Carnegie Small & Mid Cap Seminar | September 2014
Per Lindberg, CEO and President, and Susanne Lithander, CFO
WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE
## BILLERUDKORSNÄS IN FACTS & FIGURES

<table>
<thead>
<tr>
<th>Net Sales (2013)</th>
<th>20 Billion SEK</th>
</tr>
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<tbody>
<tr>
<td>Operating Profit (2013)</td>
<td>1.1 Billion SEK</td>
</tr>
<tr>
<td>Production Units (packaging paper, consumer board, containerboard and pulp)</td>
<td>8</td>
</tr>
<tr>
<td>Business Areas</td>
<td></td>
</tr>
<tr>
<td>Packaging Paper Share of net sales (2013)</td>
<td>37%</td>
</tr>
<tr>
<td>Consumer Board Share of net sales (2013)</td>
<td>36%</td>
</tr>
<tr>
<td>Containerboard Share of net sales (2013)</td>
<td>16%</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>4300</td>
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### A Stronger Platform for Growth and Profitability
With a focus on customer value, innovation and sustainability

Creating networks with an open mind
* Of the Group’s net sales 2013
CREATING A PLATFORM FOR THE FUTURE
A STRONG PLATFORM WITH INCREASED STABILITY

THE TWO ACQUISITIONS IN 2012 RESULTED IN SIGNIFICANTLY REDUCED MARKET PULP EXPOSURE AND LOWER RELATIVE CURRENCY EXPOSURE
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*

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
ACHIEVING 15-20% ORGANIC GROWTH BY 2018

CONTAINERBOARD

Selective growth
Target growth in selected segments, balancing additional capacity

PACKAGING PAPER

Value growth
Increase margins on existing portfolio

CONSUMER BOARD

Volume growth
Increase volume in key markets

BA market CAGR

2-4% CAGR

0-4% CAGR

4-5% CAGR
BUSINESS MODEL
A HOLISTIC APPROACH TO CUSTOMER NEEDS
WORLD-CLASS PACKAGING MATERIALS
LEADING POSITIONS

PACKAGING PAPER

45*/55
- Kraft paper

Sack paper

CONSUMER BOARD

100*
- Liquid Packaging Board

Cartonboard

CONTAINERBOARD

94*/6
- Fluting

Liner

* Share to Consumer segment
** For High-Porosity Sack Paper
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 2,000 customers and packaging partners in more than 100 countries
MOVING CLOSER TO THE END-CUSTOMER

Packaging material
2–5% of the cost

Packaging manufacturers
Packaging material
50–85% of the cost

Brand owners
Consumers
KEY HIGHLIGHTS Q2 2014 INTERIM REPORT
NET SALES SEK 5 128 MILLION. ADJUSTED OPERATING PROFIT SEK 467 MILLION

Net sales, SEKm

<table>
<thead>
<tr>
<th></th>
<th>Q2 13</th>
<th>Q1 14</th>
<th>Q2 14</th>
<th>Jan-Jun 13</th>
<th>Jan-Jun 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5 005</td>
<td>5 410</td>
<td>5 128</td>
<td>10 186</td>
<td>10 538</td>
</tr>
<tr>
<td>2013</td>
<td>2%</td>
<td>-5%</td>
<td>3%</td>
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Adj. op. profit, SEKm

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<th>Jan-Jun 13</th>
<th>Jan-Jun 14</th>
</tr>
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<tbody>
<tr>
<td>Profit</td>
<td>324</td>
<td>555</td>
<td>467</td>
<td>762</td>
<td>1 022</td>
</tr>
<tr>
<td>2013</td>
<td>44%</td>
<td>-16%</td>
<td>34%</td>
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KEY HIGHLIGHTS Q2 2014 INTERIM REPORT
CASH FLOW SEK 433 MILLION. ROCE 8%, NET DEBT/EQUITY 0.79

Op. cash flow, SEKm

Q2 13 | Q2 14 | Jan-Jun 13 | Jan-Jun 14
--- | --- | --- | ---
104 | 433 | 381 | 818

ROCE, %

Jan-Jun 13 | Jan-Jun 14
--- | ---
6 | 8

Net debt/equity

Jan-Jun 13 | Q1 14 | Jan-Jun 14
--- | --- | ---
0.91 | 0.78 | 0.79

All 2013 comparable numbers include Bomhus Energi AB.
ON TRACK TO REACH SYNERGY TARGETS AHEAD OF PLAN
ANNUAL PACE OF MSEK ~490 AS PER END OF Q2 2014

*Synergies and savings realised in the quarter, compared to if the synergy and savings programme had not been initiated.*
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%
OUTLOOK

- Demand and order situation is expected to remain stable during the third quarter 2014 for all business areas.

- Average prices in local currency are anticipated to stay on current level for the third quarter 2014 for Packaging Paper and Consumer Board. Pressure on primary fibre based prices within business area Containerboard.

- Wood prices are expected to stay on current level for the second half of 2014.

- The target of approximately SEK 530 million in annual synergies and savings is unchanged, and is expected to be reached during 2014. Estimated non-recurring costs for realising the synergies increased to approximately SEK 225 million.
Q&A