

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE



Carnegie Pulp & Paper Seminar | March 2016

Susanne Lithander, CFO



PURE PLAY PACKAGING MATERIALS COMPANY

High performance packaging materials

➤ Target customer segments requiring strong, light and/or pure packaging

Stable product portfolio

➤ 74% of sales going to consumer sectors

Sustainable alternatives through innovation

➤ Innovation challenging other materials and solutions

Strong financial position

➤ Well-positioned for profitable growth investments



BILLERUDKORSNÄS IN BRIEF

NET SALES*



- Europe 73%
- Asia 17%
- Africa 4%
- Middle East 3%
- South America 2%
- Other 1%

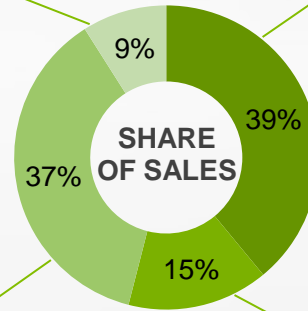
OPERATING PROFIT*



OTHER

PACKAGING PAPER

- Kraft paper
- Sack paper
- Market pulp



CONSUMER BOARD

- Liquid packaging board
- Cartonboard

CORRUGATED SOLUTIONS

- Fluting
- Liner
- Managed packaging

8

PRODUCTION UNITS
(SWE, FI, UK)

2.9

PRODUCTION CAPACITY
(MILLION TONNES)

