INTERIM REPORT JANUARY – JUNE 2017

2017-07-18   Per Lindberg, CEO and President, and Susanne Lithander, CFO
Q2 2017 RESULTS AT A GLANCE

**NET SALES**
- **5 600** SEK million (3% growth)

**EBITDA**
- **863** SEK million (15% margin)

**SHARE OF SALES**
- **38%** Kraft paper
- **37%** Sack paper
- **9%** Market pulp
- **16%** Other

**CONSUMER BOARD**
- Liquid packaging board
- Cartonboard

**CORRUGATED SOLUTIONS**
- Fluting
- Liner
- Managed Packaging
Q2 2017 KEY HIGHLIGHTS

- Continued high demand across all business areas
- Stable production volumes
- EBITDA affected by one-off and extra costs of SEK 55 million and maintenance shutdown costs of SEK 230 million
- Strong operating cash flow
- Favourable outlook on both short and long term
FINANCIAL DEVELOPMENT
**NET SALES**
**SEK MILLION**

Year: 2015, 2016, 2017

- Q2 2015: 5489
- Q3 2015: 5478
- Q4 2015: 5213
- Q1 2016: 5357
- Q2 2016: 5439
- Q3 2016: 5393
- Q4 2016: 5636
- Q1 2017: 5468
- Q2 2017: 5600

Overall growth: +3%
EBITDA
SEK MILLION

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<th>Quarter</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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OPERATING CASH FLOW
SEK MILLION

Q1 2015: -500
Q2 2015: 323
Q3 2015: 541
Q4 2015: 360
Q1 2016: 155
Q2 2016: 631
Q3 2016: 696
Q4 2016: 619
Q1 2017: -294
Q2 2017: 314
RETURN ON CAPITAL EMPLOYED
ADJUSTED, ROLLING 12 MONTHS (%)

Target: >13%
LEVERAGE
NET DEBT/EBITDA (X)

Target: <2.5x
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

2-4% CAGR

Asset transformation for increased profitability
Development of new business models
Expansion to growing markets
PACKAGING PAPER BUSINESS AREA
Q2 DEVELOPMENT

- Continued strong performance
- Net sales +3% vs Q2-16
  - Improved FX and increased local prices
- EBITDA +17% vs Q2-16
  - Good sales mix, increased local prices and favourable FX
- Improved market for all kraft and sack papers
- Q3 sales expected to be on par with Q2
- Kraft and sack paper markets expected to remain stable with potential to increase prices in local currency
CONSUMER BOARD BUSINESS AREA
LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES

- Packaging for milk, juice, preserved foods, beauty and healthcare products, confectionary 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
- 4-5% CAGR

LIQUID PACKAGING BOARD – AMBIENT PACKAGES
#1 GLOBALLY
LIQUID PACKAGING BOARD – ALL PACKAGE TYPES
#2 GLOBALLY
Continued volume growth

Net sales +4% vs Q2-16

EBITDA +4% vs Q2-16
  Increased sales volumes

Continued growth in all parts

Expected continued firm order situation for liquid packaging board with normal season varieties and further improved order situation for cartonboard
Strong product portfolio setting market standard

2-4% CAGR

Integrating new business model

Increasing sales to brand owners

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
**CORRUGATED SOLUTIONS BUSINESS AREA**

**Q2 DEVELOPMENT**

- Net sales +8% vs Q2-16
  - Improved local prices and FX

- EBITDA +25% vs Q2-16
  - Lower maintenance cost
  - Negative impact from digester breakdown

- Strong order books and increased prices in Europe

- Expected continued strong demand for fluting and liner with potential for local price increases

- Managed Packaging is forecasted to continue delivering consistently strong sales growth
OUTLOOK
OUTLOOK

- Demand and order situation are expected to be strong in the third 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.
- Longer transportation of wood is expected to have a 3% negative effect on wood costs in Q3 compared with Q2.
- The situation at the Port of Gothenburg could have an impact on the Group’s delivery capacity and costs during Q3.
- Costs for planned maintenance shutdowns in the third quarter are estimated at SEK 215 million.
SKÄRBLACKA AND GRUVÖN WELL UNDER WAY
IMPROVING EFFICIENCY AND SECURING GROWTH

- Investing in MG integrated to pulp production in Skärblacka, Sweden; SEK 1,3 billion investment.
- New board machine in Gruvön, Sweden with capacity of approx. 550 000 t/a; SEK 5,7 billion investment.
UNDERSTANDING SOLUTION SALES
CONCEPT DEFINITIONS

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
CAPITAL MARKETS DAY ON 15-16 NOVEMBER 2017

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE