



BILLERUDKORSNÄS



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

SEB Nordic Seminar | January 2017

Per Lindberg, CEO



PURE PLAY PACKAGING MATERIALS COMPANY

High performance packaging materials

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

Stable product portfolio

> 74% of sales going to consumer sectors

Sustainable alternatives through innovation

> Innovation challenging other materials and solutions

Strong financial position

> Well-positioned for profitable growth investments



BILLERUDKORSNÄS IN BRIEF

NET SALES*



Europe 73%

Asia 17%

Africa 4%

South America 3%

Middle East 2%

Other 1%

OPERATING PROFIT*



OTHER

PACKAGING PAPER

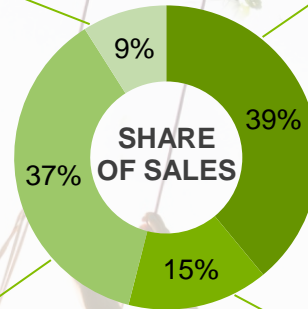
Kraft paper
Sack paper
Market pulp

CONSUMER BOARD

Liquid packaging board
Cartonboard

CORRUGATED SOLUTIONS

Fluting
Liner
Managed Packaging



7

PRODUCTION UNITS
(SWE, FI, UK)

2.9

PRODUCTION CAPACITY
(MILLION TONNES)

4 200

NUMBER OF EMPLOYEES



AIMING TO CAPTURE GROWTH FROM GLOBAL MEGATRENDS



**Demographic shifts and
a changing world map**



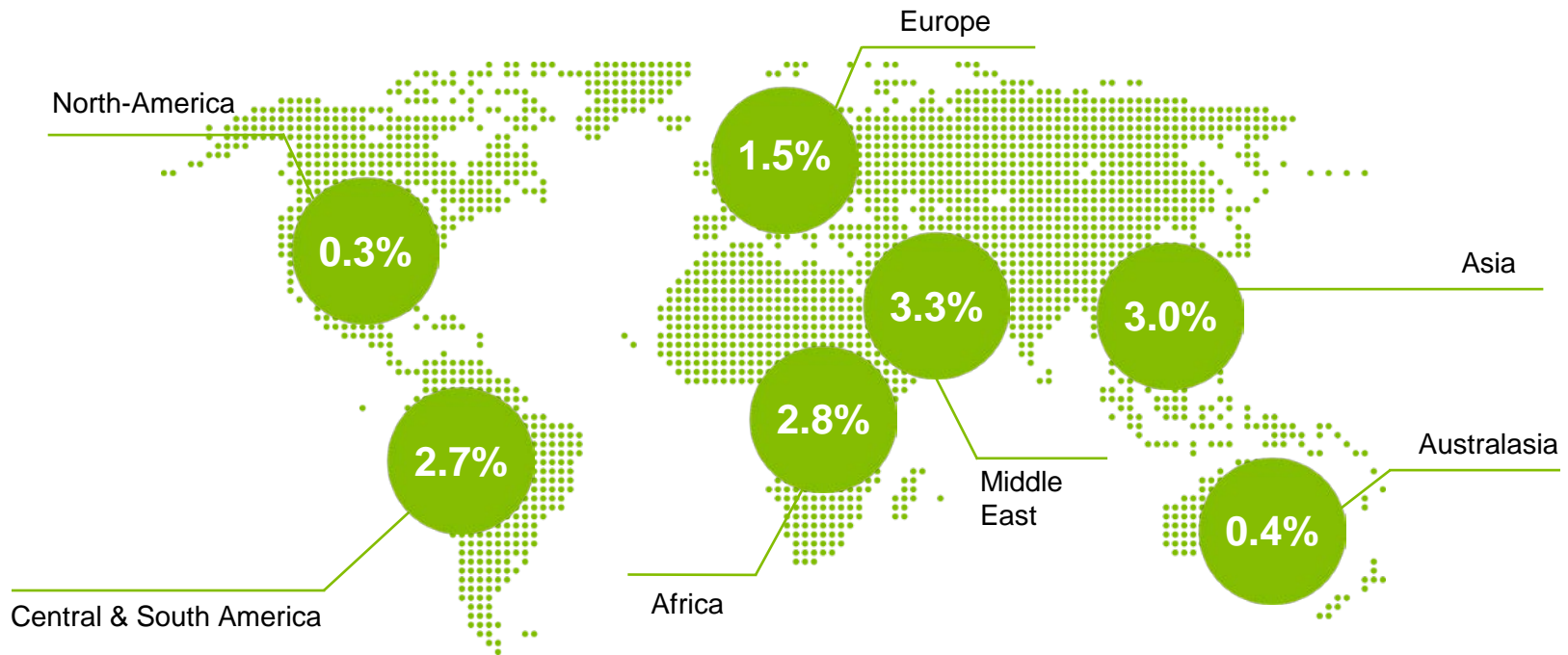
**Sustainability connecting
several sub-trends**