4 200

NUMBER OF EMPLOYEES

*Full year 2015. Excluding non-recurring items



AIMING TO CAPTURE GROWTH FROM GLOBAL MEGATRENDS



**DEMOGRAPHIC SHIFTS AND
A CHANGING WORLD MAP**



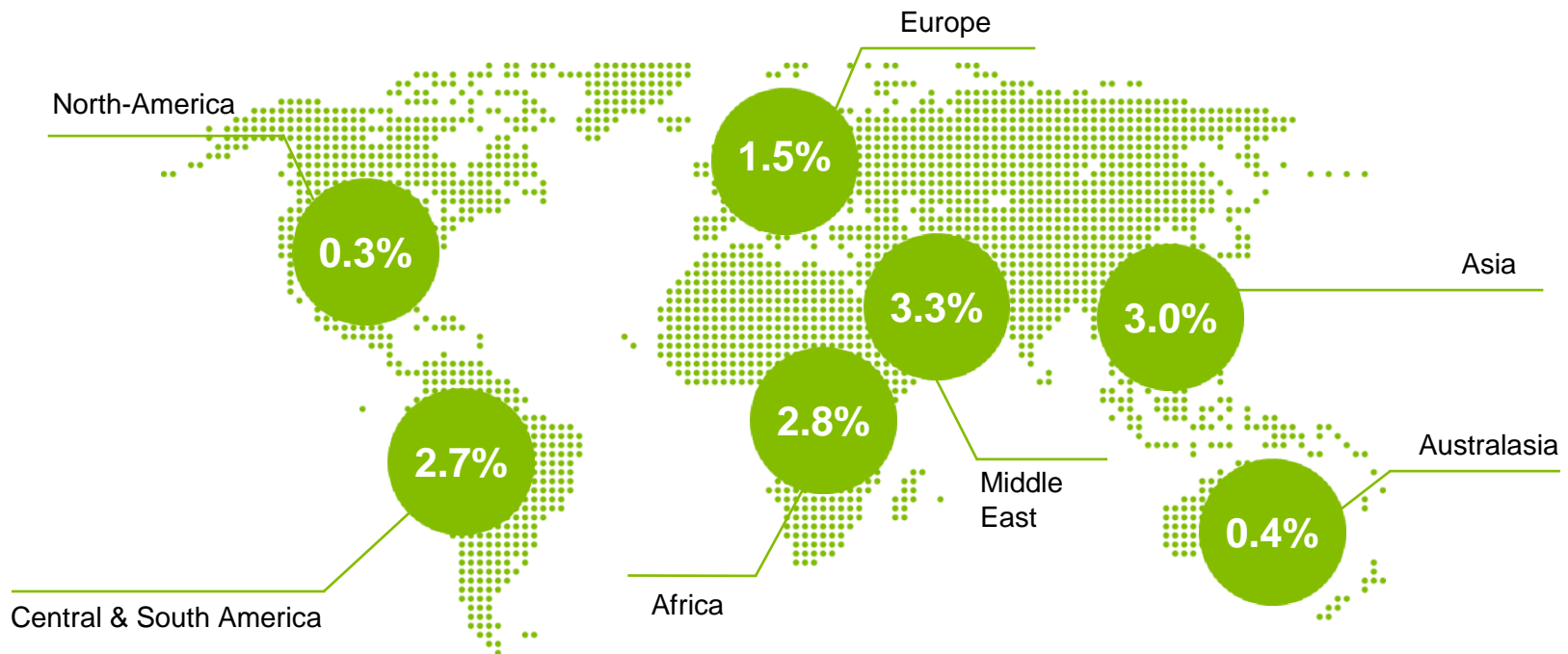
**SUSTAINABILITY CONNECTING
SEVERAL SUBTRENDS**



**CONSUMERS AND SUPPLY
CHAINS ARE CHANGING**

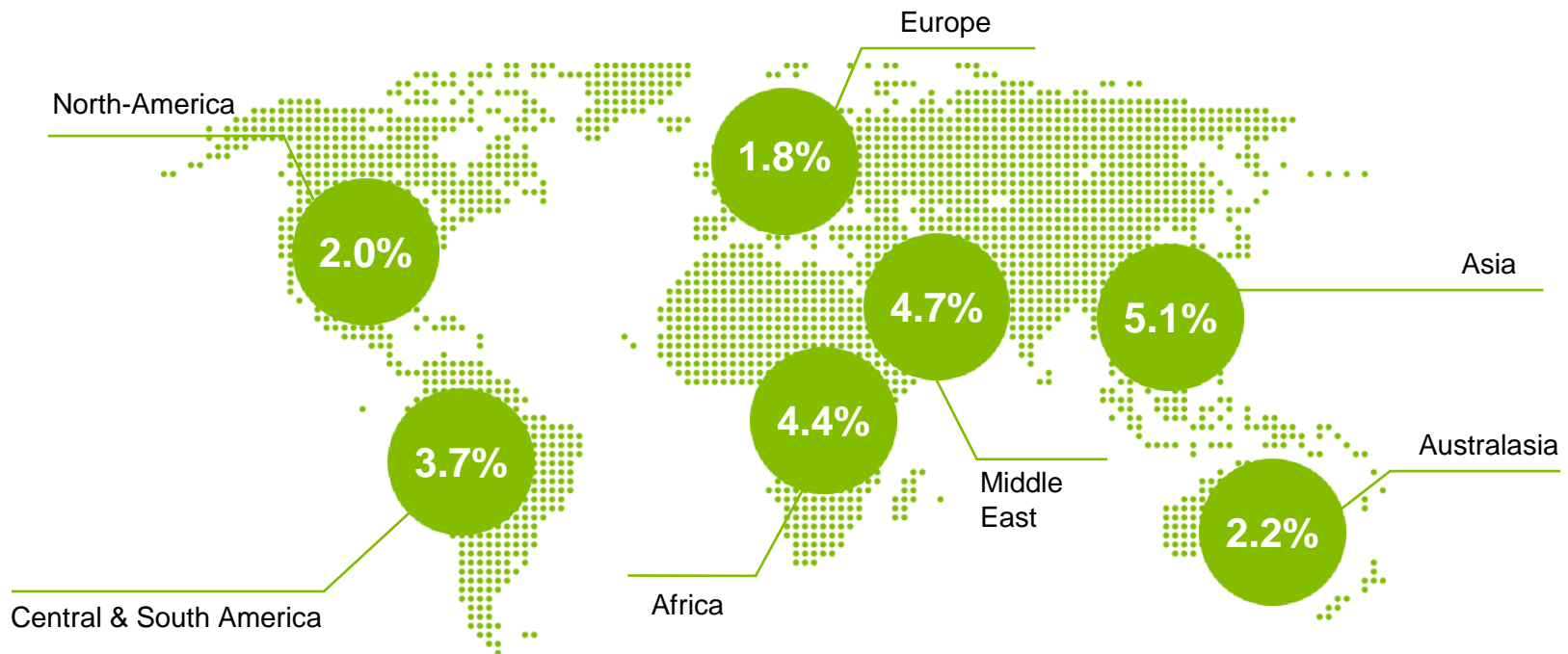


PACKAGING PAPER & BOARD MARKET IS GROWING BY 2.2%





WE TARGET GLOBAL PACKAGING MARKET GROWING BY 3.4%





WE HAVE ESTABLISHED A CLEAR GROWTH STRATEGY



WE ARE INVESTING TO MOVE FURTHER UP THE VALUE CHAIN TOWARDS BRAND OWNERS





WE ARE EXPANDING THE REACH OF OUR OFFERING

OUR PRESENCE **2013** AND NEW SALES HUBS **2015**



- Sweden
- Finland
- Germany
- UK
- France
- Spain
- Italy
- UAE
- China
- Singapore**
- Thailand**
- US**
- India**
- Turkey**
- South Africa**

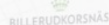
WE HAVE INVESTED SEK 2 BILLION SINCE 2012 TO INCREASE CAPACITY AND QUALITY LEAD

PACKAGING PAPER

260 SEKm

Brown sack paper

- Improved paper quality restoring leadership
- Increased capacity by 20 000 tonnes



CONSUMER BOARD

1600 SEKm

**Liquid Packaging Board
Cartonboard**

- Improved quality
- Increased capacity by 200 000 tonnes

CORRUGATED SOLUTIONS

180 SEKm

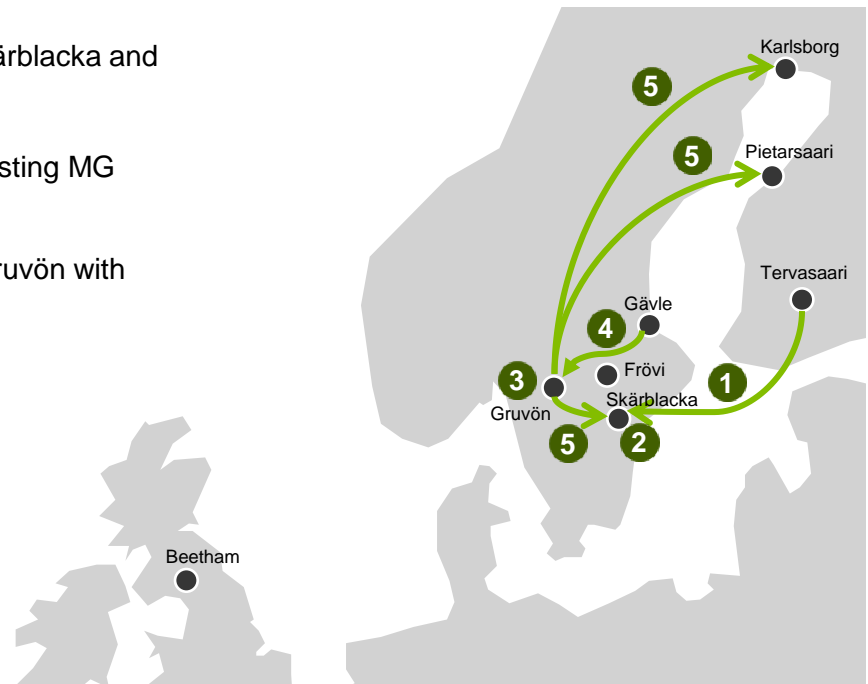
S/C fluting

- Improved quality enhancing leadership
- Increased capacity by 40 000 tonnes



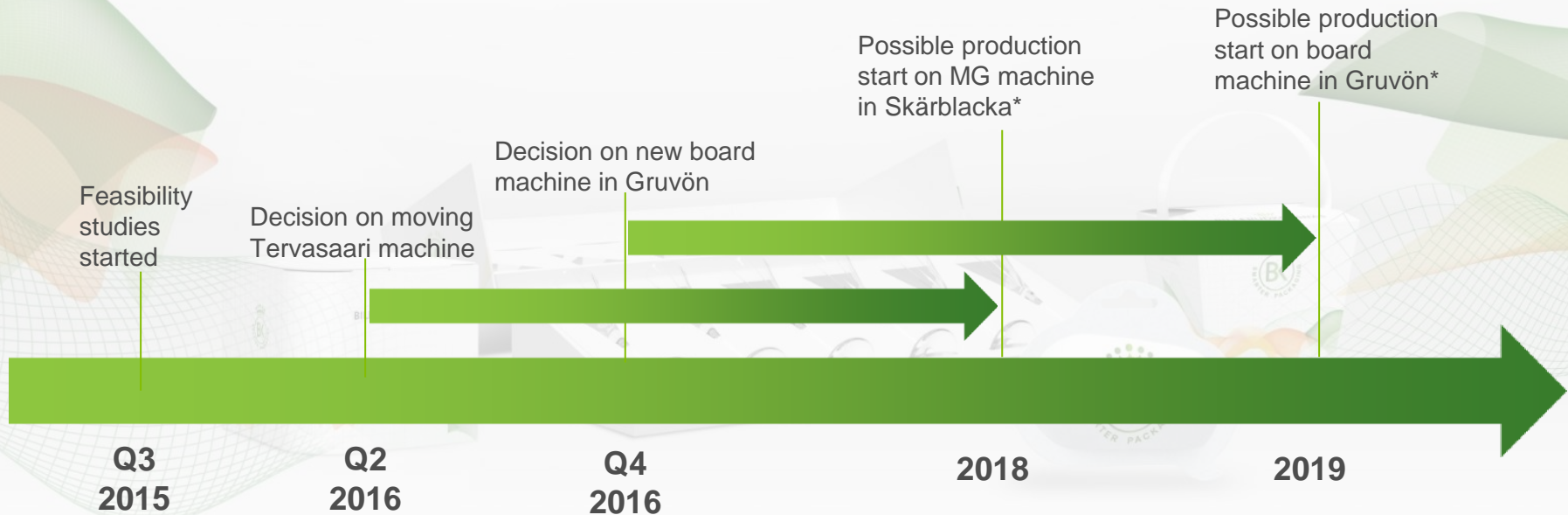
WE ARE PLANNING TO INVEST MORE THAN SEK 5 BILLION...

- 1 Moving unintegrated Tervasaari MG paper machine to Skärblacka and making it integrated to the pulp production.
- 2 Investing in value adding surface treatment capacity at existing MG paper production in Skärblacka.
- 3 a) Building new board machine at the production unit in Grevön with capacity of approx. 500 000 t/a of liquid packaging board, cartonboard, food service board and white kraftliner.
b) Closing paper mill with current capacity of approx. 300 000 t/a* of kraft paper and liner.
- 4 Moving production of white kraftliner from Gävle to new board machine in Grevön.
- 5 Shifting profitable kraft paper volumes from Grevön to Karlsborg, Skärblacka and Pietarsaari to strengthen product mix.



* Approximately 40% kraft paper and 60% liner.

...DURING NEXT THREE YEARS...



