Capital Markets Day 2021
Sustainable profitable
growth in packaging materials
BillerudKorsnäs’ Executive Management Team

Christoph Michalski  
President & CEO

Ivar Vatne  
EVP & CFO

Nina Ekstrand  
EVP Communication & Brand

Paulina Ekvall  
EVP Human Resources

Ulf Eliasson  
EVP Technology

Matthew Hirst  
EVP Commercial

Tor Lundqvist  
EVP Operations

Andreas Mattsson  
EVP & General Counsel

Erik Olsson  
EVP Strategy

Anna-Maria Tuominen-Reini  
EVP Wood Supply
13:00  Journey so far and strategy building blocks  
Christoph Michalski, CEO and President

Market opportunity & commercial strategy  
Matt Hirst, EVP Commercial

Impactful innovation  
Mikael Nilsson, Director Product Innovation

Break

14:15  Volume growth through operational stability and efficiencies: the journey ahead  
Tor Lundqvist, EVP Operations

Transition in competitive wood supply  
Anna-Maria Tuominen-Reini, EVP Wood Supply

Sustainable and balanced financials  
Ivar Vatne, CFO

15:15  Q&A

Conclusion

16:00  Mingle and refreshments
Journey so far and strategy building blocks

Christoph Michalski
CEO and President
We operate in a very large market with significant growth opportunities underpinned by impactful macro trends

- Climate crisis and circular economy
- Demographic shifts and increased demand for packaging material
- Renewable resources and raw materials
- Digitalisation as an enabler
First impression as CEO and confirmed since

What is great?

- Sweet spot of trends and product portfolio
- Excellent market positions
- Highly qualified and dedicated people
- Innovation capability

What are the challenges?

- Safety record
- Lack of common vision and focus on the core
- Production stability
- Financial performance
Decent topline performance …
… but falling behind on margin following KM7 investment

Net Sales 4 YR CAGR 2016-2020

<table>
<thead>
<tr>
<th>Year</th>
<th>BillerudKorsnäs</th>
<th>Peers(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2.5%</td>
<td>(1.1%)</td>
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</table>

EBITDA Margin % 2016-2020

<table>
<thead>
<tr>
<th>Year</th>
<th>BillerudKorsnäs</th>
<th>Peers(1)</th>
</tr>
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<tbody>
<tr>
<td>2016</td>
<td>16.7%</td>
<td>16.0%</td>
</tr>
<tr>
<td>2017</td>
<td>16.8%</td>
<td>16.7%</td>
</tr>
<tr>
<td>2018</td>
<td>19.0%</td>
<td>14.5%</td>
</tr>
<tr>
<td>2019</td>
<td>17.8%</td>
<td>11.6%</td>
</tr>
<tr>
<td>2020</td>
<td>17.1%</td>
<td>11.3%</td>
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</table>

Source: Company filings
(1) Peers include Stora Enso, Mondi, Metsä Board and UPM
Ongoing priorities 2020-2021 – merged with the new strategy

- Ramp-up at Gruvön (KM7)
- Cost and efficiency programme
- Safe and stable production
- Competitive wood supply
BillerudKorsnäs’ 2030 strategy

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

SAFETY FIRST: ZERO LOST TIME INJURIES

DELIVER SUSTAINABLE PROFITABLE GROWTH IN PACKAGING MATERIALS (2020-2030)

COMMERCIAL

OPERATIONS

WOOD SUPPLY

SHAPE A SUSTAINABLE FUTURE

WIN WITH OUR PEOPLE

ONE BILLERUDKORNSÄS
Market opportunity & commercial strategy

Matt Hirst,
EVP Commercial
Our strategic choices

**Paperboard**
Powerhouse is Europe, ignite growth with focus in North America

**LPB**
Accelerate growth with select opportunities

**Sack and Kraft**
Improve mix through profitable applications

**Innovation**
Step up impact led innovation
We compete in the large niche of primary fibres, which represent ~18% of the global demand of paper and board.

Source: AFRY & internal estimates
We have a competitive position within our servicable available market and solid platform from where we can grow.

