

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE



SEB Nordic Seminar | January 2015

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PRIMARY FIBRE-BASED PACKAGING MATERIALS



- High performance packaging materials
 - Target customer segments requiring strong, light and/or pure packaging



- Smarter solutions
 - Focus on value added to customers rather than price



- 75% of sales going to consumer sectors
 - Food & Beverages is largest market segment with ~60% of sales



- Sustainable innovation is key



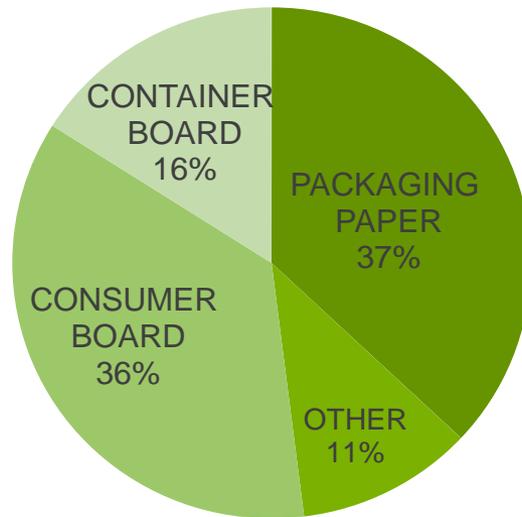
BILLERUDKORSNÄS IN FIGURES

NET SALES

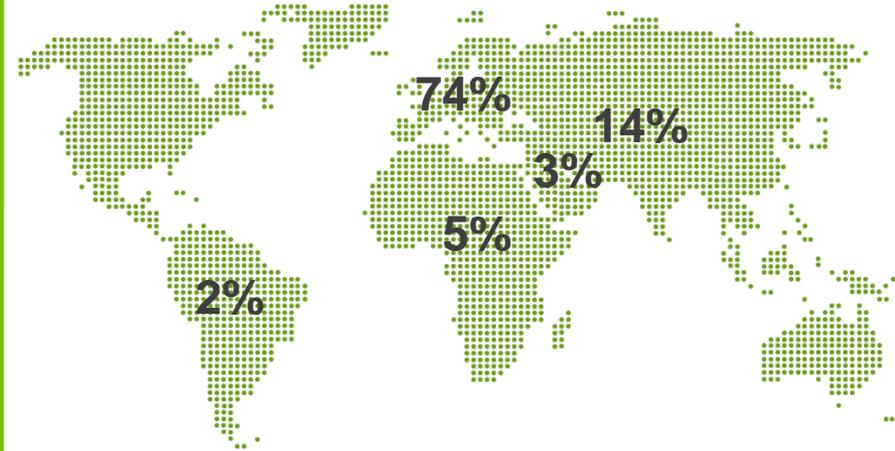
2013
20
Q1-Q3 2014
15,7
Billion SEK

OPERATING PROFIT

2013
1.1
Q1-Q3 2014
1.4
Billion SEK



SHARE OF SALES



SHARE OF SALES

4 300

NUMBER OF EMPLOYEES

8

PRODUCTION UNITS

- Beetham
- Frövi/Rockhammar
- Gruvön
- Gävle
- Karlsborg
- Pietarsaari
- Skärblacka
- Tervasaari



