



Q3

January – September 2017

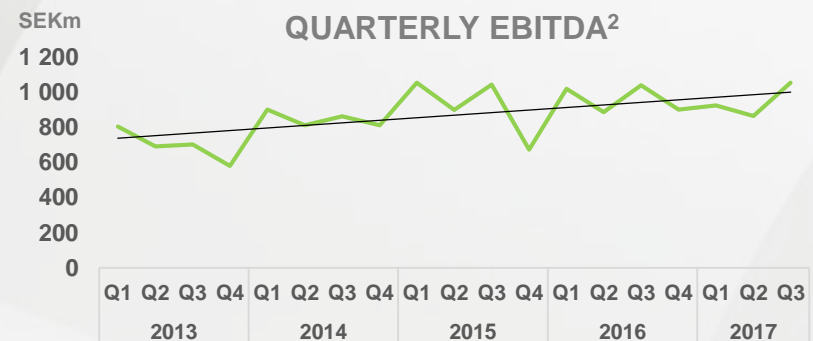
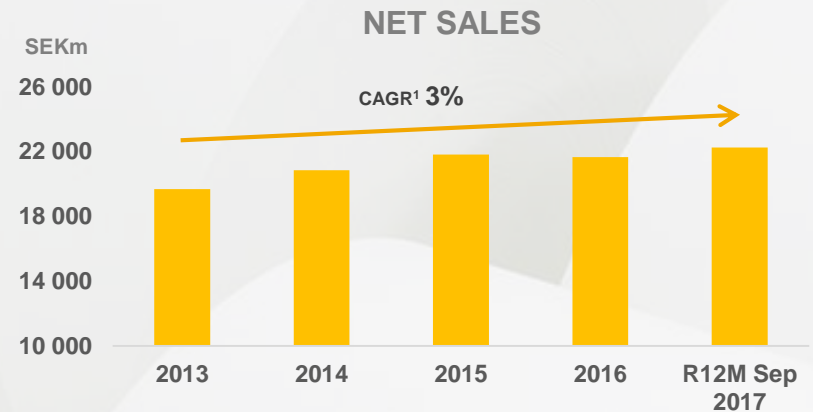
# INTERIM REPORT JANUARY – SEPTEMBER 2017

2017-10-17 Per Lindberg, CEO and President, and Susanne Lithander, CFO



# BILLERUDKORSNÄS – FIVE YEAR ANNIVERSARY

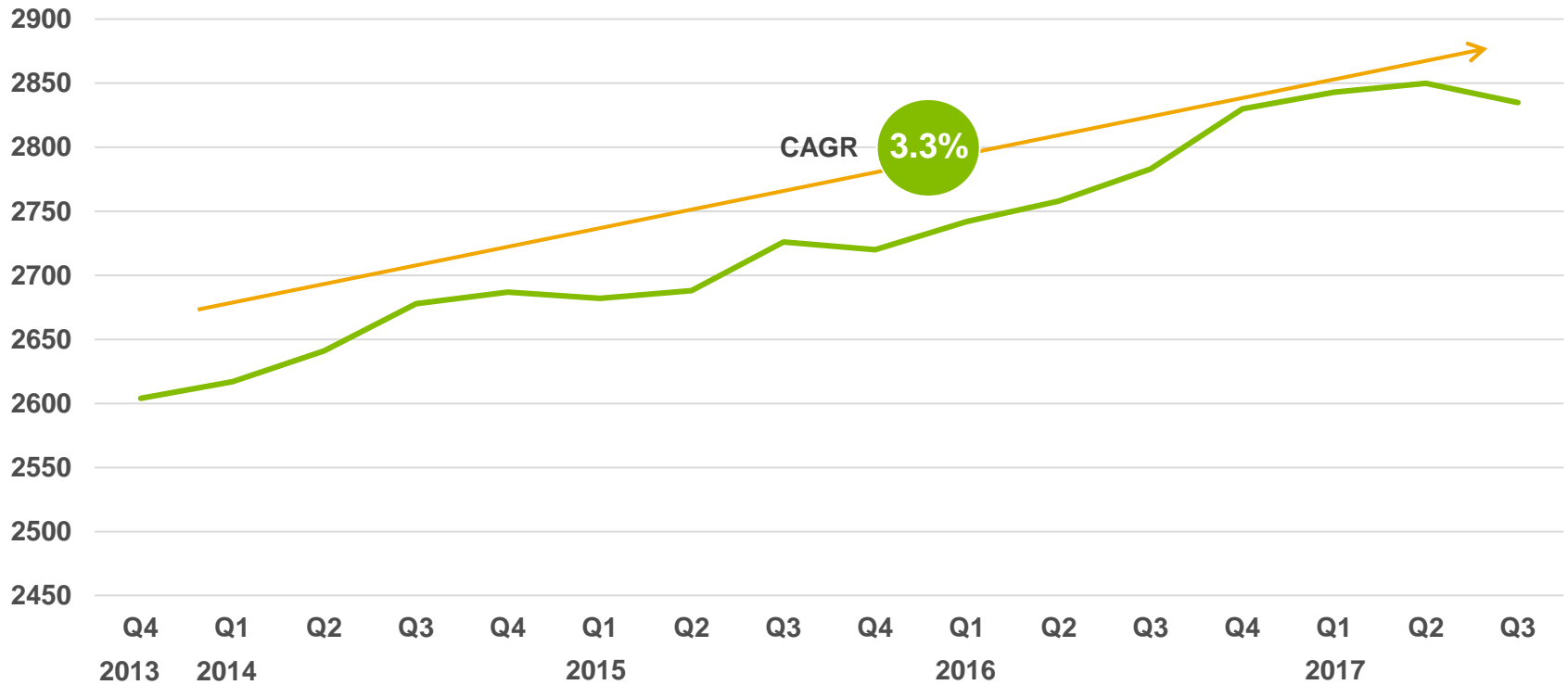
- Stable underlying earnings
- Average TSR of 23% per year for past 5 years
- Proven track record of accretive M&A
- Recognised as a leader in sustainability





