



BILLERUDKORSNÄS

Year-end report January–December 2019

Stable net sales in a tougher market



KEY HIGHLIGHTS

- Strong net profit for the year and proposed increased dividend as a result of the successful divestment of Bergvik Skog Öst.
- Fourth quarter sales volume growth offset by negative changes in pricing and mix due to weaker market conditions.
- KM7 start-up impact in the fourth quarter in line with expectations.

QUARTERLY DATA

- Net sales were flat and amounted to SEK 5 815 million (5 843).
- Adjusted EBITDA* was SEK 618 million (810), negatively affected by KM7 start-up effects of around SEK 170 million.
- Operating profit was SEK 103 million (414).
- Net profit was SEK 333 million (309), including dividend from Bergvik Skog AB of SEK 244 million and profit from discontinued operations of SEK 50 million.
- Earnings per share amounted to SEK 1.61 (1.49).
- The Board of Directors proposes an ordinary dividend of SEK 4.30 (4.30) per share and an extra dividend of SEK 4.30 (–). The Board also proposes that mandate is obtained for repurchase of shares.

Q1 OUTLOOK

- Stable demand for liquid packaging board and cartonboard.
- Somewhat uncertain market conditions for containerboard, but expected to stabilize.
- For sack and kraft paper market conditions are expected to remain weak throughout the first quarter.
- The total cost of fibre expected to be reduced due to lower pulpwood prices.

KEY FIGURES*

SEKm	Q4			Jan-Dec		
	2019	2018	Change	2019	2018	Change
Net sales	5 815	5 843	0%	24 445	23 692	3%
Adjusted EBITDA**	618	810	-24%	2 831	3 476	-19%
Operating profit	103	414	-75%	1 086	1 430	-24%
Adjusted operating profit	127	443	-71%	1 087	2 021	-46%
Net profit	333	309		6 720	1 037	
Adjusted EBITDA, %	11%	14%		12%	15%	
Adjusted operating profit margin, %	2%	8%		4%	9%	
Adjusted ROCE, %	4%	9%		4%	9%	
Operating cash flow before strategic investments	728	-68		1 057	1 436	-26%
Net debt/adjusted EBITDA**, multiple	1.9	2.7		1.9	2.7	

*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 27 million in the fourth quarter 2019 and by SEK 109 million in 2019, compared with if IAS 17 were used, see note 1 on page 17.

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COMMENTS BY CEO



SEK 5 815 million

Net sales

SEK 618 million

Adjusted EBITDA

11%

Adjusted EBITDA margin

The year 2019 has in many ways been a challenging year. Since the summer the market has weakened considerably for several of our products, particularly for sack paper where both prices and volumes have dropped drastically. On the positive side liquid packaging board and cartonboard are holding up nicely and the downward trend for sack papers appears to have flattened out and stabilized.

In the fourth quarter sales volumes increased, but were offset by negative pricing and mix effects. Division Board delivered strong sales growth, while Division Paper continued to be under pressure and declined. Fourth quarter earnings were in addition to the weaker market also negatively impacted by start-up effects of the new board machine at Gruvön, KM7, of around SEK 170 million, which was in line with expectations. The ramp-up is proceeding and until the end of December the machine had produced more than 90 ktonnes of liner and cupstock.

A key event during the year was the successful divestment of Bergvik Skog Öst, which has resulted in a strong net profit and a solid balance sheet. After a period of heavy investments in capacity additions and upgrades the level of investments at our mills can be expected to be substantially lower for a period of time compared to the past couple of years. Against this context, the Board of Directors proposes an extra dividend of SEK 4.30 per share and in total a dividend of SEK 8.60 per share, a doubling of last years' dividend level. The Board also proposes that authorization is obtained to repurchase own shares.

For 2020 we expect continued challenges and act accordingly. The cost and efficiency programme is running according to plan and is expected to result in savings of SEK 250 million in 2020. We also start to see some positive effects from decreasing wood prices, but we take a cautious stance since the warm and wet winter might cause some accessibility problems during the spring.

The ramp-up of KM7 is our number one priority for 2020. We recognize that we are somewhat behind our plan and have the ambition to catch up during the year. The share of prime grades and higher value products is expected to increase at an accelerating rate over the year. The first volumes of coated grades have been produced in the first quarter and our expectation is to initiate a process to certify material for liquid packaging board and cartonboard in the second quarter. Our present assessment is that the start-up of KM7 will impact EBITDA in 2020 negatively by SEK 150-350 million, primarily during the first half of the year.

BillerudKorsnäs has a historic opportunity to capture the increasing demand for sustainable packaging and the development is very much in our own hands. Over the next years we will focus on optimizing the use of the company's assets leveraging recent investments with the objective to return to an EBITDA margin above 17%. Profitability is to be strengthened by maximizing customer value, reducing cost and improving efficiency and production output. We realize that 2020 will be a very challenging but also exciting year where focus is on execution to capture the potential in our business.

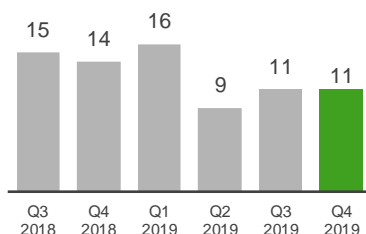
Lennart Holm
Acting President and CEO

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 fourth quarter were at the same level as for the previous year and amounted to SEK 5 815 million (5 843). Positive currency effects and higher sales volumes were offset by reduced prices as well as mix impact of the start-up of the new board machine at Gruvön. Net sales for the quarter were positively impacted by currency effects of 3%.

Adjusted EBITDA decreased to SEK 618 million (810), negatively affected by KM7 start-up effects of approximately SEK 170 million as well as reduced sales prices. Lower fibre costs, cost savings and currency effects had a positive impact.

