DELIVERING SUSTAINABLE PROFITABLE GROWTH
SEB Nordic Seminar | January 2014
Susanne Lithander, CFO
### BILLERUDKORSNÄS IN FACTS & FIGURES

<table>
<thead>
<tr>
<th>Combination Net Sales (2012)</th>
<th>20 Billion SEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Operating Profit (2012)</td>
<td>1.3 Billion SEK</td>
</tr>
<tr>
<td>Number of Employees in 13 Countries</td>
<td>4,400</td>
</tr>
</tbody>
</table>

### Business Areas

- **Packaging Paper**
  - Share of combined net sales (2012): 39%
  - Production Units: Beetham, Frövi/Rockhammar, Gruvön, Gävle, Karlsborg, Pietarsaari, Skärblacka, Tervasaari

- **Consumer Board**
  - Share of combined net sales (2012): 34%
  - Production Units: 

- **Containerboard**
  - Share of combined net sales (2012): 16%

### A Stronger Platform for Growth and Profitability
- With a focus on customer value, innovation, and sustainability
- Creating networks with an open mind
FOCUSING ON PRIMARY FIBRE-BASED PACKAGING MATERIALS

- High performance packaging materials
  - Target customer segments requiring strong, light and/or pure packaging

- Smarter solutions
  - Focus on value added to customers rather than price

- 75% of sales going to consumer sectors
  - Food & Beverages is largest market segment with ~60% of sales

- Sustainable innovation is key
  - Consumers prefer paper over plastics*

LEADING POSITIONS IN GROWING MARKETS

PACKAGING PAPER

Kraft paper:
#1 – Europe
Sack paper:
#2 – Europe
#2 – Globally*

CONSUMER BOARD

Liquid packaging board –
Aseptic packages:
#1 – Europe
#1 – Globally
Liquid packaging board –
All package types:
#2 – Europe
#2 – Globally

CONTAINERBOARD

NSSC Fluting:
#1 – Europe
Pure white liner:
#1 – Europe
Coated white top liner:
#2 – Europe

BA market: CAGR 0-4%

CAGR: 4-5%

CAGR: 2-4%

*For high porosity sack paper.
OUR MARKETS ARE GROWING FASTER THAN THE AVERAGE PACKAGING MARKET

BILLERUDKORSNÄS MARKETS
GLOBAL MARKET

- **Liquid packaging board**
  - CAGR 5%

- **Cartonboard**
  - CAGR 5%

- **Brown sack paper (premium grade)**
  - CAGR 4%

- **Containerboard**
  - CAGR 3%

- **Packaging**
  - CAGR 3%

- **Paper and Board**
  - CAGR 3%

OUR ROAD MAP TO SUSTAINABLE PROFITABLE GROWTH
GROW IN LINE WITH THE MARKET

Building a strong platform for growth

Using innovation to drive competitiveness

Accelerating growth through strategic investments

15-20% organic growth by 2018
ACHEIVING 15-20% ORGANIC GROWTH BY 2018

CONTAINERBOARD

Value growth
▶ Increase margins on existing portfolio

BA market CAGR
2-4% CAGR

Selective growth
▶ Target growth in selected segments, balancing additional capacity

PACKAGING PAPER

Volume growth
▶ Increase volume in key markets

0-4% CAGR

CONSUMER BOARD

4-5% CAGR
CREATING A STABLE AND STRONGER COMPANY

- 2 major acquisitions in 2012
  - 1 June 2012 UPM’s packaging paper operation in Finland was acquired. Sales of MEUR ~220
  - 29 November 2012 merger with Korsnäs. Sales of SEK ~9bn

- Strong platform for growth
- Sharply reduced pulp market exposure
- Higher proportion of sales to consumer segments
- Lower relative currency exposure
- Broader product portfolio
ON TRACK TO REACH SYNERGY TARGETS AHEAD OF PLAN
ANNUAL PACE OF MSEK ~300 AS PER END OF Q3 2013

Synergies derived from
- Sourcing
- Sales, admin and general costs
- Production optimisation

~200 milestones for synergy and savings realisation identified
- Whereof half achieved as per 30 September 2013

