



BILLERUDKORSNÄS



**Strong result
impacted by extra
costs from
upgrade**

INTERIM REPORT January–June 2015

KEY HIGHLIGHTS

- Net sales for the quarter was SEK 5 489 million (5 128).
- Earnings per share for the quarter was SEK 1.92 (1.39).
- Operating profit increased with 20% compared to Q2 2014 to SEK 542 million (450).
- The fluting machine in Gruvön (PM6) was successfully upgraded during the planned maintenance shutdown and the quality improvements are above expectations.
- Start-up of PM6 was delayed and caused extra costs of approximately SEK 50 million.
- Net sales Jan-Jun 2015 increased 6% and operating profit increased 25% compared to the same period last year mainly due to a favourable currency situation.

Outlook

- Demand and orders situation for the third quarter is expected to be stable with normal seasonal variances for all business areas.
- Average prices in local currency in the third quarter are anticipated to be stable as effects from previously announced price increases for fluting are starting to show.
- No changes to wood prices are anticipated for the third quarter.
- There are planned maintenance shutdowns in Gävle and Karlsborg in the third quarter of 2015.
- The divestiture of Latgran will improve net debt/equity with 0.10 and operating profit with approximately SEK 400 million in the third quarter.

KEY FIGURES

SEKm	Q2 2015	Q2 2014	Change	Jan-Jun 2015	Jan-Jun 2014	Change
Net sales	5 489	5 128	7%	11 123	10 538	6%
EBITDA	897	793	13%	1 948	1 678	16%
EBITDA, %	16%	15%		18%	16%	
Operating profit	542	450	20%	1 240	991	25%
Operating margin, %	10%	9%		11%	9%	
Net profit/loss for the period	403	292	38%	907	661	37%
Earnings per share, SEK	1.92	1.39	38%	4.30	3.14	37%
Operating cash flow	323	433	-25%	1 056	818	29%
ROCE, %	N/A	N/A		12%	8%	
Working Capital, % of net sales	11%	13%		11%	13%	
Net debt/equity ratio	0.62	0.79	0.17	0.62	0.79	0.17

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The information in this report is such that BillerudKorsnäs AB (publ) is obliged to disclose under the Swedish Securities Market Act and was submitted for publication at 10.00 CET on 20 July 2015.

Comments by CEO



Per Lindberg,
President and CEO

SEK 5 489 m
NET SALES

SEK 542 m
OPERATING PROFIT

10%
OPERATING MARGIN

Strong result impacted by extra costs from upgrade

“We deliver a result for the quarter that is strong, but burdened with extra costs for the upgrade of our fluting machine in Gruvön. Technically, the upgrade is a success and the quality improvements are above expectations, but it took a bit longer to implement than estimated.”

THE RESULT

The second quarter's operating margin of 10% was negatively impacted by the planned maintenance shutdown and the extra costs for implementation of the upgrade of the fluting machine in Gruvön, all in all approximately SEK 170 million. I am however content with the underlying result we produce. Overall the weak SEK continues to be positive for us. Our growth 2015 is largely driven by favourable currency developments, and our volumes have suffered partly due to investments and rebuilds. We have given priority to longer-term capacity enhancements rather than short term volume maximizations. Still our volume growth in business area Consumer Board for the first half of the year was 6% and above the plan.

Our net debt/equity ratio increased to 0.62 due to our dividend pay-out. Return on capital employed improved to 12% and we continue to close in on our targeted 13%, so overall we are performing well in line with our targets.

MARKET OUTLOOK

The overall market has been stable during the quarter. We expect the market to continue to be stable with good demand and little changes in local prices.

We see no reason to change our outlook for business area Packaging Paper. Increased competition pressures local prices within the MF segment and we did not utilise our full capacity during the quarter. This situation was anticipated and is likely to continue. Meanwhile the market situation for sack paper and the MG segments are solid which makes the outlook for the business area quite stable and balanced.

Consumer Board market continues to be stable.

Within Containerboard, the fluting segment is currently very strong, with strong order books and with previously announced local price increases starting to show. We are also expecting the improved product quality from the machine upgrade to support additional value growth in the business area in the longer-term. In the liner segment, competition continues to increase with increased capacity on the market. But local prices have been kept stable during the quarter, helped by low stocks, announced price increases for waste based papers, and a strong USD that favours European kraftliner.

STRATEGY

One of our strategic stepping stones is to expand our position both in the value chain as well as geographically. We want to expand our offering and our networks to include stakeholders beyond converters, for instance brand owners.

In our efforts to achieve our ambitions in this area it is worth mentioning that our JV, FibreForm Packaging, has taken its first order where a complete system solution has been sold containing a FreeFormPack machine with deliveries of FibreForm material to one of Europe's largest co-packer, Vetipack.

When it comes to geographical expansion our goal is that more than 50% of our future growth will come from outside of Europe. Here we have finalised establishment of companies in India and USA and they are fully operational. We are also finalising the set-up of a company and a complete customer service center in Singapore.

Sales and results

Lower sales as compared to the seasonally strong first quarter combined with negative impact from the maintenance shutdown in Gruvön leads to lower profit than in the first quarter.

Favourable exchange rates drives net sales growth and profit improvement compared to previous year.

Q2 2015 COMPARED TO Q1 2015

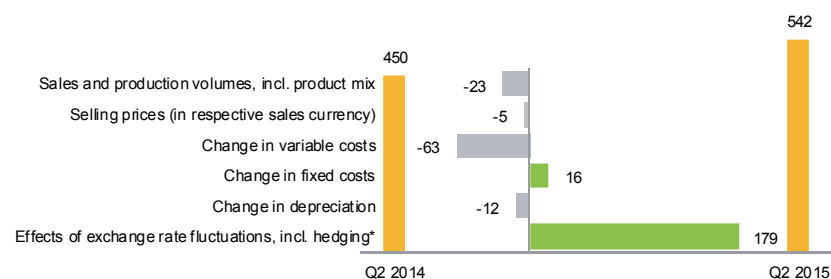
Sales for the second quarter were 3% lower than the seasonally strong first quarter. Besides seasonality, the quarter was also impacted by the planned maintenance shutdown in Gruvön. The lost volumes mainly impacted business area Containerboard, but also had a negative effect on sales of Packaging Paper.