The implementation of IFRS 16 affected adjusted EBITDA positively by SEK 27 million in the fourth quarter, see note 1.

Costs affecting comparability, reported in Other, amounted to a net amount of SEK 24 million (29) and included restructuring costs related to management severance pay as well as costs for the new board machine at Gruvön.

MARKET DEVELOPMENT AND OUTLOOK

The markets for liquid packaging board and cartonboard were stable in the fourth quarter, while uncertainty in the global containerboard market increased. The markets for sack and kraft paper weakened but price reductions for brown sack flattened out. The market pulp price index (PIX) declined from USD 850 at the end of September to USD 820 at the end of December.

For the next quarter, the demand in BillerudKorsnäs' segments in liquid packaging board and cartonboard is expected to be stable. For containerboard somewhat uncertain but stabilized market conditions are expected. For sack and kraft paper market conditions are expected to remain weak for the first quarter.

EVENTS IN THE QUARTER

On 4 November, The Board of Directors appointed Lennart Holm as acting CEO. Lennart Holm has been a Board member of BillerudKorsnäs since 2012 and has been Chairman since 2014. Petra Einarsson left as CEO with immediate effect and the work to recruit a permanent CEO has started. As Lennart Holm assumed the role of acting CEO, the Board appointed Jan Åström as Chairman of the Board.

On 3 October, the new board machine at Gruvön, KM7, was officially opened with a well-visited inauguration ceremony.

Malin Ljung Eiborn was appointed EVP Sustainability and joined the Executive Leadership Team from 1 October 2019. Malin Ljung Eiborn was previously Director of Sustainability and Public Affairs at BillerudKorsnäs.

Paboco®, the joint venture between BillerudKorsnäs and ALPLA, presented in October the paper bottle community, a group of brands including Coca-Cola, Absolut, Carlsberg and L'Oréal.

BillerudKorsnäs announced a partnership with SKF at the Karlsborg mill, whereby real time data from a system with 480 connected monitoring points will be analyzed. This will enable smarter and faster decision-making to reduce maintenance costs and improve production output and sustainability performance.

In December, BillerudKorsnäs launched Repel Pure, a machine glazed kraft paper for food packaging, where the grease-resistant barrier is plant-based. Repel Pure can replace grease resistant paper products treated by a high-fluorinated chemical and is good for the environment as its barrier is completely degradable.

EVENTS AFTER THE QUARTER

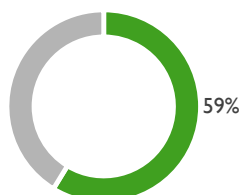
For the sixth consecutive year, BillerudKorsnäs received in January the highest rating level in EcoVadis assessment of how well a company has integrated the principles of CSR into their business and management system. The evaluation shows that BillerudKorsnäs scores high in environmental and supply chain work, where one example is the company's commitment to reduce carbon emissions in line with the Paris Agreement.



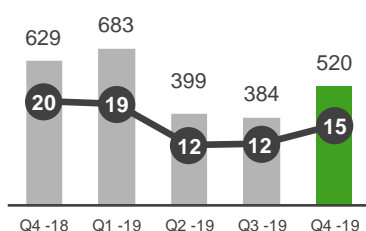
Division Board

Continued ramp-up of our new, highly automated and flexible board machine at Gruvön. The next step is to start producing coated material in the first quarter.

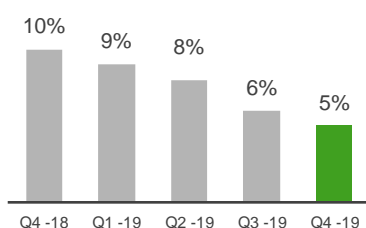
Share of Group's net sales for Q4 2019



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		Full year	
	Q4 -19	Q4 -18	2019	2018
Net sales	3 414	3 178	13 692	12 679
of which liquid packaging board	1 972	1 698	7 583	7 154
of which cartonboard	351	306	1 467	1 279
of which fluting & liner	878	989	3 626	3 412
Net operating expenses, other	-2 894	-2 549	-11 706	-10 223
EBITDA	520	629	1 986	2 456
EBITDA, %	15%	20%	15%	19%
Operating profit/loss	174	383	811	1 469
Operating margin, %	5%	12%	6%	12%
ROCE, %	5%	10%	5%	10%
Sales volumes, ktonnes	456	426	1 815	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 fourth quarter increased by 7% to SEK 3 414 million (3 178) as a result of a positive currency impact and higher sales volumes.

EBITDA decreased to SEK 520 million (629), negatively impacted by KM7 start-up effects attributable to a negative change in product mix due to high portion of pulp and second grade liner for containerboard.

See pages 8-9 for more information about KM7.

MARKET DEVELOPMENT AND OUTLOOK

The market situation was stable for liquid packaging board and cartonboard during the fourth quarter, but the market for containerboard was weaker. Price reductions continued mainly for recycled grades and brown kraftliner, and to a certain extent also for BillerudKorsnäs' product segments white kraftliner and semi-chemical fluting.

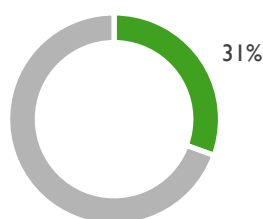
For the next quarter, market conditions for liquid packaging board and cartonboard are expected to remain stable. For containerboard uncertain but stabilized market conditions are expected.



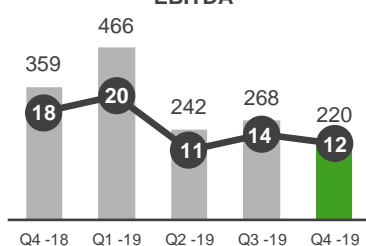
Division Paper

With continued weak demand we adapt our production and focus on efficiency measures. Emphasis is put on maximising customer value and adding new applications.