*Subject to feasibility study results

...TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

PACKAGING PAPER

Focusing on growth segments growing by 2-4% per year

Decreasing volumes on oversupplied markets

SELECTIVE GROWTH

CONSUMER BOARD

Increasing volumes on growing Liquid Packaging Board and Cartonboard markets

VOLUME GROWTH

CORRUGATED SOLUTIONS

Expanding solution based sales to brand owners

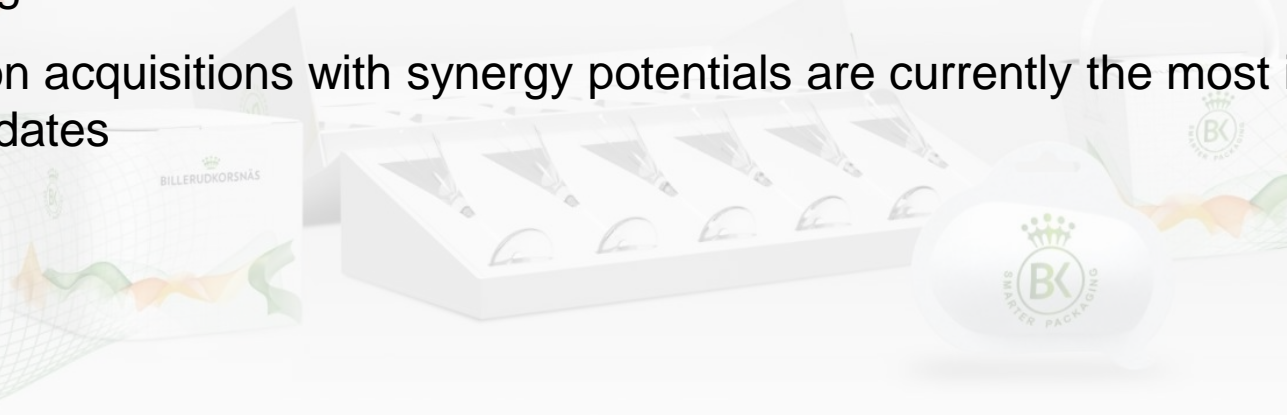
Exiting oversupplied white liner market

VALUE GROWTH

Improved underlying EBITDA > **1000 SEKm** when fully implemented
Continued organic growth with **3-4%** per year

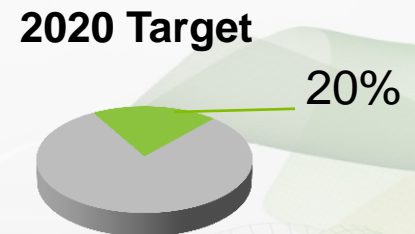
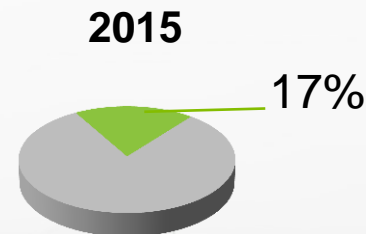
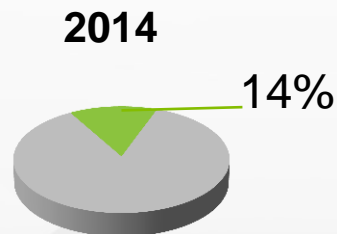
M&A MAY BOOST LONG-TERM GROWTH

- We have the financial capacity to add M&A growth to organic growth
- We have proven experience in merging businesses and quickly extracting synergies
- Bolt-on acquisitions with synergy potentials are currently the most interesting candidates



INNOVATION WILL FURTHER BOOST TOP LINE AND MARGINS

Proportion of sales accounted for by new products



+2pp average margin improvement on new products

INVESTING IN INNOVATION – ON THREE LEVELS

2015 vs 2013:

2x # employees

5x # projects

180 % increased spend

2013

R&D and product
development



2015

Challenger
products

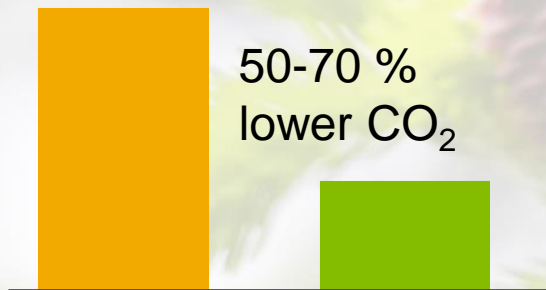
Innovation agenda

R&D and product
development

INNOVATION PROVIDES WORLD LEADING SUSTAINABLE ALTERNATIVES

Through our products...

Environmental impact paper vs plastic¹



... and through our actions



¹ Life cycle assessment, Comparative study of virgin fibre based packaging products with competing plastic materials. IVL, 2015.



THREE BUSINESS AREAS



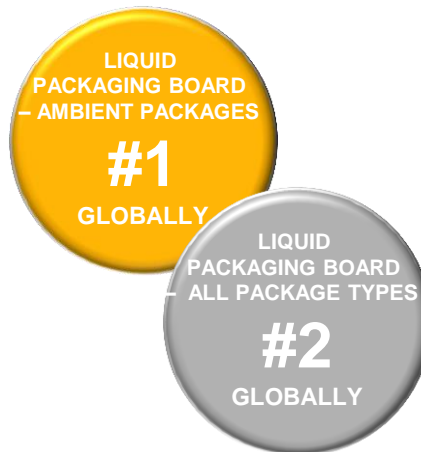
PACKAGING PAPER

% of business area sales volume:	
Kraft paper	60%
Sack paper	40%



CONSUMER BOARD

% of business area sales volume:	
Liquid packaging board	85%
Cartonboard	15%



CORRUGATED SOLUTIONS

%of business area sales volume:	
Fluting	60%
Liner	40%



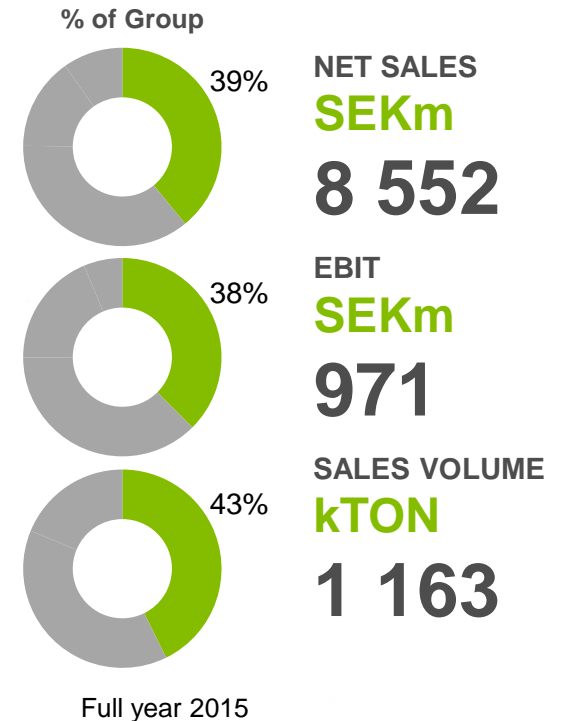
PACKAGING PAPER

SELECTIVE GROWTH



MAIN GROWTH DRIVERS

- Population growth in emerging markets drives demand for food and building materials packaging
- Ageing population drives demand for medical packaging
- Environmental awareness provides opportunities to substitute plastic packaging
- Global cement demand CAGR 5.0%¹
- Global food packaging demand CAGR 3.5%²



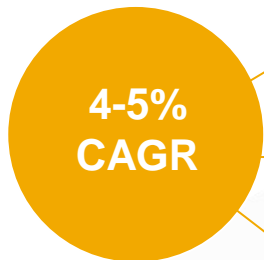
1. Estimated CAGR 2012-2022. Source: Freedonia World Cement Report (2013)

2. Estimated CAGR 2014-2024. Source: Smithers Pira, The Future of Packaging – long-term strategic forecast to 2024 (2014), CAGR