Source: AFRY & internal estimates
We will prioritise board over paper in view of our market position, growth opportunities and competitive dynamics.

Source: AFRY, Pöyry & internal estimates

<table>
<thead>
<tr>
<th>Product category</th>
<th>Market growth rate</th>
<th>BillerudKorsnäs’ market position 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Containerboard</td>
<td>2% (primary fibre)</td>
<td>#2 Semi-chemical fluting, Europe</td>
</tr>
<tr>
<td></td>
<td></td>
<td>#4 White kraftliner, Europe</td>
</tr>
<tr>
<td>Cartonboard</td>
<td>3%</td>
<td>#5 Cartonboard, Europe</td>
</tr>
<tr>
<td>LPB</td>
<td>1-2%</td>
<td>#1 LPB, long-life ambient packaging, globally</td>
</tr>
<tr>
<td></td>
<td></td>
<td>#2 LPB, all types of packaging, globally</td>
</tr>
<tr>
<td>Sack&amp;Kraft</td>
<td>1% (Sack) 3% (Kraft)</td>
<td>#5 Kraft paper, globally</td>
</tr>
<tr>
<td></td>
<td></td>
<td>#1 MG paper, globally</td>
</tr>
<tr>
<td></td>
<td></td>
<td>#4 Sack paper, globally</td>
</tr>
</tbody>
</table>
Across geographies, Europe is our home market and North America represents the largest growth opportunity.

Net sales by region, %

- **Europe**: 70%
  - Well established position to expand further

- **Americas**: 25%
  - Main growth region in the future for paperboard

- **Asia & others**: 5%
  - Grow with the market in selected end-use applications
Why we believed we can succeed in North America?

Example: Igniting growth of cartonboard

Source: AFRY & internal estimates
LPB is currently our smallest market, but our largest business segment. We will accelerate growth with select opportunities.

- Leading global category position including #1 in long-life ambient
- Market size 4-5 m tonnes, growing at 1-2% p.a.
- Strong position to compete
- Innovation focus: sustainability and recyclability

*Primary fibre packaging
Competitive intensity is an important consideration within Sack & Kraft. Focusing on the right application areas is key.

- Competitive intensity varies between application area
- Focus on application areas where ability to add value is highest
- Growing opportunity to switch out plastic packaging
- Innovation focus: barriers

Source: AFRY & internal estimates
We will win through a customer centric value proposition. Sustainability is a key source of advantage

- Superior products and services
- Easiest to do business with

Customer value proposition

Most sustainable choice

- Best in class company position
  - 100% of our wood raw material is responsibly sourced
  - Our production uses 97% biofuels and only 3% fossil fuels

- Ability to differentiate enabling customers to utilise climate smart packaging
Impactful innovation

Mikael Nilsson, Director Product Innovation
We are changing our innovation management methodology to drive transparency, commercial focus and prioritisation.
Aligning our innovation portfolio with our new strategy

In the past…
- Parallel processes for short term and long term innovation
- Gap between long term innovation and business areas
- Process not allowing prioritisation of resources between business areas

From now on…
- One process and governance model
- Commercial focus and clear accountability
- Clarified decision making
- Full visibility on project status
Three significant tools to review and manage our innovation portfolio

Portfolio overview – Innovation funnel

Customer technology matrix

Launch plan
biodegradable barriers  grease barriers  sustainable forestry

strength  plastic replacement  recyclability

sustainability  moisture resistance  recyclable barriers

reduction of material  recycled fiber  market solutions

medical packaging  cost savings

food packaging  economical solutions

cement waste  high density  use of wood  gsm bag

heat sealability  weldable paper  non wood fibre  proof packaging wrap

high extendible kraft  water vapor barriers  high humidity barriers  kraft paper

cost efficient solutions  plastic coating  recyclable sack  heat sealable solutions

water proof packaging  recyclable silconised gp  fiberform application  decrease price

top destratation  cost savings  resistant barriers paper  heat sealable solutions

evapor barriers  medical industry  economical solutions  plastic coating

cost efficient solutions  sustainable non wood  cost savings  economical solutions

water proof packaging  recyclable sack  heat sealable solutions

water proof packaging  recyclable sack  heat sealable solutions

water proof packaging  recyclable sack  heat sealable solutions

water proof packaging  recyclable sack  heat sealable solutions
We have identified a number of critical priorities underpinned by ownable technologies:

- Food safety
- Sustainability
- Material performance
Sustainable barrier development impact new technology requirements

- Multi layer curtain coating
- Vacuum coating
- 2-D filler materials
- Water based dispersions
We continue to invest in PaBoCo, together with an industry leading partner in bottle manufacturing "We are changing this industry for good"

First generation paper bottle is available while the development of Gen 3.0 with an integrated bio-based barrier is accelerated

- Goal: #1 most sustainable bottle (CO₂ footprint & recyclability)
- Fully biobased and recyclable
- Priority to prove scalable process
- Barrier coating development in focus
We create customer value by innovating on core products

Brand owners sustainability commitments are supported by tailormade innovation

Case study Oatly – outcome:
- 35% reduction of secondary packaging material
- 50% CO$_2$e reduction
- 58% reduction in water consumption
Volume growth through operational stability and efficiencies: the journey ahead

Tor Lundqvist, EVP Operations
Maximise capacity utilisation at lowest possible unit cost
Our strategic choices

- Improve efficiency to best in class with one operating framework
- Accelerate KM7 to capacity and release true potential across the three board mills
- Evaluate possibilities to boost capacity in current facilities and/or M&A
Safety is our first priority
Vision is zero lost time injuries – for employees and contractors

Lost time injury frequency rate (LTIFR)

- 7.7 in 2020
- <1.5 by 2030
On the right path with focused activities
Good leadership and strive towards a solid safety culture is key

Three major safety initiatives run in 2021

- Common Lock-out Tag-out (LoTo) system
- Work permits
- Roles and responsibilities
- Safety trainings
- Visible leadership
Volume growth is picking up
Gruvön ramp-up and continuous efficiency improvements are key
Strong volume growth and mix optimisation critical to deliver net sales over the coming four years

- Gruvön continued ramp-up to design capacity and beyond
- Product mix improvements across mills
- Potential for further production efficiency improvement
Production stability will improve with stronger focus on maintenance, CAPEX and execution

Focus on maintenance

- Programme to lift maintenance to common best practice has started
- External audits of all mills have been conducted. Detailed action programme under development
- Focus on three core maintenance processes:
  - Management
  - Preventive maintenance
  - Planning and scheduling

Focus on CAPEX

- Historic non-strategic base CAPEX has been too low to both maintain and develop the mills
- Critical process equipment needs more attention to provide right level of availability
- Overall, 2022-2025 will require non-strategic annual CAPEX of SEK 1.5 – 1.7 bn
Higher non-strategic base CAPEX will improve asset quality and production stability

Priority to our board mills

- Acceleration of reinvestment programmes for
  - Electrical infrastructure
  - Control system modernisation
  - Exchange of critical process equipment
- Debottlenecking of pulp lines, paper and board machines for increased stability and capacity
- New tools for predictive maintenance
- Energy efficiency
Systemic approach with strong asset base across four big board machines

- Wide basis weight range and coating capabilities on all board machines create flexibility
- Opportunities to boost productivity by optimising the product portfolio over the full board machine system
- Maximise use of CTMP (chemi-thermomechanical pulp) where feasible
- Improve efficiency on internal sheeting operations

Gruvön KM7
Frövi KM5
Gävle PM4 PM5
## Possibilities to expand capacity

### Capacity expansion in current facilities after 2025

<table>
<thead>
<tr>
<th>Gävle</th>
<th>Frövi</th>
<th>Gruvön</th>
<th>Skärblacka</th>
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</thead>
<tbody>
<tr>
<td>Modernisation of pulp mill</td>
<td>KM5 capacity increase through debottlenecking</td>
<td>Board production beyond current design level for PM6 and KM7</td>
<td>Potential pulp line expansion</td>
</tr>
<tr>
<td>Possible introduction of CTMP</td>
<td>Higher degree of pulp integration possible with new recovery boiler</td>
<td></td>
<td></td>
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<tr>
<td>Opportunity for new board machine</td>
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**M&A activities in targeted product segments**

and/or
Sustainability in Operations: Our roadmap to reach our Science Based Targets 2030

1) Scope 1-2: Direct emissions from own operations and indirect emissions from purchased energy.
2) Applies only to Beetham.

