



BILLERUDKORSNÄS



Q4

January–December 2018

YEAR-END REPORT JANUARY–DECEMBER 2018

Quarterly data

- Net sales were SEK 5 843 million (5 565), an increase of approximately 5% mainly as a result of increased sales prices
- Adjusted EBITDA was SEK 810 million (950), a decrease of 15%, owing mainly to higher raw material costs
- Net profit was SEK 309 million (368), a decrease of 16%.
- Earnings per share amounted to SEK 1.49 (1.78)

Proposed dividend

- The board proposes a dividend of SEK 4.30 (4.30) per share for 2018, to be paid out on two occasions in 2019 for a more efficient cash management

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

Outlook 2019

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

KEY FIGURES

| SEKm | Q4 2018 | Q4 2017 | Change | Jan-Dec 2018 | Jan-Dec 2017 | Change |
|---|------------|------------|--------|-----------------|-----------------|--------|
| Net sales | 5 843 | 5 565 | 5% | 23 692 | 22 345 | 6% |
| EBITDA | 794 | 923 | -14% | 2 943 | 3 760 | -22% |
| EBITDA, % | 14% | 17% | | 12% | 17% | |
| Adjusted EBITDA | 810 | 950 | -15% | 3 476 | 3 850 | -10% |
| Adjusted EBITDA, % | 14% | 17% | | 15% | 17% | |
| Operating profit | 414 | 521 | -21% | 1 430 | 2 241 | -36% |
| Operating margin, % | 7% | 9% | | 6% | 10% | |
| Adjusted operating profit | 443 | 587 | -25% | 2 021 | 2 391 | -15% |
| Adjusted operating margin, % | 8% | 11% | | 9% | 11% | |
| Net profit/loss for the period | 309 | 368 | -16% | 1 037 | 1 638 | -37% |
| Earnings per share, SEK | 1.49 | 1.78 | -16% | 5.01 | 7.91 | -37% |
| Adjusted earnings per share, SEK | 1.61 | 2.03 | -21% | 7.24 | 8.48 | -15% |
| Operating cash flow | -766 | -761 | | -2 633 | -943 | |
| ROCE, % | N/A | N/A | | 7% | 12% | |
| Adjusted ROCE, % | N/A | N/A | | 9% | 13% | |
| Interest-bearing net debt / EBITDA, multiple | 3.17 | 1.53 | | 3.17 | 1.53 | |
| Interest-bearing net debt / Adjusted EBITDA, multiple | 2.68 | 1.49 | | 2.68 | 1.49 | |

For key figures and a reconciliation of alternative performance measures, see pages 20-22.

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COMMENTS BY CEO

FOUNDATION IN PLACE TO MEET CUSTOMER DEMAND



Petra Einarsson,
President and CEO

SEK 5 843 million

Net sales

SEK 794 million

EBITDA

14%

EBITDA margin

“Demand for innovative and sustainable packaging continued to increase during the year, driving a solid growth. For the full year, net sales were 6 percent higher than in 2017. A strong market in combination with our position in selected segments have enabled us to raise prices throughout the year, resulting in record earnings for Packaging Paper.

Full year production levels were in line with our expectations, and despite some challenges early in the year we reached record levels at Gävle, Karlsborg, Frövi and Rockhammar. We are however not satisfied and together with our safety-first initiative, production stability continues to be the key focus area. We see good opportunities to increase volumes in 2019 through our production excellence program.

Our investment for long-term growth at Gruvön is continuing as planned, and the new 550 000 tonne board machine is expected to start up in March/April. We have a clear focus on a stable and successful ramp-up.

Existing long-term agreements with our largest customers within liquid packaging board have been renewed, which will have positive effects on margins. The importance of proactive partnerships is increasing and it is crucial for us to continue and deepen our innovation work together with these key customers.

In November, we announced the strategically important agreement to acquire Bergvik Öst. The 350 000 hectares of forestland constitute a key component to securing long-term competitive wood supply. As we will continue to prioritise investments in our operations, our intention as previously communicated is to find suitable investors for a substantial part of the forestland. This process is moving ahead as planned.

Global trends such as changes in consumer behaviours due to increased sustainability awareness and growing e-commerce are beneficial for us. We see continued good demand especially for consumer products, a segment in which we have a strong position and we believe has low cyclicalities. With our new organisation in place, we are well prepared to meet customer demand and continue to move up the value chain.”

The result

Despite the favourable sales performance, EBITDA decreased for the full year 2018. This is largely related to cost development for raw materials, as well as the challenging wood shortage earlier in the year. In preparation for the planned maintenance shutdowns in Q2 2019, we have built additional inventory to ensure a stable delivery situation, which has affected sales volumes negatively especially in the latter part of the year. Adjusted EBITDA for the full year decreased by 10 percent to SEK 3 476 million.

Market outlook

We foresee continued good demand for our products and expect order books to remain solid. As we see limited possibilities for further increases in sales price, we are focusing on safeguarding our price levels from 2018. With an unchanged market demand for pulpwood, we expect the increase in cost of fibre to flatten out at high levels in 2019.

Strategy

We will continue to pursue our strategy for sustainable solutions and profitable growth. To unlock our full potential, we have implemented an agenda of prioritised activities including securing the successful ramp-up of our new board machine in Gruvön, safeguarding the wood supply where a major step has been the agreement to acquire Bergvik Öst, and stabilising production through increased focus on our production excellence program. To achieve our ambitious safety targets we will accelerate measures to improve our safety-related work and decrease the number of injuries throughout the organisation in 2019.

Sales and results

EBITDA decreased due to higher fixed costs

EBITDA was negatively impacted by increased wood and chemical costs

Q4 2018 compared with Q3 2018

Net sales were 3% lower than in the previous quarter owing mainly to seasonal fluctuations. Sales volumes were 6% lower than in the last quarter also related to inventory build-up within Packaging Paper and Consumer Board. Sales prices remained favourable for Packaging Paper and Corrugated Solutions. Managed Packaging showed continued good growth.

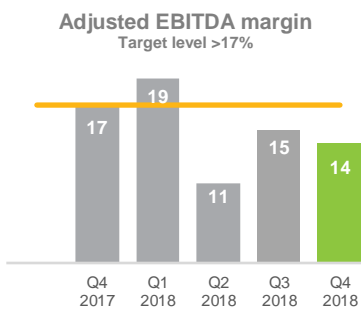
Compared with last quarter, EBITDA decreased by SEK 87 million, from SEK 881 million to SEK 794 million. This was mainly due to recurring lower personnel costs during the holiday period in the third quarter, as well as higher fixed costs towards the end of the year in line with the trend of previous years. The impact of the planned maintenance shutdowns was SEK 148 million compared with SEK 208 million in the previous quarter.

Q4 2018 compared with Q4 2017

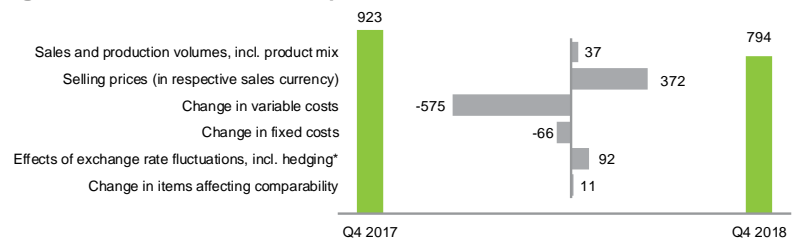
Net sales for the fourth quarter of 2018 were 5% higher than for the same quarter last year. The increase was mainly due to increased sales prices in Packaging Paper and Corrugated Solutions, combined with a better sales mix for Packaging Paper and a positive currency effect.

