



BILLERUDKORSNÄS

Interim Report January–September 2019

Strong financial position

Q3 2019

KEY HIGHLIGHTS

- Underlying sales and profitability growth excluding the KM7 impact
- Strong balance sheet after sale of a majority stake in Bergvik Skog Öst
- Increased focus on efficiency and profitability

QUARTERLY DATA

- Net sales declined by 4% to SEK 5 833 million (6 054), driven mainly by volume and mix impact of KM7 start-up.
- Adjusted EBITDA* was SEK 639 million (893), negatively impacted by KM7 start-up effects of around SEK 280 million.
- Operating profit was SEK 149 million (513).
- Net profit was SEK 5 754 million (363), including profit from discontinued operations of SEK 5 677 million.
- Earnings per share amounted to SEK 27.83 (1.76). Adjusted earnings per share were SEK 0.48 (1.85).

Q4 OUTLOOK

- The market for Division Board is expected to be stable.
- Weaker market conditions in some segments, particularly brown sack paper and kraft paper for industrial use, with an increased pricing pressure.
- Slightly lower total cost of fibre due to lower pulpwood prices.

KEY FIGURES*

SEKm	Q3			Jan-Sep		
	2019	2018	Change	2019	2018	Change
Net sales	5 833	6 054	-4%	18 630	17 849	4%
Adjusted EBITDA**	639	893	-28%	2 213	2 666	-17%
Operating profit	149	513	-71%	983	1 016	-3%
Adjusted operating profit	153	540	-72%	960	1 578	-39%
Net profit	5 754	363		6 387	728	
Adjusted EBITDA, %	11%	15%		12%	15%	
Adjusted operating profit margin, %	3%	9%		5%	9%	
Adjusted ROCE, %	6%	11%		6%	11%	
Operating cash flow before strategic investments	-345	842	-141%	329	1 504	-78%
Net debt/adjusted EBITDA**, multiple	1.8	2.4		1.8	2.4	

*For key figures and a reconciliation of alternative performance measures including adjusted EBITDA, adjusted operating profit, adjusted EBITDA margin, adjusted operating profit margin, adjusted ROCE and net debt/adjusted EBITDA, see pages 22-24 and page 7 for operating cash flow before strategic investments.

** IFRS 16 affected adjusted EBITDA positively by SEK 28 million in the third quarter of 2019 and by SEK 82 million in the first nine months of 2019, compared with if IAS 17 were used, see note 1 on page 17.

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COMMENTS BY CEO

“The start-up effects for KM7 have been significant and the underlying sales and earnings grew”



SEK 5 833 million

Net sales

SEK 639 million

Adjusted EBITDA

11%

Adjusted EBITDA margin

Demand for sustainable packaging remains high and BillerudKorsnäs' market position and know-how are creating good opportunities for long-term growth. However, in the third quarter uncertainty in the global board and paper market increased and the fibre costs remained at historic high levels.

In the short term, revenues and earnings are being impacted by start-up effects of the new board machine at Gruvön, with a negative impact on sales growth compared with the equivalent period last year of 5 percentage points, and on EBITDA of approximately SEK 280 million in the third quarter. When adjusting for the KM7 start-up effects underlying adjusted EBITDA grew in the quarter. The ramp-up of KM7 is continuing and the machine is producing good quality materials that are receiving positive customer feedback and the production availability is improving. For the remainder of the year we will be focusing on increasing availability of the machine and the certification process is planned to start in the first half of next year. For years ahead the KM7 investment at Gruvön will provide BillerudKorsnäs with a platform for growth in attractive and steadily growing segments. When fully ramped up in 2023, this machine is expected to produce 550 000 tonnes annually.

The completion of the Bergvik Skog Öst transaction took place on 30 August and implied a positive cash flow of SEK 7.6 billion and a capital gain of SEK 5.6 billion, reported in the third quarter result. The cash was used to repay loans and our debt ratio is now 1.8 which is significantly better than the long-term target of below 2.5.

A review of our long-term strategy was completed during the third quarter and resulted in four strategic priorities for the next five years; Drive performance, Drive profitable growth by creating customer value, Accelerate speed in innovation and Expand our solutions business. As part of the strategic priority on performance and to ensure long-term profitability we have introduced a cost reduction programme. Measures include purchasing savings, personnel reductions and efficiency improvements. The programme is expected to generate structural savings of around SEK 600 million in 2021. In order to improve safety and production stability we are setting new standards and implementing group-wide working practises.

Sustainability is integrated into all parts of our strategy and we are proud to continue being named the most sustainable packaging company and one of the most sustainable companies in the world as being included in the Dow Jones Sustainability Index World.

For the fourth quarter, the market for Division Board is expected to be stable, but we foresee a weaker market in some segments for Division Paper with increased pricing pressure.

BillerudKorsnäs has a strong position in relatively resilient product segments. Combined with our strong financial position and our strategic initiatives, this gives me confidence that we are well equipped to meet an economic slowdown. At the same time, the potential for replacing plastic and capturing the increasing demand for fibre-based packaging has never been greater.

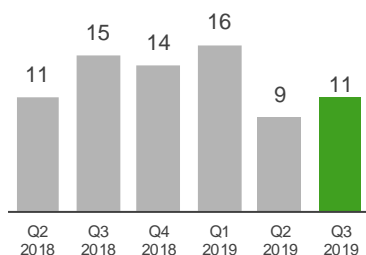
Petra Einarsson, President and CEO

The quarter in review

The EBITDA margin was impacted by start-up effects for KM7

Adjusted EBITDA margin

Target level >17%



SALES AND RESULTS

Net sales for the third quarter declined by 4% to SEK 5 833 million (6 054), mainly driven by the start-up of KM7, which accounted for 5 percentage points (volume and mix), but also due to a weaker demand for sack and kraft paper. Net sales for the quarter were positively impacted by currency effects of 2%.

Adjusted EBITDA decreased to SEK 639 million (893), negatively affected by KM7 start-up effects of approximately SEK 280 million, lower sales volumes and reduced sales prices. Currency effects and cost savings had a positive impact.

The implementation of IFRS 16 affected adjusted EBITDA positively by SEK 28 million in the third quarter, see note 1.

Costs affecting comparability, reported in Other, amounted to a net amount of SEK 4 million (27) and included a provision for restructuring costs in connection with the cost reduction programme initiated in the third quarter of 2019 and the release of a provision made in 2016 related to the new board machine at Gruvön.

MARKET DEVELOPMENT AND OUTLOOK

The market for liquid packaging board and cartonboard continued to grow in the third quarter, while uncertainty in the global container market increased. The market for sack and kraft paper weakened. The market pulp price index (PIX) declined from USD 1 000 at the end of June to USD 850 at the end of September.

For the next quarter, the market conditions for BillerudKorsnäs' board segments are expected to be stable. For sack and kraft paper the demand is expected to weaken. Pricing pressure is expected to increase in some segments.

EVENTS IN THE QUARTER

BillerudKorsnäs' sale of 89.9% of Bergvik Skog Öst to the pension company AMF was completed on 30 August 2019 following approval from the Swedish Competition Authority on 4 July 2019. The sale resulted in a positive cash effect of approximately SEK 7.6 billion (after selling cost and sold cash and cash equivalents in BSÖ Holding AB Group) and a capital gain of approximately SEK 5.6 billion which has been recognised under *Discontinued operations* in the third quarter result. For more information, see notes 3 and 4 on pages 19-20.

As part of forming a joint venture with ALPLA to commercialise the paper bottle, BillerudKorsnäs sold 44.6% of the shares in ecoXpac to ALPLA on 9 July 2019. See notes 3 and 5 on pages 19 and 21 for more information.

In July, BillerudKorsnäs filed a patent of the first functional 180 degree U-bend paper straw in cooperation with The Paper Straw Company, which will produce the straw.

In July, BillerudKorsnäs announced that it had completed the world's first production of a paper battery on a paper machine. This confirms the possibility of industrial production of the electrode material.

In September, BillerudKorsnäs introduced a cost reduction programme to ensure long-term efficiency and profitability. The programme is expected to have structural positive effects on earnings of approximately SEK 600 million in 2021, of which approximately SEK 250 million will affect the result in 2020. The measures include personnel reductions, purchasing savings and efficiency improvements throughout the business. The number of employees will be reduced by up to 300 and negotiations with the trade unions have started.

EVENTS AFTER THE QUARTER

On 1 October 2019, Malin Ljung Eiborn took up the position of EVP Sustainability and joined the Executive Leadership Team. Malin Ljung Eiborn was previously Director of Sustainability and Public Affairs at BillerudKorsnäs.