**Consumers and supply chains
are changing**

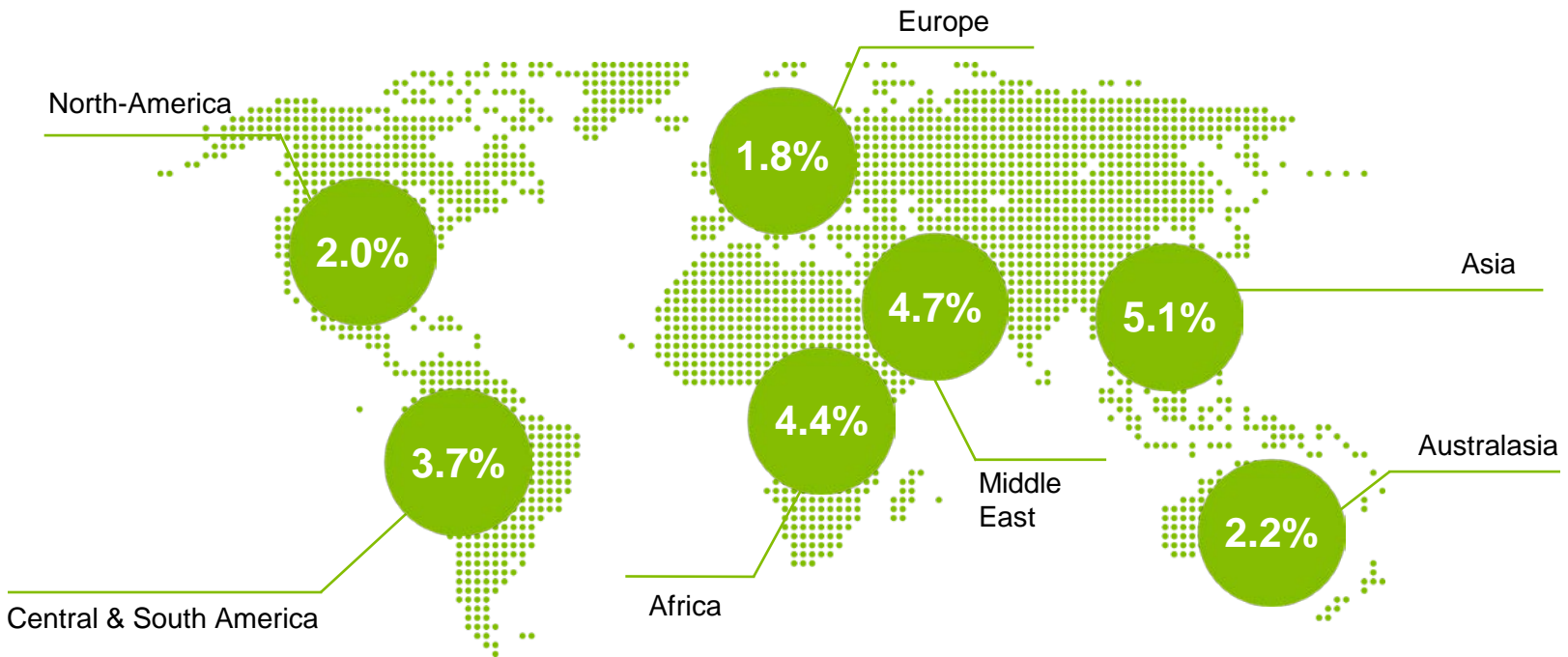


PACKAGING PAPER & BOARD MARKET IS GROWING BY 2.2%





WE TARGET GLOBAL PACKAGING MARKET GROWING BY 3.4%



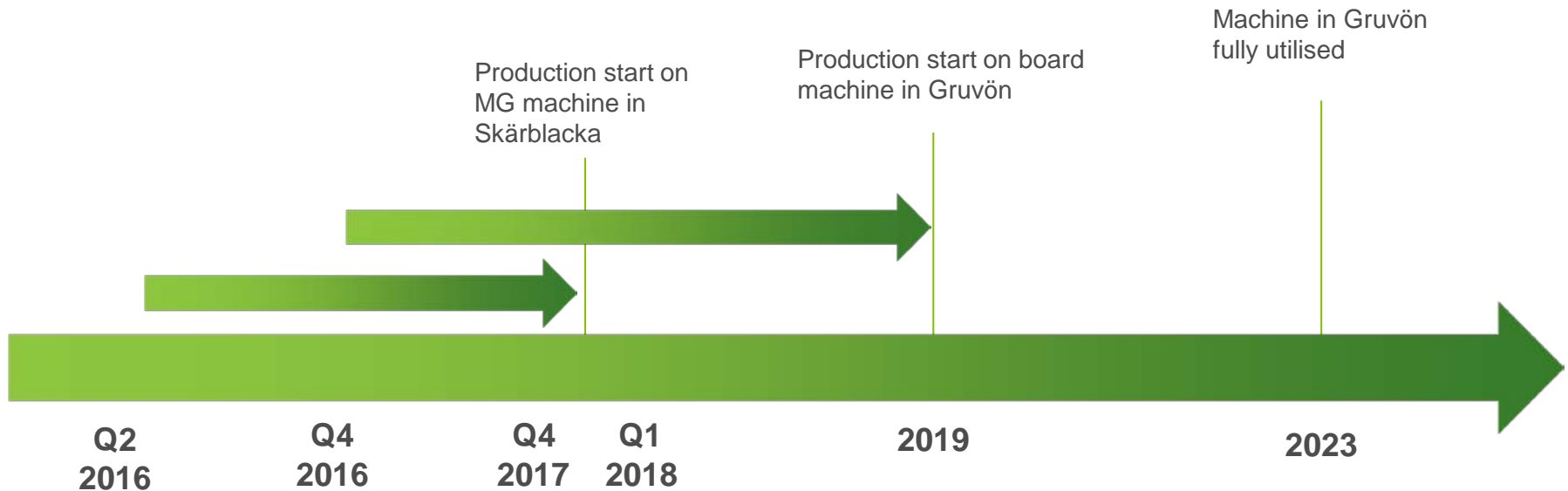


WE HAVE ESTABLISHED A CLEAR GROWTH STRATEGY



WE WILL INVEST SEK 6,9 BILLION TO INCREASE CAPACITY AND QUALITY LEAD

- ▶ Moving unintegrated MG paper machine from Tervasaari, Finland to Skärblacka, Sweden and making it integrated to the pulp production. **SEK 1,2 billion investment.**
- ▶ Building **new board machine** at the production unit in Gruvön with capacity of approx. **550 000 t/a** of liquid packaging board, cartonboard, food service board and white kraftliner. **SEK 5,7 billion investment.**



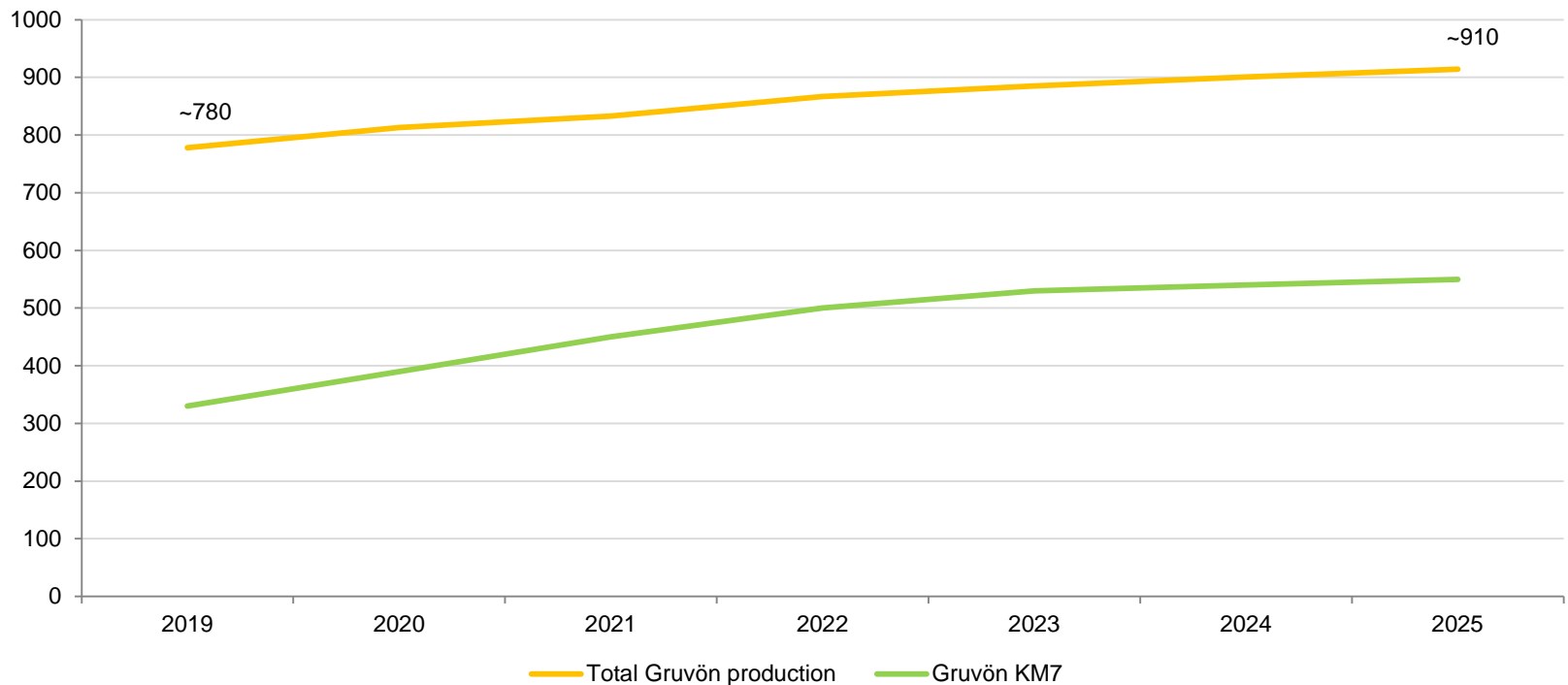
THE LARGEST INVESTMENT IN BILLERUDKORSNÄS' HISTORY

- 
- One of the largest investments in Sweden in recent years
 - The investment will streamline BillerudKorsnäs' production structure
 - New board machine, KM7
 - SEK 5,7 billion investment
 - Production capacity ~550 000 t/a of liquid packaging board, cartonboard, food service board and liner
 - Start up early 2019
 - Fully utilised by 2023
 - Machine EBITDA positive by 2020
 - One-off costs to be taken i Q4 2016 of ~SEK 325 million