The underlying positive price and mix development was somewhat offset by lower sales volumes, related to stronger negative seasonality effects in Packaging Paper. Managed Packaging continued to show strong growth.

EBITDA decreased by SEK 129 million owing to a negative impact from increased costs for fibre and chemicals following strong market demand. Planned maintenance shutdowns amounted to SEK 148 million compared with SEK 140 million in the corresponding quarter last year. Fixed costs were also negatively affected by the start-up of PM10 in Skärblacka as well as inflation driven cost increases. This negative development was offset, however, by strong price increases and favourable currency movements.



Change in EBITDA for Q4 2018 compared with Q4 2017, SEK million



*Effects of exchange rate fluctuations totalling SEK 92 million comprise the following components: change in spot rates of SEK 232 million, currency hedging of SEK -66 million and currency effects from the revaluation of trade receivables and payments from customers of SEK -74 million.



Lower EBITDA due to higher fibre and chemicals costs and the Q2 2018 provision

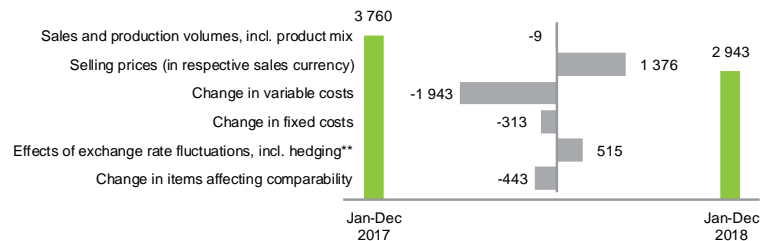
Full year 2018 compared with full year 2017

Net sales for 2018 were 6% higher than last year, driven by higher sales prices in Packaging Paper and Corrugated Solutions combined with a better sales mix for Packaging Paper and Consumer Board and a positive currency effect. Due to long-term customer contracts, prices in local currency for Consumer Board remained flat.

Sales volumes decreased by 5% despite good market conditions across all segments. The decrease was mainly due to inventory build-up to ensure a stable delivery situation and the weather-related wood shortage. Sales volumes for Consumer Board were in line with last year.

EBITDA decreased by SEK 817 million, following increases in fibre and chemical cost, the provision of SEK 452 million in Q2 2018, the impact from the wood shortage and increased costs for maintenance shutdowns. Adjusted EBITDA decreased by SEK 374 million compared with last year.

Change in EBITDA for full year 2018 compared with full year 2017, SEK million



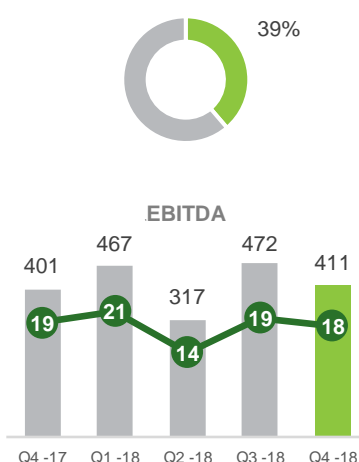
**Effects of exchange rate fluctuations totalling SEK 515 million comprise the following components: change in spot rates of SEK 791 million, currency hedging of SEK -327 million and currency effects from the revaluation of trade receivables and payments from customers of SEK 51 million.

Packaging Paper business area

KRAFT AND SACK PAPER FOR CUSTOMERS WITH TOUGH DEMANDS

Packaging Paper offers premium-quality kraft and sack paper, plus smart solutions for customers in the industrial, medical equipment and consumer segments. The business area also sells any surplus of pulp that BillerudKorsnäs does not use in its own production. The Group's net exposure in market pulp is estimated to approximately 100 ktonnes for 2019 and 0 ktonnes in 2021.

Share of Group's net sales for Q4 2018



KEY FIGURES

| SEKm | Quarter | | Full year | |
|-------------------------------|------------|------------|--------------|--------------|
| | Q4 -18 | Q4 -17 | 2018 | 2017 |
| Net sales | 2 264 | 2 147 | 9 256 | 8 529 |
| of which kraft paper | 878 | 893 | 3 727 | 3 685 |
| of which sack paper | 795 | 683 | 3 279 | 2 631 |
| Net operating expenses, other | -1 853 | -1 746 | -7 589 | -7 030 |
| EBITDA | 411 | 401 | 1 667 | 1 499 |
| EBITDA, % | 18% | 19% | 18% | 18% |
| Operating profit/loss | 285 | 285 | 1 187 | 1 035 |
| Operating margin, % | 13% | 13% | 13% | 12% |
| Sales volumes, ktonnes | 246 | 282 | 1 050 | 1 152 |

Q4 2018 compared with Q4 2017

Net sales in the fourth quarter were 5% higher than in the last quarter of 2017 as a result of increased sales prices, a better sales mix and a favourable currency effect.

EBITDA increased by 2% compared with the corresponding quarter last year, owing to higher sales prices and a favourable product mix despite lower sales volumes and higher variable costs for fibre and chemicals.

Full year 2018 compared with full year 2017

Net sales for the year 2018 increased by 9% compared with 2017 as a result of a favourable sales mix, higher prices and favourable currency effects. Sales volumes were lower than in 2017 due to the wood shortage and a change in product mix at Gruvön.

EBITDA increased by 11% compared with last year and reached a new record level. This was due to higher prices, a better sales mix and favourable currency effects.

The PM10 MG machine that was transferred from Tervasaari to Skärblacka started up successfully according to plan in the first half of 2018.

Market development

The market remained good in the quarter for all sack- and kraft papers. However, the seasonality effect was somewhat stronger than last year. Prices in local currencies increased slightly for both sack and kraft papers.

The market for NBSK pulp remained positive. Prices were around USD 1 200 per tonne at the end of the quarter compared with USD 1 230 at the end of the previous quarter. At the end of 2017 the price was USD 1 000 per tonne.

Outlook

The market for our kraft and sack papers is expected to remain good over the next quarter.

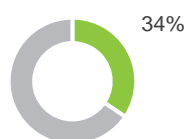


Consumer Board business area

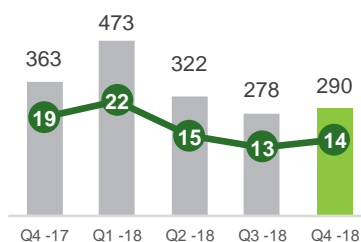
LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES

Consumer Board delivers packaging materials in high-quality board made from primary fibre for beverages, food products and various other consumer goods. Smart solutions in terms of function, design and material selection create added value for customers.