Lower sales combined with the increased costs both related to the maintenance shutdown led to a 22% decrease in operating profit compared to the previous quarter. Excluding the maintenance shutdown effect, operating profit was slightly above previous quarter. Operating margin was lower than the previous quarter but the group still reached the 10% target.

Q2 2015 COMPARED TO Q2 2014

Sales growth for the Group was 7%, driven by a favourable currency development related to the strengthened EUR and USD. Volumes for Consumer Board grew at a rate above target, due to the positive development for liquid packaging board. Volumes were reduced within business area Containerboard, due to the delayed start-up after the maintenance shutdown in Gruvön compared to last year. For business area Packaging Paper volumes were reduced due to lower demand and order intake for the MF segment. The sales development was to some extent offset by the currency development on externally purchased raw material as well as by increased costs for the maintenance shutdown in Gruvön.

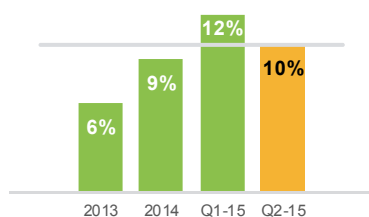
CHANGE IN OPERATING PROFIT Q2 2015 COMPARED TO Q2 2014, SEKm



* Effects of exchange rate fluctuations totalling SEK 179 million comprise the following components: change in spot rates SEK 239 million, currency hedging SEK 48 million and currency effects from revaluation of trade receivables and payments from customers SEK -108 million.

OPERATING MARGIN

TARGET LEVEL >10%

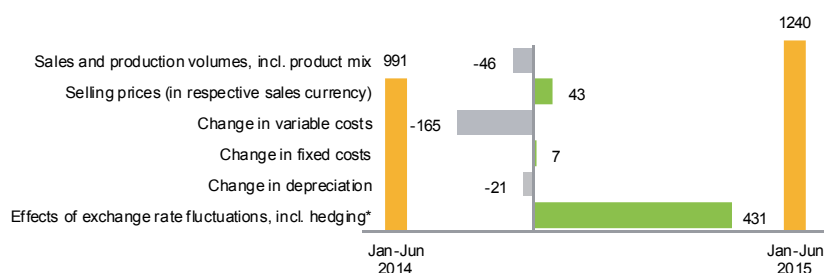


Operating profit grew with 25% due to increased sales related to currency situation which was offset by increased variable costs.

JAN-JUN 2015 COMPARED TO JAN-JUN 2014

The favourable currency development had a positive impact on the Group and sales increased with 6%. The liquid packaging board segment continued to grow and business area Consumer Board showed a 6% volume increase whereas business area Containerboard was impacted negatively mainly by the delayed start-up in Gruvön after the maintenance shutdown but also by the competitive liner market. Business area Packaging Paper had lower volumes due to additional capacity on the MF kraft paper market.

Operating profit for the Group increased with 25% due to a favourable currency situation, which was offset by the currency impact on externally purchased material. Operating margin also developed positively and reached 11% which is above target.



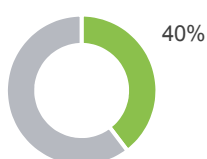
* Effects of exchange rate fluctuations totalling SEK 431 million comprise the following components: change in spot rates SEK 536 million, currency hedging SEK -54 million and currency effects from revaluation of trade receivables and payments from customers SEK -51 million.

Packaging Paper business area

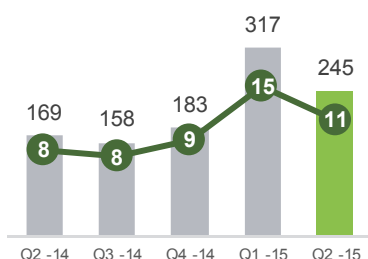
KRAFT AND SACK PAPER FOR CUSTOMERS WITH TOUGH DEMANDS

The Packaging Paper business area offers kraft and sack paper of premium quality plus smart solutions for customers in the industrial, medical and consumer segments. The business area also sells surplus pulp that BillerudKorsnäs does not use in its own production¹. The business areas largest markets are Europe and Asia.

SHARE OF GROUP'S NET SALES Q2 2015



OPERATING PROFIT



KEY FIGURES

SEKm	Quarter		Jan-Jun		Full year
	Q2 -15	Q2 -14	2015	2014	2014
Net sales	2 176	2 016	4 358	4 084	8 101
Net operating expenses, other	-1 813	-1 728	-3 560	-3 491	-6 928
EBITDA	363	288	798	593	1 173
EBITDA, %	17%	14%	18%	15%	14%
Operating profit/loss	245	169	562	360	701
Operating margin, %	11%	8%	13%	9%	9%
Sales volumes, ktonnes	288	294	588	604	1 167
whereof packaging paper	180	200	378	407	776

Q2 2015 COMPARED TO Q2 2014

Due to a favourable development of the exchange rates and product mix, net sales increased with 8% compared to Q2 2014, despite a sales volume decrease of 2%. The volume loss is due to more capacity and increased competition on the MF kraft paper market. The price level in local currency was slightly below last year's level.

The increased net sales combined with a cost level in line with last year led to an operating profit improvement of 45%. BillerudKorsnäs' integrated paper mills and the profitability of their products were good, whereas BillerudKorsnäs' non-integrated mills suffered from higher raw material costs due to unfavourable exchange rates. During Q2 2015 the paper machines in Finland were not running at full capacity, and the production unit Gruvön carried out an annual maintenance shutdown.

JAN-JUN 2015 COMPARED TO JAN-JUN 2014

Due to a favourable currency situation and product mix, net sales increased with 7% compared to first half of 2014, despite a sales volume decrease of 3%.

The increased net sales combined with a cost level in line with last year led to an improvement of operating profit with 56%.

