



Capital Markets Day 2015

From capex to customer

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Andrew King

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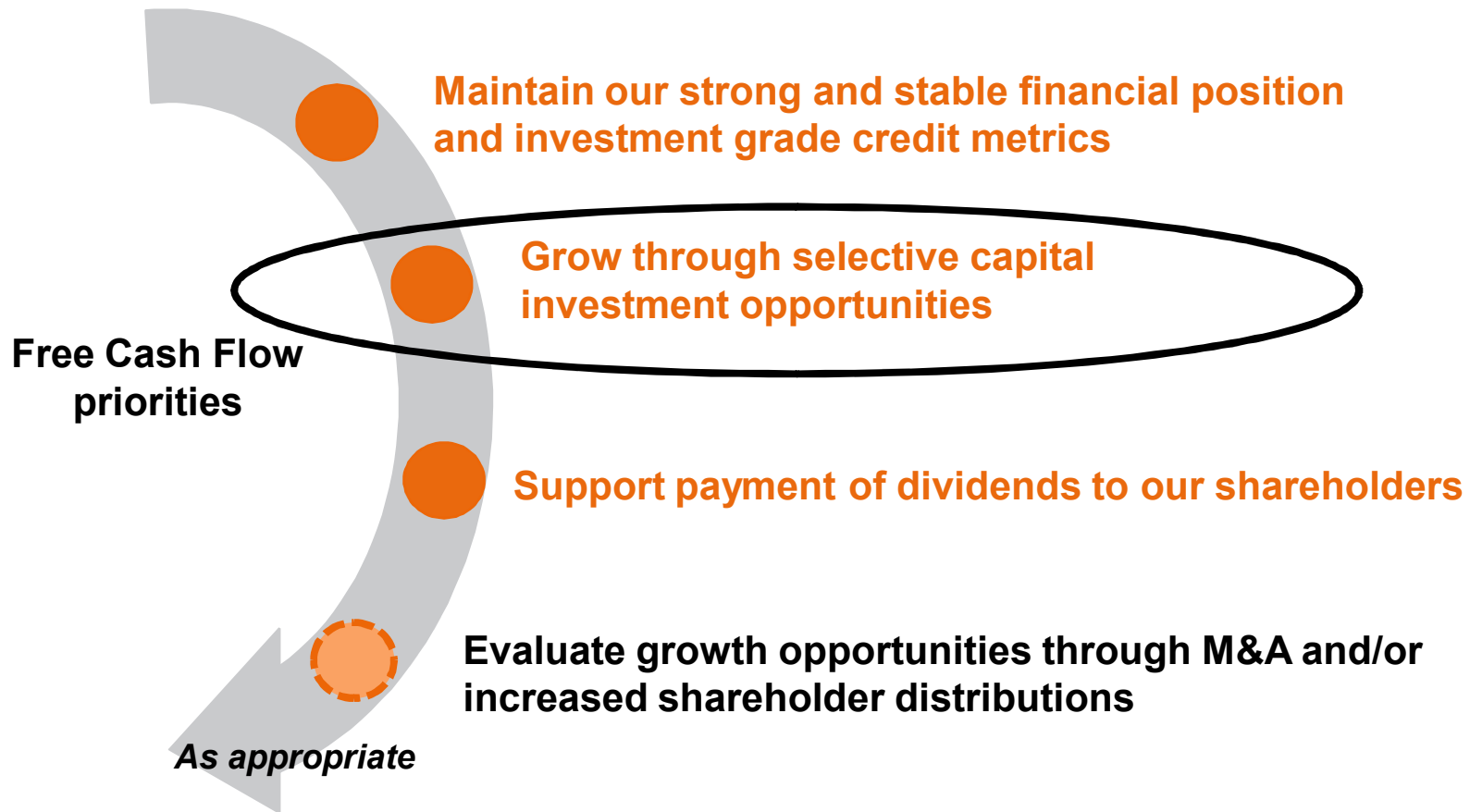


