WHAT IF packaging could push new boundaries?
Growing in numbers and reputation

Net sales approx. 22,3 Billion SEK
Operating profit approx. 2,2 Billion SEK

Business areas
- 38% Packaging Paper Share of net sales
- 37% Consumer Board Share of net sales
- 17% Corrugated Solutions Share of net sales

A strong platform for growth and profitability
With a focus on customer value, innovation and sustainability
Creating networks with an open mind

8 Production units
- Beetham
- Frövi
- Rockhammar
- Gruvön
- Gävle
- Karlsborg
- Pietarsaari
- Skårblacka

4,400 Number of employees

WHAT IF paper packaging is the solution
Our four key market segments

- **Food & Beverages**: 59% of sales
- **Industrial**: 24% of sales
- **Consumer & Luxury**: 10% of sales
- **Medical & Hygiene**: 7% of sales
First-class materials from the forest

- Fluting
- Liners
- 3D Paper
- Cartonboard
- Kraft Paper (Specialty)
- Sack Paper
- Liquid Packaging Board
- Kraft Paper (Bags)
- Kraft Paper (Medical)
Global packaging market is growing 3%

- Focus on expanding sales by challenging non-renewable materials
- Key to success capturing growth is sustainable products and new packaging solutions


Global Packaging Market: Estimated CAGR 2016-2022, for all packaging materials. Source: Smithers Pira 2017
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
We have invested for future growth…

2012
- Jakobstad
- Tervasaari

2013-2017
- UPM acquisition:
  Production capacity: ~300 k tonnes
- Production capacity increases:
  Frövi/Rockhammar: ~95 k tonnes
  Skärblacka: ~20 k tonnes
  Gruvön: ~40 k tonnes
  Gäve: ~25 k tonnes

2018
- PM10 Skärblacka:
  Production capacity: ~90 k tonnes
  Products: MG-papers

2019
- KM7 Gruvön:
  Production capacity: ~550,000 tonnes
  Products: Liquid packaging board, cartonboard and liner
...and are securing a competitive wood supply

- Domestic purchases
  - Private forest owners

- Import
  - Baltic sea region
  - Balance with volumes from remote areas

- Logistics system

### Balanced Sourcing, %

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic purchases</td>
<td>45</td>
<td>32</td>
</tr>
<tr>
<td>Import</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Logistics system</td>
<td>31</td>
<td>31</td>
</tr>
</tbody>
</table>

- Own harvesting
- Long contracts
- Annual contracts
A safe company is a well run company

Lost time injury frequency rate, LTIFR*

7.7 2017

<1.5 2023

-25% CAGR

*Number of injuries per 1 000 000 worked hours
We are improving production stability

Overall equipment efficiency, OEE

2018

2020

Δ +4% pts

Leadership

Teamwork

Standards

Digital excellence

Ambitious targets

Operational excellence

- Occupational Health & Safety
- Environmental performance
- Product quality
- Production stability
We are accelerating innovation to double our NPR

- **Product innovation – new materials**
  - Product development
  - Application development
  - Advanced material research

- **Business innovation – new solutions**
  - Solutions in business areas
  - Ventures

New product ratio, NPR
- 7% by 2017
- 15% by 2023

Long history of award-winning packaging innovations

- **2013:** Axello® ZAP
- **2014:** D-Sack
- **2015:** FreeFormPack®
- **2016:** QuickFill® Clean
- **2018:** Paper Bottle*

*Under development
Innovative solutions

- Carton Solutions
- Corrugated Solutions
- Formable Solutions
- Bag Solutions
- Sterile Barrier Solutions
- Sack Solutions
- Managed Packaging Solutions
We see increased demand for packaging solutions…

Managed Packaging
THE COMPLETE PACKAGING DEVELOPMENT AND MANAGEMENT SERVICE

Global development centres | Network in Asia | One contact

Global Corrugated demand 2018
ANNUAL GROWTH RATE (%) BY 2018-2023

- Electrical goods
- Personal & Household care
- Processed foods
- Textiles & Footware
- Vehicle parts
- Tobacco
- Glassware & Ceramics
- Wood & Timber
- Chemicals
- Beverages
- Paper products
- Fresh food

Source: Smithers PIRA
...and are reorganising to capture this growth

Organic top-line growth

2017
700 SEK million

2023

15-25% CAGR

Managed packaging

Solutions Division

Packaging solution

NEW SOLUTIONS
Reorganising is a key enabler to unlock the potential
Reiterating our long-term financial targets