GRADUAL INCREASE OF PREMIUM PRODUCTS

LIQUID PACKAGING BOARD, CARTONBOARD AND LINER TO BE PRODUCED

ktonnes

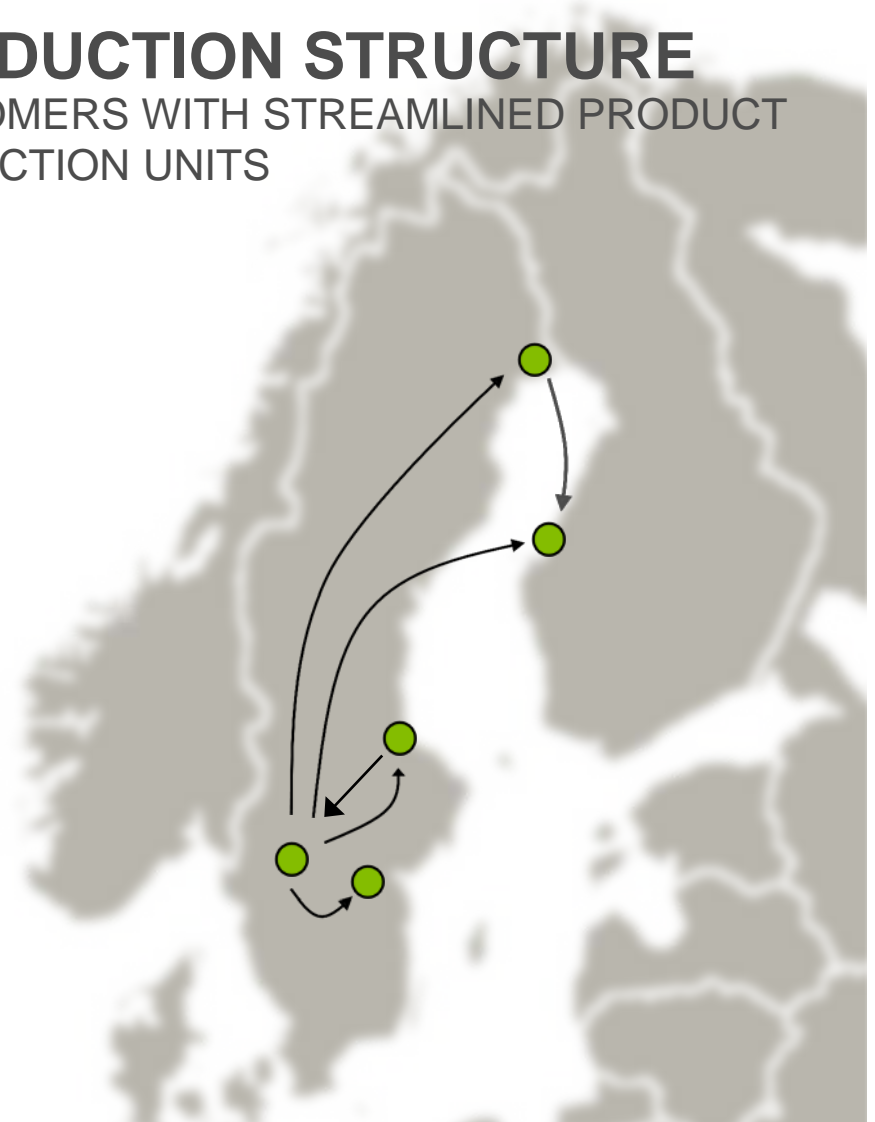




TRANSFORMATION OF PRODUCTION STRUCTURE

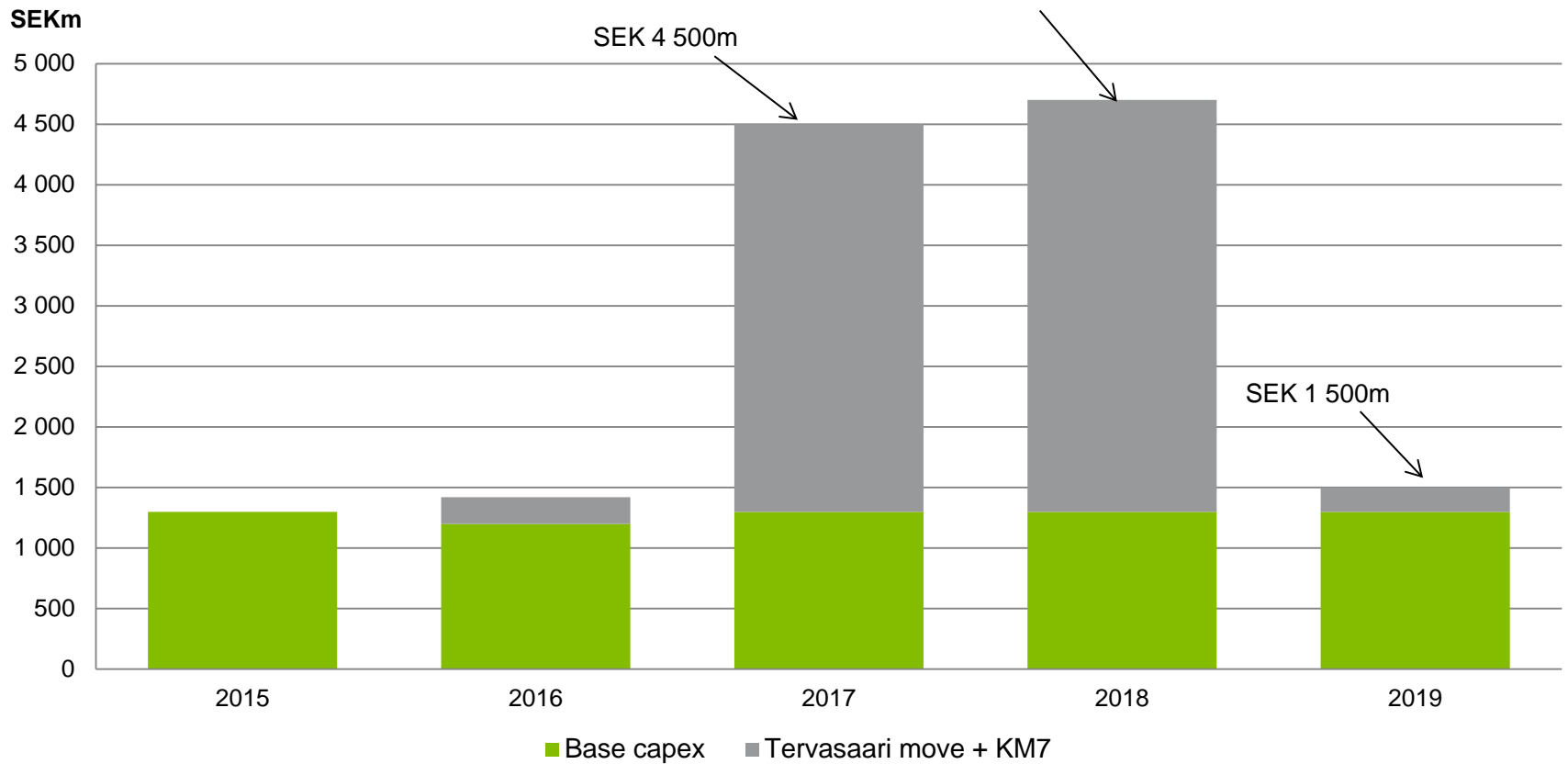
OFFERING ALTERNATIVES TO OUR CUSTOMERS WITH STREAMLINED PRODUCT PORTFOLIO AND MORE FOCUSED PRODUCTION UNITS

- Current paper production at Gruvön will gradually be transferred to other plants within the company during ramp up of the new board machine, with the aim of offering customers fully satisfactory alternatives
- Gruvön's production of high quality fluting will not be affected by the investment



BILLERUDKORSNÄS CAPEX 2015-2019

CAPEX



TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

PACKAGING PAPER SELECTIVE GROWTH

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

Decreasing volumes on oversupplied markets

CONSUMER BOARD VOLUME GROWTH

Increasing volumes on growing Liquid Packaging Board and Cartonboard markets

CORRUGATED SOLUTIONS VALUE GROWTH

Expanding solution based sales to brand owners

Exiting oversupplied white liner market

Improved underlying EBITDA > +1 200 SEKm when fully implemented

Continued growth with 3-4% per year

Lower currency exposure
- SEK 2 bn

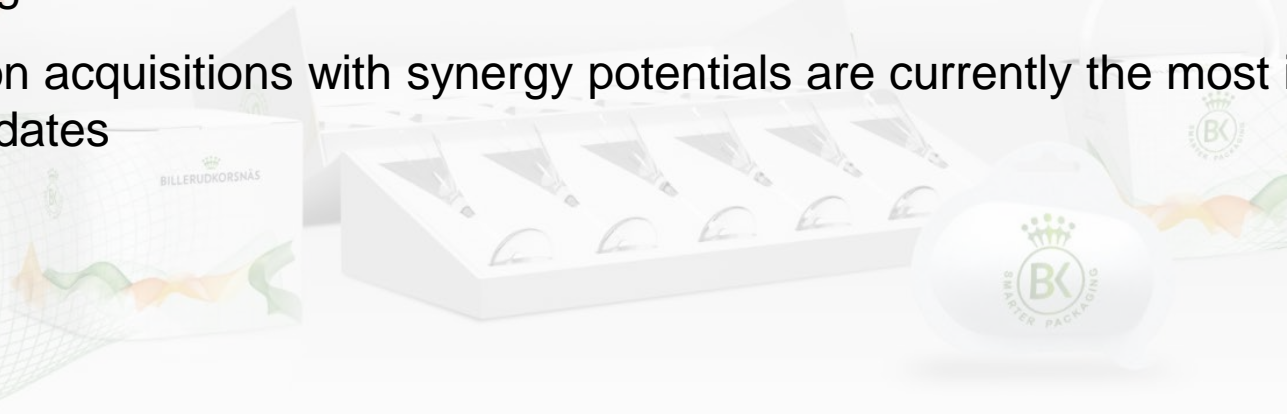
Reduced price volatility in product portfolio

ROI well above our return target of 13%

Limited exposure to pulp market

M&A MAY BOOST LONG-TERM GROWTH

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



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





WE ARE EXPANDING THE REACH OF OUR OFFERING

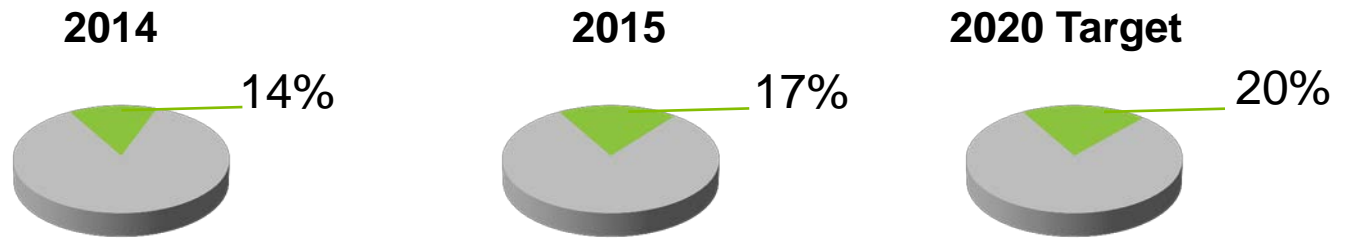
OUR PRESENCE **2013** AND NEW SALES HUBS **2015**



