WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

INVESTING FOR SUSTAINABLE AND PROFITABLE GROWTH
Capital Markets Day 2015
2015-11-12 | Stockholm
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<td>Investing for sustainable and profitable growth</td>
<td>Per Lindberg, CEO &amp; President</td>
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<td>13:40</td>
<td>Innovation is a key driver of growth</td>
<td>Magnus Wikström, SVP Technology &amp; Strategic Development</td>
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<td>14:00</td>
<td>Focusing on selective growth to improve profitability</td>
<td>Johan Nellbeck, SVP Business Area Packaging Paper</td>
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<td>14:30</td>
<td>Break</td>
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<td>15:00</td>
<td>Investing to capture growth opportunities in consumer packaging</td>
<td>Ulf Eliasson, SVP Business Area Consumer Board</td>
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<td>15:30</td>
<td>Accelerating our transformation for continued value growth</td>
<td>Lennart Eberleh, SVP Business Area Containerboard</td>
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<td>16:00</td>
<td>Continuing to deliver stable shareholder returns</td>
<td>Susanne Lithander, CFO</td>
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<td>CEO’s concluding remarks</td>
<td>Per Lindberg, CEO &amp; President</td>
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<td>Drinks &amp; Exhibition</td>
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SPEAKERS

PER LINDBERG
CEO & President
M.Sc and PhD, Chalmers University of Technology, Gothenburg
Joined the company in 2005
Background: Managing Director, Korsnäs AB. Vice President, Investment AB Kinnevik. Management and strategy consultant, Applied Value Corporation, US.

MAGNUS WIKSTRÖM
Senior Vice President Technology & Strategic Development
MSc and PhD in Engineering, Royal Institute of Technology, Stockholm and Executive MBA, Mgruppen
Joined the company in 2006
Background: R&D Director, Korsnäs AB. Research manager, Korsnäs Development. Project area manager, STFI.
SPEAKERS

JOHAN NELLBECK
- Senior Vice President Packaging Paper
- MSc in Economics and Business, Uppsala University and Executive MBA, Mgruppen
- Joined the company in 2006
- Background: Regional Sales Director Stockholm, Tele2. Managing Director, AssiDomän Kraft Products Sales AB. Sales Manager, AssiDomän.

ULF ELIASSON
- Senior Vice President Consumer Board
- MSc in Engineering, Chalmers University of Technology, Gothenburg
- Joined the company in 2009
- Background: Mill Director, Korsnäs AB. Vice President & Site Manager, Rolls-Royce AB. Senior Vice President & CEO, Stora Enso Skoghall AB.
SPEAKERS

LENNART EBERLEH
- Senior Vice President Containerboard
- MSc in Engineering, Technische Universität Carolo Wilhelmina Braunschweig, Germany and executive MBA, Mgruppen
- Joined the company in 2001
- Background: Sales Manager, Stora Enso Gruvön. Stora Support Team, Stora Kopparberg Bergslags AB. Product Manager, Stora Gruvön.

SUSANNE LITHANDER
- CFO
- MSc in Economics and Business, School of Business, Economics and Law, Gothenburg
- Joined the company in 2011
- Background: CEO, Mercuri International Group. Executive Vice President & Head of Advisory Services, BU Global Services, Ericsson AB. Executive Vice President Finance & Operational Development, BU Global Services, Ericsson AB. Executive Vice President & Head of Business Operations, Ericsson Inc., TX, USA.
WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

INVESTING FOR SUSTAINABLE AND PROFITABLE GROWTH
Capital Markets Day 2015
2015-11-12 | Per Lindberg, CEO & President
INVESTING FOR SUSTAINABLE AND PROFITABLE GROWTH

Investing in market position

Investing in structure and efficiency

Investing in innovation and sustainability

Improved underlying profitability

Secured organic growth
AIMING TO SECURE LONG-TERM GROWTH AND PROFITABILITY

*Excluding divested operations and non-recurring items
WE ARE WELL-POSITIONED FOR PROFITABLE GROWTH INVESTMENTS

- Packaging focused materials and solutions provider
- Broader product portfolio
- Higher portion of sales to consumer segments
- Annual synergies of approximately SEK 530 million
- Sharply reduced pulp market exposure
- Lower relative currency exposure
AIMING TO CAPTURE GROWTH FROM GLOBAL MEGATRENDS

DEMOGRAPHIC SHIFTS AND A CHANGING WORLD MAP

SUSTAINABILITY CONNECTING SEVERAL SUBTRENDS

CONSUMERS AND SUPPLY CHAINS ARE CHANGING
PACKAGING PAPER & BOARD MARKET IS GROWING BY 2.2%

Estimated demand CAGR 2013-2030, combined market for cartonboard, containerboard and sack paper. Source: Pöyry 2014
WE TARGET GLOBAL PACKAGING MARKET GROWING BY 3.4%

Estimated CAGR 2014-2024, for all packaging materials. Source: Smithers Pira 2014
WE HAVE ESTABLISHED A CLEAR GROWTH STRATEGY

WE CHALLENGE
CONVENTIONAL PACKAGING FOR
A SUSTAINABLE FUTURE

PROFITABLE GROWTH

POSITION
Expand geographically and in value chain.