MARKET DEVELOPMENT

The market situation remained stable during the second quarter. Prices in local currency were slightly below previous quarters.

The market for NBSK pulp weakened somewhat during the quarter, this compared with the previous quarter. Prices decreased to approximately USD 850 per tonne at the end of the quarter, compared with approximately USD 880 at the end of the first quarter.

OUTLOOK

During next quarter the overall Packaging Paper sales are expected to be slower due to the annual maintenance shutdown in Karlsborg. MF kraft paper market remains slow and the brown sack paper market is expected to stay stable. Prices in local currency are expected to be stable, pending effects from announced price increases.

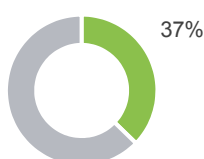
¹ The Packaging Paper business area buys and sells pulp at market price. The business area's net exposure in market pulp is estimated to average approximately 150 ktonnes annually.

Consumer Board business area

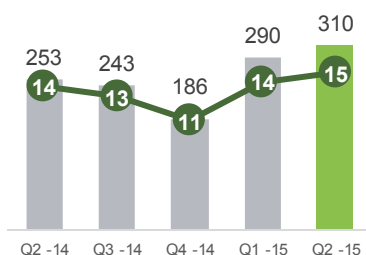
LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES

The Consumer Board business area delivers packaging solutions made from high-quality cartonboard for beverages, foods and other consumer goods. Smart solutions in function, design and material selection add further value for the customer. Europe is the largest market.

SHARE OF GROUP'S NET SALES Q2 2015



OPERATING PROFIT



KEY FIGURES

SEKm	Quarter		Jan-Jun		Full year
	Q2 -15	Q2 -14	2015	2014	2014
Net sales	2 044	1 822	4 067	3 771	7 436
Net operating expenses, other	-1 558	-1 403	-3 115	-2 950	-5 852
EBITDA	486	419	952	821	1 584
EBITDA, %	24%	23%	23%	22%	21%
Operating profit/loss	310	253	600	486	915
Operating margin, %	15%	14%	15%	13%	12%
Sales volumes, ktonnes	274	249	546	517	1 004

Q2 2015 COMPARED TO Q2 2014

Due to higher sales volumes and a more favourable currency exchange rate, net sales increased with approximately 12% compared to Q2 2014. Sales volume increased with 10% which is above targeted growth rate.

The increased net sales led to improved operating profit with 23%, to some extent offset by higher variable costs. The increase in variable costs was mainly due to the weaker SEK.

JAN-JUN 2015 COMPARED TO JAN-JUN 2014

Due to higher sales volume and a favourable development of the currency exchange rate, net sales increased with 8% compared to first half of 2014. Sales volume increased with 6% which is above targeted growth rate.

The increased net sales led to improved operating profit with 23%, to some extent offset by higher variable costs. The increase in variable costs was mainly due to the weaker SEK.

MARKET DEVELOPMENT

The order situation for liquid packaging board and cartonboard in the second quarter was stable and satisfactory with normal seasonal variances. Prices in local currency were stable compared to the previous quarter.

OUTLOOK

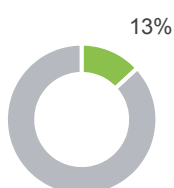
Order situation and deliveries for liquid packaging board and cartonboard are expected to continue to be stable and satisfactory with normal seasonal variances.

Containerboard business area

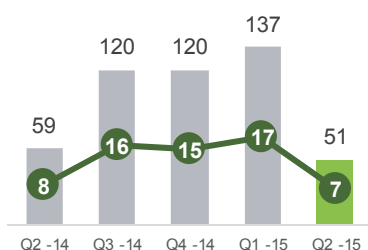
STRONG FLUTING AND LINER ADD VALUE

Strong and light materials from the Containerboard business area are used in corrugated boxes for fragile goods and demanding distribution systems. Supply chain solutions for packaging optimisation are a key component of the offer. The business area includes Paccess, which strengthens BillerudKorsnäs' position to bring smarter packaging solutions to brand owners, and is a further step in challenging conventional packaging. Europe is the largest market.

SHARE OF GROUP'S NET SALES Q2 2015



OPERATING PROFIT



KEY FIGURES

SEKmn	Quarter		Jan-Jun		Full year
	Q2 -15	Q2 -14	2015	2014	2014
Net sales	722	767	1 523	1 559	3 148
Net operating expenses, other	-628	-664	-1 252	-1 294	-2 560
EBITDA	94	103	271	265	588
EBITDA, %	13%	13%	18%	17%	19%
Operating profit/loss	51	59	188	176	416
Operating margin, %	7%	8%	12%	11%	13%
Sales volumes, ktonnes	106	128	235	267	528

Q2 2015 COMPARED TO Q2 2014

Net sales decreased with 6% mainly due to loss of volume during the rebuild of PM6 in Gruvön partly offset by more favourable currency rates. The liner market was stable compared with last year. Prices in local currency remained in general on the same level as Q2 2014.

The operating profit decreased with 14% or SEK 8 million mainly due to lower volumes related to the rebuild of PM6 as well as higher cost for the maintenance shutdown in Gruvön during Q2 2015 compared to Q2 2014. This was partly offset by a positive currency effect.

JAN-JUN 2015 COMPARED TO JAN-JUN 2014

Due to the rebuild of PM6, net sales decreased with 2% partly offset by more favourable exchange rates. Prices in local currency were in general slightly higher compared to first half of 2014 mainly driven by a positive development for fluting.

Operating profit increased with 7% due to more favourable currency rates partly offset by higher production costs and lower delivery volumes.

MARKET DEVELOPMENT

Containerboard market has developed sideways during the quarter. Demand and order intake was stable for liner and strong for fluting. Prices for fluting have started to move up as a result of the strong demand. Prices for liner were stable.

OUTLOOK

In general, stocks in the market are decreasing and overall production is in line with demand. Demand for fluting continues to be strong and for liner it is expected to be stable. On the basis of the strong demand for fluting, prices are expected to continue to move up also during the next quarter.