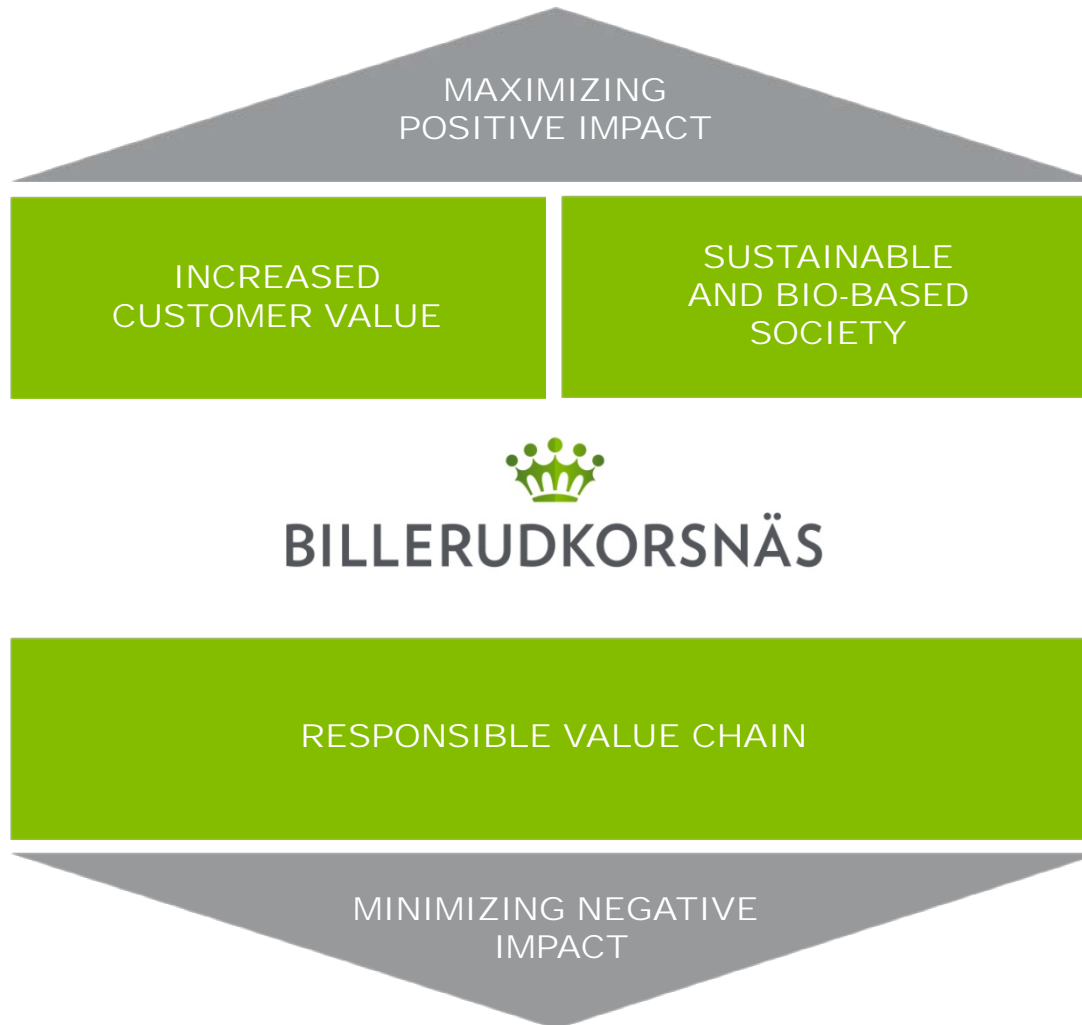
- Sweden
- Finland
- Germany
- UK
- France
- Spain
- Indonesia
- Italy
- UAE
- China
- Singapore**
- Thailand**
- US**
- India**
- Turkey**
- South Africa**

INNOVATION WILL FURTHER BOOST TOP LINE AND MARGINS

Proportion of sales accounted for by new products



SUSTAINABILITY AS A BUSINESS OPPORTUNITY



WE PROVIDE SUSTAINABLE SOLUTIONS

Towards fossil-free production



2015

In 2015 we used 97.6% biofuels and only 2.4% fossil fuels.

Paper bag* Best choice for the climate



*BillerudKorsnäs paper bag from primary fibre, produced in Sweden

Innovation for sustainability



Co-operation for learning



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

CREDENTIALS – WE WALK THE TALK

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



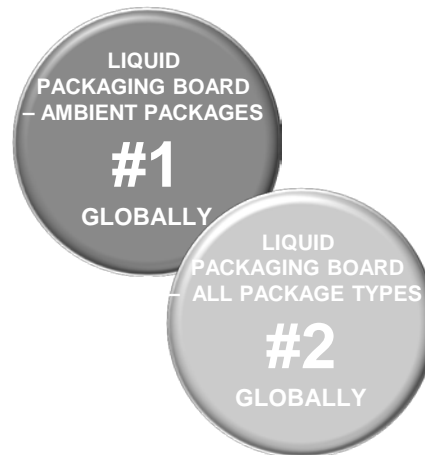
THREE BUSINESS AREAS



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

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

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





FINANCIAL TARGETS AND TARGET FULFILLMENT

AFTER THIRD QUARTER 2016

**ORGANIC GROWTH 3-4 %
PER YEAR**



EBITDA > 17%

19%

ROCE > 13%

12%



Net Debt / EBITDA < 2.5

1.27

**DIVIDEND POLICY: 50% OF NET PROFIT
49% FOR 2015**



SUMMARY

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



BILLERUDKORSNÄS

SUCCESSFUL INTEGRATION HAS ENABLED A STRONG PLATFORM FOR GROWTH

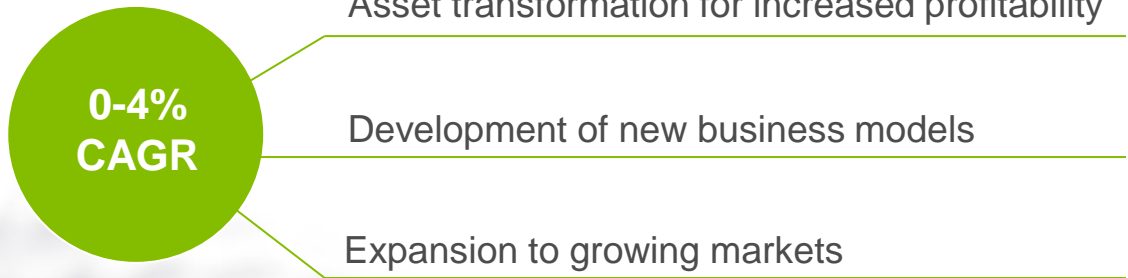


- ▶ Packaging focused materials and solutions provider
- ▶ Broader product portfolio
- ▶ Higher portion of sales to consumer segments
- ▶ Annual synergies of approximately SEK 530 million
- ▶ Sharply reduced pulp market exposure
- ▶ Lower relative currency exposure



