FOCUSING ON SELECTIVE GROWTH TO IMPROVE PROFITABILITY
Capital Markets Day 2015 – Business Area Packaging Paper
2015-11-12 | Johan Nellbeck, SVP Business Area Packaging Paper
KEY FOCUS AREAS TO ENABLE SELECTIVE GROWTH TO IMPROVE PROFIT

Transforming assets for increased profitability

Creating new opportunities through business development

Expanding footprint in growing markets
PACKAGING PAPER IN BRIEF

SALES BY MARKET SEGMENT
- Industrial, 56%
- Food & Beverages, 21%
- Medical & Hygiene, 13%
- Consumer & Luxury goods, 10%

SALES PER REGION
- Europe 71%
- Asia 13%
- Africa 8%
- South America 4%
- Middle East 2%
- Other 2%

NET SALES
- MSEK 8,491

EBIT
- MSEK 1,023

SALES VOLUME
- kTON 1,157

% of Group
- 39%
- 38%
- 43%

Rolling 12 months September 2015
DELIVERING ON OUR SELECTIVE GROWTH STRATEGY

**EBITDA margin**
- 2013: 10%
- 2014: 14%
- R12M Sep 2015: 18%

**Selective growth**
- 2-4% CAGR

**Net sales**
- 2013: +11%
- 2014: +5%
- R12M Sep 2015: +8%

**Sales volume**
- 2013: -1%
- 2014: +8%
- R12M Sep 2015: +11%
PACKAGING FOR **BUILDING MATERIALS AND FOOD** DOMINATE THE PORTFOLIO

- **SACK PAPER**
  - **BUILDING MATERIAL**
    - Cement and other building materials
  - **FOOD**
    - Consumer bags
    - Pouches
    - Dry food bags
    - Flow pack
    - Ice-cream cones
  - **NON-FOOD**
    - Medical packaging
    - Release liner
    - Fashion bags

- **KRAFT PAPER**
  - **BUILDING MATERIAL**
  - **FOOD**
    - Food trays
    - Cup sleeves
    - And many more...
  - **NON-FOOD**
    - Steel interleaving
GLOBAL MEGATRENDS ARE THE BASIS FOR OUR SELECTIVE GROWTH STRATEGY

Focus areas

Building Materials

• Population growth in emerging markets
• Replacing plastics
• High quality grades take market share

Food & Medical

• Growing urban middle-class in emerging markets
• Replacing/reducing plastics
• Ageing population

Trends

Growth indications

Cement demand\(^1\)

- Billion tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>China &amp; India</th>
<th>Other emerging markets</th>
<th>Mature markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2.3</td>
<td>0.8</td>
<td>0.4</td>
</tr>
<tr>
<td>2022</td>
<td>3.6</td>
<td>1.8</td>
<td>0.4</td>
</tr>
</tbody>
</table>

CAGR 5%

Food packaging demand\(^2\)

- USD billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Africa</th>
<th>South &amp; Central America</th>
<th>China &amp; India</th>
<th>Western Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6</td>
<td>43</td>
<td>78</td>
<td>67</td>
</tr>
<tr>
<td>2024</td>
<td>16</td>
<td>78</td>
<td>16</td>
<td>67</td>
</tr>
</tbody>
</table>

CAGR 3.5%

WE CONTINUE TO IMPROVE THE SALES MIX

Share of net sales 2014

- **70%**
  - **GROWTH AREAS** (CAGR 2-4%)
  - Building Materials
    - Cement
    - Dry mix mortar
  - Food & Medical
    - Dry food bags
    - Flexible packaging
    - Medical devices
  - Niche/Specialties
    - Release liner
    - Interleaving
  - Commodity
    - Tail reduction

- **20%**
  - **MAINTAIN**
  - Kraft

- **10%**
  - **REDUCE**
  - Niches/Specialties
  - Commodity
  - Tail reduction
DEVELOP ENABLERS TO DELIVER IMPROVED PROFIT

Share of net sales 2014

- **Sack**: 70%
- **Kraft**: 20%
- **REDUCE**: 10%

- Transforming assets for increased profitability
- Creating new opportunities through business development
- Expanding footprint in growing markets

Growth areas from 70% to >80% by 2020
## TO ENABLE SELECTIVE GROWTH WE HAVE TO DEVELOP OUR KEY ASSETS