CONSUMER BOARD

VOLUME GROWTH



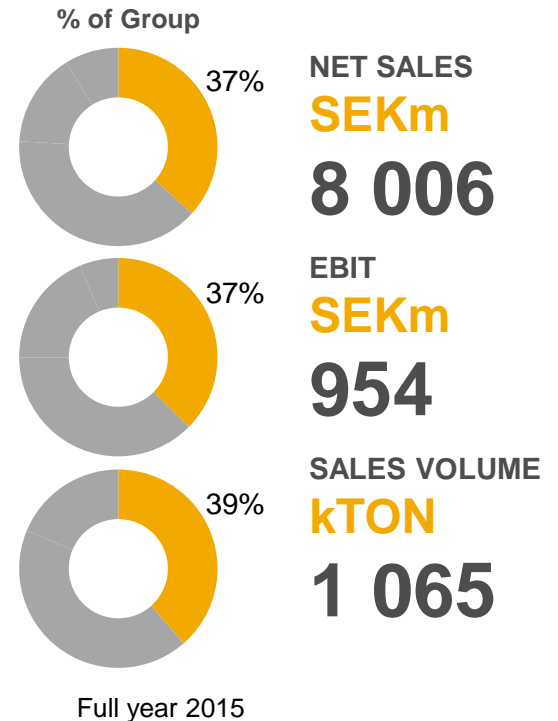
Attractive market providing growth opportunities

Investments for volume growth

Innovation with customers and brand owners

MAIN GROWTH DRIVERS

- High urbanization rate, primarily in Asia, drives demand for liquid packaging
- Change in consumer behavior drives demand for smaller packages
- Global liquid packaging board demand CAGR 3.4%¹
- Global cartonboard demand CAGR 4.0%²



1. Estimated CAGR 2014-2025. Source: BillerudKorsnäs analysis on Pöyry 2014 and Zenith International 2015

2. Estimated CAGR 2011-2025. Source: Vision Hunters 2015

CORRUGATED SOLUTIONS

VALUE GROWTH

**2-4%
CAGR**

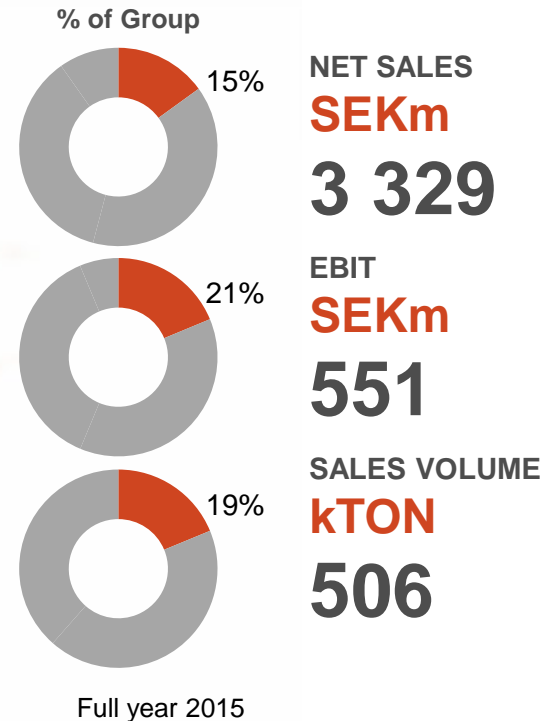
Strong product portfolio setting market standard

Integrating new business model

Increasing sales to brand owners

MAIN GROWTH DRIVERS

- Increasing e-commerce and fresh food consumption
- Package differentiation
- Changing supply chains require simplification of packaging solutions
- Global containerboard demand CAGR 2.6%¹