The rebuild of PM6 in Gruvön during Q2 will through increased capacity and improved quality further improve BillerudKorsnäs' position as market leader for primary fibre based fluting.

Currency hedging

SEK -11 million earnings impact for the quarter.

During the second quarter 2015, net flows were hedged at EUR/SEK 9.29 (8.74), USD/SEK 7.15 (6.63) and GBP/SEK 11.45 (10.35). Currency hedging had an overall earnings impact of SEK -11 million (-59) for the second quarter and SEK -117 million (-62) for the first half of 2015 (compared to no hedging).

The outstanding forward exchange contracts at 30 June 2015 had a market value of SEK 58 million, whereof SEK -7 million is the part of the contracts matched by trade receivables that has affected earnings in the second quarter. Accordingly, other contracts had a market value of SEK 65 million.

HEDGED PORTION OF THE FORECASTED CURRENCY FLOWS FOR EUR, USD AND GBP AND EXCHANGE RATES AGAINST SEK (30 JUNE 2015)

Currency		Q3 -15	Q4 -15	Q1 -16	Q2 -16	Q3-16	Total 15 months
EUR	Share of net flow	90%	91%	63%	37%		68%
	Rate	9.40	9.49	9.54	9.54		9.48
USD	Share of net flow	74%	69%	62%	10%		42%
	Rate	7.94	8.30	8.48	8.73		8.25
GBP	Share of net flow	29%	10%				8%
	Rate	11.63	11.67				11.64
Market value of currency contracts*		-5	22	27	14	-	58

*On 30 June 2015

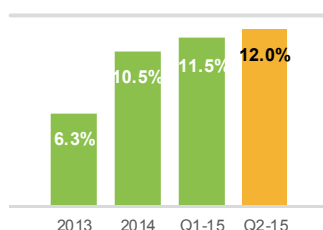
The table above excludes transactions related to the sale of SIA Latgran.

The currency hedging policy is to hedge 0-80% of forecasted net flows over the coming 15 months. Any deviation from the policy must be approved by the Board of Directors.

Investments and capital employed

RETURN ON CAPITAL EMPLOYED

TARGET LEVEL >13%



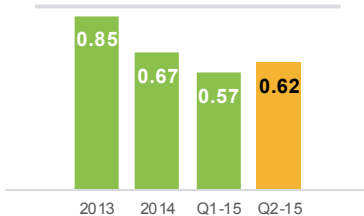
Gross investments amounted to SEK 498 million (303) for the second quarter and SEK 744 million (583) for the first half of 2015. In line with the Group's strategy for growth, investments for 2015 will amount to approximately SEK 1 700 million.

Capital employed at 30 June 2015 amounted to SEK 17 774 million (18 115). Return on capital employed, calculated over the past 12-month period, amounted to 12% (8%). Return on equity was 15% (10%).

Cash flow and financial position

NET DEBT/EQUITY RATIO

TARGET LEVEL <0.9



SUMMARY CASH FLOW STATEMENT

SEKm	Quarter		Jan-Jun	
	Q2 -15	Q2 -14	2015	2014
Operating surplus, etc.	897	761	1 918	1 614
Change in working capital, etc.	28	128	-186	102
Net financial items, taxes, etc.	-104	-153	66	-315
Cash flow from operating activities	821	736	1 798	1 401
Current net investments	-498	-303	-742	-583
Operating cash flow	323	433	1 056	818

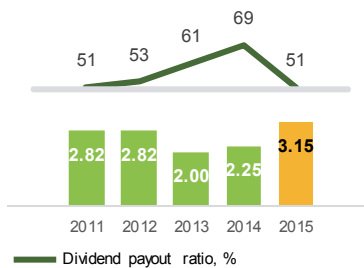
Operating cash flow during the first half of 2015 amounted to SEK 1 056 million (818). The increase was mainly due to improved operating profit and repayment of preliminary tax payments of approximately SEK 300 million. Working capital in relation to sales was 11%, which is the same level as previous quarter, and the company continues to implement activities to reach the 10% target.

Net interest-bearing debt on 30 June 2015 was SEK 6 798 million (8 022). The Group's net debt/equity ratio at the end of the period was 0.62 (0.79). This is an increase from the first quarter with 0.05 due to the dividend pay-out during the second quarter. BillerudKorsnäs' financial target for net debt/equity ratio is to be less than 0.90.

Financing

DIVIDEND POLICY

TARGET LEVEL >50%



Interest-bearing loans amounted to SEK 6 191 million, an increase of SEK 23 million since last quarter. Commercial papers decreased by SEK 605 million while other short term interest-bearing liabilities increased by SEK 773 million. Latgran's external debt was pre-paid as well as the outstanding amount of the Group's revolving credit facility.

The syndicated revolving credit facility of SEK 5 500 million matures 2019.

Loan	Limit, SEKm	Maturity, years			Total utilized
		0-1	1-2	2-	
Syndicated credit facilities	5 500				0
Term loans		800	600	400	1 800
Bond loans within MTN program	5 000		400	1 800	2 200
Other bond loans		150			150
Commercial paper	3 000	687			687
Term loan, Bomhus Energi AB		34	37	509	580
Other interest-bearing liabilities		774			774
Group total		2 445	1 037	2 709	6 191



Seasonal effects

BillerudKorsnäs' business is to a relatively limited extent subject to seasonal fluctuations. The greatest impact is from periodic maintenance shutdowns, during which the unit concerned is idle for approximately a week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown.

PLANNED MAINTENANCE SHUTDOWNS

In addition to on-going maintenance during production, BillerudKorsnäs' production units normally also require more extensive maintenance at some time during the year. In order to carry out maintenance, production of pulp, paper and board is stopped – known as a maintenance shutdown. The cost of a maintenance shutdown mainly comprises the loss of volume related to the shutdown and fixed costs, mainly in the form of costs of maintenance and overtime work, as well as - to some extent - variable costs such as higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of measures carried out, their nature and the actual length of the shutdown. The estimated cost of shutdown is an assessment of the impact on earnings of a normal shutdown, compared to a quarter during which no periodic maintenance shutdown takes place.