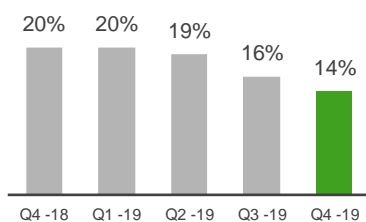
Share of Group's net sales
Q4 2019



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*

SEK m	Quarter		Full year	
	Q4 -19	Q4 -18	2019	2018
Net sales	1 776	2 048	8 142	8 523
of which sack paper	537	795	2 918	3 279
of which kraft paper	859	846	3 504	3 586
Net operating expenses, other	-1 556	-1 689	-6 946	-7 007
EBITDA	220	359	1 196	1 516
EBITDA, %	12%	18%	15%	18%
Operating profit/loss	107	248	752	1 090
Operating margin, %	6%	12%	9%	13%
ROCE, %	14%	20%	14%	20%
Sales volumes, ktonnes	205	214	882	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 fourth quarter declined by 13% to SEK 1 776 million (2 048). The decline was driven by lower prices and reduced volumes combined with a less favourable product mix. The decline in volumes was mainly related to the weak market.

EBITDA decreased to SEK 220 million (359), mainly as a result of reduced prices in sack paper and pulp, lower volumes and an unfavourable product mix, offset only partly by positive currency effects and lower raw material prices.

MARKET DEVELOPMENT AND OUTLOOK

Market conditions in the fourth quarter remained challenging for sack paper, both on demand and pricing, while demand for kraft paper was more stable. Demand for brown sack paper recuperated somewhat during the end of the quarter.

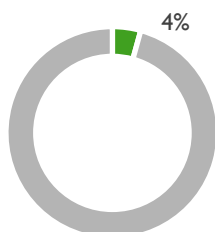
For the next quarter, the markets for sack and kraft paper are expected to be under pressure.



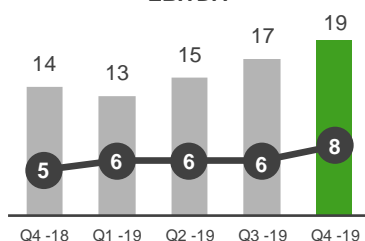
Division Solutions

FibreForm® sales increased and fourth quarter earnings improved. Focus going forward is growth in selected market segments and optimizing the customer portfolio.

Share of Group's net sales
Q4 2019



EBITDA



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.

KEY FIGURES*

SEKm	Quarter		Full year	
	Q4 -19	Q4 -18	2019	2018
Net sales	250	257	990	980
of which Managed Packaging	205	224	822	839
of which Solutions Other	45	33	168	141
Net operating expenses, other	-231	-243	-926	-966
EBITDA	19	14	64	14
EBITDA, %	8%	5%	6%	1%
Operating profit/loss	16	11	54	1
Operating margin, %	6%	4%	5%	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.

RESULTS

Net sales for the fourth quarter declined by 3% to SEK 250 million (257), primarily as a result of lower sales volumes in Managed Packaging, partly countered by higher sales in Other Solutions where growth is supported by higher demand and new customers for FibreForm.

EBITDA increased to SEK 19 million (14), mainly related to an improved sales mix.

MARKET DEVELOPMENT AND OUTLOOK

The market for Division Solutions' products and services remained stable during the fourth quarter. Demand from Managed Packaging's active customers has weakened somewhat on the back of increased macroeconomic uncertainty, compensated by increased interest for Other Solutions. Customers to Managed Packaging 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.

The market potential for Division Solutions offering continues to be significant and the sales pipeline continues to support growth.



Other operations

Net sales for Other in the fourth quarter 2019 amounted to SEK 447 million (436) and comprised of sales of fibre and related services to third parties.

Adjusted EBITDA for Other was SEK -68 million (-117) and the improvement was a result of re-allocation between central and divisional activities as well as certain non-recurring items.

January–December, consolidated

SALES AND RESULTS

Net sales for the period January–December 2019 increased by 3% to SEK 24 445 million (23 692), mainly as a result of positive currency effects but also due to a marginal price increase. The positive currency impact on net sales was 3%. Net sales increased in Division Board and Division Solutions but decreased in Division Paper.

Adjusted EBITDA decreased to SEK 2 831 million (3 476). Higher costs for raw materials, KM7 start-up effects of approximately SEK 640 million and the impact from lost production volumes were partly offset by increased sales volumes, positive currency effects and cost savings.

The implementation of IFRS 16 affected adjusted EBITDA positively by SEK 109 million during 2019, see note 1.

Costs affecting comparability amounted to SEK 1 million (591) and were reported under Other.

Net profit amounted to SEK 6 720 million (1 037) and included result from discontinued operations of SEK 5 709 million as well as dividend from Bergvik Skog AB of SEK 352 million as a result of the divestment of Bergvik Skog Öst. Earnings per share amounted to SEK 32.50 (5.01),

Cash flow and financial position

SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter		Jan-Dec	
	Q4 -19	Q4 -18	2019	2018
Operating surplus, etc.	669	770	2 674	3 219
Change in working capital, etc.	237	-349	-463	-267
Net financial items, taxes, etc.	154	-154	108	-450
Cash flow from operating activities	1 060	267	2 319	2 502
Current net investments, excluding strategic investments	-332	-335	-1 262	-1 066
Operating cash flow, before strategic investments	728	-68	1 057	1 436

Operating cash flow before strategic investments amounted to SEK 728 million (-68) for the fourth quarter and SEK 1 057 million (1 436) for 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 31 December 2019, interest-bearing debt amounted to SEK 7 842 million (9 024). Interest-bearing debt decreased by SEK 1 097 million compared with the previous quarter mainly due to the re-payment of term loan and the re-payment of commercial papers maturing during the quarter.

