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%

Note: Combined financial information for FY 2012.
MAINTAINING GROWTH AND DEFENDING UNDERLYING MARGINS IN SPITE OF CHALLENGING MARKET CONDITIONS

Net sales – currency adjusted*

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSEK</td>
<td>5000</td>
<td>5200</td>
<td>5000</td>
<td>5300</td>
<td>5800</td>
<td>6200</td>
<td>5900</td>
</tr>
</tbody>
</table>

EBITDA margin – currency adjusted*

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>8%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>6%</td>
</tr>
</tbody>
</table>

*2007 average currency rate applied.
EXAMPLES OF END USE APPLICATIONS

**SACK PAPER**
- Cement sacks or other building materials
- Bags
- Flow pack
- Sterile pouch

**KRAFT PAPER**
- Cup sleeves
- Grocery bags
- Release liner
- Steel interleaving
- Ice-cream cones
- Carrier bags
- Form & Fill bags
- Paper trays
- Ream wrapping

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

GROW 70%
- Building material
  - Growth in emerging markets
  - Industrial
- Food packaging
  - Developed & emerging markets
  - Consumer

MAINTAIN 30%
- Niche
- Commodity

- Defend quality leadership
- Business development
- Market expansion
- Mix improvement
- Cost & margin focus
- Asset review
GLOBAL MEGATRENDS ARE THE BASIS FOR OUR GROWTH OPPORTUNITIES

Focus segments | Main drivers | Vehicles
---|---|---
Building materials | **Urbanisation** in emerging markets that drives demand for building materials  
  • Replace plastic | • Sack Solutions

Food packaging | **Growing urban middle-class** in emerging markets drives food packaging demand  
  • Increasing single household & On the Go  
  • Replacing/reducing plastic | • Bag Solutions  
  • Consumer laminates
FOCUS SEGMENT 1: BUILDING MATERIALS IN EMERGING MARKETS
GLOBAL CONSTRUCTION DRIVES DEMAND FOR HIGH QUALITY SOLUTIONS

Cement demand\(^1\)
billion tonnes

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>China &amp; India</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Other emerging markets</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Mature markets</td>
<td>0.3</td>
<td>0.4</td>
</tr>
</tbody>
</table>

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

Brown sack paper demand
Tot 2.7 million tonnes in emerging markets

- Premium qualities take market share
- 24% Premium
- 22% Medium
- 14% Low-end

CAGR:
- Premium +4%
- Medium +1%
- Low-end -2%

White sack paper demand\(^2\)
Tot 430 ktonnes

- White grades have big growth potential
- 17% Emerging
- CAGR Emerging +10%
- Tot +2%

- Premium paper grows at expense of lower quality grades
- White grows strongly in emerging markets

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1 Holcim Ltd, 2010.
2 CEPI Eurokraft.
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

- 2008: 50%
- 2013: 80%

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

- 2005: 40%
- 2013: 75%
FOCUS SEGMENT 2: FOOD PACKAGING
WE CHALLENGE PLASTICS IN THE GROWING FOOD PACKAGING SEGMENT!

Consuming middle-class to grow by 4% per year

- World population
  - 2010: 6.8 billion
  - 2025: 7.9 billion

  - Consuming class: 2.4 billion
  - Below consuming class: 4.4 billion

- Food packaging demand
  - 2011: 92 USD billion
  - 2016: 112 USD billion

  - Consuming class: 4 billion
  - Below consuming class: 59 billion

  - Turkey: 7 billion
  - Brazil: 6 billion
  - India: 3 billion
  - China: 33 billion
  - W Europe: 63 billion

- Paper has big growth potential

  - Flexible materials Europe
    - 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

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

BOSCH Machine Technology

Cost efficient Form & Fill paper, Axello

BillerudKorsnäs Packaging Materials Technology

System Solution

Customer

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

JV

FibreForm Packaging

BILLERUDKORSNÄS

CURTI
FOCUSING GROWTH ON SELECTED END MARKETS

INNOVATION
- Materials development
- Value-chain approach
- System sales

CAPACITY MANAGEMENT
- Flexible capacity

INVESTMENTS
- Invest in selected segments
- Quality leadership

GEOGRAPHY
- Expansion in emerging markets

Selective growth
CAGR 0-4%
CUSTOMER DIALOGUE WITH HOLCIM