PURE PLAY PACKAGING COMPANY

NET SALES
22.3 SEKbn
Europe 71%
Asia 19%
Africa 4%
America 3%
Middle East 1%
Other 2%

EBITDA
3.8 SEKbn
17% MARGIN

SHARE OF SALES
38% Kraft paper
37% Sack paper
8% Market pulp

OTHER

PACKAGING PAPER

CONSUMER BOARD

CORRUGATED SOLUTIONS

Liquid packaging board
Cartonboard

Fluting
Liner
Managed Packaging

PRODUCTION UNITS
8 (SWE, FI, UK)

PRODUCTION CAPACITY
~3.0 MILLION TONNES

NUMBER OF EMPLOYEES
4,400

Full year 2017
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

SELECTIVE GROWTH
Asset transformation for increased profitability
- Development of new business models
- Expansion to growing markets

2-4% CAGR

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

VOLUME GROWTH
Attractive market providing growth opportunities
- Investments for volume growth
- Innovation with customers and brand owners

4-5% CAGR

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

VALUE GROWTH
Strong product portfolio setting market standard
- Integrating new business model
- Increasing sales to brand owners

2-4% CAGR
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
Global megatrends driving long-term demand for packaging material
  - Urbanisation
  - E-commerce

Sustainability awareness is increasing demand for renewable packaging material
TARGETING THE GLOBAL PACKAGING MARKET

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 2.9%

Key to success is new packaging solutions and sustainable products


Global Packaging Market: Estimated CAGR 2016-2022, for all packaging materials. Source: Smithers Pira 2017
CLEAR GROWTH STRATEGY TO CAPTURE MARKET POTENTIAL

- **POSITION**: Expand in the value chains
  - Improve market mix and increase sales of solutions to brand owners

- **INNOVATION**: Turn good ideas into new solutions and materials
  - Increasing innovation efforts to develop new packaging solutions to expand potential market segments

- **SUSTAINABILITY**: Integrate and improve in everything we do
  - Maximizing customer value by offering sustainable products challenging alternative materials

- **EFFECTIVENESS**: Drive a customer-focused approach
  - Secure reliability and customer service - prioritize stability, quality, timeliness and volume

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

3. Clear growth strategy to capture market potential

- Brand image
- Package solution
- Sustainability
- Shelf appearance

Packaging material
50-85% of the cost

- Price
- Payment terms
- Runability
- Delivery terms

Packaging material
2-5% of the cost

- Raw materials
- Converters
- Brand owners
- Distribution & retail
- End users
- Recycling
INVESTMENTS TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

<table>
<thead>
<tr>
<th>PACKAGING PAPER</th>
<th>CONSUMER BOARD</th>
<th>CORRUGATED SOLUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selective growth</td>
<td>Volume growth</td>
<td>Value growth</td>
</tr>
<tr>
<td>- Focusing on growth segments growing by 2-4% per year</td>
<td>- Increasing volumes on growing Liquid Packaging Board and Cartonboard markets</td>
<td>- Expanding solution based sales to brand owners</td>
</tr>
<tr>
<td>- Decreasing volumes on oversupplied markets</td>
<td></td>
<td>- Exiting oversupplied white liner market</td>
</tr>
</tbody>
</table>

Next Generation - 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 in line with return target of 13%
- Limited exposure to pulp market
GRUVÖN PROGRESSING ACCORDING TO PLAN

- Keeping time frame
- Reinforced organisation
  - Programme management office
    - Machine ready
    - Mill ready
    - Product ready
    - Business ready

3. Clear growth strategy to capture market potential

Project start

Start up

EBITDA positive

Fully ramped up ~550 ktonnes

- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
- Construction  Q4 2016
- Certification material and simpler filler material  Q1 2019
- ~300 ktonnes commercial paper  2020
- Business ready  2021
- Machine ready  2021
- Mill ready  2021
- Product ready  2021
- Business ready  2021
WORLD-LEADING MG CENTRE IN SKÄRBLACKA

- Project on track
- The Tervarsaari machine is under start-up in Skärblacka (PM10)
- The machine is expected to produce ~40 ktonnes this year
- When fully ramped late 2019 PM10 will produce ~90 ktonnes MG paper*

*Machine Glazed – high-gloss paper
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

