



WHAT IF packaging could
make a difference?

March 26, 2019

| Exane BNP Paribas, Basic Material Conference

KM7 Gruvön, January 2019

Growing in numbers and reputation

Net sales approx.
(2018)

23,7
Billion SEK



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

Operating profit
approx.
(2018)

1,4
Billion SEK



4 400
Number of employees



8

Production units

Beetham
Frövi
Rockhammar
Gruvön
Gävle
Karlsborg
Pietarsaari
Skärblacka

3 Divisions

54%*
Board
Share of net sales

36%*
Paper
Share of net sales

3%*
Solutions
Share of net sales

A strong platform
for growth and
profitability

With a focus on
customer value,
innovation and
sustainability

Creating networks
with an open mind

WHAT IF
paper packaging
is the solution

* Share of net sales estimates based on previous business areas. May be subject to adjustment. Figures for 2017

Offerings for a sustainable future



Packaging
materials



Packaging
services



Packaging
solutions

Our four key market segments



59%
of sales



24%
of sales



10%
of sales



7%
of sales

First-class materials from the forest



Fluting



Liners



3D Paper



Cartonboard



Kraft Paper
(Specialty)



Sack Paper



Liquid Packaging
Board



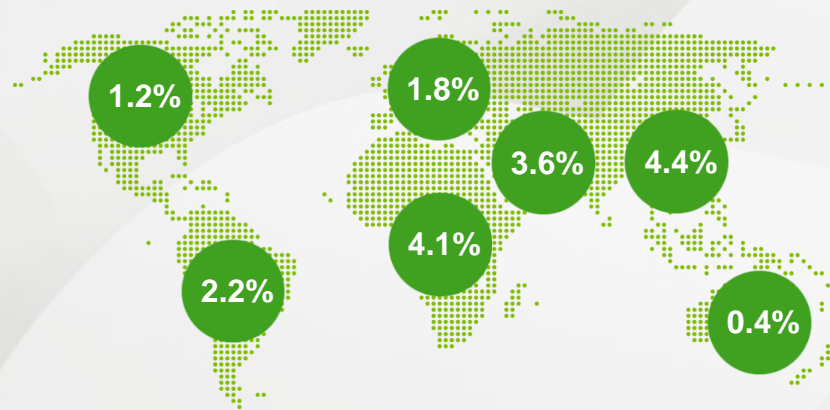
Kraft Paper
(Bags)



Kraft Paper
(Medical)

Global packaging market is growing 3%

- ④ Focus on expanding sales by challenging non-renewable materials
- ④ Key to success capturing growth is sustainable products and new packaging solutions



Unlocking the Potential

SECURE



Successful ramp-up of KM7
Competitive wood supply

IMPROVE



A safe company is a well run company
Stabilise production

ACCELERATE



Innovate for growth
Capture new solutions sales

We have invested for future growth

2012

Jakobstad



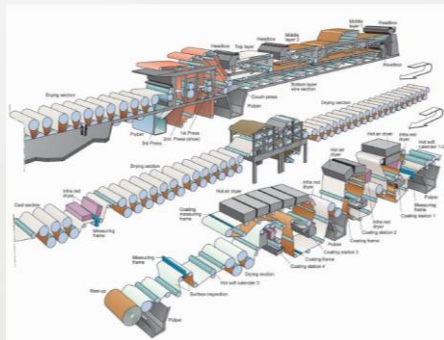
Tervasaari



UPM acquisition:

Production capacity: ~300 ktonnes

2013-2017



Production capacity increases:

Frövi/Rockhammar: ~95 ktonnes
 Skärblacka: ~20 ktonnes
 Gruvön: ~40 ktonnes
 Gävle: ~25 ktonnes

2018



PM10 Skärblacka:

Production capacity: ~90 ktonnes
 Products: MG-papers

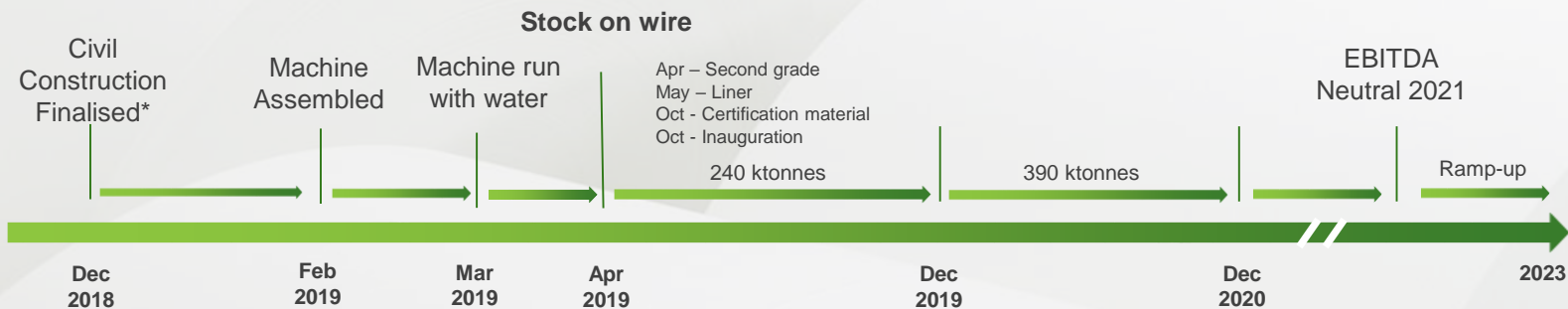
2019



KM7 Gruvön:

Production capacity: ~550,000 tonnes
 Products: Liquid packaging board, cartonboard and liner

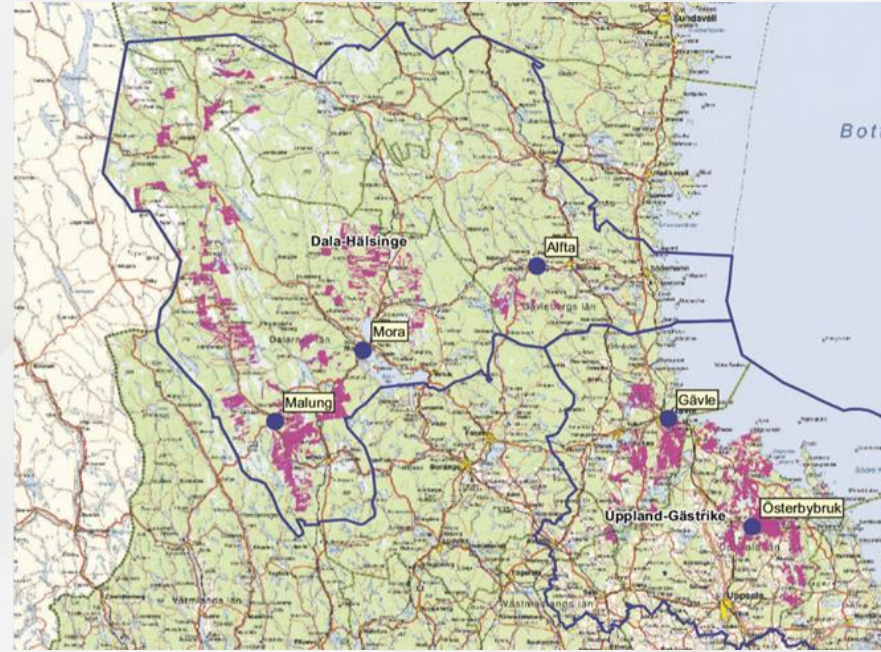
On schedule towards start-up March-April



* Final inspection Mar 2019

Strategically important agreement

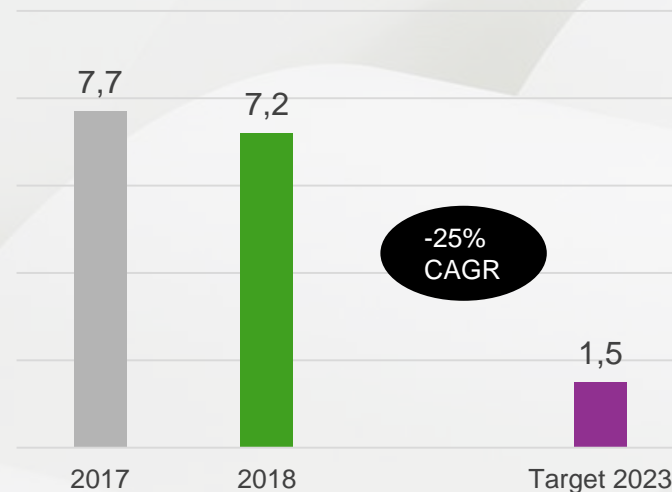
- ④ Finding suitable investors continuing as planned
- ④ The strongly competitive situation continues
- ④ Wood costs expected to flatten out
- ④ Sufficient inventory levels after a challenging year
- ④ Ongoing activities to strengthen the supply base – both domestic and through import