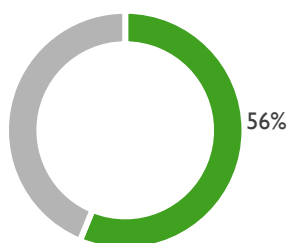
In October, Paboco® (former ecoXpac), the joint venture between BillerudKorsnäs and ALPLA, presented the paper bottle community including the brands Coca-Cola, Absolut, Carlsberg and L'Oréal.



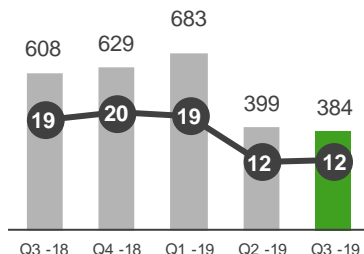
Division Board

Production began at our new KM7 board machine at Gruvön, marking a milestone for BillerudKorsnäs.

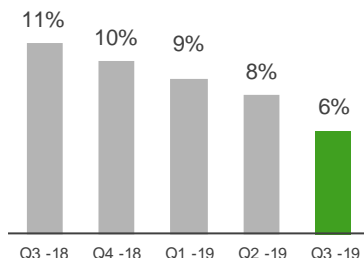
Share of Group's net sales for Q3 2019



EBITDA



ROCE



About Division Board

Division Board manufactures liquid packaging board, cartonboard as well as fluting and liner. All customers demand high quality and expect materials and services solutions that add value. The mills at Gävle, Gruvön and Frövi/Rockhammar belong to this division. At Gruvön, BillerudKorsnäs has made a strategic investment under the Next generation programme in a state-of-the-art board machine. The KM7 board machine will have an annual production capacity of 550 000 tonnes of premium material.

KEY FIGURES*

SEKm	Quarter		Jan-Sep		Full year
	Q3 -19	Q3 -18	2019	2018	2018
Net sales	3 279	3 268	10 278	9 501	12 679
of which liquid packaging board	1 762	1 804	5 611	5 456	7 154
of which cartonboard	397	336	1 116	973	1 279
of which fluting & liner	834	895	2 748	2 423	3 412
Net operating expenses, other	-2 895	-2 660	-8 812	-7 674	-10 223
EBITDA	384	608	1 466	1 827	2 456
EBITDA, %	12%	19%	14%	19%	19%
Operating profit/loss	41	367	637	1 086	1 469
Operating margin, %	1%	11%	6%	11%	12%
ROCE, %	6%	11%	6%	11%	10%
Sales volumes, ktonnes	448	437	1 359	1 294	1 720

*Comparable figures for 2018 have been restated according to the new division structure. Lease contracts are accounted for in the divisions as operational, effects of IFRS 16 are accounted for on Group level.

RESULTS

Net sales for the third quarter were at the same level as for the previous year and amounted to SEK 3 279 million (3 268). Sales volumes were slightly higher despite the ramp-up of KM7 at Gruvön.

EBITDA for the third quarter decreased to SEK 384 million (608), negatively impacted by KM7 start-up effects, a negative change in product mix and reduced pricing. The decline was largely offset by higher volumes from all mills except for Gruvön.

MARKET DEVELOPMENT AND OUTLOOK

Market for liquid packaging board and cartonboard continued to grow during the third quarter. Uncertainty in the containerboard market increased due to slower economic activity and lower rate of production in the steel and automotive industries. Price reductions continued mainly for recycled grades and brown kraftliner, and to a lesser extent for BillerudKorsnäs' product segments.

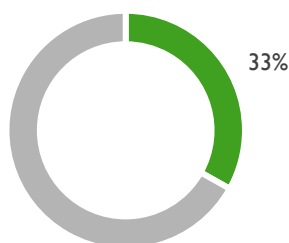
For the next quarter, the market for liquid packaging board and cartonboard is expected to be stable. The market outlook is similar for BillerudKorsnäs' segments semi-chemical fluting and white kraftliner, but smaller price adjustments in these segments are expected.



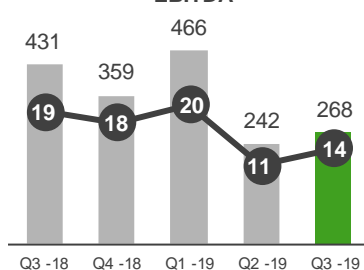
Division Paper

Our market position remains strong. In a slowing market we are adapting our production to the demand situation and increasing our focus on costs.

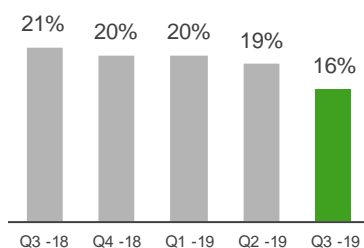
Share of Group's net sales
Q3 2019



EBITDA



ROCE



About Division Paper

Division Paper manufactures and sells high-performance, premium-grade kraft and sack paper to selected segments in the manufacturing, medical equipment and consumer segments. The division also sells surplus paper pulp on the open market. The mills at Skärblacka, Karlsborg, Pietarsaari and Beetham belong to this division.

KEY FIGURES*

SEKm	Quarter		Jan-Sep		Full year
	Q3 -19	Q3 -18	2019	2018	2018
Net sales	1 932	2 244	6 366	6 475	8 523
of which sack paper	651	889	2 381	2 484	3 279
of which kraft paper	819	941	2 645	2 740	3 586
Net operating expenses, other	-1 664	-1 813	-5 390	-5 318	-7 007
EBITDA	268	431	976	1 157	1 516
EBITDA, %	14%	19%	15%	18%	18%
Operating profit/loss	157	320	645	842	1 090
Operating margin, %	8%	14%	10%	13%	13%
ROCE, %	16%	21%	16%	21%	20%
Sales volumes, ktonnes	221	243	677	727	941

*Comparable figures for 2018 have been restated according to the new division structure. Lease contracts are accounted for in the divisions as operational, effects of IFRS 16 are accounted for on Group level.

RESULTS

Net sales for the third quarter declined by 14% to SEK 1 932 million (2 244). The decline was driven by lower volumes and a deterioration in prices. The decline in volumes was a consequence of lower demand and the KM7 start-up.

EBITDA decreased to SEK 268 million (431) as a result of reduced prices, lower sales and an unfavourable product mix, offset only partly by cost savings.

MARKET DEVELOPMENT AND OUTLOOK

Market conditions for sack and kraft paper weakened in the third quarter with reduced prices on the back of a more uncertain global economy. Brown sack customers were cautious and postponed decisions, and the demand for white sack also decreased. In the kraft paper market conditions weakened mainly in the industrial sector.

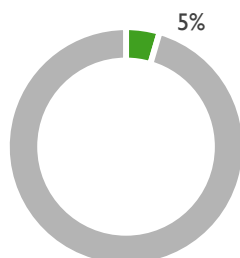
For the next quarter, the sack and kraft paper market is expected to weaken and pricing pressure is expected to increase, especially for brown sack paper and for kraft paper used for industrial applications. However, BillerudKorsnäs' product segments of white sack paper and kraft paper used for dry food and medical purposes are expected to be less affected.



Division Solutions

Earnings continued to improve in the third quarter. The focus going forward will be to increase growth.

Share of Group's net sales
Q3 2019

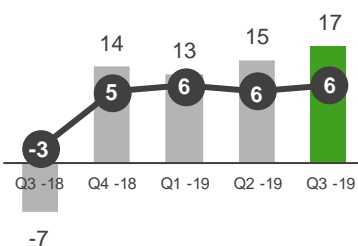


KEY FIGURES*

SEKm	Quarter		Jan-Sep		Full year
	Q3 -19	Q3 -18	2019	2018	2018
Net sales	266	256	740	723	980
of which Managed Packaging	213	220	617	615	839
of which Packaging Solutions	53	36	123	108	141
Net operating expenses, other	-249	-263	-695	-723	-966
EBITDA	17	-7	45	-	14
EBITDA, %	6%	-3%	6%	0%	1%
Operating profit	13	-10	38	-10	1
Operating margin, %	5%	-4%	5%	-1%	0%

*Comparable figures for 2018 have been restated according to the new division structure. Lease contracts are accounted for in the divisions as operational, effects of IFRS 16 are accounted for on Group level.

EBITDA



RESULTS

Net sales for the third quarter increased by 4% to SEK 266 million (256), primarily as a result of positive currency effects and an improved sales mix. In Packaging Solutions growth was supported by higher demand and new customers for FibreForm®.

EBITDA increased to SEK 17 million (-7), mainly related to an improved sales mix.

MARKET DEVELOPMENT AND OUTLOOK

The market for Division Solutions' products and services remained stable during the third quarter. However, demand for BillerudKorsnäs' Managed Packaging offering has weakened somewhat on the back of increased macroeconomic uncertainty. Customers are expected to restructure parts of their supply chains from China and into South and Southeast Asian countries, in particular Vietnam, where BillerudKorsnäs is well positioned to continue the packaging supply.

