Interim report Jan–Dec 2020

Return to underlying sales growth

29 January 2021  |  Christoph Michalski, CEO and Ivar Vatne, CFO
Key highlights Q4

☑ Flat net sales, excluding currency effects growth was 2%
☑ Sales volumes increased by 5%
☑ Adjusted EBITDA 10%
☑ Continued positive operational efficiency across key sites
☑ Structural savings of SEK 100 million
Key highlights 2020

- Net sales declined by 2% and neutral FX impact
- Sales volume growth by 4%, supported by the ramp-up at Gruvön
- Adjusted EBITDA margin 11%
- Cost and efficiency programme delivered above target
- Strong cash flow delivery
- Leading position in Dow Jones Sustainability Index maintained
- Proposed dividend SEK 4.3 per share
## Business status and market 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>
</thead>
<tbody>
<tr>
<td>LPB (7.7bn*)</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cartonboard (1.7bn)</td>
<td>15%</td>
<td></td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>Containerboard (3.9bn)</td>
<td>80%</td>
<td></td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Kraft Paper (3.4bn)</td>
<td>35%</td>
<td>10%</td>
<td>15%</td>
<td>40%</td>
</tr>
<tr>
<td>Sack Paper (2.4bn)</td>
<td>20%</td>
<td></td>
<td>15%</td>
<td>65%</td>
</tr>
<tr>
<td>Managed Packaging (0.6bn)</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market trend Q4'20</th>
<th>Stable</th>
<th>Stable</th>
<th>Stable</th>
<th>Mixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market outlook</td>
<td>More positive</td>
<td>Stable</td>
<td>Stable</td>
<td>More positive</td>
</tr>
</tbody>
</table>

* 2020 Net Sales in bn SEK
New recovery boiler at the Frövi Mill

- Total investment estimate of SEK 2.6 billion
- Increased efficiency and integration of the mill
- Improved environmental performance
- Planned to be in operation by the end of 2023
- The investment is planned to be financed by cash flow from operating activities
  - Cash flow will be impacted by SEK 700 million in 2021
- The existing recovery boiler will be in operation until start-up
  - Additional SEK 25 m yearly depreciation until closure in 2023 (expect SEK 475 m in total future quarterly depreciation)
KM7 Q4’20 and 2021

- Progress continued in Q4 – another step in the right direction
  - Negative EBITDA effect reduced to SEK -50M million
  - Accumulated 2020 EBITDA impact of SEK -450 million
- ~350k tons produced during 2020, mainly uncoated products
- Key focus for 2021 is to:
  - Improve mix towards higher value segments
  - Increase speed for higher output
  - Continue LPB qualification
- Expectation to reach break-even during 2021 remains
Net Sales: Strong volume/mix growth offset by lower market prices and currency
EBITDA impacted by maintenance phasing
Several positive building blocks partly off-set by pricing and FX

Adj EBITDA, SEKm

Adj EBITDA margin 11%
Pricing 8%
Currency 50
Raw materials and consumables 110
Volume/Mix 100
Cost & efficiency 40
Other 568
Q4 2020
Raw material costs in Q4

Cost of pulpwood decreased
Expected to remain flat in Q1

Caustic soda cost decreased
Expected to decrease in Q1 yet risk for volatility remains

Purchased pulp cost impact decreased

Unchanged energy cost in Q4
Cost and efficiency programme

- Delivery of SEK 335 million in 2020 – significantly ahead of target by SEK 35 million
- SEK 100 million delivered in Q4’20
- Program so far split between FTE related savings, operational efficiencies and purchasing activities
- Ambition to achieve run-rate savings of additional SEK 315 million by the end of 2021 = in total SEK 650 million
KEY FIGURES

### SEKm

<table>
<thead>
<tr>
<th>Description</th>
<th>Q4-20</th>
<th>Change vs Q4-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3 370</td>
<td>2%</td>
</tr>
<tr>
<td>of which liquid packaging board</td>
<td>1 908</td>
<td>-3%</td>
</tr>
<tr>
<td>of which cartonboard</td>
<td>436</td>
<td>24%</td>
</tr>
<tr>
<td>of which containerboard</td>
<td>948</td>
<td>8%</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-2 889</td>
<td>3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>481</td>
<td>-2%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>14%</td>
<td>+1%pt</td>
</tr>
</tbody>
</table>