A paradigm shift in safety

- ⦿ All accidents are preventable
- ⦿ Focus on structure, engagement and predictability
- ⦿ Cultural changes – never walk by
- ⦿ A safe company is a well run company
- ⦿ Next generation program LTIFR* ~ 5

Lost time injuries frequency rate, LTIFR*

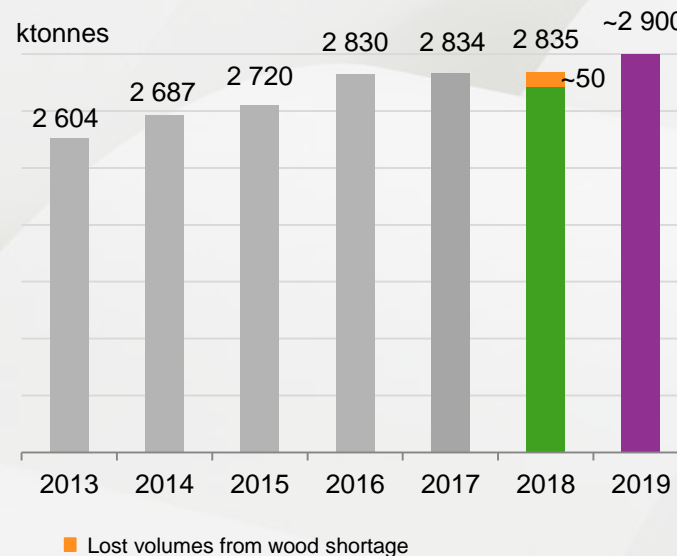


*Number of injuries per 1 000 000 worked hours


Production stability is a key focus



Production levels in line with expectations

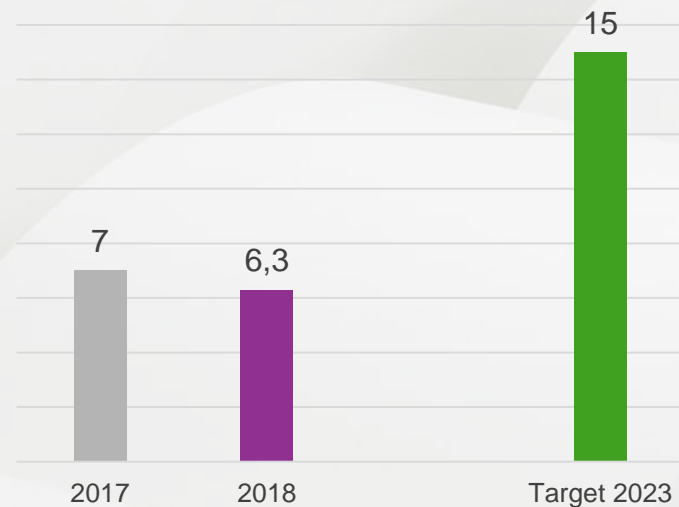


Innovation to support growth

- 
 FibreForm® Cap, made from formable 3D paper, replaces traditional aluminium laminates for sparkling wine



New product ratio, NPR



We see increased demand for packaging solutions...