Division Solutions is expected to grow through sales to new customers over the next quarters.

About Division Solutions

Division Solutions meets brand owners' growing demand for sustainable and effective packaging solutions and systems. The division's business is growing in two areas, the largest of which is currently Managed Packaging, which help global brand owners take control of their packaging needs in Asia.



January – September, consolidated

SALES AND RESULTS

Net sales for the first nine months increased by 4% to SEK 18 630 million (17 849), mainly as a result of higher sales prices and positive currency effects. The positive currency impact on net sales was 2%. Net sales increased in Division Board and Division Solutions and decreased in Division Paper.

Adjusted EBITDA decreased to SEK 2 213 million (2 666). Higher costs for raw materials, KM7 start-up effects of approximately SEK 470 million and the impact from lost production volumes were partly offset by increased sales volumes, higher prices and positive currency effects.

The implementation of IFRS 16 affected adjusted EBITDA positively by SEK 82 million in the first nine months, see note 1.

Costs affecting comparability amounted to SEK -23 million (562) and were reported under Other.

Cash flow and financial position

SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter		Jan-Sep	
	Q3 -19	Q3 -18	2019	2018
Operating surplus, etc.	576	840	2 005	2 449
Change in working capital, etc.	-365	305	-700	82
Net financial items, taxes, etc.	-43	-52	-46	-296
Cash flow from operating activities	168	1 093	1 259	2 235
Current net investments, excluding strategic investments	-513	-251	-930	-731
Operating cash flow, before strategic investments	-345	842	329	1 504

Operating cash flow before strategic investments amounted to SEK -345 million (842) for the third quarter and SEK 329 million (1 504) for the first nine months of 2019. Operating cash flow before strategic investments include current net investments excluding the investment in KM7 at Gruvön, the MG investment at Skärblacka, the acquisition and sale of subsidiaries, and the divestment of Bergvik Skog Väst AB.

Change in working capital does not include accruals related to KM7 at Gruvön.

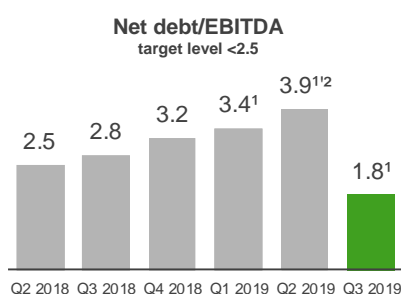
The above does not show the cash flow from the purchase and sale of Bergvik Skog Öst AB/BSÖ Holding AB. See Summarised cash flow on page 16, and notes 3-5.

FINANCING

At 30 September 2019, interest-bearing debt amounted to SEK 8 939 million (8 131). Interest-bearing debt decreased by SEK 6 869 million compared with the previous quarter mainly due to the re-payment of acquisition financing for Bergvik Skog Öst AB and the re-payment of commercial papers maturing during the quarter.



Debt portfolio and maturity profile at 30 September 2019



¹Including lease liabilities according to IFRS16

²Excluding discontinued operations

Loan	Limit, SEKm	Maturity, years			Total utilised
		0-1	1-2	2-	
Syndicated credit facilities	5 500				-
Term loans		95	95	3 273	3 463
Bond loans within MTN program	7 000	400	800	3 500	4 700
Commercial paper	4 000	400			400
Term loan, Bomhus Energi AB		44	42	290	376
Group total		939	937	7 063	8 939

Interest-bearing net debt at 30 September 2019 amounted to SEK 5 522 million (8 520).

The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 1.8 (2.8). The ratio of net interest-bearing debt to adjusted EBITDA was 1.8 (2.4).

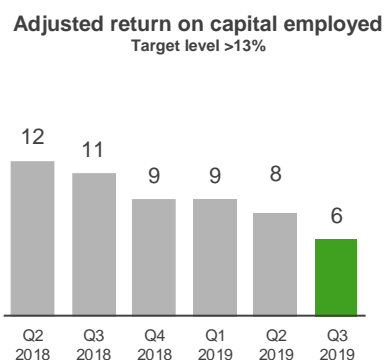
The implementation of IFRS16 from 1 January 2019 increased interest-bearing liabilities by SEK 239 million at 30 September 2019, of which short-term liabilities accounted for SEK 93 million and long-term liabilities SEK 146 million. The impact on the ratio of net debt to EBITDA is 0.0 compared with IAS 17.

INVESTMENTS AND CAPITAL EMPLOYED

Gross investments amounted to SEK 2 298 million (4 109) for the first nine months of 2019. A large part of the investments was related to the new board machine at Gruvön.

Capital employed at 30 September 2019 amounted to SEK 24 820 million (22 451). Return on capital employed (ROCE) for the last 12-month period, amounted to 6% (7%). ROCE calculated using adjusted operating profit amounted to 6% (11%).

Return on equity was 44% (8%). The increase in the return on equity was due to the sale of Bergvik Skog Öst AB.



Next generation programme

The ramp-up of the new KM7 board machine at Gruvön is continuing. When fully ramped up in 2023, the machine is expected to produce 550 000 tonnes annually. The total production capacity at Gruvön will at that time amount to approximately 910 000 tonnes per year.

Test runs of the new board machine started in April and on 8 June it had paper on pope. Since the end of June the machine has been producing liner for customers. The process to certify materials is planned to begin in the first half of 2020. The machine's production capacity will be increased over the course of the ramp-up process.

Three older machines at Gruvön have been closed as a consequence of the next generation programme. PM5 with an annual production capacity of 45 000 tonnes was closed at the end of March. PM1 with annual production capacity of 95 000 tonnes was closed at the end of May and PM2 with annual production capacity of 75 000 tonnes was closed in mid-June.

The changes in connection with the start-up of KM7 are estimated to have a negative effect of approximately SEK 650 million on EBITDA in 2019. In the second quarter the effect amounted to around SEK 190 million and in the third quarter the effect was approximately SEK 280 million. For 2020 the negative effect on EBITDA is estimated to amount to SEK 200 million. From 2021, the KM7 investment will have a positive effect on earnings.

Acquisitions and divestments

BillerudKorsnäs announced on 27 November 2017 that it had entered into an agreement with all shareholders of Bergvik Skog AB to acquire Bergvik Skog Öst AB and to divest 5% of the shares in Bergvik Skog Väst AB to Stora Enso.

On 31 May 2019, BillerudKorsnäs' acquisition of Bergvik Skog Öst was completed. The purchase price amounted to approximately SEK 6.4 billion on a debt free basis, corresponding to approximately SEK 18 000 per hectares of forest land. The net negative cash effect of the acquisition of Bergvik Skog Öst AB and the transfer of the shares in Bergvik Skog Väst AB amounted to SEK 5.4 billion.

Bergvik Skog Öst was consolidated in BillerudKorsnäs' accounts as of 31 May 2019 and has been accounted for as Discontinued operations. For more information, see notes 3 and 4 on pages 19-20.

On 24 June 2019, BillerudKorsnäs announced that it had entered into an agreement for the sale of 89.9% of Bergvik Skog Öst to the pension company AMF for a price corresponding to an enterprise value of SEK 12.2 billion on a debt free basis or approximately SEK 38 500 per hectare of forestland.

On 4 July 2019, BillerudKorsnäs' sale of 89.9% of Bergvik Skog Öst to AMF was approved by the Swedish Competition Authority and on 30 August 2019 the sale was completed. The transaction resulted in a positive cash effect of approximately SEK 7.6 billion and a capital gain of approximately SEK 5.6 billion.

Bergvik Skog Öst owned at completion of the sale approximately 317 000 hectares of forest land and had a net debt of approximately SEK 3.3 billion. BillerudKorsnäs will until further notice keep around 36 000 hectares of land from the original Bergvik Skog Öst.

Bergvik Skog Öst and BillerudKorsnäs have agreed on a 15-year long agreement regarding the supply of wood, whereby BillerudKorsnäs will be the sole buyer of the wood volumes from Bergvik Skog Öst's lands. Furthermore, BillerudKorsnäs has the right to repurchase Bergvik Skog Öst at the end of this supply agreement unless BillerudKorsnäs is offered an extension of the agreement on the current conditions.

Currency hedging

Currency hedging had a net sales impact of SEK -89 million (-77) in the third quarter of 2019 and SEK -220 million (-238) for the first three quarters of 2019 (compared with no currency hedging).

Outstanding forward exchange contracts at 30 September 2019 had a market value of SEK -194 million, SEK -43 million of which is the portion of the contracts matched by trade receivables that affected earnings in the third quarter. Accordingly, other contracts had a market value of SEK -151 million.

Hedged portion of forecast currency flows* for EUR, USD and GBP and exchange rates against SEK (30 September 2019).

