WHAT IF oceans were full of plankton? Not plastics.

INTERIM REPORT
JANUARY-SEPTEMBER 2018

WHAT IF packaging could make a difference?

2018-10-16

Petra Einarsson, CEO, Susanne Lithander, CFO
Key highlights

- **Solid sales performance** in all business areas
- Positive effects from **increased sales prices** and currency
- Continued headwinds from **increased raw material costs**
- Strategic investments are **progressing according to plan**

**Financial Highlights**

- **NET SALES GROWTH Y/Y**: 9%
- **EBITDA MARGIN**: 15%
- **ROCE**: 11%
- **NET DEBT/EBITDA**: 2.36

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Strong Performance

PACKAGING PAPER Q3 DEVELOPMENT

- Net sales + 16% vs Q3-17
  - Increased sales prices
  - Positive currency effects

- EBITDA + 20% vs Q3-17
  - Better product mix

- Market expected to remain strong
  - Possibilities for selected price increases

2,424
NET SALES SEK MILLION

472
EBITDA SEK MILLION

19%
EBITDA MARGIN
Continued strong demand

**CONSUMER BOARD Q3 DEVELOPMENT**

- Net sales +6% vs Q3-17
  - Continued strong demand

- EBITDA -40% vs Q3-17
  - Increased raw material costs
  - Unchanged prices

- Market expected to remain stable

**NET SALES SEK MILLION**

- 2,145

**EBITDA SEK MILLION**

- 278

**EBITDA MARGIN**

- 13%
Increased sales prices
CORRUGATED SOLUTIONS Q3 DEVELOPMENT

- Net sales +12% vs Q3-17
  - Increased sales prices
  - Positive currency effects
  - Strong sales within Managed Packaging

- EBITDA -1% vs Q3-17
  - Increased raw material costs

- Market expected to remain stable
Unlocking the Potential

SECURE
- Successful ramp-up of KM7
- Competitive wood supply

IMPROVE
- A safe company is a well run company
- Stabilise production

ACCELERATE
- Innovate for growth
- Capture new solutions sales
On schedule towards start-up March-April

- Construction started
- Groundwork finalised
- Assembly started
- November - software fully installed
- December - civil construction finalised
- January 2018 - Machine fully assembled
- February - water run
- March - stock on wire
- March-April 2019 - Production starts
- 2023 - Ramp-up

95% of civil construction finalised
Software installation ongoing
Commissioning of subsystem
Securing a competitive wood supply

- The strongly competitive situation continues
- Inventories normalised after a challenging year
- Ongoing activities to strengthen the supply base - both domestic and through import
- Focus on finalising the Bergvik Öst transaction
Continued efforts in workplace safety

- All accidents are preventable
- Focus on structure, engagement and predictability
- Cultural changes – never walk by
- A safe company is a well run company

Lost time injuries frequency rate, LTIFR*

- 2017: 7.7
- Jan-Sep 2018: 7.1
- Target 2023: 1.5

*Number of injuries per 1 000 000 worked hours
Production stability is a key focus

1. Start-up performance
2. Mitigating production disturbances

Overall equipment efficiency, OEE

- Δ +4% pts

Operating excellence

- Occupational Health & Safety
- Environmental performance
- Product quality
- Production stability
Accelerating innovation to support growth

- Xpression Fine launched in Q3
  - Capturing retail demand for higher printability on high-end paper bags

![Image of a decorated paper bag]

<table>
<thead>
<tr>
<th>Year</th>
<th>New product ratio, NPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>7</td>
</tr>
<tr>
<td>Jan-Sep 2018</td>
<td>6</td>
</tr>
<tr>
<td>Target 2023</td>
<td>15</td>
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</tbody>
</table>
## Long-term targets

<table>
<thead>
<tr>
<th>Area</th>
<th>FY target</th>
<th>Q3</th>
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<tbody>
<tr>
<td>Growth</td>
<td>3-4%</td>
<td>9%</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>&gt;17%</td>
<td>15%</td>
</tr>
<tr>
<td>ROCE*</td>
<td>&gt;13%</td>
<td>11%</td>
</tr>
<tr>
<td>Net debt/EBITDA*</td>
<td>&lt;2.5</td>
<td>2.36</td>
</tr>
</tbody>
</table>

*Adjusted for items affecting comparability
WHAT IF paper packaging could push new boundaries
Continued strong top-line growth

- Net sales +9% compared with Q3 2017
- Solid sales performance
- Continued increased sales prices
  - Unchanged in Consumer Board
- Positive currency effects
Raw material costs put pressure on earnings

*Transport and fixed costs
Sharp increase of raw material costs

- Costs for pulpwood are +30% Q3 2018 vs Q3 2017
  - Sharp increase expected to continue in Q4
- Costs for caustic soda are +30% Q3 2018 vs Q3 2017
  - Flattening out on high levels
- The result was also affected by comparatively high prices on the pulp supply to the non-integrated mill in Jakobstad
Increased net debt driven by strategic investments

- Adjusted Net debt / EBITDA within target
- Net debt MSEK 8 520 (4 982)
- Expected to peak mid 2019
- Focus on fast deleveraging after completion of strategic investment programmes

Net debt / EBITDA

- Target: <2.5x

*Adjusted for items affecting comparability
Outlook Q4

- Strong demand within all business areas is expected to continue
- Limited possibilities for further sales price increases
- Sharp increase in wood costs is expected to continue
Summary

- Solid sales performance in all business areas
- Continued strong demand and increased sales prices
- Sharp increase in raw material costs
- KM7 on schedule for start-up in March-April
- Continued focus on unlocking the potential

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