Managed Packaging

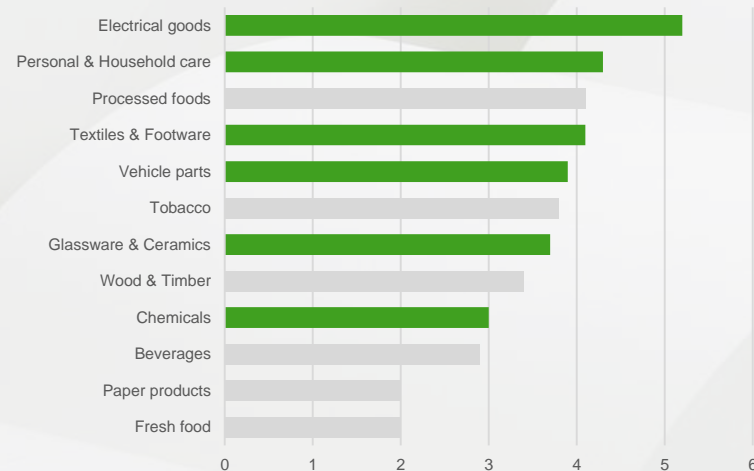
THE COMPLETE PACKAGING DEVELOPMENT AND MANAGEMENT SERVICE



Global development centres | Network in Asia | One contact

Global Corrugated demand 2018

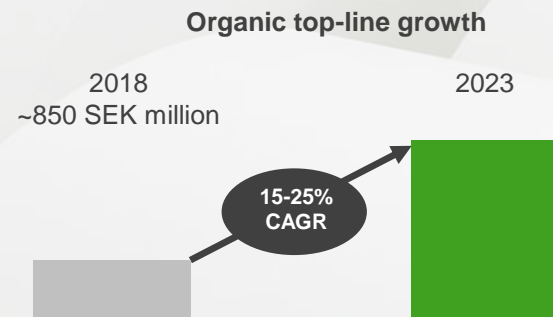
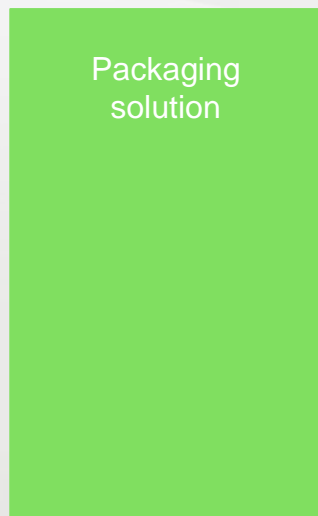
ANNUAL GROWTH RATE (%) BY 2018-2023



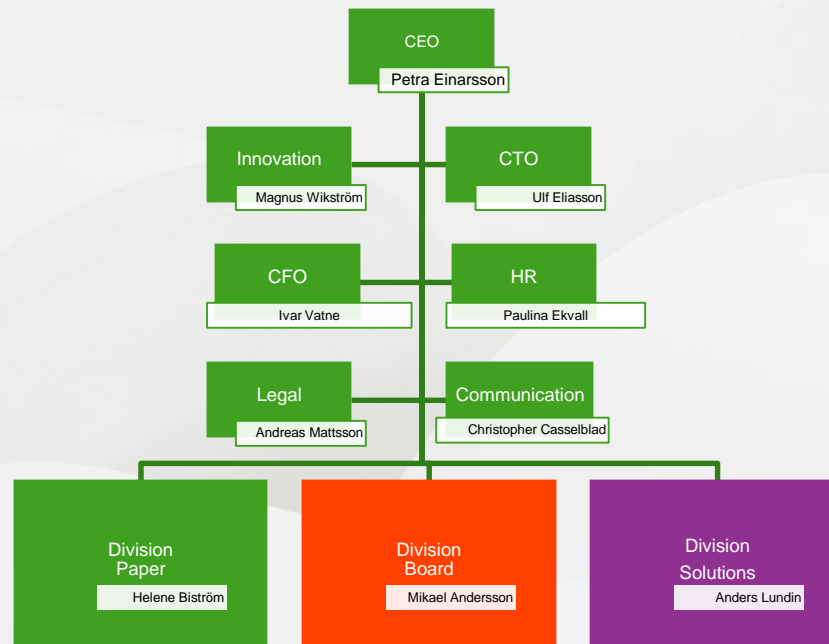
Source: Smithers PIRA

...and are reorganising to capture this growth

Solutions Division



New organisation and management team in place



Clear agenda for growth

PAPER DIVISION

Kraft and sack paper for customers with tough demands

BOARD DIVISION

LPB and cartonboard with unique properties and fluting and liner that add value*

SOLUTIONS DIVISION

Smart packaging solutions for brand owners who want to challenge conventional solutions