Currency	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Total 15 months
EUR Share of net flow	80%	80%	78%	80%	80%	80%
Rate	10.34	10.29	10.44	10.71	10.78	10.52
USD Share of net flow	65%	65%	65%	65%	56%	63%
Rate	8.91	9.08	9.13	9.26	9.40	9.15
GBP Share of net flow	26%	-	-	-	-	5%
Rate	12.12	-	-	-	-	12.12
Market value of currency contracts**	-65	-57	-44	-21	-7	-194

*Excluding currency flows from investments in a new board machine at Gruvön, which are not currently hedged.

**At 30 September 2019.



Taxes

The tax cost for the first nine months of 2019 amounted to SEK 223 million (186), equal to approximately 23% (20%) of profit before tax. The increase in tax rate is mainly due to losses in Finland on which deferred tax receivables are not accounted for.

Parent company

The parent company BillerudKorsnäs AB includes head office and support functions.

Operating profit/loss for the first nine months of 2019 was SEK -152 million (-284). The operating loss reflects the effects of hedging contracts and revaluations of trade receivables.

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. These earnings were SEK -220 million (-238) for the first nine months.

The average number of employees at 30 September 2019 was 131 (114).

Cash and bank balances, and short-term investments amounted to SEK 4 300 million (192).

Sustainability

Sustainability KPIs, rolling 12 months (R12M)

	Q3 -19	Q2 -19	2020 target
Energy efficiency ¹	5.31	5.29	<5,10
Fossil-free production ²	37.0	35.7	<25,0
Gender equality ³	23.3	23.0	>25,0

¹ Defined as energy consumption (MWh/tonne product), R12M.

² Defined as emissions of fossil CO2 in the manufacturing process (kg/tonne product), R12M.

³ Defined as female employees (%).

ENVIRONMENT

BillerudKorsnäs is working towards a vision of fossil-free production and minimising emissions throughout the value chain. This work is mainly aimed at phasing out fossil fuels from production, along with investments in energy efficiency and reducing indirect emissions. Fossil CO2-emissions in production during the last twelve months amounted to 37.0 kg/tonne and was negatively affected by production stops. Energy consumption was 5.31 MWh/tonne for the last twelve months.

GENDER EQUALITY

BillerudKorsnäs' aim is to increase the proportion of women in the group, both overall and at managerial level. This is challenging in an industry that is traditionally dominated by men. BillerudKorsnäs has undertaken several initiatives aimed at addressing the under-representation of women in operational activities and at senior levels within the Group. The share of female employees was 23.3% during the past twelve months.

QUARTERLY HIGHLIGHTS

In September BillerudKorsnäs was ranked as the industry leader in the category Containers & Packaging in Dow Jones Sustainability Indices (DJSI). The Dow Jones Sustainability Indices and RobecoSAM Corporate Sustainability Assessment



constitutes an annual evaluation of companies' sustainability performance. Each year over 3 400 listed companies around the world are analysed and the top 10% are included in the Dow Jones Sustainability World Index. BillerudKorsnäs has been included in the Dow Jones Sustainability World Index since 2016 and this year achieved industry top scores in 11 categories including climate strategy, supply chain management and human capital development.

Distribution of shares

During the second quarter 2019 BillerudKorsnäs transferred 89,129 shares under a long-term incentive programme resolved by the 2016 Annual General Meeting. The number of own shares was 1 519 191 at the end of March 2019 and at the end of June 2019, the number of own shares amounted to 1 430 062 shares.

The holding of treasury shares was unchanged in the third quarter 2019. At the end of September 2019 the number of treasury shares amounted to 1 430 062, which corresponds to approximately 0.7% of the total amount of shares. At 30 September 2019 the total amount of shares in BillerudKorsnäs was 208 219 834.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 5 May 2020.

Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing to BillerudKorsnäs AB (publ), Att: Andreas Mattsson, General Counsel, Box 703, SE-169 27 Solna, Sweden, at least seven weeks before the Annual General Meeting, to ensure the matter can be included in the convening notice for the Meeting. Notified matters can be included in the agenda of the Annual General Meeting only if they are suitable for decision by the Meeting and if notification is provided in due time.

Further details on how and when to provide notification of participation at the Annual General Meeting will be published in advance of the Meeting.

Nomination committee

In accordance with the resolution by the Annual General Meeting of BillerudKorsnäs, the Chairman of the Board of Directors has convened a nomination committee for the Annual General Meeting 2020, appointed by the major shareholders.

The nomination committee consists of Michael M.F. Kaufmann, appointed by Frapag Beteiligungsholding AG, Tomas Risbecker, appointed by AMF Insurance & Funds, Thomas Wuolikainen, appointed by the Fourth National Pension Fund and Lennart Francke, appointed by Swedbank Robur Funds.

Shareholders wishing to make proposals to the nomination committee should submit their proposal in writing via e-mail valberedningen@billerudkorsnas.com or by mail to BillerudKorsnäs AB (publ), Att: Valberedningen, Box 703, SE-169 27 Solna, Sweden.

Risks and uncertainties

BillerudKorsnäs' products are generally dependent on the business cycle, in terms of both price development and potential sales volumes. The Group is exposed to currency fluctuations, since most revenues are invoiced in foreign currency, while a large part of operating expenses are in SEK. A more detailed description of risks and a sensitivity analysis is provided on pages 74-81 of the 2018 Annual and Sustainability Report.

BillerudKorsnäs has been working on measures to mitigate possible negative effects of different Brexit scenarios. Based on accumulated sales in 2018 the Group's net sales exposed to Brexit amount to SEK 1 168 million from the EU to the UK and SEK 200 million from the UK to the EU.

In the EU countries, the EU Directive on Single Use Plastic will result in a changed regulatory landscape for packaging. Changes in legislation and its implications for BillerudKorsnäs are monitored closely.

Related-party transactions

No transactions took place between BillerudKorsnäs and related parties that significantly affected the Group's position and earnings.

Financial calendar

Q4 2019 report – 29 January 2020

Q1 2020 report – 24 April 2020

Annual General Meeting – 5 May 2020

Q2 2020 report – 17 July 2020

Q3 2020 report – 22 October 2020

Solna, 24 October 2019

BillerudKorsnäs AB (publ)

Petra Einarsson
President and CEO

This information constituted inside information prior to publication. This is information that BillerudKorsnäs AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. This report has been prepared in both a Swedish and an English version.



Review report

Translation of the Swedish original

To the Board of Directors of BillerudKorsnäs AB (publ)
Corp. id. 556025-5001

Introduction

We have reviewed the summary interim financial information (interim report) of BillerudKorsnäs AB (publ) as of 30 September 2019 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 24 October 2019

KPMG AB

Ingrid Hornberg Román
Authorized Public Accountant

SUMMARISED INCOME STATEMENT

SEKm	Quarter		Jan-Sep		Full year
	Q3 -19	Q3 -18	2019	2018	2018
Net sales	5 833	6 054	18 630	17 849	23 692
Other income	37	37	110	164	230
Operating income	5 870	6 091	18 740	18 013	23 922
Change in inventories	-140	68	-351	203	633
Raw materials and consumables	-3 043	-3 058	-9 659	-9 264	-12 556
Other external costs	-1 247	-1 414	-3 748	-4 131	-5 473
Employee benefits expense	-799	-806	-2 738	-2 684	-3 595
Depreciation and impairment of non-current assets	-486	-368	-1 253	-1 133	-1 513
Profit/Loss from participations in associated companies	-6	-	-8	12	12
Operating expenses	-5 721	-5 578	-17 757	-16 997	-22 492
Operating profit/loss	149	513	983	1 016	1 430
Financial income and expenses*	-48	-16	-32	-102	-89
Profit/Loss before tax	101	497	951	914	1 341
Taxes	-24	-134	-223	-186	-304
Profit/Loss from continuing operations	77	363	728	728	1 037
Discontinued operations					
Profit/loss from discontinued operations, net of tax, note 4	5 677	-	5 659	-	-
Profit/loss for the period	5 754	363	6 387	728	1 037
Profit/Loss attributable to:					
Owners of the parent company	5 754	363	6 387	728	1 037
Non-controlling interests	-	-	-	-	-
Net profit/loss for the period	5 754	363	6 387	728	1 037
Earnings per share, SEK	27.83	1.76	30.89	3.52	5.01
Diluted earnings per share, SEK	27.79	1.75	30.85	3.51	5.00

*Includes dividend from Bergvik Skog AB of SEK 108 million (12).

