



BILLERUDKORSNÄS

YEAR-END REPORT JANUARY-DECEMBER 2017

2018-01-29 Petra Einarsson, CEO, Susanne Lithander, CFO



STABLE RESULTS

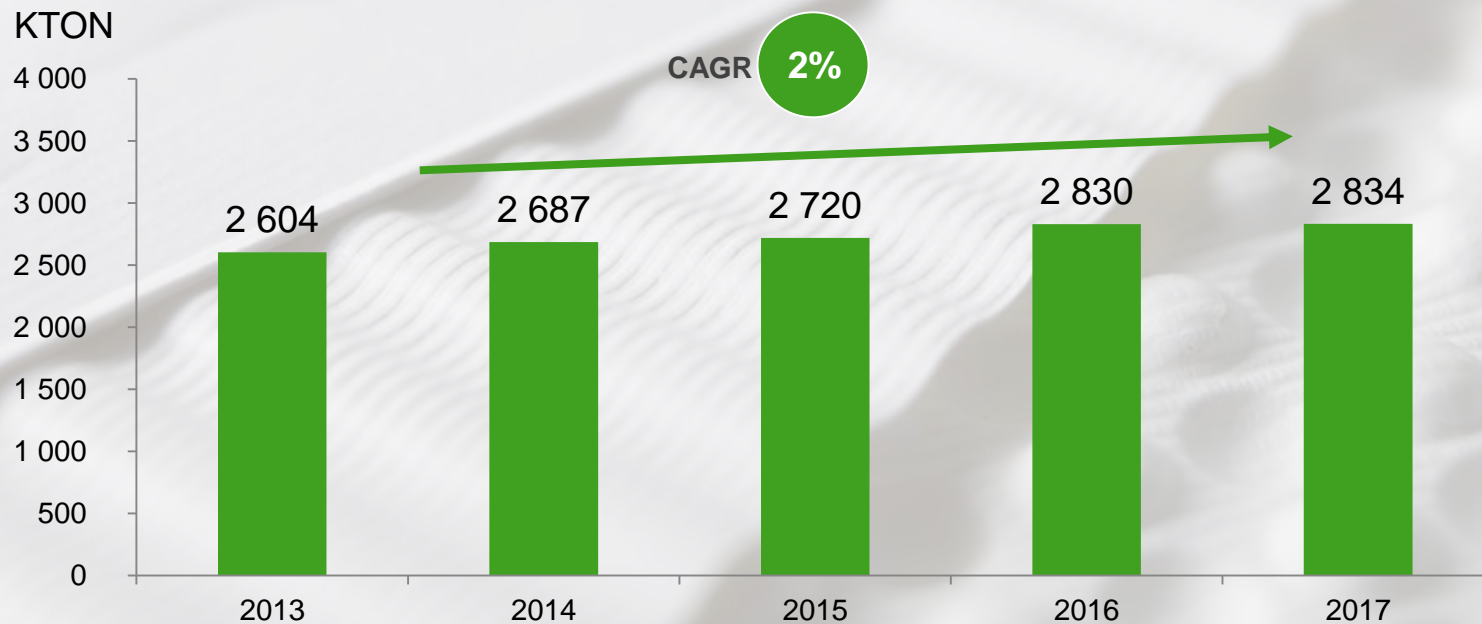
- Financial targets fulfilled
- Strong demand offset by production disruptions
- Record high production levels
- Increased focus on operational excellence

| Area | Target | Outcome 2017 | |
|-----------------|--------|------------------|---|
| Growth | 3-4% | 3% | ✓ |
| EBITDA | >17% | 17% | ✓ |
| ROCE | >13% | 13% ¹ | ✓ |
| Net debt/EBITDA | <2.5 | 1,53 | ✓ |
| Dividend policy | 50% | 54% | ✓ |

1. Adjusted for items affecting comparability

RECORD HIGH PRODUCTION LEVELS

TOTAL INCREASE 2013-2017: 230 000 TONNES
 ANNUAL PRODUCTION RECORDS 2017 IN GÄVLE, FRÖVI & SKÄRBLACKA



Excluding Tervasaari

INCREASED FOCUS ON OPERATIONAL EXCELLENCE



Production Stability

Increase stability in pulp- & paper/board production with support of Company Specialists