MEGA TRENDS IN OUR FAVOR



DEMOGRAPHIC SHIFTS AND A CHANGING WORLD MAP



SUSTAINABILITY CONNECTING SEVERAL SUBTRENDS

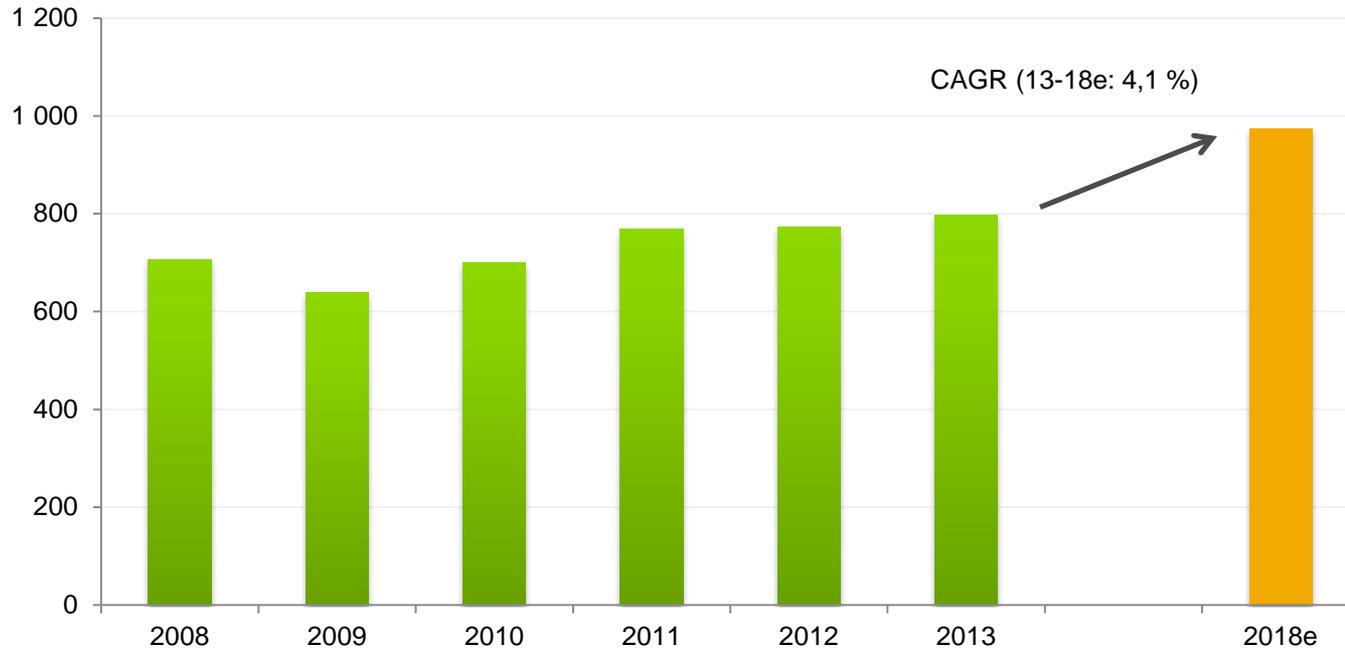


CONSUMER BEHAVIOUR IS CHANGING



THE PACKAGING MARKET IN OUR FAVOR

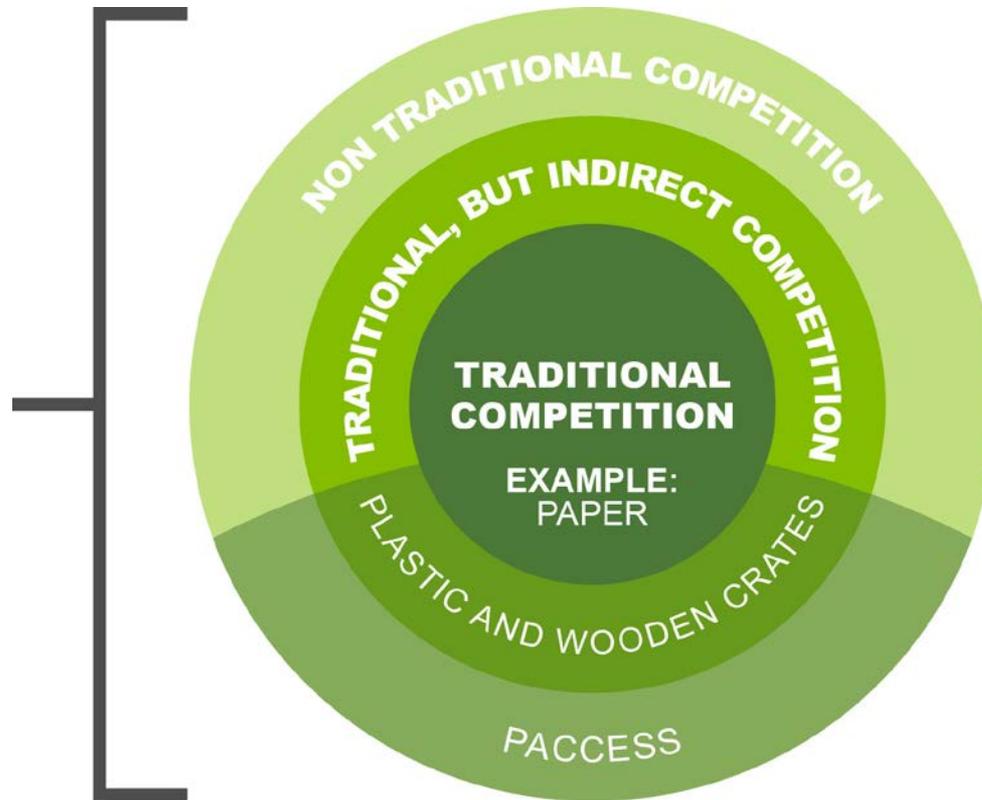
Global packaging market
USD bn





WE LOOK BEYOND TRADITIONAL MARKETS

SMARTER
PACKAGING
SOLUTIONS





WE HAVE REALIZED A SUCCESSFUL INTEGRATION





BILLERUDKORSNÄS - A STRONG PLATFORM FOR GROWTH



STRONG AND STABLE PLATFORM FOR GROWTH

=

530 MSEK in yearly synergy savings. Targets reached way ahead of plan.



OUR BUSINESS MODEL





OUR BUSINESS MODEL IN THE VALUE CHAIN





OUR STRATEGIC STEPSTONES

**WE CHALLENGE
CONVENTIONAL PACKAGING FOR
A SUSTAINABLE FUTURE**

PROFITABLE GROWTH

POSITION

Expand geographically
and in value chain.



INNOVATION

Increase industry lead.



SUSTAINABILITY

Drive throughout
value chain.



EFFICIENCY

Improve continuously.