Debt portfolio and maturity profile at 31 December 2019

Loan	Limit, SEKm	Maturity, years			Total utilised
		0-1	1-2	2-	
Syndicated credit facilities	5 500				-
Term loans		93	93	2 956	3 142
Bond loans within MTN program	7 000	400	800	3 500	4 700
Commercial paper	4 000				-
Group total		493	893	6 456	7 842

Interest-bearing net debt at 31 December 2019 amounted to SEK 5 476 million (9 333).

The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 1.9 (3.2). The ratio of net interest-bearing debt to adjusted EBITDA was 1.9 (2.7).

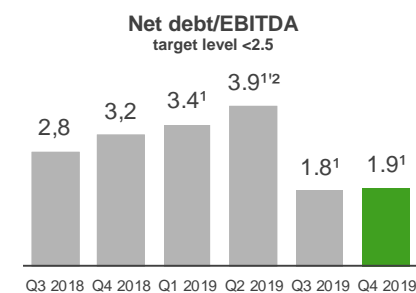
The implementation of IFRS16 from 1 January 2019 increased interest-bearing liabilities by SEK 233 million at 31 December 2019, of which short-term liabilities accounted for SEK 89 million and long-term liabilities SEK 144 million. The impact on the ratio of net debt to EBITDA is 0.0 compared with IAS 17.

INVESTMENTS AND CAPITAL EMPLOYED

Gross investments amounted to SEK 628 million (1 033) for the fourth quarter and SEK 2 926 million (5 142) for 2019. A large part of the investments was related to the new board machine at Gruvön.

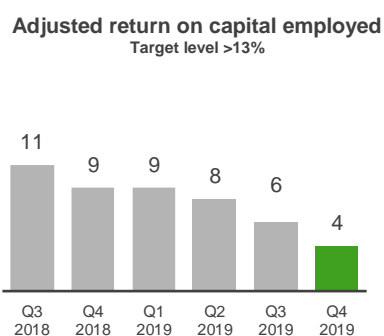
Capital employed at 31 December 2019 amounted to SEK 24 938 million (23 687). Return on capital employed (ROCE) for the last 12-month period, amounted to 4% (7%). ROCE calculated using adjusted operating profit amounted to 4% (9%).

Return on equity was 41% (7%). The increase in the return on equity was due to the sale of Bergvik Skog Öst AB.



¹Including lease liabilities according to IFRS16

²Excluding discontinued operations



Next generation programme (KM7)

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. Test runs of the 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 begin in the first quarter of 2020. The machine's production capacity will be increased over the course of the ramp-up process.

Three older machines at Gruvön were 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 impacted EBITDA in 2019 by approximately SEK 640 million, whereof about two thirds in division Board and about one third in division Paper.

The start-up effect of KM7 in 2020 is assessed to be in the interval of SEK 150-350 million and the major part of the impact is expected during the first half of the year. From 2021, the KM7 investment will have a positive effect on earnings.

Total and final investments related to KM7, during the period from 2016 to 2020, will amount to around SEK 7 950 million, whereof SEK 1 637 million was recorded in 2019. This final investment amount includes a deduction of approximately SEK 200 million, relating to withheld payments to a supplier in the project. The supplier has raised claims against BillerudKorsnäs for the withheld payments. BillerudKorsnäs has raised claims against the supplier exceeding the withheld payments. The dispute will be tried in legal proceedings. Out of the total final investment amount of approximately SEK 7 950 million, the last approximately SEK 190 million will be paid during 2020.

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 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 7.7 billion and a capital gain of approximately SEK 5.7 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.

Cost and efficiency programme

To ensure long-term efficiency and profitability BillerudKorsnäs introduced a cost and efficiency programme in the third quarter 2019. Measures include personnel reductions, purchasing savings and efficiency improvements throughout the business. The programme is expected to have a run-rate of approximately SEK 600



million by the end of 2021, of which approximately SEK 250 million will affect the result in 2020.

The programme is on track and during the fourth quarter 2019 most negotiations with trade unions were completed.

Currency hedging

Currency hedging had a net sales impact of SEK -10 (-84) in the fourth quarter and SEK -231 million (-323) for the full year 2019 (compared with no currency hedging).

Outstanding forward exchange contracts at 31 December 2019 had a market value of SEK 44 million, SEK -13 million of which is the portion of the contracts matched by trade receivables that affected earnings in the fourth quarter. Accordingly, other contracts had a market value of SEK 57 million.

Hedged portion of forecast currency flows* for EUR, USD and GBP and exchange rates against SEK (31 December 2019).

Currency	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Total 15 months
EUR Share of net flow	80%	79%	80%	80%	80%	80%
Rate	10.25	10.44	10.72	10.75	10.70	10.60
USD Share of net flow	65%	65%	65%	65%	53%	62%
Rate	9.08	9.13	9.27	9.42	9.32	9.24
GBP Share of net flow	28%	-	-	-	-	6%
Rate	12.28	-	-	-	-	12.12
Market value of currency contracts**	-18	-6	18	31	19	44

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

**At 31 December 2019.

Taxes

The tax cost for 2019 amounted to SEK 254 million (304), equal to approximately 20% (23%) of profit before tax.

Parent company

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

Operating profit/loss for 2019 was SEK -321 million (-458). The operating loss includes 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 -231 million (-323) for 2019.

The average number of employees at 31 December 2019 was 132 (115).

Cash and bank balances, and short-term investments amounted to SEK 3 360 million (292).