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter		Jan-Sep		Full year
	Q3 -19	Q3 -18	2019	2018	2018
Net profit/loss for the period	5 754	363	6 387	728	1 037
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains or losses on defined benefit pension plans	-50	-	-111	-	-24
Change in fair value of shareholding in Other holdings	-29	41	-177	44	91
Tax attributable to items not to be reclassified to profit or loss	10	-	23	-	5
Total items never reclassified to profit or loss	-69	41	-265	44	72
Items that have been or may be reclassified subsequently to profit or loss					
Differences arising from the translation of foreign operations' accounts	21	-21	58	63	60
Change in fair value of cash flow hedges	-89	149	-442	213	376
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	19	-31	94	-45	-80
Total items that have been or may be reclassified subsequently to profit or loss	-49	97	-290	231	356
Total comprehensive income for the period	5 636	501	5 832	1 003	1 465
Attributable to:					
Owners of the parent company	5 636	501	5 832	1 003	1 465
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	5 636	501	5 832	1 003	1 465

SUMMARISED BALANCE SHEET

SEKm	30 Sep 2019	30 Sep 2018	31 Dec 2018
Intangible assets	2 117	2 201	2 185
Property, plant and equipment, including Right of use assets	23 301	20 768	21 429
Other non-current assets	1 522	1 598	1 867
Total non-current assets	26 940	24 567	25 481
Inventories	3 519	3 132	3 633
Accounts receivable	2 489	2 918	2 807
Other current assets	1 115	1 459	1 337
Assets classified as held for sale	-	-	-
Cash and cash equivalents	4 523	371	456
Total current assets	11 646	7 880	8 233
Total assets	38 586	32 447	33 714
Equity attributable to owners of the parent company	19 298	13 931	14 355
Non-controlling interests	-	-	-
Total equity	19 298	13 931	14 355
Interest-bearing liabilities	8 145	6 856	7 130
Provisions for pensions	888	780	784
Other liabilities and provisions	166	312	284
Deferred tax liabilities	3 546	3 397	3 633
Total non-current liabilities	12 745	11 345	11 831
Interest-bearing liabilities	1 031	1 275	1 894
Accounts payables	2 804	3 964	3 825
Other liabilities and provisions	2 708	1 932	1 809
Liabilities associated with assets held for sale	-	-	-
Total current liabilities	6 543	7 171	7 528
Total equity and liabilities	38 586	32 447	33 714

SUMMARISED STATEMENT OF CHANGES IN EQUITY

SEKm	Jan-Sep		Full year
	2019	2018	2018
Opening balance	14 355	13 811	13 811
Changed accounting principles due to IFRS 16	-5	-	-
Comprehensive income for the period	5 832	1 003	1 465
Share-based payment to be settled in equity instruments	5	7	10
Buyback of own shares	-	-	-41
Dividend to owners of the parent company	-889	-890	-890
Non-controlling interest through acquisition	-	-	-
Closing balance	19 298	13 931	14 355
Equity attributable to:			
Owners of the parent company	19 298	13 931	14 355
Non-controlling interests	-	-	-
Closing balance	19 298	13 931	14 355



SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter		Jan-Sep		Full year
	Q3 -19	Q3 -18	2019	2018	2018
Operating surplus, etc. *	576	840	2 005	2 449	3 219
Net financial items, taxes, etc.	-43	-52	-46	-296	-450
Change in working capital, etc.	-365	305	-700	82	-267
Cash flow from operating activities	168	1 093	1 259	2 235	2 502
Investments in intangible assets, property, plant and equipment	-629	-1 444	-2 291	-4 093	-5 120
Acquisition of financial assets / contribution associated companies	-5	-	-7	-16	-22
Disposal of financial assets / other holdings**	7	-	955	5	5
Sale of subsidiary, Note 4, 5	7 658	-	7 658	-	-1
Acquisition of subsidiary, Note 3	5	-	-3 774	-36	-36
Disposal of property, plant and equipment	1	1	8	2	2
Cash flow from investing activities	7 037	-1 443	2 549	-4 138	-5 172
Change in interest-bearing receivables	-	-3	-	-3	-3
Change in interest-bearing liabilities	-3 411	387	677	2 970	3 863
Buy-back of own shares	-	-	-	-	-41
Dividend to owners of the parent company	-	-	-445	-890	-890
Cash flow from financing activities	-3 411	384	232	2 077	2 929
Total cash flow (=change in cash and cash equivalents)	3 794	34	4 040	174	259
Cash and cash equivalents at start of period***	718	349	456	168	168
Translation differences in cash and cash equivalents	11	-12	27	29	29
Cash and cash equivalents at the end of the period	4 523	371	4 523	371	456

** Includes cash proceeds of SEK 935 million from divestment of Bergvik Skog Väst AB in second quarter of 2019.

*** Including cash and cash equivalents from discontinued operations, SEK 390 million in the beginning of Q3-19.

*RECONCILIATION OF OPERATING SURPLUS

SEKm	Quarter		Jan-Sep		Full year
	Q3 -19	Q3 -18	2019	2018	2018
Operating profit	149	513	983	1 016	1 430
Reversed depreciation	486	368	1 253	1 133	1 513
Earnings from associated companies	6	-	8	-12	-12
Pension liabilities	-9	-19	-21	-19	-43
Other provisions	-41	-14	-137	190	136
Unified accounting principles regarding spare parts and consumables	-	1	-	177	177
Net of produced and sold electricity certificates and sold emission rights	-46	-11	-93	-50	2
Incentive programmes	2	3	5	7	10
Sale/Scrapping of fixed assets	-1	-1	-8	35	35
Discontinued operations	30	-	15	-	-
Revaluation of current holdings related to business combinations	-	-	-	-30	-30
Capital gain/loss from sales of business	-	-	-	2	3
Revaluation of biological assets	-	-	-	-	-2
Operating surplus, etc	576	840	2 005	2 449	3 219



NOTE 1 ACCOUNTING POLICIES

The interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting policies applied in this interim report are the same as those used in the most recent annual report for 2018, except for IFRS 16 which is described below, see pages 90-97 and page 134 for definitions of key figures. The interim report for the parent company is prepared in accordance with the Swedish Annual Accounts Act. Key figure definitions are provided on page 26 of this report.

In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance and enhance comparability from period to period. These APMs should not be considered as a substitute for measures defined under IFRS.

IFRS 16 Leases

BillerudKorsnäs applies IFRS 16 – Leases from January 1 2019. BillerudKorsnäs has chosen a simplified retrospective method upon transition to IFRS 16, which means that amounts for the comparative year 2018 have not been re-measured. This means that the opening balance at 1 January 2019 has recognised an increased non-current asset linked to IFRS 16 through a right-to-use asset amounting to SEK 260 million and an interest-bearing lease liability of SEK 266 million, which resulted in a negative net effect after deferred tax on equity of SEK 5 million. BillerudKorsnäs has chosen to apply exemptions relating to leases shorter than 12 months and low-value leases. Leases covered by these exemptions are not included in the recognised lease liability or right-of-use assets. BillerudKorsnäs' leases principally consist of trucks, company cars and office rents, the vehicle category accounting for around 75% of the right-of-use asset. At the transition to IFRS 16 an incremental borrowing rate of 1.6% is used to calculate the lease liability.

The differences between the lease liability at 1 January 2019 and the disclosures in Note 12, regarding future contractual lease commitments, in the 2018 annual accounts is that Note 12 also includes newly signed lease contracts for which BillerudKorsnäs is not yet able to use the asset.

The right-to-use asset, amounting to SEK 233 million, is presented in the summarised balance sheet at 30 September 2019 as Property, plant and equipment. The lease liability, amounting to SEK 239 million, is presented under Interest-bearing liabilities (current and non-current). In the summarised income statement the leasing cost is not accounted for as Other external costs which was the case according to the previous standard IAS 17. Under IAS 17 the costs would have amounted to SEK 82 million for the first nine months. Under IFRS 16 depreciation is now accounted for on right-to-use assets amounting to SEK 78 million, as Depreciation and impairment of non-current assets. The interest cost, an amount of SEK 3 million, relating to the lease liability is a part of the financial income and expenses.