SELECTIVE GROWTH

**0-2%
CAGR**

Ability to leverage asset base in tight market

Development of new business models

Expansion to growing markets

VOLUME GROWTH

**4-5%
CAGR**

Solid growth in attractive segments

Strong assets to reinforce strong BK position

Innovation with customers and brand owners

VALUE GROWTH

**15-25%
CAGR**

Attractive sub-segments and geographies

Leading offerings with ability to expand

Innovative new solutions

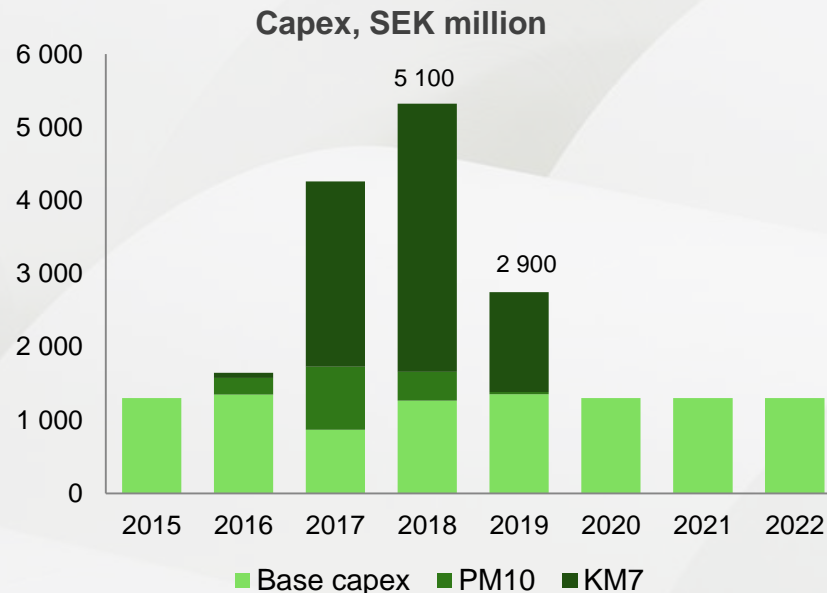
Next Generation investment programme







The majority of our investment program is completed

- ⦿ PM10: ~1 300 SEK million
 - > Started and undergoing ramp-up

- ⦿ KM7: ~7 600 SEK million
 - > Civil and construction completed
 - > Start-up March-April

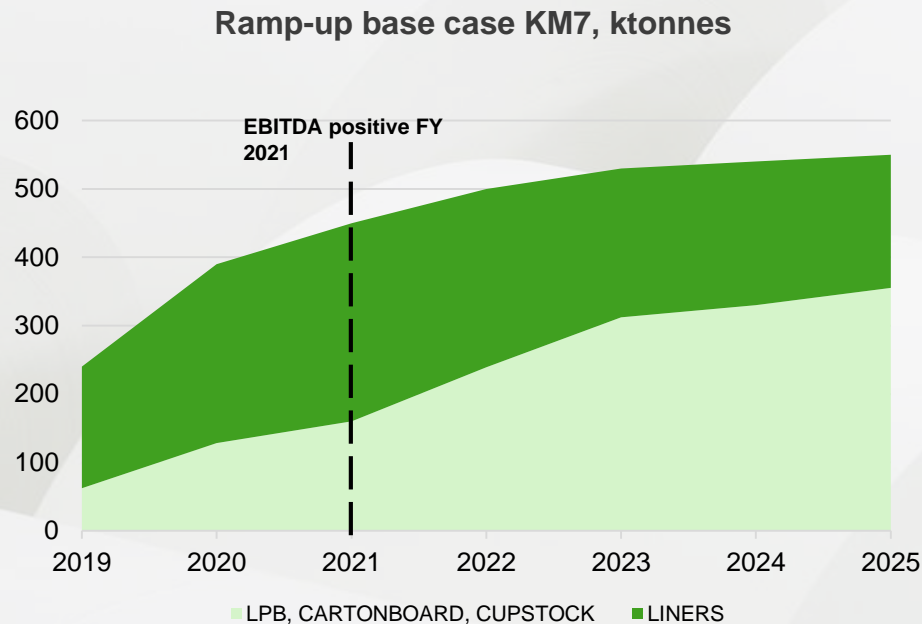


Next generation supported by strong market demand

| Product area | Global capacity | Demand CAGR | |
|---|-----------------|---------------------------------------|---|
| Liquid packaging board  | ~4.2 Mtonnes | 1-2 % | > Well-balanced market – limited new capacity coming |
| Carton  | ~15.5 Mtonnes | 4 % | > Large market – limited effect from new KM7 capacity |
| White surface Kraftliner  | ~4.3 Mtonnes | 1-2 % | > Balanced market |
| Machine glazed paper  | ~2.7 Mtonnes | 6-7 % in Asia 2-3 % in US & Europe | > Well-balanced in the short term with an increasing gap between capacity and demand in the long term |