<table>
<thead>
<tr>
<th>End use area</th>
<th>Asset development needs</th>
<th>Way forward</th>
</tr>
</thead>
</table>
| SACK Building Materials | • Expand volume  
• Improve quality | • Investment Skärblacka Q4 2015, +20 000 tonnes |
| KRAFT Food | • Increase value  
• Reduce cost  
• Expand FibreForm production base | Future planned investments:  
• Investigate move of Tervasaari machine to Skärblacka  
• Investigate surface treatment on Skärblacka PM7 |
Selected global grease-resistant paper producers

Production and delivery costs per tonne, Index 100

1. Source: Pöyry, cost level Q4 2014, delivery to Frankfurt
TERVASAARI PM MOVED TO SKÄRBLACKA WOULD CREATE A COST LEADERSHIP POSITION

Selected global grease-resistant paper producers¹

Production and delivery costs per tonne, Index 100

Selected European white uncoated MG paper producers¹

Production and delivery costs per tonne, Index 100

¹ Source: Pöyry, cost level Q4 2014, delivery to Frankfurt
THE COMBINED INVESTMENTS CREATE A STRONG BUSINESS CASE

- Solid future structure
- Cost leadership
- Quality leadership

Leading Market Position

Total MG Sales Volume by Market

<table>
<thead>
<tr>
<th>Year</th>
<th>Low-value</th>
<th>High-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>75,000 (30%)</td>
<td>175,000 (70%)</td>
</tr>
<tr>
<td>2020</td>
<td>112,000 (49%)</td>
<td>250,000</td>
</tr>
</tbody>
</table>

Leading Market Position
## MOVING UP THE VALUE CHAIN TO IMPROVE PROFITABILITY

<table>
<thead>
<tr>
<th>End-use area</th>
<th>Packaging material</th>
<th>Applications</th>
<th>Service</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building materials</td>
<td>Sack Paper</td>
<td>Sack Lab</td>
<td>Sack Sales</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>Kraft paper</td>
<td>Pack Lab</td>
<td>Axello ZAP with Bosch</td>
<td>FreeForm Packaging</td>
</tr>
<tr>
<td>Medical Packaging</td>
<td>Kraft paper</td>
<td>Extend lab services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Degree of solution-based sales**

- Kraft paper
- Sack Paper
- Building materials
- Sack Sales
- Axello ZAP with Bosch
- FreeForm Packaging
- Extend lab services
WITH **D-SACK**, WE SELL SACKS DIRECTLY TO BRAND-OWNERS

- Sack disintegrates into concrete
- No cost for waste handling
- Efficiency in work process
AXELLO ZAP WITH BOSCH
WORLD’S FIRST AIR TIGHT PAPER BAG SYSTEM, OFFERING SHELF STAND OUT, SUSTAINABILITY AND COST BENEFITS
FIBREFORM PACKAGING
FreeFormPack™ - A COMPLETE SYSTEM FOR PAPER CONTAINERS THAT HAS AN ENVIRONMENTAL POSITIVE IMPACT AND A STRONG ALTERNATIVE TO PLASTIC
PROTECT LEADERSHIP IN EUROPE AND GROW IN EMERGING MARKETS

- Capture cement growth in emerging markets
- Sell ready-made sacks in emerging markets

- Defend profitable market position in Europe
- Capture emerging market packaging growth by offering paper solutions

* In tonnes
STRENGTHENING OUR GLOBAL PRESENCE: CREATING STRONG HUBS FOR FUTURE EXPANSION

- **Singapore & Shanghai**: Hub for Asia Pacific and China
- **Miami**: Hub for Americas
- **Dubai & New Delhi**: Hub for Middle East & Indian sub-continent
- **Durban**: Sub-Saharan Africa
- **Istanbul**: Turkey

**Departments**

- **Sales**
- **Sales Support**
- **Technical Sales**
- **Marketing**
- **EUM / Tech Sales**
KEY STRATEGIC DEVELOPMENT AREAS TO REACH SELECTIVE GROWTH FOR IMPROVED PROFIT

Transforming assets for increased profitability
- Consolidating assets, reducing production costs
- Adding value to products
- Adding kraft sack volumes

Creating new opportunities through business development
- Improving margins by developing new business models

Expanding footprint in growing markets
- Replacing low value volumes in Europe with growing high value segments outside Europe

Growth +2-4% CAGR

Major profit improvement
Q&A