WHAT IF packaging could make a difference?
Growing in numbers and reputation

- **Net sales approx. (2018)**: 23.7 Billion SEK
- **Operating profit approx. (2018)**: 1.4 Billion SEK
- **Number of employees**: 4,400
- **8 Production units**:
  - Beetham
  - Frövi
  - Rockhammar
  - Gruvön
  - Gävle
  - Karlsborg
  - Pietarsaari
  - Skärblacka
- **3 Divisions**:
  - Board
    - Share of net sales: 54%*
  - Paper
    - Share of net sales: 36%*
  - Solutions
    - Share of net sales: 3%*
- A strong platform for growth and profitability
- With a focus on customer value, innovation and sustainability
- Creating networks with an open mind

* Share of net sales estimates based on previous business areas. May be subject to adjustment. Figures for 2017

In Collaboration with RobecoSAM
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
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
- UPM acquisition: Production capacity: ~300 ktonnes

2013-2017
- Production capacity increases:
  - Frövi/Rockhammar: ~95 ktonnes
  - Skärblacka: ~20 ktonnes
  - Gruvön: ~40 ktonnes
  - Gävle: ~25 ktonnes

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

2019
- KM7 Gruvön:
  - Production capacity: ~550,000 tonnes
  - Products: Liquid packaging board, cartonboard and liner
On schedule towards start-up March-April

- Civil Construction Finalised* in Dec 2018
- Machine Assembled in Feb 2019
- Machine run with water in Mar 2019
- Apr – Second grade in Apr 2019
- May – Liner
- Oct - Certification material
- Oct - Inauguration
- 240 ktonnes
- Dec 2019
- 390 ktonnes
- Dec 2020
- Ramp-up in 2023

* Final inspection Mar 2019
Strategically important agreement

- Finding suitable investors continuing as planned
- The strongly competitive situation continues
- Wood costs expected to flatten out
- Sufficient inventory levels after a challenging year
- Ongoing activities to strengthen the supply base – both domestic and through import
A paradigm shift in safety

- All accidents are preventable
- Focus on structure, engagement and predictability
- Cultural changes – never walk by
- A safe company is a well run company
- Next generation program LTIFR* ~ 5

Lost time injuries frequency rate, LTIFR*

- 2017: 7.7
- 2018: 7.2
- Target 2023: 1.5

*Number of injuries per 1,000,000 worked hours
Production stability is a key focus

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

Sustainable Leadership
Teamwork
Standards
Digital excellence

Production levels in line with expectations

Lost volumes from wood shortage
Innovation to support growth

FibreForm® Cap, made from formable 3D paper, replaces traditional aluminium laminates for sparkling wine.

New product ratio, NPR

<table>
<thead>
<tr>
<th>Year</th>
<th>NPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>7</td>
</tr>
<tr>
<td>2018</td>
<td>6,3</td>
</tr>
<tr>
<td>Target 2023</td>
<td>15</td>
</tr>
</tbody>
</table>
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

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

Organic top-line growth

2018
~850 SEK million

2023

15-25% CAGR
New organisation and management team in place

CEO
Petra Einarsson

CTO
Ulf Eliasson

CFO
Ivar Vatne

HR
Paulina Ekvall

Innovation
Magnus Wikström

Legal
Andreas Mattsson

Communication
Christopher Casselblad

Division Paper
Helene Biström

Division Board
Mikael Andersson

Division Solutions
Anders Lundin
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

0-2% CAGR

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

4-5% CAGR

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

15-25% CAGR

*Liquid packaging board
The majority of our investment program is completed

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

- KM7: ~7 600 SEK million
  - Civil and construction completed
  - Start-up March-April

![Capex, SEK million chart]

- Base capex
- PM10
- KM7
Next generation 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
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
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

Timeline:
- Q2 2016: Close down in Tervasaari and move to Skärblacka
- Q1 2018: Production start in Skärblacka
- Q4 2018: Positive contribution to results
- Q4 2019: Machine is fully ramped up

- ~30 ktonnes White MG
- ~90 ktonnes White MG

- Positive contribution to results
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
YEAR-END REPORT
January - December 2018
Key highlights

- Production levels in line with expectations
- Continued headwind from higher raw material costs
- Renewed long-term contracts within Liquid Packaging Board
- KM7 progressing according to plan, start-up in March/April 2019
- Bergvik Öst; process of finding suitable investors continues as planned
- Board proposes dividend of SEK 4,30 per share