NOTE 2 FINANCIAL ASSETS AND LIABILITIES

	Fair value through profit or loss - hedge accounting	Amortised cost	Fair value through other compre- hensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
<i>Valuation classification</i>	<i>Level 2</i>		<i>Level 3</i>			
Group 30 September 2019						
Other shares and participations	-	-	1 263	-	1 263	1 263
Long-term receivables	30	27	-	-	57	57
Accounts receivable	-	2 489	-	-	2 489	2 489
Other receivables	118	574	-	-	692	692
Cash and cash equivalents	-	4 523	-	-	4 523	4 523
Total	148	7 613	1 263	-	9 024	9 024
Non-current interest-bearing liabilities	-	-	-	8 145	8 145	8 183
Current interest-bearing liabilities	-	-	-	1 032	1 032	1 032
Accounts payables	-	-	-	2 804	2 804	2 804
Other liabilities	226	-	-	708	934	934
Total	226	-	-	12 689	12 915	12 953

	Fair value through profit or loss - hedge accounting	Amortised cost	Fair value through other compre- hensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
<i>Valuation classification</i>	<i>Level 2</i>		<i>Level 3</i>			
Group 31 December 2018						
Other shares and participations	-	-	1 530	-	1 530	1 530
Long-term receivables	177	26	-	-	203	203
Accounts receivable	-	2 807	-	-	2 807	2 807
Other receivables	307	568	-	-	875	875
Cash and cash equivalents	-	456	-	-	456	456
Total	484	3 857	1 530	-	5 871	5 871
Non-current interest-bearing liabilities	-	-	-	7 130	7 130	7 143
Current interest-bearing liabilities	-	-	-	1 894	1 894	1 894
Accounts payables	-	-	-	3 825	3 825	3 825
Other liabilities	121	-	-	250	371	371
Total	121	-	-	13 099	13 220	13 233

NOTE 3 ACQUISITION ANALYSIS

EcoXpac A/S

Together with ALPLA, which manufactures plastic packaging solutions, BillerudKorsnäs has decided to embark on the joint journey of development regarding a fully bio-based and recyclable paper bottle, and form a joint venture through ecoXpac A/S, a manufacturer of paper bottles in Denmark.

Following regulatory approvals such as merger control clearances, the transaction was completed on 9 July 2019. BillerudKorsnäs sold 44.6% of the shares in ecoXpac A/S to ALPLA for a consideration of DKK 28 million. BillerudKorsnäs' wholly owned subsidiaries BillerudKorsnäs Venture AB thereafter has a shareholding in ecoXpac A/S of 44.6%. The remaining shares are owned by the founder family. The sale of the subsidiary are disclosed in Note 5, Divestments of subsidiary.

As a part of forming this joint venture, BillerudKorsnäs acquired shares in ecoXpac A/S on 29 March 2019. Prior to the acquisition the BillerudKorsnäs Group owned 19.6% of the shares. At the end of the second quarter, BillerudKorsnäs' shareholding totalled 89.2%. Below is the purchase made on March 29, 2019 disclosed:

Revaluation of previous holdings increased other comprehensive income by SEK 13 million. Non-controlling interests as a result of the acquisition amounted to SEK 9 million. Acquisition costs have been carried as an expense and are estimated to total SEK 1 million.

SEKm	
Group	2019
Acquired balance sheet	
Goodwill	45
Non-current assets	33
Current assets	22
Total Assets	100
Non-current liabilities	1
Current liabilities	12
Total liabilities	13
Purchase consideration	
Purchase consideration	-59
Cash and cash equivalents (acquired)	14
Net effect on cash and cash equivalents	-45

Bergvik Skog Öst AB

On May 31 2019, BillerudKorsnäs finalised the purchase of shares in Bergvik Skog Öst AB, which comprises approximately 350 000 hectares of forest land in Sweden. In connection to the transaction, BillerudKorsnäs also divested the shares in Bergvik Skog Väst AB to Stora Enso. The divestment did not result in any profit or loss effect.

Negative excess value of SEK 35 million has been accounted for as a revenue in Result from discontinued operations. The negative excess value occurred since the purchase price for the transaction was based on accounts for previous period, which have changed during the transaction. The transaction implied that BillerudKorsnäs Skog & Industri AB took over an internal loan from Bergvik Skog AB amounting to SEK 2 615 million, which is included in the current liabilities of SEK 2 728 million below.

SEKm	
Group	2019
Acquired balance sheet	
Biological assets	7 718
Other non-current assets	381
Current assets	410
Total Assets	8 509
Deferred tax liability	1 597
Non-current liabilities	69
Current liabilities	2 728
Total liabilities	4 394
Purchase consideration	
Purchase consideration	-4 079
Acquisition costs*	-31
Cash and cash equivalents (acquired)	381
Net effect on cash and cash equivalents	-3 729

* Acquisition costs of SEK 9 million was accounted for in 2018. Total transaction costs amount to SEK 40 million.

NOTE 4 DISCONTINUED OPERATION

On August 30, 2019 89.9% of BSÖ Holding AB (parent company for Bergvik Skog Öst AB) was sold to the pension company AMF. The price corresponded to an enterprise value of SEK 12.2 billion on a debt free basis. At completion of the sale, Bergvik Skog Öst owned approximately 317 000 hectares of forestland and had a net debt of approximately SEK 3.3 billion.

During the period May 31, 2019 to August 30, 2019, the operations in BSÖ Holding AB Group was classified and accounted for as discontinued operations in the BillerudKorsnäs Group.

The capital gain is preliminary since purchase price and valuation of assets and liabilities are subject to adjustment.

Results of discontinued operations

SEKm	
Group	2019
Income	67
Expenses	-56
Profit/Loss before tax	11
Taxes	-
Result after taxes, before sale of discontinued operation	11
Acquisition costs	-31
Negative excess value from the acquisition	35
Capital gain from sale of the discontinued operation*	5 644
Result from sale, after tax	5 648
Total result from discontinued operation	5 659
Divested assets and liabilities	
Biological assets	7 693
Other non-current assets	380
Current assets	268
Total assets	8 341
Deferred tax liability	1 597
Non-current liabilities	3 545
Current liabilities	149
Total liabilities	5 291
Selling price	
Consideration received, less selling costs	7 812
Less: Cash and cash equivalents in divested business	-185
Effect on cash and cash equivalents	7 627
*Capital gain	
Consideration received, less selling costs	7 812
Received shares in BSÖ Holding AB	882
Assets sold	-8 341
Liabilities sold	5 291
Capital gain	5 644

NOTE 5 DIVESTMENT OF SUBSIDIARIES

As a part of creating a joint venture with ALPLA BillerudKorsnäs sold 44.6% of the shares in ecoXpac A/S for a consideration of DKK 28 million. BillerudKorsnäs' wholly owned subsidiaries BillerudKorsnäs Venture AB has thereafter a shareholding in ecoXpac A/S of 44.6%. The remaining shares are owned by the founder family.

EcoXpac A/S changed name to Paper Bottle Co A/S during the third quarter.

SEKm	
Group	2019
Divested assets and liabilities	
Goodwill	46
Other non-current assets	37
Current assets	18
Total Assets	101
Non-current liabilities	11
Current liabilities	1
Total liabilities	12
Selling price	
Consideration received, less selling costs	40
Less: Cash and cash equivalents in divested business	-9
Effect on cash and cash equivalents	31
Capital gain	
Consideration received, less selling costs	40
Received shares in EcoXpac A/S	40
Assets sold	-101
Liabilities sold	12
Reduced non-controlling interests	9
Capital gain	0

NOTE 6 OTHER DISCLOSURES

Other disclosures in accordance with IAS 34.16A can be found on the pages prior to the income statement and the statement of comprehensive income. Information regarding divisions/segments can be found on pages 4-6, information regarding financing on page 7-8, seasonal effects on page 25 and events after the end of the quarter on page 3.

KEY FIGURES

	Jan-Sep		Full year
	2019	2018	2018
Margins			
EBITDA, %	12	12	12
Operating margin, %	5	6	6
Return (rolling 12 months)			
Return on capital employed, %	6	7	7
Return on equity, %	44	8	7
Capital structure at end of period			
Capital employed, SEKm	24 820	22 451	23 687
Working capital, SEKm	1 669	1 775	2 056
Equity attributable to owners of the parent company, SEKm	19 298	13 931	14 355
Interest-bearing net debt, SEKm	5 522	8 520	9 333
Net debt/equity ratio	0.29	0.61	0.65
Interest-bearing net debt / EBITDA, multiple	1.8	2.8	3.2
Key figures per share			
Earnings per share, SEK	30.89	3.52	5.01
Dividend (for the financial year) per share, SEK	-	-	4.30
Other key figures			
Working capital as percentage of net sales, %	7	8	9
Gross investments, SEKm	2 298	4 109	5 142
Average number of employees	4 602	4 482	4 502



RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	Quarter			Jan-Sep		Full year
	Q3 - 19	Q2 - 19	Q3 - 18	2019	2018	2018
Adjusted EBITDA, SEKm						
Operating profit	149	194	513	983	1 016	1 430
Depreciation and impairment of non-current assets	486	385	368	1 253	1 133	1 513
EBITDA	635	579	881	2 236	2 149	2 943
Items affecting comparability	4	-40	12	-23	517	533
Adjusted EBITDA	639	539	893	2 213	2 666	3 476
Adjusted Operating profit, SEKm						
Operating profit	149	194	513	983	1 016	1 430
Items affecting comparability	4	-40	27	-23	562	591
Adjusted Operating profit	153	154	540	960	1 578	2 021
Adjusted earnings per share, SEK						
Profit attributed to owners of the parent company, SEKm	5 754	182	363	6 387	728	1 037
Items affecting comparability, attributed to owners of the parent company, SEKm *	-5 655	-32	21	-5 677	438	461
Adjusted profit attributed to owners of the parent company, SEKm	99	150	384	710	1 166	1 498
Weighted number of outstanding shares, thousands	206 790	206 763	207 036	206 751	207 001	206 962
Adjusted earnings per share	0.48	0.73	1.85	3.43	5.63	7.24
Adjusted Return on capital employed (ROCE), SEKm						
Adjusted Operating profit over 12 months **	1 404	1 790	2 164	1 404	2 164	2 021
Average capital employed over 12 months	23 773	23 128	20 486	23 773	20 486	21 530
Adjusted Return on capital employed	6%	8%	11%	6%	11%	9%
Interest-bearing net debt / Adjusted EBITDA, multiple						
Interest-bearing net debt	5 522	12 667	8 520	5 522	8 520	9 333
Adjusted EBITDA over 12 months**	3 024	3 276	3 617	3 024	3 617	3 476
Interest-bearing net debt / Adjusted EBITDA	1.8	3.9	2.4	1.8	2.4	2.7
Items affecting comparability, SEKm						
MG Investment in Skärblacka (Operating expenses)	-	-	-	-	3	3
New board machine in Gruvön - additional costs (Operating expenses)	4	14	12	35	43	61
New board machine in Gruvön - restructuring (Operating expenses)	-30	-20	-	-50	-	-10
New board machine in Gruvön - depreciation and impairment of existing non-current assets (Depreciation and Impairment of non-current assets)	-	-	15	-	45	58
Restructuring (Operating expenses)	30	-	-	30	19	27
Workplace environment (Operating expenses)	-	-32	-	-32	159	159
Unification of accounting principles - Spare parts and consumables (Operating expenses)	-	-	-	-	177	177
Acquisition costs Bergvik	-	-2	-	-	-	9
Other (Operating expenses)	-	-	-	-6	116	107
Items affecting comparability	4	-40	27	-23	562	591

*Includes Profit from discontinued operations in Q3 2019 amounting to SEK 5 659 million.

**12 months is calculated by adding accumulated amounts for the current year plus full previous year, minus prior year's accumulated amounts for periods exceeding 12 months from the balance sheet date.



RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (CONT.)

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Capital employed, SEKm			
Total assets	38 586	32 447	33 714
Accounts payables	-2 804	-3 964	-3 825
Other liabilities and provisions	-2 873	-2 244	-2 094
Deferred tax liabilities	-3 546	-3 397	-3 633
Interest-bearing non-current assets	-20	-20	-19
Cash and Cash equivalents	-4 523	-371	-456
Capital employed	24 820	22 451	23 687
Working capital, SEKm			
Inventories	3 519	3 132	3 633
Accounts receivables	2 489	2 918	2 807
Other operating receivables	1 115	1 459	1 337
Accounts payables	-2 804	-3 964	-3 825
Other operating liabilities (excl provisions)	-2 595	-1 802	-1 683
Tax liabilities	-55	32	-213
Working capital	1 669	1 775	2 056
Interest-bearing net debt, SEKm			
Interest bearing provisions	888	780	784
Interest bearing non-current liabilities	8 145	6 856	7 130
Interest bearing current liabilities	1 032	1 275	1 894
Interest-bearing non-current assets	-20	-20	-19
Cash and Cash equivalents	-4 523	-371	-456
Interest-bearing net debt	5 522	8 520	9 333

Seasonal effects

BillerudKorsnäs' business is subject to seasonal fluctuations to a relatively limited extent. Periodical maintenance shutdowns have the largest impact, as they involve each unit stopping production for around one week. The loss of production results in somewhat lower deliveries over an extended period before, during and after the shutdown. It should also be noted that the Group usually has a somewhat higher cost level in the fourth quarter than in previous quarters.

PLANNED MAINTENANCE SHUTDOWNS

In addition to ongoing maintenance during production, BillerudKorsnäs' production units normally also require more extensive maintenance at some time during the year. Maintenance requires the production of pulp, paper and board to stop. The principal cost items in a maintenance shutdown are loss of volumes arising from the shutdown and fixed costs, mainly maintenance and overtime costs, as well as a certain portion of variable costs including higher consumption of electricity and wood when production is restarted. The effects of shutdowns on earnings vary depending on the extent of the measures carried out, their nature and the actual length of the shutdown. The estimated cost of shutdown involves an assessment of the impact on earnings of a normal shutdown compared with a quarter during which no periodic maintenance shutdown takes place.

In the third quarter of 2019 planned maintenance shutdowns were carried out at Gruvön and Karlsborg. The total cost amounted to approximately SEK 194 million, which was SEK 16 million less than estimated.

ESTIMATED MAINTENANCE SHUTDOWN COST

Production units	Estimated shutdown cost ¹	Estimated breakdown of shutdown cost by division			Planned dates of maintenance shutdown		
	SEKm	Division Board	Division Paper	Division Solution	2019	2018	2017
Gävle	~ 150	100%			Q2	Q3	Q3
Gruvön	~ 155	~ 95%	~ 2%	~ 3%	Q3	Q2	Q2
Frövi	~ 110	100%			Q4	Q4	Q4
Skärblacka	~ 150	~ 15%	~ 85%		Q2	Q2	Q2
Karlsborg	~ 55		~ 98%	~ 2%	Q3	Q3	Q3
Pietarsaari	~ 15		100%		-	Q4	Q2
Rockhammar	~ 15	100%			Q4	Q4	Q4

¹Maintenance shutdowns at Beetham have an insignificant effect on BillerudKorsnäs' total earnings.

Definitions

ADJUSTED KEY FIGURES

Adjusted key figures on EBITDA, Operating profit, Return on capital employed and Earnings per share provide a better understanding of the underlying business performance and enhance comparability from period to period, when the effect of items affecting comparability are adjusted for. Items affecting comparability can include additional project costs for major projects, major restructuring/write-downs, litigations, specific impact due to strategic decisions, and significant earnings effects from acquisition and disposals.

ADJUSTED EBITDA

Operating profit before depreciation and amortisation adjusted for items affecting comparability.

ADJUSTED EARNINGS PER SHARE

Earnings per share adjusted for items affecting comparability after tax attributable to owners of the parent company.

ADJUSTED OPERATING PROFIT

Operating profit adjusted for items affecting comparability.

CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities, non-interest bearing provisions and interest-bearing assets. The measure is used to quantify the net total assets used in the operating business, and is used as a component in measuring operating profitability.

EARNINGS PER SHARE

Profit for the period, attributable to owners of the parent, divided by the average number of shares in the market.

EQUITY

Equity at the end of the period.

EBITDA

Operating profit before depreciation and amortisation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation). EBITDA is a measure of operating performance. It is a profit measure that is close to the cash flow from operating activities.

EBITDA, %

Operating profit before depreciation (EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation) as a percentage of net sales. The measure is used in business review as well as for benchmarking with peer companies.

INTEREST-BEARING NET DEBT

Interest-bearing provisions and liabilities less interest-bearing assets. The measure is used to quantify the debt financing, taken the amount of financial assets into account. The measure is used as a component in measuring financial risk.

INTEREST-BEARING NET DEBT/ EBITDA

Interest bearing net debt at the end of the period divided by EBITDA for the last twelve months. The measure shows the size of the interest-bearing net debt compared to the repayment capacity. A higher (lower) ratio indicates a higher (lower) risk.

INTEREST-BEARING NET DEBT/ADJUSTED EBITDA

Interest bearing net debt at the end of the period divided by EBITDA for the last twelve months adjusted for items affecting comparability.

NET DEBT/EQUITY RATIO

Interest-bearing net debt divided by equity. The ratio shows the mix between interest-bearing net debt and equity financing. A higher ratio means higher financial leverage and may have positive effects on return on equity, but imply a higher financial risk.

OPERATING CASH FLOW BEFORE STRATEGIC INVESTMENTS

Cash flow from the operating and investing activities, excluding strategic investments, acquisition and sale of subsidiaries. The measure shows cash flow generated in the operating business, which provides the amount of cash flows available to repay debt, make strategic investments and pay dividends to the shareholders.

OPERATING MARGIN

Operating profit as a percentage of net sales. Operating margin shows the percentage of revenue remaining as operating profit after deducting all operating expenses. The measure is used in business review as well as for benchmarking with peer companies.

RETURN ON CAPITAL EMPLOYED (ROCE)

Operating profit calculated over 12 months as a percentage of average capital employed calculated per quarter. The return on capital employed is a measure that shows how effectively total net operating assets are used in order to generate return in the operating business. The measure takes capital invested in the operating activities into account and is used in business review and benchmarking with peer companies.

