Carnegie Forest Seminar 2020
Billerud Korsnäs - in brief

A leading packaging company offering innovative packaging solutions and sustainable packaging materials made from natural cellulose fibre

- **Net sales** (SEK bn): 24.4
- **EBITDA** (SEK bn): 2.8
- **Employees**: 4,500
Well positioned with strong positions within Covid-19 resilient segments

~2.7 mt
Sales volume

Light, strong and pure materials
Large part of sales to non-cyclical segments

Net sales 2019 by market segment, %

- Medical & Hygiene, 7%
- Consumer & Luxury, 13%
- Industrial, 24%
- Food & Beverages, 56%
Covid-19 impact

- Relatively limited impact in H1
- Mostly notable within Division Paper & Division Solutions
- Demand decline in certain channels (industry, food service)
- All H1 maintenance re-scheduled to H2
- Slow-steam production in two production sites
- Receivables balance & overdue in good shape
# 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>
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<tbody>
<tr>
<td>LPB (7.6bn*)</td>
<td>100%</td>
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<tr>
<td>Cartonboard (1.5bn)</td>
<td>15%</td>
<td></td>
<td></td>
<td>85%</td>
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<tr>
<td>Containerboard (3.6bn)</td>
<td>80%</td>
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<td>10%</td>
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<tr>
<td>Kraft Paper (3.5bn)</td>
<td>35%</td>
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<td>10%</td>
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<tr>
<td>Sack Paper (2.9bn)</td>
<td>20%</td>
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<td>15%</td>
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<tr>
<td>Managed Packaging (0.8bn)</td>
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<td>100%</td>
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| Status Q2       | Stable ☺     | Stable ☺         | More challenging ☺ | Weak ☺     |
| Outlook Q3      | Stable ☺     | Stable ☺         | More challenging ☺ | More challenging ☺ |

* 2019 Net Sales in bn SEK
## Our long-term targets

<table>
<thead>
<tr>
<th>Financial Targets</th>
<th>Highlighted Sustainability Targets</th>
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<tbody>
<tr>
<td>Net Sales Growth 3–4%</td>
<td>Reduced Emissions 59% 2030</td>
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<tr>
<td>EBITDA Margin &gt;17%</td>
<td>Workplace Safety 3.2 2020</td>
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<tr>
<td>ROCE &gt;13%</td>
<td>New Product Ratio 15%</td>
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<tr>
<td>Net Debt/EBITDA &lt;2.5</td>
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<tr>
<td>Dividend Ratio 50%</td>
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Profitability transformation is well anchored in our strategy for the coming years.

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

DRIVE PERFORMANCE

PROFITABLE GROWTH BY CREATING CUSTOMER VALUE

ACCELERATE SPEED IN INNOVATION

EXPAND OUR SOLUTIONS BUSINESS

WINNING WITH OUR PEOPLE
Think new – Feel responsibility – Cooperate – Create value
Improving profitability through 3 programmes:

- KM7 ramp-up
- Cost- and efficiency program
- Safe and stable production
1) Hiked profitability from our strategic investments

1 200 SEK m
positive EBITDA* effect when fully ramped up

*KM7 and PM10 accumulated

KM7 at Gruvön is a strategic investment to capture stable and profitable liquid board business

Flexibility to produce premium products to meet change in product demand

As communicated at CMD in 2018:

Ramp-up base case KM7, ktonnes

10
Continued ramp-up of KM7

- 1 year since the start-up of KM7 in Q2
- Accelerated ramp-up progress with significant steps forward each quarter
- Maintenance shutdown in September, vital for machine upgrades
- Original investment case assumptions revisited and updated; reaffirms potential of KM7 when fully ramped up
2) Cost reductions and efficiency enhancements

- **FTE reduction**
  - Up to 300 positions announced (Sep’19)
  - Impact starting as of Q1’20

- **Purchasing & Development**
  - Centralizing procurement with few preferred suppliers
  - Replacing raw material / ingredients with alternatives

- **End-2-end Supply Chain**
  - Warehouse
  - Logistics
  - Operational savings
  - G2M model

Cost and efficiency programme
- SEK 250m in 2020
- SEK 600m run-rate by Q4 2021

- Roughly 1/3 split per stream

- The programme is on track – savings of SEK 140m in H1
3) Safe and stable production

Safe and stable production is the key priority

4%-points OEE improvement by 2022

Overall Equipment Efficiency (OEE)

Time \times \text{Speed} \times \text{Material} = \text{OEE}

1%-point OEE = 
\sim 100 \text{ SEK m EBITDA}
Covid-19 doesn’t change the fundamentals of our strategy, but amplifies need to accelerate faster.

- Do more faster (cost- and efficiencies)
- Even stronger focus on working capital
- Tougher choices around investment
Q3 Outlook

- Uncertainty related to Covid-19 remains
- Somewhat more challenging market conditions for most segments
- Exceptions being products designated to Food & Beverages and Medical & Hygiene, where we expect a more stable situation
- Several maintenance stops
- Raw material costs expected to decline marginally
Q&A