From capex to customer

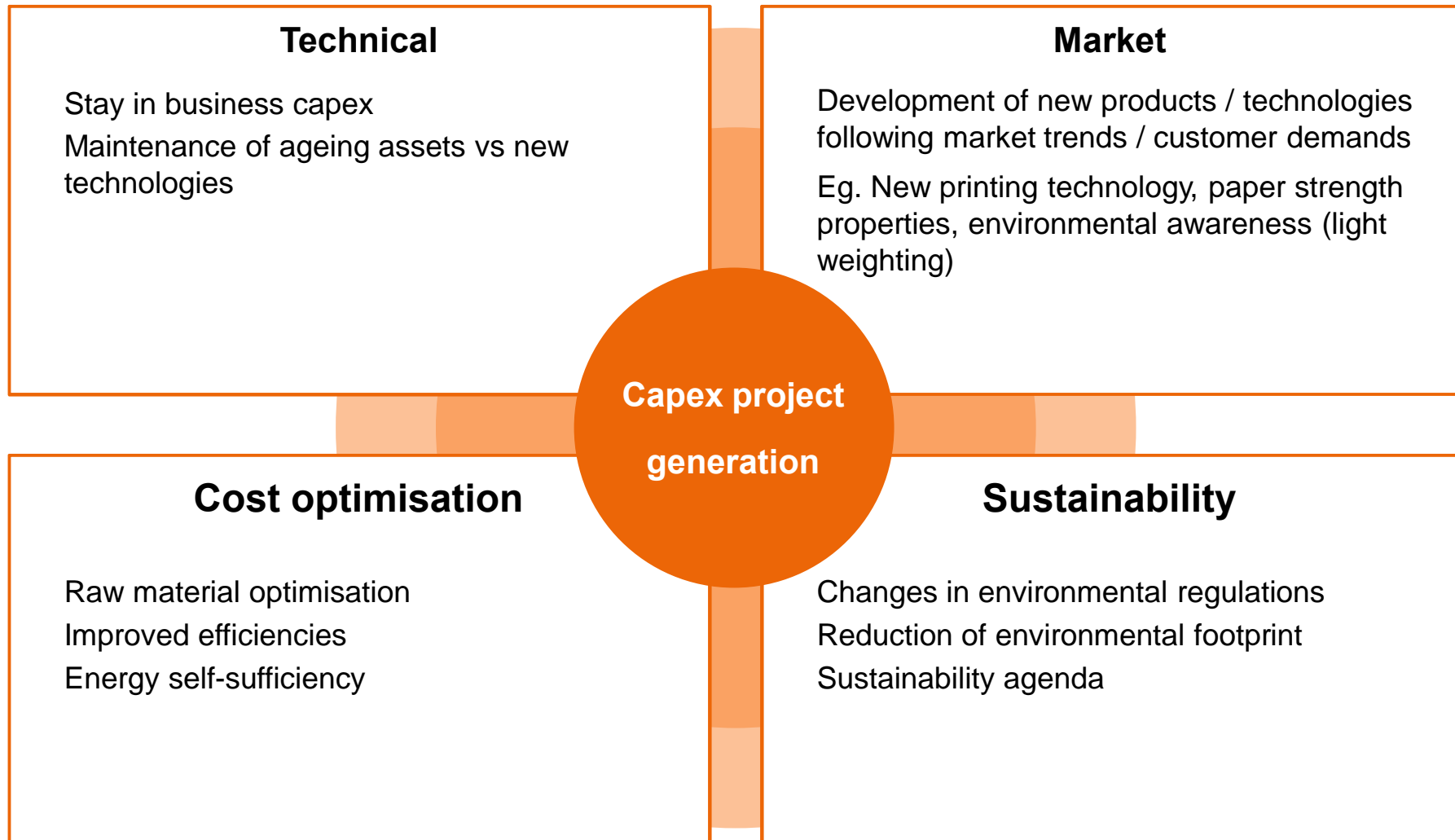
Capital allocation framework

Andrew King

Our cash flow priorities



How are capital projects generated?



Priorities by Business Unit



	Technical	Cost optimisation	Sustainability	Market
Packaging Paper	●	●	●	●
Fibre Packaging	●	◐	◑	●
Consumer Packaging	●	◐	◑	●
Uncoated Fine Paper	●	●	●	◑
South Africa Division	●	●	●	◑

Financial evaluation methodology

DCF is primary evaluation methodology

Secondary criteria include ROCE, payback and IRR

Discount rate based on assessed WACC, adjusted where appropriate for country risk

Discount rate kept consistent through the cycle, adjusting only for material changes in assessed WACC