Sustainability

Sustainability KPIs, rolling 12 months (R12M)

	Q4 -19	Q3 -19	2020 target
Energy efficiency ¹	5.32	5.31	<5,10
Fossil-free production ²	37.5	37.0	<25,0
Gender equality ³	23.5	23.3	>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 2019 amounted to 37.5 kg/tonne and was negatively affected by production stops. Energy consumption was 5.32 MWh/tonne during the same period.

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 23.5% during 2019.

QUARTERLY HIGHLIGHTS

A life cycle assessment study for BillerudKorsnäs' innovative paper FibreForm® received a lot of attention. The study, performed by Research Institutes of Sweden (RISE), shows that a tray for food packaging made from FibreForm has up to 71% less global warming impact compared with food trays made of plastics.

Five packaging companies; BillerudKorsnäs, Elopak, SIG Combibloc, Stora Enso and Tetra Pak, have formed a network to jointly pursue sustainability issues at a global level. Through the organization Global Recycling Alliance for Beverage Carton and the Environment (GRACE) the packaging companies will drive important issues, especially recycling, for the liquid packaging board industry.

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 holding of treasury shares was unchanged during the second half of 2019. At 31 December 2019 the number of treasury shares amounted to 1 430 062, which corresponds to approximately 0.7% of the total amount of shares. The total amount of shares in BillerudKorsnäs is 208 219 834.

Proposed dividend

For the 2019 fiscal year, the Board of Directors proposes an ordinary dividend of SEK 4.30 per share (4.30) and an extra dividend of SEK 4.30 per share (–) to be paid in one instalment. The proposal entails a total share dividend of approximately SEK 1 780 million, corresponding to approximately 26% of net profit for the year.



The proposed record day is 7 May, which means that the final day for trading in BillerudKorsnäs shares including the right to a dividend is 5 May.

Proposal for mandate to buy back and transfer shares

On the back of the successful Bergvik Skog Öst transaction, the Board decided to propose additional measures for returning excess capital to the shareholders and to optimize the capital structure of BillerudKorsnäs. The Board has therefore decided to propose to the AGM 2020 that the Board be mandated to decide on the acquisition of own shares via Nasdaq Stockholm to an extent that the company's treasury holding does not at any time exceed 10% of all the shares in the company.

The Board also decided to propose that it be mandated by the AGM 2020 to up until the next AGM make decisions to transfer or cancel the company's own shares that are not needed to fulfill the company's long term share based incentive programs.

Annual General Meeting

The Annual General Meeting will be held at Norra Latin, Stockholm City Conference Center, in Stockholm on 5 May 2020 at 15:00.

A notice convening the Annual General Meeting with further details on how and when to provide notification of participation will be published on BillerudKorsnäs' webpage, in Svenska Dagbladet and in Post- och Inrikes Tidningar in advance of the Meeting.

The Annual Report for 2019 is planned to be published on the company's website on 8 April 2020.

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 2019 the Group's net sales exposed to Brexit amount to approximately SEK 1 250 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

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, 29 January 2020

BillerudKorsnäs AB (publ)

Lennart Holm
Acting 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. The report has not been reviewed by the company's auditors.



SUMMARISED INCOME STATEMENT

SEKm	Quarter			Full year	
	Q4 -19	Q3 -19	Q4 -18	2019	2018
Net sales	5 815	5 833	5 843	24 445	23 692
Other income	59	37	66	169	230
Operating income	5 874	5 870	5 909	24 614	23 922
Change in inventories	182	-140	430	-169	633
Raw materials and consumables	-3 228	-3 043	-3 292	-12 887	-12 556
Other external costs	-1 313	-1 247	-1 342	-5 061	-5 473
Employee benefits expense	-912	-799	-911	-3 650	-3 595
Depreciation and impairment of non-current assets	-491	-486	-380	-1 744	-1 513
Profit/Loss from participations in associated companies	-9	-6	-	-17	12
Operating expenses	-5 771	-5 721	-5 495	-23 528	-22 492
Operating profit/loss	103	149	414	1 086	1 430
Financial income and expenses*	211	-48	13	179	-89
Profit/Loss before tax	314	101	427	1 265	1 341
Taxes	-31	-24	-118	-254	-304
Profit/Loss from continuing operations	283	77	309	1 011	1 037
Discontinued operations					
Profit/loss from discontinued operations, net of tax, note 4	50	5 677	-	5 709	-
Profit/loss for the period	333	5 754	309	6 720	1 037
Profit/Loss attributable to:					
Owners of the parent company	333	5 754	309	6 720	1 037
Non-controlling interests	-	-	-	-	-
Net profit/loss for the period	333	5 754	309	6 720	1 037
Earnings per share, SEK	1.61	27.83	1.49	32.50	5.01
Diluted earnings per share, SEK	1.62	27.79	1.49	32.47	5.00

*Includes dividend from Bergvik Skog AB of SEK 244 million in the fourth quarter (0) and SEK 352 million (12) in 2019.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter			Full year	
	Q4 -19	Q3 -19	Q4 -18	2019	2018
Net profit/loss for the period	333	5 754	309	6 720	1 037
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains or losses on defined benefit pension plans	-3	-50	-24	-114	-24
Change in fair value of shareholding in Other Holdings	-244	-29	47	-421	91
Tax attributable to items not to be reclassified to profit or loss	1	10	5	24	5
Total items never reclassified to profit or loss	-246	-69	28	-511	72
Items that have been or may be reclassified subsequently to profit or loss					
Differences arising from the translation of foreign operations' accounts	-30	21	-3	28	60
Change in fair value of cash flow hedges	135	-89	163	-307	376
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	-29	19	-35	65	-80
Total items that have been or may be reclassified subsequently to profit or loss	76	-49	125	-214	356
Total comprehensive income for the period	163	5 636	462	5 995	1 465
Attributable to:					
Owners of the parent company	163	5 636	462	5 995	1 465
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	163	5 636	462	5 995	1 465