We are committed to a stable ramp-up of KM7

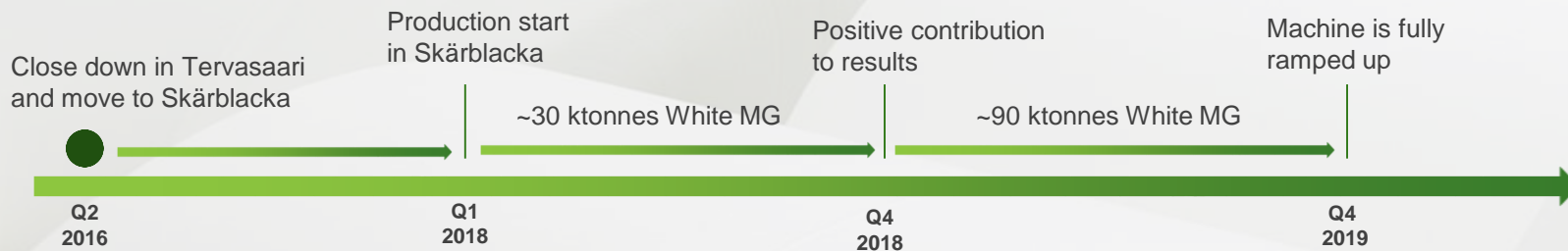
- ⊕ Liner will be the major product during the start-up phase
- ⊕ Increasing LBP production in pace with market growth
- ⊕ Flexibility to produce premium products to meet change in product demand



Skärblacka PM10 production started on time

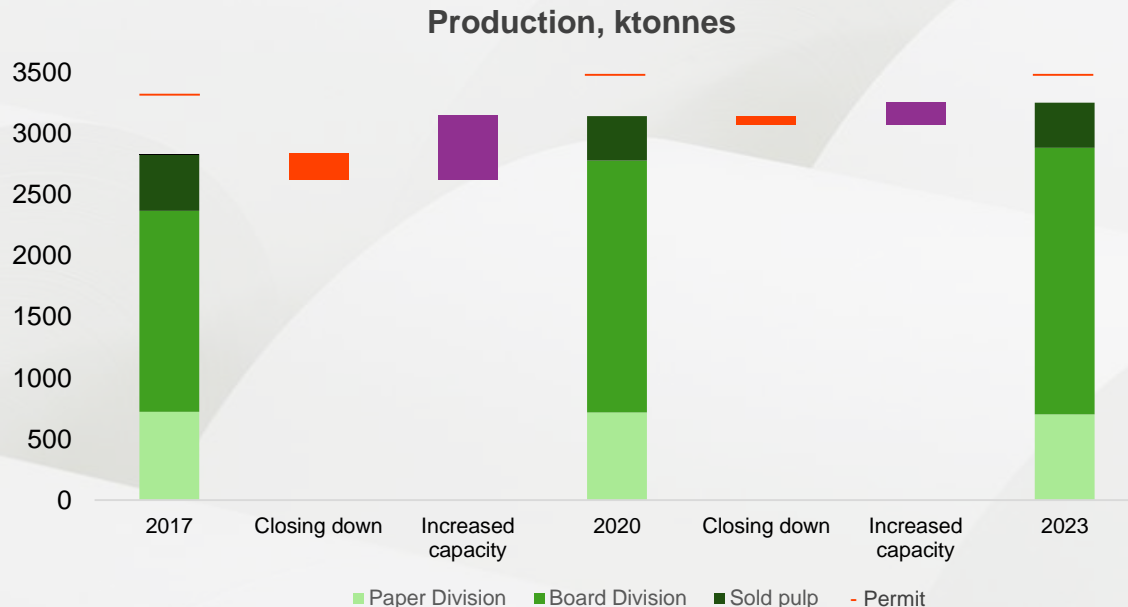
- ⌚ New paper machine in Skärblacka, PM10
 - > Integrated pulp supply reduces costs
 - > Adding value by increased quality grades

- ⌚ Upgraded paper machine PM7
 - > New film press surface coater
 - > Target new quality benchmark for medical and food packaging paper
 - > Enhanced capability for future product innovations



Increased production volumes

- ⌚ Three machines closing down in Gruvön 2019
 - > PM1, PM2 and PM5
- ⌚ Capacity increases in Gävle and Frövi adding LPB and Liner 2020
- ⌚ KM7 expected to produce ~390 ktonnes in 2020
 - > PM4 in Gruvön not yet closed
- ⌚ When fully ramped up 2023 KM7 expected to produce ~550 ktonnes
 - > PM4 in Gruvön closed
- ⌚ Additional potential from gap between actual production and permits





YEAR-END REPORT

January - December 2018

Key highlights

- ▶ Production levels in line with expectations
- ▶ Continued headwind from higher raw material costs
- ▶ Renewed long-term contracts within Liquid Packaging Board
- ▶ KM7 progressing according to plan, start-up in March/April 2019
- ▶ Bergvik Öst; process of finding suitable investors continues as planned
- ▶ Board proposes dividend of SEK 4,30 per share