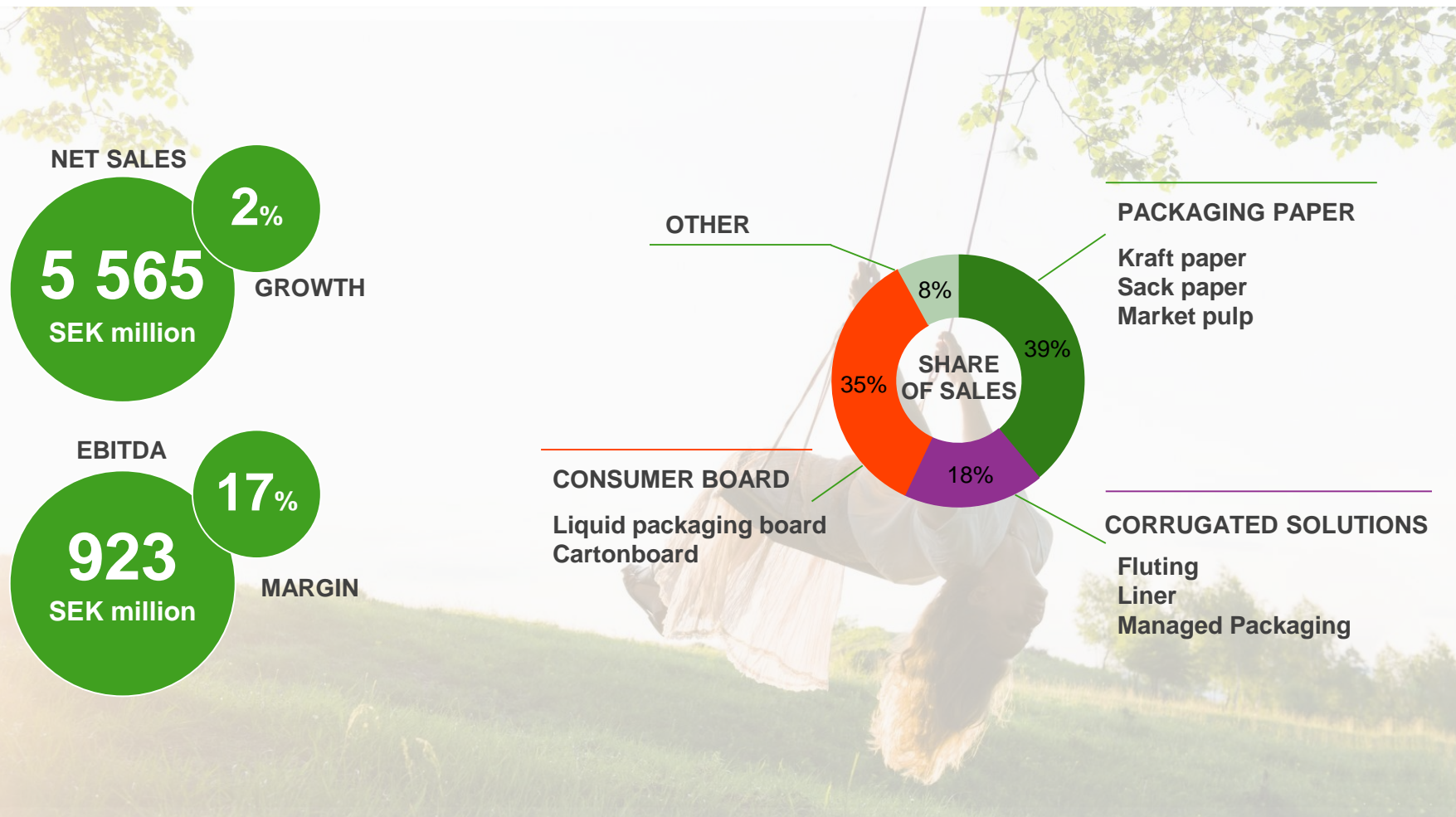
Product Quality

A systematic, customer centric product quality improvement process under implementation

Occupational Health & Safety

Implementation of behaviour safety systems is ongoing, being the foundation for stability