Share of Group's net sales
Q4 2018



EBITDA



KEY FIGURES

| SEK m | Quarter | | Full year | |
|---------------------------------|------------|------------|--------------|--------------|
| | Q4 -18 | Q4 -17 | 2018 | 2017 |
| Net sales | 2 012 | 1 943 | 8 453 | 8 189 |
| of which liquid packaging board | 1 647 | 1 633 | 7 006 | 6 936 |
| of which cartonboard | 357 | 309 | 1 427 | 1 245 |
| Net operating expenses, other | -1 722 | -1 580 | -7 090 | -6 422 |
| EBITDA | 290 | 363 | 1 363 | 1 767 |
| EBITDA, % | 14% | 19% | 16% | 22% |
| Operating profit/loss | 105 | 168 | 598 | 983 |
| Operating margin, % | 5% | 9% | 7% | 12% |
| Sales volumes, ktonnes | 254 | 252 | 1 084 | 1 081 |

Q4 2018 compared with Q4 2017

Net sales increased by 4%, compared with the fourth quarter of 2017. Demand is still strong, but price levels are largely unchanged, which is due to long-term agreements with major customers. Together with increased raw material prices, this is putting pressure on margins.

EBITDA decreased with 20% compared with the fourth quarter of 2017. The decrease was mainly due to higher prices for fibre. The effect of the planned maintenance shutdown in Frövi was SEK 117 million compared with SEK 115 million last year.

Full year 2018 compared with full year 2017

Net sales increased by 3% compared with the full year 2017. The increase was mainly due to a more favourable product mix and positive currency effects.

EBITDA decreased by 23% compared with 2017. The decrease was mainly due to the higher cost of fibre and chemicals.

Market development

Market conditions remained good during the quarter. Prices in local currency were largely unchanged compared with the previous quarter.

Outlook

Market conditions for our products are expected to remain good with normal seasonal variations. The long-term agreements with our largest customers within liquid packaging board have been renewed, which will have positive effects on margins.

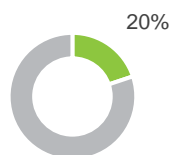


Corrugated Solutions business area

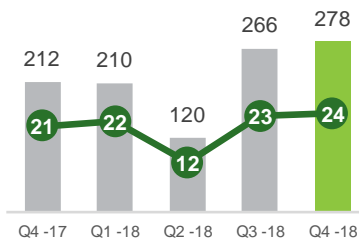
FLUTING AND LINER ADD VALUE

Corrugated Solutions supplies materials to corrugated board manufacturers and packaging solutions to brand owners. The strong and light materials – fluting and liner – are used in corrugated boxes for fragile goods and demanding distribution systems. Smart packaging is delivered via the Managed Packaging concept, which provides supply chain solutions and packaging optimisation for brand owners, with a view to challenging conventional solutions.

Share of Group's net sales
Q4 2018



EBITDA



KEY FIGURES

| SEKm | Quarter | | Full year | |
|-------------------------------|------------|------------|------------|------------|
| | Q4 -18 | Q4 -17 | 2018 | 2017 |
| Net sales | 1 161 | 1 011 | 4 251 | 3 856 |
| of which fluting | 607 | 459 | 1 971 | 1 779 |
| of which liner | 382 | 338 | 1 441 | 1 389 |
| of which Managed Packaging | 225 | 198 | 839 | 662 |
| Net operating expenses, other | -883 | -799 | -3 377 | -3 022 |
| EBITDA | 278 | 212 | 874 | 834 |
| EBITDA, % | 24% | 21% | 21% | 22% |
| Operating profit/loss | 231 | 168 | 694 | 656 |
| Operating margin, % | 20% | 17% | 16% | 17% |
| Sales volumes, ktonnes | 136 | 132 | 507 | 542 |

Q4 2018 compared with Q4 2017

Net sales increased by 15% compared with the corresponding quarter in 2017 as a result of increased sales prices, positive currency effects and slightly increased volumes.

EBITDA increased by 31% compared to the fourth quarter of 2017. Higher sales prices, favourable currency rates and a higher result in Managed Packaging counteracted higher fixed costs at Gruvön and increased raw material costs.

Full year 2018 compared with full year 2017

Net sales for the full year 2018 were 10% higher than for the full year 2017, owing to a strong increase in sales in Managed Packaging, higher sales prices and favourable currency rates. Managed Packaging grew by 27%, mainly in the Footwear and Computer Devices segments.

EBITDA increased by 5% in 2018 compared with 2017. Increased costs for fibre and chemicals as well as higher fixed costs at Gruvön pressured results. This was compensated by higher sales prices, positive currency effects and an improved result in Managed Packaging.

Market development

The general market for containerboard slowed down somewhat in the latter part of 2018. However, demand for white kraftliner and S/C fluting (non-recycled fibres) remained good in the fourth quarter. Managed Packaging's growth was lower than in previous quarters but the sales pipeline remained strong.

Outlook

The white kraftliner and S/C fluting markets are expected to remain good. Growth in Managed Packaging is expected to remain strong.

Currency hedging

SEK -84 million impact on net sales for the quarter.

Currency hedging had a net sales impact of SEK -84 million (-18) in the fourth quarter and SEK -323 million (4) for the full year 2018 (compared with no currency hedging).

Outstanding forward exchange contracts at 31 December 2018 had a market value of SEK -71 million, SEK -44 million of which is the portion of the contracts matched by trade receivables that affected earnings in the fourth quarter. Accordingly, other contracts had a market value of SEK -27 million.

Hedged portion of forecast currency flows** for EUR, USD and GBP and exchange rates against SEK (31 December 2018).

| Currency | Q1-19 | Q2-19 | Q3-19 | Q4-19 | Q1-20 | Total 15 months | Q2-20 |
|--|------------|------------|----------|----------|----------|-----------------|----------|
| EUR Share of net flow | 81% | 80% | 79% | 81% | 79% | 80% | 53% |
| Rate | 9.63 | 9.90 | 10.36 | 10.35 | 10.38 | 10.14 | 10.38 |
| USD Share of net flow | 64% | 65% | 64% | 65% | - | 51% | - |
| Rate | 8.58 | 8.64 | 8.78 | 8.75 | - | 8.69 | - |
| GBP Share of net flow | 14% | - | - | - | - | 3% | - |
| Rate | 11.47 | - | - | - | - | 11.47 | - |
| Market value of currency contracts* | -55 | -34 | 3 | 4 | 7 | -75 | 4 |

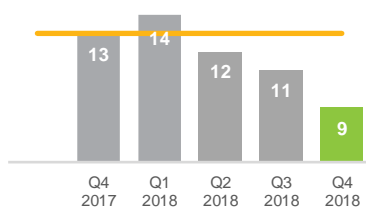
*At 31 December 2018.

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

The currency hedging policy is to hedge 0–80% of net flows over the next 15 months. During the year, BillerudKorsnäs' Board of Directors approved an extension of the EUR/SEK hedging horizon to May 2020.

Adjusted return on capital employed

Target level >13%



Investments and capital employed

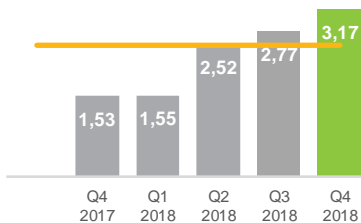
Gross investments amounted to SEK 1 033 million (1 459) for the fourth quarter and SEK 5 142 million (4 261) for 2018. The investments mainly relate to the new board machine at Gruvön.