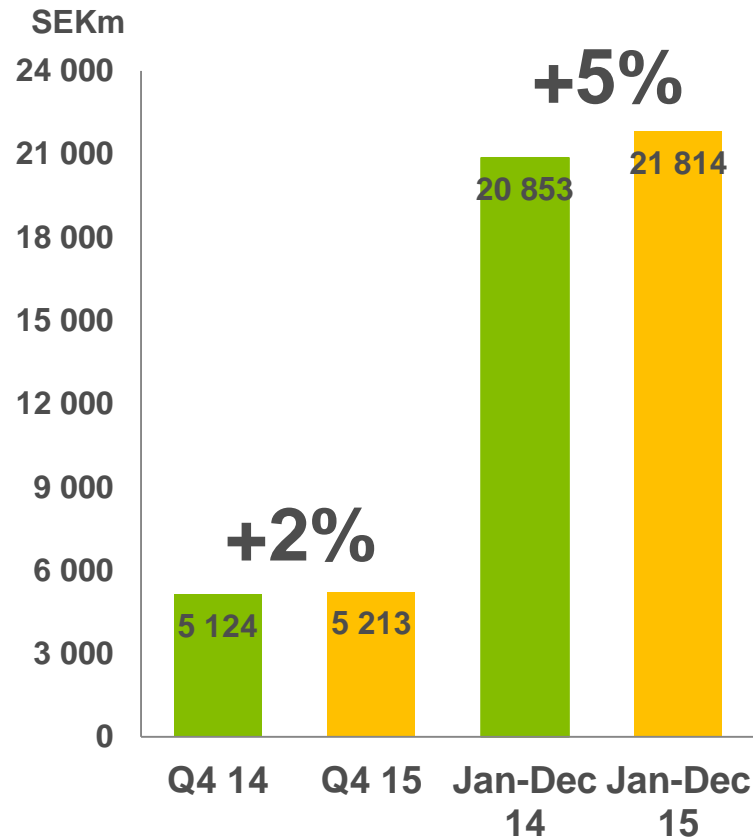




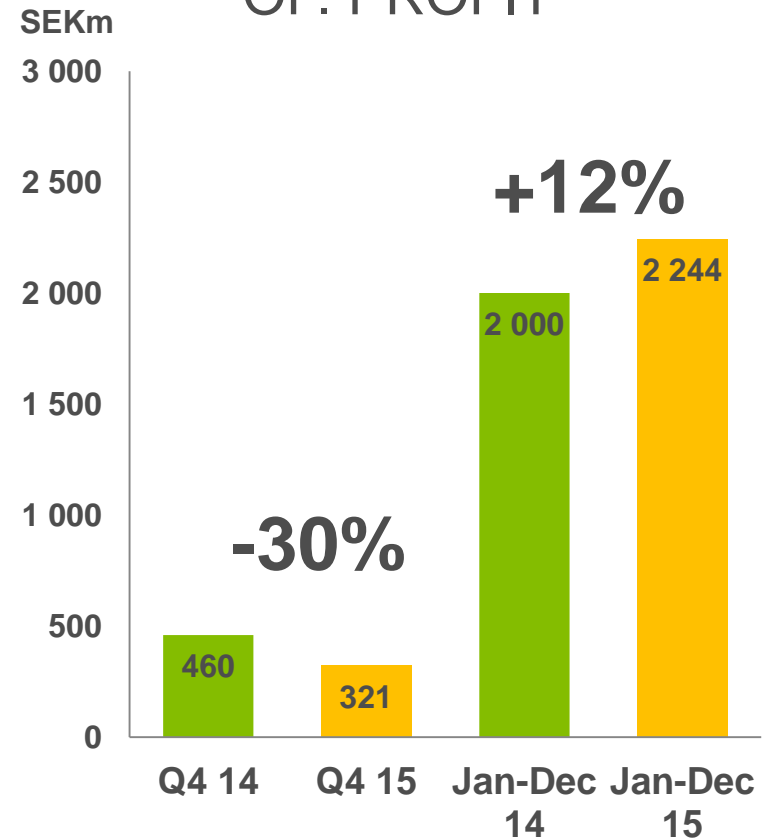
2015 - MEETING OUR TARGETS

NET SALES GROWTH 5% YOY, ADJUSTED OPERATING PROFIT +12% YOY

NET SALES



ADJUSTED OP. PROFIT

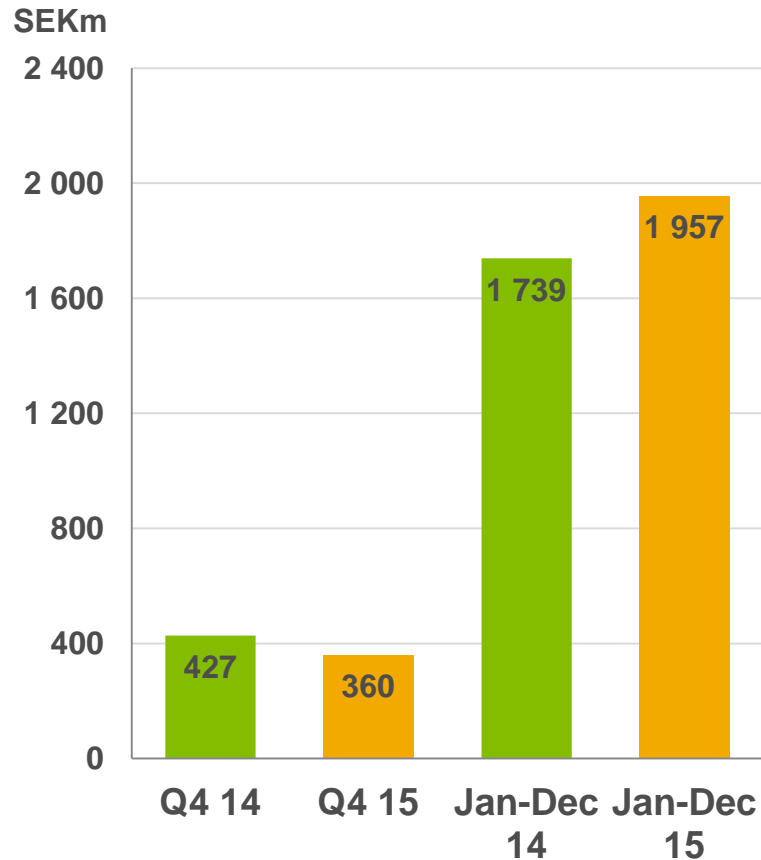




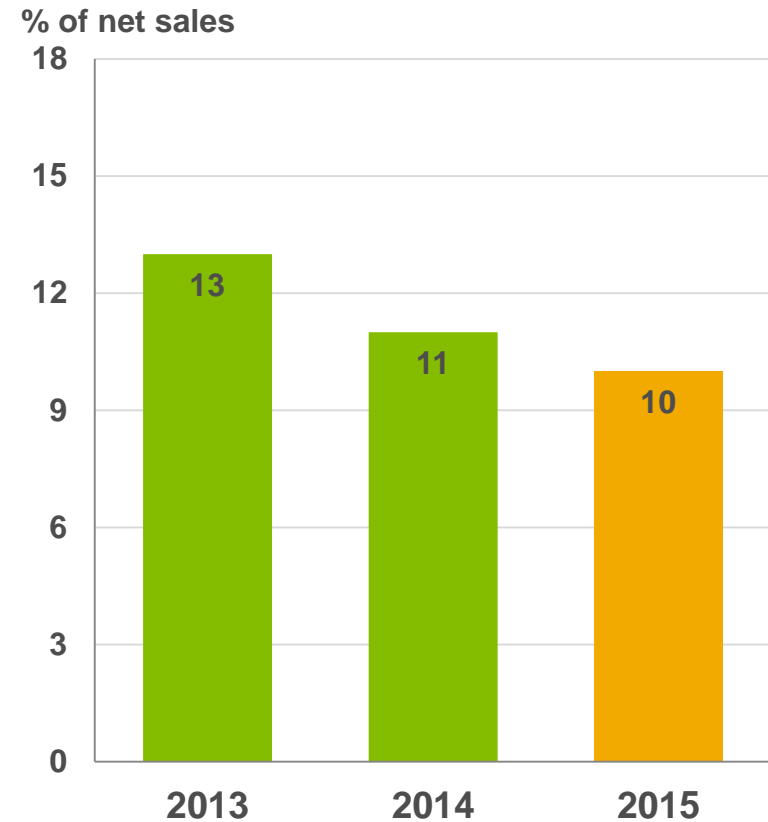
2015 - MEETING OUR TARGETS

STRONG CASH FLOW, REDUCED WORKING CAPITAL

OPERATING CASH FLOW



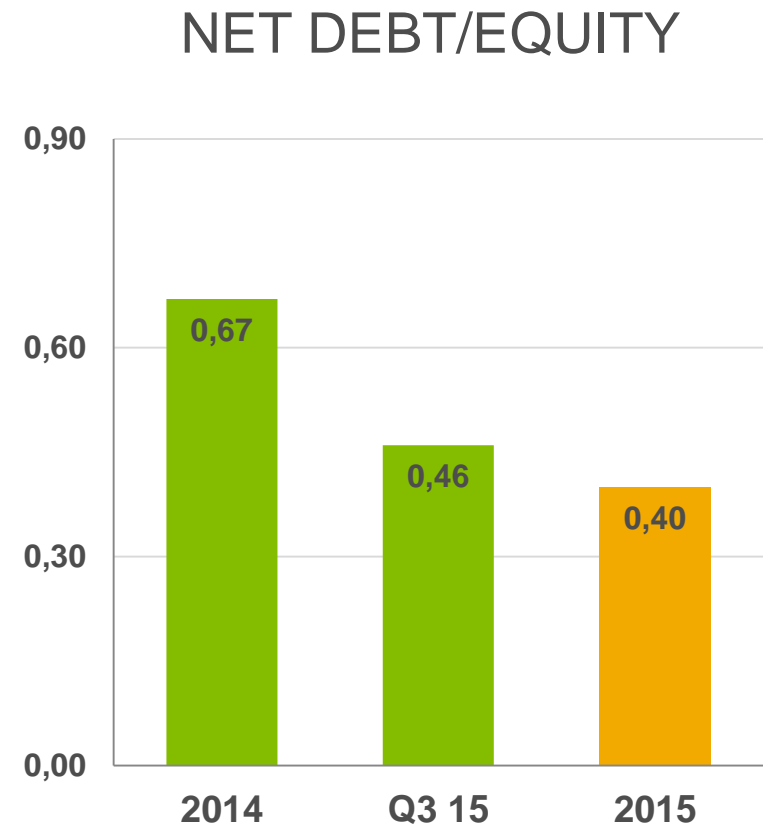
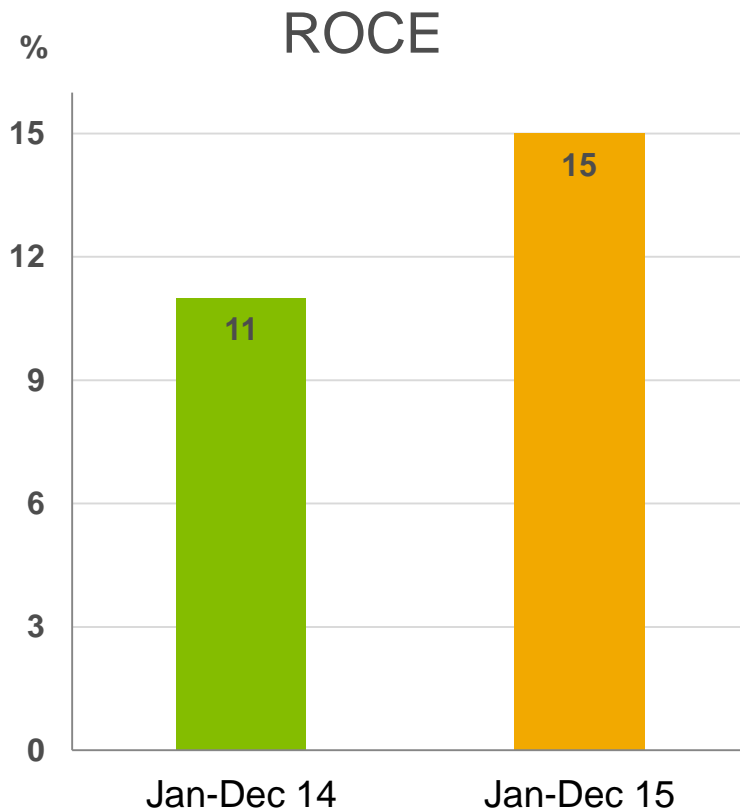
WORKING CAPITAL