Q4 2017 RESULTS AT A GLANCE



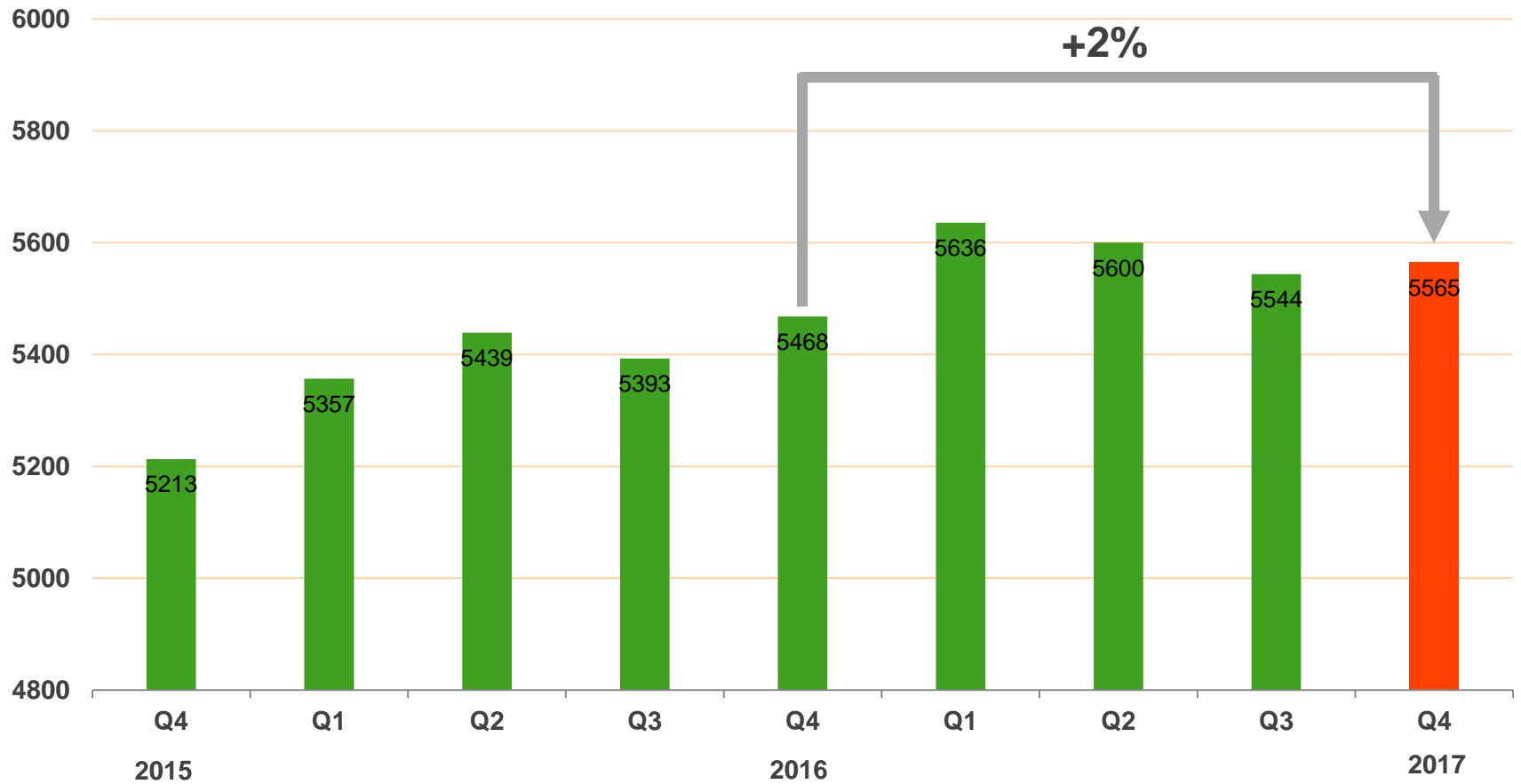
Q4 2017 KEY HIGHLIGHTS

- Continued high demand across all business areas
- Negative effect on sales volumes from production disruptions
- Higher EBITDA driven by increased prices and lower costs
- Adjusted EBIT margin 11%
- Favourable outlook on both short and long term