SUMMARISED BALANCE SHEET

SEKm	31 Dec 2019	30 Sep 2019	31 Dec 2018
Intangible assets	2 096	2 117	2 185
Property, plant and equipment, including Right of use assets	23 137	23 301	21 429
Other non-current assets	1 205	1 522	1 867
Total non-current assets	26 438	26 940	25 481
Inventories	3 572	3 519	3 633
Accounts receivable	2 408	2 489	2 807
Other current assets	1 056	1 115	1 337
Cash and cash equivalents	3 450	4 523	456
Total current assets	10 486	11 646	8 233
Total assets	36 924	38 586	33 714
Equity attributable to owners of the parent company	19 462	19 298	14 355
Non-controlling interests	-	-	-
Total equity	19 462	19 298	14 355
Interest-bearing liabilities	7 452	8 145	7 130
Provisions for pensions	871	888	784
Other liabilities and provisions	131	166	284
Deferred tax liabilities	3 614	3 546	3 633
Total non-current liabilities	12 068	12 745	11 831
Interest-bearing liabilities	624	1 031	1 894
Accounts payables	2 937	2 804	3 825
Other liabilities and provisions	1 833	2 708	1 809
Total current liabilities	5 394	6 543	7 528
Total equity and liabilities	36 924	38 586	33 714

SUMMARISED STATEMENT OF CHANGES IN EQUITY

SEKm	Full year 2019	Jan-Sep 2019	Full year 2018
Opening balance	14 355	14 355	13 811
Changed accounting principles due to IFRS 16	-5	-5	-
Comprehensive income for the period	5 995	5 832	1 465
Share-based payment to be settled in equity instruments	6	5	10
Buy-back of own shares	-	-	-41
Dividend to owners of the parent company	-889	-889	-890
Closing balance	19 462	19 298	14 355
Equity attributable to:			
Owners of the parent company	19 462	19 298	14 355
Non-controlling interests	-	-	-
Closing balance	19 462	19 298	14 355



SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter			Full year	
	Q4 -19	Q3 -19	Q4 -18	2019	2018
Operating surplus, etc. *	669	576	770	2 674	3 219
Net financial items, taxes, etc.	154	-43	-154	108	-450
Change in working capital, etc.	237	-365	-349	-463	-267
Cash flow from operating activities	1 060	168	267	2 319	2 502
Investments in intangible assets, property, plant and equipment	-577	-629	-1 027	-2 868	-5 120
Acquisition of financial assets / contribution associated companies	-51	-5	-6	-58	-22
Disposal of financial assets / other holdings**	-	7	-	955	5
Sale of subsidiary, Note 4, 5	50	7 658	-1	7 708	-1
Acquisition of subsidiary, Note 3	-	5	-	-3 774	-36
Disposal of property, plant and equipment	-	1	-	8	2
Cash flow from investing activities	-578	7 037	-1 034	1 971	-5 172
Change in interest-bearing receivables	-	-	-	-	-3
Change in interest-bearing liabilities	-1 098	-3 411	893	-421	3 863
Buy-back of own shares	-	-	-41	-	-41
Dividend to owners of the parent company	-444	-	-	-889	-890
Cash flow from financing activities	-1 542	-3 411	852	-1 310	2 929
Total cash flow (=change in cash and cash equivalents)	-1 060	3 794	85	2 980	259
Cash and cash equivalents at start of period	4 523	718	371	456	168
Translation differences in cash and cash equivalents	-13	11	-	14	29
Cash and cash equivalents at the end of the period	3 450	4 523	456	3 450	456

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

*RECONCILIATION OF OPERATING SURPLUS

SEKm	Quarter			Full year	
	Q4 -19	Q3 -19	Q4 -18	2019	2018
Operating profit	103	149	414	1 086	1 430
Reversed depreciation	491	486	380	1 744	1 513
Earnings from associated companies	9	6	-	17	-12
Pension liabilities	-23	-9	-24	-44	-43
Other provisions	-31	-41	-54	-168	136
Unified accounting principles regarding spare parts and consumables	-	-	-	-	177
Net of produced and sold electricity certificates and sold emission rights	103	-46	52	10	2
Incentive programmes	1	2	3	6	10
Sale/Scrapping of fixed assets	16	-1	-	8	35
Discontinued operations	-	30	-	15	-
Revaluation of current holdings related to business combinations	-	-	-	-	-30
Capital gain/loss from sales of business	-	-	1	-	3
Revaluation of biological assets	-	-	-2	-	-2
Operating surplus, etc	669	576	770	2 674	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% was 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 228 million, is presented in the summarised balance sheet at 31 December 2019 as Property, plant and equipment. The lease liability, amounting to SEK 233 million, is presented under Interest-bearing liabilities (current and non-current). An incremental borrowing rate of 1.2% was used to calculate the lease liability. 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 109 million in 2019. Under IFRS 16 depreciation is now accounted for on right-to-use assets amounting to SEK 105 million, as Depreciation and impairment of non-current assets. The interest cost, an amount of SEK 4 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 31 December 2019						
Other shares and participations	-	-	160	-	160	160
Long-term receivables	16	27	-	-	43	43
Accounts receivable	-	2 408	-	-	2 408	2 408
Other receivables	105	407	-	-	512	512
Cash and cash equivalents	-	3 450	-	-	3 450	3 450
Total	121	6 292	160	-	6 573	6 573
Non-current interest-bearing liabilities	-	-	-	7 452	7 452	7 478
Current interest-bearing liabilities	-	-	-	624	624	624
Accounts payables	-	-	-	2 937	2 937	2 937
Other liabilities	33	-	-	285	318	318
Total	33	-	-	11 298	11 331	11 357

	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.