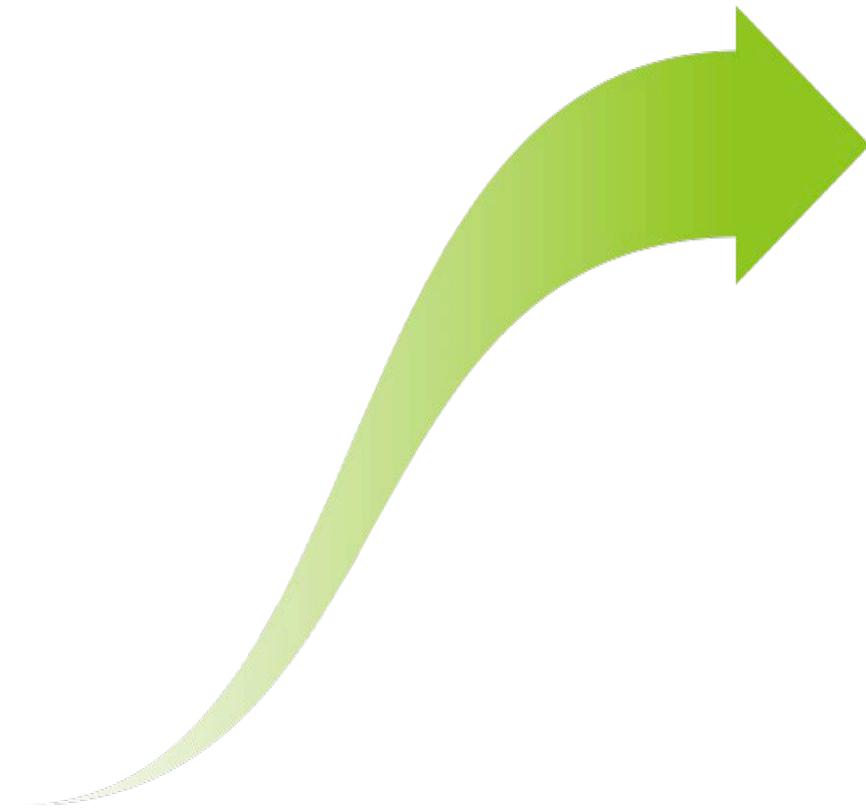


PEOPLE DRIVE CHANGE

Think new – Feel responsibility – Cooperate – Create value



WE HAVE AN AMBITIOUS GROWTH AGENDA



GOAL 2018
TURNOVER: ~24 BSEK
ORGANIC GROWTH: 15 – 20 %*

WE ARE INVESTING

SUPPORTING OUR GROWTH AMBITIONS



➤ **BOARD MACHINE (FRÖVI)**

To be largest of its kind in the world
450 kton → 550 kton 2017

➤ **FLUTING MACHINE (GRUVÖN)**

To strengthen leading position
+ 40 kton 2016

➤ **SACK PAPER MACHINE (SKÄRBLACKA)**

To increase volume and improve quality
+ 20 kton 2016

➤ **ENVIRONMENTAL IMPROVEMENTS (GÄVLE)**

to ensure that our products have a minimal environmental impact and increase quality of products

OUR FOUR STRATEGIC PILLARS

HOW TO ACHIEVE OUR GROWTH AMBITIONS

POSITION
Expand geographically and in value chain.




INNOVATION
Increase industry lead.



GREENER MATERIAL TECHNOLOGY

BUSINESS MODEL INNOVATION

SERVICE AND LOGISTICS

SUSTAINABILITY
Drive throughout value chain.




EFFICIENCY
Improve continuously.



