



# BILLERUDKORSNÄS

## Interim Report January – March 2019

# Strong sales performance



### KEY HIGHLIGHTS

- Good demand and strong sales performance in all divisions
- Solid result despite high fibre costs
- Ramp-up of KM7 has started and is proceeding according to plan
- Process of finding suitable investors for Bergvik Öst is ongoing

### QUARTERLY DATA

- Net sales were SEK 6 504 million (5 897), an increase of 10%, mainly as a result of higher sales prices and positive currency effects.
- Adjusted EBITDA\* was SEK 1 035 million (1 102), a decrease of 6%.
- Operating profit was SEK 640 million (677), a decrease of 5%.
- Net profit was SEK 451 million (498), a decrease of 9%.
- Earnings per share amounted to SEK 2.18 (2.40).

### Q2 OUTLOOK

- Continued good demand for our products.
- Increased price pressure is expected – focus is on safeguarding current price levels.
- Total cost for fibre expected to flatten out at a high level

### KEY FIGURES\*

SEKm	Q1	Q1	Change	Q4	Change
	2019	2018		2018	
Net sales	6 504	5 897	10%	5 843	11%
Adjusted EBITDA**	1 035	1 102	-6%	810	28%
Operating profit	640	677	-5%	414	55%
Adjusted operating profit	653	729	-10%	443	47%
Net profit	451	498	-9%	309	46%
Adjusted EBITDA margin, %	16%	19%		14%	
Adjusted operating profit margin, %	10%	12%		8%	
Adjusted ROCE	9%	14%		9%	
Operating cash flow before strategic investments	586	624		-68	
Net debt/Adjusted EBITDA, multiple	2.90	1.55		2.68	

\*For key figures and a reconciliation of alternative performance measures including adjusted EBITDA, adjusted operating profit, adjusted EBITDA margin, adjusted operating profit margin, adjusted ROCE and net debt/adjusted EBITDA, see pages 18-20 and page 7 for operating cash flow before strategic investments.

\*\* IFRS16 has positively affected adjusted EBITDA by SEK 27 million in the first quarter 2019, compared with if IAS17 was used, see note 1 on page 15.

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This information constituted inside information prior to publication. This is information that BillerudKorsnäs AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07.00 CET on 17 April 2019.

## COMMENTS BY CEO

*“I am very pleased to announce that the ramp-up of KM7 at Gruvön is proceeding according to plan and test-runs of the machine are now ongoing”*



**SEK 6 504 million**

Net sales

**SEK 1 035 million**

Adjusted EBITDA

**16%**

Adjusted EBITDA margin

The first quarter was marked by continued good demand and stable prices for innovative and sustainable packaging in our selected product areas. Strong sales performance combined with positive effects from currencies and renegotiated long-term contracts increased net sales by 10% in the quarter, which is well above our financial target of 3-4%.

I am very pleased to announce that the ramp-up of KM7 at Gruvön is proceeding according to plan and test-runs of the machine are now ongoing. This 550,000 tonnes board machine is one of the most modern production facilities in the world and makes BillerudKorsnäs well positioned to meet the increasing demand for sustainable packaging solutions. We reiterate that the structural changes in connection to the ramp-up of KM7 will have a negative effect on EBITDA of approximately SEK 500 million during 2019 and SEK 200 million during 2020. Following this short-term impact, the investment will have a positive earnings contribution from 2021.

A comprehensive safety programme based on best practise has been launched and the entire company is now working to prevent accidents and eliminate risks with a zero injury vision in mind. I truly believe that a safe company is a well-run company. Therefore, our safety-first initiative, together with the production excellence programme are the main focus areas for BillerudKorsnäs. On the back of this, we see good opportunities to increase production stability and volumes in 2019 compared with last year.

To secure long-term competitive and stable wood supply we have entered into an agreement to acquire Bergvik Skog Öst. The transaction is expected to be completed during the second quarter and the process to find suitable investors for a substantial part of the forestland is ongoing.

We have announced that a joint venture will be formed with plastic packaging solutions provider ALPLA. The two companies share the ambition to drive packaging innovation in a sustainable direction. With combined resources, we will continue the development of the paper bottle with the aim of launching the product and then scaling up production.

For the second quarter, our assessment is continued good demand for our products and we foresee our order books to remain solid. However we expect price pressure to increase and are focusing on safeguarding current price levels. We expect unchanged market demand for pulpwood and the total cost of fibre to flatten out at a high level.

In the longer term, market trends offer significant opportunities for continued growth. We are well positioned with a broad offering of innovative and sustainable packaging and solutions. Demand for a comprehensive offering, in which the sustainability of materials plays a key role, is growing. Packaging is gaining an increasingly important role in many brand owners' efforts to make their products more competitive. This continues to give us great confidence in our products and development.

Our strategy is based on achieving sustainable profitable growth by challenging conventional packaging materials and solutions. To unlock BillerudKorsnäs full potential we have an agenda that focuses on safety, securing the successful ramp-up of KM7, safeguarding wood supply, stabilising production, enhancing efficiency and accelerating innovation and solutions.

With our new organisation in place, we see positive effects in operational efficiency, customer orientation and profitability focus. We are well prepared to capture customer demand and expand in the value-chain.

*Petra Einarsson, President and CEO*



# The quarter in review

EBITDA was negatively impacted by increased costs for fibre

## SALES AND RESULTS

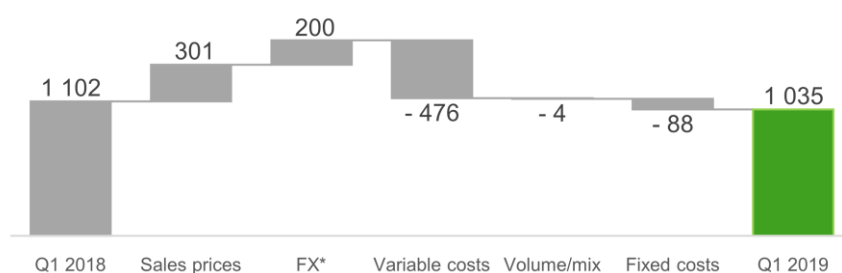
Net sales for the first quarter increased by 10% to SEK 6 504 million (5 897), as a result of higher sales prices and positive currency effects. The sales volumes were largely unchanged.

All divisions delivered growth, on or above 10 %, mainly driven by higher sales prices and positive currency effects.

Adjusted EBITDA decreased by 6% to SEK 1 035 million (1 102). Higher costs for raw materials and energy as well as a negative impact from lost production volumes at Gävle and a changed product mix at Gruvön were partly offset by increased sales.

The implementation of IFRS16 affected adjusted EBITDA positively by SEK 27 million in the first quarter, see note 1. Items affecting comparability, amounting to SEK 13 million (37) and reported in Other, was mainly related to Gruvön and KM7.

### Change in adjusted EBITDA for Q1 2019 compared with Q1 2018, SEK million



\*Effects of exchange rate fluctuations totalling SEK 200 million comprise the following components: change in spot rates of SEK 228 million, currency hedging of SEK -18 million and currency effects from the revaluation of trade receivables and payments from customers of SEK -10 million.

## MARKET DEVELOPMENT AND OUTLOOK

Market conditions for liquid packaging board, cartonboard and containerboard were good in the quarter. Conditions are expected to remain good with normal seasonal variations except for uncoated liner, for which the market is more unstable and price pressure is expected to increase.

The market for sack and kraft paper was good during the quarter but has weakened compared with the same period last year. The pulp market has weakened due to the slowdown in the Chinese market. The market pulp price index (PIX) has dropped from USD 1 200 at year-end 2018 to USD 1 105 at the end of March 2019.

## EVENTS IN THE QUARTER

In January Anders Lundin was appointed Executive Vice President Solutions. He started in the position on 1 February 2019.