5%

NET SALES GROWTH Y/Y

14%

EBITDA MARGIN*

9%

ROCE*

2.68

NET DEBT/EBITDA*

Record full year results

PACKAGING PAPER Q4 DEVELOPMENT



- ▶ Net sales + 5% vs Q4-17
 - ▶ Increased sales prices
 - ▶ Positive currency effects
- ▶ EBITDA + 2% vs Q4-17
 - ▶ Better product mix
- ▶ Market expected to remain good
 - ▶ Kraft and sack paper to remain good in next quarter

2,264

NET SALES SEK MILLION

411

EBITDA SEK MILLION

18%

EBITDA MARGIN

Renewed agreements

CONSUMER BOARD Q4 DEVELOPMENT



- EBITDA -20% vs Q4-17
 - Increased raw material costs
 - Unchanged prices

- The long-term agreements with our largest customers within liquid packaging board have been renewed, which will have positive effects on margins.

- Market expected to remain good with normal seasonal variations

2,012

NET SALES SEK MILLION

290

EBITDA SEK MILLION

14%

EBITDA MARGIN

Strong result

CORRUGATED SOLUTIONS Q4 DEVELOPMENT



- ▶ Net sales +15% vs Q4-17
 - > Increased sales prices
 - > Positive currency effects
 - > Slightly increased volumes
- ▶ EBITDA +31% vs Q4-17
 - > Increased sales prices and higher result for Managed Packaging
- ▶ Market expected to remain good
 - > Growth in Managed Packaging expected to remain strong