# PRODUCTION DEVELOPMENT

kton/a (12 months rolling)\*



\*Excluding Tervasaari



# SAFETY, STABILITY & PRODUCT QUALITY IN FOCUS TO SUPPORT LONG TERM GROWTH OF THE COMPANY

THREE LARGE CHANGE INITIATIVES UNDER IMPLEMENTATION

## Occupational Health and Safety

A culture based upon health and safety is the foundation for stability  
Behaviour based safety programme under implementation

## Production Stability

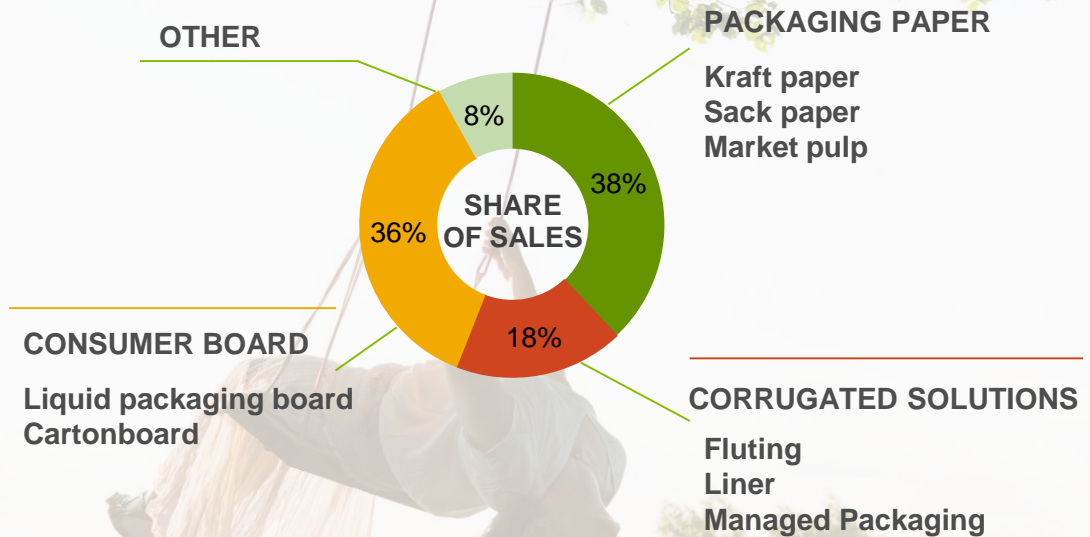
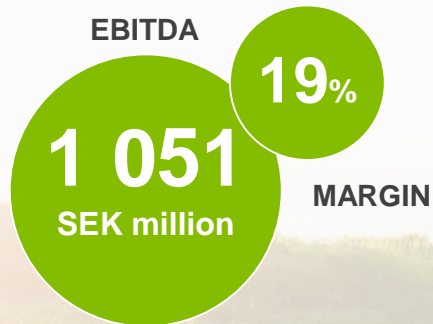
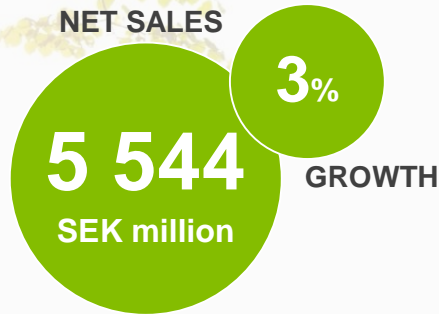
Increase stability in core processes; pulp, paper/board and maintenance  
Company specialists to support and increase focus in our cross-mills team

## Secure Product Quality

A systematic, customer centric, quality programme under implementation  
TPM based approach to eradicate losses permanently, while keeping customer involved



# Q3 2017 RESULTS AT A GLANCE





## Q3 2017 KEY HIGHLIGHTS

- ▶ Very strong market and continued high demand across all business areas
- ▶ EBITDA affected by SEK 35 million for production shutdown in Karlsborg
- ▶ New organisation to work with availability and quality in production units
- ▶ Stable earnings in all business areas
- ▶ Favourable outlook on both short and long term