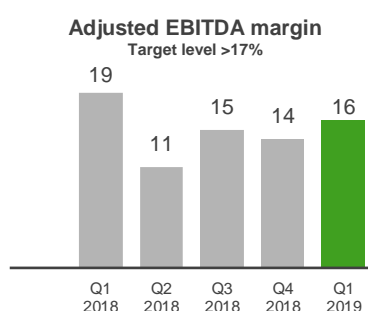
In March we received an increased production capacity permit at Karlsborg, where we can now produce 350 000 tonnes per year. Preconditions to achieve the increased permit were improvements regarding environmental impact, reduction of emissions and better performance to reduce risks.

BillerudKorsnäs has been highlighted as a global leader in tackling deforestation by environmental impact non-profit organisation CDP, achieving a place on the CDP Forests A List.

## EVENTS AFTER THE QUARTER

BillerudKorsnäs announced its intention to form a joint venture with ALPLA, to commercialise the paper bottle, developed by ecoXpac.

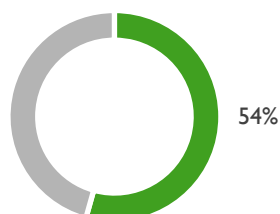
Helene Biström, Executive Vice President Paper, took up her role on 1 April 2019.



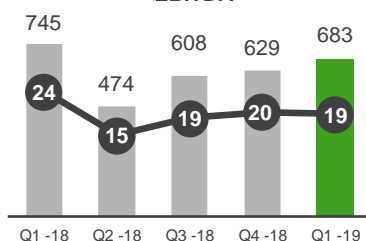
# Division Board

We are very satisfied that we now are conducting our first test-runs of KM7 and that higher prices have contributed to double-digit growth in the quarter. Full focus is now on a continued successful ramp-up of the new board machine at Gruvön, KM7.

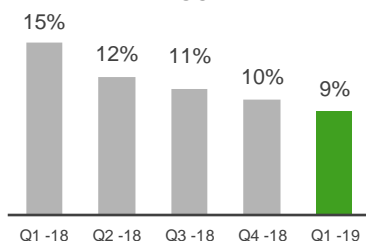
Share of Group's net sales for Q1 2019



EBITDA



ROCE



## About Division Board

Division Board manufactures liquid packaging board, cartonboard and fluting & liner. All customers demand high quality and expect materials and services solutions that add value. The mills at Gävle, Gruvön and Frövi/Rockhammar belong to the division. At Gruvön, BillerudKorsnäs has made a strategic investment under the Next generation programme in a state-of-the-art board machine. The board machine KM7 will have an annual production capacity of 550 000 tonnes premium material.

## KEY FIGURES\*

	Q1 2019	Q1 2018	Q4 2018	Full year 2018
<b>SEKm</b>				
Net sales	3 536	3 154	3 178	12 679
of which liquid packaging board	1 989	1 854	1 698	7 154
of which cartonboard	346	308	306	1 279
of which fluting & liner	953	787	989	3 412
Net operating expenses, other	-2 853	-2 409	-2 549	-10 223
<b>EBITDA</b>	<b>683</b>	<b>745</b>	<b>629</b>	<b>2 456</b>
EBITDA, %	19%	24%	20%	19%
Operating profit/loss	441	494	383	1 469
Operating margin, %	12%	16%	12%	12%
ROCE, %	9%	15%	10%	10%
Sales volumes, ktonnes	454	440	426	1 720

\*Comparable figures for 2018 have been restated according to the new division structure. Lease contracts are accounted for in the divisions as operational, effects of IFRS16 are accounted on Group level.

## RESULTS

Net sales for the first quarter increased by 12% to SEK 3 536 million (3 154), well above the division's growth target of 4-5%. The increase is mainly due to increased sales volumes, higher prices and positive currency effects. The increased sales volumes, compared to the same period last year, was mainly related to the transfer of production capacity from Division Paper.

EBITDA for the first quarter decreased by 8 % to SEK 683 million (745). The decrease was mainly due to higher fibre costs and negative impact from lost production volumes at Gävle, which was partly offset by higher sales prices.

## MARKET DEVELOPMENT AND OUTLOOK

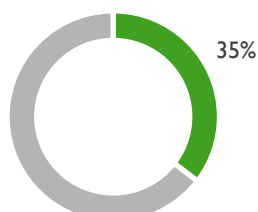
Market conditions remained good for liquid packaging board and cartonboard during the quarter. There is increased uncertainty in the global containerboard market with high inventory levels among customers. So far this has mainly affected recycled grades and brown kraftliner with very limited effect on BillerudKorsnäs. With signs of weakness regarding the market for uncoated liner there is a risk of increased price pressure in the coming quarters.

Market conditions for liquid packaging board, cartonboard, semi-chemical fluting and coated liner are expected to remain good with normal seasonal variations.

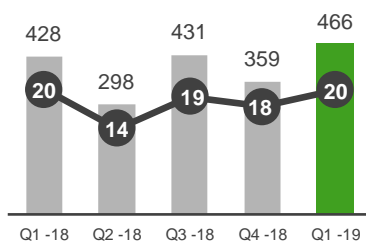
# Division Paper

*Strong sales price development have increased net sales considerably, despite lower volumes. Earnings remain strong, primarily driven by higher paper and pulp prices, as well as positive currency effects and an improved product mix.*

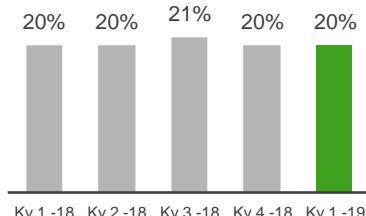
Share of Group's net sales  
Q1 2019



EBITDA



ROCE



## About Division Paper

Division Paper manufactures and sells high-performance, premium-grade kraft and sack paper to selected segments in the manufacturing, medical equipment and consumer segments. The division also sells surplus paper pulp on the open market. The mills at Skärblacka, Karlsborg, Pietarsaari and Beetham belong to the division.

## KEY FIGURES\*

	Q1 2019	Q1 2018	Q4 2018	Full year 2018
<b>SEK m</b>				
Net sales	2 305	2 104	2 048	8 523
of which sack paper	936	835	795	3 279
of which kraft paper	931	896	846	3 586
Net operating expenses, other	-1 839	-1 676	-1 689	-7 007
<b>EBITDA</b>	<b>466</b>	<b>428</b>	<b>359</b>	<b>1 516</b>
EBITDA, %	20%	20%	18%	18%
Operating profit/loss	356	331	248	1 090
Operating margin, %	15%	16%	12%	13%
ROCE, %	20%	20%	20%	20%
Sales volumes, ktonnes	233	251	214	941

\*Comparable figures for 2018 have been restated according to the new division structure. Lease contracts are accounted for in the divisions as operational, effects of IFRS16 are accounted on Group level.

## RESULTS

Net sales for the first quarter increased by 10% to SEK 2 305 million (2 104), which is well above the division's growth target of 0-2%. The sales increase was due to higher prices, positive currency effects and an improved product mix due to the start-up of PM10 at Skärblacka. The decreased sales volumes, compared to the same period last year, was mainly related to the transfer of production capacity to Division Board.

EBITDA increased by 9% to SEK 466 million (428) due to higher paper and pulp prices as well as positive currency effects and an improved product mix. The improvement covered the increased fibre cost including negative currency effects on variable and fixed costs.

## MARKET DEVELOPMENT AND OUTLOOK

Market conditions were good during the first quarter but have weakened compared with last year.

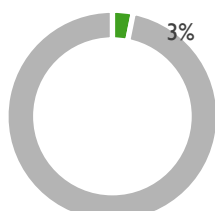
The market for kraft and sack paper is expected to remain good in the next quarter, although the risk of a weakening in the global economy could dampen demand and put pressure on price levels.



