



PRESS RELEASE

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Strong performance and structural opportunities

CEO Per Lindberg comments on the development during Q3 2015:

“The third quarter performance and overall market situation strengthen our belief in our long-term strategic direction. The growth strategies per Business Area were confirmed, and our belief, that the contemplated investments in our own production structure will allow us to capture market opportunities, is strengthened.”

THE RESULT

I am pleased with the adjusted operating profit for the quarter of SEK 683 million. Of course the continued weak SEK continues to be a positive profit driver, but at the same time we see 5% year on year volume growth in Consumer Board in line with our targets, record margins in Containerboard, and a balanced development for Packaging Paper with some weaker and some stronger areas. Simultaneously, our ROCE is above target at 14% adjusted and our balance sheet strengthens further to a net debt/equity ratio of 0.46.

MARKET OUTLOOK

The overall market is stable, thus continuing sideways with only minor variations in segment demand and pricing. Looking ahead, we expect this pattern to continue with normal demand patterns and small variations in local pricing.

Within Packaging Paper the MG markets are continued strong, whereas MF and white sack paper markets are weaker but stable. Unfortunately, the market has not been strong enough to absorb the announced price increases for kraft and sack paper earlier in the year. Our production capacity in some segments has not been fully utilized due to increased competition, selective pressure on local prices, and in the non-integrated mills also due to unsatisfactory profitability. As a consequence, we have in October taken the decision to close our production in Tervasaari completely, after having run it underutilized during the year with insufficient profitability. This has been a tough decision to make. The local team in Tervasaari has made significant efforts to improve profitability and utilization, but the cost position of the machine in combination with an increasingly commoditized product portfolio proved too big of a burden to carry.

Consumer Board market continues to be strong and we are experiencing delivery pressures from our main markets. I am happy we have decided to invest in increased capacity in Consumer Board for continued volume growth.

Business area Containerboard noted an all-time high operating margin. Fluting demand continue to be strong. The new flute from the upgraded PM6 in Gruvön lives up to the high quality expectations



and is a solid product for continued value growth. The liner segment shows a stable demand and attempts for price increases has been made on the market even with more capacity coming on line upstream.

STRATEGY

Growing demand driven by global megatrends favours our markets and to support the volume growth strategy within business area Consumer Board we have started a pre-project investigating the opportunity to invest in a new board machine to be placed in Gruvön. In addition to increased cost efficient capacity it would also include a streamlining of the production structure within business area Packaging Paper as the current production of kraft papers at the Gruvön production unit would be discontinued and replaced by production at other BillerudKorsnäs units. This supports business area Packaging paper's selective growth strategy and in a second pre-project we focus our efforts on further structural changes to enable growth in the attractive growing kraft paper segments within medical papers, food packaging and release liners and the discontinuation in the less attractive commodity segments. The investigation explores the possibility of moving the paper machine in Tervasaari to Skärblacka and make it an integrated unit, as well as investment in further value adding surface treatment capacity at existing MG paper production in Skärblacka.

Should both pre-projects materialise it would imply an overall efficient production structure for the group, capacity increases in very attractive areas and improved margins due to better product mix including removal of any exposure to the pulp market.

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