INNOVATION
Increase industry lead.

SUSTAINABILITY
Drive throughout value chain.

EFFICIENCY
Improve continuously.

PEOPLE DRIVE CHANGE
Think new – Feel responsibility – Cooperate – Create value
WE ARE INVESTING TO MOVE FURTHER UP THE VALUE CHAIN TOWARDS BRAND OWNERS

Packaging material
50-85% of the cost

- Price
- Payment terms
- Runability
- Delivery terms

Packaging material
2-5% of the cost

- Brand image
- Package solution
- Sustainability
- Shelf appearance
WE ARE EXPANDING THE REACH OF OUR OFFERING
OUR PRESENCE 2013 AND NEW SALES HUBS 2015

Sweden
Finland
Germany
UK
France
Spain
Italy
UAE
China
Singapore
Thailand
US
India
Turkey
South Africa
WE HAVE INVESTED SEK 2 BILLION SINCE 2012 TO INCREASE CAPACITY AND QUALITY LEAD

PACKAGING PAPER
- 260 SEKm
  - Brown sack paper
  - Improved paper quality restoring leadership
  - Increased capacity by 20 000 tonnes

CONSUMER BOARD
- 1600 SEKm
  - Liquid Packaging Board Cartonboard
  - Improved quality
  - Increased capacity by 200 000 tonnes

CONTAINERBOARD
- 180 SEKm
  - S/C fluting
  - Improved quality enhancing leadership
  - Increased capacity by 40 000 tonnes
WE ARE PLANNING TO INVEST MORE THAN SEK 5 BILLION…

1. Moving unintegrated Tervasaari MG paper machine to Skärblacka and making it integrated to the pulp production.

2. Investing in value adding surface treatment capacity at existing MG paper production in Skärblacka.

3. a) Building new board machine at the production unit in Gruvön with capacity of approx. 500,000 t/a of liquid packaging board, cartonboard, food service board and white kraftliner. 
b) Closing paper mill with current capacity of approx. 300,000 t/a* of kraft paper and liner.

4. Moving production of white kraftliner from Gävle to new board machine in Gruvön.

5. Shifting profitable kraft paper volumes from Gruvön to Karlsborg, Skärblacka and Pietarsaari to strengthen product mix.

* Approximately 40% kraft paper and 60% liner.
...DURING NEXT THREE YEARS...

- Feasibility studies started: Q3 2015
- Decision on moving Tervasaari machine: Q2 2016
- Decision on new board machine in Gruvön: Q4 2016
- Possible production start on MG machine in Skärblacka*: 2018
- Possible production start on board machine in Gruvön*: 2019

*Subject to feasibility study results
...TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

PACKAGING PAPER
- Focusing on growth segments growing by 2-4% per year
- Decreasing volumes on oversupplied markets

CONSUMER BOARD
- Increasing volumes on growing Liquid Packaging Board and Cartonboard markets

CONTAINERBOARD
- Expanding solution based sales to brand owners
- Exiting oversupplied white liner market

SELECTIVE GROWTH
- Improved underlying EBITDA > 1000 MSEK when fully implemented

VOLUME GROWTH
- Continued organic growth with 3-4% per year

VALUE GROWTH
M&A MAY BOOST LONG-TERM GROWTH

- We have the financial capacity to add M&A growth to organic growth
- We have proven experience in merging businesses and quickly extracting synergies
- Bolt-on acquisitions with synergy potentials are currently the most interesting candidates
INNOVATION WILL FURTHER BOOST TOP LINE AND MARGINS

Proportion of sales accounted for by new products

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<th>Year</th>
<th>Proportion of Sales (%)</th>
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<tr>
<td>2014</td>
<td>14%</td>
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<tr>
<td>2015 Q3</td>
<td>19%</td>
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<tr>
<td>2020 Target</td>
<td>20%</td>
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+2% average margin improvement on new products
INVESTING IN INNOVATION – ON THREE LEVELS

2015 vs 2013:

- 2x # employees
- 5x # projects
- 180% increased spend

R&D and product development

Challenger products

Innovation agenda

R&D and product development
INNOVATION PROVIDES WORLD LEADING SUSTAINABLE ALTERNATIVES

Through our products…

Environmental impact paper vs plastic¹

50-70 % lower CO₂

…and through our actions

1 Life cycle assessment, Comparative study of virgin fibre based packaging products with competing plastic materials. IVL, 2015.
INVESTING FOR SUSTAINABLE AND PROFITABLE GROWTH

Investing in market position
Offering solutions along value chain
Targeting growth markets

Investing in structure and efficiency
Capacity and capability for capturing growth
More efficient production structure improving returns

Investing in innovation and sustainability
Enhancing top line and margin growth
Offering sustainable alternatives

Underlying EBITDA > + 1 000 SEKm

Organic growth 3-4% CAGR
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