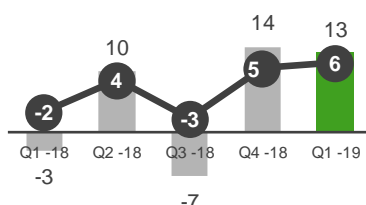
# Division Solutions

We are pleased with the strengthened margin in the first quarter. The focus over the coming quarters will be on continued growth and delivering as much value as possible for our customers.

Share of Group's net sales  
Q1 2019



EBITDA



## About Division Solutions

Division Solutions meets brand owners' growing demand for sustainable and effective packaging solutions and systems. The division's business is growing in two areas, the largest of which is currently Managed Packaging, which help global brand owners take control of their packaging needs in Asia.

## KEY FIGURES\*

	Q1 2019	Q1 2018	Q4 2018	Full year 2018
<b>SEKm</b>				
Net sales	206	188	257	980
of which Managed Packaging	175	152	224	839
of which Packaging Solutions	32	35	33	141
Net operating expenses, other	-193	-191	-243	-966
<b>EBITDA</b>	<b>13</b>	<b>-3</b>	<b>14</b>	<b>14</b>
EBITDA, %	6%	-2%	5%	1%
Operating profit/loss	11	-7	11	1
Operating margin, %	5%	-4%	4%	0%

\*Comparable figures for 2018 have been restated according to the new division structure. Lease contracts are accounted for in the divisions as operational, effects of IFRS16 are accounted on Group level.

## RESULTS

Net sales for the first quarter increased by 10% to SEK 206 million (188), mainly driven by a positive currency effect and new sales. The sales growth within Managed Packaging was partly offset by slightly lower sales within Packaging Solutions.

The EBITDA improvement in the first quarter was related both to a stronger gross margin in Managed Packaging and a favourable outcome resolving technical claims incurred in the latter half of 2018.

## MARKET DEVELOPMENT AND OUTLOOK

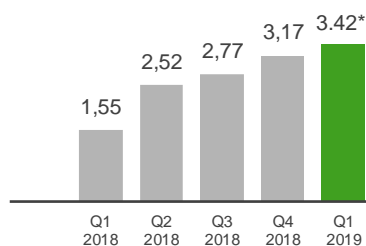
Demand for Division Solutions' products and services remained stable with existing customers during the quarter. Managed Packaging saw slightly lower demand for packaging in China, in favour of growth in Vietnam and other Southeast Asian countries.

Strong growth within Division Solutions is expected to continue during the year.



# Cash flow and financial position

Net debt/EBITDA  
target level <2.5



\*Including lease liabilities according to IFRS16.

## SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter	
	Q1 -19	Q1 -18
Operating surplus, etc.	984	1 050
Change in working capital, etc.	-334	-83
Net financial items, taxes, etc.	74	-161
<b>Cash flow from operating activities</b>	<b>724</b>	<b>806</b>
Current net investments, excluding strategic investments	-138	-182
<b>Operating cash flow, before strategic investments</b>	<b>586</b>	<b>624</b>

Operating cash flow before strategic investments amounted to SEK 586 million (624) in the first quarter of 2019. Strategic investments include the investment in KM7 at Gruvön, the MG investment in Skärblacka and acquisitions and sale of subsidiaries. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, make strategic investments and pay dividends to the shareholders.

The negative change in working capital compared to the first quarter last year is mainly due to a decrease in operating liabilities during the first quarter 2019.

## FINANCING

At 31 March 2019, interest-bearing debt amounted to SEK 9 409 million, an increase of SEK 385 million compared with the previous quarter. The change was mainly due to the additional issue of approximately SEK 1 100 million in term loans which were mainly used to repay debt outstanding under the commercial paper programme.

Compared with the same period last year, interest-bearing debt increased by SEK 3 058 million.

## Debt portfolio and maturity profile at 31 March 2019

Loan	Limit, SEKm	Maturity, years			Total utilised
		0-1	1-2	2-	
Syndicated credit facilities	5 500				-
Term loans		795	296	2 318	3 409
Bond loans within MTN program	7 000		900	3 800	4 700
Commercial paper	3 000	900			900
Term loan, Bomhus Energi AB		44	41	311	396
Other interest-bearing liabilities (excl. lease liabilities under IFRS 16)		3	1		4
<b>Group total</b>		<b>1 742</b>	<b>1 238</b>	<b>6 429</b>	<b>9 409</b>

Interest-bearing net debt at 31 March 2019 amounted to SEK 9 822 million (6 056). The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 3.42 (1.55). If adjusted EBITDA were used in the calculation, the ratio would be 2.90. The target is to have a ratio below 2.5.

The implementation of IFRS16 from 1 January 2019 increased the interest-bearing liabilities with SEK 269 million at 31 March 2019, whereof short-term liabilities with SEK 97 million and long-term liabilities with SEK 172 million. The net debt to EBITDA ratio increased by 0.06.

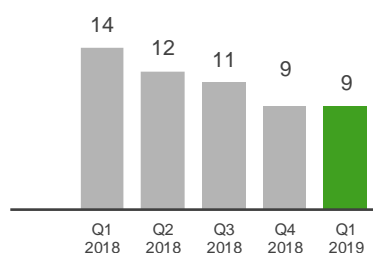
## INVESTMENT AND CAPITAL EMPLOYED

Gross investments amounted to SEK 820 million (1 132) for the first quarter of 2019. The investments were mainly related to the new board machine at Gruvön.

Capital employed at 31 March 2019 amounted to SEK 24 407 million (20 369). Return on capital employed (ROCE), calculated over the last 12-month period, amounted to 6% (13%). ROCE calculated using adjusted operating profit amounted to 9% (14%).

Return on equity was 7% (13%).

Adjusted return on capital employed  
Target level >13%



## Next generation programme

The ramp-up of the new board machine KM7 in Gruvön is proceeding according to plan. When fully ramped up in 2023 it is expected to produce 550,000 tonnes annually.

The ramp-up base scenario for 2019 is that in April KM7 will produce second grade material, in May commercial liner and from October the first certification material will be delivered to customers.

Throughout the ramp-up process new production capacity will be added continuously and as a consequence of this, three older machines with a total capacity of 215,000 tonnes will be closed down during 2019. PM5 with an annual production volume of 45,000 tonnes was closed in the end of March. PM1 and PM2 are expected to be closed during May.

The structural changes in connection with the KM7 project are estimated to have a negative effect on EBITDA of approximately SEK 500 million during 2019, where of approximately SEK 200 million in the second quarter and the remainder evenly distributed between the third and fourth quarter. During 2020 the negative effect on EBITDA is estimated to amount to SEK 200 million. From 2021, the KM7 investment will have a positive effect on earnings.

The safety work in the Next generation programme is performing well, with a LTIFR-rate of 3.1. A comprehensive safety programme based on best practice has been launched and the entire company is now working to prevent accidents and eliminate risks with a zero injury vision in mind.

## Currency hedging

Currency hedging had a net sales impact of SEK -80 million (-62) in the first quarter of 2019 (compared with no currency hedging).

Outstanding forward exchange contracts at 31 March 2019 had a market value of SEK -108 million, SEK -46 million of which is the portion of the contracts matched by trade receivables that affected earnings in the first quarter. Accordingly, other contracts had a market value of SEK -62 million.

### Hedged portion of forecast currency flows\*\* for EUR, USD and GBP and exchange rates against SEK (31 March 2019).

Currency	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Total 15 months
EUR Share of net flow	81%	81%	81%	81%	76%	80%
Rate	9.90	10.36	10.38	10.31	10.45	10.29
USD Share of net flow	64%	63%	64%	61%	48%	60%
Rate	8.64	8.78	8.75	9.03	9.08	8.85
GBP Share of net flow	25%	-	-	-	-	5%
Rate	12.17	-	-	-	-	12.17
<b>Market value of currency contracts*</b>	<b>-57</b>	<b>-21</b>	<b>-19</b>	<b>-11</b>	<b>-</b>	<b>-108</b>

\*At 31 March 2019.