- Strong topline growth for cartonboard and containerboard – fueled by KM7 ramp-up
- Decline in LPB, mainly related to unusual high base Q4’19
- EBITDA decline driven by negative pricing and FX, partly offset by vol/mix, lower input cost and savings
Product area Paper

Share of net sales Q4 2020

31%

KEY FIGURES

<table>
<thead>
<tr>
<th></th>
<th>Q4-20</th>
<th>Change vs Q4-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1 777</td>
<td>-6%</td>
</tr>
<tr>
<td>of which sack paper</td>
<td>575</td>
<td>7%</td>
</tr>
<tr>
<td>of which kraft paper</td>
<td>814</td>
<td>-9%</td>
</tr>
<tr>
<td>of which pulp</td>
<td>386</td>
<td>-14%</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-1 612</td>
<td>-2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>165</td>
<td>-32%</td>
</tr>
<tr>
<td>EBITDA, %</td>
<td>9%</td>
<td>-4%ppts</td>
</tr>
</tbody>
</table>

- Net sales decline driven by negative pricing and FX. Situation is more positive for Sack. Kraft paper remains challenging.
- EBITDA negatively impacted by maintenance timing, negative pricing and FX, partly offset by lower input costs and savings.
Cash flow and financial position

- Strong cash flow from operating activities due to normalized investment level and strong working capital delivery in Q4
- Healthy financial position – leverage well below target

**Outlook for 2021**

- The Board of Directors proposes dividend of approx. SEK 889 million (4.3 SEK/share)
- Investment in new soda recovery boiler at Frövi estimated to SEK 2.6 billion, planned financed by future operating cash flow
- Total CAPEX for 2021 estimated to SEK 2.0 billion (1.3 base CAPEX // 0.7 Frövi)

### Cash flow and financial position

**SEK m**

<table>
<thead>
<tr>
<th></th>
<th>Q4-20</th>
<th>Q4-19</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus, etc.</td>
<td>646</td>
<td>669</td>
<td>2 406</td>
<td>2 674</td>
</tr>
<tr>
<td>Change in working capital, etc.</td>
<td>517</td>
<td>237</td>
<td>-53</td>
<td>-463</td>
</tr>
<tr>
<td>Net financial items, taxes, etc.</td>
<td>89</td>
<td>154</td>
<td>-22</td>
<td>108</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 252</td>
<td>1 060</td>
<td>2 331</td>
<td>2 319</td>
</tr>
<tr>
<td>Operative investments</td>
<td>-309</td>
<td>-577</td>
<td>-1 250</td>
<td>-2 868</td>
</tr>
<tr>
<td><strong>Operating cash flow after operative investments</strong></td>
<td>943</td>
<td>483</td>
<td>1 081</td>
<td>-549</td>
</tr>
</tbody>
</table>

### Financial position

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 20</th>
<th>31 Dec 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>5 373</td>
<td>5 476</td>
</tr>
<tr>
<td>Net debt / adjusted EBITDA</td>
<td>2.0</td>
<td>1.9</td>
</tr>
</tbody>
</table>
Outlook

- Stable and improved market conditions for our products
- However, demand in some segments continue to be affected by the coronavirus pandemic
- Positive price movements in selective segments
- Unchanged fibre costs
- Operational efficiencies and continued ramp-up at Gruvön
Appendix
Q4 2020

NET SALES
SEK 5 803 m (5 815)

NET SALES GROWTH Y/Y
0%

EBITDA*
SEK 568 m (618)

EBITDA MARGIN*
10%

ROCE*
3%

NET DEBT/EBITDA*
2.0

* Adjusted, rolling 12 months
CY 2020

- **NET SALES**
  - SEK 5803 m (5 815)
- **NET SALES GROWTH Y/Y**
  - 0%
- **EBITDA***
  - SEK 568 m (618)
- **EBITDA MARGIN***
  - 10%
- **ROCE***
  - 3%
- **NET DEBT/EBITDA***
  - 2.0

* Adjusted, rolling 12 months