Interim report Jan–Sep 2020

Resilient performance with strong cash generation

22th of Oct 2020 | Lennart Holm, CEO, Ivar Vatne, CFO
Key highlights Q3 2020

- Stable sales volume despite challenging markets
- Successfully accomplished maintenance shutdowns
- Accelerated delivery of cost- and efficiency program
- Strong operating cash flow generation
- Recyclable Flow Wrap launched
Q3 2020

NET SALES
SEK 5 561 m (5 833)

NET SALES GROWTH Y/Y
-5%

ADJUSTED EBITDA
SEK 570 m (639)

Adj EBITDA MARGIN
10%

ROCE*
3%

NET DEBT/EBITDA*
2.3

*Adjusted, Rolling 12 months
Introducing Recyclable Flow Wrap

- Enables a shift from plastic to paper and high-speed production
- Based on primary fibres, i.e. renewable and biodegradable
- Suitable for confectionery and bakery products
- Excellent barrier properties for medium to high barrier requirements
## Business status and outlook

<table>
<thead>
<tr>
<th>Sales split, %</th>
<th>Food &amp; Drink</th>
<th>Medical &amp; Hygiene</th>
<th>Consumer &amp; Luxury</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>LPB (7.6bn*)</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cartonboard (1.5bn)</td>
<td>15%</td>
<td></td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>Containerboard (3.6bn)</td>
<td>80%</td>
<td></td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Kraft Paper (3.5bn)</td>
<td>35%</td>
<td>10%</td>
<td>15%</td>
<td>40%</td>
</tr>
<tr>
<td>Sack Paper (2.9bn)</td>
<td>20%</td>
<td></td>
<td>15%</td>
<td>65%</td>
</tr>
<tr>
<td>Managed Packaging (0.8bn)</td>
<td></td>
<td></td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trend Q3</th>
<th>Stable</th>
<th>More challenging</th>
<th>Stable</th>
<th>Stable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outlook Q4</td>
<td>Stable</td>
<td>Stable</td>
<td>Stable</td>
<td>Stable</td>
</tr>
</tbody>
</table>

*2019 Net Sales in bn SEK*
KM7 Q3 and 2020

- Overall direction positive - progress continues
- Maintenance stop in September successfully completed:
  - All key activities and planned upgrades executed
  - Will enable both a higher speed and stability
- Very strong customer feedback on delivered material
- Producing all intended Board qualities within our specifications
- Negative EBITDA impact decreasing
  - Q3 → SEK 80 m
  - 2020 → estimate ~ SEK 450 m
Capturing the value of KM7

- Focus is now fully on commercialization
- A combination of Covid-19 related market effects have slowed down the commercial ramp-up somewhat
  - Shift of customer priorities // limited evaluation ability
  - Weaker market for containerboard
- Expected to reach EBITDA break-even during 2021
- Journey towards full potential KM7 value through:
  - Commercializing more volume in financially attractive segments
  - Scale and flexibility in our 3 Board production sites
  - Lower fixed cost due to efficiencies in Gruvön
Driving right mix is instrumental for KM7 contribution.

Continuous process to improve EBITDA going into 2021.

Develop mix

Eliminate waste / 2nd grade
Net Sales impacted by lower market price level and currency fluctuations

Net sales, SEKm

Q3 2019: 5,833
Pricing: -4%
Currency: -2%
Volume/Mix: +1%
Q3 2020: 5,561

-5%
Reduced EBITDA due to maintenance phasing
Negative pricing off-set by several positive initiatives

Adj EBITDA, SEKm

Adj EBITDA margin 11%
10%
Product area Board

Share of net sales
Q3 2020

57%

KEY FIGURES

SEKm

<table>
<thead>
<tr>
<th></th>
<th>Q3-20</th>
<th>Change vs Q3-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3 149</td>
<td>-4%</td>
</tr>
<tr>
<td>of which liquid packaging board</td>
<td>1 701</td>
<td>-3%</td>
</tr>
<tr>
<td>of which cartonboard</td>
<td>393</td>
<td>-1%</td>
</tr>
<tr>
<td>of which fluting &amp; liner</td>
<td>912</td>
<td>+9%</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-2 880</td>
<td>-1%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>269</td>
<td>-30%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>9%</td>
<td>+3%pts</td>
</tr>
</tbody>
</table>