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOP-LINE GROWTH</td>
<td>3-4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>&gt;17%</td>
</tr>
<tr>
<td>ROCE</td>
<td>&gt;13%</td>
</tr>
<tr>
<td>NET DEBT/EBITDA</td>
<td>&lt;2.5</td>
</tr>
<tr>
<td>DIVIDEND PAYOUT RATIO</td>
<td>&gt;50%</td>
</tr>
</tbody>
</table>
Unlocking the Potential

SECURE

Successful ramp-up of KM7
Starting March-April 2019
Competitive wood supply
Balanced sourcing

IMPROVE

A safe company is a well run company
LTIFR <1.5 2023
Stabilise production
4%-pts OEE improvement over 2 years

ACCELERATE

Innovate for growth
New product ratio 15% 2023
Capture new solutions sales
Organic top-line growth 15-25% CAGR
WHAT IF the world’s largest board machine could help save the planet?
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
Securing our future growth…

- **Gruvön**
  - Greenfield
    - KM7 ~550 ktonnes board machine
  - Brownfield
    - Pulp washing
    - CTMP pulp dissolving
    - Rebuilt recovery
    - Fresh water and water effluent treatment

- **Skärblacka**
  - Greenfield
    - PM10 ~90 ktonnes MG-machine
  - Brownfield
    - Upgrading paper machine PM7
...supported by strong market demand

<table>
<thead>
<tr>
<th>Product area</th>
<th>Global capacity</th>
<th>Demand CAGR</th>
<th>Market Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid packaging board</td>
<td>~4.2 Mtonnes</td>
<td>1-2 %</td>
<td>Well-balanced market – limited new capacity coming</td>
</tr>
<tr>
<td>Carton</td>
<td>~15.5 Mtonnes</td>
<td>4 %</td>
<td>Large market – limited effect from new KM7 capacity</td>
</tr>
<tr>
<td>White surface Kraftliner</td>
<td>~4.3 Mtonnes</td>
<td>1-2 %</td>
<td>Balanced market</td>
</tr>
<tr>
<td>Machine glazed paper</td>
<td>~2.7 Mtonnes</td>
<td>6-7 % in Asia, 2-3 % in US &amp; Europe</td>
<td>Well-balanced in the short term with an increasing gap between capacity and demand in the long term</td>
</tr>
</tbody>
</table>

Source: Pöyry and BK
The majority of our investment program is completed

- **PM10**: ~1 300 SEK million
  - Started and undergoing ramp-up

- **KM7**: ~7 600 SEK million
  - Increased cost for civil and negative currency effects
  - Civil and construction 90% completed

![Capex Chart](chart.png)
Skärblacka PM10 production started on time

- New paper machine in Skärblacka, PM10
  - Integrated pulp supply reduces costs
  - Adding value by increased quality grades

- Upgraded paper machine PM7
  - New film press surface coater
  - Target new quality benchmark for medical and food packaging paper
  - Enhanced capability for future product innovations

Production start in Skärblacka

- Close down in Tervasaari and move to Skärblacka
- ~30 ktonnes White MG
- ~90 ktonnes White MG

Positive contribution to results

- Machine is fully ramped up
  - Q2 2016
  - Q1 2018
  - Q4 2018
  - Q4 2019
Gruvön KM7 project is on schedule

- Machine ready
- Mill ready
- Product ready
- Business ready

- Contraction starts: Q4 2016
- Groundwork finalised: Q2 2017
- Assembly starts: Q4 2017
- Software installed: Q2 2018
- Start-up: Q3 2018
- ~240 ktonnes: March-April 2019
- Fully ramped up: 2023
- EBITDA positive: FY 2021
- ~550 ktonnes: 2023
We are committed to a stable ramp-up of KM7

- Liner will be the major product during the start-up phase
- Increasing LBP production in pace with market growth
- Flexibility to produce premium products to meet change in product demand
Increased production volumes

- Three machines closing down in Gruvön 2019
  - PM1, PM2 and PM5

- Capacity increases in Gävle and Frövi adding LPB and Liner 2020

- KM7 expected to produce ~390 ktonnes in 2020
  - PM4 in Gruvön not yet closed

- When fully ramped up 2023 KM7 expected to produce ~550 ktonnes
  - PM4 in Gruvön closed

- Additional potential from gap between actual production and permits
Clear agenda for growth