Robustness of project to key assumptions tested by sensitivities

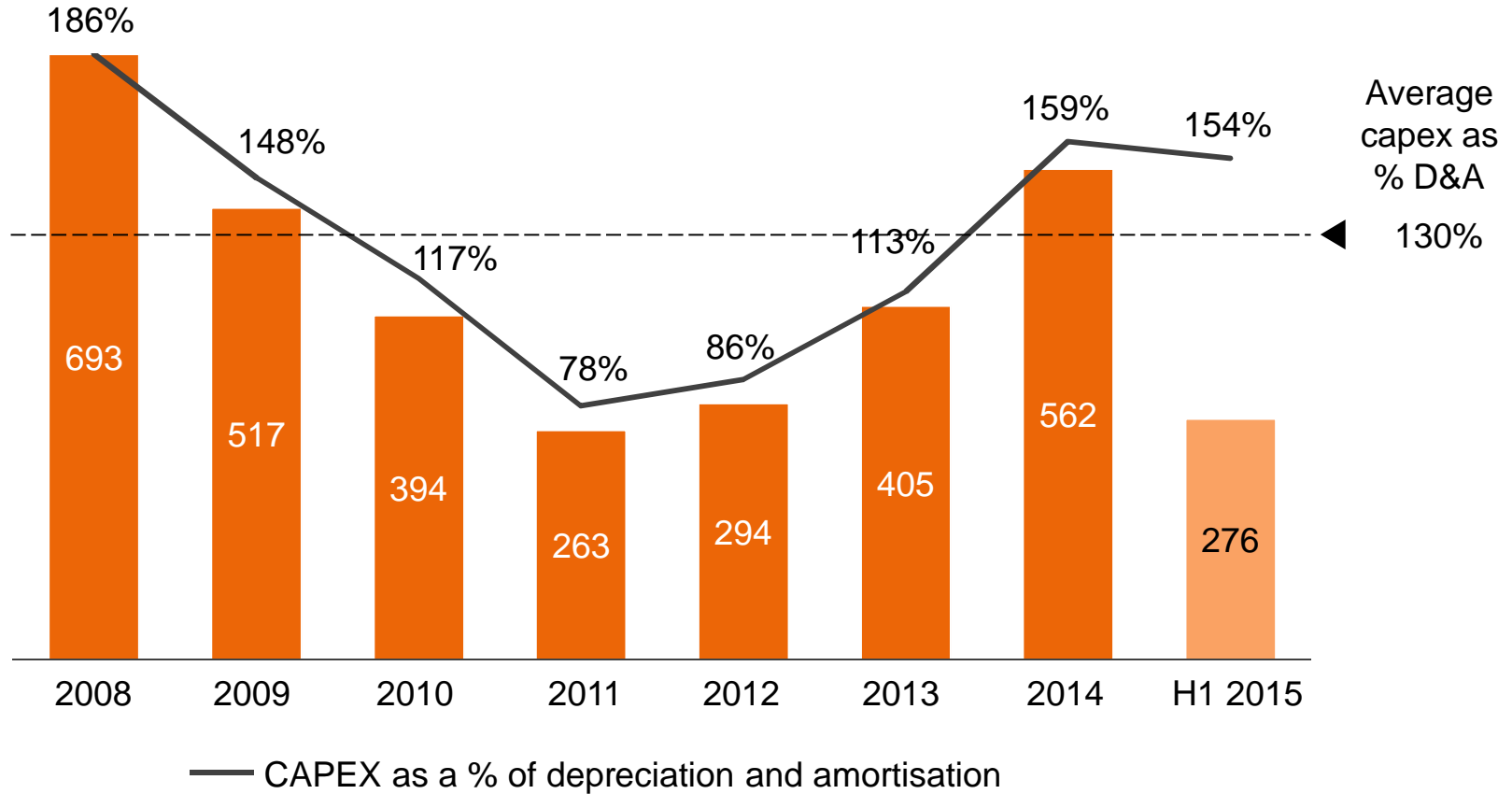
Key question for any pulp/paper mill investment: ~~Does~~ Does the operation enjoy a structural competitive advantage through the cycle?+

Ensure the optimal solution is selected . not necessarily the fastest payback option