Capital employed at 31 December 2018 amounted to SEK 23 687 million (19 548). Return on capital employed (ROCE), calculated over the last 12-month period, amounted to 7% (12%). ROCE calculated using adjusted operating profit amounted to 9% (13%).

Return on equity was 7% (12%).

Cash flow and financial position

Net debt/EBITDA
target level <2.5



Summary cash flow statement

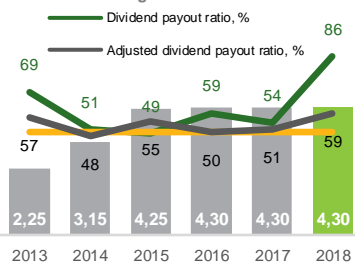
| SEKm | Quarter | | Jan-Dec | |
|--|-------------|-------------|---------------|--------------|
| | Q4 -18 | Q4 -17 | 2018 | 2017 |
| Operating surplus, etc. | 770 | 896 | 3 219 | 3 650 |
| Change in working capital, etc. | -349 | 68 | -267 | 242 |
| Net financial items, taxes, etc. | -154 | -266 | -450 | -576 |
| Cash flow from operating activities | 267 | 698 | 2 502 | 3 316 |
| Current net investments | -1 033 | -1 459 | -5 135 | -4 259 |
| Operating cash flow | -766 | -761 | -2 633 | -943 |

Operating cash flow amounted to SEK – 766 million (-761) in the fourth quarter and SEK -2 633 million (-943) for 2018. Changes in cash flow were mainly due to the investments at Gruvön. Working capital in relation to sales was 9% for the quarter, which is an increase compared with the third quarter of 2018.

Interest-bearing net debt at 31 December 2018 amounted to SEK 9 333 million (5 737). The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 3.17 (1.53). If adjusted EBITDA were used in the calculation, the ratio would be 2.68 (1.49). The long term target is to have a ratio below 2.5.

Financing

Dividend policy
Target level 50%



At 31 December 2018, interest-bearing liabilities amounted to SEK 9 024 million, an increase of SEK 893 million compared with the previous quarter. The change was mainly due to the additional issue of SEK 600 million in commercial papers in the fourth quarter.

Compared with the same period last year, interest-bearing liabilities increased by SEK 3 887 million.

| Loan | Limit, SEKm | Maturity, years | | | Total utilised |
|-------------------------------|-------------|-----------------|------------|--------------|----------------|
| | | 0-1 | 1-2 | 2- | |
| Syndicated credit facilities | 5 500 | | | | - |
| Term loans | | 246 | 291 | 1 739 | 2 276 |
| Bond loans within MTN program | 7 000 | | 400 | 4 300 | 4 700 |
| Commercial paper | 3 000 | 1 600 | | | 1 600 |
| Term loan, Bomhus Energi AB | | 48 | 46 | 354 | 448 |
| Group total | | 1 894 | 737 | 6 393 | 9 024 |



Taxes

SEK 79 million of the total tax cost for 2018 relates to prior year adjustments of Italian tax (for the fiscal years 2011-2016). This cost increase for the Group was partly off-set by positive revaluation effects on deferred tax, mainly relating to the reduced tax rate in Sweden. The tax rate in Sweden is 22% and will be reduced to 21.4 % in 2019 and 20.6% in 2021.

The tax cost for 2018 amounted to SEK 304 million (465), equal to approximately 23% (22%) of profit before tax.

Parent company

The parent company BillerudKorsnäs AB includes head office and support functions.

Operating profit/loss for 2018 was SEK -458 million compared with SEK -121 million for 2017. The 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 - 323 million (4).

The average number of employees was 115 (107). Cash and bank balances, and short-term investments amounted to SEK 292 million (18).

Sustainability

SUSTAINABILITY KPIs, rolling 12 months (R12M)

| | Q4 -18 | Q3 -18 | 2017 | 2020 target |
|-------------------------------------|--------|--------|------|-------------|
| Energy efficiency ¹ | 5.3 | 5.3 | 5.3 | 5.1 |
| Fossil-free production ² | 38.1 | 36.3 | 30.6 | 25.0 |
| Gender equality ³ | 22.9 | 22.9 | 22.1 | 23.0 |

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

² Defined as emissions of fossil CO2 in the manufacturing process (kg/tonne product), R12M.

³ 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 CO2-emissions amounted to 38.1 kg/tonne in the manufacturing process over the past 12 months, and energy consumption was 5.25 MWh/tonne. The increased levels of CO2-emissions in 2018 were mainly a result of the wood shortage and production disturbances 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 rectifying the under-representation of women in operational activities and at senior levels within the Group. The percentage of female employees was 22.9% at the end of the quarter.

Quarterly highlights

BillerudKorsnäs sustainability work focuses on three areas: a responsible value chain, increasing customer value and contributing to a sustainable and bio-based society. Based on the mission "We challenge conventional packaging for a sustainable future", the Group has made progress in several areas during the quarter.

BillerudKorsnäs won the "Carton of the Year" and "Save the Planet" categories at the Carton Excellence award.

The consultancy firm 2050 published a report on how companies on Nasdaq Stockholm Large Cap report their environmental impact. BillerudKorsnäs was awarded a joint second place overall in transparency on environmental impact.

For the fifth year in a row, BillerudKorsnäs was awarded Gold by EcoVadis, thereby remaining in the top of the 50 000 companies evaluated annually. EcoVadis is a system for evaluating companies' environmental aspects, labour & human rights, ethics and sustainable procurement. The system is used by multinational brands with high ethical ambitions to evaluate their supply chains. This year's evaluation shows that BillerudKorsnäs continues to rank among the top of all companies in its sector and is improving its rating in sustainable procurement and ethics.

Shared second place overall in transparency regarding environmental impact

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.

In the fourth quarter of 2018 planned maintenance shutdowns were carried out at Frövi, Rockhammar and Pietarsaari. The total cost amounted to approximately SEK 148 million, which was SEK 28 million more than estimated.

Estimated maintenance 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 | Corrugated Solutions | 2019 | 2018 |
| Gävle | ~ 150 | ~ 5% | ~ 80% | ~ 15% | Q2 | Q3 | Q3 |
| Gruvön* | ~ 140 | ~ 40% | ~ 10% | ~ 50% | Q3 | Q2 | Q2 |
| Frövi** | ~ 90 | 0% | 100% | 0% | Q4 | Q4 | Q4 |
| Skärblacka | ~ 150 | ~ 85% | 0% | ~ 15% | Q2 | Q2 | Q2 |
| Skärblacka | ~ 20 | 100% | 0% | 0% | - | - | Q3 |
| Karlsborg | ~ 55 | 100% | 0% | 0% | Q3 | Q3 | Q3 |
| Pietarsaari | ~ 15 | 100% | 0% | 0% | - | Q4 | Q2 |
| Rockhammar | ~ 15 | 0% | 100% | 0% | Q4 | Q4 | Q4 |

¹Maintenance shutdowns at Beetham have an insignificant effect on BillerudKorsnäs' total earnings.

