Interim report January–March 2020

Record sales volumes and continued price pressure

24th of April 2020  |  Lennart Holm, CEO, Ivar Vatne, CFO

WHAT IF paper packaging is the solution?
Key highlights Q1

- Stable production and solid demand
- Record sales volume, up by 9% compared to last year
- Limited financial effects of Covid-19 so far
- Earnings heavily impacted by continued lower market prices
- Ramp-up effects of KM7 of SEK 200 million
- Start-up of KM7 coater and certification process initiated
- Cost and efficiency programme delivering according to plan

* Adjusted for items affecting comparability
Covid-19 effects so far

- No major disruptions and limited financial effects
- Situation monitored on a daily basis, crisis management in six work streams
- Additional cost savings measures have been initiated
- Division Solution sales affected in Q1 and will weaken further
- First half year planned maintenance stops postponed
  - Gruvön led to a negative effect of SEK 40 million in Q1
  - KM7: An additional negative impact of SEK 100 million is expected for the full year
  - Rescheduled maintenance at Skärblacka, Gävle and Pietasaari will increase full year costs by SEK 35 million
- The Board of Directors has withdrawn the proposal for extra dividend
Market perspective and context

- **Solid demand in Q1**
  - Strong market conditions for liquid packaging board
  - Stable market conditions for cartonboard and containerboard
  - Market for sack and kraft paper stabilized at low price levels

- **Expectations for Q2**
  - High uncertainty of Covid-19 impact
  - Stable market conditions expected for products in Food & Beverages and Medical & Hygiene
  - Market conditions for Consumer & Luxury Goods could become more challenging
  - Weaker market conditions expected for the Industrial segment
  - Logistical challenges quite likely
Ramping up KM7 production

- Coater start-up and certification of LPB initiated
- Solid volume output centered around uncoated liner, challenges around quality gradually overcome
- Continued uncertainty connected to the ramp-up and product mix
- Negative EBITDA impact for Q1 SEK 200 million
- Expected negative EBITDA impact for 2020 SEK 350-450 m

**KM7 EBITDA impact**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>vs 2018</td>
<td>-640</td>
<td>-350 / -450</td>
</tr>
<tr>
<td>vs 2019</td>
<td></td>
<td>+ 190 / + 290</td>
</tr>
</tbody>
</table>

- From 2021 positive impact on EBITDA (versus 2018 base year)
Safe and stable production

- Excellent production and record volumes
- Actions to increase production stability starting to show result
- Declining LTIFR trend over the past ten months
- LTIFR for last twelve months decreased by 40%

Quarterly sales volumes, ktonnes

* Number of injuries per 1 000 000 worked hours
Cost and efficiency program on track

- Positive impact in Q1’20 of SEK 50 million
- On track to deliver SEK 250 m of cost savings and efficiencies in 2020
- Expect a bit back-heavy delivery during 2020
- Work in progress to identify additional building-blocks to deliver SEK 600 million run-rate by Q4’21
Wood Cost Index (WCI*), rolling 12 months

- Cost of pulpwood decreased in Q1
  - Expected to remain flat in Q2 but uncertain (Covid-19)

- Caustic soda price decreased in Q1
  - Forward looking trend for chemicals uncertain (Covid-19)

- Pulp pricing impact (purchased) significantly decreased in Q1

- Only marginally lower energy impact in Q1 due to hedging

Source: BillerudKorsnäs internal data
# Key financial figures

<table>
<thead>
<tr>
<th>SEK m</th>
<th>Q1 2020</th>
<th>Q1 2019</th>
<th>Change vs Q1-19</th>
<th>Q4 2019</th>
<th>Change vs Q4-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>6 364</td>
<td>6 504</td>
<td>-2%</td>
<td>5 815</td>
<td>9%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>791</td>
<td>1 035</td>
<td>-24%</td>
<td>618</td>
<td>28%</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>12%</td>
<td>16%</td>
<td>-11%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>305</td>
<td>653</td>
<td>-53%</td>
<td>127</td>
<td>172%</td>
</tr>
<tr>
<td>Adjusted operating profit margin</td>
<td>5%</td>
<td>10%</td>
<td>-2%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>164</td>
<td>451</td>
<td>-64%</td>
<td>333</td>
<td>-51%</td>
</tr>
<tr>
<td>Adjusted ROCE</td>
<td>3%</td>
<td>9%</td>
<td></td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted for items affecting comparability
Volume/mix growth and benefit from currency rates offset by lower market prices