FINANCIAL DEVELOPMENT

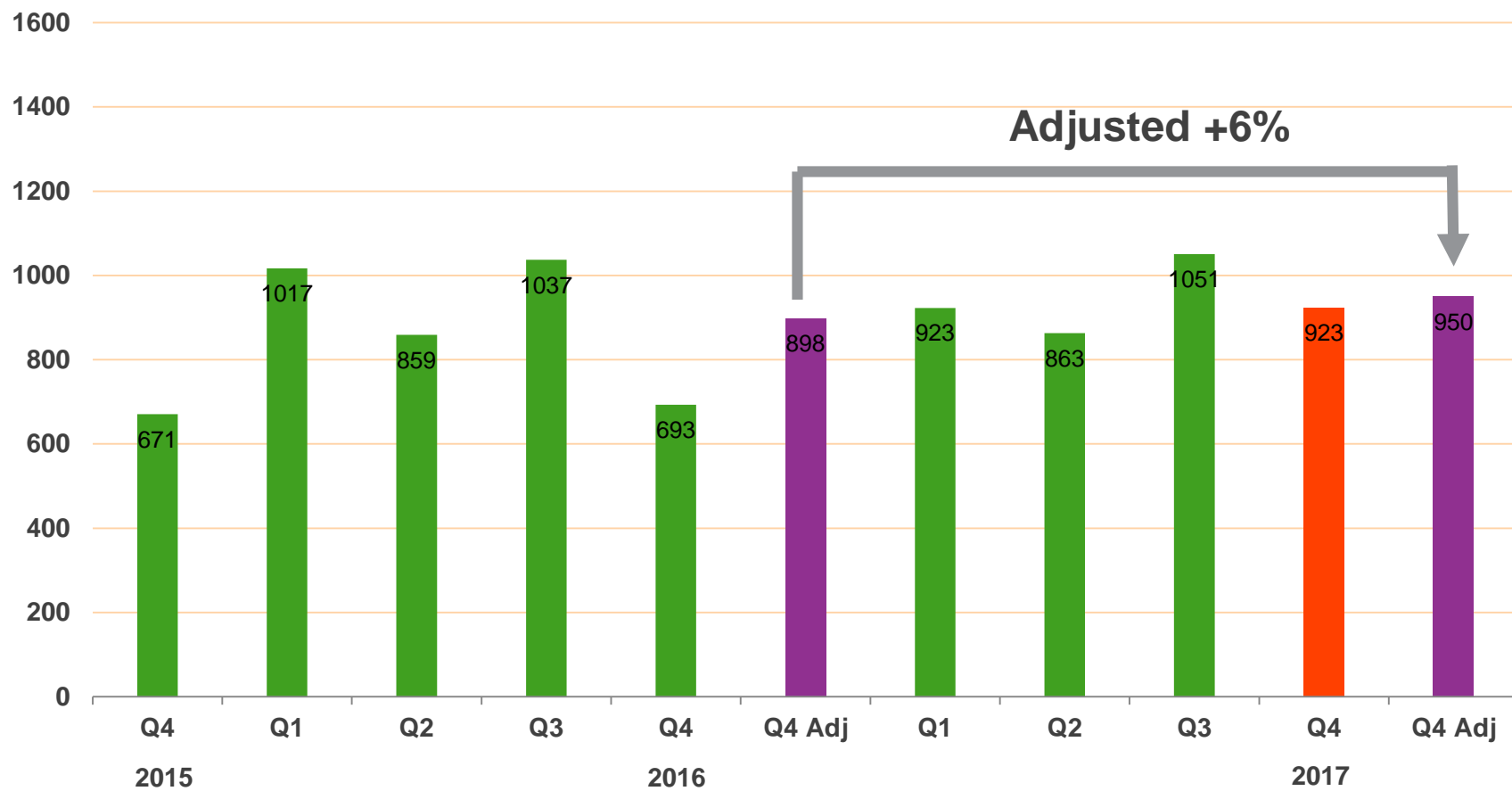
NET SALES

SEK MILLION



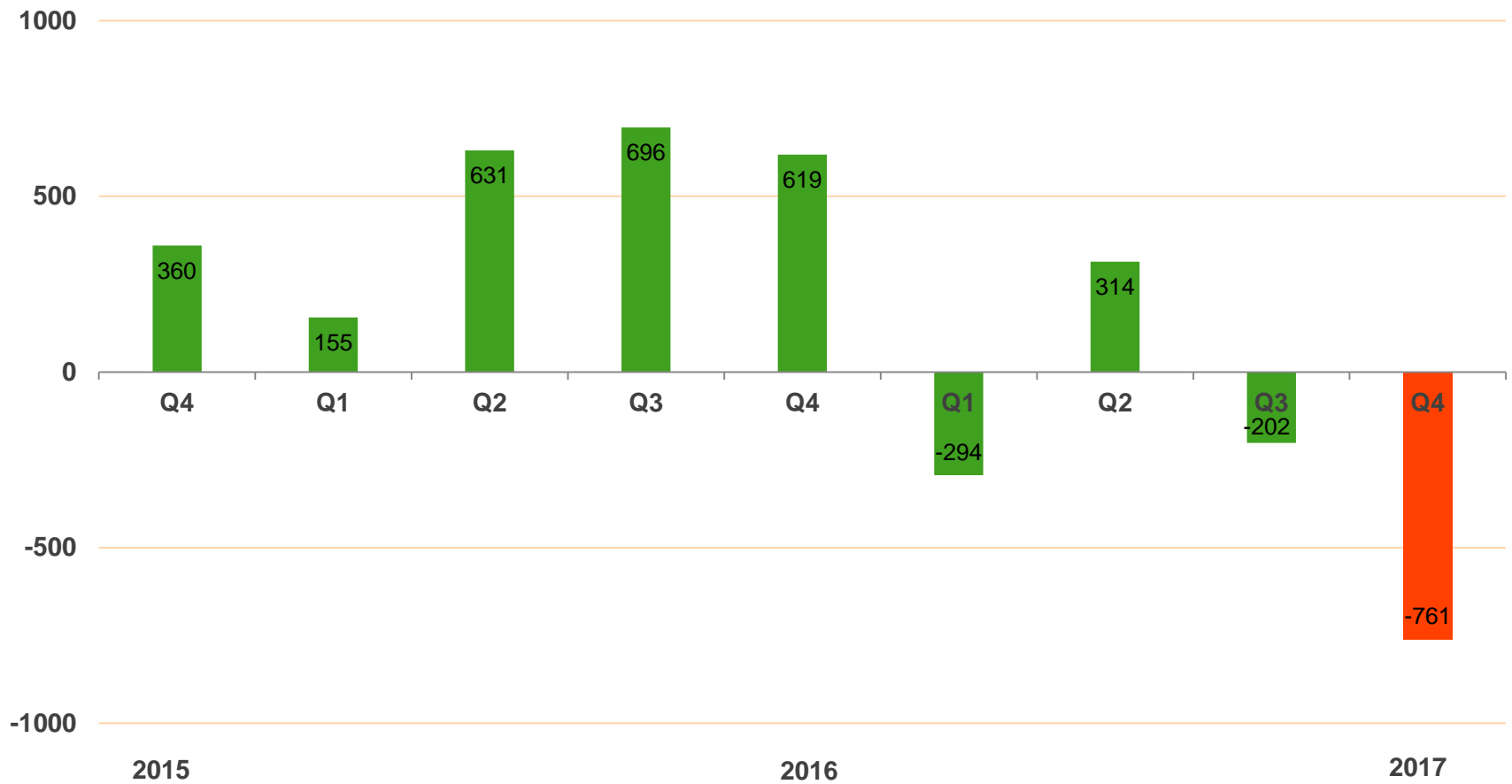
EBITDA

SEK MILLION



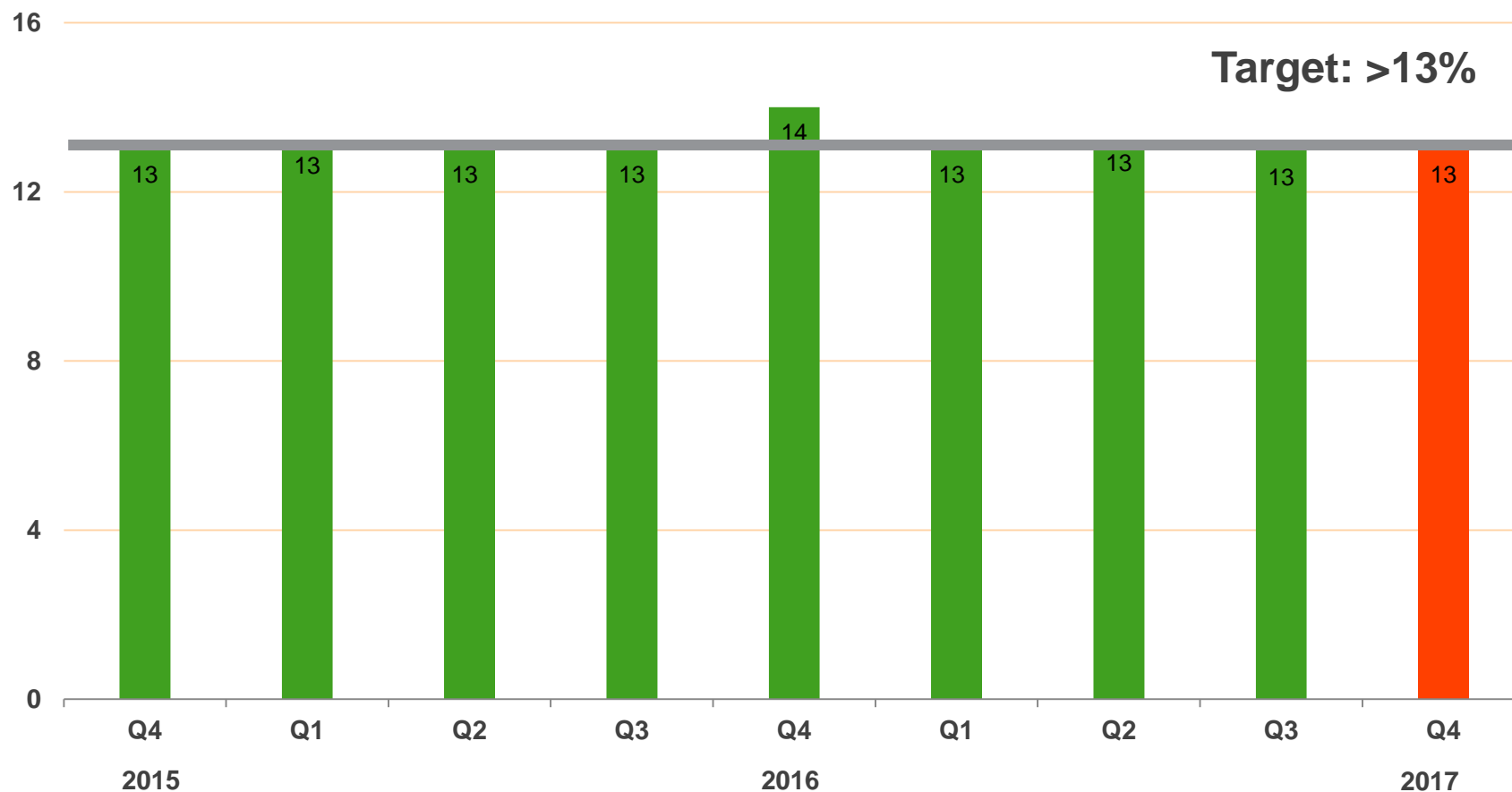
OPERATING CASH FLOW

SEK MILLION



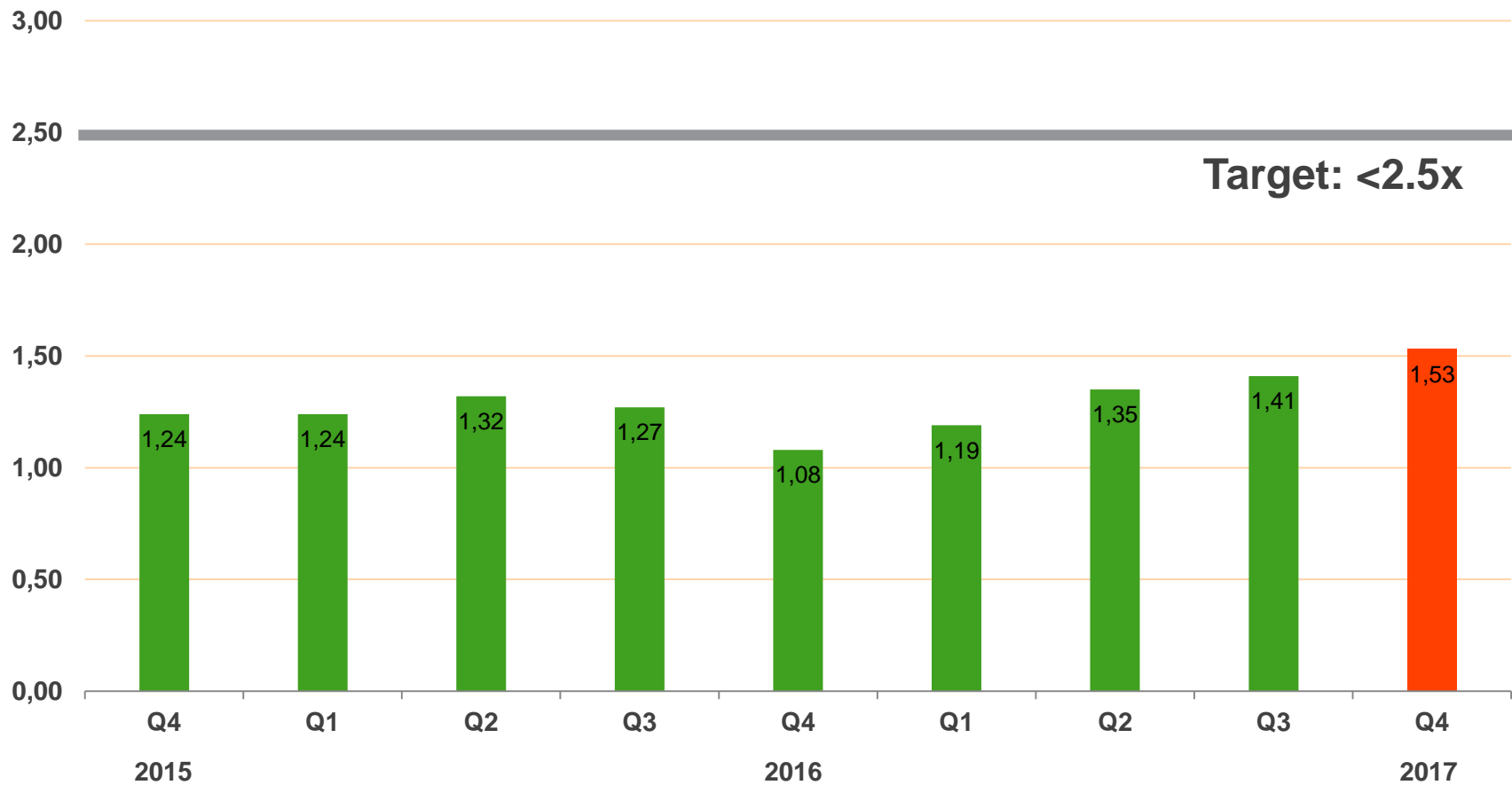
RETURN ON CAPITAL EMPLOYED

ADJUSTED, ROLLING 12 MONTHS (%)



LEVERAGE

NET DEBT/EBITDA (X)



BUSINESS AREAS

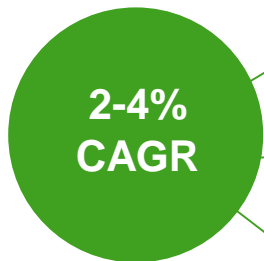
PACKAGING PAPER BUSINESS AREA

KRAFT AND SACK PAPER FOR CUSTOMERS WITH TOUGH DEMANDS



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

SELECTIVE GROWTH



Asset transformation for increased profitability

Development of new business models

Expansion to growing markets



PACKAGING PAPER BUSINESS AREA

Q4 DEVELOPMENT

- ▶ Net sales + 4 % vs Q4-16
 - Increased prices in local currency somewhat offset by effects from production disruptions
- ▶ EBITDA -5 % vs Q4-16
 - Lower production volumes and negative currency effects
 - Prices on pulp and paper continues to increase
- ▶ Record results – EBIT SEK 1 035 million for FY 2017
- ▶ Kraft- and sack paper markets expected to remain solid with potential to increase prices in local currency