*In addition to the planned maintenance shutdown at Gruvön in 2018, a prolonged maintenance shutdown due to rebuilds in connection with the new KM7 board machine was carried out at a cost of SEK 75 million.

**Maintenance shutdown at Frövi in 2019 is to have an estimated cost of SEK 110 million.

Largest shareholders

BillerudKorsnäs' 10 largest shareholders (31 December 2018)

| Shareholder | Number of shares | Number of votes, % |
|---|--------------------|--------------------|
| FRAPAG Beteiligungsholding AG | 31 300 000 | 15.1 |
| AMF Insurance & Funds | 18 805 837 | 9.0 |
| Fourth Swedish National Pension Fund | 13 110 570 | 6.3 |
| Swedbank Robur Funds | 11 984 975 | 5.8 |
| Schroders | 10 738 554 | 5.2 |
| AllianceBernstein | 10 517 178 | 5.1 |
| Alecta | 7 430 727 | 3.6 |
| Nordea Funds | 4 764 933 | 2.3 |
| Vanguard | 4 688 513 | 2.3 |
| Dimensional Fund Advisors | 4 540 514 | 2.2 |
| Total 10 largest shareholders | 117 881 801 | 56.9 |
| Total number of shares in the market | 206 700 643 | 100.0 |

Distribution of shares

Distribution of shares (31 December 2018)

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

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 68-75 of the 2017 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.

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 15 January, BillerudKorsnäs announced that Anders Lundin has been appointed Senior Vice President for Solutions, one of the company's three divisions in the new organisation.

Proposed dividend

The board proposes a dividend of SEK 4.30 (4.30) per share for 2018. The dividend is proposed to be paid in on two equal instalments for a more efficient cash management, with the first record date in May 2019 and the second approximately six months later.

Financial calendar

Q1 2019 – 17 April 2019

Q2 2019 – 16 July 2019

Q3 2019 – 24 October 2019 (postponed from 17 October due to logistical reasons)

Solna, 28 January 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 | |
|---|---------------|---------------|---------------|----------------|----------------|
| | Q4 -18 | Q3 -18 | Q4 -17 | 2018 | 2017 |
| Net sales | 5 843 | 6 054 | 5 565 | 23 692 | 22 345 |
| Other income | 66 | 37 | 74 | 230 | 220 |
| Operating income | 5 909 | 6 091 | 5 639 | 23 922 | 22 565 |
| Change in inventories | 430 | 68 | 151 | 633 | -182 |
| Raw materials and consumables | -3 292 | -3 058 | -2 759 | -12 556 | -10 567 |
| Other external costs | -1 342 | -1 414 | -1 214 | -5 473 | -4 626 |
| Employee benefits expense | -911 | -806 | -891 | -3 595 | -3 423 |
| Depreciation and impairment of non-current assets | -380 | -368 | -402 | -1 513 | -1 519 |
| Profit/Loss from participations in associated companies | - | - | -3 | 12 | -7 |
| Operating expenses | -5 495 | -5 578 | -5 118 | -22 492 | -20 324 |
| Operating profit/loss | 414 | 513 | 521 | 1 430 | 2 241 |
| Financial income and expenses | 13 | -16 | -33 | -89 | -138 |
| Profit/Loss before tax | 427 | 497 | 488 | 1 341 | 2 103 |
| Taxes | -118 | -134 | -120 | -304 | -465 |
| Net profit/loss for the period | 309 | 363 | 368 | 1 037 | 1 638 |
| Profit/Loss attributable to: | | | | | |
| Owners of the parent company | 309 | 363 | 368 | 1 037 | 1 638 |
| Non-controlling interests | - | - | - | - | - |
| Net profit/loss for the period | 309 | 363 | 368 | 1 037 | 1 638 |
| Earnings per share, SEK | 1.49 | 1.76 | 1.78 | 5.01 | 7.91 |
| Diluted earnings per share, SEK | 1.49 | 1.75 | 1.78 | 5.00 | 7.90 |

Summarised statement of comprehensive income

| SEKm | Quarter | | | Full year | |
|--|------------|------------|------------|--------------|--------------|
| | Q4 -18 | Q3 -18 | Q4 -17 | 2018 | 2017 |
| Net profit/loss for the period | 309 | 363 | 368 | 1 037 | 1 638 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Actuarial gains or losses on defined benefit pension plans | -24 | - | -29 | -24 | -29 |
| Change in fair value of shareholding in Other holdings* | 47 | 41 | 25 | 91 | 43 |
| Tax attributable to items not to be reclassified to profit or loss | 5 | - | 6 | 5 | 6 |
| Total items never reclassified to profit or loss | 28 | 41 | 2 | 72 | 20 |
| Items that have been or may be reclassified subsequently to profit or loss | | | | | |
| Differences arising from the translation of foreign operations' accounts | -3 | -21 | 43 | 60 | 32 |
| Change in fair value of cash flow hedges | 163 | 149 | -111 | 376 | 28 |
| Tax attributable to items that have been or may be reclassified subsequently to profit or loss | -35 | -31 | 25 | -80 | -6 |
| Total items that have been or may be reclassified subsequently to profit or loss | 125 | 97 | -43 | 356 | 54 |
| Total comprehensive income for the period | 462 | 501 | 327 | 1 465 | 1 712 |
| Attributable to: | | | | | |
| Owners of the parent company | 462 | 501 | 327 | 1 465 | 1 712 |
| Non-controlling interests | - | - | - | - | - |
| Total comprehensive income for the period | 462 | 501 | 327 | 1 465 | 1 712 |

*The classification has been changed from Items that have been or may be reclassified subsequently to profit or loss, to Items that will not be reclassified to profit or loss, as a result of the implementation of IFRS 9.



Summarised balance sheet

| SEKm | 31 Dec 2018 | 30 Sep 2018 | 31 Dec 2017 |
|---|----------------|----------------|----------------|
| Intangible assets | 2 185 | 2 201 | 2 248 |
| Property, plant and equipment | 21 429 | 20 768 | 17 690 |
| Other non-current assets | 1 867 | 1 598 | 1 566 |
| Total non-current assets | 25 481 | 24 567 | 21 504 |
| Inventories | 3 633 | 3 132 | 2 912 |
| Accounts receivable | 2 807 | 2 918 | 2 713 |
| Other current assets | 1 337 | 1 459 | 899 |
| Cash and cash equivalents | 456 | 371 | 168 |
| Total current assets | 8 233 | 7 880 | 6 692 |
| Total assets | 33 714 | 32 447 | 28 196 |
| Equity attributable to owners of the parent company | 14 355 | 13 931 | 13 811 |
| Non-controlling interests | - | - | - |
| Total equity | 14 355 | 13 931 | 13 811 |
| Interest-bearing liabilities | 7 130 | 6 856 | 3 586 |
| Provisions for pensions | 784 | 780 | 784 |
| Other liabilities and provisions | 284 | 312 | 227 |
| Deferred tax liabilities | 3 633 | 3 397 | 3 392 |
| Total non-current liabilities | 11 831 | 11 345 | 7 989 |
| Interest-bearing liabilities | 1 894 | 1 275 | 1 551 |
| Accounts payables | 3 825 | 3 964 | 3 294 |
| Other liabilities and provisions | 1 809 | 1 932 | 1 551 |
| Total current liabilities | 7 528 | 7 171 | 6 396 |
| Total equity and liabilities | 33 714 | 32 447 | 28 196 |

Summarised statement of changes in equity

| SEKm | Full year 2018 | Jan-Sep 2018 | Full year 2017 |
|---|-------------------|-----------------|-------------------|
| Opening balance | 13 811 | 13 811 | 13 022 |
| Comprehensive income for the period | 1 465 | 1 003 | 1 712 |
| Share-based payment to be settled in equity instruments | 10 | 7 | 10 |
| Buy-back of own shares | -41 | - | -41 |
| Dividend to owners of the parent company | -890 | -890 | -891 |
| Dividend to non-controlling interests | - | - | -1 |
| Closing balance | 14 355 | 13 931 | 13 811 |
| Equity attributable to: | | | |
| Owners of the parent company | 14 355 | 13 931 | 13 811 |
| Non-controlling interests | - | - | - |
| Closing balance | 14 355 | 13 931 | 13 811 |

Summarised cash flow statement

| SEKm | Quarter | | | Full year | |
|---|---------------|---------------|---------------|---------------|---------------|
| | Q4 -18 | Q3 -18 | Q4 -17 | 2018 | 2017 |
| Operating surplus, etc. * | 770 | 840 | 896 | 3 219 | 3 650 |
| Change in working capital, etc. | -349 | 305 | 68 | -267 | 242 |
| Net financial items, taxes, etc. | -154 | -52 | -266 | -450 | -576 |
| Cash flow from operating activities | 267 | 1 093 | 698 | 2 502 | 3 316 |
| Investments in intangible assets, property, plant and equipment | -1 027 | -1 444 | -1 457 | -5 120 | -4 196 |
| Acquisition of financial assets / contribution associated companies | -6 | - | -2 | -22 | -65 |
| Disposal of financial assets | - | - | - | 5 | - |
| Sales of subsidiary | -1 | - | - | -1 | 15 |
| Business combinations | - | - | - | -36 | - |
| Disposal of property, plant and equipment | - | 1 | - | 2 | 2 |
| Cash flow from investing activities | -1 034 | -1 443 | -1 459 | -5 172 | -4 244 |
| Change in interest-bearing receivables | - | -3 | 1 | -3 | - |
| Change in interest-bearing liabilities | 893 | 387 | 8 | 3 863 | 1 308 |
| Buy-back of own shares | -41 | - | - | -41 | -41 |
| Dividend to owners of the parent company | - | - | - | -890 | -891 |
| Dividend to non-controlling interests | - | - | - | - | -1 |
| Cash flow from financing activities | 852 | 384 | 9 | 2 929 | 375 |
| Total cash flow (=change in cash and cash equivalents) | 85 | 34 | -752 | 259 | -553 |
| Cash and cash equivalents at start of period | 371 | 349 | 899 | 168 | 708 |
| Translation differences in cash and cash equivalents | - | -12 | 21 | 29 | 13 |
| Cash and cash equivalents at the end of the period | 456 | 371 | 168 | 456 | 168 |

*The amount for the period January–December 2018 takes into account operating profit of SEK 1 430 million, reversed depreciation of SEK 1 513 million, earnings from associated companies of SEK -12 million, a decrease in pension liabilities of SEK -43 million, an increase in other provisions of SEK 136, unified accounting principles regarding spare parts and consumables of SEK 177 million, net of produced and sold electricity certificates and sold emission rights of SEK 2 million, incentive programmes of SEK 10 million, scrapping of fixed assets of SEK 35 million, revaluation of current holdings related to business combinations of SEK -30 million, capital loss from sales of business of SEK 3 million, and a revaluation of biological assets of SEK -2 million.

The amount for the period January–December 2017 takes into account operating profit of SEK 2 241 million, reversed depreciation of SEK 1 519 million, earnings from the sale of businesses of SEK -5 million, earnings from the sale of fixed assets of SEK 8 million, earnings from associated companies of SEK 7 million, a decrease in pension liabilities of SEK -41 million, other provisions of SEK -90 million, net of produced and sold electricity certificates and sold emission rights of SEK -1 million, a revaluation of Vindin of SEK 2 million and incentive programmes of SEK 10 million.



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 2017, except for IFRS 9 and IFRS 15 which are described below, see pages 84-90 and page 127 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 23 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 9 Financial Instruments

BillerudKorsnäs applies IFRS 9 - *Financial Instruments* from January 1 2018. The new accounting standard involves changes to how financial assets are classified and measured, the new classification are presented in Note 2 Financial assets and liabilities. IFRS 9 has also implied that an impairment model based on expected credit losses is to be introduced instead of losses incurred and changes to hedge accounting policies, in part to simplify and increase consistency with companies' internal risk management strategies. The implementation of IFRS 9 has not had any significant effect on BillerudKorsnäs financial reports.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* is a comprehensive standard for determining how revenues should be recognised and when such revenues should be recognised. BillerudKorsnäs applies IFRS 15 from January 1 2018. The new accounting standard has not had any effects in the Group or the parent company's earnings or financial position, so a choice of transition method is not applicable.

The performance obligation in a contract mainly consists of providing goods and the revenues from sales of products are recognised when the performance obligation is fulfilled and control over the product is transferred to the customer. The revenue is recognised at the amount to which BillerudKorsnäs expects to be entitled in exchange for the transfer of goods.

BillerudKorsnäs have chosen to disclose revenues for larger product groups and the information is presented on page 5-7 where the business areas are described.

IFRS 16 Leases

This standard will replace IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, with application from the financial year starting 1 January 2019. For lessees this means that all contracts that meet the definition in this standard of a lease must be recognised as an asset and liability in the balance sheet, with recognition of amortisation and interest expense in profit and loss, with a few exceptions. BillerudKorsnäs will apply the simplified modified approach as transition method. The estimated effect on the opening balance for 1 January, 2019 is that right to use assets of SEK 261 million will be accounted for, and a leasing liability of SEK 266 million resulting in a net negative effect after deferred tax on equity of SEK 4 million.

Note 2 Financial assets and liabilities

| | Fair value through profit or loss | Amortised cost | Fair value through other compre- hensive income | Financial liabilities measured at amortised costs | Total carrying amount | Fair value |
|--|---|-------------------|---|---|-----------------------------|---------------|
| Valuation classification | Level 2 | | Level 3 | | | |
| Group 31 December 2018 | | | | | | |
| 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 ¹ | - | 456 | - | - | 456 | 456 |
| Total | 484 | 3 857 | 1 530 | - | 5 871 | 5 871 |
| 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 |
| Total | 121 | - | - | 13 099 | 13 220 | 13 233 |

| | Fair value through profit or loss | Amortised cost | Fair value through other compre- hensive income | Financial liabilities measured at amortised costs | Total carrying amount | Fair value |
|--|---|-------------------|---|---|-----------------------------|---------------|
| Valuation classification | Level 2 | | Level 3 | | | |
| Group 31 December 2017 | | | | | | |
| Other shares and participations | - | - | 1 429 | - | 1 429 | 1 429 |
| Long-term receivables | - | 22 | - | - | 22 | 22 |
| Accounts receivable | - | 2 713 | - | - | 2 713 | 2 713 |
| Other receivables | 150 | 449 | - | - | 599 | 599 |
| Cash and cash equivalents ¹ | - | 168 | - | - | 168 | 168 |
| Total | 150 | 3 352 | 1 429 | - | 4 931 | 4 931 |
| Non-current interest-bearing liabilities | - | - | - | 3 586 | 3 586 | 3 594 |
| Current interest-bearing liabilities | - | - | - | 1 551 | 1 551 | 1 573 |
| Accounts payables | - | - | - | 3 294 | 3 294 | 3 294 |
| Other liabilities | 115 | - | - | 142 | 257 | 257 |
| Total | 115 | - | - | 8 573 | 8 688 | 8 718 |

¹ Short-term investments are classified as 'Cash and cash equivalents' where the duration is less than three months and exposure is only to insignificant risk of fluctuations in value.