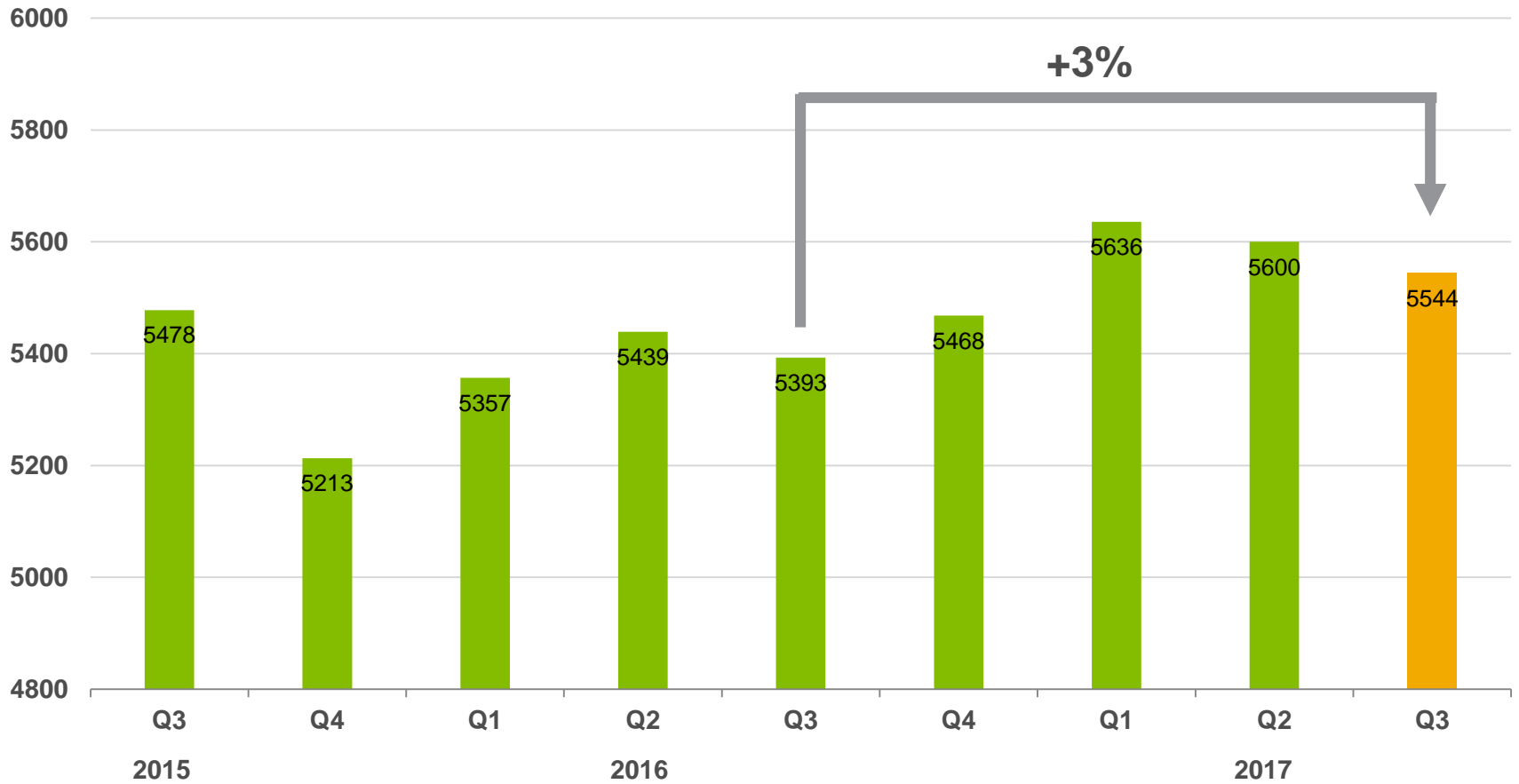


# FINANCIAL DEVELOPMENT



# NET SALES

SEK MILLION

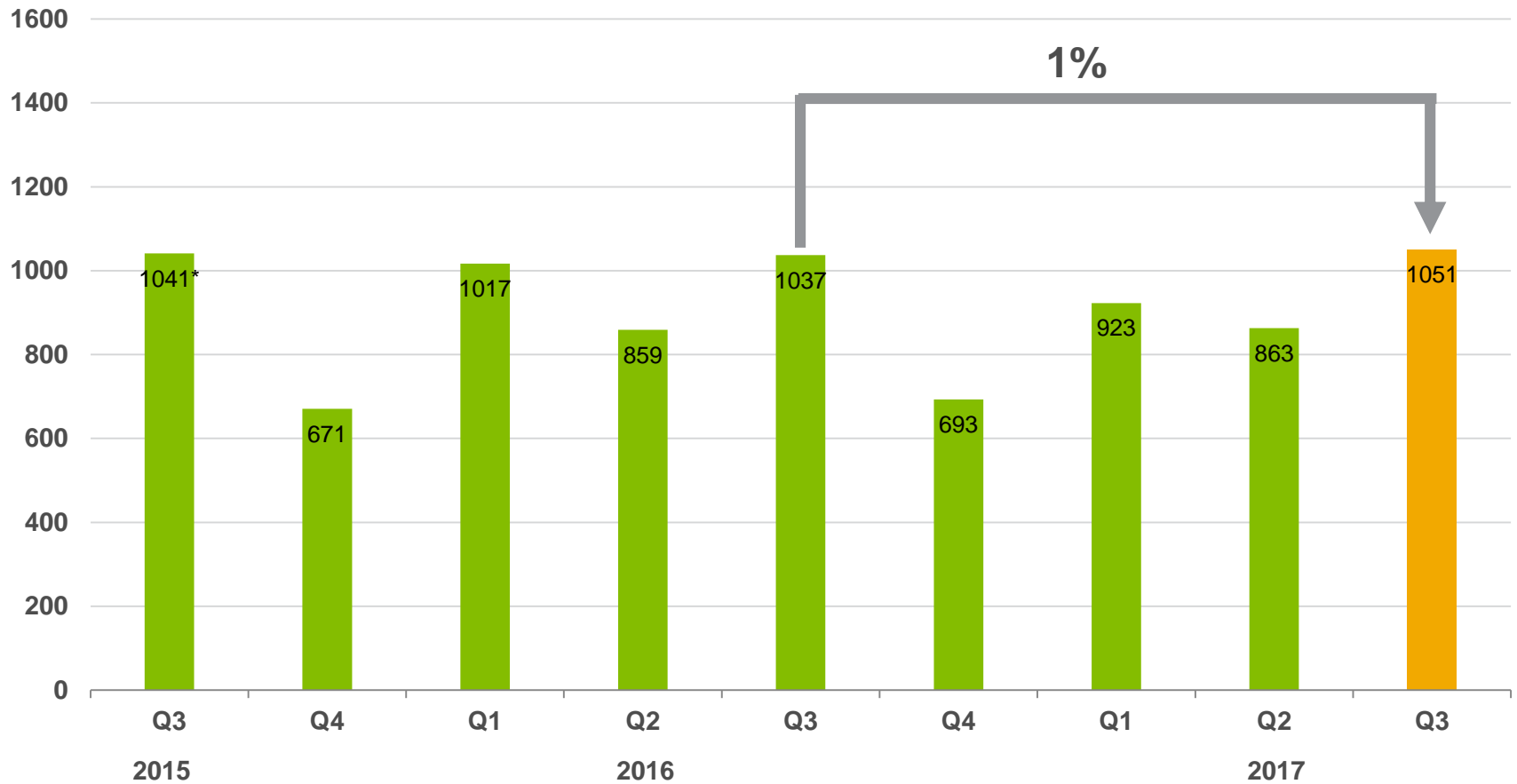