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 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*	5 694
Result from sale, after tax	5 698
Total result from discontinued operation	5 709
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	7 862
Less: Cash and cash equivalents in divested business	-185
Effect on cash and cash equivalents	7 677
*Capital gain	
Consideration received, less selling costs	7 862
Received shares in BSÖ Holding AB	882
Assets sold	-8 341
Liabilities sold	5 291
Capital gain	5 694

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 had thereafter a shareholding in ecoXpac A/S of 44.6%. The remaining shares are owned by the founder family. On 31 December BillerudKorsnäs Venture AB own 46,7%.

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

SEKm	2019
Group	
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 8, seasonal effects on page 25 and events after the end of the quarter on page 3.

KEY FIGURES

	Full year	
	2019	2018
Margins		
EBITDA, %	12	12
Operating margin, %	4	6
Return (rolling 12 months)		
Return on capital employed, %	4	7
Return on equity, %	41	7
Capital structure at end of period		
Capital employed, SEKm	24 938	23 687
Working capital, SEKm	2 159	2 056
Equity attributable to owners of the parent company, SEKm	19 462	14 355
Interest-bearing net debt, SEKm	5 476	9 333
Net debt/equity ratio	0.28	0.65
Interest-bearing net debt / EBITDA, multiple	1.9	3.2
Key figures per share		
Earnings per share, SEK	32.50	5.01
Dividend (for the financial year) per share, SEK	8.60*	4.30
Other key figures		
Working capital as percentage of net sales, %	8	9
Gross investments, SEKm	2 926	5 142
Average number of employees	4 596	4 502

*Board's proposal, whereof ordinary dividend SEK 4.30 and extra dividend of SEK 4.30.



RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

	Quarter			Full year	
	Q4 - 19	Q3 - 19	Q4 - 18	2019	2018
Adjusted EBITDA, SEKm					
Operating profit	103	149	414	1 086	1 430
Depreciation and impairment of non-current assets	491	486	380	1 744	1 513
EBITDA	594	635	794	2 830	2 943
Items affecting comparability	24	4	16	1	533
Adjusted EBITDA	618	639	810	2 831	3 476
Adjusted Operating profit, SEKm					
Operating profit	103	149	414	1 086	1 430
Items affecting comparability	24	4	29	1	591
Adjusted Operating profit	127	153	443	1 087	2 021
Adjusted earnings per share, SEK					
Profit attributed to owners of the parent company, SEKm	333	5 754	309	6 720	1 037
Items affecting comparability, attributed to owners of the parent company, SEKm**	-31	-5 655	23	-5 708	461
Adjusted profit attributed to owners of the parent company, SEKm	302	99	332	1 012	1 498
Weighted number of outstanding shares, thousands	206 790	206 790	206 846	206 761	206 962
Adjusted earnings per share	1.46	0.48	1.61	4.89	7.24
Adjusted Return on capital employed (ROCE), SEKm					
Adjusted Operating profit over 12 months *	1 087	1 404	2 021	1 087	2 021
Average capital employed over 12 months	24 270	23 773	21 530	24 270	21 530
Adjusted Return on capital employed	4%	6%	9%	4%	9%
Interest-bearing net debt / Adjusted EBITDA, multiple					
Interest-bearing net debt	5 476	5 522	9 333	5 476	9 333
Adjusted EBITDA over 12 months*	2 831	3 024	3 476	2 831	3 476
Interest-bearing net debt / Adjusted EBITDA	1.9	1.8	2.7	1.9	2.7
Items affecting comparability, SEKm					
MG Investment in Skärblacka (Operating expenses)	-	-	-	-	3
New board machine in Gruvön - additional costs (Operating expenses)	5	4	18	40	61
New board machine in Gruvön - restructuring (Operating expenses)	-	-30	-10	-50	-10
New board machine in Gruvön - depreciation and impairment of existing non-current assets (Depreciation and Impairment of non-current assets)	-	-	13	-	58
Restructuring (Operating expenses)	19	30	8	49	27
Workplace environment (Operating expenses)	-	-	-	-32	159
Unification of accounting principles - Spare parts and consumables (Operating expenses)	-	-	-	-	177
Acquisition costs Bergvik	-	-	9	-	9
Other (Operating expenses)	-	-	-9	-6	107
Items affecting comparability	24	4	29	1	591

*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.

** Includes adjustment for discontinued operations in Q3 and Q4 2019.



RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (CONT.)

	31 Dec 2019	31 Dec 2018
Capital employed, SEKm		
Total assets	36 923	33 714
Accounts payables	-2 937	-3 825
Other liabilities and provisions	-1 964	-2 094
Deferred tax liabilities	-3 614	-3 633
Interest-bearing non-current assets	-20	-19
Cash and Cash equivalents	-3 450	-456
Capital employed	24 938	23 687
	31 Dec 2019	31 Dec 2018
Working capital, SEKm		
Inventories	3 572	3 633
Accounts receivables	2 408	2 807
Other operating receivables	1 056	1 337
Accounts payables	-2 937	-3 825
Other operating liabilities (excl provisions)	-1 743	-1 683
Tax liabilities	-197	-213
Working capital	2 159	2 056
	31 Dec 2019	31 Dec 2018
Interest-bearing net debt, SEKm		
Interest bearing provisions	871	784
Interest bearing non-current liabilities	7 452	7 130
Interest bearing current liabilities	623	1 894
Interest-bearing non-current assets	-20	-19
Cash and Cash equivalents	-3 450	-456
Interest-bearing net debt	5 476	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 fourth quarter of 2019 planned maintenance shutdowns were carried out at Frövi and Rockhammar. The total cost amounted to approximately SEK 126 million, which was almost in line with estimated cost.

