WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE
BILLERUDKORSNÄS IN BRIEF

PURITY PLACKING COMPANY

NET SALES
- Europe 73%
- Asia 17%
- Africa 4%
- South America 3%
- Middle East 2%
- Other 1%

21.7 SEKbn

EBITDA
- 17%

3.6 SEKbn

MARGIN

FULL YEAR 2016

SHARE OF SALES
- Packaging Paper
  - Kraft paper
  - Sack paper
  - Market pulp
- Corrugated Solutions
  - Fluting
  - Liner
  - Managed Packaging
- Consumer Board
  - Liquid packaging board
  - Cartonboard
- Other

8
PRODUCTION UNITS (SWE, FI, UK)

3.0
PRODUCTION CAPACITY (MILLION TONNES)

4,300
NUMBER OF EMPLOYEES

FULL YEAR 2016
THREE BUSINESS AREAS

PACKAGING PAPER
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

CONSUMER BOARD
Liquid packaging board and cartonboard with unique properties

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

CORRUGATED SOLUTIONS
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

SELECTIVE GROWTH
Asset transformation for increased profitability
2-4% CAGR

Development of new business models
Expansion to growing markets

VOLUME GROWTH
Attractive market providing growth opportunities
4-5% CAGR

Investments for volume growth
Innovation with customers and brand owners

VALUE GROWTH
Strong product portfolio setting market standard
2-4% CAGR

Integrating new business model
Increasing sales to brand owners

Growth driven by population growth in emerging markets, ageing population, increasing environmental awareness and more
Growth driven by high urbanization rate, change in consumer behavior and more
Growth driven by increasing e-commerce and fresh food consumption, package differentiation and changing supply chains
INVESTMENT HIGHLIGHTS

1. Leading position in our segments
2. Growth segments backed up by global megatrends
3. Clear growth strategy to capture market potential
4. Clear innovation focus for a sustainable future
5. Stable earnings and shareholder returns
LEADING POSITION IN OUR SEGMENTS

Only **primary fibre** in portfolio targeting customers and applications requiring light, strong and pure materials.

95% packaging material in product portfolio with a growing share of services and solutions

75% of sales towards consumer segment with stable long-term demand growth

No 1 or 2 within niches where we operate
GROWTH SEGMENTS BACKED UP BY GLOBAL MEGATRENDS

- Global megatrends driving long-term demand for packaging material
  - Urbanisation
  - E-commerce

- Sustainability awareness is increasing demand for renewable packaging material
Global market for packaging paper & board has a growth of 2.2%

We aim to expand sales in the global packaging market…

…with a growth of 3.4%

Key to success is new packaging solutions and sustainable products


CLEAR GROWTH STRATEGY TO CAPTURE MARKET POTENTIAL

**POSITION**
Expand geographically and in value chain.

**INNOVATION**
Increase industry lead.

**SUSTAINABILITY**
Drive throughout value chain.

**EFFICIENCY**
Improve continuously.

- Increasing sales of solutions to brand owners and expanding sales outside Europe
- Increasing innovation efforts to develop new packaging solutions expanding potential market segments
- Maximizing customer value by offering sustainable products challenging alternative materials
- Continuously improving production efficiency

Aim to reach profitable growth of 3-4% per year
WE ARE INVESTING TO MOVE FURTHER UP THE VALUE CHAIN TOWARDS BRAND OWNERS

Packaging material 50-85% of the cost
- Price
- Payment terms
- Runability
- Delivery terms

Packaging material 2-5% of the cost
- Brand image
- Package solution
- Sustainability
- Shelf appearance

3. Clear growth strategy to capture market potential
TWO MAJOR RESTRUCTURING PROJECTS
IMPROVING EFFICIENCY AND SECURING GROWTH

1. Moving unintegrated MG paper machine from Tervasaari, Finland to Skärblacka, Sweden and making it integrated to the pulp production. **SEK 1.3 billion investment.**

