible packaging, especially in emerging markets
- Challenging plastics requires value-chain approach
- In emerging markets we can influence the packaging value-chain at an early stage

¹ McKinsey & Company, 2012. Consuming class: daily disposable income ≥ USD 10, adjusted for purchasing-power parity.

² PIRA, 2011.

³ PCI, 2010.



OUR WORLD CLASS KRAFT PAPER CREATES VALUE

➤ **Strength, purity, printability, stiffness**

Gives:

- High filling speed – bags
- Good functionality in manufacturing of bags or laminates
- Less material consumption
- Based on a sustainable raw material!



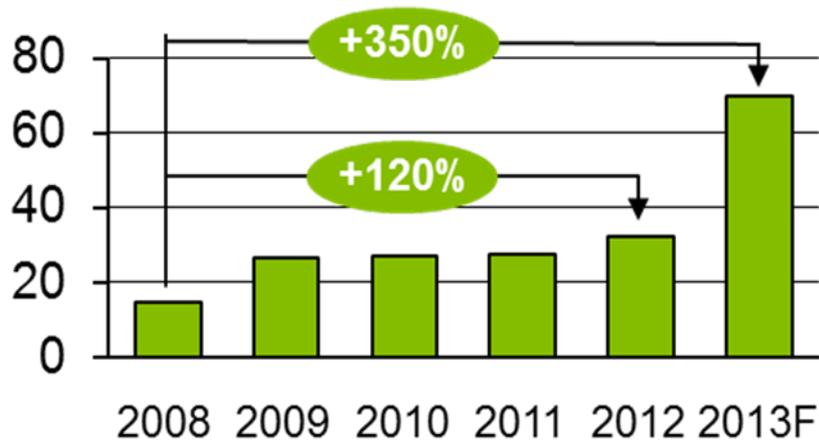


BAG SOLUTIONS – FOCUSING ON DRY FOOD APPLICATIONS

CONSOLIDATION & FOCUS

Packaging Paper sales development

Dried food bag paper sales, ktonnes



GROWTH ENABLERS AND PROFIT DRIVERS

- Plastic pollution
- Changing retail behaviour



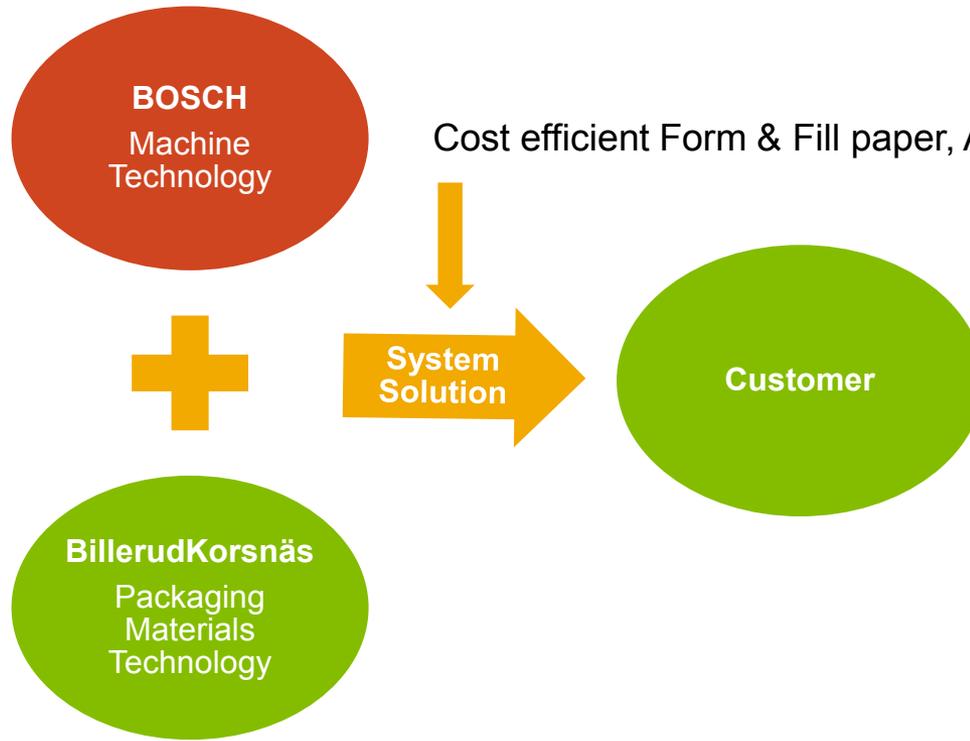
Offer paper based solutions



- Sugar
- Flour
- Rice
- Pasta

SYSTEM SALES – A NEW CONCEPT FOR DRY FOOD BAGS THAT OPENS UP LARGE POTENTIAL

Vertical form fill and seal machine (VFFS)
the most common machine in the world – using mainly plastic