Investing in our business through the cycle

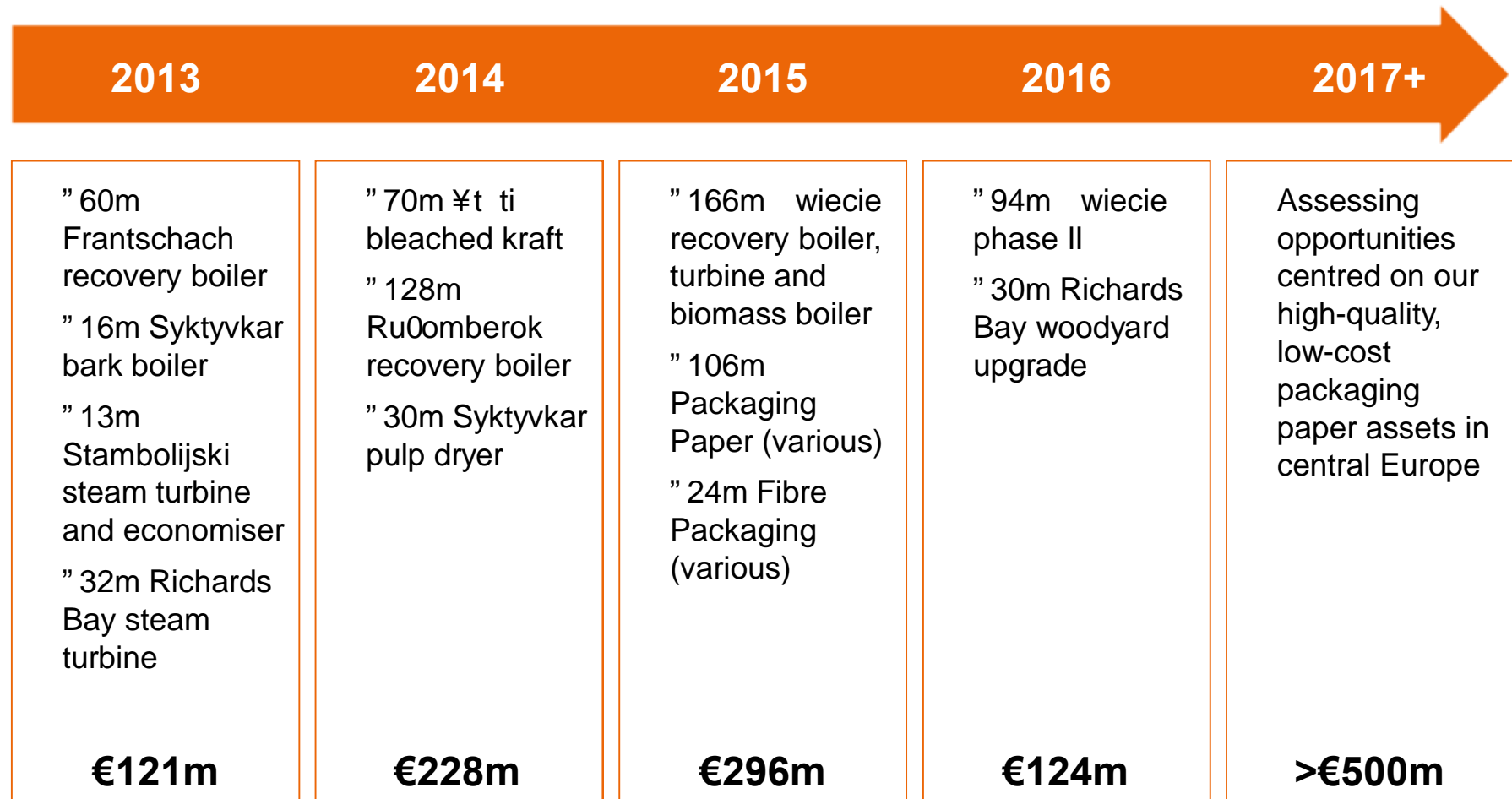


Capital expenditure in € million and as % depreciation and amortisation



€3.4 billion invested in capex since 2008

A healthy project pipeline delivering strongly



€45 million incremental operating profit delivered from major projects in 2014
€50 million incremental operating profit benefit expected in 2015

Major capital projects under evaluation

Ružomberok

300 ktpa kraft top white machine (new product)
Pulp mill debottlenecking
No impact on existing machines

Štětí

Debottlenecking and optimisation of existing operations
New recovery boiler to increase energy self-sufficiency

MG machine