2. Building **new board machine** at the production unit in Gruvön with capacity of approx. **550,000 t/a** of liquid packaging board, cartonboard, food service board and white kraftliner. **SEK 5.7 billion investment.**
PRODUCTION AND CAPEX IMPACT

PRODUCTION

ktonnes

Total Gruvön production
Gruvön KM7

2015  2016  2017  2018  2019

1 300  1 645  4 300  4 700  1 500

Base capex  Tersasaari move + KM7

CAPEX

SEKm

3. Clear growth strategy to capture market potential
INVESTMENTS TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

PACKAGING PAPER
Selective growth
- Focusing on growth segments growing by 2-4% per year
- Decreasing volumes on oversupplied markets

CONSUMER BOARD
Volume growth
- Increasing volumes on growing Liquid Packaging Board and Cartonboard markets

CORRUGATED SOLUTIONS
Value growth
- Expanding solution based sales to brand owners
- Exiting oversupplied white liner market

Improved underlying EBITDA > +1 200 SEKm when fully implemented
Continued growth with 3-4% per year

- Lower currency exposure - SEK 2 bn
- Reduced price volatility in product portfolio
- ROI well above our return target of 13%
- Limited exposure to pulp market
CLEAR INNOVATION FOCUS FOR A SUSTAINABLE FUTURE

- Long history of award winning packaging innovations
- Challenging boundaries of fibre based packaging in order to reduce usage of fossil materials
- Innovation will strengthen top line and margins

2013: Axello® ZAP
2014: D-Sack
2015: FreeFormPack®
2016: QuickFill® Clean

Proportion of sales accounted for by new products

- 13% 2016
- 20% 2020 Target

4. Clear innovation focus for a sustainable future
WE PROVIDE SUSTAINABLE SOLUTIONS

**MAXIMIZING POSITIVE IMPACT**

**SUSTAINABLE AND BIO-BASED SOCIETY**

**INCREASED CUSTOMER VALUE**

**RESPONSIBLE VALUE CHAIN**

**MINIMIZING NEGATIVE IMPACT**

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**4. Clear innovation focus for a sustainable future**

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**WE PROVIDE SUSTAINABLE SOLUTIONS**

**Paper bag** - Best choice for the climate

![Graph comparing emissions of different bags](image)

**Walk the talk**

![Dow Jones Sustainability Indices](image)

In Collaboration with RobecoSAM

![CDP A List](image)

![THE GLOBAL COMPACT](image)

![CSR Rating](image)

**Towards fossil-free production**

- *BillerudKorsnäs paper bag from primary fibre, produced in Sweden*

- **97.5%**

- Biofuels used in 2016
STABLE EARNINGS AND SHAREHOLDER RETURNS

- Stable underlying earnings over recent years
- Average ROCE of 13% during the history of the company
- Average TSR of 23% per year for past 5 years
- Proven track record of accretive investments
SELECTIVE M&A TO SUPPORT LONG-TERM GROWTH

- We have the financial capacity to add M&A growth to organic growth
- We have proven experience in merging businesses and extracting synergies
- Bolt-on acquisitions with synergy potentials are currently the most interesting candidates
## FINANCIAL TARGETS AND TARGET FULFILLMENT
### FULL YEAR 2016

<table>
<thead>
<tr>
<th>Area</th>
<th>Target</th>
<th>Outcome 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>3-4%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
| EBITDA              | >17%   | 18%          | ✔
| ROCE                | >13%   | 14%          | ✔
| Net debt/EBITDA     | <2.5   | 1.1          | ✔
| Dividend policy     | 50%    | 59%          | ✔

1. For comparable units (excluding divested and acquired operations)
2. Excluding non-recurring items
SUMMARY

- Focused product portfolio with leading global and regional positions in growing markets
- Global trends imply growth opportunities
  - Sustainability, demographic shifts, digitalization and changed consumer behavior
- We invest in all of our four strategic pillars:
  - Position expansion, Innovation, Sustainability and Efficiency
- Two major restructuring projects to increase profitability and secure long-term growth
- Strong financial position with low leverage and a well-balanced leverage policy
Q2 DEVELOPMENT
Q2 2017 RESULTS AT A GLANCE