# EBITDA

SEK MILLION

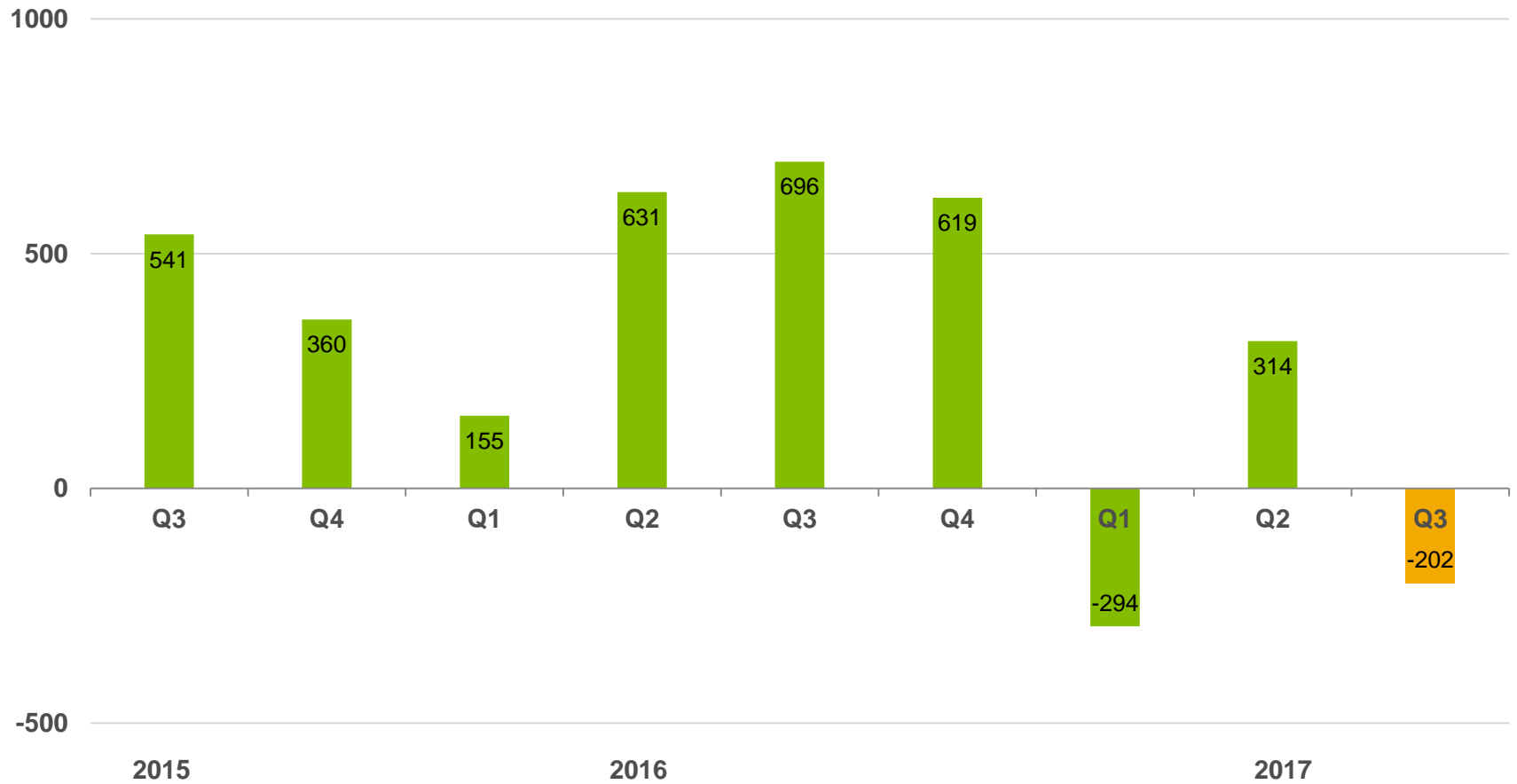


\*Q3 2015 shows adjusted EBITDA



# OPERATING CASH FLOW

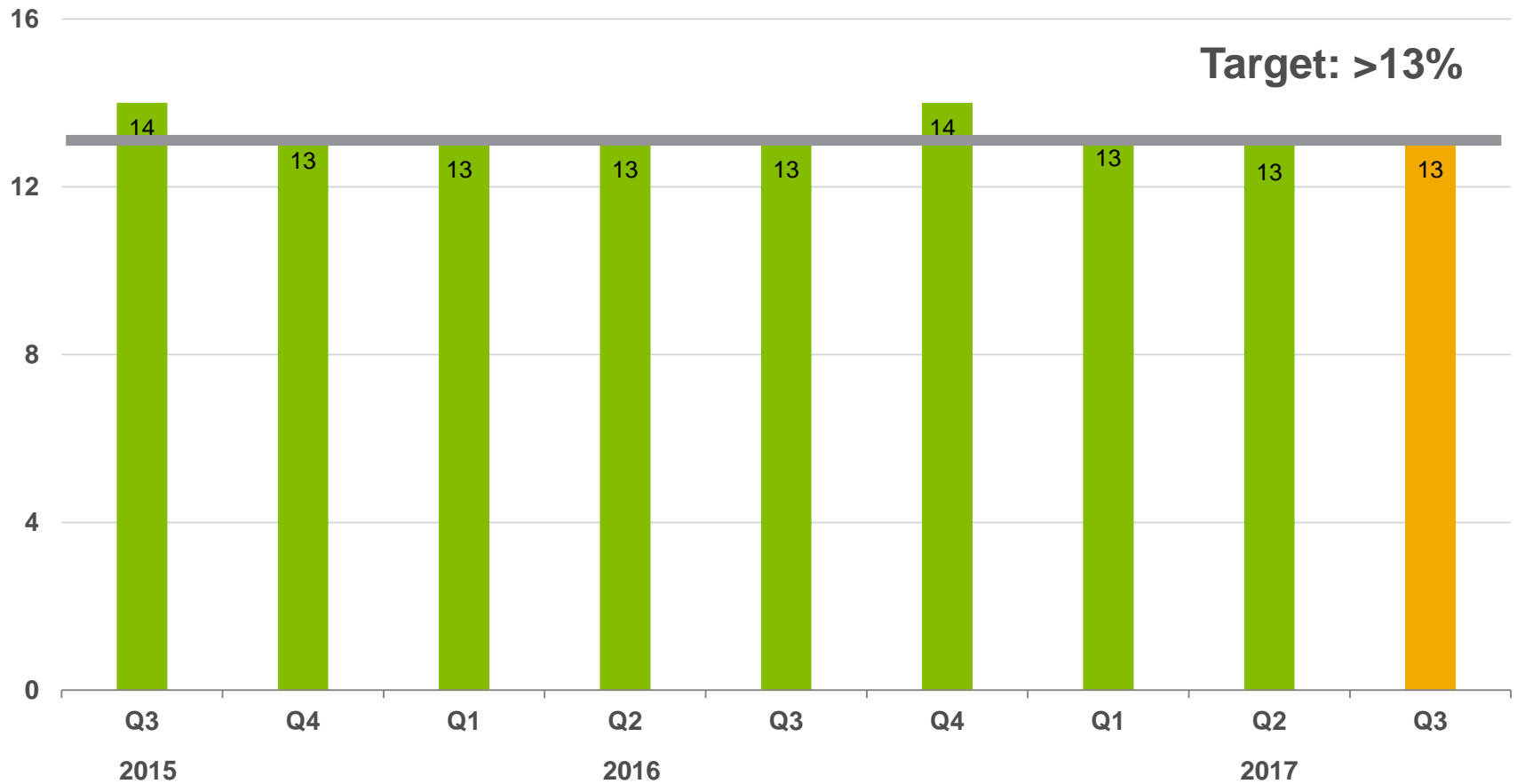
