Interim Report April – June 2019

Solid underlying result

16 July 2019  |  Petra Einarsson, CEO, Ivar Vatne, CFO

WHAT IF paper packaging is the solution?
Key highlights

- Strong sales performance
- Continued high fibre costs
- Results impacted by start-up effects for KM7 of approx. SEK 190 million
- Ramp-up of KM7 proceeding according to plan
- Divestment of a majority share of Bergvik Skog Öst, to be completed on 30 August

* Adjusted for items affecting comparability
Long-term competitive wood supply

- Acquisition of Bergvik Skog Öst on 31 May, negative cash effect SEK 5.4 bn
- Agreement to divest 89.9% of Bergvik Skog Öst to AMF for approx. SEK 11 bn
- 15-year wood supply agreement
- Right to repurchase unless offered extension of supply agreement to current conditions
- Transaction to be completed 30 August, positive cash effect of approx. SEK 7.9
Ramp-up is proceeding according to plan

- Test-runs – February/March
- Stock on wire – 17 April
- Paper on pope – 9 June
- Coating – August
- Certification material – October
Production stability is the key focus

- Production availability has been satisfactory
- Lost production volumes have affected us during the first half of the year
- Production Excellence Programme (PEX) target to improve OEE* with 4 percentage points by 2020
- Programme drives improvements across all mills
  - Stretched mill specific targets defined and committed
  - Focus on loss eradication and track progress
  - Network and standardised way of working
  - IT-tool to track, visualize and analyze the progress of the PEX programme is implemented

* Overall equipment efficiency
A paradigm shift in safety

- All accidents can be prevented
- Leaders must show the way
- Internal safety survey has been conducted as part of the furthering of the safety program
- Focus on structure, engagement and predictability
- A safe company is a well-run company

<table>
<thead>
<tr>
<th>Lost time injury frequency rate*, LTIFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees YTD</td>
</tr>
<tr>
<td>---------------------------------------</td>
</tr>
<tr>
<td>Fatalities, serious injury</td>
</tr>
<tr>
<td>Other lost time injury</td>
</tr>
<tr>
<td>LTI</td>
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<tr>
<td>Medical treatment</td>
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<tr>
<td>Restricted work</td>
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<tr>
<td>TRI</td>
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<tr>
<td>Minor injuries &amp; first aid</td>
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<tr>
<td>Near misses</td>
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<tr>
<td>Risk observations</td>
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<tr>
<td>LTIFR</td>
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</table>

* No fatalities recorded in 2018

* Number of injuries per 1 000 000 worked hours
Innovations through partnerships for a sustainable future
Q3 Outlook

- Market conditions expected to remain good for liquid packaging board and cartonboard
- Increased uncertainty in the global containerboard market
- Weaker market conditions in some segments, particularly for brown sack paper
- Increased price pressure is expected
- Total cost of fibre expected to flatten out at the current high level
- Focus on operational efficiency and cost savings
WHAT IF

paper packaging is the solution?
## Q2 Key financial figures

<table>
<thead>
<tr>
<th>SEKm</th>
<th>Q2 2019</th>
<th>Q2 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>6 293</td>
<td>5 898</td>
<td>7%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>579</td>
<td>203</td>
<td>185%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>539</td>
<td>671</td>
<td>-20%</td>
</tr>
<tr>
<td>Adjusted EBITDA, %</td>
<td>9%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>194</td>
<td>-174</td>
<td>N/A</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>154</td>
<td>309</td>
<td>-50%</td>
</tr>
<tr>
<td>Adjusted operating profit margin, %</td>
<td>2%</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>
Continued sales growth – 11th quarter in a row

- Net sales up 7%
- Sales growth drivers relatively evenly split
  - Currency
  - Sales volume
  - Pricing

Net sales growth, %

CAGR = 5%

Long-term target = 3-4%

Q1-16  Q416  Q117  Q217  Q317  Q417  Q118  Q218  Q318  Q418  Q119  Q219
-2% 5% 3% 2% 5% 5% 9% 5% 10% 7%
Continued headwind from raw material costs

- Total cost of fibre continued to increase in Q2
  - Expected to flatten out on current high level

- Caustic soda prices decreased
  - Back at the same level as in Q4 2017

- 300 MSEK of increased raw material cost vs last year

Source: BillerudKorsnäs internal data
Underlying EBITDA growth when taking into account KM7 start-up effects

<table>
<thead>
<tr>
<th></th>
<th>Q2 2018</th>
<th>Pricing</th>
<th>FX*</th>
<th>Variable costs</th>
<th>Volume/mix</th>
<th>Fixed costs</th>
<th>Sub-total Q2 2019</th>
<th>KM7 start-up</th>
<th>Q2 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj EBITDA%</td>
<td>11%</td>
<td>194</td>
<td>93</td>
<td>-298</td>
<td>122</td>
<td>-53</td>
<td>729</td>
<td>-190</td>
<td>539</td>
</tr>
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<td></td>
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</tbody>
</table>
Net sales +12%
  › Higher sales volume the key driver

EBITDA fell due to higher fibre costs, production disturbances in Gävle and KM7 effects

* Comparable figures for 2018 have been restated according to the new division structure
Net sales flat
  › Pricing and FX offset by negative sales volumes

EBITDA fell due to higher cost for fibre and lower volumes with a more unfavorable product mix

*Comparable figures for 2018 have been restated according to the new division structure
Division Solutions

**Share of Group’s net sales Q2 2019**

**KEY FIGURES**

<table>
<thead>
<tr>
<th>SEKm</th>
<th>Q2 -19</th>
<th>Q2 -18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>268</td>
<td>279</td>
</tr>
<tr>
<td>of which Managed Packaging</td>
<td>229</td>
<td>243</td>
</tr>
<tr>
<td>of which Packaging Solutions</td>
<td>38</td>
<td>37</td>
</tr>
<tr>
<td>Net operating expenses, other</td>
<td>-253</td>
<td>-269</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td><strong>EBITDA, %</strong></td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

- Net sales -4%
  - Revaluation of customer segment mix
- Improved results due to higher prices in Packaging Solutions, positive currency effects and good cost control

* Comparable figures for 2018 have been restated according to the new division structure
Temporarily higher debt ratio than target

- Net debt SEK 12.7 billion at the end of June
- Acquisition of Bergvik Skog Öst increased the net debt by approx. SEK 5.4 billion
- Dividend payment of approx. SEK 445 million
- At completion of the sale of Bergvik Skog Öst in Q3 the debt/EBITDA is expected ~1.5*
- Well positioned with a strong B/S position for further growths and M&A opportunities

Net debt / EBITDA**

* Based on past 12 months EBITDA (Q318-Q219)
** Adjusted for items affecting comparability
## Long-term financial targets

<table>
<thead>
<tr>
<th>Area</th>
<th>FY target</th>
<th>Q2 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales growth</td>
<td>3-4%</td>
<td>7%</td>
</tr>
<tr>
<td>EBITDA margin*</td>
<td>&gt;17%</td>
<td>9%</td>
</tr>
<tr>
<td>ROCE*</td>
<td>&gt;13%</td>
<td>8%</td>
</tr>
<tr>
<td>Net debt/EBITDA*</td>
<td>&lt;2.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Dividend policy*</td>
<td>50%</td>
<td>59%*</td>
</tr>
</tbody>
</table>

*Adjusted for items affecting comparability
** Dividend for 2018
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
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