\*\*Excluding currency flows from investments in a new board machine at Gruvön, which are not currently hedged.





# Taxes

The tax cost for the first three months of 2019 amounted to SEK 155 million (139), equal to approximately 26% (22%) of profit before tax. The increase in tax rate is mainly due to recognising of deferred taxes related to retained earnings in the Baltics and losses in Finland on which deferred tax receivables are not accounted for.

# Parent company

The parent company BillerudKorsnäs AB includes the sales organisation for the Nordic market and markets outside Europe, and head office functions.

Operating loss for the first three months of 2019 was SEK -78 million (-34). Operating loss reflects the effects of hedging contracts and revaluations of trade receivables.

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. These earnings were SEK -80 million (-62) for the first three months.

The average number of employees was 125 (110). Cash and bank balances, and short-term investments amounted to SEK 522 million (903).

# Sustainability

## Sustainability KPIs, rolling 12 months (R12M)

	Q1 -19	Q4 -18	2020 target
Energy efficiency <sup>1</sup>	5.27	5.25	<5.10
Fossil-free production <sup>2</sup>	39.0	38.1	<25.0
Gender equality <sup>3</sup>	23.4	22.9	>25.0

<sup>1</sup> Defined as energy consumption (MWh/tonne product), R12M.

<sup>2</sup> Defined as emissions of fossil CO<sub>2</sub> in the manufacturing process (kg/tonne product), R12M.

<sup>3</sup> Defined as female employees (%).

## Environment

BillerudKorsnäs is working towards a vision of fossil-free production and minimising emissions throughout the value chain. This work is mainly aimed at phasing out fossil fuels from production, along with investments in energy efficiency and reducing indirect emissions. Fossil CO<sub>2</sub>-emissions in the manufacturing process amounted to 39.0 kg/tonne and energy consumption was 5.27 MWh/tonne over the past 12 months. The increasing levels of CO<sub>2</sub>-emissions is mainly a result of the weather-related wood shortage in 2018, which led to increased usage of fossil fuels.

## Gender equality

BillerudKorsnäs' aim is to increase the proportion of women in the group, both overall and at managerial level. This is challenging in an industry that is traditionally dominated by men. BillerudKorsnäs has therefore undertaken several initiatives aimed at addressing the under-representation of women in operational activities and at senior levels within the Group. The percentage of female employees was 23.4% at the end of the quarter.



### Quarterly highlights

BillerudKorsnäs rated A on protecting forests by environmental impact non-profit organisation CDP. BillerudKorsnäs has been highlighted as a global leader in tackling deforestation and achieved a place on the CDP Forests A List.

BillerudKorsnäs receives Gold Class and Industry Mover Sustainability Yearbook Award 2019 from RobecoSAM. BillerudKorsnäs scored among the 1% highest in our industry on our Corporate Sustainability Assessment 2018 obtaining Gold class recognition. The Industry Mover distinction shows we have achieved the largest proportional improvement compared with the previous year.

## Distribution of shares

### Distribution of shares (31 March 2019)

Registered number of shares	208 219 834
Bought back shares	-1 519 191
<b>Total number of shares in the market</b>	<b>206 700 643</b>

## Risks and uncertainties

BillerudKorsnäs' products are generally dependent on the business cycle, in terms of both price development and potential sales volumes. The Group is exposed to currency fluctuations, since most revenues are invoiced in foreign currency, while a large part of operating expenses are in SEK. A more detailed description of risks and a sensitivity analysis is provided on pages 74-81 of the 2018 Annual and Sustainability Report.

BillerudKorsnäs has for some time worked with measures to mitigate potential negative effects of different Brexit-scenarios. Based on accumulated sales in 2018 the Group's net sales exposed to Brexit amount to SEK 1 168 million from the EU to the UK and SEK 200 million from the UK to the EU.

The EU directive on single use plastic remains in focus and changes in legislation are monitored closely.

## Related-party transactions

No transactions took place between BillerudKorsnäs and related parties that significantly affected the Group's position and earnings.



# 2019 Annual General Meeting

The Annual General Meeting will be held in Stockholm on 9 May 2019. Notice of the Annual General Meeting and all related documents can be found on the BillerudKorsnäs website. The Board proposes a dividend of SEK 4.30 per share, to be paid out in two equal instalments, with the first record date 13 May and the second record date 13 November.

## Financial calendar

Annual General Meeting – 9 May 2019

Q2 2019 report – 16 July 2019

Q3 2019 report – 24 October 2019

Q4 2019 report – 29 January 2020

Solna, 17 April 2019  
BillerudKorsnäs AB (publ)

Petra Einarsson  
*President and CEO*

This information constituted inside information prior to publication. This is information that BillerudKorsnäs AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. This report has been prepared in both a Swedish and an English version. The report has not been reviewed by the company's auditors.



# Group

## SUMMARISED INCOME STATEMENT

SEKm	Quarter			Full year
	Q1 -19	Q4 -18	Q1 -18	2018
Net sales	6 504	5 843	5 897	23 692
Other income	38	66	50	230
<b>Operating income</b>	<b>6 542</b>	<b>5 909</b>	<b>5 947</b>	<b>23 922</b>
Change in inventories	-6	430	119	633
Raw materials and consumables	-3 421	-3 292	-2 984	-12 556
Other external costs	-1 163	-1 342	-1 129	-5 473
Employee benefits expense	-928	-911	-900	-3 595
Depreciation and impairment of non-current assets	-382	-380	-388	-1 513
Profit/Loss from participations in associated companies	-2	-	12	12
<b>Operating expenses</b>	<b>-5 902</b>	<b>-5 495</b>	<b>-5 270</b>	<b>-22 492</b>
<b>Operating profit/loss</b>	<b>640</b>	<b>414</b>	<b>677</b>	<b>1 430</b>
Financial income and expenses	-34	13	-40	-89
<b>Profit/Loss before tax</b>	<b>606</b>	<b>427</b>	<b>637</b>	<b>1 341</b>
Taxes	-155	-118	-139	-304
<b>Net profit/loss for the period</b>	<b>451</b>	<b>309</b>	<b>498</b>	<b>1 037</b>
<b>Profit/Loss attributable to:</b>				
Owners of the parent company	451	309	498	1 037
Non-controlling interests	-	-	-	-
<b>Net profit/loss for the period</b>	<b>451</b>	<b>309</b>	<b>498</b>	<b>1 037</b>
<b>Earnings per share, SEK</b>	<b>2.18</b>	<b>1.49</b>	<b>2.40</b>	<b>5.01</b>
<b>Diluted earnings per share, SEK</b>	<b>2.18</b>	<b>1.49</b>	<b>2.40</b>	<b>5.00</b>

## SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter			Full year
	Q1 -19	Q4 -18	Q1 -18	2018
<b>Net profit/loss for the period</b>	<b>451</b>	<b>309</b>	<b>498</b>	<b>1037</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial gains or losses on defined benefit pension plans	-61	-24	-	-24
Change in fair value of shareholding in Other holdings	19	47	3	91
Tax attributable to items not to be reclassified to profit or loss	13	5	-	5
<b>Total items never reclassified to profit or loss</b>	<b>-29</b>	<b>28</b>	<b>3</b>	<b>72</b>
<b>Items that have been or may be reclassified subsequently to profit or loss</b>				
Differences arising from the translation of foreign operations' accounts	25	-3	67	60
Change in fair value of cash flow hedges	-280	163	-87	376
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	60	-35	19	-80
<b>Total items that have been or may be reclassified subsequently to profit or loss</b>	<b>-195</b>	<b>125</b>	<b>-1</b>	<b>356</b>
<b>Total comprehensive income for the period</b>	<b>227</b>	<b>462</b>	<b>500</b>	<b>1 465</b>
<b>Attributable to:</b>				
Owners of the parent company	227	462	500	1 465
Non-controlling interests	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>227</b>	<b>462</b>	<b>500</b>	<b>1 465</b>