SEK MILLION





# RETURN ON CAPITAL EMPLOYED

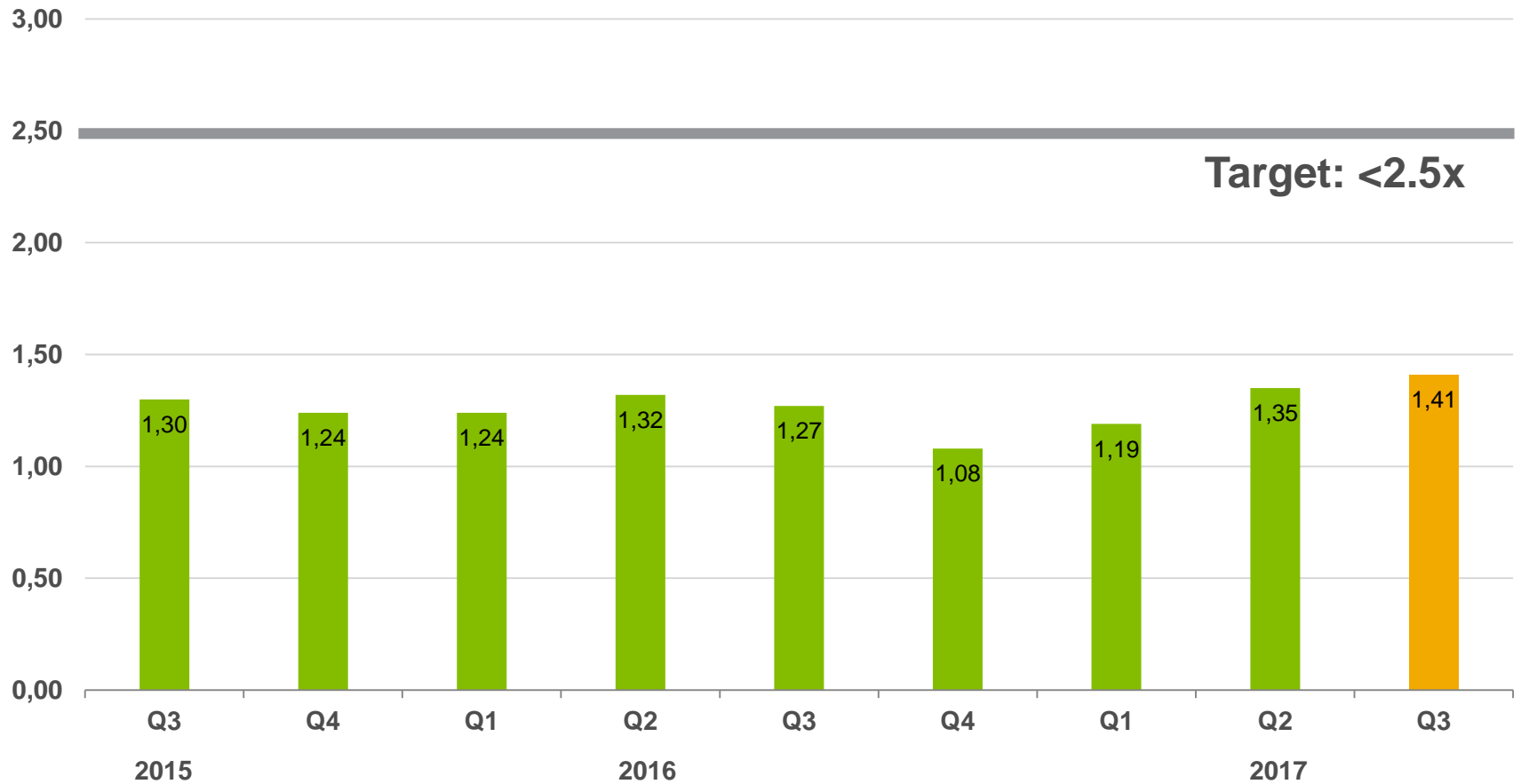
ADJUSTED, ROLLING 12 MONTHS (%)