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	2020	2019	2018
Gävle	~ 150	100%			Q2	Q2	Q3
Gruvön	~ 155	~ 95%	~ 2%	~ 3%	Q1	Q3	Q2
Frövi	~ 110	100%			Q4	Q4	Q4
Skärblacka	~ 150	~ 10%	~ 90%		Q2	Q2	Q2
Karlsborg	~ 55		~ 98%	~ 2%	Q3	Q3	Q3
Pietarsaari	~ 15		100%		Q2	-	Q4
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		Full year	
	Q4 -19	Q4 -18	2019	2018
Operating income*	1	-15	205	150
Operating expenses	-170	-159	-526	-608
Operating profit/loss	-169	-174	-321	-458
Financial income and expenses **	1 981	-178	1 847	-340
Profit/Loss after financial income and expenses	1 812	-352	1 526	-798
Appropriations	679	756	679	756
Profit/Loss before tax	2 491	404	2 205	-42
Taxes	-100	-120	-40	-31
Net profit/loss for the period	2 391	284	2 165	-73

* Including currency hedging etc.

** Financial income includes an anticipated dividend from BillerudKorsnäs Skog & Industri AB of SEK 2 000 million in 2019

SUMMARISED BALANCE SHEET

SEKm	31 Dec 2019	31 Dec 2018
Non-current assets	10 688	10 678
Current assets	20 042	12 575
Total assets	30 730	23 253
Shareholders' equity	8 537	7 256
Untaxed reserves	1 512	1 526
Provisions	238	235
Liabilities	20 443	14 236
Total equity and liabilities	30 730	23 253



QUARTERLY DATA

The Group's business is managed and reported according to BillerudKorsnäs' three divisions. Other includes results from wood supply, 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				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	3 414	3 279	3 463	3 536	3 178	3 268	3 079	3 154	13 692	12 679
Division Paper	1 776	1 932	2 129	2 305	2 048	2 244	2 127	2 104	8 142	8 523
Division Solutions	250	266	268	206	257	256	279	188	990	980
Other	447	376	471	485	436	383	451	449	1 779	1 719
Currency hedging, etc.	-72	-20	-38	-28	-76	-97	-38	2	-158	-209
Total Group	5 815	5 833	6 293	6 504	5 843	6 054	5 898	5 897	24 445	23 692

Quarterly EBITDA per division and for the Group

SEKm	2019				2018				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	520	384	399	683	629	608	474	745	1 986	2 456
Division Paper	220	268	242	466	359	431	298	428	1 196	1 516
Division Solutions	19	17	15	13	14	-7	10	-3	64	14
Other	-92	-14	-39	-112	-133	-53	-540	-107	-257	-833
Currency hedging, etc.	-73	-20	-38	-28	-75	-98	-39	2	-159	-210
Total Group	594	635	579	1 022	794	881	203	1 065	2 830	2 943

Quarterly EBITDA margin per division and for the Group

%	2019				2018				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	15	12	12	19	20	19	15	24	15	19
Division Paper	12	14	11	20	18	19	14	20	15	18
Division Solutions	8	6	6	6	5	-3	4	-2	6	1
Group	10	11	9	16	14	15	3	18	12	12

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

SEKm	2019				2018				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	646	521	567	683	763	757	658	745	2 417	2 923
Division Paper	220	324	382	466	373	490	515	428	1 392	1 806
Division Solutions	19	18	15	13	14	-7	10	-3	65	14
Other	-68	-10	-79	-99	-117	-41	-72	-70	-256	-300
Currency hedging, etc.	-73	-20	-38	-28	-75	-98	-39	2	-159	-210
Total Group	744	833	847	1 035	958	1 101	1 072	1 102	3 459	4 233
Costs for maint. shutdowns	-126	-194	-308	-	-148	-208	-401	-	-628	-757
Items affecting comparability	-24	-4	40	-13	-16	-12	-468	-37	-1	-533
EBITDA	594	635	579	1 022	794	881	203	1 065	2 830	2 943

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

%	2019				2018				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	19	16	16	19	24	23	21	24	18	23
Division Paper	12	17	18	20	18	22	24	20	17	21
Division Solutions	8	7	6	6	5	-3	4	-2	7	1
Total Group	13	14	13	16	16	18	18	19	14	18



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

SEKm	2019				2018				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	174	41	155	441	383	367	225	494	811	1 469
Division Paper	107	157	132	356	248	320	191	331	752	1 090
Division Solutions	16	13	14	11	11	-10	7	-7	54	1
Other	-121	-42	-69	-140	-152	-67	-558	-143	-372	-920
Currency hedging, etc.	-73	-20	-38	-28	-76	-97	-39	2	-159	-210
Total Group	103	149	194	640	414	513	-174	677	1 086	1 430

Quarterly operating margin per division and for the group

%	2019				2018				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	5	1	4	12	12	11	7	16	6	12
Division Paper	6	8	6	15	12	14	9	16	9	13
Division Solutions	6	5	5	5	4	-4	3	-4	5	0
Total Group	2	3	3	10	7	8	-3	11	4	6

Quarterly sales volumes per division

ktonnes	2019				2018				2019	2018
	Q4 -19	Q3 -19	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Jan-Dec	Jan-Dec
Division Board	456	448	457	454	426	437	417	440	1 815	1 720
Division Paper	205	221	223	233	214	243	233	251	882	941
Other	-5	-10	-4	-6	-4	-5	-6	-5	-25	-20
Total Group	656	659	676	681	636	675	644	686	2 672	2 641

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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