## SUMMARISED BALANCE SHEET

SEKm	31 Mar 2019	31 Mar 2018	31 Dec 2018
Intangible assets	2 236	2 212	2 185
Property, plant and equipment, including Right of use assets	22 196	18 492	21 429
Other non-current assets	1 750	1 637	1 867
<b>Total non-current assets</b>	<b>26 182</b>	<b>22 341</b>	<b>25 481</b>
Inventories	3 725	3 159	3 633
Accounts receivable	2 965	2 812	2 807
Other current assets	969	1 012	1 337
Cash and cash equivalents	687	1 068	456
<b>Total current assets</b>	<b>8 346</b>	<b>8 051</b>	<b>8 233</b>
<b>Total assets</b>	<b>34 528</b>	<b>30 392</b>	<b>33 714</b>
Equity attributable to owners of the parent company	14 576	14 313	14 355
Non-controlling interests	9	-	-
<b>Total equity</b>	<b>14 585</b>	<b>14 313</b>	<b>14 355</b>
Interest-bearing liabilities	7 839	6 305	7 130
Provisions for pensions	851	790	784
Other liabilities and provisions	279	232	284
Deferred tax liabilities	3 572	3 410	3 633
<b>Total non-current liabilities</b>	<b>12 541</b>	<b>10 737</b>	<b>11 831</b>
Interest-bearing liabilities	1 839	46	1 894
Accounts payables	3 617	3 332	3 825
Other liabilities and provisions	1 946	1 964	1 809
<b>Total current liabilities</b>	<b>7 402</b>	<b>5 342</b>	<b>7 528</b>
<b>Total equity and liabilities</b>	<b>34 528</b>	<b>30 392</b>	<b>33 714</b>

## SUMMARISED STATEMENT OF CHANGES IN EQUITY

SEKm	Quarter		Full year
	Q1 -19	Q1 -18	2018
<b>Opening balance</b>	<b>14 355</b>	<b>13 811</b>	<b>13 811</b>
Changed accounting principles due to IFRS16	-5	-	-
Comprehensive income for the period	227	500	1 465
Share-based payment to be settled in equity instruments	-1	2	10
Buy-back of own shares	-	-	-41
Dividend to owners of the parent company	-	-	-890
Non-controlling interest through acquisition	9	-	-
<b>Closing balance</b>	<b>14 585</b>	<b>14 313</b>	<b>14 355</b>
<b>Equity attributable to:</b>			
Owners of the parent company	14 576	14 313	14 355
Non-controlling interests	9	-	-
<b>Closing balance</b>	<b>14 585</b>	<b>14 313</b>	<b>14 355</b>

## SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter			Full year
	Q1 -19	Q4 -18	Q1 -18	2018
Operating surplus, etc.*	984	770	1 050	3 219
Net financial items, taxes, etc.	74	-154	-161	-450
Change in working capital, etc.	-334	-349	-83	-267
<b>Cash flow from operating activities</b>	<b>724</b>	<b>267</b>	<b>806</b>	<b>2 502</b>
Investments in intangible assets, property, plant and equipment	-818	-1 027	-1 122	-5 120
Acquisition of financial assets/ contribution associated companies	-2	-6	-10	-22
Disposal of financial assets	13	-	-	5
Sales of subsidiary	-	-1	-	-1
Business combinations	-45	-	-	-36
Disposal of property, plant and equipment	7	-	-	2
<b>Cash flow from investing activities</b>	<b>-845</b>	<b>-1 034</b>	<b>-1 132</b>	<b>-5 172</b>
Change in interest-bearing receivables	-	-	-	-3
Change in interest-bearing liabilities	340	893	1 194	3 863
Buy-back of own shares	-	-41	-	-41
Dividend to owners of the parent company	-	-	-	-890
<b>Cash flow from financing activities</b>	<b>340</b>	<b>852</b>	<b>1 194</b>	<b>2 929</b>
<b>Total cash flow (=change in cash and cash equivalents)</b>	<b>219</b>	<b>85</b>	<b>868</b>	<b>259</b>
<b>Cash and cash equivalents at start of period</b>	<b>456</b>	<b>371</b>	<b>168</b>	<b>168</b>
<b>Translation differences in cash and cash equivalents</b>	<b>12</b>	<b>-</b>	<b>32</b>	<b>29</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>687</b>	<b>456</b>	<b>1 068</b>	<b>456</b>

## \*RECONCILIATION OF OPERATING SURPLUS

SEKm	Quarter			Full year
	Q1 -19	Q4 -18	Q1 -18	2018
Operating profit	640	414	677	1 430
Reversed depreciation	382	380	388	1 513
Earnings from associated companies	2	-	-12	-12
Change in provisions for pensions	1	-24	-	-43
Change in other provisions	-18	-54	13	136
Unified accounting principles regarding spare parts and consumables	-	-	-	177
Net of produced and sold electricity certificates and sold emission rights	-16	52	-18	2
Incentive programmes	-1	3	2	10
Scrapping of fixed assets	-6	-	-	35
Revaluation of current holdings related to business combinations	-	-	-	-30
Capital gain/loss from sales of business	-	1	-	3
Revaluation of biological assets	-	-2	-	-2
<b>Operating surplus, etc</b>	<b>984</b>	<b>770</b>	<b>1 050</b>	<b>3 219</b>



## NOTE 1 ACCOUNTING POLICIES

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting policies applied in this interim report are the same as those used in the most recent annual report for 2018, except for IFRS 16 which is described below, see pages 90-97 and page 134 for definitions of key figures. The interim report for the parent company is prepared in accordance with the Swedish Annual Accounts Act. Key figure definitions are provided on page 22 of this report.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS.

### IFRS 16 Leases

BillerudKorsnäs applies IFRS 16 – Leases from January 1 2019. BillerudKorsnäs has chosen a simplified retrospective method upon transition to IFRS 16, which means that amounts for the comparative year 2018 have not been re-measured. This means that the opening balance at 1 January 2019 has recognised an increased non-current asset linked to IFRS 16 through a right-to-use asset amounting to SEK 260 million and an interest-bearing lease liability of SEK 266 million, which resulted in a negative net effect after deferred tax on equity of SEK 5 million. BillerudKorsnäs has chosen to apply exemptions relating to leases shorter than 12 months and low-value leases. Leases covered by these exemptions are not included in the recognised lease liability or right-of-use assets. BillerudKorsnäs' leases principally consist of trucks, company cars and office rents, the vehicle category accounting for around 75% of the right-of-use asset. At the transition to IFRS 16 an incremental borrowing rate of 1.6% is used to calculate the lease liability.

The differences between the lease liability at 1 January 2019 and the disclosures in Note 12, regarding future contractual lease commitments, in the 2018 annual accounts is that Note 12 also includes newly signed lease contracts for which BillerudKorsnäs is not yet able to use the asset.

The right-to-use asset, amounting to SEK 264 million, is presented in the summarised balance sheet at 31 March 2019 as Property, plant and equipment. The lease liability, amounting to SEK 269 million, is presented under Interest-bearing liabilities (current and non-current). In the summarised income statement the leasing cost is not accounted for as Other external costs which was the case according to the previous standard IAS 17. Under IAS 17 the costs would have amounted to SEK 27 million for the first quarter of 2019. Under IFRS 16 depreciation is now accounted for on right-to-use assets amounting to SEK 26 million, as Depreciation and impairment of non-current assets. The interest cost, an amount of SEK 1 million, relating to the lease liability is a part of the financial income and expenses.