# LEVERAGE

NET DEBT/EBITDA (X)





# BUSINESS AREAS



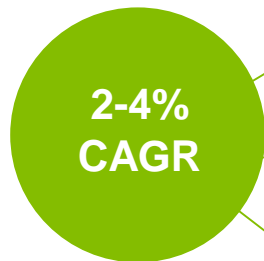
# PACKAGING PAPER BUSINESS AREA

*KRAFT AND SACK PAPER FOR CUSTOMERS WITH TOUGH DEMANDS*



- *Packaging for flour, sugar, carrier bags, medical packaging, building materials, chemicals and more*
- *Growth driven by population growth in emerging markets, ageing population, increasing environmental awareness and more*

## SELECTIVE GROWTH



Asset transformation for increased profitability

Development of new business models

Expansion to growing markets





# PACKAGING PAPER BUSINESS AREA

## Q3 DEVELOPMENT

- Net sales unchanged vs Q3-16
  - Increased prices in local currency but lower production volumes
- EBITDA -11% vs Q3-16
  - Lower production volumes and cost impact from Karlsborg, but increased paper prices
- Improved market for all kraft and sack papers
- Kraft and sack paper markets expected to remain solid with potential to increase prices in local currency

**2 090**

NET SALES SEK MILLION

**394**

EBITDA SEK MILLION

**19%**

EBITDA MARGIN



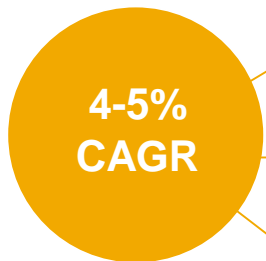
# CONSUMER BOARD BUSINESS AREA

LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES



- *Packaging for milk, juice, preserved foods, beauty and healthcare products, confectionery and more*
- *Growth driven by high urbanization rate, change in consumer behavior and more*

## VOLUME GROWTH



Attractive market providing growth opportunities

Investments for volume growth

Innovation with customers and brand owners







# CONSUMER BOARD BUSINESS AREA

## Q3 DEVELOPMENT

- Continued high demand
- Net sales +2% vs Q3-16
- EBITDA +10% vs Q3-16
  - Increased sales volumes and lower variable costs
- Overall volume growth somewhat lower due to production disturbances
  - Highest sales volumes of cartonboard since merger of Billerud and Korsnäs
- Expected continued stable order situation with normal season variations

**2 019**

NET SALES SEK MILLION

**466**

EBITDA SEK MILLION

**23%**

EBITDA MARGIN



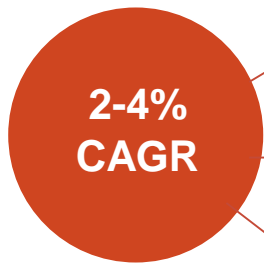
# CORRUGATED SOLUTIONS BUSINESS AREA

FLUTING AND LINER ADD VALUE



- *Packaging for fruit and vegetables, white goods and electronics, exclusive drinks and more*
- *Supply chain solutions and packaging optimisations for brand owners*
- *Growth driven by increasing e-commerce and fresh food consumption, package differentiation and changing supply chains*

## VALUE GROWTH



Strong product portfolio setting market standard

Integrating new business model

Increasing sales to brand owners





# CORRUGATED SOLUTIONS BUSINESS AREA

## Q3 DEVELOPMENT

- Net sales +11% vs Q3-16
  - Higher sales volumes and improved prices in local currency
- EBITDA +12% vs Q3-16
  - Increased sales supported by increased prices in local currency and favourable product mix
- Strong order books and increased prices in Europe
- Managed Packaging ~50% sales growth
- Expected continued strong demand for fluting and liner
  - Expansion to new regions

**1 012**

NET SALES SEK MILLION

**269**

EBITDA SEK MILLION

**27%**

EBITDA MARGIN



# OUTLOOK



## SHORT-TERM OUTLOOK

- Demand and order situation are expected to be strong in the fourth quarter with normal seasonal variances for all business areas.
- The Packaging Paper and Corrugated Solutions business areas see opportunities for local price increases in the next quarter.
- Wood costs for Q4 are expected to be unchanged.
- Costs for planned maintenance shutdowns in the fourth quarter are estimated at SEK 120 million.
- Additional non-recurring costs at Gruvön of around SEK 30 million for training and temporary staff are expected to impact the fourth quarter.