*Synergies and savings realised in the quarter, compared to if the synergy and savings programme had not been initiated.
WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE
INNOVATION – AT HEART OF OUR SKILL SET

Success stories

Product innovation – FibreForm, Tetra Recart, SoliQ, QuickFill, etc

Business innovation – Bosch packaging concept, FibreForm Packaging, etc

Service innovation – Box Lab, Sack Lab, Design Center, etc

Understanding customers’ needs and meeting changing demands and requirements
BUSINESS MODEL
A HOLISTIC APPROACH TO CUSTOMER NEEDS
WORLD-CLASS PACKAGING MATERIALS

**PACKAGING PAPER**
- Kraft paper
- Sack paper

**CONSUMER BOARD**
- Liquid Packaging Board
- Cartonboard

**CONTAINERBOARD**
- Fluting
- Liner
MOVING CLOSER TO THE END-CUSTOMER

Brand owners
Packaging material
2–5% of the cost

Consumers

Packaging manufacturers
Packaging material
50–85% of the cost
SOLUTION SERVICES

- Comprehensive knowledge of the whole value chain
- Strong technical knowledge of packaging design
  - Expert assistance in the areas of packaging optimisation, print support and conversion support
GLOBAL NETWORK

Packaging manufacturers

Machine manufacturers

Research institutes

More than 1,500 customers and packaging partners in more than 100 countries
FOUR FINANCIAL TARGETS

- Operating margin > 10%*
- Return on Capital Employed > 13%*
- Net debt/Equity ratio < 0.9
- Dividend policy: 50% of net profit*

* Over a business cycle.
OUR COMMITMENT TO LONG-TERM SHAREHOLDER VALUE

Fulfilment

- Short-term
  - Restore margins
  - Pay down debt
- Mid-term
  - Achieve profitable growth
- Long-term
  - Achieve ROCE >13%

Stated dividend policy
A STRONG PLATFORM WITH INCREASED STABILITY
THE TWO ACQUISITIONS IN 2012 RESULTED IN SIGNIFICANTLY REDUCED MARKET PULP EXPOSURE AND LOWER RELATIVE CURRENCY EXPOSURE
ON TRACK TO ACHIEVE EBIT MARGIN TARGET OF >10%

* Adjusted for NRI of MSEK 165
DELIVERING SUSTAINABLE PROFITABLE GROWTH
PURE PLAY PACKAGING MATERIALS COMPANY

BillerudKorsnäs

- Sales of SEK 20 bn
- 1 500 customers in 100 countries
- Europe main market

Source: BillerudKorsnäs estimate based on Annual Reports 2012 and data from Pöyry. Sales or production volumes used in breakdown. Graphs refer to pulp, paper and board activities of respective companies.
WIDENED AND IMPROVED OFFERING

Note: Graphs show breakdown of sales volume per business area.
INCREASED FOCUS ON CONSUMER SECTORS

Note: Percentage of Group’s combined net sales in 2012. For Billerud pre transaction figures are for FY 2011.
INNOVATING TO DRIVE GROWTH AND HIGHER MARGINS

- R&D
  - Product development

- New business lab
  - Next generation of packaging

- Business applications

- FTE growing more than 60% during 2013
- Building an innovation culture
- Focusing both on short-term and long-term innovation
- Innovation enables growth faster than market
- Creating long-term, profitable differentiation
- Strengthening market positions
STEADY GROWTH FOR PACKAGING
GLOBAL PACKAGING MARKET

USD bn

2006 2007 2008 2009 2010 2011 2012 2016e

CAGR (12-16e: 3%)

Source: Pira International, 2011, BillerudKorsnös
CASH-FLOW GENERATIVE BUSINESS
CASH-FLOW FROM OPERATING ACTIVITIES

Note: FY 2010 figure is combined and FY 2011 and 2012 figures are proforma.
SUPPORTING THE DIVIDEND…
DIVIDEND POLICY TO PAY 50% OF NET PROFIT OVER A BUSINESS CYCLE
AND PAYING DOWN DEBT
AMBITION TO FIND AN OPTIMAL LONG-TERM CAPITAL STRUCTURE
ACTIONS TO IMPROVE ROCE