Estimated shutdown cost

Production units	Estimated shutdown cost ¹	Estimated breakdown of shutdown cost by business area			Planned dates of maintenance shutdown		
		SEKm	Packaging Paper	Consumer Board	Container-board	2016	2015
Gävle	~ 130	~ 5%	~ 80%	~ 15%	Q3	Q3	Q4
Gruvön	~ 120	~ 40%	~ 5%	~ 55%	Q2	Q2	Q2
Frövi	~ 70	0%	100%	0%	Q4	Q4	Q3
Skärblacka	~ 75	~ 85%	0%	~ 15%	Q2	Q4	Q3
Karlsborg	~ 55	100%	0%	0%	Q3	Q3	Q3
Pietarsaari	~ 15	100%	0%	0%	-	Q4	Q2

¹ Maintenance shutdowns at Beetham, Rockhammar and Tervasaari have an insignificant effect on BillerudKorsnäs' total earnings.

During the second quarter 2015 a planned maintenance shutdown took place at the production unit in Gruvön. The impact on the quarterly earnings was approximately SEK 170 million, which was approximately SEK 50 million higher than estimated. The extra costs were due to start-up delays following extensive upgrade of PM6.

Parent company

Per 31 December 2014 BillerudKorsnäs AB has sold its assets and liabilities in the Gruvön production unit to the subsidiary BillerudKorsnäs Sweden AB and a capital loss of SEK -1 584 million arised. This capital loss is eliminated on Group level and has no impact on the Group's income statement or balance sheet.

The parent company BillerudKorsnäs AB includes from 2015 the sales organisation for the Nordic market and markets outside Europe, and the head office functions.

Operating profit for the first half of 2015 amounted to SEK -263 million compared with SEK -170 million for the first half of 2014 excluding operating profit from the Gruvön production unit. The decrease is mainly due to negative impact from hedging contracts and revaluations of accounts receivable.

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. This result amounted to SEK -117 million (-62).

The parent company has received dividend from subsidiaries amounted to SEK 1 512 million (16).

The average number of employees was 92 (88). Cash and bank balances and short-term investments amounted to SEK 7 million (18).

Largest shareholders

BILLERUDKORSNÄS' TEN LARGEST SHAREHOLDERS (30 JUNE 2015)

Shareholder	Number of shares	Number of votes, %
FRAPAG Beteiligungsholding AG	31 300 000	15.1
AMF Insurance & Funds	16 641 125	8.0
Swedbank Robur Funds	9 448 810	4.6
Fourth Swedish National Pension Fund	6 697 299	3.2
Lannebo Funds	6 030 150	2.9
Norges Bank Investment Management	4 718 698	2.3
Nordea Funds	4 546 018	2.2
SHB Funds	4 354 907	2.1
DFA Funds (USA)	4 263 193	2.1
Alecta	3 500 000	1.7
Total 10 largest shareholders	91 500 200	44.2
Total number of shares in the market	206 951 152	100.0

Distribution of shares

DISTRIBUTION OF SHARES (30 JUNE 2015)

Registered number of shares	208 219 834
Bought back shares	-1 268 682
Total number of shares in the market	206 951 152

Long-term incentive program 2015

At the 2015 AGM, it was resolved that a long-term incentive programme (LTIP 2015) should be introduced at BillerudKorsnäs, combined with a transfer of individual holdings of own shares. BillerudKorsnäs has already two existing long-term incentive programmes (LTIP 2013 and LTIP 2014).

The objective of LTIP 2015 is to underpin BillerudKorsnäs' ability to retain its best talents for critical leadership positions, as well as to spur those participating into increased efforts by linking their interests and viewpoints with those of the shareholders. The programme extends to a maximum of 75 executive officers, other key employees and talents in the BillerudKorsnäs Group. LTIP 2015 runs for three years starting in 2015. LTIP 2015 has the same structure as earlier long-term incentive programs (2010-2014). Its outcome will be determined by the extent to which various financial performance requirements are achieved. The maximum number of BillerudKorsnäs shares encompassed by LTIP 2015 is 328 432, corresponding to approximately 0.2% of the total number of BillerudKorsnäs shares outstanding and the number of votes to be cast. The maximum estimated cost of LTIP 2015 is estimated at approximately SEK 72 million, including social security costs of SEK 41 million.

More information on LTIP 2015 is available in the documents for the 2015 AGM, which are available on BillerudKorsnäs' website.

Significant 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 in-depth description of risks and a sensitivity analysis is provided on pages 21-26 of the 2014 Annual Report.

Related party transactions

No transactions have taken place between BillerudKorsnäs and related parties that significantly affect the company's position and earnings.

Events after the end of the quarter

On July 1st the divestiture of SIA Latgran to Graanul Invest AS closed. BillerudKorsnäs ownership in SIA Latgran was 75%. The total consideration for 100 percent of the Company amounted to EUR 104 million on a cash and debt free basis. The capital gain on the sale will be approximately SEK 400 million whereof approximately SEK 125 million is attributable to non-controlling interests. The divestiture will also have an effect on net debt / equity ratio which will decrease from 0.62 to approximately 0.52.

Accounting principles

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles applied in this interim report are the same as those used in the most recent annual report for 2014, see pages 28-35 and page 70 for definitions of key indicators. The interim report for the parent company is prepared in accordance with the Swedish Annual Accounts Act. Key figure definitions are provided on page 21 of this report.



FINANCIAL CALENDAR

Q3 – 21 October 2015

Capital Markets Day – 12 November 2015

Year-end report 2015 – 10 February 2016

Q1 – 21 April 2016

Q2 – 20 July 2016

Q3 – 21 October 2016

2016 Annual General Meeting –10 May 2016

The undersigned hereby confirm that this mid-year report provides a true and fair view of the parent company's and Group's operations, position and performance, and describes material risks and uncertainties faced by the parent company and Group companies.