5% NET SALES GROWTH Y/Y
14% EBITDA MARGIN*
9% ROCE*
2.68 NET DEBT/EBITDA*

*Adjusted for items affecting comparability
Record full year results
PACKAGING PAPER Q4 DEVELOPMENT

- Net sales + 5% vs Q4-17
  - Increased sales prices
  - Positive currency effects
- EBITDA + 2% vs Q4-17
  - Better product mix
- Market expected to remain good
  - Kraft and sack paper to remain good in next quarter

2,264
NET SALES SEK MILLION

411
EBITDA SEK MILLION

18%
EBITDA MARGIN
Renewed agreements

CONSUMER BOARD Q4 DEVELOPMENT

- EBITDA -20% vs Q4-17
  - Increased raw material costs
  - Unchanged prices

- The long-term agreements with our largest customers within liquid packaging board have been renewed, which will have positive effects on margins.

- Market expected to remain good with normal seasonal variations
Strong result
CORRUGATED SOLUTIONS Q4 DEVELOPMENT

- Net sales +15% vs Q4-17
  - Increased sales prices
  - Positive currency effects
  - Slightly increased volumes

- EBITDA +31% vs Q4-17
  - Increased sales prices and higher result for Managed Packaging

- Market expected to remain good
  - Growth in Managed Packaging expected to remain strong

1,161
NET SALES SEK MILLION
278
EBITDA SEK MILLION
24%
EBITDA MARGIN
Solid underlying top-line growth

- Net sales +5% compared with Q4 2017
- Increased sales price within Packaging Paper and Corrugated Solutions
- Positive currency effects
- Negative effect in Q4 from lower sales volumes due to seasonal fluctuations and inventory build-up
Continued headwinds from higher raw material costs

*Transport, energy and fixed costs
Wood cost increase expected to flatten out

- Costs for pulpwood continued to increase in Q4 ~ +25% 2018
- Caustic soda flattening out on high levels ~ +20% 2018
Next Generation program close to completion

- Net debt expected to peak in Q2 2019
- Clear focus on fast deleveraging after completion of investment programmes
- Net debt MSEK 9 333 (5 737)
- Finding suitable investors for Bergvik Öst continues as planned

Net debt / EBITDA

- Target: <2.5x

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net debt / EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>1,2</td>
</tr>
<tr>
<td>Q2</td>
<td>1,4</td>
</tr>
<tr>
<td>Q3</td>
<td>1,4</td>
</tr>
<tr>
<td>Q4/17</td>
<td>1,5</td>
</tr>
<tr>
<td>Q1</td>
<td>1,6</td>
</tr>
<tr>
<td>Q2*</td>
<td>2,2</td>
</tr>
<tr>
<td>Q3*</td>
<td>2,4</td>
</tr>
<tr>
<td>Q4/18*</td>
<td>2,7</td>
</tr>
</tbody>
</table>

*Adjusted for items affecting comparability
Long-term financial targets

<table>
<thead>
<tr>
<th>Area</th>
<th>FY target</th>
<th>Full year 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales growth</td>
<td>3-4%</td>
<td>6%</td>
</tr>
<tr>
<td>EBITDA-margin*</td>
<td>&gt;17%</td>
<td>15%</td>
</tr>
<tr>
<td>ROCE*</td>
<td>&gt;13%</td>
<td>9%</td>
</tr>
<tr>
<td>Net debt/EBITDA*</td>
<td>&lt;2.5</td>
<td>2.68</td>
</tr>
<tr>
<td>Dividend policy*</td>
<td>50%</td>
<td>59%*</td>
</tr>
</tbody>
</table>

*Adjusted for items affecting comparability
**Board's proposal
Outlook 2019

- Focus on safeguarding price levels achieved during 2018
- Wood cost increase expected to flatten out
Production levels in line with expectations
Continued headwind from higher raw material costs
Renewed long-term contracts within Liquid Packaging Board
KM7 progressing according to plan, start up in March/April 2019
Bergvik Öst; process of finding suitable investors continues as planned
Pro forma figures for new organisational structure will be published in w/c 11 March, 2019
WHAT IF more packaging cared about the planet
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