## 2018 OUTLOOK

INCLUDING IMPACT FROM TRANSFORMATION PROJECTS

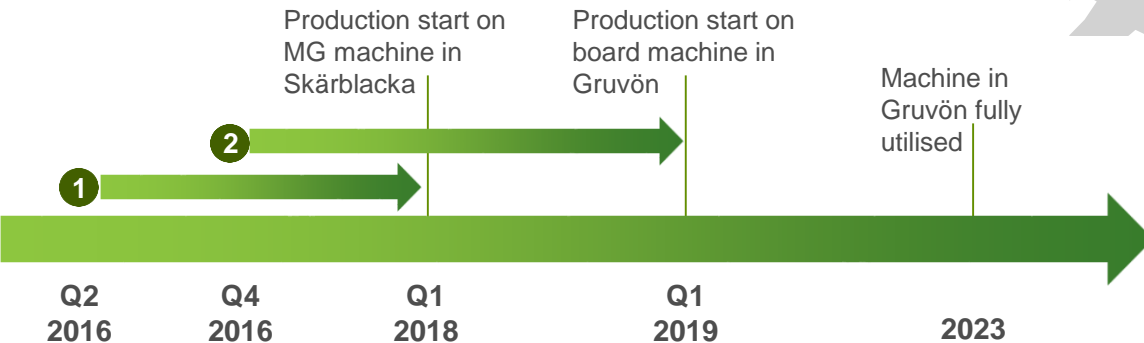
	2018
Paper prices in local currency	
Raw material cost	Impact from increased demand
Pulp pricing	
Production capacity overall	+ ~1% compared to 2017
Capacity PM10 Skärblacka	40 ktonnes
Stock buildup Gruvön	- 20 ktonnes
One-off project costs	- 150 SEKm
Net exposure market pulp	125 ktonnes



# SKÄRBLACKA AND GRUVÖN PROGRESS AS PLANNED

IMPROVING EFFICIENCY AND SECURING GROWTH

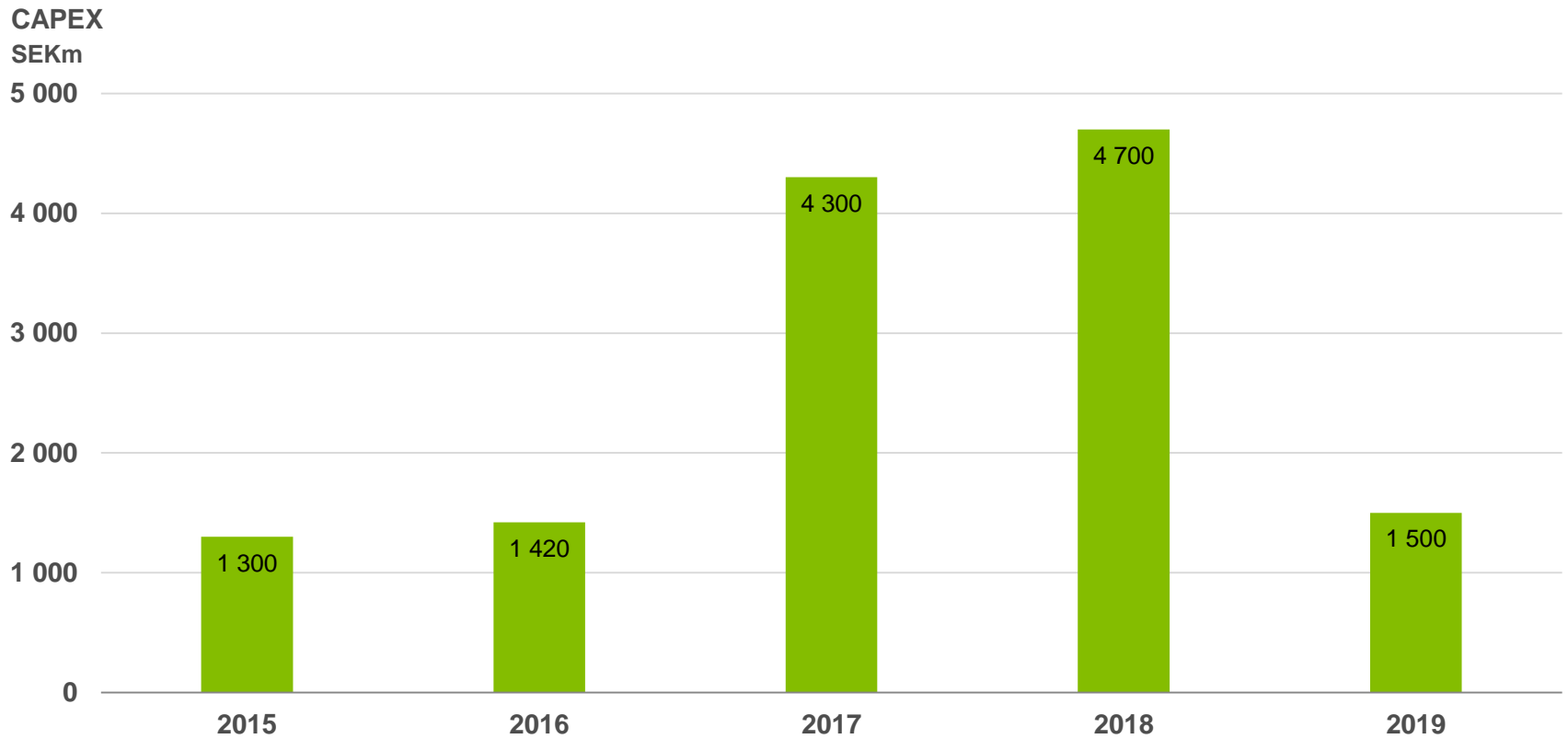
- 1 Investing in MG integrated to pulp production in Skärblacka, Sweden; **SEK 1.3 billion investment.**
- 2 New board machine in Gruvön, Sweden with capacity of approx. 550 000 t/a; **SEK 5.7 billion investment.**