## NOTE 2 FINANCIAL ASSETS AND LIABILITIES

	Fair value through profit or loss - hedge accounting	Amortised cost	Fair value through other compre- hensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
<i>Valuation classification</i>	<i>Level 2</i>		<i>Level 3</i>			
<b>Group 31 march 2019</b>						
Other shares and participations	-	-	1 517	-	1 517	1 517
Long-term receivables	64	26	-	-	90	90
Accounts receivable	-	2 965	-	-	2 965	2 965
Other receivables	160	407	-	-	567	567
Cash and cash equivalents	-	687	-	-	687	687
<b>Total</b>	<b>224</b>	<b>4 085</b>	<b>1 517</b>	<b>-</b>	<b>5 826</b>	<b>5 826</b>
Non-current interest-bearing liabilities	-	-	-	7 839	7 839	7 850
Current interest-bearing liabilities	-	-	-	1 839	1 839	1 839
Accounts payables	-	-	-	3 617	3 617	3 617
Other liabilities	120	-	-	301	421	421
<b>Total</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>13 596</b>	<b>13 716</b>	<b>13 727</b>

	Fair value through profit or loss - hedge accounting	Amortised cost	Fair value through other compre- hensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
<i>Valuation classification</i>	<i>Level 2</i>		<i>Level 3</i>			
<b>Group 31 December 2018</b>						
Other shares and participations	-	-	1 530	-	1 530	1 530
Long-term receivables	177	26	-	-	203	203
Accounts receivable	-	2 807	-	-	2 807	2 807
Other receivables	307	568	-	-	875	875
Cash and cash equivalents	-	456	-	-	456	456
<b>Total</b>	<b>484</b>	<b>3 857</b>	<b>1 530</b>	<b>-</b>	<b>5 871</b>	<b>5 871</b>
Non-current interest-bearing liabilities	-	-	-	7 130	7 130	7 143
Current interest-bearing liabilities	-	-	-	1 894	1 894	1 894
Accounts payables	-	-	-	3 825	3 825	3 825
Other liabilities	121	-	-	250	371	371
<b>Total</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>13 099</b>	<b>13 220</b>	<b>13 233</b>

## NOTE 3 ACQUISITION ANALYSIS

Together with ALPLA, which manufactures plastic packaging solutions, BillerudKorsnäs has decided to embark on the joint journey of development regarding a fully bio-based and recyclable paper bottle, and intends to form a joint venture through ecoXpac A/S, a manufacturer of paper bottles in Denmark. When the transaction is complete, BillerudKorsnäs' wholly owned subsidiaries BillerudKorsnäs Venture AB och Alpla Holding GmbH will own shares of equal size in ecoXpac A/S.

The transaction is subject to the usual regulatory approvals, including from relevant competition authorities. It is expected to be completed during the third quarter of 2019.

As part of the intention to form this joint venture, BillerudKorsnäs acquired shares in ecoXpac A/S on 29 March 2019. Following this transaction BillerudKorsnäs' shareholding totals 89.2%. Prior to the acquisition the BillerudKorsnäs Group owned 19.6% of the shares.

Revaluation of previous holdings has increased other comprehensive income by SEK 13 million. Non-controlling interests as a result of the acquisition total SEK 9 million. Acquisition costs have been carried as an expense and are estimated to total SEK 1 million.

A preliminary acquisition analysis of the transaction is presented below.





SEKm	
<b>Group</b>	<b>2019</b>
<b>Acquired balance sheet</b>	
Goodwill	45
Non-current assets	33
Current assets	22
<b>Total Assets</b>	<b>100</b>
Non-current liabilities	-1
Current liabilities	-12
<b>Total liabilities</b>	<b>-12</b>
<b>Purchase consideration</b>	
Purchase consideration	-59
Cash and cash equivalents (acquired)	14
<b>Net effect on cash and cash equivalent</b>	<b>-45</b>

#### **NOTE 4 OTHER DISCLOSURES**

Other disclosures in accordance with IAS 34.16A can be found on the pages prior to the income statement and the statement of comprehensive income. Information regarding divisions/segments can be found on pages 4–6, information regarding financing on page 7, seasonal effects on page 21 and events after the end of the quarter on page 3.

## KEY FIGURES

	Jan-Mar		Full year
	2019	2018	2018
<b>Margins</b>			
EBITDA, %	16	18	12
Operating margin, %	10	11	6
<b>Return (rolling 12 months)</b>			
Return on capital employed, %	6	13	7
Return on equity, %	7	13	7
<b>Capital structure at end of period</b>			
Capital employed, SEKm	24 407	20 369	23 687
Working capital, SEKm	2 252	1 798	2 056
Equity attributable to owners of the parent company, SEKm	14 576	14 313	14 355
Interest-bearing net debt, SEKm	9 822	6 056	9 333
Net debt/equity ratio	0.67	0.42	0.65
Interest-bearing net debt / EBITDA, multiple	3.42	1.55	3.17
<b>Key figures per share</b>			
Earnings per share, SEK	2.18	2.40	5.01
Dividend (for the financial year) per share, SEK	-	-	4,30*
<b>Other key figures</b>			
Working capital as percentage of net sales, %	10	9	9
Gross investments, SEKm	820	1 132	5 142
Average number of employees	4 588	4 439	4 502

\*Board's proposal

## RECONCILLATION OF ALTERNATIVE PERFORMANCE MEASURES

	Quarter			Full year
	Q1 - 19	Q4 - 18	Q1 - 18	2018
<b>Adjusted EBITDA, SEKm</b>				
Operating profit	640	414	677	1 430
Depreciation and impairment of non-current assets	382	380	388	1 513
<b>EBITDA</b>	<b>1 022</b>	<b>794</b>	<b>1 065</b>	<b>2 943</b>
Items affecting comparability	13	16	37	533
<b>Adjusted EBITDA</b>	<b>1 035</b>	<b>810</b>	<b>1 102</b>	<b>3 476</b>
<b>Adjusted Operating profit, SEKm</b>				
Operating profit	640	414	677	1 430
Items affecting comparability	13	29	52	591
<b>Adjusted Operating profit</b>	<b>653</b>	<b>443</b>	<b>729</b>	<b>2 021</b>
<b>Adjusted earnings per share, SEK</b>				
Profit attributed to owners of the parent company, SEKm	451	309	498	1 037
Items affecting comparability, attributed to owners of the parent company, SEKm	10	23	40	461
<b>Adjusted profit attributed to owners of the parent company, SEKm</b>	<b>461</b>	<b>332</b>	<b>538</b>	<b>1 498</b>
Weighted number of outstanding shares, thousands	206 701	206 846	206 957	206 962
<b>Adjusted earnings per share</b>	<b>2.23</b>	<b>1.61</b>	<b>2.60</b>	<b>7.24</b>
<b>Adjusted Return on capital employed (ROCE), SEKm</b>				
Adjusted Operating profit over 12 months *	1 945	2 021	2 548	2 021
Average capital employed over 12 months	22 502	21 530	18 731	21 530
<b>Adjusted Return on capital employed</b>	<b>9%</b>	<b>9%</b>	<b>14%</b>	<b>9%</b>
<b>Interest-bearing net debt / Adjusted EBITDA, multiple</b>				
Interest-bearing net debt	9 822	9 333	6 056	9 333
Adjusted EBITDA over 12 months*	3 383	3 476	3 902	3 476
<b>Interest-bearing net debt / Adjusted EBITDA</b>	<b>2.90</b>	<b>2.68</b>	<b>1.55</b>	<b>2.68</b>
<b>Items affecting comparability, SEKm</b>				
MG Investment in Skärblacka (Operating expenses)	-	-	3	3
New board machine in Gruvön - additional costs (Operating expenses)	17	18	15	61
New board machine in Gruvön - restructuring (Operating expenses)	-	-10	-	-10
New board machine in Gruvön - depreciation and impairment of existing non-current assets (Depreciation and Impairment of non-current assets)		13	15	58
Restructuring (Operating expenses)	-	8	19	27
Workplace environment (Operating expenses)	-	-	-	159
Unification of accounting principles - Spare parts and consumables (Operating expenses)	-	-	-	177
Acquisition costs Bergvik	2	9		9
Other (Operating expenses)	-6	-9	-	107
<b>Items affecting comparability</b>	<b>13</b>	<b>29</b>	<b>52</b>	<b>591</b>

\*12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date.