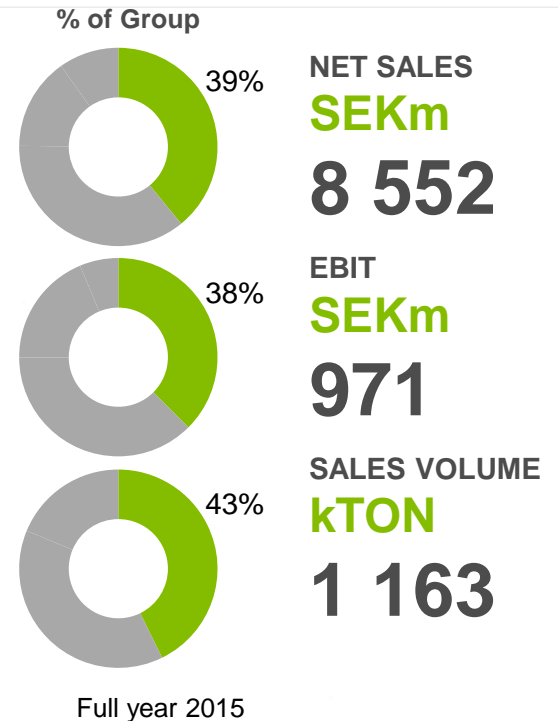
PACKAGING PAPER

SELECTIVE GROWTH



MAIN GROWTH DRIVERS

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

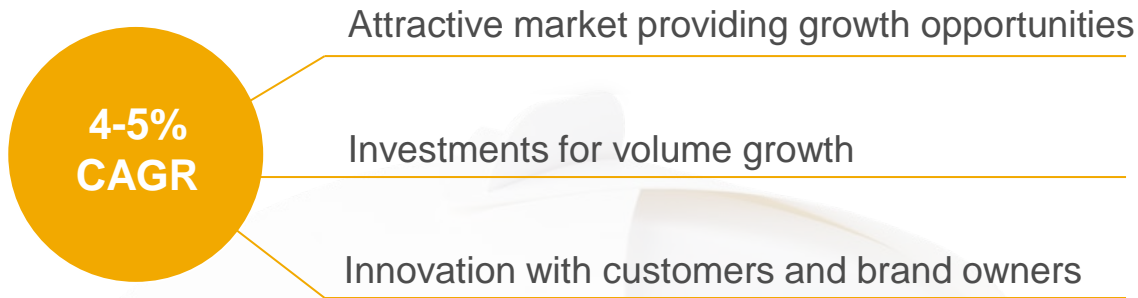


1. Estimated CAGR 2012-2022. Source: Freedonia World Cement Report (2013)

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

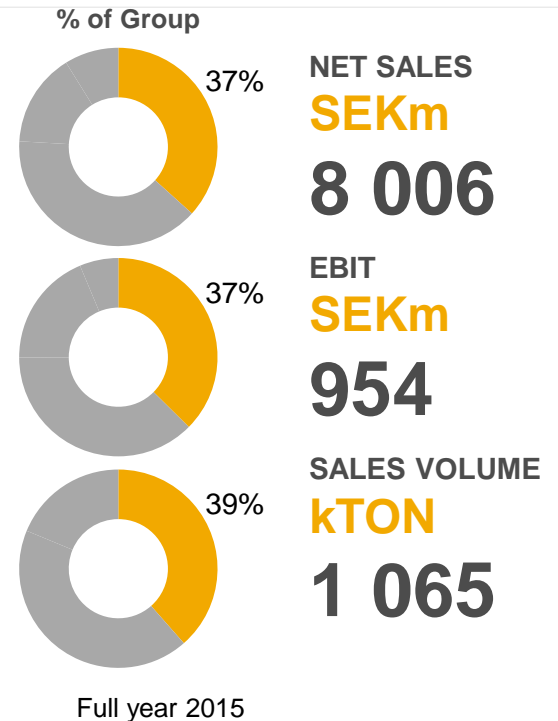
CONSUMER BOARD

VOLUME GROWTH



MAIN GROWTH DRIVERS

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



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

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

CORRUGATED SOLUTIONS

VALUE GROWTH

**2-4%
CAGR**

Strong product portfolio setting market standard

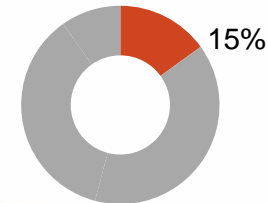
Integrating new business model

Increasing sales to brand owners

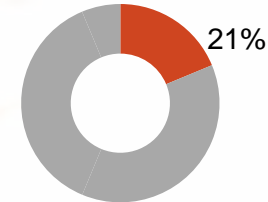
MAIN GROWTH DRIVERS

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

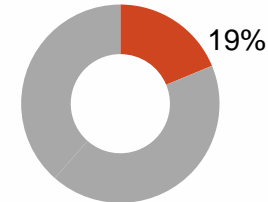
% of Group



NET SALES
SEKm
3 329



EBIT
SEKm
551



SALES VOLUME
kTON
506

Full year 2015

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

PACKAGING PAPER

260 SEKm

Brown sack paper

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



CONSUMER BOARD

1600 SEKm