# CAPEX 2015-2019

IN LINE WITH PREVIOUS GUIDANCE







# CONTINUED INVESTMENTS IN SOLUTIONS

## Packaging Solutions

Ready-to-use packaging solutions

- BillerudKorsnäs sells ready-made packaging
- May use BillerudKorsnäs material
- Examples:
  - **Managed Packaging**
  - **Sack Sales**



## Systems Solutions

Product solutions including both materials and machine (and machine service)

- Products using BillerudKorsnäs material
- Examples:
  - **Axello ZAP**
  - **Formable Solutions**



## Venturing

Moving further down the packaging value chain

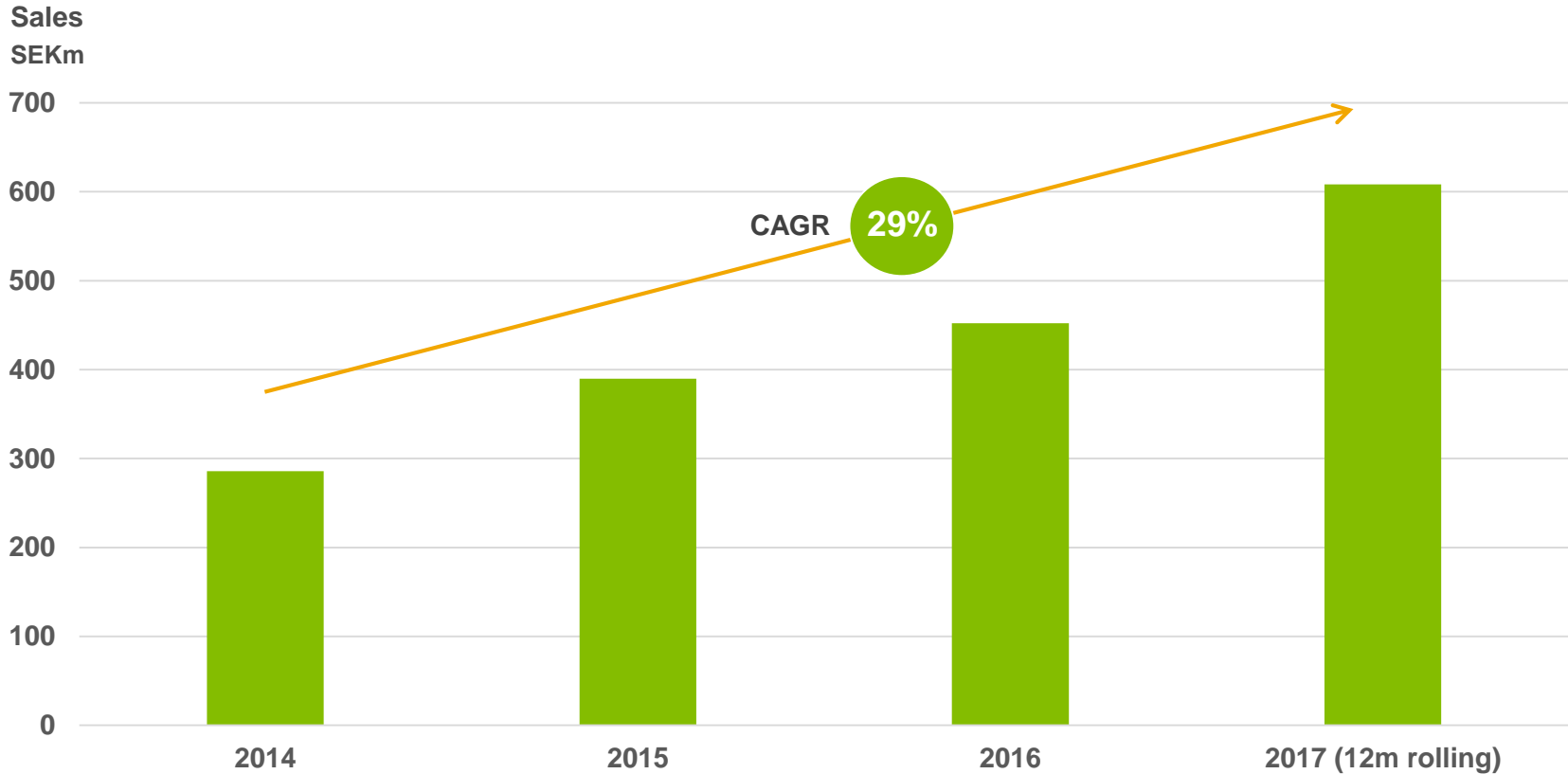
- Three focus areas:
  - **Paper based bottles**
  - **Cold chain solutions**
  - **Internet of packaging**





# MANAGED PACKAGING LEADING THE WAY

LONG-TERM TARGET OF 25% GROWTH AND EBIT MARGIN OF 5-10%



**Q&A**

**WE CHALLENGE CONVENTIONAL PACKAGING  
FOR A SUSTAINABLE FUTURE**



**BILLERUDKORSNÄS**