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (CONT.)

	31 Mar 2019	31 Mar 2018	31 Dec 2018
<b>Capital employed, SEKm</b>			
Total assets	34 528	30 392	33 714
Accounts payables	-3 617	-3 332	-3 825
Other liabilities and provisions	-2 225	-2 196	-2 094
Deferred tax liabilities	-3 572	-3 410	-3 633
Interest-bearing non-current assets	-20	-17	-19
Cash and Cash equivalents	-687	-1 068	-456
<b>Capital employed</b>	<b>24 407</b>	<b>20 369</b>	<b>23 687</b>
<b>Working capital, SEKm</b>			
Inventories	3 725	3 159	3 633
Accounts receivables	2 965	2 812	2 807
Other operating receivables	968	1 012	1 337
Accounts payables	-3 617	-3 332	-3 825
Other operating liabilities (excl provisions)	-1 833	-1 933	-1 683
Tax liabilities	44	80	-213
<b>Working capital</b>	<b>2 252</b>	<b>1 798</b>	<b>2 056</b>
<b>Interest-bearing net debt, SEKm</b>			
Interest bearing provisions	851	790	784
Interest bearing non-current liabilities	7 839	6 305	7 130
Interest bearing current liabilities	1 839	46	1 894
Interest-bearing non-current assets	-20	-17	-19
Cash and Cash equivalents	-687	-1 068	-456
<b>Interest-bearing net debt</b>	<b>9 822</b>	<b>6 056</b>	<b>9 333</b>

## Seasonal effects

BillerudKorsnäs' business is subject to seasonal fluctuations to a relatively limited extent. Periodical maintenance shutdowns have the largest impact, as they involve each unit stopping production for around one week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown. It should also be noted that the Group usually has a somewhat higher cost level in the fourth quarter than in previous quarters.

### PLANNED MAINTENANCE SHUTDOWNS

In addition to ongoing maintenance during production, BillerudKorsnäs' production units normally also require more extensive maintenance at some time during the year. Maintenance requires the production of pulp, paper and board to stop. The principal cost items in a maintenance shutdown are loss of volumes arising from the shutdown and fixed costs, mainly maintenance and overtime costs, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of the measures carried out, their nature and the actual length of the shutdown. The estimated cost of shutdown involves an assessment of the impact on earnings of a normal shutdown compared with a quarter during which no periodic maintenance shutdown takes place.

No planned maintenance shutdowns were carried out in the first quarter of 2019.

### ESTIMATED MAINTENANCE SHUTDOWN COST

Production units	Estimated shutdown cost <sup>1</sup>	Estimated breakdown of shutdown cost by division			Planned dates of maintenance shutdown			
		SEKm	Division Board	Division Paper	Division Solution	2019	2018	2017
Gävle	~ 150	100%				Q2	Q3	Q3
Gruvön	~ 155	~ 95%	~ 2%	~ 3%		Q3	Q2	Q2
Frövi	~ 110	100%				Q4	Q4	Q4
Skärblacka	~ 150	~ 15%	~ 85%			Q2	Q2	Q2
Karlsborg	~ 55		~ 98%	~ 2%		Q3	Q3	Q3
Pietarsaari	~ 15		100%			-	Q4	Q2
Rockhammar	~ 15	100%				Q4	Q4	Q4

<sup>1</sup>Maintenance shutdowns at Beetham have an insignificant effect on BillerudKorsnäs' total earnings.

# Definitions

## ADJUSTED KEY FIGURES

Adjusted key figures on EBITDA, Operating profit, Return on capital employed and Earnings per share provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

## ADJUSTED EBITDA

Operating profit before depreciation and amortisation adjusted for items affecting comparability.

## ADJUSTED EARNINGS PER SHARE

Earnings per share adjusted for items affecting comparability after tax attributable to owners of the parent company.

## ADJUSTED OPERATING PROFIT

Operating profit adjusted for items affecting comparability.

## CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets. The measure is used to quantify the net total assets used in the operating business, and is used as a component in measuring operating profitability.

## EARNINGS PER SHARE

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market.

## EQUITY

Equity at the end of the period.

## EBITDA

Operating profit before depreciation and amortisation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation). EBITDA is a measure of operating performance. It is a profit measure that is close to the cash flow from operating activities.

## EBITDA, %

Operating profit before depreciation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales. The measure is used in business review as well as for benchmarking with peer companies.

## INTEREST-BEARING NET DEBT

Interest-bearing provisions and liabilities less interest-bearing assets. The measure is used to quantify the debt financing, taken the amount of financial assets into account. The measure is used as a component in measuring financial risk.

## INTEREST-BEARING NET DEBT/ EBITDA

Interest bearing net debt at the end of the period divided by EBITDA for the last twelve months. The measure shows the size of the interest-bearing net debt compared to the repayment capacity. A higher (lower) ratio indicates a higher (lower) risk.

## INTEREST-BEARING NET DEBT/ADJUSTED EBITDA

Interest bearing net debt at the end of the period divided by EBITDA for the last twelve months adjusted for items affecting comparability.

## MF KRAFT PAPER

Machine Finished kraft paper.

## MG KRAFT PAPER

Machine Glazed kraft paper.

## NBSK

Northern Bleached Softwood Kraft.

## NET DEBT/EQUITY RATIO

Interest-bearing net debt divided by equity. The ratio shows the mix between interest-bearing net debt and equity financing. A higher ratio means higher financial leverage and may have positive effects on return on equity, but imply a higher financial risk.

## OPERATING CASH FLOW BEFORE STRATEGIC INVESTMENTS

Cash flow from the operating and investing activities, excluding strategic investments, acquisition and sale of subsidiaries. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, make strategic investments and pay dividends to the shareholders.

## OPERATING MARGIN

Operating profit as a percentage of net sales. Operating margin shows the percentage of revenue remaining as operating profit after deducting all operating expenses. The measure is used in business review as well as for benchmarking with peer companies.

## RETURN ON CAPITAL EMPLOYED (ROCE)

Operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter. The return on capital employed is a measure that shows how effectively total net operating assets are used in order to generate return in the operating business. The measure takes capital invested in the operating activities into account and is used in business review and benchmarking with peer companies.

## RETURN ON EQUITY

Profit calculated over 12 months, attributable to owners of the parent company, as a percentage of average shareholders' equity calculated per quarter, attributable to owners of the parent company. The measure represents total profitability compared to the equity invested by the parent company's shareholders.

## WORKING CAPITAL

Inventories, accounts receivables and other operating receivables less accounts payables and other operating liabilities. The measure shows the amount of current net assets that is tied up in the business. Together with non-current assets, working capital constitutes the operating capital employed to generate operating returns.

## WORKING CAPITAL AS PERCENTAGE OF NET SALES

Average working capital for the last three months, divided by annual net sales at year end or annualised net sales during interim-quarter (net sales for the quarter multiplied by four). Working capital in relation to net sales shows how effectively the working capital is used. A lower percentage means less capital is tied up to generate a given amount of revenue, and an increased ability to internally finance growth and return to shareholders.



