Billerud Korsnäs – in brief

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

24.4
Net sales (SEK bn)

2.8
EBITDA (SEK bn)

4 500
Employees
First-class packaging material from the forest

~2.7 mt
Sales volume
Large part of sales to non-cyclical segments

Net sales 2019 by market segment, %

- Food & Beverages, 56
- Consumer & Luxury, 13
- Medical & Hygiene, 7
- Industrial, 24
Efficient production close to the raw material

- 8 production sites, whereof 6 integrated mills
- Total production capacity ~3.2 mt/year

Wood supply, %
- Sweden, 72
- Baltic region, 10
- Norway, 8
- Finland, 8
- Other, 2
Leading positions in premium segments

- **Liquid packaging board** #2 Globally
- **Fluting and Liner** #1 Europe¹
- **Cartonboard** #1 Europe²
- **Kraft paper** #1 Europe
- **Sack paper** #2 Globally

¹ Primary fiber-based NSSC fluting
² Coated primary fibre-based liner
Last years underlying profitability **not** satisfactory

- Increased fibre cost
- KM7 start-up
- Weaker market

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<tr>
<th>Year</th>
<th>Net sales, SEK billion</th>
<th>Adjusted EBITDA margin, %</th>
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<td>2010</td>
<td>19</td>
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<td>2011</td>
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<td>2019</td>
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Target >17%
Driving profitability 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 programs

- 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:

[Graph showing ramp-up base case KM7, ktonnes]
Q1: Continued ramp-up of KM7

- Start of production during the summer 2019
- In first quarter 2020 the coater started and the process to certify material for liquid packaging board was initiated
- Production and quality on decent levels and output centered around uncoated liner and cup stock
- Estimated negative effect SEK 350-450 million* in 2020
- From 2021 positive impact* on EBITDA

* Compared with 2018 as base year
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 50m in Q1
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 Speed \times Material = OEE

1%-point OEE = ~100 SEK m EBITDA
Q1: All-time high sales volumes

- Measures to improve production stability has started to pay off
- Safety and production stability go hand in hand
- Number of accidents at work decreased

![Sales volumes per quarter, ktonnes](chart.png)
Solid balance sheet and lower CAPEX after a period of large investments

Net debt / EBITDA ratio* below target

2018
- World-leading MG centre at Skärblacka

2019
- New board machine at Gruvön (KM7)

2020–2021
- Base investments around SEK 1.3 bn/year (final costs for KM7 included)

* 12 months EBITDA adjusted for items affecting comparability
Covid-19 effects

- Proposal of extra dividend was withdrawn at AGM in May
- No major disruptions and limited financial effects
- Situation monitored on a daily basis, crisis management in six work streams
- Additional cost savings measures initiated
- Division Solution sales affected in Q1 and will weaken further
- First half-year planned maintenance stops postponed
  - Gruvön led to a negative effect of SEK 40 million in Q1
  - KM7: An additional negative impact of SEK 100 million expected for the full year
  - Rescheduled maintenance at Skärblacka, Gävle and Pietasaari will increase full year costs by SEK 35 million
Our long-term targets remain

**FINANCIAL TARGETS**
- **NET SALES GROWTH**: 3–4%
- **EBITDA MARGIN**: >17%
- **ROCE**: >13%
- **NET DEBT/EBITDA**: <2.5
- **DIVIDEND RATIO**: 50%

**HIGHLIGHTED SUSTAINABILITY TARGETS**
- **REDUCED EMISSIONS**: 59% 2030
- **WORKPLACE SAFETY**: 3.2 2020
- **NEW PRODUCT RATIO**: 15%
Q&A