Mixed topline performance
- Inventory adjustment in LBP
- Cartonboard and Fluting & Liner volume growth, but burdened by negative mix and price decreases

EBITDA reduced – mainly through maintenance phasing and negative market pricing, partly off-set by KM7 ramp-up
Product area Paper

### Share of net sales
Q3 2020

<table>
<thead>
<tr>
<th>Product Area Paper</th>
<th>SEKm</th>
<th>Q3-20</th>
<th>Change vs Q3-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1 707</td>
<td>-12%</td>
<td></td>
</tr>
<tr>
<td>of which sack paper</td>
<td>605</td>
<td>-7%</td>
<td></td>
</tr>
<tr>
<td>of which kraft paper</td>
<td>773</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-1 471</td>
<td>-12%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>236</td>
<td>-12%</td>
<td></td>
</tr>
<tr>
<td>EBITDA, %</td>
<td>14%</td>
<td>–</td>
<td></td>
</tr>
</tbody>
</table>

#### Relatively stable market conditions for Product Area Paper
- Markets are still tough – slow demand and continued pricing pressure
- Brown sack resilient – improved performance

#### Stable EBITDA margin. Cost- and efficiency programs have helped by off-set negative market pricing
Solutions

Share of net sales
Q3 2020
4%

KEY FIGURES

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<th>SEKm</th>
<th>Q3-20</th>
<th>Change vs Q3-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>216</td>
<td>-19%</td>
</tr>
<tr>
<td>of which Managed Packaging</td>
<td>169</td>
<td>-21%</td>
</tr>
<tr>
<td>of which other solutions</td>
<td>48</td>
<td>-9%</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-193</td>
<td>-22%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>23</td>
<td>+35%</td>
</tr>
<tr>
<td>EBITDA, %</td>
<td>11%</td>
<td>+5%pts</td>
</tr>
</tbody>
</table>

- Continued challenging market conditions hamper our net sales development
  - Soft demand for both Managed Packaging and FibreForm
- EBITDA improved due to strict cost mitigations
Cost and efficiency program performing well

- Another sizable contribution added in Q3’20 – SEK 95m
- Accelerated delivery in 2020 – SEK 300m
- Raised the ambition level of the program by SEK 50m to 650m run-rate Q4’2021
Raw material costs in Q3

Cost of pulpwood decreased
Expected to decrease slightly in Q4

Caustic soda cost increased
Forward looking trend for chemicals volatile

Purchased pulp cost impact decreased

Higher energy cost in Q3
Strong operating cash flow generation

- Working capital improvement, mainly from lower payables post KM7 program
- Normalized CAPEX levels for 2020
  Estimate SEK ~ 1.3 bn
- Net debt / adjusted EBITDA at 2.3 – below target
- Expected decision regarding Frövi soda recovery boiler in Q1’21

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<th>SEK m</th>
<th>Q3-20</th>
<th>Q3-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus, etc.</td>
<td>506</td>
<td>576</td>
</tr>
<tr>
<td>Change in working capital, etc.</td>
<td>126</td>
<td>-365</td>
</tr>
<tr>
<td>Net financial items, taxes, etc.</td>
<td>55</td>
<td>-43</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>687</td>
<td>168</td>
</tr>
<tr>
<td>Operative investments</td>
<td>-267</td>
<td>-629</td>
</tr>
<tr>
<td>Operating cash flow after operative investments</td>
<td>420</td>
<td>-461</td>
</tr>
</tbody>
</table>
Q3 Summary

- Resilient performance – stable volume and strong cash generation
- Successfully accomplished maintenance shutdowns
- Accelerated delivery of our cost- and efficiency program. Raised program ambition to SEK 650 m
- Recyclable Flow Wrap launched
Q4 Outlook

- Unchanged market conditions
- Raw material costs expected to decline slightly
- Several planned maintenance stops
- Continued KM7 ramp-up built on positive customer feedback