1. Capital management
   - Target 10% working capital/net sales
     - As per 30/9-2013 15%
   - Capital expenditure in existing structure in line with depreciation & amortisation
     - Maintenance investments
     - De-bottlenecking
     - Quality enhancement investments

2. Asset review

3. Profitable growth through investments in fixed assets with ROI > 13%
THREE BUSINESS AREAS

PACKAGING PAPER
*Kraft and sack paper*

- Net sales: SEK 7.8 billion
- EBIT: SEK 0.4 billion

CONSUMER BOARD
*Liquid packaging board, cartonboard and Cup Stock*

- Net sales: SEK 6.7 billion
- EBIT: SEK 0.6 billion

CONTAINERBOARD
*Fluting and liner*

- Net sales: SEK 3.2 billion
- EBIT: SEK 0.3 billion

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The combined financial information on this slide for FY 2012 is not financial pro forma information, and has not been audited or otherwise reviewed by the company's auditor.
BUSINESS AREA PACKAGING PAPER
Q3 2013

- Normal market situation for most products. Lower than normal for white sack paper
- Net sales MSEK 1 820
- Operating profit MSEK -1
- Operating margin 0%

Key take-away
- Q3 earnings negatively impacted by two planned maintenance shutdowns (MSEK 188)
- Slight price erosion in Q3 due to mix
- Additional competing capacity in 2014
BUSINESS AREA CONSUMER BOARD
Q3 2013

- Stable and satisfactory market situation with normal seasonal variances
- Net sales MSEK 1 716
- Operating profit MSEK 244
- Operating margin 14%

Key take-away
- Reached long-term agreements with major customers
- +10% capacity investment decided for 2014 within the liquid packaging board area (MSEK ~220)
- Stable demand and continued global growth
BUSINESS AREA CONTAINERBOARD
Q3 2013

- Stable market situation
- Net sales MSEK 755
- Operating profit MSEK 89
- Operating margin 12%
- Key take-away
  - Mainly stable prices in local currency
  - Remaining 70% of PACCESS acquired in Q3
STRONG SEK STILL CHALLENGING

Source: Riksbanken *Total Competitiveness Weights Index
RESPONDING TO A CHANGING MARKET FOR SMARTER PACKAGING

Packaging without boundaries

Packaging that lowers transport costs

Packaging that increases productivity

Packaging that boosts brands and attracts consumers

Packaging that reduces environmental impact
CAPEX varies over time but over time guided to be in line with depreciation/amortisation of PPE
- Minimum CAPEX invested in Billerud SEK 271m (2009) and Korsnäs SEK 171m (2008) during financial crisis
- CAPEX 2012 impacted by environmental and energy investment at Skärblacka of SEK 463m

1) Based on combination of figures from Billerud and Korsnäs Annual Reports 2008-2012. CAPEX from Finnish assets and Latgran not included
# Funding

## Debt maturity profile (SEKm)

<table>
<thead>
<tr>
<th>SEKm</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td></td>
<td>500</td>
<td>6000</td>
<td>100</td>
<td>1500</td>
<td>2000</td>
</tr>
</tbody>
</table>

- **Commercial Paper**
- **Drawn bank debt**
- **RCF unused**
- **Bonds**

## Funding

1. **Syndicated credit facilities**
   - SEK 5,500m RCF maturing November 2, 2015
   - SEK 500m term loan facilities maturing Dec 13, 2013

2. **Bilateral credit agreements**
   - SEK 800m term loan facility maturing July 12, 2017
   - Two SEK 600m term loan facilities with separate lenders with Korsnäs AB as borrower, maturing June 13, 2017

3. **Bonds**
   - Three bond loans with an aggregate amount of SEK 1650m, whereof SEK 1500m maturing March 27, 2018

4. **Financial covenants**
   - Net Debt / Equity <1.20 \(\rightarrow\) Sep 30, 2013 at 0.80
   - EBITDA / Net financial expenses >3.00 \(\rightarrow\) Sep 30, 2013 at 8.48

5. **Operating lease commitments payable within one year**
   - SEK 73 million and total commitment of SEK 242 million (as per 31/12-2012)

6. **Financial target**
   - Net Debt / Equity < 0.90

7. **Diversified funding sources and an even maturity profile**

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Note: Data per 30/9-2013.