1,161

NET SALES SEK MILLION

278

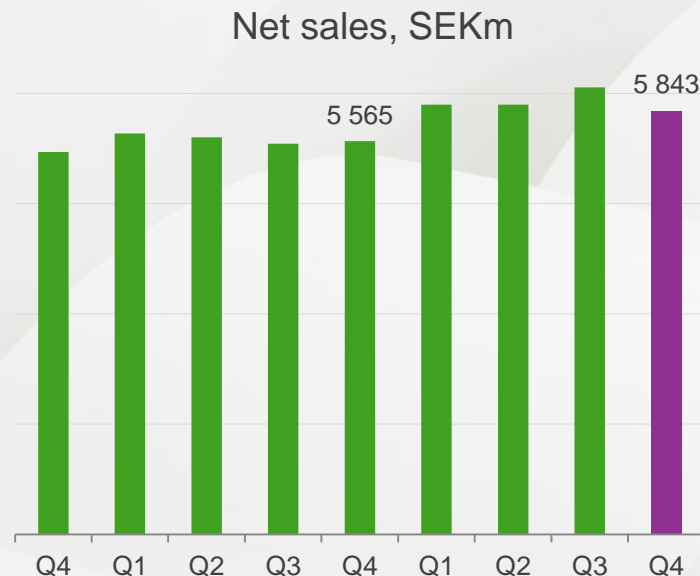
EBITDA SEK MILLION

24%

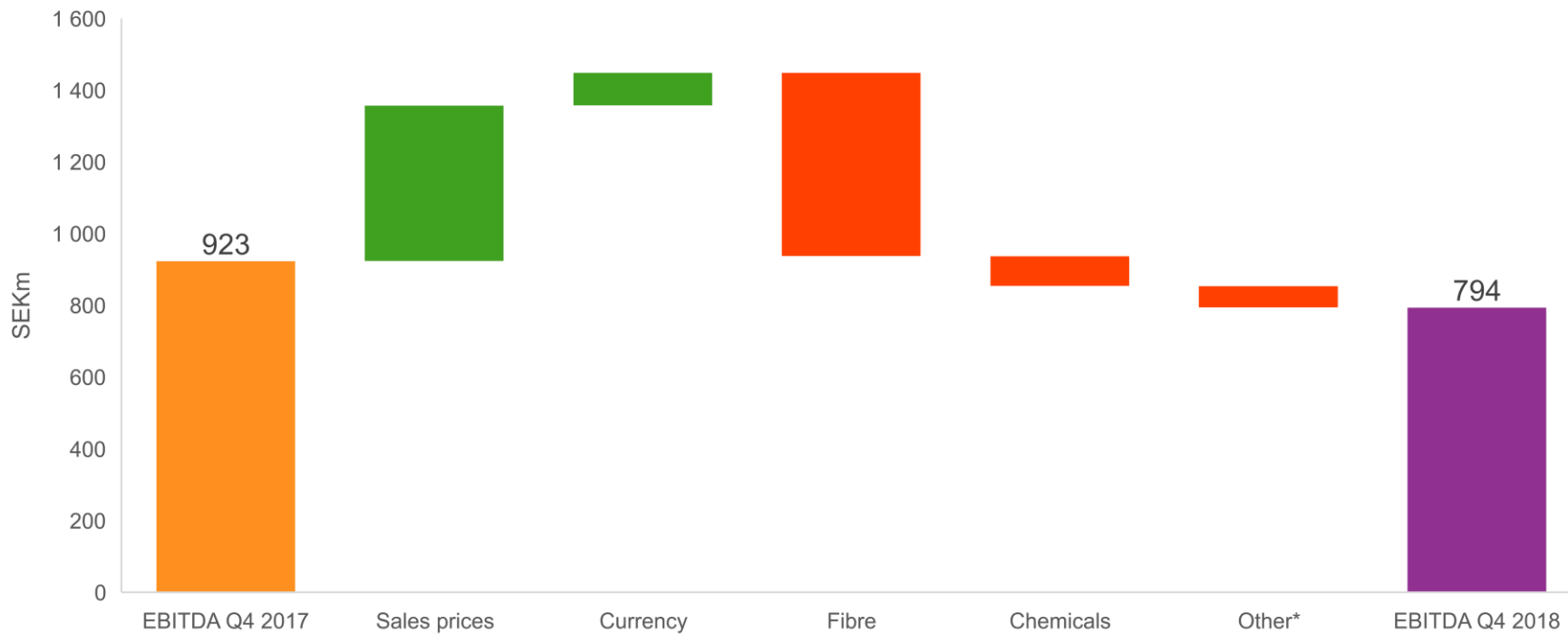
EBITDA MARGIN

Solid underlying top-line growth

- Net sales +5% compared with Q4 2017
- Increased sales price within Packaging Paper and Corrugated Solutions
- Positive currency effects
- Negative effect in Q4 from lower sales volumes due to seasonal fluctuations and inventory build-up



Continued headwinds from higher raw material costs

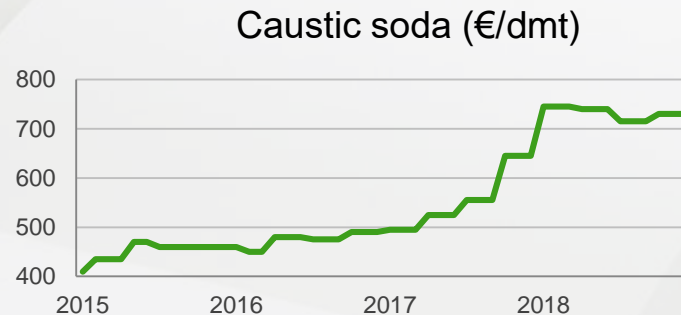


*Transport, energy and fixed costs

Wood cost increase expected to flatten out

- ▶ Costs for pulpwood continued to increase in Q4
 - > ~ +25% 2018

- ▶ Caustic soda flattening out on high levels
 - > ~ +20% 2018



Next Generation program close to completion

- Net debt expected to peak in Q2 2019
- Clear focus on fast deleveraging after completion of investment programmes
- Net debt MSEK 9 333 (5 737)
- Finding suitable investors for Bergvik Öst continues as planned



*Adjusted for items affecting comparability

Long-term financial targets

| Area | FY target | Full year 2018 |
|------------------|-----------|----------------|
| Net sales growth | 3-4% | 6% |
| EBITDA-margin* | >17% | 15% |
| ROCE* | >13% | 9% |
| Net debt/EBITDA* | <2.5 | 2.68 |
| Dividend policy* | 50% | 59%** |

*Adjusted for items affecting comparability

** Board's proposal

Outlook 2019

- Focus on safeguarding price levels achieved during 2018
- Wood cost increase expected to flatten out

Summary

- ▶ Production levels in line with expectations
- ▶ Continued headwind from higher raw material costs
- ▶ Renewed long-term contracts within Liquid Packaging Board
- ▶ KM7 progressing according to plan, start up in March/April 2019
- ▶ Bergvik Öst; process of finding suitable investors continues as planned
- ▶ Pro forma figures for new organisational structure will be published in w/c 11 March, 2019



WHAT IF more packaging
cared about the planet



BILLERUDKORSNÄS

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