2015 - MEETING OUR TARGETS

REACHING ROCE TARGET AND DECREASING ND/E





NEW FINANCIAL TARGETS TO SUPPORT OUR GROWTH STRATEGY*

Organic growth 3-4%
per year

EBITDA > 17%

ROCE > 13%

Net Debt / EBITDA
< 2,5

Dividend policy –
distribute 50% of net profit as dividend

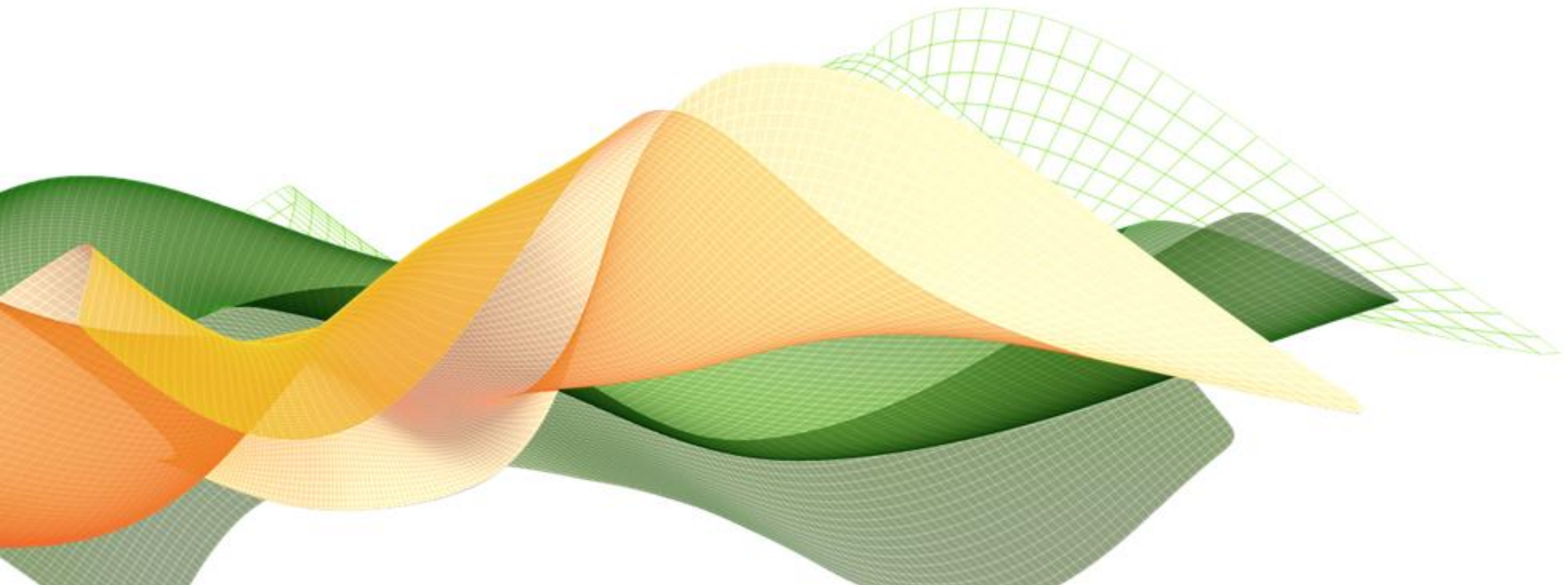


SUMMARY

- Global trends imply major growth opportunities
 - Sustainability, demographic shifts, digitalization and changed consumer behavior
- We invest in all of our four strategic pillars:
 - Position expansion, Innovation, Sustainability and Efficiency
- We have set out plans to increase profitability and secure growth
- Business area strategies support organic growth targets
 - Value growth, Selective growth and Volume growth
- Our balance sheet allows organic growth and M&A
- New financial targets to support growth strategy

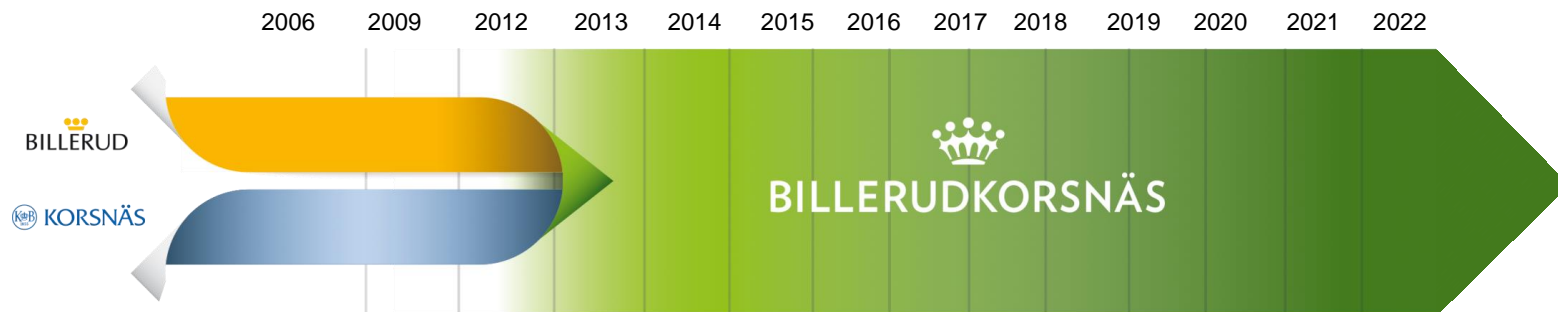


APPENDIX





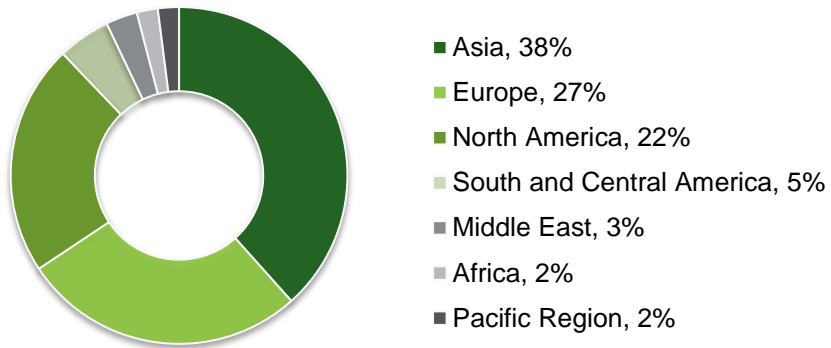
SUCCESSFUL INTEGRATION HAS ENABLED A STRONG PLATFORM FOR GROWTH



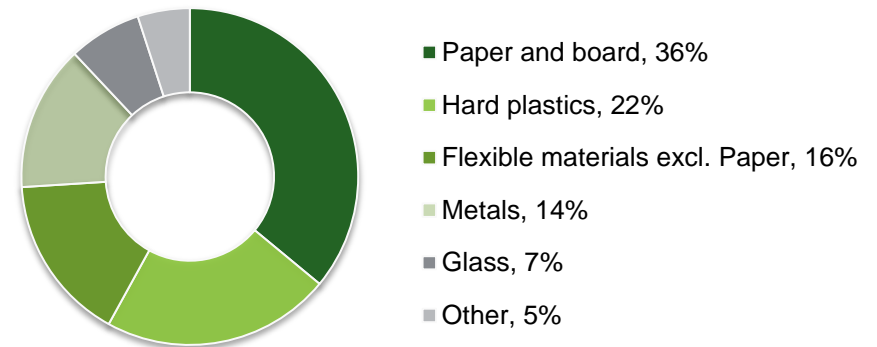
- ▶ Packaging focused materials and solutions provider
- ▶ Broader product portfolio
- ▶ Higher portion of sales to consumer segments
- ▶ Annual synergies of approximately SEK 530 million
- ▶ Sharply reduced pulp market exposure
- ▶ Lower relative currency exposure