90 ktpa kraft paper machine producing machine glazed paper
Replaces capacity reductions implemented through the closure of Lohja and conversion to other grades in Štětí
Location - central Europe operations with integrated pulp capacity

Projects remain under evaluation. Investment decisions expected in 2016



From capex to customer

Execution and project management

John Lindahl

Capital investment project execution - key objectives

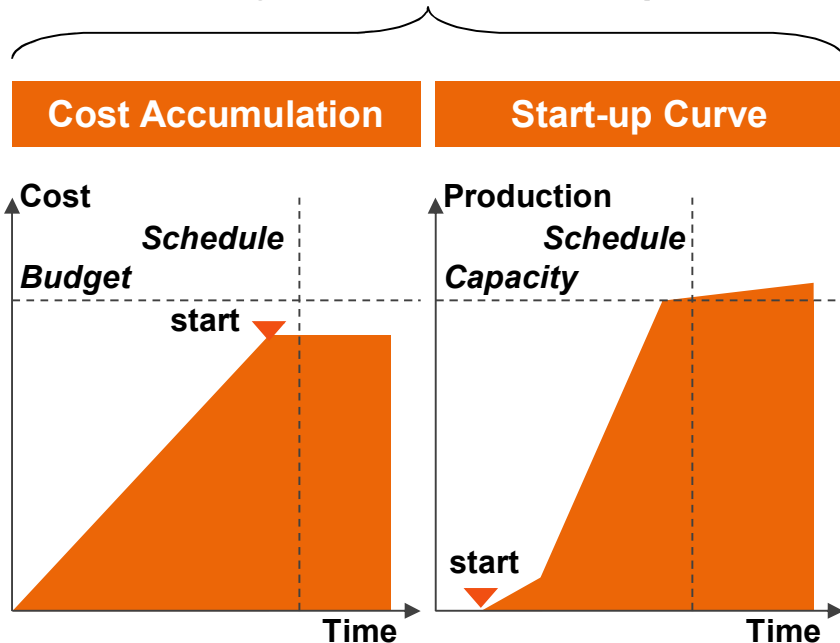


The project is implemented within budget and schedule

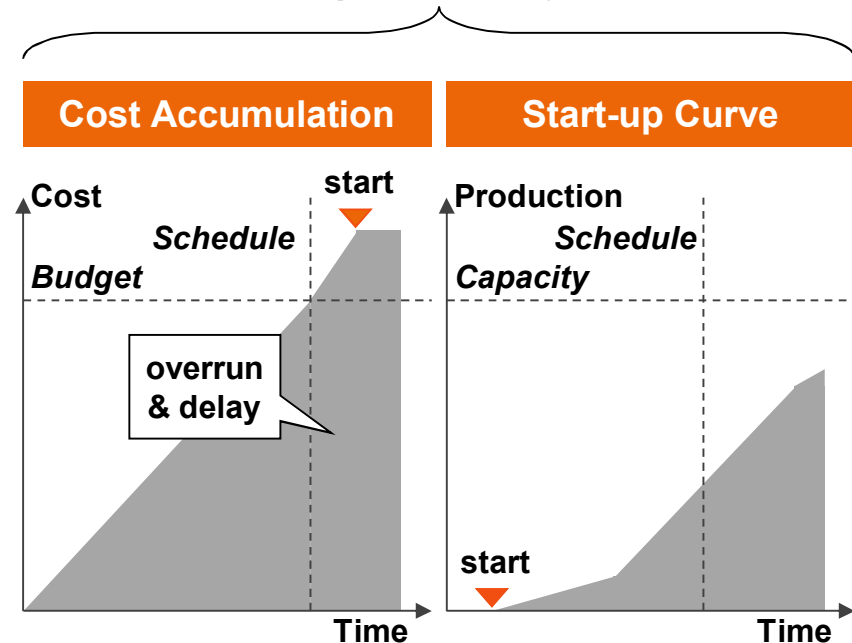
The operation has a progressive start-up and the plant is capable of producing the required quality cost efficiently