Proportion of sales accounted for by new products

- 2016: 13%
- 2020 Target: 20%

2013: Axello® ZAP  
2014: D-Sack  
2015: FreeFormPack®  
2016: QuickFill® Clean
WE PROVIDE SUSTAINABLE SOLUTIONS

MAXIMIZING POSITIVE IMPACT

INCREASED CUSTOMER VALUE

SUSTAINABLE AND BIO-BASED SOCIETY

BILLERUDKORSNÄS

RESPONSIBLE VALUE CHAIN

MINIMIZING NEGATIVE IMPACT

4. Clear innovation focus for a sustainable future

WE PROVIDE SUSTAINABLE SOLUTIONS

Paper bag* - Best choice for the climate

Walk the talk

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

ADVANCED LEVEL

Towards fossil-free production

97.5%

Biofuels used in 2016

*BillerudKorsnäs paper bag from primary fibre, produced in Sweden
Stable earnings and shareholder returns

- Stable underlying earnings over recent years
- Average ROCE of 13% during the history of the company
- Average TSR of 22% per year for past 5 years
- Proven track record of accretive investments
### Financial Targets and Target Fulfillment

**Full Year 2017**

- **Financial targets fulfilled**
- **Strong demand offset by production disruptions**
- **Record high production levels**
- **Increased focus on operational excellence**

<table>
<thead>
<tr>
<th>Area</th>
<th>Target</th>
<th>Outcome 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>3-4%</td>
<td>3%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>&gt;17%</td>
<td>17%</td>
</tr>
<tr>
<td>ROCE</td>
<td>&gt;13%</td>
<td>13%</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>&lt;2.5</td>
<td>1.53</td>
</tr>
<tr>
<td>Dividend policy</td>
<td>50%</td>
<td>54%</td>
</tr>
</tbody>
</table>

1. Adjusted for items affecting comparability
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
- Stable earnings and target fulfillment
Appendix
Q1 2018
Q1 2018 KEY HIGHLIGHTS

- Stable production
- **Strong results** - adjusted EBITDA margin 19%
- **High demand** - net sales up 5%
- Investments progressing **according to plan**
- **Positive market outlook** in both the short and long term
HIGHER SALES PRICES DRIVE EBITDA
INCREASED NET SALES

- Continued strong demand in all business areas
- Increased sales prices
- Stable production
- Negative effect from shortage of wood
- Positive currency effects

Net sales, SEKm

TCW index

Source: Riksbanken – Total Competitiveness Weight Index
NEGATIVE EFFECTS FROM COST INCREASES

- Demand-driven price increase for wood
- Pulp prices at all-time high levels
- Increased chemical prices

**Wood Cost Index**

Source: BillerudKorsnäs – Total consumption hard and soft wood

**Caustic Soda, EUR/dmt**

Source: IHS
STRONG UNDERLYING CASH FLOW

- Solid cash flow from operations to handle investments
- ROCE in line with target despite increased capital employed
- Net debt increased to MSEK 6,056 (4,165)
- High interest from debt investors
- Bergvik Öst deal expected to be finalised end of 2018
# FINANCIAL TARGETS

<table>
<thead>
<tr>
<th>Area</th>
<th>FY target</th>
<th>Outcome Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>3-4%</td>
<td>5% ✔</td>
</tr>
<tr>
<td>EBITDA</td>
<td>&gt;17%</td>
<td>18% ✔</td>
</tr>
<tr>
<td>ROCE</td>
<td>&gt;13%</td>
<td>13% ✔</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>&lt;2.5</td>
<td>1.55 ✔</td>
</tr>
</tbody>
</table>
2018 OUTLOOK

- Demand and order situation are expected to be strong with normal seasonal variations for all business areas
- Demand-driven cost increases expected to continue
- The financial impact on Q2 2018 from wood shortage is estimated to MSEK 50-75
- Overall capacity will remain at 2017 level
  - Increased volume for Consumer Board
  - Reduced volumes for Corrugated Solutions and Packaging Paper due to impact from Gruvön investment
- One-off impact on EBIT from investment project will be SEK ~210 million
  - SEK 75 million due to longer stop in Gruvön
  - SEK 75 million due to education, extra personnel etc.
  - Increased depreciation SEK 60 million