Solna, 20 July 2015

BillerudKorsnäs AB (publ)

Lennart Holm,
Chairman

Michael M.F. Kaufmann,
Member

Andrea Gisle Joosen,
Member

Bengt Hammar,
Member

Mikael Hellberg,
Member

Jan Homan,
Member

Gunilla Jönson,
Member

Kristina Schauman,
Member

Helén Gustafsson
Member

Kjell Olsson,
Member

Per Lindberg,

President and CEO

The information in this interim report is such that BillerudKorsnäs AB (publ) is obliged to disclose under the Swedish Securities Market Act. This report has been prepared in both a Swedish and an English version. The report has not been reviewed by the company's auditors.



The new cement sack that disappears without a trace

BillerudKorsnäs won this year's product development award for its new sack solution at the Lafarge Global Supplier Awards 2014.

The right sack solution saves both time and money, simplifies work processes and improves the working environment.

In a collaborative project with Lafarge, a top ranking player in the cement industry, BillerudKorsnäs has developed a brand new sack for packing cement. The purpose of the project was to design packaging that disappears or blends into the concrete mix – the dream being that empty sacks would no longer need to be taken care of, saving money and reducing environmental impact.

After more than two years of development, the sack was launched in spring 2015. The new premium sack solution D-Sack™ comprises two layers of a new grade of white QuickFill paper, and includes a patented moisture barrier which enables the sack to disintegrate fully when subjected to mechanical action and water in the concrete mixer.

The target audience is primarily the construction industry, where the demands for efficiency and sustainability are high.

BillerudKorsnäs Group

Income statement

SEKm	Quarter			Jan-Jun	Full year	
	Q2 -15	Q1 -15	Q2 -14	2015	2014	2014
Net sales	5 489	5 634	5 128	11 123	10 538	20 853
Other income	38	48	27	86	47	118
Operating income	5 527	5 682	5 155	11 209	10 585	20 971
Change in inventories	-5	-41	79	-46	-27	63
Raw materials and consumables	-2 756	-2 804	-2 629	-5 560	-5 313	-10 490
Other external costs	-1 033	-1 023	-1 027	-2 056	-2 043	-4 245
Employee benefits expense	-836	-763	-786	-1 599	-1 525	-3 020
Depreciation and impairment of non-current assets	-355	-353	-343	-708	-687	-1 378
Profit/Loss from participations in associated companies	-	-	1	-	1	-
Operating expenses	-4 985	-4 984	-4 705	-9 969	-9 594	-19 070
Operating profit/loss	542	698	450	1 240	991	1 901
Financial income and expenses	-26	-53	-70	-79	-142	-248
Profit/Loss before tax	516	645	380	1 161	849	1 653
Taxes	-113	-141	-88	-254	-188	-352
Net profit/loss for the period	403	504	292	907	661	1 301
Profit/Loss attributable to:						
Owners of the parent company	397	492	288	889	649	1 277
Non-controlling interests	6	12	4	18	12	24
Net profit/loss for the period	403	504	292	907	661	1 301
Earnings per share, SEK	1.92	2.38	1.39	4.30	3.14	6.18
Diluted earnings per share, SEK	1.92	2.37	1.38	4.29	3.13	6.16

Statement of comprehensive income

SEKm	Quarter			Jan-Jun	Full year	
	Q2 -15	Q1 -15	Q2 -14	2015	2014	2014
Net profit/loss for the period	403	504	292	907	661	1 301
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Actuarial gains or losses on defined benefit pension plans	-63	-	-	-63	-	-67
Tax attributable to items not to be reclassified to profit or loss	14	-	-	14	-	15
Total items never reclassified to profit or loss	-49	-	-	-49	-	-52
Items that have been or may be reclassified subsequently to						
Differences arising from the translation of foreign operations' accounts	-12	-39	55	-51	57	136
Change in fair value of shareholding in Bergvik Skog	-5	2	6	-3	10	22
Change in fair value of cash flow hedges	97	53	-106	150	-115	-204
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	-22	-11	23	-33	25	45
Total items that have been or may be reclassified subsequently to profit or loss	58	5	-22	63	-23	-1
Total comprehensive income for the period	412	509	270	921	638	1 248
Attributable to:						
Owners of the parent company	406	499	264	905	624	1 220
Non-controlling interests	6	10	6	16	14	28
Total comprehensive income for the period	412	509	270	921	638	1 248

Balance Sheet

SEKm	30 Jun 2015	30 Jun 2014	31 Dec 2014
Intangible assets	2 429	2 615	2 580
Property, plant and equipment	14 568	14 687	14 873
Other non-current assets	852	825	848
Total non-current assets	17 849	18 127	18 301
Inventories	3 024	3 003	3 145
Accounts receivable	2 630	2 573	2 601
Other current assets	705	869	925
Assets classified as held for sale ¹	611	-	-
Cash and cash equivalents	214	193	737
Total current assets	7 184	6 638	7 408
Total assets	25 033	24 765	25 709
Equity attributable to owners of the parent company	10 873	10 017	10 615
Non-controlling interests	105	75	89
Total equity	10 978	10 092	10 704
Interest-bearing liabilities	3 746	4 050	4 672
Provisions for pensions	825	730	772
Other provisions	57	40	67
Deferred tax liabilities	2 955	2 676	2 986
Total non-current liabilities	7 583	7 496	8 497
Interest-bearing liabilities	2 445	3 435	2 417
Accounts payables	2 551	2 283	2 514
Other liabilities and provisions	1 380	1 459	1 577
Liabilities associated with assets held for sale ¹	96	-	-
Total current liabilities	6 472	7 177	6 508
Total equity and liabilities	25 033	24 765	25 709

¹ Assets and liabilities associated with the divestiture of SIA Latgran.