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NET SALES SEK MILLION

401

EBITDA SEK MILLION

19%

EBITDA MARGIN

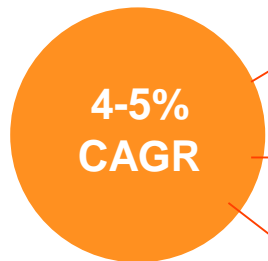
CONSUMER BOARD BUSINESS AREA

LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES



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

VOLUME GROWTH



Attractive market providing growth opportunities

Investments for volume growth

Innovation with customers and brand owners



CONSUMER BOARD BUSINESS AREA

Q4 DEVELOPMENT

- ▶ Net sales -2% vs Q4-16
 - Difficulties with production availability
- ▶ EBITDA +8% vs Q4-16
 - High costs in Q4-16 – rebuild and startup of Rockhammar
- ▶ Volume growth in line with overall financial targets YoY
 - Record high sales volumes of cartonboard
- ▶ Strong order situation expected to continue with normal season variations

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NET SALES SEK MILLION

363

EBITDA SEK MILLION

19%

EBITDA MARGIN

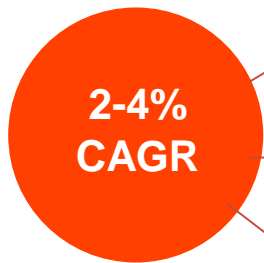
CORRUGATED SOLUTIONS BUSINESS AREA

FLUTING AND LINER ADD VALUE



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

VALUE GROWTH



Strong product portfolio setting market standard

Integrating new business model

Increasing sales to brand owners



CORRUGATED SOLUTIONS BUSINESS AREA

Q4 DEVELOPMENT

- ▶ Net sales +2% vs Q4-16
 - Improved prices in local currency and increased sales volumes within Managed Packaging
- ▶ EBITDA -12% vs Q4-16
 - Production disruptions and establishment costs related to expansion within Managed Packaging
- ▶ Strong order books and increased prices in Europe
- ▶ Managed Packaging ~50% sales growth
- ▶ Expected continued strong demand for fluting and liner
 - Expansion to new regions

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NET SALES SEK MILLION

212

EBITDA SEK MILLION

21%

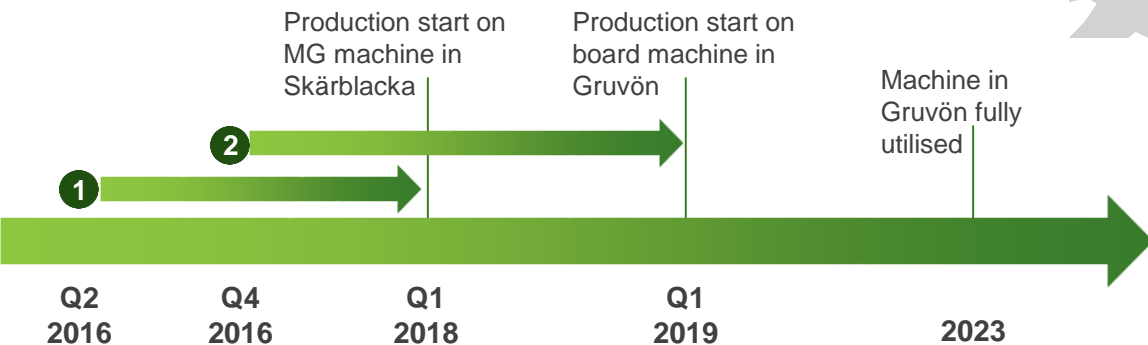
EBITDA MARGIN

PROGRESS IN INVESTMENT

SKÄRBLACKA AND GRUVÖN PROGRESSING

IMPROVING EFFICIENCY AND SECURING GROWTH

- ① Investing in MG integrated to pulp production in Skärblacka, Sweden; **SEK 1.3 billion investment.**
- ② New board machine in Gruvön, Sweden with capacity of approx. 550 000 t/a; **SEK ~7 billion investment.**



OUTLOOK

SHORT-TERM OUTLOOK

- Demand and order situation are expected to be strong with normal seasonal variances for all business areas
- The negative impact from weather related challenges on raw material flows is expected to be SEK 80-100 million in the first quarter

2018 OUTLOOK

- Demand of wood will increase
- Overall capacity will remain on 2017 level
 - Increased volume for Consumer Board
 - Reduced volumes for Corrugated Solutions and Packaging Paper due to impact from Gruvön investment
- Net exposure to pulp market ~150 ktonnes in 2018
- One-off costs impact from investment project will be SEK ~210 million
 - SEK 75 million due to longer stop in Gruvön
 - SEK 75 million due to education, extra personnel etc.
 - Increased depreciation SEK 60 million



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