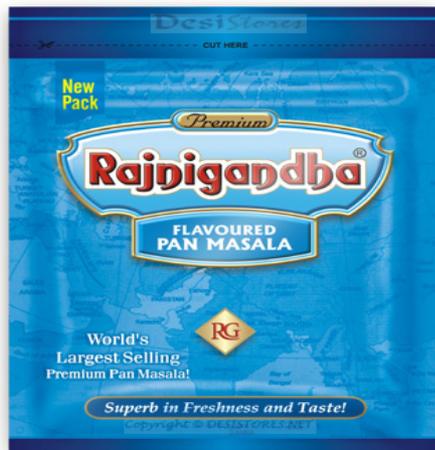
Unique method to glue paper bags without plastic layer



CONSUMER LAMINATES – INNOVATIVE PAPER PACKAGING REPLACING/REDUCING PLASTIC

Pan Masala success story

- First successful move from plastic to paper packaging
- India's largest Pan Masala brand (mouth freshener) by DS Group
- Ban of plastic by the Indian Government



FibreForm success story: Trays

- Thermoformed trays
- Reducing plastic by up to 75%
- Using the existing converting equipment
- No need for extra investments





NEXT GENERATION OF FOOD PACKAGING

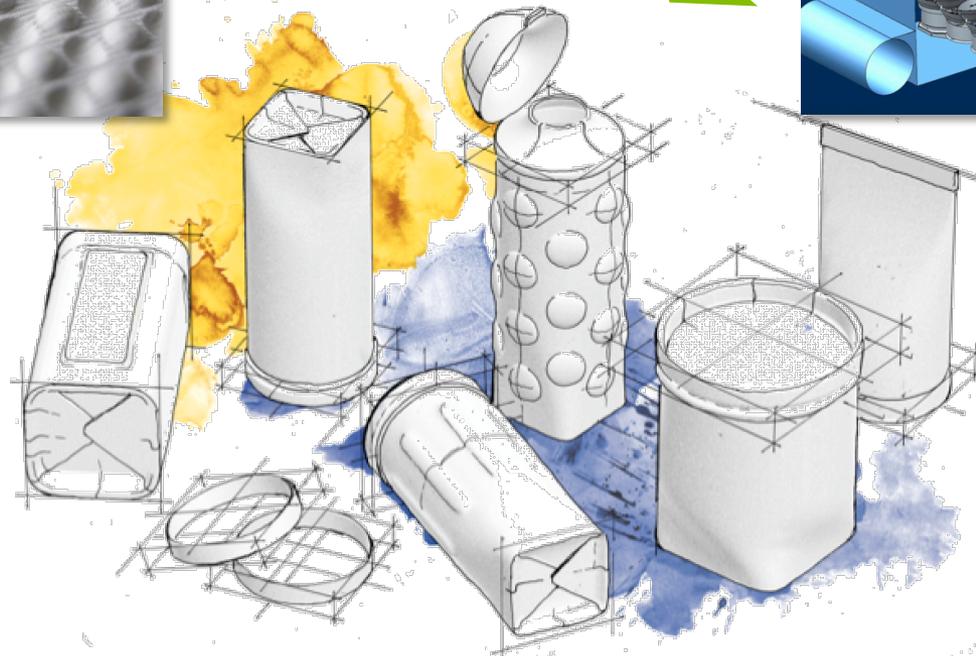
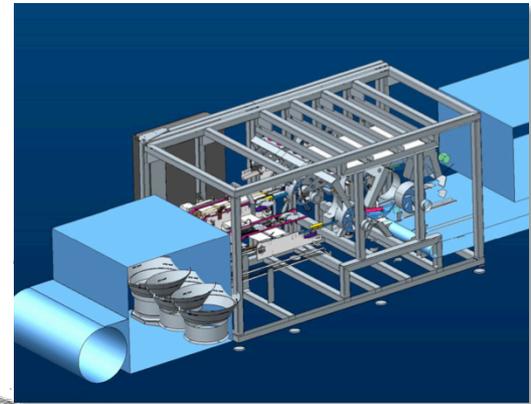


BILLERUDKORSNÄS



JV

FibreForm
Packaging





FOCUSING GROWTH ON SELECTED END MARKETS



INNOVATION

- Materials development
- Value-chain approach
- System sales



CAPACITY MANAGEMENT

- Flexible capacity

**Selective
growth
CAGR 0-4%**



INVESTMENTS

- Invest in selected segments
- Quality leadership



GEOGRAPHY

- Expansion in emerging markets





CUSTOMER DIALOGUE WITH HOLCIM





BILLERUDKORSNÄS