**NET SALES**
5,600 SEK million (3% growth)

**EBITDA**
863 SEK million (15% margin)

**EBITDA margin**
9%

**GROWTH**
37%

**SHAR OF SALES**
38%

**SHARE OF SALES**

- **PACKAGING PAPER**
  - Kraft paper
  - Sack paper
  - Market pulp

- **CORRUGATED SOLUTIONS**
  - Fluting
  - Liner
  - Managed Packaging

- **CONSUMER BOARD**
  - Liquid packaging board
  - Cartonboard

- **OTHER**
  - 15%
Q2 2017 KEY HIGHLIGHTS

- Continued high demand across all business areas
- Stable production volumes
- EBITDA affected by one-off and extra costs of SEK 55 million and maintenance shutdown costs of SEK 230 million
- Strong operating cash flow
- Favourable outlook on both short and long term
FINANCIAL DEVELOPMENT
NET SALES
SEK MILLION

+3%

Q2 2015: 5489
Q3 2015: 5478
Q4 2015: 5213
Q1 2016: 5357
Q2 2016: 5439
Q3 2016: 5393
Q4 2016: 5468
Q1 2017: 5636
Q2 2017: 5600

2015
2016
2017
EBITDA
SEK MILLION

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
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<tr>
<td>Q3</td>
<td>1384</td>
<td>1017</td>
<td>863</td>
</tr>
<tr>
<td>Q4</td>
<td>671</td>
<td>859</td>
<td>693</td>
</tr>
<tr>
<td>Q1</td>
<td>1017</td>
<td>1037</td>
<td></td>
</tr>
<tr>
<td>Q2</td>
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<tr>
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<td>Q4</td>
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<tr>
<td>Q1</td>
<td>923</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>863</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
OPERATING CASH FLOW
SEK MILLION

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>323</td>
<td>-500</td>
<td>-294</td>
</tr>
<tr>
<td>Q3</td>
<td>541</td>
<td>631</td>
<td>619</td>
</tr>
<tr>
<td>Q4</td>
<td>360</td>
<td>696</td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>155</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td></td>
<td></td>
<td>314</td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Q4</td>
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<td></td>
</tr>
<tr>
<td>Q1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
RETURN ON CAPITAL EMPLOYED
ADJUSTED, ROLLING 12 MONTHS (%)

Target: >13%
LEVERAGE
NET DEBT/EBITDA (X)

Target: <2.5x
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

2-4% CAGR
Continued strong performance

- Net sales +3% vs Q2-16
  - Improved FX and increased local prices
- EBITDA +17% vs Q2-16
  - Good sales mix, increased local prices and favourable FX
- Improved market for all kraft and sack papers
- Q3 sales expected to be on par with Q2
- Kraft and sack paper markets expected to remain stable with potential to increase prices in local currency
CONSUMER BOARD BUSINESS AREA
LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES

Packaging for milk, juice, preserved foods, beauty and healthcare products, confectionary and more

Growth driven by high urbanization rate, change in consumer behavior and more

VOLUME GROWTH

Attractive market providing growth opportunities

4-5% CAGR

Investments for volume growth

Innovation with customers and brand owners
CONSUMER BOARD BUSINESS AREA
Q2 DEVELOPMENT

- Continued volume growth
- Net sales +4% vs Q2-16
- EBITDA +4% vs Q2-16
  - Increased sales volumes
- Continued growth in all parts
- Expected continued firm order situation for liquid packaging board with normal season varieties and further improved order situation for cartonboard
COFFUGATED 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

2-4% CAGR
CORRUGATED SOLUTIONS BUSINESS AREA

Q2 DEVELOPMENT

- Net sales +8% vs Q2-16
  - Improved local prices and FX
- EBITDA +25% vs Q2-16
  - Lower maintenance cost
  - Negative impact from digester breakdown
- Strong order books and increased prices in Europe
- Expected continued strong demand for fluting and liner with potential for local price increases
- Managed Packaging is forecasted to continue delivering consistently strong sales growth