GLOBAL PACKAGING MARKET

GLOBAL PACKAGING MARKET,
BY REGION¹



GLOBAL PACKAGING MARKET,
BY MATERIAL¹



SALES PER REGION



SALES PER REGION

- Europe 70%
- Asia 14%
- Africa 7%
- South America 4%
- Middle East 2%
- Other 3%

SALES PER REGION

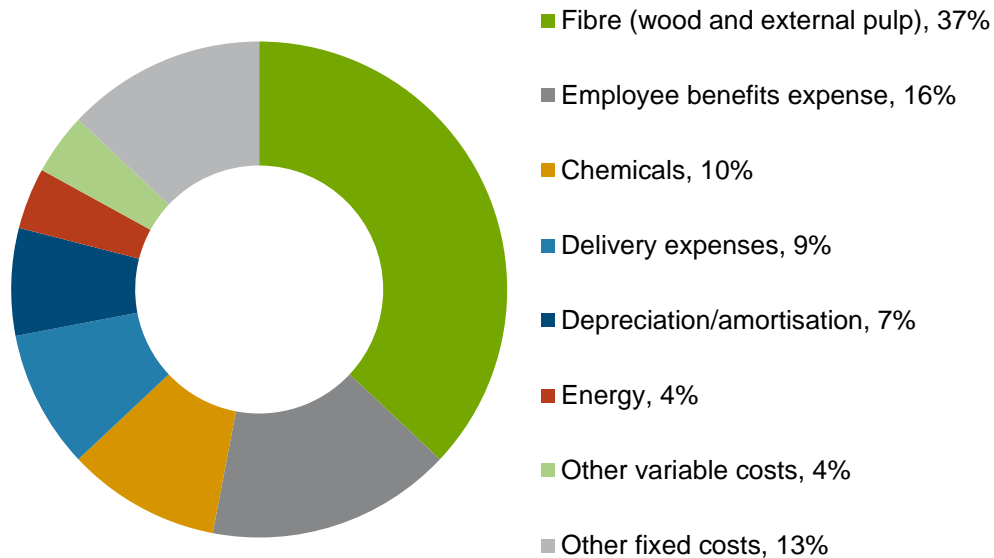
- Europe 69%
- Asia 22%
- Middle East 5%
- Africa 2%
- South America 2%

SALES PER REGION

- Europe 72%
- Asia 19%
- Africa 5%
- South America 2%
- Other 2%



COST STRUCTURE



- No significant forest assets
- Purchases made from handful of major suppliers
 - > Bergvik Skog, Holmen, Mellanskog, Stora Enso and Sveaskog
 - > Large amount of private land owners in Central and Northern Sweden
- The majority of wood raw materials acquired locally
- About 20% of the wood requirement is imported
 - > Majority from the Baltics



SENSITIVITY ANALYSIS

IMPACT ON PROFIT/LOSS BEFORE TAX

Variable	Change	SEKm
Sales volume	+/- 10%	+/-900
Exchange rate, SEK ¹	+/- 10%	+/-640
Fibre prices	+/- 10%	-/+700
Price of electricity ²	+/- 10%	-/+30
Interest rate on loans ³	+/- 1 percentage point	-/+43

1 Excluding effects of currency hedging.

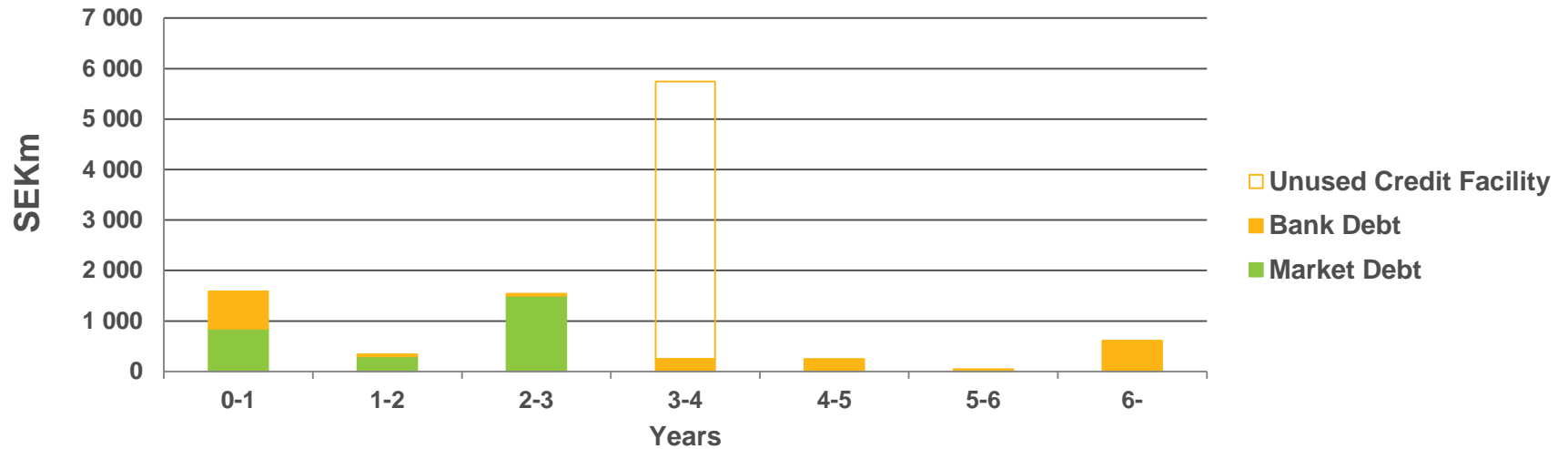
2 Excluding effects of electricity price hedging.

3 Excluding effects of interest hedging.



DEBT MATURITY

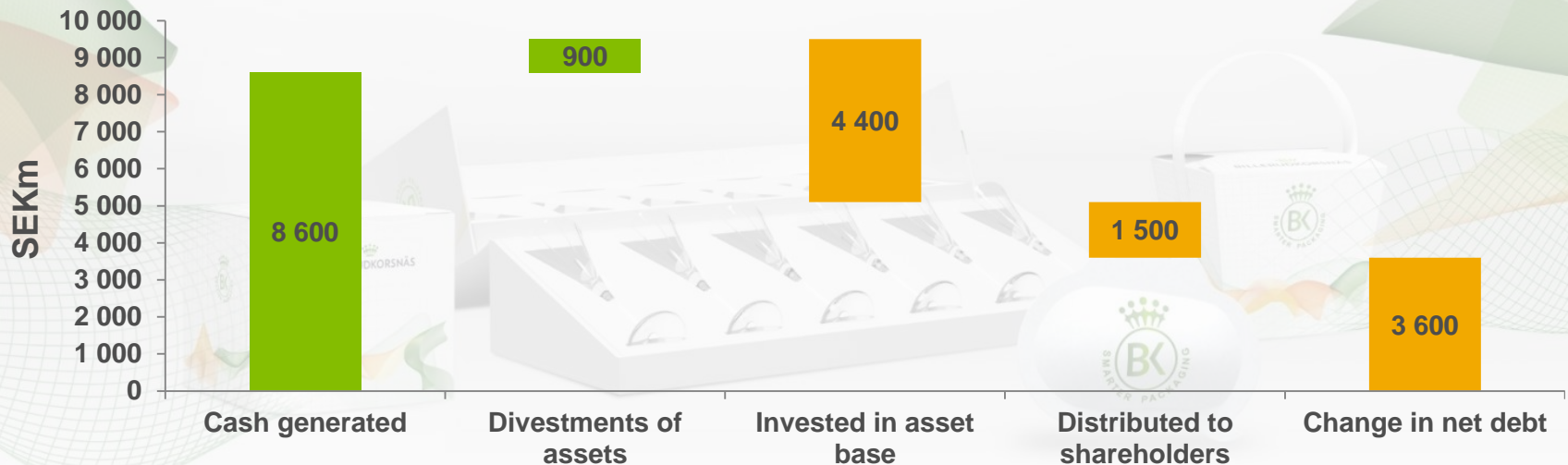
DEBT MATURITY PROFILE





HISTORIC CAPITAL ALLOCATION FOCUSED ON DIVIDEND AND DEBT REDUCTION

CAPITAL ALLOCATION, 2013 - 2015





CAPITAL ALLOCATION FOCUSES ON GROWTH

WE HAVE CLEAR PRIORITIES

1

Maintain a capital structure and liquidity position that secure execution of dividend policy