Net sales, SEKm

Q1 2019: 6,504
Pricing: -7%
Currency: +2.5%
Volume/Mix: +5%
Q1 2020: 6,531
KM7 Start-up: -2.5%
Q4 2019: 6,364
Adjusted EBITDA impacted by pricing and KM7 ramp-up, partly offset by lower fibre costs, volume and cost savings

Adj EBITDA, SEKm

-4%

Q1 2019 | Pricing | Currency | Volume/Mix | Raw materials and consumables | Cost & efficiency | Other | Q1 2020 excl. KM7 | KM7 Start-up | Q1 2020

1035 | 80 | 105 | 235 | 50 | -55 | 990 | -200 | 790

Adj EBITDA margin 16% 12%
Division Board

Share of net sales
Q1 2020

58%

KEY FIGURES*

<table>
<thead>
<tr>
<th>SEKm</th>
<th>Q1-20</th>
<th>Change vs Q1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>3 712</td>
<td>+5%</td>
</tr>
<tr>
<td>of which liquid packaging board</td>
<td>2 060</td>
<td>+4%</td>
</tr>
<tr>
<td>of which cartonboard</td>
<td>399</td>
<td>+15%</td>
</tr>
<tr>
<td>of which fluting &amp; liner</td>
<td>1 017</td>
<td>+7%</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-3 134</td>
<td>+10%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>578</td>
<td>-15%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>16%</td>
<td>-3% pts</td>
</tr>
</tbody>
</table>

Net sales growth across all segments
- Higher volumes due to stable production and KM7 ramp-up

EBITDA impacted by KM7 ramp up effects and market pricing
- EBITDA margin excl. KM7 21%
Division Paper

Another quarter with negative sales growth
  › Significantly lower pricing than last year

EBITDA impacted by lower prices and negative mix
  › Partly offset by lower raw material cost and good cost control

Share of net sales Q1 2020

KEY FIGURES*

<table>
<thead>
<tr>
<th>SEKm</th>
<th>Q1-20</th>
<th>Change vs Q1-19</th>
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</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1 880</td>
<td>-18%</td>
</tr>
<tr>
<td>of which sack paper</td>
<td>633</td>
<td>-32%</td>
</tr>
<tr>
<td>of which kraft paper</td>
<td>878</td>
<td>-6%</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-1 617</td>
<td>-12%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>263</td>
<td>-43%</td>
</tr>
<tr>
<td>EBITDA, %</td>
<td>14%</td>
<td>-6% pts</td>
</tr>
</tbody>
</table>
Division Solutions

Share of net sales
Q1 2020
3%

KEY FIGURES*

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<th>SEKm</th>
<th>Q1-20</th>
<th>Change vs Q1-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>205</td>
<td>0%</td>
</tr>
<tr>
<td>of which Managed Packaging</td>
<td>147</td>
<td>-16%</td>
</tr>
<tr>
<td>of which other solutions</td>
<td>58</td>
<td>+81%</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-195</td>
<td>+1%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>10</td>
<td>-23%</td>
</tr>
<tr>
<td>EBITDA, %</td>
<td>5%</td>
<td>-1% pts</td>
</tr>
</tbody>
</table>

- Net sales decline by 3%
  - Lock down in China affected sales for Managed Packaging
  - Compensated by strong FibreForm® growth
- EBITDA improved by changed customer mix
Strong balance sheet and entering a phase with lower CAPEX levels

- Net debt SEK 5 951 billion at 31 March
- Net debt EBITDA ratio 2.3 – below target
- Limited debt maturity over the coming 2 years
- CAPEX for 2020 guidance lowered by SEK 200 M to SEK 1.3 bn
- Proposed* dividend SEK 889 million to be paid out in May

* Board recommendation – subject to AGM approval
** Based on past 12 months EBITDA adjusted for items affecting comparability
Summary

- Sales volume growth and production excellence
- EBITDA impacted by continued lower prices and KM7 ramp-up impact
- Limited financial effects of Covid-19 so far, but increased uncertainty
- Strong financial position and precautionary measures taken
Q2 Outlook

- Stable market conditions expected for products in Food & Beverages and Medical & Hygiene
- Market conditions for Consumer & Luxury Goods could become more challenging
- Weaker market conditions expected for the Industrial segment
- Fibre costs expected to remain flat from Q1
- Logistical challenges expected
- Remaining KM7 start-up effects in 2020 estimated to SEK 150-250 million
- IAS41 revaluation exercise of biological assets to be undertaken in Q2
WHAT IF packaging could push new boundaries?