902
NET SALES SEK MILLION

163
EBITDA SEK MILLION

18%
EBITDA MARGIN
OUTLOOK

- Demand and order situation are expected to be strong in the third quarter with normal seasonal variances for all business areas.
- The Packaging Paper and Corrugated Solutions business areas see opportunities for local price increases in the next quarter.
- Longer transportation of wood is expected to have a 3% negative effect on wood costs in Q3 compared with Q2.
- The situation at the Port of Gothenburg could have an impact on the Group’s delivery capacity and costs during Q3.
- Costs for planned maintenance shutdowns in the third quarter are estimated at SEK 215 million.
SKÄRBLACKA AND GRUVÖN WELL UNDER WAY
IMPROVING EFFICIENCY AND SECURING GROWTH

 Investing in MG integrated to pulp production in Skärblacka, Sweden; SEK 1,3 billion investment.

 New board machine in Gruvön, Sweden with capacity of approx. 550 000 t/a; SEK 5,7 billion investment.
UNDERSTANDING SOLUTION SALES
CONCEPT DEFINITIONS

Packaging Solutions
Ready-to-use packaging solutions
  › BillerudKorsnäs sells ready-made packaging
  › May use BillerudKorsnäs material
  › Examples:
    – Managed Packaging
    – Sack Sales

Systems Solutions
Product solutions including both materials and machine (and machine service)
  › Products using BillerudKorsnäs material
  › Examples:
    – Axello ZAP
    – Formable Solutions
GLOBAL PACKAGING MARKET

GLOBAL PACKAGING MARKET, BY REGION

- Asia, 38%
- Europe, 27%
- North America, 22%
- South and Central America, 5%
- Middle East, 3%
- Africa, 2%
- Pacific Region, 2%

GLOBAL PACKAGING MARKET, BY MATERIAL

- Paper and board, 36%
- Hard plastics, 22%
- Flexible materials excl. Paper, 16%
- Metals, 14%
- Glass, 7%
- Other, 5%

1. Source: Smithers Pira 2014
SALES PER REGION

- Europe 69%
- Asia 15%
- Africa 7%
- South America 4%
- Middle East 1%
- Other 4%

All figures relate to sales in 2016
BILLERUDKORSNÄS CAPEX 2015-2019

CAPEX

SEKm

2015 2016 2017 2018 2019

SEK 4 500m

SEK 4 700m

SEK 1 500m

Base capex  Tervasaari move + KM7
COST STRUCTURE

No significant forest assets

Purchases made from handful of major suppliers
- Bergvik Skog, Holmen, Mellanskog, Norra Skogsägarna, Stora Enso and Sveaskog
- Large amount of private land owners in Central and Northern Sweden

The majority of wood raw materials acquired locally

Approximately 20% of the wood requirement is purchased outside Sweden
- Majority from the Baltics

All figures relate to cost structure 2016
## SENSITIVITY ANALYSIS

### IMPACT ON PROFIT/LOSS BEFORE TAX

<table>
<thead>
<tr>
<th>Variable</th>
<th>Change</th>
<th>SEKm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume</td>
<td>+/- 10%</td>
<td>+/-900</td>
</tr>
<tr>
<td>Exchange rate, SEK(^1)</td>
<td>+/- 10%</td>
<td>+/-640</td>
</tr>
<tr>
<td>Fibre prices</td>
<td>+/- 10%</td>
<td>+/-700</td>
</tr>
<tr>
<td>Price of electricity(^2)</td>
<td>+/- 10%</td>
<td>+/-30</td>
</tr>
<tr>
<td>Interest rate on loans(^3)</td>
<td>+/- 1 percentage point</td>
<td>+/-43</td>
</tr>
</tbody>
</table>

1 Excluding effects of currency hedging.
2 Excluding effects of electricity price hedging.
3 Excluding effects of interest hedging.
PRODUCTION UNITS