Note 3 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 business areas/segments can be found on pages 5–7, information regarding financing on page 9, seasonal effects on page 12 and events after the end of the quarter on page 14.



Key figures

| | Full year | |
|--|-----------|--------|
| | 2018 | 2017 |
| Margins | | |
| EBITDA, % | 12 | 17 |
| Operating margin, % | 6 | 10 |
| Return (rolling 12 months) | | |
| Return on capital employed, % | 7 | 12 |
| Return on equity, % | 7 | 12 |
| Capital structure at end of period | | |
| Capital employed, SEKm | 23 687 | 19 548 |
| Working capital, SEKm | 2 056 | 1 760 |
| Equity, SEKm | 14 355 | 13 811 |
| Interest-bearing net debt, SEKm | 9 333 | 5 737 |
| Net debt/equity ratio | 0.65 | 0.42 |
| Interest-bearing net debt / EBITDA, multiple | 3.17 | 1.53 |
| Key figures per share | | |
| Earnings per share, SEK | 5.01 | 7.91 |
| Dividend (for the financial year) per share, SEK | 4,30* | 4.30 |
| Other key figures | | |
| Working capital as percentage of net sales, % | 9 | 9 |
| Gross investments, SEKm | 5 142 | 4 261 |
| Average number of employees | 4 502 | 4 395 |

*Board's proposal

Reconciliation of alternative performance measures

| Adjusted EBITDA, SEKm | Quarter | | | Full year | |
|--|-------------|-------------|-------------|--------------|--------------|
| | Q4 - 18 | Q3 - 18 | Q4 - 17 | 2018 | 2017 |
| Operating profit | 414 | 513 | 521 | 1 430 | 2 241 |
| Depreciation and impairment of non-current assets | 380 | 368 | 402 | 1 513 | 1 519 |
| EBITDA | 794 | 881 | 923 | 2 943 | 3 760 |
| Items affecting comparability | 16 | 12 | 27 | 533 | 90 |
| Adjusted EBITDA | 810 | 893 | 950 | 3 476 | 3 850 |
| Adjusted Operating profit, SEKm | | | | | |
| Operating profit | 414 | 513 | 521 | 1 430 | 2 241 |
| Items affecting comparability | 29 | 27 | 66 | 591 | 150 |
| Adjusted Operating profit | 443 | 540 | 587 | 2 021 | 2 391 |
| Adjusted earnings per share, SEK | | | | | |
| Profit attributed to owners of the parent company, SEKm | 309 | 363 | 368 | 1 037 | 1 638 |
| Items affecting comparability, attributed to owners of the parent company, | 23 | 21 | 52 | 461 | 117 |
| Adjusted profit attributed to owners of the parent company, SEKm | 332 | 384 | 420 | 1 498 | 1 755 |
| Weighted number of outstanding shares, thousands | 206 846 | 207 036 | 206 957 | 206 962 | 207 114 |
| Adjusted earnings per share | 1.61 | 1.85 | 2.03 | 7.24 | 8.48 |
| Adjusted Return on capital employed (ROCE), SEKm | | | | | |
| Adjusted Operating profit over 12 months * | 2 021 | 2 164 | 2 391 | 2 021 | 2 391 |
| Average capital employed over 12 months | 21 530 | 20 486 | 18 038 | 21 530 | 18 038 |
| Adjusted Return on capital employed | 9% | 11% | 13% | 9% | 13% |
| Interest-bearing net debt / Adjusted EBITDA, multiple | | | | | |
| Interest-bearing net debt | 9 333 | 8 520 | 5 737 | 9 333 | 5 737 |
| Adjusted EBITDA over 12 months* | 3 476 | 3 617 | 3 850 | 3 476 | 3 850 |
| Interest-bearing net debt / Adjusted EBITDA | 2.68 | 2.36 | 1.49 | 2.68 | 1.49 |
| Items affecting comparability, SEKm | | | | | |
| MG Investment in Skärblacka (Operating expenses) | - | - | 34 | 3 | 74 |
| New board machine in Gruvön - additional costs (Operating expenses) | 18 | 12 | 13 | 61 | 36 |
| New board machine in Gruvön - restructuring (Operating expenses) | -10 | - | -20 | -10 | -20 |
| New board machine in Gruvön - depreciation and impairment of existing non-current assets (Depreciation and Impairment of non-current assets) | 13 | 15 | 39 | 58 | 60 |
| Restructuring (Operating expenses) | 8 | - | - | 27 | - |
| Workplace environment (Operating expenses) | - | - | - | 159 | - |
| Unification of accounting principles - Spare parts and consumables (Operating expenses) | - | - | - | 177 | - |
| Acquisition costs Bergvik | 9 | - | - | 9 | - |
| Other (Operating expenses) ** | -9 | - | - | 107 | - |
| Items affecting comparability | 29 | 27 | 66 | 591 | 150 |

*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.

**Based on comprehensive review of balance sheet items



Reconciliation of alternative performance measures (cont.)

| | 31 Dec 2018 | 31 Dec 2017 |
|---|----------------|----------------|
| Capital employed, SEKm | | |
| Total assets | 33 714 | 28 196 |
| Accounts payables | -3 825 | -3 294 |
| Other liabilities and provisions | -2 094 | -1 778 |
| Deferred tax liabilities | -3 633 | -3 392 |
| Interest-bearing non-current assets | -19 | -16 |
| Cash and Cash equivalents | -456 | -168 |
| Capital employed | 23 687 | 19 548 |
| | | |
| Working capital, SEKm | | |
| Inventories | 3 633 | 2 912 |
| Accounts receivables | 2 807 | 2 713 |
| Other operating receivables | 1 337 | 899 |
| Accounts payables | -3 825 | -3 294 |
| Other operating liabilities (excl provisions) | -1 683 | -1 527 |
| Tax liabilities | -213 | 57 |
| Working capital | 2 056 | 1 760 |
| | | |
| Interest-bearing net debt, SEKm | | |
| Interest bearing provisions | 784 | 784 |
| Interest bearing non-current liabilities | 7 130 | 3 586 |
| Interest bearing current liabilities | 1 894 | 1 551 |
| Interest-bearing non-current assets | -19 | -16 |
| Cash and Cash equivalents | -456 | -168 |
| Interest-bearing net debt | 9 333 | 5 737 |

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 operating cash flow.