Statement of changes in equity

SEKm	Jan-Jun 2015	2014	Full year 2014
Opening balance	10 704	9 917	9 917
Comprehensive income for the period	921	638	1 248
Share-based payment to be settled in equity instruments	4	2	4
Dividends paid	-651	-465	-465
Closing balance	10 978	10 092	10 704
Equity attributable to:			
Owners of the parent company	10 873	10 017	10 615
Non-controlling interests	105	75	89
Closing balance	10 978	10 092	10 704

Statement of cash flow

SEKm	Quarter			Jan-Jun		Full year
	Q2 -15	Q1 -15	Q2 -14	2015	2014	2014
Operating surplus, etc.*	897	1 021	761	1 918	1 614	3 248
Change in working capital, etc.	28	-214	128	-186	102	236
Net financial items, taxes, etc.	-104	170	-153	66	-315	-369
Cash flow from operating activities	821	977	736	1 798	1 401	3 115
Investments in property, plant and equipment	-496	-246	-301	-742	-581	-1 382
Acquisition of financial assets	-2	-	-2	-2	-2	-2
Disposal of property, plant and equipment	-	2	-	2	-	8
Cash flow from investing activities	-498	-244	-303	-742	-583	-1 376
Change in interest-bearing receivables	-5	-1	-	-6	-	-3
Change in interest-bearing liabilities	23	-917	-83	-894	-677	-1 082
Dividend	-651	-	-465	-651	-465	-465
Cash flow from financing activities	-633	-918	-548	-1 551	-1 142	-1 550
Total cash flow (=change in cash and cash equivalents)	-310	-185	-115	-495	-324	189
Cash and cash equivalents at start of period	545	737	288	737	497	497
Translation differences in cash and cash equivalents	-21	-7	20	-28	20	51
Cash and cash equivalents at the end of the period	214	545	193	214	193	737

*The amount for the period January-June 2015 takes into account operating profit of SEK 1 240 million, reversed depreciation SEK 708 million, decrease in pension liabilities SEK -7 million, other provisions SEK -11 million, net of produced and sold electricity certificates and sold emission rights SEK -16 million and incentive programmes SEK 4 million. The amount for the period January-June 2014 takes into account operating profit of SEK 991 million, reversed depreciation SEK 687 million, decrease in pension liabilities SEK -20 million, other provisions SEK -20 million, result from associated companies SEK -1 million, net of produced and sold electricity certificates and sold emission rights SEK -25 million and incentive programme SEK 2 million.



Note financial assets and liabilities

Group 30 June 2015	Derivatives in hedge accounting	Accounts and loan receivables	Available for-sale financial assets	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
Other shares and participations	-	-	803	-	803	803
Long-term receivables	-	9	-	-	9	9
Accounts receivable	-	2 630	-	-	2 630	2 630
Other receivables	89	388	-	-	477	477
Cash and cash equivalents ¹	-	214	-	-	214	214
Total	89	3 241	803	-	4 133	4 133
Non-current interest-bearing liabilities	-	-	-	3 746	3 746	3 796
Current interest-bearing liabilities	-	-	-	2 445	2 445	2 445
Accounts payables	-	-	-	2 551	2 551	2 551
Other liabilities	158	-	-	175	333	333
Total	158	-	-	8 917	9 075	9 125

Group 31 December 2014	Derivatives in hedge accounting	Accounts and loan receivables	Available for-sale financial assets	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
Other shares and participations	-	-	806	-	806	806
Long-term receivables	-	9	-	-	9	9
Accounts receivable	-	2 601	-	-	2 601	2 601
Other receivables	-	407	-	-	407	407
Cash and cash equivalents ¹	-	737	-	-	737	737
Total	-	3 754	806	-	4 560	4 560
Non-current interest-bearing liabilities	-	-	-	4 672	4 672	4 735
Current interest-bearing liabilities	-	-	-	2 417	2 417	2 417
Accounts payables	-	-	-	2 514	2 514	2 514
Other liabilities	218	-	-	242	460	460
Total	218	-	-	9 845	10 063	10 126

¹ Short-term investments are classified as "Cash and cash equivalents" when they mature less than three months after the acquisition date and are exposed to only a minor risk of fluctuation in value.

Key figures

	Jan-Jun		Full year
	2015	2014	2014
Margins			
EBITDA, %	18	16	16
Operating margin, %	11	9	9
Return (rolling 12 months)			
Return on capital employed, %	12	8	11
Return on equity, %	15	10	13
Capital structure at end of period			
Capital employed, SEKm	17 774	18 115	17 828
Working capital, SEKm	2 636	2 589	2 286
Equity, SEKm	10 978	10 092	10 704
Interest-bearing net debt, SEKm	6 798	8 022	7 124
Net debt/equity ratio	0.62	0.79	0.67
Interest-bearing net debt / EBITDA, multiple	1.92	2.77	2.17
Key figures per share			
Earnings per share, SEK	4.30	3.14	6.18
Dividend per share, SEK	3.15	2.25	2.25
Other key figures			
Working capital as percentage of net sales, %	11	13	12
Gross investments, SEKm	744	583	1 384
Average number of employees	4 255	4 197	4 194

Definitions

Adjusted operating profit

Operating profit adjusted for non-recurring items.

Capital employed

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets.

Earnings per share

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

Equity

Shareholders' equity at the end of the period.

EBITDA, %

Operating profit before depreciation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales.

Interest-bearing net debt

Interest-bearing provisions and liabilities less interest-bearing assets.

Interest-bearing net debt/ EBITDA

Interest bearing net debt at the end of the period divided by operating profit before depreciation for the last twelve months.

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 shareholders' equity.

NRI

Non-recurring items. One-time costs not affecting the company's run rate cost level.

Operating margin

Operating profit as a percentage of net sales.

Return on capital employed

Operating profit calculated over 12 months as a percentage of average capital employed.

Return on equity

Profit for the period, attributable to owners of the parent, as a percentage of average shareholders' equity, attributable to owners of the parent.

Working capital

Inventories, accounts receivables and other operating receivables less accounts payables and other operating liabilities.

Working capital as percentage of net sales

Average working capital for the quarter, divided by annualised net sales (net sales for the quarter multiplied by four).