INVESTMENTS + OPERATIONAL EXCELLENCE





THREE BUSINESS AREAS

PACKAGING PAPER



Kraft paper
Sack paper

CONSUMER BOARD



Liquid packaging board
Carton board
Cup stock

CONTAINERBOARD



Fluting
Liner

NET
SALES
MSEK



EBIT
MSEK



SALES
VOLUME
KTON



ACHIEVING 15-20%* ORGANIC GROWTH BY 2018

BA market CAGR



PACKAGING PAPER

0 - 4% CAGR

SELECTIVE GROWTH

Target growth in selected segments, balancing additional capacity

CONSUMER BOARD

4 - 5% CAGR

VOLUME GROWTH

Increase volume in key markets

CONTAINERBOARD

2 - 4% CAGR

VALUE GROWTH

Increase margins on existing portfolio



FINANCIAL TARGETS AND TARGET FULFILLMENT AFTER THIRD QUARTER 2014



**OPERATING
MARGIN > 10%***

10%



**RETURN ON CAPITAL
EMPLOYED > 13%***

9%

NET DEBT/EQUITY RATIO < 0.9



0.73

**DIVIDEND POLICY:
50% OF NET PROFIT*
69% FOR 2013**

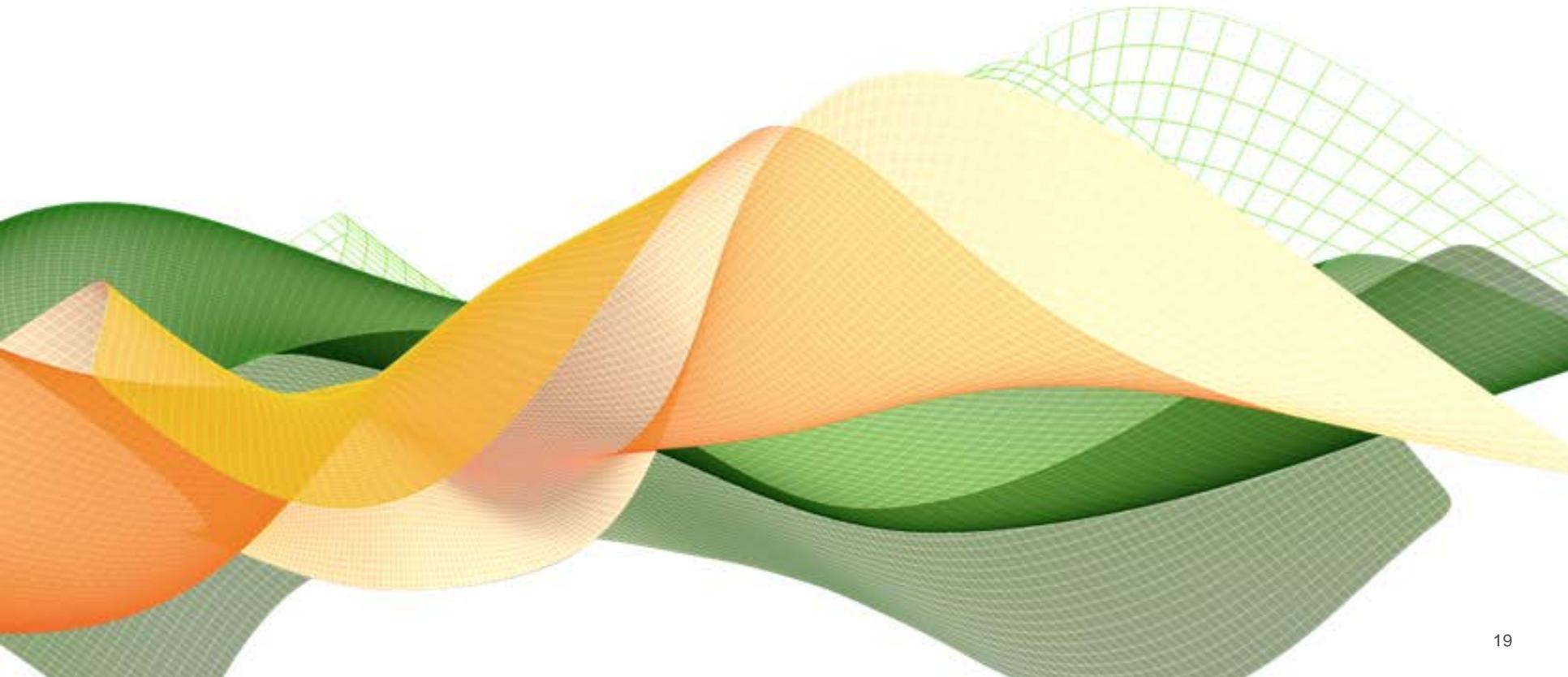


SUMMARY

- Global trends (sustainability, demographic shifts, digitalization and changed consumer behavior) imply major growth opportunities
- We have a strong and stable platform on a growing market
- Synergy targets are reached ahead of plan
- Major investments have been done and will continue
- Our four pillar strategy includes:
 - Position expansion, Innovation, Sustainability and Efficiency
- Organic growth targets are supported by business area strategies
- Growth per business area by: Value growth, selective growth and volume growth
- Potential additional M&A growth in medium term future