Liquid Packaging Board
Cartonboard

- Improved quality
- Increased capacity by 200 000 tonnes

CORRUGATED SOLUTIONS

180 SEKm

S/C fluting

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



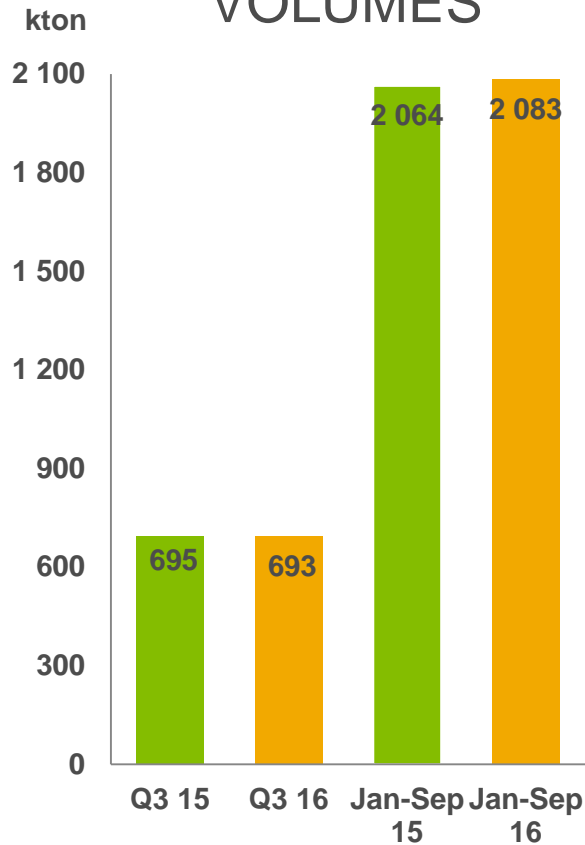
+260 000 tonnes



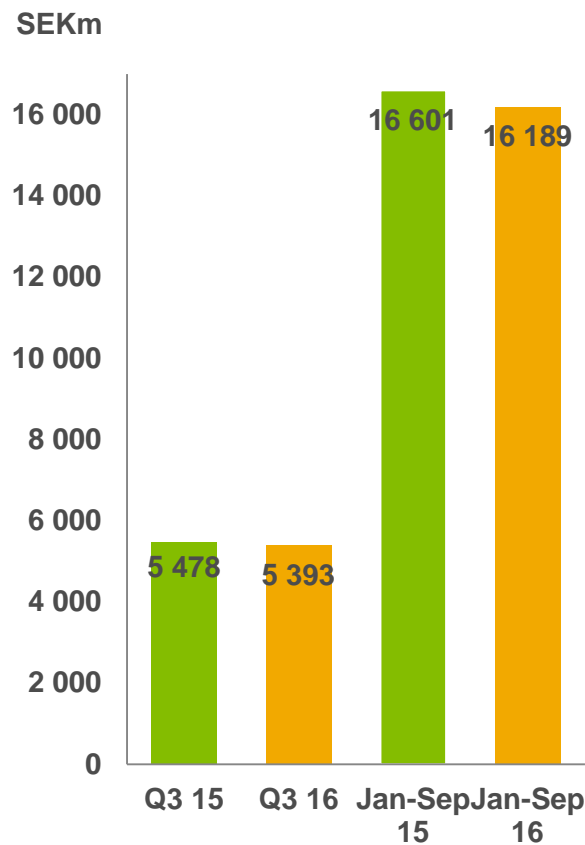
Q3 2016

VOLUMES AND SALES BELOW EXPECTATIONS

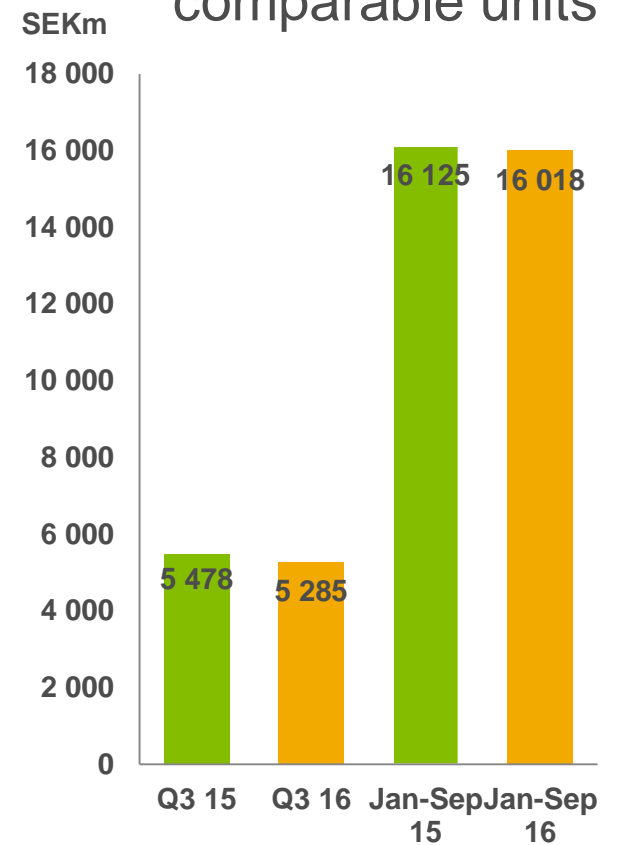
SALES VOLUMES



NET SALES



NET SALES* comparable units



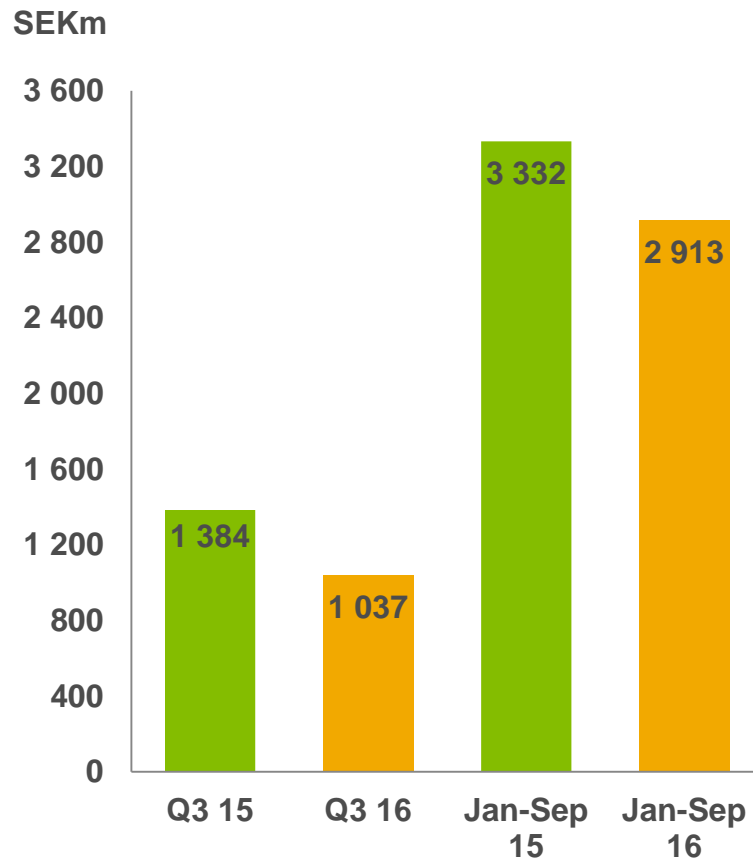
* Excluding divested and acquired operations



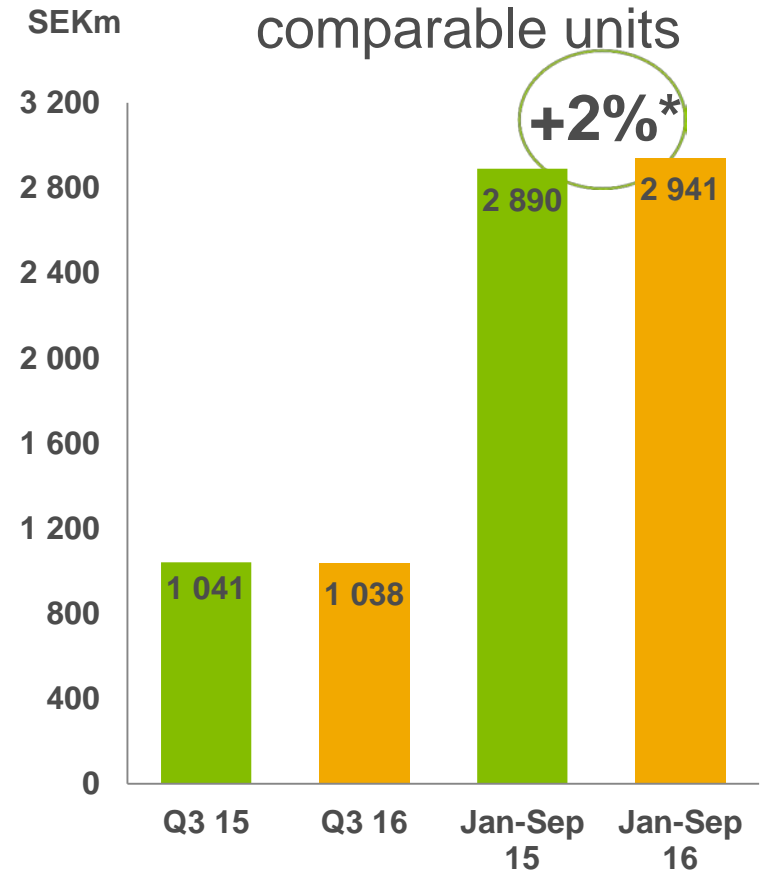
Q3 2016

PROFITABILITY IMPROVED, ACCORDING TO EXPECTATION

EBITDA



Adjusted EBITDA* comparable units



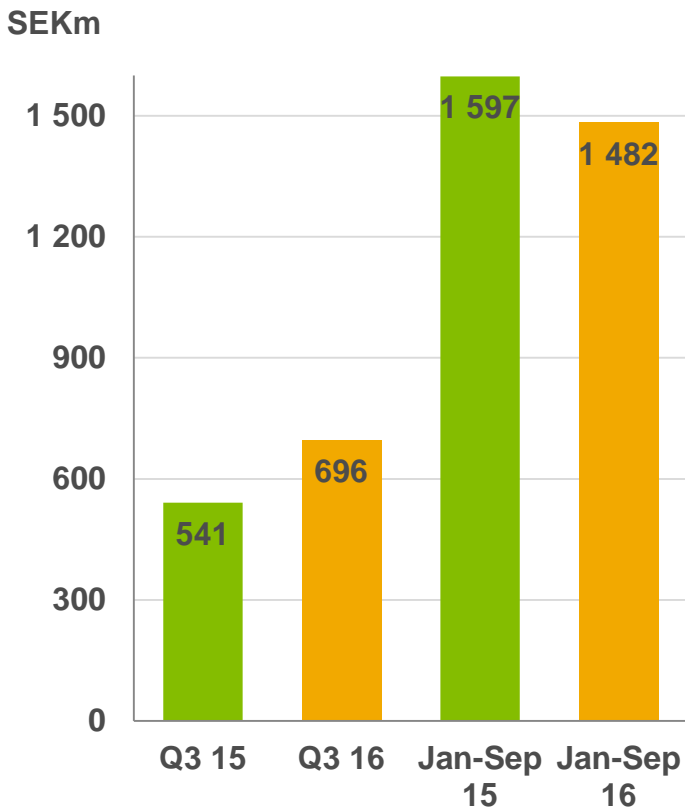
* Excluding divested and acquired operations



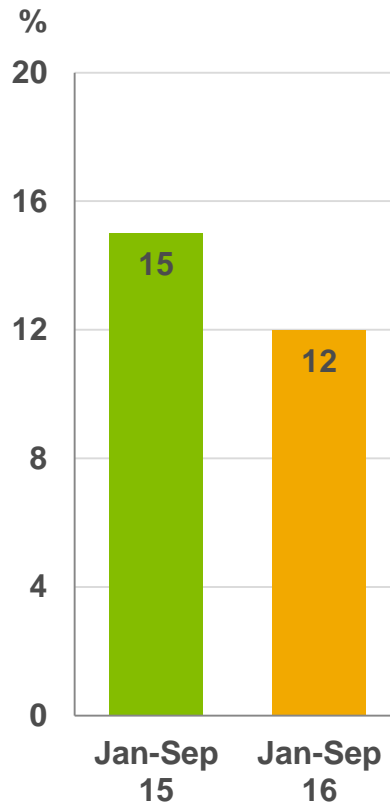
Q3 2016

FINANCIAL TARGETS

OP. CASH FLOW

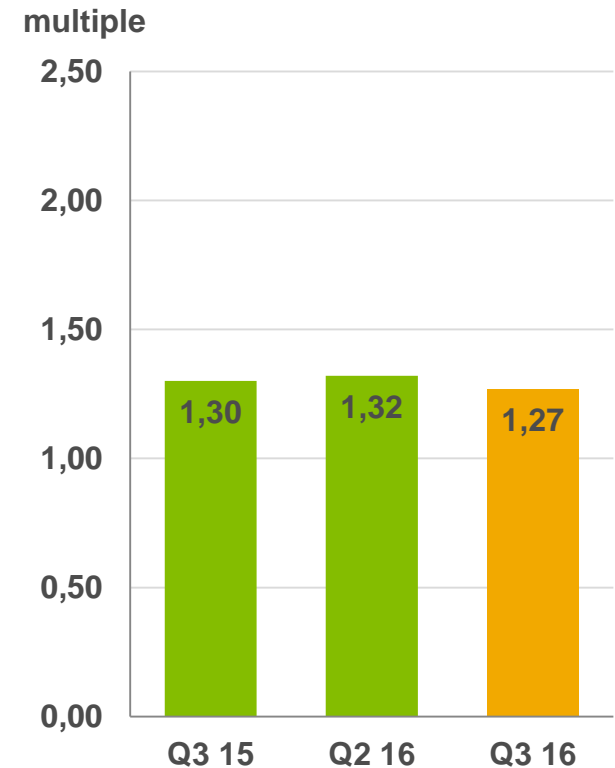


ROCE



ROCE based on rolling 12 months

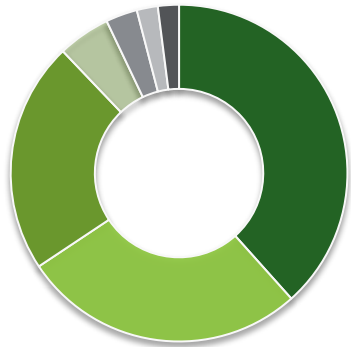
NET DEBT/EBITDA





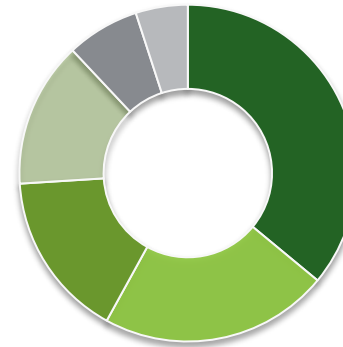
GLOBAL PACKAGING MARKET

GLOBAL PACKAGING MARKET,
BY REGION¹



- Asia, 38%
- Europe, 27%
- North America, 22%
- South and Central America, 5%
- Middle East, 3%
- Africa, 2%
- Pacific Region, 2%