Parent Company

Summarised income statement

SEKm	Quarter		Jan-Jun		Full Year
	Q2 -15	Q2 -14	2015	2014	2014
Operating income	-44	878	-60	1 855	3 806
Operating expenses	-115	-921	-203	-1 836	-5 152
Operating profit/loss	-159	-43	-263	19	-1 346
Financial income and expenses	1 473	-37	1 421	-82	-163
Profit/Loss after financial income and expenses	1 314	-80	1 158	-63	-1 509
Appropriations	-	-	-	-	950
Profit/loss before tax	1 314	-80	1 158	-63	-559
Taxes	44	18	78	14	133
Net profit/loss for the period	1 358	-62	1 236	-49	-426

Summarised balance sheet

SEKm	30 Jun 2015	30 Jun 2014	31 Dec 2014
Non-current assets	10 734	13 200	10 767
Current assets	6 069	4 448	5 020
Total assets	16 803	17 648	15 787
Shareholders' equity	6 714	6 506	6 129
Untaxed reserves	355	2 135	355
Provisions	336	483	338
Interest-bearing liabilities	8 781	7 420	7 206
Other liabilities	617	1 104	1 759
Total equity and liabilities	16 803	17 648	15 787

Quarterly data

The Group's business is controlled and reported according to BillerudKorsnäs' three business areas. Other units include wood supply, sales organisations, Nine AB, the Latgran Group, Bomhus Energi AB, and dormant companies. Currency hedging etc. includes results from hedging of the Group's net currency flows, revaluation of accounts receivable and payments from customers. The part of currency exposure relating to changes in invoicing rates is included in the business area's profit or loss. Group staff and eliminations comprise Group-wide functions and Group eliminations. Group eliminations also include shares in profits/losses from participations in associated companies.

Net Sales quarterly per business area and for the group

SEKm	Q2 -15	Q1 -15	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Q4 -13	Q3 -13	Jan-Jun 2015	Jan-Jun 2014
Packaging Paper	2 176	2 182	1 959	2 058	2 016	2 068	1 758	1 820	4 358	4 084
Consumer Board	2 044	2 023	1 768	1 897	1 822	1 949	1 659	1 716	4 067	3 771
Containerboard	722	801	816	773	767	792	763	755	1 523	1 559
Other units	596	661	609	487	512	589	549	470	1 257	1 101
Currency hedging, etc.	-49	-33	-28	-24	11	12	26	-13	-82	23
Group staff and eliminations	-	-	-	-	-	-	-	-	-	-
Total Group	5 489	5 634	5 124	5 191	5 128	5 410	4 755	4 748	11 123	10 538

Operating profit quarterly per business area and for the group

SEKm	Q2 -15	Q1 -15	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Q4 -13	Q3 -13	Jan-Jun 2015	Jan-Jun 2014
Packaging Paper	245	317	183	158	169	191	91	-1	562	360
Consumer Board	310	290	186	243	253	233	29	244	600	486
Containerboard	51	137	120	120	59	117	98	89	188	176
Other units	71	56	28	45	35	58	21	36	127	93
Currency hedging, etc.	-49	-33	-28	-24	11	12	26	-13	-82	23
Group staff and eliminations	-86	-69	-29	-92	-77	-70	-62	-46	-155	-147
Total Group	542	698	460	450	450	541	203	309	1 240	991

Operating profit¹ quarterly per business area and for the group

SEKm	Q2 -15	Q1 -15	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Q4 -13	Q3 -13	Jan-Jun 2015	Jan-Jun 2014
Packaging Paper	304	317	188	305	244	191	168	187	621	435
Consumer Board	324	290	303	354	265	233	148	244	614	498
Containerboard	148	137	133	140	115	117	151	110	285	232
Other units	71	56	28	45	35	58	21	36	127	93
Currency hedging, etc.	-49	-33	-28	-24	11	12	26	-13	-82	23
Group staff and eliminations	-86	-69	-29	-75	-60	-56	-33	-18	-155	-116
Total Group	712	698	595	745	610	555	481	546	1 410	1 165
Costs for maintenance shutdowns	-170	-	-135	-227	-143	-	-249	-209	-170	-143
Non-recurring items	-	-	-	-68	-17	-14	-29	-28	-	-31
Operating profit	542	698	460	450	450	541	203	309	1 240	991

Operating margin¹ quarterly per business area and for the group

%	Q2 -15	Q1 -15	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Q4 -13	Q3 -13	Jan-Jun 2015	Jan-Jun 2014
Packaging Paper	14	15	10	15	12	9	10	10	14	11
Consumer Board	16	14	17	19	15	12	9	14	15	13
Containerboard	20	17	16	18	15	15	20	15	19	15
Group	13	12	12	14	12	10	10	11	13	11

Sales volumes quarterly per business area and for the group

ktonne	Q2 -15	Q1 -15	Q4 -14	Q3 -14	Q2 -14	Q1 -14	Q4 -13	Q3 -13	Jan-Jun 2015	Jan-Jun 2014
Packaging Paper	288	300	275	288	294	310	263	269	588	604
Consumer Board	274	272	235	252	249	268	231	236	546	517
Containerboard	106	129	134	127	128	139	126	134	235	267
Total	668	701	644	667	671	717	620	639	1 369	1 388

¹ Operating profit and margin are adjusted for the effects of periodical maintenance shutdowns and for non-recurring items.

This is **BillerudKorsnäs**

BillerudKorsnäs is one of **the world's leading suppliers of high-quality, packaging materials** based on renewable raw material. 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.

Demand is driven by global megatrends, particularly rising urbanisation, a greater focus on sustainability and changing consumption patterns. Consumer segments, primarily food and beverages, account for 75% of sales. While Europe is the core market. BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia.

Smart packaging solutions using paper or board 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 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 organically by 15–20% up until 2018, which equates to a figure of around SEK 24 billion in sales. Our strategy is based on five areas that all interact: **Position, Innovation, Sustainability, Efficiency and Employees.**

Read more at billerudkorsnas.com

VALUE DRIVERS

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



**We challenge
conventional
packaging for
a sustainable future**



BILLERUDKORSNÄS