The operation is environmentally sound and complies with safety regulations

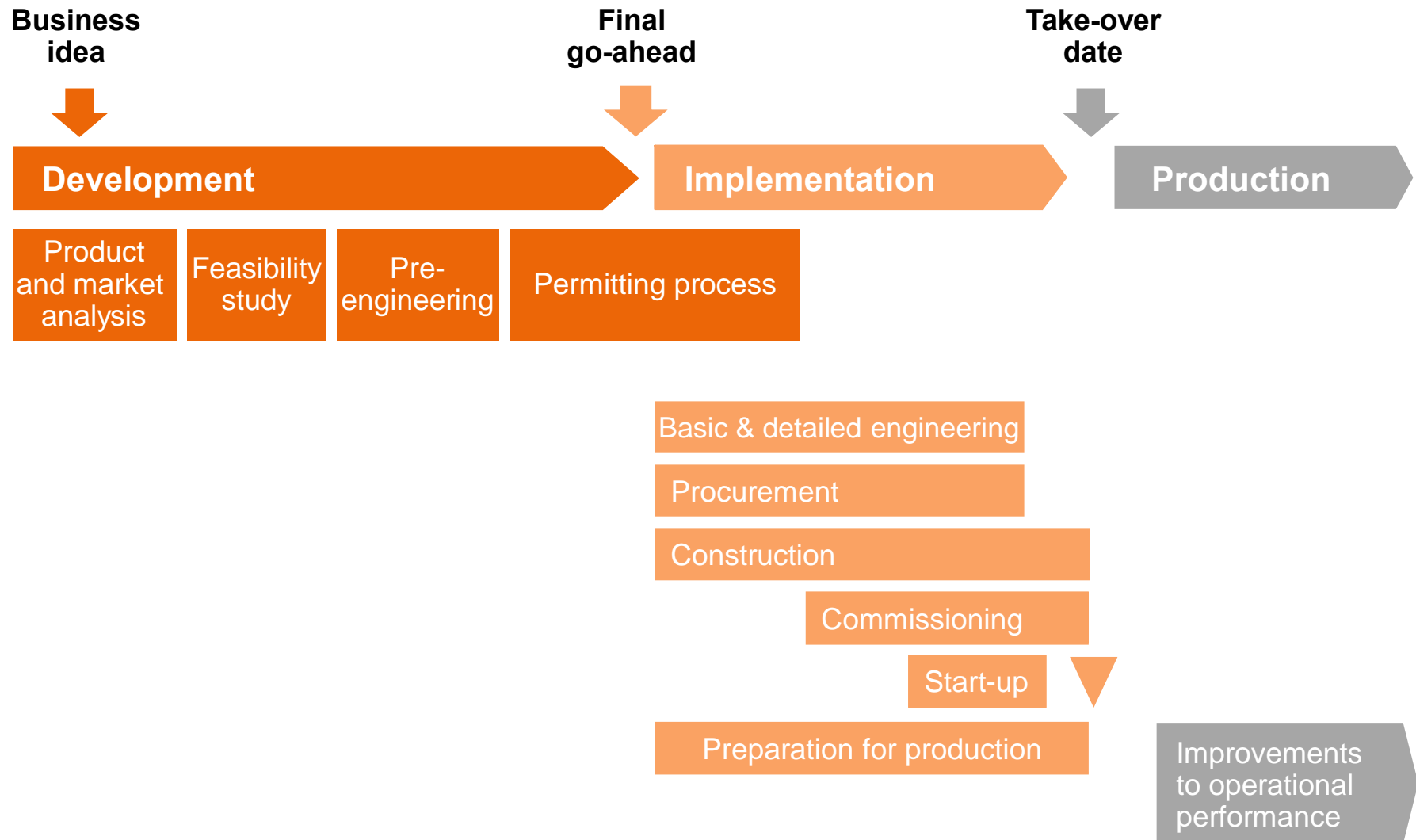
Good budget control and start-up curve



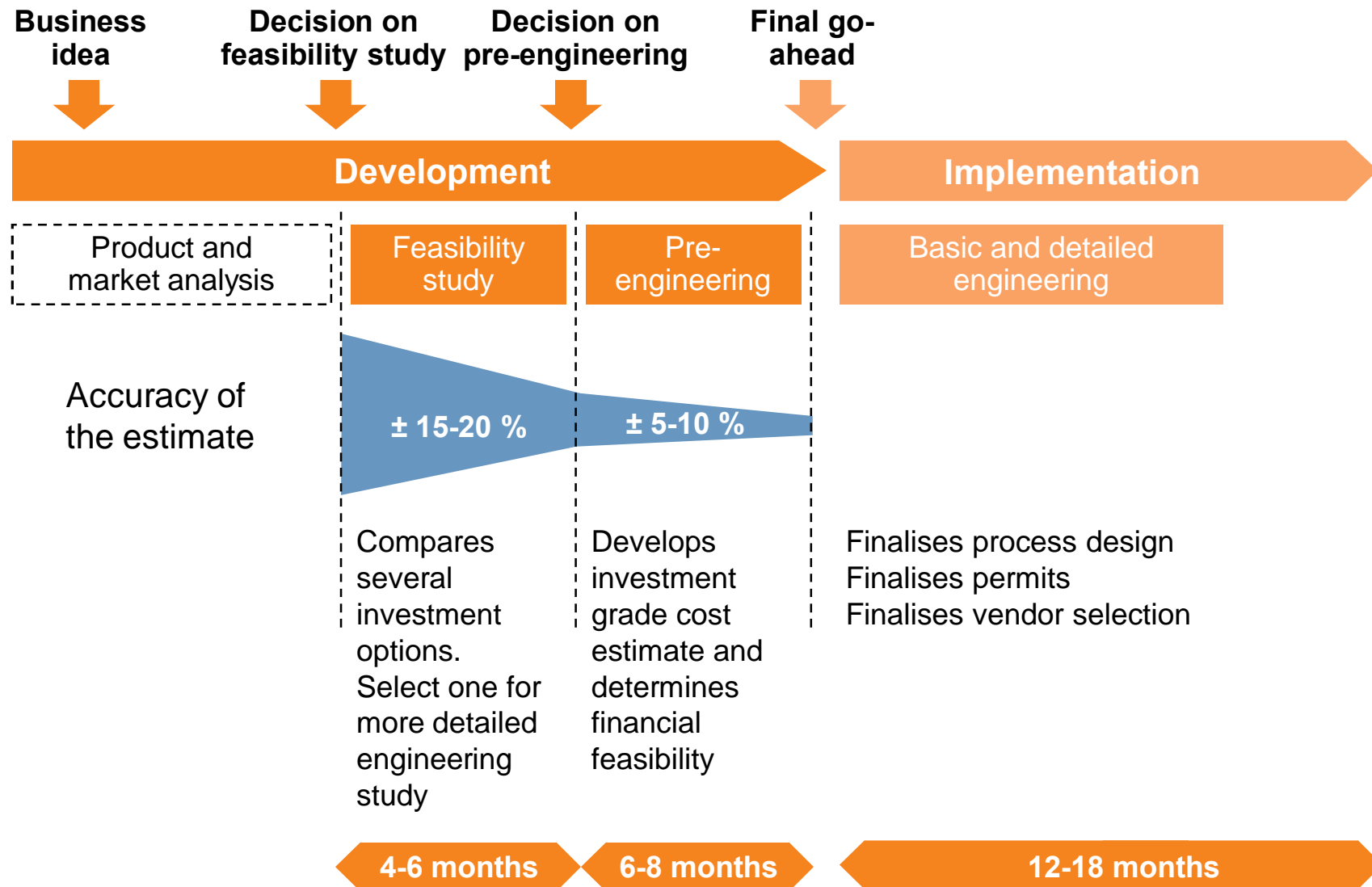
Cost overrun, completion delay and slow start-up