**PAPER DIVISION**
Kraft and sack paper for customers with tough demands

**BOARD DIVISION**
LPB* and cartonboard with unique properties and fluting and liner that add value

**SOLUTIONS DIVISION**
Smart packaging solutions for brand owners who want to challenge conventional solutions

**SELECTIVE GROWTH**
- Ability to leverage asset base in tight market
- Development of new business models
- Expansion to growing markets

**VOLUME GROWTH**
- Solid growth in attractive segments
- Strong assets to reinforce strong BK position
- Innovation with customers and brand owners

**VALUE GROWTH**
- Attractive sub-segments and geographies
- Leading offerings with ability to expand
- Innovative new solutions

*Liquid packaging board

**0-2% CAGR**

**4-5% CAGR**

**15-25% CAGR**
WHAT IF innovation makes the difference?
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
8 mills producing ~3 million tonnes of premium packaging material

Gävle: BOARD
Market segment: Food and Beverages
Annual capacity: 740 k tonnes

Karlsborg: PAPER
Market segment: Food and Beverages
Annual capacity: 320 k tonnes

Pietarsaari: PAPER
Market segment: Consumables, Food and Beverages, Industrial
Annual capacity: 200 k tonnes

Beetham: PAPER
Market segment: Industrial, Medical, Food and Beverages
Annual capacity: 45 k tonnes

Gruvön: BOARD
Market segment: Industrial, Consumables, Food and Beverages
Annual capacity: 710 k tonnes

Skärblacka: PAPER
Market segment: Food and Beverages, Industrial, Medical
Annual capacity: 460 k tonnes

Frövi&Rockhammar: BOARD
Market segment: Food and Beverages, Consumables
Annual capacity: 470 k tonnes
Production has grown steadily…

- Total production increase 2013-2017 was 230 ktonnes (2% CAGR)
- Record annual production 2017 at:
  - Gävle
  - Frövi
  - Skärblacka
...with record output in 2017 – and significant potential to improve EBITDA

- Record production in 2017…
- …despite losing 50,000 tonnes¹ through disruptions in production
- Competitors have closed the valuation gap (our value in 2017 has decreased ~2 SEK billion vs 2014)

**EBITDA-multiples**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>BILLERUDKÖRNÅS</td>
<td>9.6</td>
<td>9.1</td>
</tr>
<tr>
<td>Peer group²</td>
<td>8.1</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Die Erlös-Mehrwertbeitrag-Multiplikatoren

1 Reduced production CAGR from potential 2.6% to 2.1%
2 Peer group: Holmen, Metsä Board, Mondi, UPM, Stora Enso, Smurfit Kappa, Europac, DS Smith, Ahlström Munksjö
Production excellence will drive improved EBITDA…

Overall Equipment Efficiency (OEE)
Percentage Points

Time \times Speed \times Material = OEE

1 pp = 100 SEK million EBITDA
...and this is where we are focusing

- Production stability
- Product quality
- Environmental performance
- Occupational Health & Safety

Recognised as industry leader

Potential for 2 percentage points OEE improvement yearly

Driving the industry standard (“0-accidents”)

(BILLERUDKORSNÄS)
We are making improvements across all mills…

| Ambitious targets | Stretched targets to push change  
|                   | Rigorous initiative tracking and follow-up across mills |
| Leadership        | Mill Director accountable for the mill program  
|                   | Mill management responsible for the initiatives |
| Teamwork          | Best practice sharing between mills  
|                   | Hands-on change approach with OPEX specialist support |
| Standards         | Standardised way of working for productivity  
|                   | Mill management to secure standards with fast response to deviations |
| Digital           | Specific improvements – practical use cases applied by mill  
|                   | Operational expertise translated into digital |
…to increase stability in production

- 2018
  - Targets locked in
  - Launch of key new initiatives

- 2019
  - All mills in full improvement mode

- 2020
  - Continuous improvement phase
Market outlook

- Demand and order situation are expected to continue to be strong, with normal seasonal variations for all business areas
- Possibilities of selected sales price increases remain
- Demand-driven wood cost increases are expected to continue
- Financial impact on Q3 2018 from the wood shortage is estimated to be -40 SEK million
- Expected total impact on EBITDA from KM7 ramp-up
  - 2019 -500 SEK million
  - 2020 -200 SEK million
  - 2021 EBITDA positive
Unlocking the Potential

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Capture new solutions sales
In 2014, the global production of plastic packaging was 78 million tonnes.

Only 2 percent of the plastic packages were recycled into new packages.

40 percent was used for land fill.

32 percent was leaked into the oceans and the land.

WHAT IF oceans were full of plankton? Not plastics
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