GLOBAL PACKAGING MARKET,
BY MATERIAL¹



- Paper and board, 36%
- Hard plastics, 22%
- Flexible materials excl. Paper, 16%
- Metals, 14%
- Glass, 7%
- Other, 5%



SALES PER REGION



SALES PER REGION

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

SALES PER REGION

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

SALES PER REGION

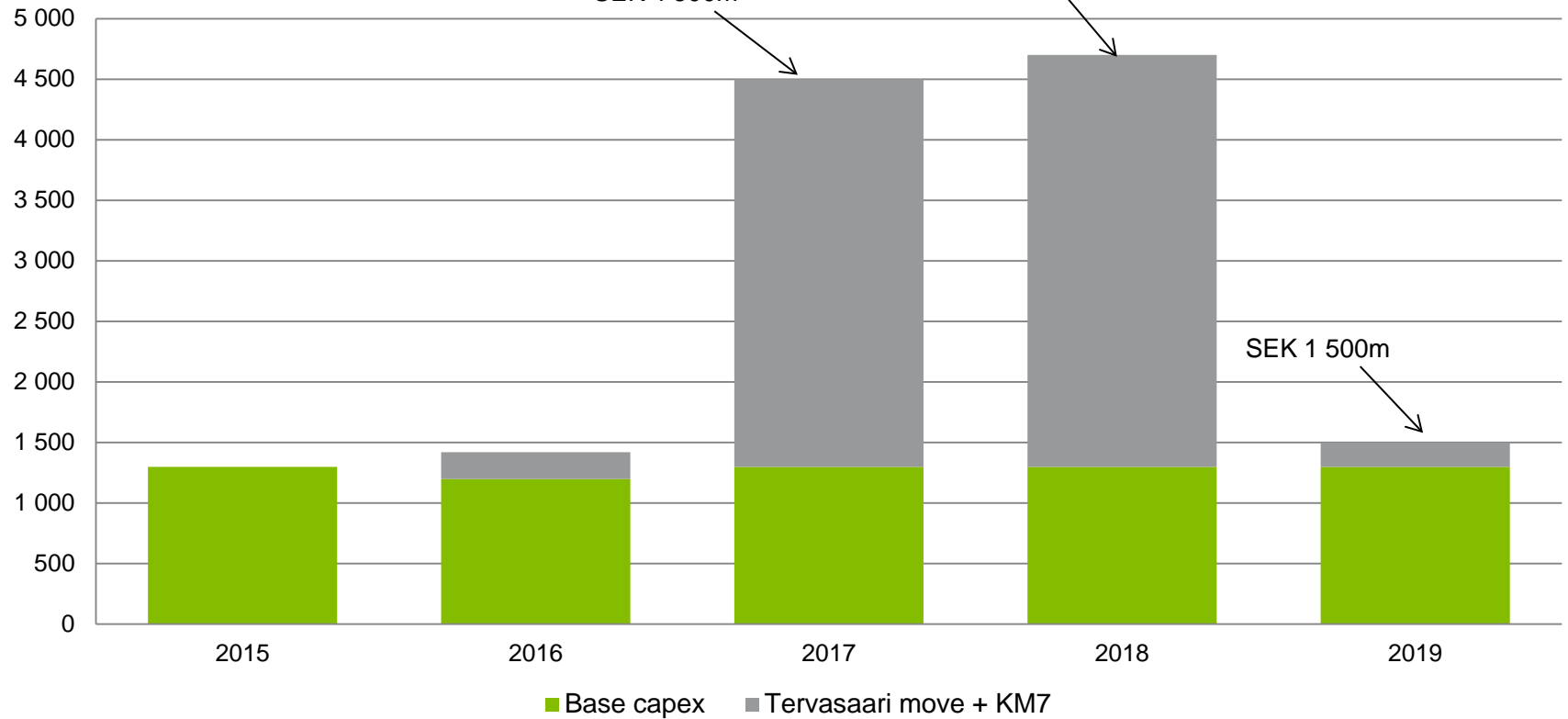
- Europe 72%
- Asia 19%
- Africa 5%
- South America 2%
- Other 2%



BILLERUDKORSNÄS CAPEX 2015-2019

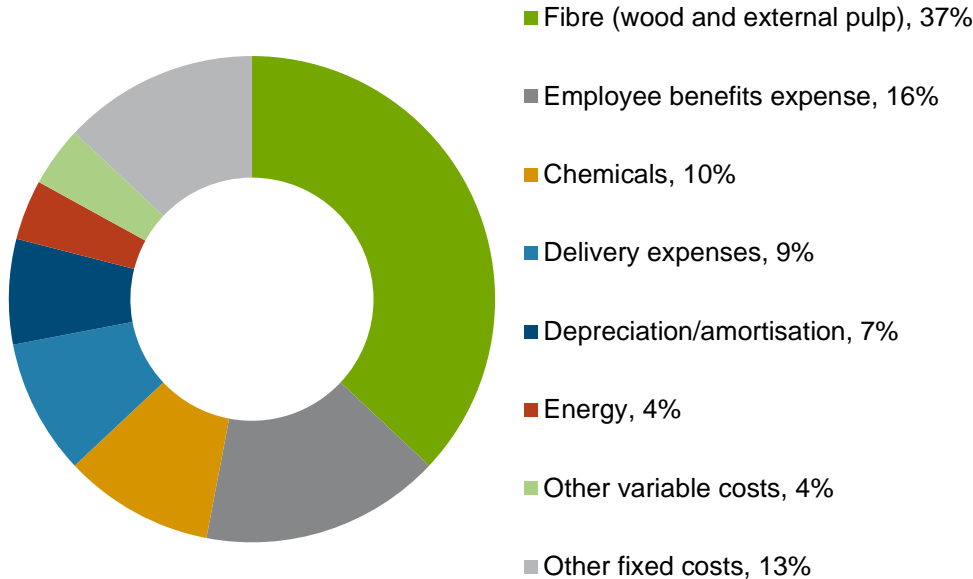
CAPEX

SEKm





COST STRUCTURE



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



SENSITIVITY ANALYSIS

IMPACT ON PROFIT/LOSS BEFORE TAX

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

1 Excluding effects of currency hedging.

2 Excluding effects of electricity price hedging.

3 Excluding effects of interest hedging.



PRODUCTION UNITS

SWEDEN

Gävle, 725 ktonnes
Gruvön, 685 ktonnes
Frövi/Rockhammar, 470 ktonnes
Skärblacka, 420 ktonnes
Karlsborg, 300 ktonnes

FINLAND

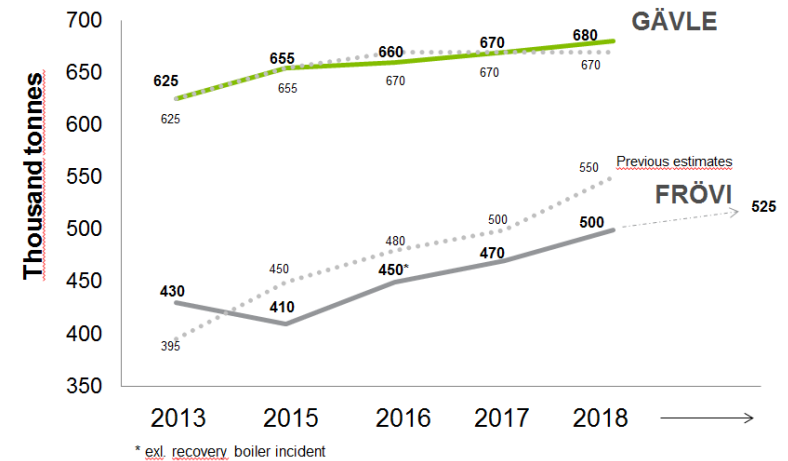
Pietarsaari, 200 ktonnes
Tervasaari, 100 ktonnes