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

Cash flow from operating activities including net investments in property, plant and equipment, intangible assets and acquisition of financial assets. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt 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 | |
|--|-------------|--------------|-------------|--------------|
| | Q4 -18 | Q4 -17 | 2018 | 2017 |
| Operating income* | -15 | 120 | 150 | 402 |
| Operating expenses | -159 | -146 | -608 | -523 |
| Operating profit/loss | -174 | -26 | -458 | -121 |
| Financial income and expenses | -178 | -59 | -340 | -123 |
| Profit/Loss after financial income and expenses | -352 | -85 | -798 | -244 |
| Appropriations | 756 | 2 635 | 756 | 2 635 |
| Profit/Loss before tax | 404 | 2 550 | -42 | 2 391 |
| Taxes | -120 | -561 | -31 | -511 |
| Net profit/loss for the period | 284 | 1 989 | -73 | 1 880 |

Summarised balance sheet

| SEKm | 31 Dec | 31 Dec |
|-------------------------------------|---------------|---------------|
| | 2018 | 2017 |
| Non-current assets | 10 678 | 10 748 |
| Current assets | 12 575 | 10 358 |
| Total assets | 23 253 | 21 106 |
| Shareholders' equity | 7 256 | 8 251 |
| Untaxed reserves | 1 526 | 1 586 |
| Provisions | 235 | 208 |
| Liabilities | 14 236 | 11 061 |
| Total equity and liabilities | 23 253 | 21 106 |

*Includes currency hedging, etc.

Quarterly data

The Group's business is managed and reported according to BillerudKorsnäs' three business areas. Other include results from wood supply, Nine AB (until Q4-17), Scandfibre Logistics AB, rental operations, dormant companies, result of sale of businesses, items affecting comparability and costs due to larger investments in the production structure. Other also include group-wide functions, group eliminations 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 part of the currency exposure that relates to changes in exchange rates for invoicing is included in the business area's profit/loss.

Net sales quarterly per business area and for the Group

| SEKm | Q4 -18 | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Jan-Dec 2018 | Jan-Dec 2017 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Packaging Paper | 2 264 | 2 424 | 2 292 | 2 276 | 2 147 | 2 090 | 2 151 | 2 141 | 9 256 | 8 529 |
| Consumer Board | 2 012 | 2 145 | 2 132 | 2 164 | 1 943 | 2 019 | 2 099 | 2 128 | 8 453 | 8 189 |
| Corrugated Solutions | 1 161 | 1 135 | 1 002 | 953 | 1 011 | 1 012 | 902 | 931 | 4 251 | 3 856 |
| Other | 482 | 447 | 510 | 502 | 437 | 422 | 483 | 465 | 1 941 | 1 807 |
| Currency hedging, etc. | -76 | -97 | -38 | 2 | 27 | 1 | -35 | -29 | -209 | -36 |
| Total Group | 5 843 | 6 054 | 5 898 | 5 897 | 5 565 | 5 544 | 5 600 | 5 636 | 23 692 | 22 345 |

EBITDA quarterly per business area and for the Group

| SEKm | Q4 -18 | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Jan-Dec 2018 | Jan-Dec 2017 |
|------------------------|------------|------------|------------|--------------|------------|--------------|------------|------------|--------------|--------------|
| Packaging Paper | 411 | 472 | 317 | 467 | 401 | 394 | 312 | 392 | 1 667 | 1 499 |
| Consumer Board | 290 | 278 | 322 | 473 | 363 | 466 | 498 | 440 | 1 363 | 1 767 |
| Corrugated Solutions | 278 | 266 | 120 | 210 | 212 | 269 | 163 | 190 | 874 | 834 |
| Other | -110 | -37 | -517 | -87 | -78 | -80 | -75 | -70 | -751 | -303 |
| Currency hedging, etc. | -75 | -98 | -39 | 2 | 25 | 2 | -35 | -29 | -210 | -37 |
| Total Group | 794 | 881 | 203 | 1 065 | 923 | 1 051 | 863 | 923 | 2 943 | 3 760 |

EBITDA¹ quarterly per business area and for the Group

| SEKm | Q4 -18 | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Jan-Dec 2018 | Jan-Dec 2017 |
|-------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Packaging Paper | 425 | 531 | 534 | 467 | 428 | 469 | 482 | 420 | 1 957 | 1 799 |
| Consumer Board | 424 | 412 | 347 | 473 | 478 | 596 | 506 | 446 | 1 656 | 2 026 |
| Corrugated Solutions | 278 | 281 | 279 | 210 | 212 | 284 | 212 | 231 | 1 048 | 939 |
| Other | -94 | -25 | -49 | -50 | -53 | -56 | -56 | -55 | -218 | -220 |
| Currency hedging, etc. | -75 | -98 | -39 | 2 | 25 | 2 | -35 | -29 | -210 | -37 |
| Total Group | 958 | 1 101 | 1 072 | 1 102 | 1 090 | 1 295 | 1 109 | 1 013 | 4 233 | 4 507 |
| Costs for maint. shutdowns | -148 | -208 | -401 | - | -140 | -215 | -227 | -75 | -757 | -657 |
| Items affecting comparability | -16 | -12 | -468 | -37 | -27 | -29 | -19 | -15 | -533 | -90 |
| EBITDA | 794 | 881 | 203 | 1 065 | 923 | 1 051 | 863 | 923 | 2 943 | 3 760 |

EBITDA-margin¹ quarterly per business area and for the Group

| % | Q4 -18 | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Jan-Dec 2018 | Jan-Dec 2017 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|--------------|
| Packaging Paper | 19 | 22 | 23 | 21 | 20 | 22 | 22 | 20 | 21 | 21 |
| Consumer Board | 21 | 19 | 16 | 22 | 25 | 30 | 24 | 21 | 20 | 25 |
| Corrugated Solutions | 24 | 25 | 28 | 22 | 21 | 28 | 24 | 25 | 25 | 24 |
| Group | 16 | 18 | 18 | 19 | 20 | 23 | 20 | 18 | 18 | 20 |

Sales volumes quarterly per business area and for the Group

| ktonne | Q4 -18 | Q3 -18 | Q2 -18 | Q1 -18 | Q4 -17 | Q3 -17 | Q2 -17 | Q1 -17 | Jan-Dec 2018 | Jan-Dec 2017 |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| Packaging Paper | 246 | 269 | 257 | 278 | 282 | 289 | 288 | 293 | 1 050 | 1 152 |
| Consumer Board | 254 | 274 | 275 | 281 | 252 | 265 | 279 | 285 | 1 084 | 1 081 |
| Corrugated Solutions | 136 | 132 | 112 | 127 | 132 | 145 | 121 | 144 | 507 | 542 |
| Total Group | 636 | 675 | 644 | 686 | 666 | 699 | 688 | 722 | 2 641 | 2 775 |

¹ EBITDA and margin are adjusted for the effects of periodical maintenance shutdowns and for items affecting comparability.

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 76% 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 by 3–4% a year. Our strategy is based on five areas that all interact: **Position, Innovation, Sustainability, Efficiency and Employees**. Find out more at billerudkorsnas.com

VALUE DRIVERS

High-performance materials 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.



BILLERUDKORSNÄS

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