# Parent company

## SUMMARISED INCOME STATEMENT

SEKm	Quarter		Full year
	Q1 -19	Q1 -18	2018
Operating income	41	113	150
Operating expenses	-119	-147	-608
<b>Operating profit/loss</b>	<b>-78</b>	<b>-34</b>	<b>-458</b>
Financial income and expenses	-51	-69	-340
<b>Profit/Loss after financial income and expenses</b>	<b>-129</b>	<b>-103</b>	<b>-798</b>
Appropriations	-	-	756
<b>Profit/loss before tax</b>	<b>-129</b>	<b>-103</b>	<b>-42</b>
Taxes	27	24	-31
<b>Net profit/loss for the period</b>	<b>-102</b>	<b>-79</b>	<b>-73</b>

## SUMMARISED BALANCE SHEET

SEKm	31 Mar	31 Mar	31 Dec
	2019	2018	2018
Non-current assets	10 687	10 753	10 678
Current assets	13 325	11 772	12 575
<b>Total assets</b>	<b>24 012</b>	<b>22 525</b>	<b>23 253</b>
Shareholders' equity	7 154	8 174	7 256
Untaxed reserves	1 526	1 586	1 526
Provisions	227	229	235
Liabilities	15 105	12 536	14 236
<b>Total equity and liabilities</b>	<b>24 012</b>	<b>22 525</b>	<b>23 253</b>

## QUARTERLY DATA

The Group's business is managed and reported according to BillerudKorsnäs' three divisions. Other includes results from wood supply, Nine AB (until Q4-17), Scandfibre Logistics AB, rental operations, tech centres, logistics, parts of strategic and project purchasing, dormant logistics companies, income from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also includes Group-wide functions, Group eliminations (including IFRS16) and profit/loss from participation in associated companies. Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of trade receivables and payments from customers. The portion of the currency exposure that relates to changes in exchange rates for invoicing is included in the business area's profit/loss.

### Quarterly net sales per division and for the Group

SEKm	2019		2018		2017			
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	3 536	3 178	3 268	3 079	3 154	2 950	3 050	3 007
Division Paper	2 305	2 048	2 244	2 127	2 104	1 980	1 902	1 979
Division Solutions	206	257	256	279	188	225	203	206
Other	485	436	383	451	449	383	388	443
Currency hedging, etc.	-28	-76	-97	-38	2	27	1	-35
<b>Total Group</b>	<b>6 504</b>	<b>5 843</b>	<b>6 054</b>	<b>5 898</b>	<b>5 897</b>	<b>5 565</b>	<b>5 544</b>	<b>5 600</b>

### Quarterly EBITDA per division and for the Group

SEKm	2019		2018		2017			
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	683	629	608	474	745	662	789	726
Division Paper	466	359	431	298	428	360	351	273
Division Solutions	13	14	-7	10	-3	-27	2	-7
Other	-112	-133	-53	-540	-107	-97	-93	-94
Currency hedging, etc.	-28	-75	-98	-39	2	25	2	-35
<b>Total Group</b>	<b>1 022</b>	<b>794</b>	<b>881</b>	<b>203</b>	<b>1 065</b>	<b>923</b>	<b>1 051</b>	<b>863</b>

### Quarterly EBITDA margin per division and for the Group

%	2019		2018		2017			
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	19	20	19	15	24	22	26	24
Division Paper	20	18	19	14	20	18	18	14
Division Solutions	6	5	-3	4	-2	-12	1	-3
<b>Group</b>	<b>16</b>	<b>14</b>	<b>15</b>	<b>3</b>	<b>18</b>	<b>17</b>	<b>19</b>	<b>15</b>

### Adjusted quarterly EBITDA, including maintenance shutdowns, per division and for the Group

SEKm	2019		2018		2017			
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	683	763	757	658	745	777	934	783
Division Paper	466	373	490	515	428	387	426	443
Division Solutions	13	14	-7	10	-3	-27	2	-7
Other	-99	-117	-41	-72	-70	-72	-69	-75
Currency hedging, etc.	-28	-75	-98	-39	2	25	2	-35
<b>Total Group</b>	<b>1 035</b>	<b>958</b>	<b>1 101</b>	<b>1 072</b>	<b>1 102</b>	<b>1 090</b>	<b>1 295</b>	<b>1 109</b>
Costs for maint. shutdowns	-	-148	-208	-401	-	-140	-215	-227
Items affecting comparability	-13	-16	-12	-468	-37	-27	-29	-19
<b>EBITDA</b>	<b>1 022</b>	<b>794</b>	<b>881</b>	<b>203</b>	<b>1 065</b>	<b>923</b>	<b>1 051</b>	<b>863</b>

### Adjusted quarterly EBITDA margin, including maintenance shutdowns, per division and for the Group

%	2019		2018		2017			
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	19	24	23	21	24	26	31	26
Division Paper	20	18	22	24	20	20	22	22
Division Solutions	6	5	-3	4	-2	-12	1	-3
<b>Total Group</b>	<b>16</b>	<b>16</b>	<b>18</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>23</b>	<b>20</b>





## Quarterly operating profit/loss, per division and for the group

SEKm	2019	2018				2017		
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	441	383	367	225	494	413	540	472
Division Paper	356	248	320	191	331	258	249	171
Division Solutions	11	11	-10	7	-7	-32	-2	-12
Other	-140	-152	-67	-558	-143	-143	-108	-107
Currency hedging, etc.	-28	-76	-97	-39	2	25	2	-35
<b>Total Group</b>	<b>640</b>	<b>414</b>	<b>513</b>	<b>-174</b>	<b>677</b>	<b>521</b>	<b>681</b>	<b>489</b>

## Quarterly operating margin per division and for the group

%	2019	2018				2017		
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	12	12	11	7	16	14	18	16
Division Paper	15	12	14	9	16	13	13	9
Division Solutions	5	4	-4	3	-4	-14	-1	-6
<b>Total Group</b>	<b>10</b>	<b>7</b>	<b>8</b>	<b>-3</b>	<b>11</b>	<b>9</b>	<b>12</b>	<b>9</b>

## Quarterly sales volumes per division

ktonnes	2019	2018				2017		
	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Q2 -17
Division Board	454	426	437	417	440	420	448	436
Division Paper	233	214	243	233	251	253	255	258
Other	-6	-4	-5	-6	-5	-7	-4	-6
<b>Total Group</b>	<b>681</b>	<b>636</b>	<b>675</b>	<b>644</b>	<b>686</b>	<b>666</b>	<b>699</b>	<b>688</b>



# BILLERUDKORSNÄS

## This is BillerudKorsnäs

BillerudKorsnäs' mission is to **challenge conventional packaging for a sustainable future**. As one of the world's leading suppliers of innovative packaging solutions and high-quality packaging material based on renewable raw material, sustainability forms the foundation for continued profitable growth. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation and a clear sustainability focus.

Demand is driven by global megatrends, particularly a significantly greater awareness of sustainability, rising urbanisation and changing consumption patterns. Consumer segments, primarily food and beverages, account for more than three-quarters of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia, as well as in the Americas. Innovative packaging solutions and renewable packaging materials from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.

### BUSINESS MODEL

Our business model is based on high-performance materials from forests in the north, advice, service and the collective knowledge held by a global network of machine suppliers, packaging manufacturers, researchers and design agencies. Innovative and sustainable packaging solutions are developed in close collaboration with customers all over the world that demand the highest standards of quality, performance and sustainability.

### STRATEGIC FOCUS

BillerudKorsnäs' overall objective is sustainable and profitable growth. The target is to grow by 3–4% a year. Our strategy is based on four areas that all interact: **Position, Innovation, Sustainability and Efficiency**. In addition we view our employees as our most important resource in terms of driving change and realising our strategy and vision.

### VALUE DRIVERS

- Smarter packaging solutions that optimise our customers' offering.
- High-performance materials based on renewable raw material from responsibly managed forests.
- Leading position in the growing global packaging market.
- A sustainability-focused holistic approach to the entire packaging value chain, from raw material all the way to the end-customer and recycling.

Find out more at [billerudkorsnas.com](http://billerudkorsnas.com)