UNITED KINGDOM

Beetham, 45 ktonnes

Total production capacity 2 945 ktonnes

SLOWER RAMP UP IN FRÖVI THAN EXPECTED





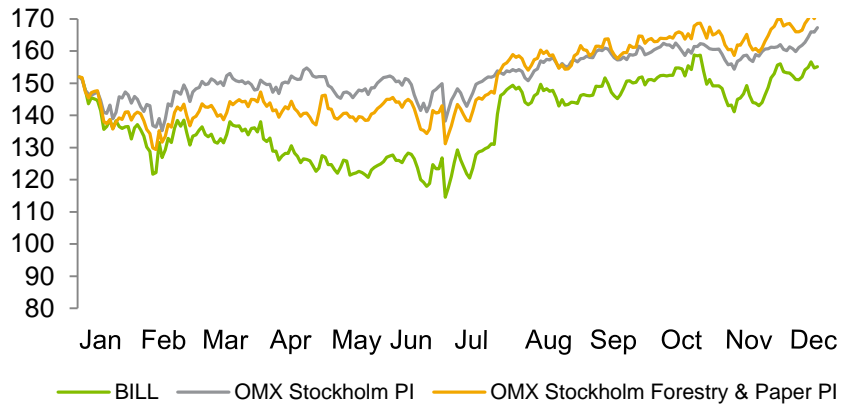
BILLERUDKORSNÄS SHARE

Symbol: BILL

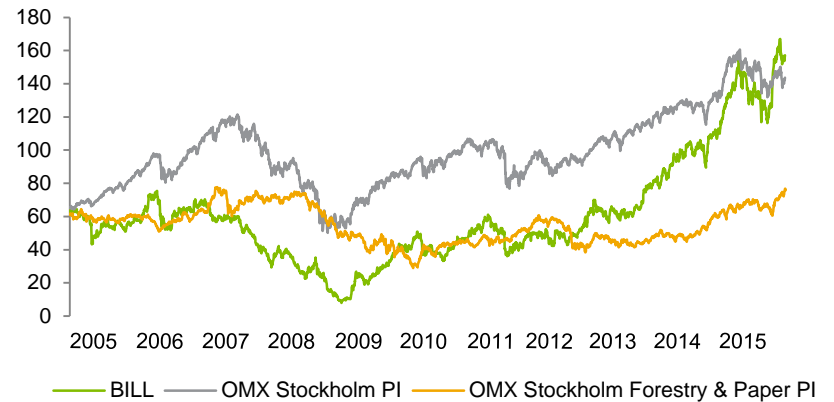
Trading platform: Nasdaq Stockholm

IPO: November 20, 2001

Share performance 2016



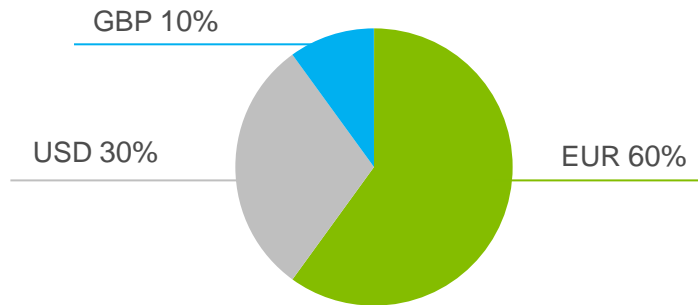
Share performance 2005-2015



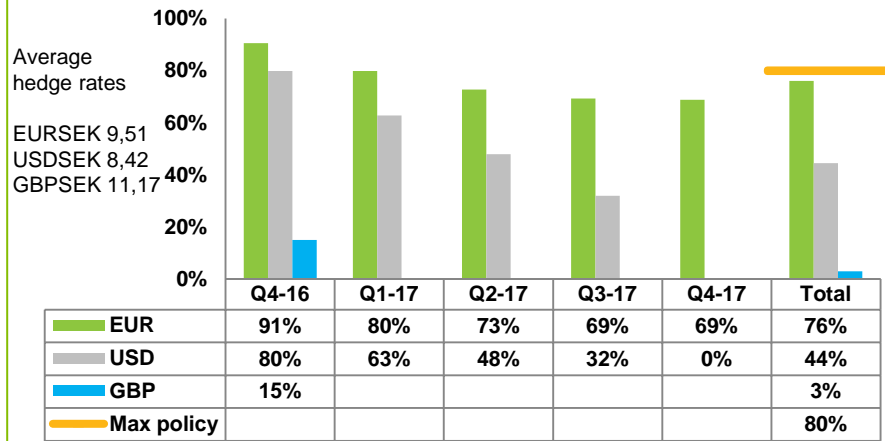


FX RISK

Total net currency exposure of SEK 6.4 billion



FX Hedge (SEK hedge) %



- ▶ BK uses Swedish Riksbank's FIXING rate (Month End)
- ▶ During month Sales, AP, AR etc: End of month rate previous month
- ▶ AP and AR: revalued to at end of month using End of month rate.
 - Revaluation of AR booked in "Currency hedging etc"
 - Revaluation of AP in Business areas
- ▶ FX contracts: Market value at month end. Contracts due within two months in Sales ("Currency hedging, etc"), rest is booked in Balance Sheet (OCI).

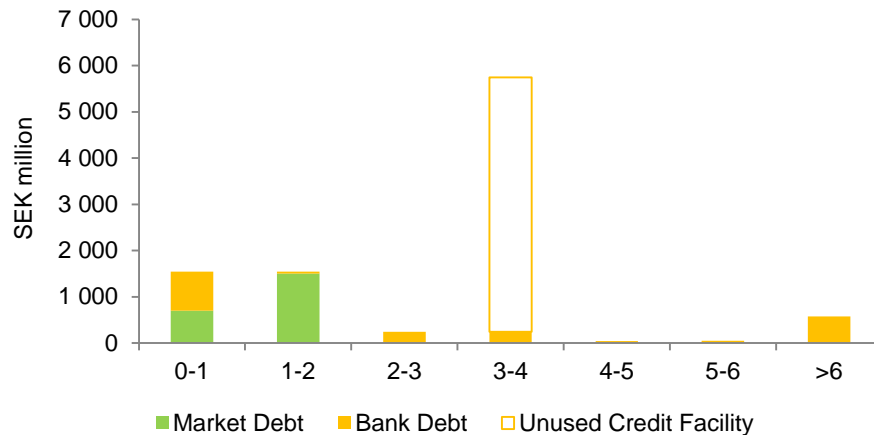
Net sales quarterly per business area and for the group

SEKm	Q3 -16	Q2 -16	Q1 -16
Packaging Paper	2 100	2 085	2 087
Consumer Board	1 975	2 028	2 024
Corrugated Solutions	913	839	879
Other units	400	421	363
Currency hedging, etc.	5	66	4
Total Group	5 393	5 439	5 357

- ▶ FX hedging policy
 - > 0-80% of flows over coming 15 months
 - > 0% is default hedge level
 - > No speculation in FX movements

DEBT MATURITY AND FUNDING

DEBT MATURITY PROFILE



FUNDING

- Syndicated credit facilities
 - > SEK 5,500m RCF maturing June, 2019 – back bone funding
- Bilateral credit agreements
 - > Mix of short and long term funding
- Bonds
 - > MTN Program frame SEK 5,000m of which SEK 2,000m issued
- Commercial Paper
 - > CP Program SEK 3,000m, issued SEK 200m
- Financial covenants
 - > Net Debt / Equity <1.25 (2016 Q3 at 0.36)
 - > EBITDA / Net financial expenses >3.00 (2016 Q3 at 21.1)
- Operating lease commitments payable within one year SEK 94 million and total commitment of SEK 251 million (year end 2015).

STRATEGY

- Financial target Net Debt / EBITDA < 2.5
- Sources of liquidity in the coming 12 months to exceed uses by a factor of 1,20
- Diversified funding sources and an even maturity profile

OWNERSHIP STRUCTURE



- Foreign shareholders, 39.2%
- Swedish mutual funds, 24.6%
- Swedish individuals incl. closely held companies, 19.4%
- Swedish institutions, 16.8%

Shareholder	Number of shares	Percent of votes
FRAPAG Beteiligungsholding AG	31 300 000	15.1
AMF Insurance & Funds	17 920 420	8.7
Swedbank Robur Funds	9 146 852	4.4
Fourth Swedish National Pension Fund	6 819 766	3.3
Handelsbanken Funds	6 057 945	2.9
Alecta	5 248 000	2.5
Lannebo Funds	4 406 978	2.1
DFA Funds (USA)	3 950 418	1.9
Norges Bank Investment Management	3 574 405	1.7
SEB Funds	2 573 828	1.2
Total 10 largest shareholders	90 998 612	43.8
Total excluding share buy-backs	207 089 336	100.0
The company's own bought-back shares	1 130 498	0.0
Total	208 219 834	100.0



BILLERUDKORSNÄS