RETURN ON EQUITY

Profit calculated over 12 months, attributable to owners of the parent company, as a percentage of average shareholders' equity calculated per quarter, attributable to owners of the parent company. The measure represents total profitability compared to the equity invested by the parent company's shareholders.

WORKING CAPITAL

Inventories, accounts receivables and other operating receivables less accounts payables and other operating liabilities. The measure shows the amount of current net assets that is tied up in the business. Together with non-current assets, working capital constitutes the operating capital employed to generate operating returns.

WORKING CAPITAL AS PERCENTAGE OF NET SALES

Average working capital for the last three months, divided by annual net sales at year end or annualised net sales during interim-quarter (net sales for the quarter multiplied by four). Working capital in relation to net sales shows how effectively the working capital is used. A lower percentage means less capital is tied up to generate a given amount of revenue, and an increased ability to internally finance growth and return to shareholders.



Parent company

SUMMARISED INCOME STATEMENT

SEKm	Quarter		Jan-Sep		Full Year
	Q3 -19	Q3 -18	2019	2018	2018
Operating income*	80	-8	204	165	150
Operating expenses	-96	-154	-356	-449	-608
Operating profit/loss	-16	-162	-152	-284	-458
Financial income and expenses	-40	-13	-134	-162	-340
Profit/Loss after financial income and expenses	-56	-175	-286	-446	-798
Appropriations	-	-	-	-	756
Profit/loss before tax	-56	-175	-286	-446	-42
Taxes	11	41	60	89	-31
Net profit/loss for the period	-45	-134	-226	-357	-73

SUMMARISED BALANCE SHEET

SEKm	30 Sep	30 Sep	31 Dec
	2019	2018	2018
Non-current assets	10 666	10 743	10 678
Current assets	18 460	10 105	12 575
Total assets	29 126	20 848	23 253
Shareholders' equity	6 147	7 011	7 256
Untaxed reserves	1 526	1 586	1 526
Provisions	216	259	235
Liabilities	21 237	11 992	14 236
Total equity and liabilities	29 126	20 848	23 253

*Includes Currency hedging, etc.

QUARTERLY DATA

The Group's business is managed and reported according to BillerudKorsnäs' three divisions. Other includes results from wood supply, Nine AB (until Q4-17), Scandfibre Logistics AB, rental operations, tech centres, logistics, parts of strategic and project purchasing, dormant logistics companies, income from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also includes Group-wide functions, Group eliminations (including IFRS 16) and profit/loss from participation in associated companies. Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of trade receivables and payments from customers. The portion of the currency exposure that relates to changes in exchange rates for invoicing is included in the Division's profit/loss.

Quarterly net sales per division and for the Group

SEKm	2019			2018			2017	2019	2018	
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	3 279	3 463	3 536	3 178	3 268	3 079	3 154	2 950	10 278	9 501
Division Paper	1 932	2 129	2 305	2 048	2 244	2 127	2 104	1 980	6 366	6 475
Division Solutions	266	268	206	257	256	279	188	225	740	723
Other	376	471	485	436	383	451	449	383	1 332	1 283
Currency hedging, etc.	-20	-38	-28	-76	-97	-38	2	27	-86	-133
Total Group	5 833	6 293	6 504	5 843	6 054	5 898	5 897	5 565	18 630	17 849

Quarterly EBITDA per division and for the Group

SEKm	2019			2018			2017	2019	2018	
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	384	399	683	629	608	474	745	662	1 466	1 827
Division Paper	268	242	466	359	431	298	428	360	976	1 157
Division Solutions	17	15	13	14	-7	10	-3	-27	45	-
Other	-14	-39	-112	-133	-53	-540	-107	-97	-165	-700
Currency hedging, etc.	-20	-38	-28	-75	-98	-39	2	25	-86	-135
Total Group	635	579	1 022	794	881	203	1 065	923	2 236	2 149

Quarterly EBITDA margin per division and for the Group

%	2019			2018			2017	2019	2018	
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	12	12	19	20	19	15	24	22	14	19
Division Paper	14	11	20	18	19	14	20	18	15	18
Division Solutions	6	6	6	5	-3	4	-2	-12	6	-
Group	11	9	16	14	15	3	18	17	12	12

Adjusted quarterly EBITDA, including maintenance shutdowns, per division and for the Group

SEKm	2019			2018			2017	2019	2018	
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	521	567	683	763	757	658	745	777	1 771	2 160
Division Paper	324	382	466	373	490	515	428	387	1 172	1 433
Division Solutions	18	15	13	14	-7	10	-3	-27	46	-
Other	-10	-79	-99	-117	-41	-72	-70	-72	-188	-183
Currency hedging, etc.	-20	-38	-28	-75	-98	-39	2	25	-86	-135
Total Group	833	847	1 035	958	1 101	1 072	1 102	1 090	2 715	3 275
Costs for maint. shutdowns	-194	-308	-	-148	-208	-401	-	-140	-502	-609
Items affecting comparability	-4	40	-13	-16	-12	-468	-37	-27	23	-517
EBITDA	635	579	1 022	794	881	203	1 065	923	2 236	2 149

Adjusted quarterly EBITDA margin, including maintenance shutdowns, per division and for the Group

%	2019			2018			2017	2019	2018	
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	16	16	19	24	23	21	24	26	17	23
Division Paper	17	18	20	18	22	24	20	20	18	22
Division Solutions	7	6	6	5	-3	4	-2	-12	6	-
Total Group	14	13	16	16	18	18	19	20	15	18



Quarterly operating profit/loss, per division and for the group

SEKm	2019			2018				2017	2019	2018
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	41	155	441	383	367	225	494	413	637	1 086
Division Paper	157	132	356	248	320	191	331	258	645	842
Division Solutions	13	14	11	11	-10	7	-7	-32	38	-10
Other	-42	-69	-140	-152	-67	-558	-143	-143	-251	-768
Currency hedging, etc.	-20	-38	-28	-76	-97	-39	2	25	-86	-134
Total Group	149	194	640	414	513	-174	677	521	983	1 016

Quarterly operating margin per division and for the group

%	2019			2018				2017	2019	2018
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	1	4	12	12	11	7	16	14	6	11
Division Paper	8	6	15	12	14	9	16	13	10	13
Division Solutions	5	5	5	4	-4	3	-4	-14	5	-1
Total Group	3	3	10	7	8	-3	11	9	5	6

Quarterly sales volumes per division

ktonnes	2019			2018				2017	2019	2018
	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Jan-Sep	Jan-Sep
Division Board	448	457	454	426	437	417	440	420	1 359	1 294
Division Paper	221	223	233	214	243	233	251	253	677	727
Other	-10	-4	-6	-4	-5	-6	-5	-7	-20	-16
Total Group	659	676	681	636	675	644	686	666	2 016	2 005

This is BillerudKorsnäs

BillerudKorsnäs' mission is to **challenge conventional packaging for a sustainable future**. As one of the world's leading suppliers of innovative packaging solutions and high-quality packaging material based on renewable raw material, sustainability forms the foundation for continued profitable growth. Our wood raw material comes from sustainable managed forests and manufacturing takes place at resource-efficient, integrated production units.

Our customers are packaging manufacturers, brand owners and large retail and supermarket chains. Through close collaboration with customers and partners all over the world, we are able to offer a customised and broad product portfolio that features a high degree of innovation and a clear sustainability focus.

Demand is driven by global megatrends, particularly a significantly greater awareness of sustainability, rising urbanisation and changing consumption patterns. Consumer segments, primarily food and beverages, account for more than three-quarters of sales. While Europe is the core market, BillerudKorsnäs is gradually strengthening its presence in the leading growth markets of Asia, as well as in the Americas.

Innovative packaging solutions and renewable packaging materials from BillerudKorsnäs reduce the impact on the climate, cut the use of resources along the whole value chain and contribute to a sustainable future.

BUSINESS MODEL

Our business model is based on high-performance materials from forests in the north, advice, service and the collective knowledge held by a global network of machine suppliers, packaging manufacturers, researchers and design agencies. Innovative and sustainable packaging solutions are developed in close collaboration with customers all over the world that demand the highest standards of quality, performance and sustainability.

STRATEGIC FOCUS

BillerudKorsnäs' overall objective is sustainable and profitable growth. Our strategy is based on four priorities: **Drive performance, Drive profitable growth by creating customer value, Accelerate speed in innovation and Expand our solutions business**. In addition we view our employees as our most important resource in terms of driving change and realising our strategy and vision.

VALUE DRIVERS

- Smarter packaging solutions that optimise our customers' offering.
- High-performance materials based on renewable raw material from responsibly managed forests.
- Leading position in the growing global packaging market.
- A sustainability-focused holistic approach to the entire packaging value chain, from raw material all the way to the end-customer and recycling.

Find out more at billerudkorsnas.com

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