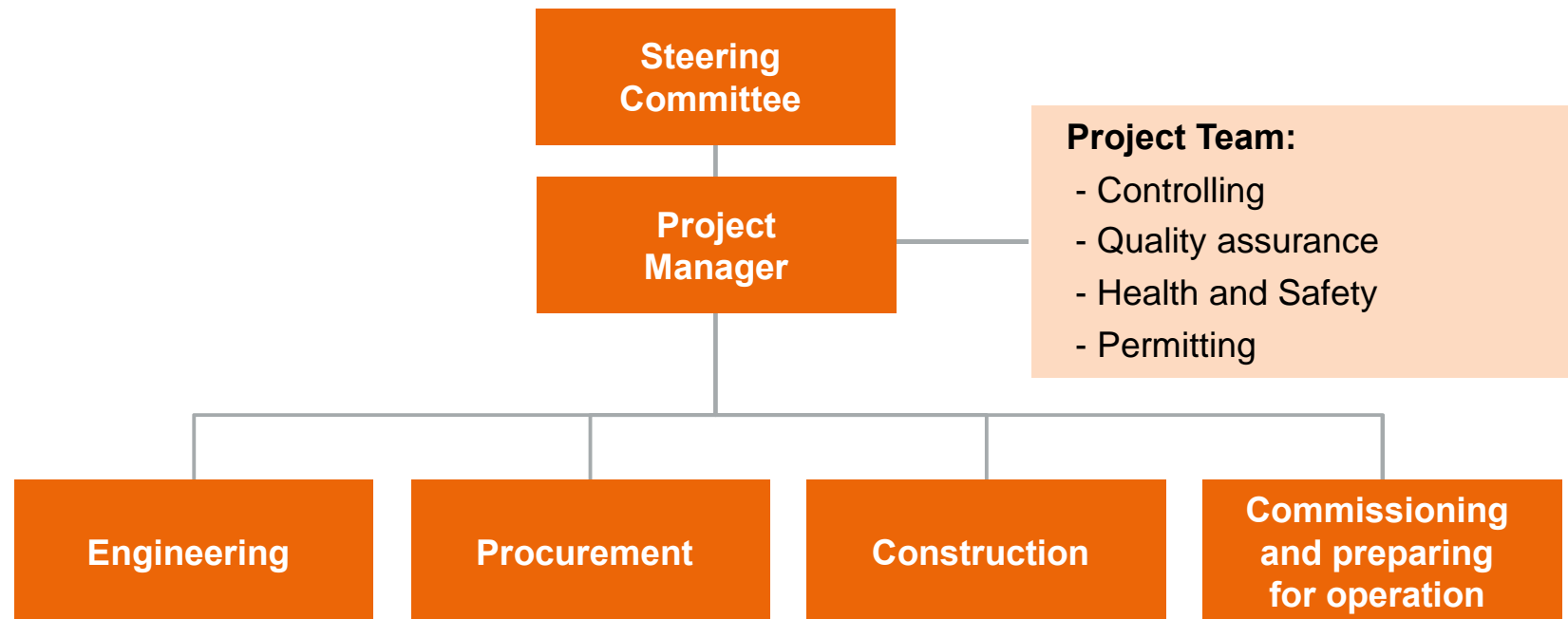
Investment Project Life Cycle



Investment concept planning process



Key project functions and responsibilities



Team built with a mix of skills, experience and background

Steering committee at senior management level including Executive Director for large capital projects

Team can be 5 . 50 people (part or full time) depending on the size of the project, staffed by a combination of mill personnel and functional experts

Successful implementation – key features

Thorough project development and planning

- Technical concept

- Procurement scope

- Budget

- Organisation

- Time schedule

Well-coordinated project time schedule

Steering committee with well-established procedures and reporting

Good communication among the teams, flexibility and quick decision making during the process

Empowered and experienced project management organisation

High-quality training and monitoring of safety behaviour



From capex to customer

Case study: Swiecie Green I and II

Maciej Kunda

Project rationale

Starting point

1. Coal boilers in need of replacement by 2018 due to environmental regulation
2. Existing recovery boiler:
 - Built in 1991, in need of increased maintenance spend
 - Bottleneck to increase pulp and paper production
3. Electricity self-sufficiency of 70% and Polish Power Supply Grid in need of investment

Stay in business case

New biofuel boiler with condensing turbine to replace existing coal boilers

Keep existing recovery boiler with maintenance costs to be spent over the following 10 years

Swiecie Green I and II (€166+94m)

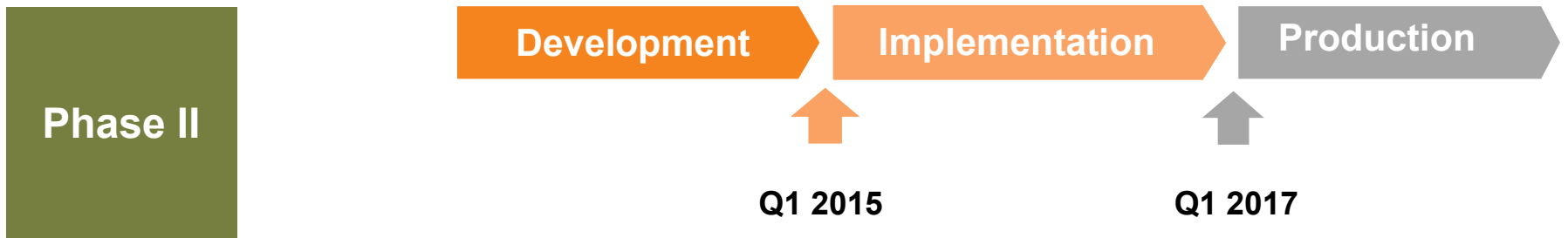
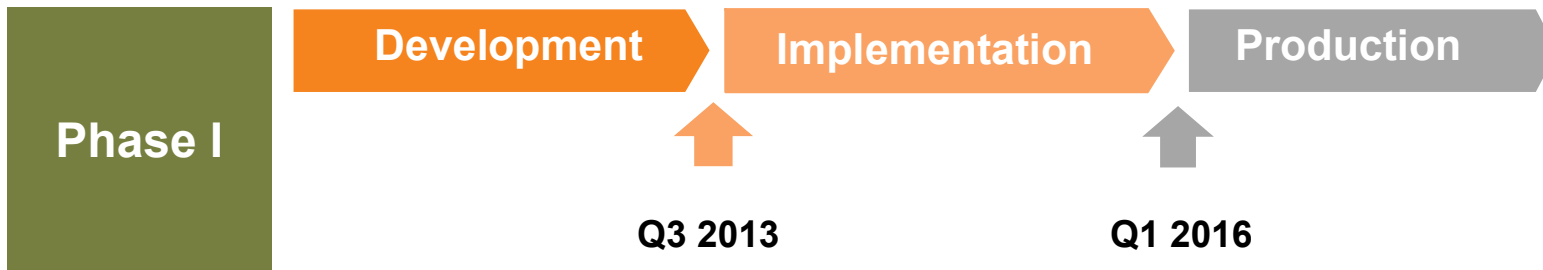
Phase I:

- Convert existing recovery boiler into a biofuel boiler instead of investing in a new one
- Invest in a new recovery boiler

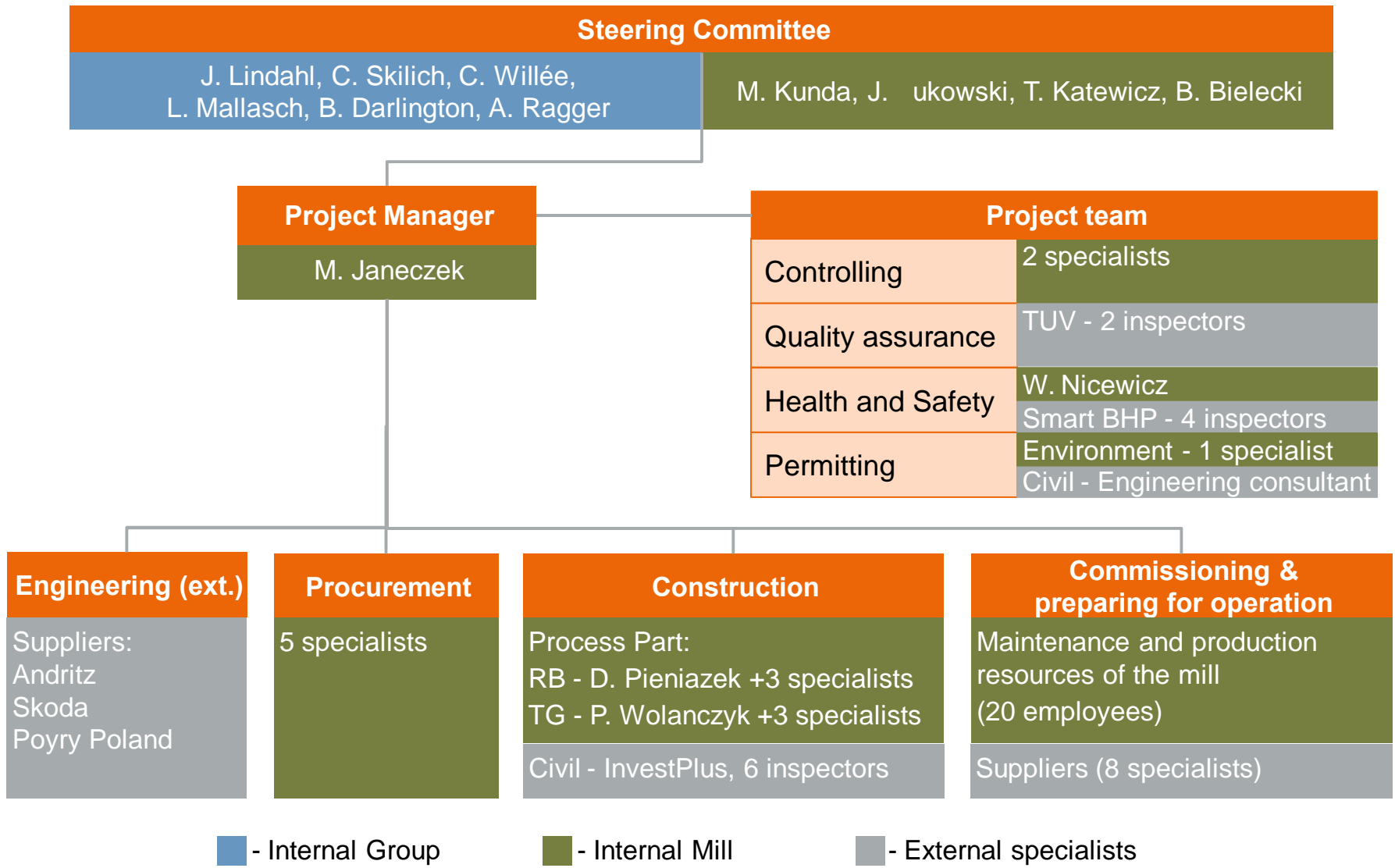
Phase II:

- Rebuild pulp line, PM1 and PM7

Project key milestones







Project responsibilities: good mix of group expertise, mill ownership and external experts



Project benefits: pulp & paper capacities



	Before	After
Kraft pulp Mill 	Softwood kraft pulp 430ktpa	Softwood kraft pulp 530ktpa
Recovered Paper line 	Capacity 400 ktpa	Capacity 445ktpa <i>Fibre quality improvement</i>
Paper Machine 1 	Lightweight kraftliner 180 ktpa	Lightweight kraftliner 260 ktpa
Paper Machine 7 	Testliner and WB Fluting 500 ktpa	Capacity of Testliner, WB Fluting and KraftTop liner 515 ktpa

Capacities in Air -Dried tonnes.

Project benefits: environmental & energy



Swiecie Green I and II

New recovery boiler with greater energy efficiency reducing energy costs

New biofuel boiler instead of existing coal boilers

Improved environmental footprint by reducing CO₂ emissions by approximately 75%

Green energy sales

Achieve 100% electricity self-sufficiency thereby reducing reliance on national energy grid

From capex to customer in action!



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