

PRESS RELEASE

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Strong result impacted by extra costs from upgrade

CEO Per Lindberg comments on the development during Q2 2015:

“We deliver a result for the quarter that is strong, but burdened with extra costs for the upgrade of our fluting machine in Gruvön. Technically, the upgrade is a success and the quality improvements are above expectations, but it took a bit longer to implement than estimated.”

THE RESULT

The second quarter's operating margin of 10% was negatively impacted by the planned maintenance shutdown and the extra costs for implementation of the upgrade of the fluting machine in Gruvön, all in all approximately SEK 170 million. I am however content with the underlying result we produce. Overall the weak SEK continues to be positive for us. Our growth 2015 is largely driven by favourable currency developments, and our volumes have suffered partly due to investments and rebuilds. We have given priority to longer-term capacity enhancements rather than short term volume maximizations. Still our volume growth in business area Consumer Board for the first half of the year was 6% and above the plan.

Our net debt/equity ratio increased to 0.62 due to our dividend pay-out. Return on capital employed improved to 12% and we continue to close in on our targeted 13%, so overall we are performing well in line with our targets.

MARKET OUTLOOK

The overall market has been stable during the quarter. We expect the market to continue to be stable with good demand and little changes in local prices.

We see no reason to change our outlook for business area Packaging Paper. Increased competition pressures local prices within the MF segment and we did not utilise our full capacity during the quarter. This situation was anticipated and is likely to continue. Meanwhile the market situation for sack paper and the MG segments are solid which makes the outlook for the business area quite stable and balanced.

Consumer Board market continues to be stable.

Within Containerboard, the fluting segment is currently very strong, with strong order books and with previously announced local price increases starting to show. We are also expecting the improved product quality from the machine upgrade to support additional value growth in the business area in the longer-term. In the liner segment, competition continues to increase with increased capacity on the market. But local prices have been kept stable during the quarter, helped by low stocks,



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announced price increases for waste based papers, and a strong USD that favours European kraftliner.

STRATEGY

One of our strategic stepping stones is to expand our position both in the value chain as well as geographically. We want to expand our offering and our networks to include stakeholders beyond converters, for instance brand owners.

In our efforts to achieve our ambitions in this area it is worth mentioning that our JV, FibreForm Packaging, has taken its first order where a complete system solution has been sold containing a FreeFormPack machine with deliveries of FibreForm material to one of Europe's largest co-packer, Vetipack.

When it comes to geographical expansion our goal is that more than 50% of our future growth will come from outside of Europe. Here we have finalised establishment of companies in India and USA and they are fully operational. We are also finalising the set-up of a company and a complete customer service center in Singapore.

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