WHAT IF packaging could push new boundaries?

Carnegie Forest Seminar

September 19, 2018  |  Petra Einarsson, President & CEO
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

4 400 Number of employees

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

MEMBER OF Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

WHAT IF paper packaging is the solution
Offerings for a sustainable future

Packaging materials  

Packaging services  

Packaging solutions
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 will run company
Stabilise production

ACCELERATE
Innovate for growth
Capture new solutions sales
We have invested for future growth...

**UPM acquisition:**
Production capacity: ~300 ktonnes

**Production capacity increases:**
- Frövi/Rockhammar: ~95 ktonnes
- Skärblacka: ~20 ktonnes
- Gruvön: ~40 ktonnes
- Gävle: ~25 ktonnes

**PM10 Skärblacka:**
Production capacity: ~90 ktonnes
Products: MG-papers

**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, %](chart)

<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>31</td>
<td>31</td>
</tr>
<tr>
<td>Logsistics system</td>
<td>24</td>
<td>37</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

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

Leadership
Teamwork
Ambitious targets
Standards
Digital excellence
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
2018: Paper Battery*

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

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
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<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>
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</table>
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

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
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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