② Investing in organic growth based on the strategy



③ M&A to support strategy



④ Excess capital return to shareholders



PRODUCTION UNITS

SWEDEN

Gävle, 725 ktonnes

Gruvön, 685 ktonnes

Frövi/Rockhammar, 470 ktonnes

Skärblacka, 420 ktonnes

Karlsborg, 300 ktonnes

FINLAND

Pietarsaari, 200 ktonnes

Tervasaari, 100 ktonnes

UNITED KINGDOM

Beetham, 45 ktonnes

**Total production
capacity**



2 945
Thousand
tonnes



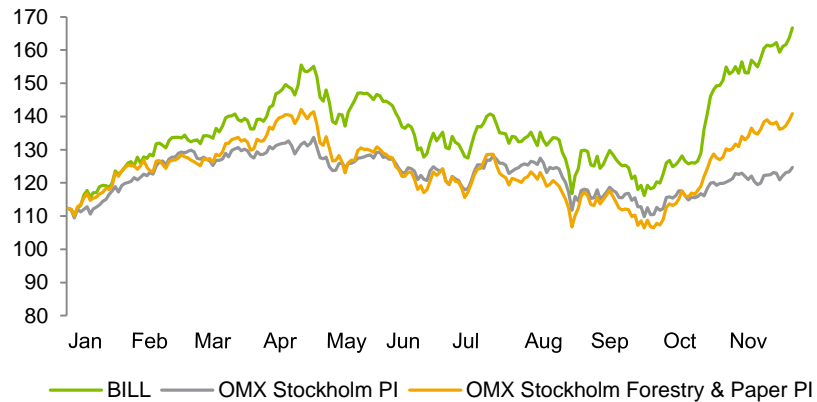
BILLERUDKORSNÄS SHARE

Symbol: BILL

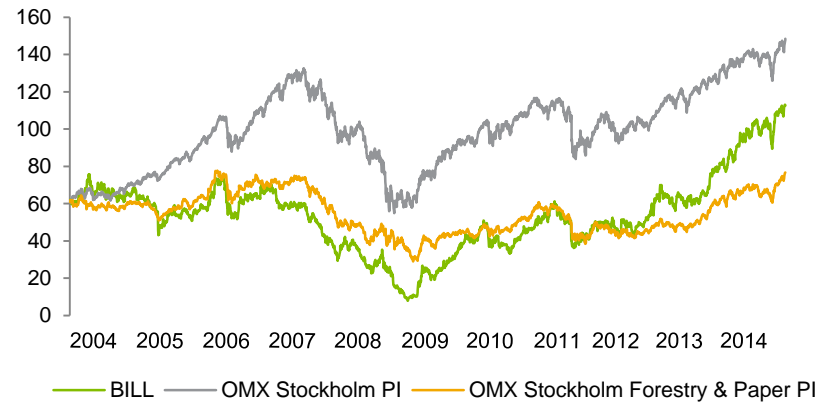
Trading platform: Nasdaq Stockholm

IPO: November 20, 2001

Share performance 2015



Share performance 2004-2014



OWNERSHIP STRUCTURE

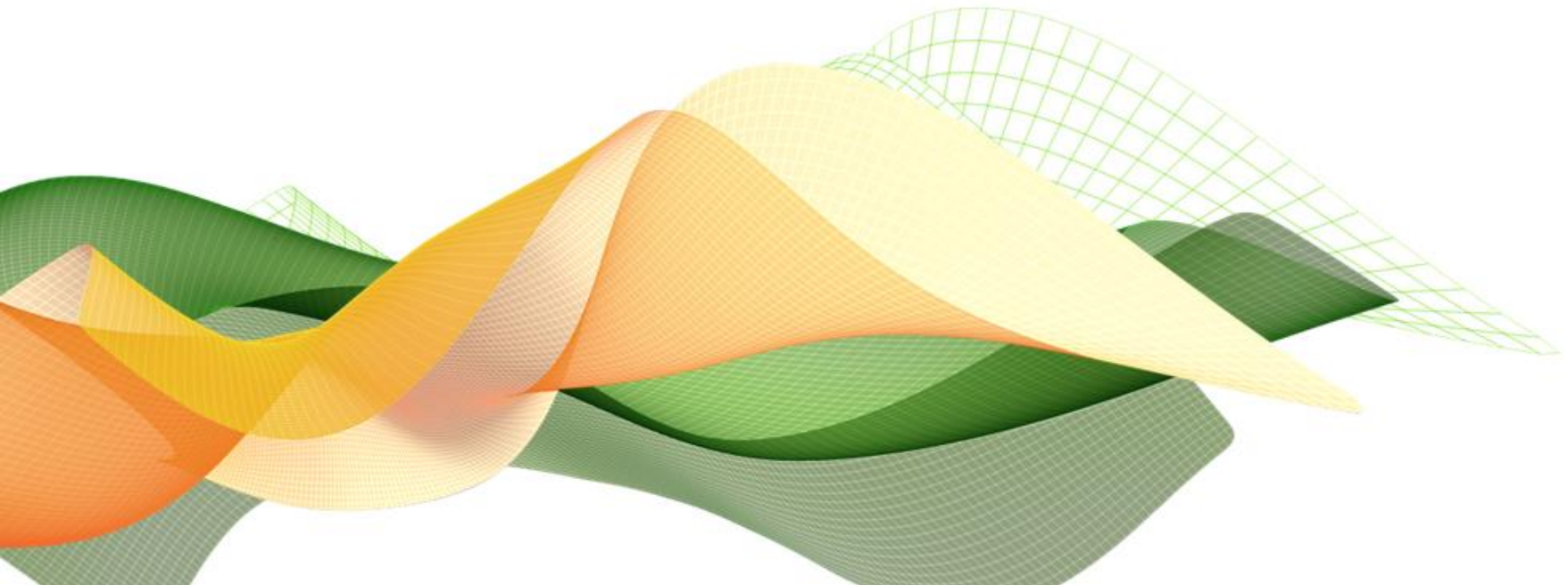


- Foreign shareholders, 44.5%
- Swedish mutual funds, 23.3%
- Swedish individuals incl. closely held companies, 19.4%
- Swedish institutions, 12.8%

Shareholder	Number of shares	Percent of votes
FRAPAG Beteiligungsholding AG	31 300 000	15.1
AMF Insurance & Funds	13 603 075	6.6
Swedbank Robur Funds	8 764 343	4.2
Fourth Swedish National Pension Fund	6 199 261	3.0
Handelsbanken Funds	4 567 269	2.2
Lannebo Funds	4 443 388	2.1
Norges Bank Investment Management	4 242 873	2.1
DFA Funds (USA)	4 043 430	2.0
Alecta	4 000 000	1.9
Catella Funds	3 705 248	1.8
Total 10 largest shareholders	84 868 887	41.0
Total excluding share buy-backs	206 951 152	100.0
The company's own bought-back shares	1 268 682	0.0
Total	208 219 834	100.0



BILLERUDKORSNÄS





BILLERUDKORSNÄS