- Fossil free electricity
  - Electrical back-up boiler in Gruvön
  - New recovery boiler in Frövi
  - Fuel oil conversion

- Fuel oil conversion
- LPG conversion
- LNG conversion

All integrated mills operated fossil free

<table>
<thead>
<tr>
<th>Year</th>
<th>k tonne CO₂e</th>
<th>2016</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
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<tbody>
<tr>
<td></td>
<td>158</td>
<td>-11%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>141</td>
<td>-31%</td>
<td></td>
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<tr>
<td></td>
<td>109</td>
<td>-59%</td>
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<td></td>
<td>64</td>
<td></td>
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</tbody>
</table>

1) Scope 1-2: Direct emissions from own operations and indirect emissions from purchased energy.
2) Applies only to Beetham.
Vision for the future: Carbon capture and circular revenue streams

From a pulp mill to a resource efficient bio-refinery and CO₂ capture → CO₂ negative and circular products
Transformation in competitive wood supply

Anna-Maria Tuominen-Reini, EVP Wood Supply
Our strategic choices

Optimise fibre consumption
Build long-term partnerships
Secure competitive fibre availability
Develop lean, green and flexible wood supply chain
Competitive wood supply
Building sourcing excellence with deep knowledge of forestry

Annual consumption volume:
10.5 million m³ sub of wood

Hardwood
Birch and aspen

21%

Softwood
Pine and spruce

79%

Spend
~ SEK 5 bn

Supplier base:
- ~90 wood fibre suppliers
- ~4,500 private forest owners
- Long-term supply agreement with Bergvik Skog Öst

Supply organisation:
- Deep knowledge and roots in forestry
- Transforming into a sourcing organisation that excels in forestry

One of the biggest purchasers and consumers of wood fibre in Sweden

Own harvest
Delivered by suppliers

Switzerland
Baltics
Finland
Norway
Other

70%

24%

76%
Sustainable wood supply

Supplier qualification and sustainability in wood sourcing:
- Wood suppliers with signed Code of Conduct
- Control for origin of wood: 100%
- Group certification: 260 private forest owners by 2024

Sourcing pulpwood from thinning & harvesting and residuals from saw mills:
- Tree top & branches → energy
- Middle part → pulpwood
- Main part of the tree → sawlogs and chips

Sustainable forest management practices vital to preserving biodiversity

Sourcing from regions with growing wood stock
Good fibre availability in the short term, long-term pressure on forestry remains with increased demand and political debate

- Role of forest in climate change in the long run
  - Static carbon sink
  - Replacing fossil materials
  - Preserving biodiversity
- Possibly changed legislation, new requirements and expectations on forestry
Optimise fibre consumption

Consumption analysis and raw material mix:
- Evaluate hard and softwood mix
- Increase use of CTMP
- Assess pulp production / external sourcing

Spend management actions aimed to:
- Generate savings in fibre consumption
- Deliver quality improvements

Pulp consumption: 3 m tonnes
~ 6% is CTMP

- Integrated pulp: 87%
- Externally sourced pulp: 13%
Create sourcing partnerships

Supplier relationship management:
- Build partnerships with like-minded suppliers
- Strengthen relationships with key suppliers

Supplier collaboration strives to:
- Create win-win and growth opportunities for both
- Harvest end-to-end and long-term benefits

Ref: Supplier Relationship Management
Build competitive fibre availability

Development and diversification of supplier base:

- Grow business with current suppliers
  - Reliable partner for private forest owners
  - Strong and independent partner for sawmills
  - Steady supply from Baltics

- Develop new supply sources
  - Norway offers opportunities
  - Other potential regions under evaluation

Supplier base management aimed to:

- Deliver volumes for growth
- Manage supply risks and costs

Supplier portfolio:

- Private & state-owned forest owners: 28%
- Bergvik Skog Öst: 10%
- Others: 17%
- Sawmills: 39%
- Wood companies: 6%
Develop Wood Supply Chain

End-to-end supply chain management:
- Develop lean, green and flexible supply chain

Supply chain development strives to:
- Deliver cost and efficiency improvements
- Work on sustainable logistics solutions
- Steer material flows in optimised, flexible manner

Wood cost components:
- Wood: 50%
- Harvesting: 25%
- Logistics: 25%

Transport modes:
- Truck: 61%
- Train: 26%
- Ship: 13%
Competitive wood supply through sourcing excellence

- Deep knowledge of forestry → Sourcing excellence with forestry expertise
- Fibre consumption → Seek for fibre savings
- Long-term relations → Partners grow together and harvest benefits
- Supplier base development → Grow with current suppliers and develop new sources
- Logistics → End-to-end supply chain planning and efficiency
Sustainable and balanced financials

Ivar Vatne, EVP & CFO
Last years have been challenging with unsatisfactory financial performance. However, our turnaround is well underway.
Despite volatile profitability levels and high CAPEX outflow, we have paid an attractive dividend every year.
We are making excellent progress in our KM7 ramp-up.
Our cost and efficiency programme has progressed well, increased target by SEK 100 million by end of 2022

- Programme to date (Q3 2021) has delivered SEK 545 million of structural savings and efficiencies
- Expect to reach SEK ~620 million by end of 2021
- We raise programme ambition again to SEK 750 million by end of 2022
Our balance sheet is solid and keeps getting stronger

**Net debt/Equity**
- **24%**

**Net debt/EBITDA**
- **1.3x**

**CAPEX going forward:**
- Base capex SEK 1.5-1.7 bn annually to 2025
- Frövi soda recovery boiler to be completed early 2024
- Ample room for strategic investments and M&A in the future
Our financial targets remain largely unchanged

**FINANCIAL GOALS**

- Net sales growth: 3-4% annually
- EBITDA margin: >17%

**POLICY**

- Net debt/EBITDA: <2.5
- Dividend ratio: >50%
Room to meet our net sales target range for coming four years. Thereafter, new capacity needed to continue growth momentum.

Growth momentum:
- Net sales: L12M (excl Beetham)

Future state illustration (not forecast):
- Capacity expansion (own facilities and/or M&A)
- Mill optimisation
- Pricing and mix
- Gruvön ramp-up

3-4% Net sales growth
Few but sizable building blocks will continue our profitability transformation for the coming four years.
Conclusion

Christoph Michalski
CEO and President
BillerudKorsnäs’ 2030 strategy

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

SAFETY FIRST: ZERO LOST TIME INJURIES

DELIVER SUSTAINABLE PROFITABLE GROWTH IN PACKAGING MATERIALS (2020-2030)

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SHAPE A SUSTAINABLE FUTURE

WIN WITH OUR PEOPLE

ONE BILLERUDKORSNÄS
Win with our people: It is our people that makes it happen

Develop the right skills to meet the challenges ahead

- Critical skills for our mills identified
- New technical trainee program
- Corporate competence programs
- Retention & development

Grow our talents and build a pipeline for the future

- Systematic approach to succession planning
- Continued strong focus on talent management

Our new values support the implementation of our strategy

- Place the customer in the centre
- Dare to innovate
- Lead the change
- Care for each other
One BillerudKorsnäs
– Enabling strategy execution

BillerudKorsnäs today
- Integration debt originating from 2012
- Several attempts to fix over the years
- Struggling to realise full potential and synergies

’One BillerudKorsnäs’- integrating our business processes
- Core systems to be modernised and aligned with business process transformation
- Timeline: 2021-2024
Key takeaways

- Sweet spot of market trends, product mix and our innovation programme
- Maximise capacity utilisation at lowest possible unit cost
- Build fibre sourcing excellence with deep knowledge of forestry
- Sustainability as an opportunity across the business: customers, operations and wood supply
- Future capacity expansion in own facilities and/or M&A

Our people, their talent and drive are critical for our success