SWEDEN
Gävle, 725 ktonnes
Gruvön, 685 ktonnes
Frövi/Rockhammar, 470 ktonnes
Skärblacka, 420 ktonnes
Karlsborg, 300 ktonnes

FINLAND
Pietarsaari, 200 ktonnes
Tervasaari, 100 ktonnes

UNITED KINGDOM
Beetham, 45 ktonnes

Total production capacity  2 945 ktonnes

All figures relate to production capacity 2015
BILLERUDKORSNÄS SHARE

Symbol: BILL
Trading platform: Nasdaq Stockholm
IPO: November 20, 2001

Share performance 2017

Share performance 2006-2016
FX RISK

Total net currency exposure of SEK 6.4 billion

- EUR 60%
- USD 30%
- GBP 10%

- BK uses Swedish Riksbank’s FIXING rate (Month End)
- During month Sales, AP, AR etc: End of month rate previous month
- AP and AR: revalued to at end of month using End of month rate.
  - Revaluation of AR booked in "Currency hedging etc"
  - Revaluation of AP in Business areas
- FX contracts: Market value at month end. Contracts due within two months in Sales ("Currency hedging, etc"), rest is booked in Balance Sheet (OCI).

FX Hedge (SEK hedge) %

- Average hedge rates
  - EURSEK 9.61
  - USDSEK 8.85
  - GBPSEK 11.15

- FX hedging policy
  - 0-80% of flows over coming 15 months
  - 0% is default hedge level
  - No speculation in FX movements
DEBT MATURITY AND FUNDING

DEBT MATURITY PROFILE

- Syndicated credit facilities
  - SEK 5,500m RCF maturing June, 2022 – back bone funding
- Bilateral credit agreements
  - Mix of short and long term funding
- Bonds
  - MTN Program frame SEK 5,000m of which SEK 3,500m issued
- Commercial Paper
  - CP Program SEK 3,000m, issued SEK 0m
- Financial covenants
  - Net Debt / Equity <1.25 (2017 Q2 at 0.36)
  - EBITDA / Net financial expenses >3.00 (2017 Q2 at 22.2)
- Lease commitments payable within one year SEK 99 million and total commitment of SEK 283 million (year end 2016).

FUNDING

STRATEGY

- Financial target Net Debt / EBITDA < 2.5
- Sources of liquidity in the coming 12 months to exceed uses by a factor of 1.20
- Diversified funding sources and an even maturity profile
OWNERSHIP STRUCTURE

Ownership structure per 2017-06-30

- Foreign shareholders: 39.2%
- Swedish mutual funds: 24.6%
- Swedish individuals incl. closely held companies: 19.4%
- Swedish institutions: 16.8%

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>Number of votes, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRAPAG Beteiligungsholding AG</td>
<td>31 300 000</td>
<td>15,1</td>
</tr>
<tr>
<td>AMF Insurance &amp; Funds</td>
<td>20 372 421</td>
<td>9,8</td>
</tr>
<tr>
<td>Swedbank Robur Funds</td>
<td>9 273 858</td>
<td>4,5</td>
</tr>
<tr>
<td>Fourth Swedish National Pension Fund</td>
<td>7 264 082</td>
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<tr>
<td>Alecta</td>
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<td>Handelsbanken Funds</td>
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<td>Norges Bank Investment Management</td>
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<td>DFA Funds (USA)</td>
<td>3 311 170</td>
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<td>Vanguard</td>
<td>3 277 494</td>
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<tr>
<td>Folksam</td>
<td>2 353 200</td>
<td>1,1</td>
</tr>
<tr>
<td><strong>Total 10 largest shareholders</strong></td>
<td><strong>92 551 700</strong></td>
<td><strong>44,7</strong></td>
</tr>
<tr>
<td><strong>Total number of shares in the market</strong></td>
<td><strong>207 271 358</strong></td>
<td><strong>100,0</strong></td>
</tr>
</tbody>
</table>