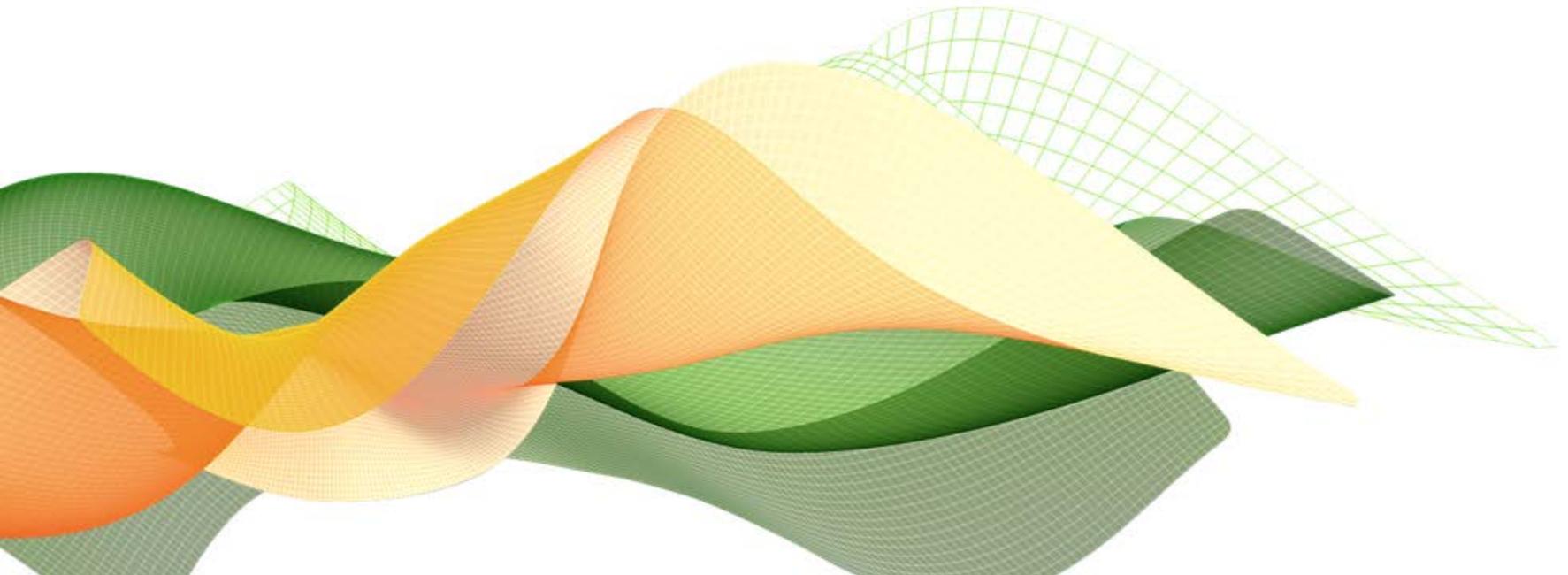


Q&A





BILLERUDKORSNÄS





APPENDIX



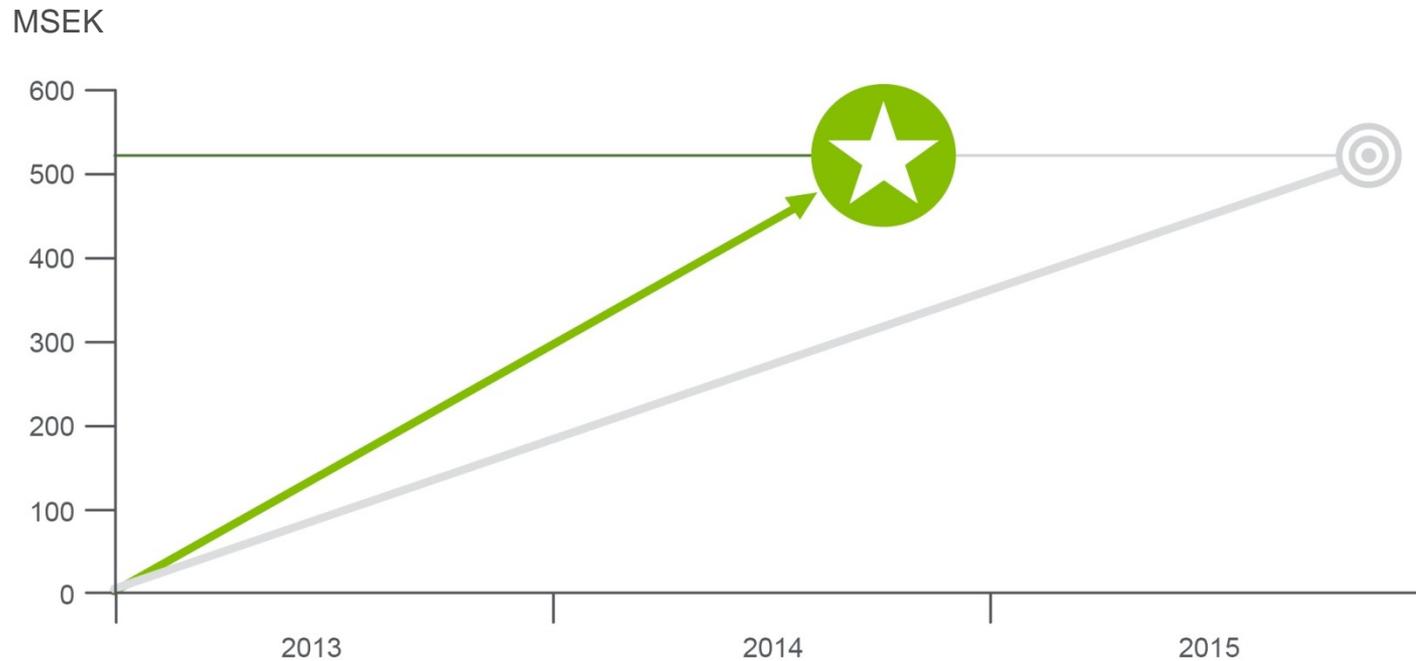
THE PACKAGING MATERIALS COMPANY





SYNERGY TARGETS ARE REACHED WAY AHEAD OF PLAN

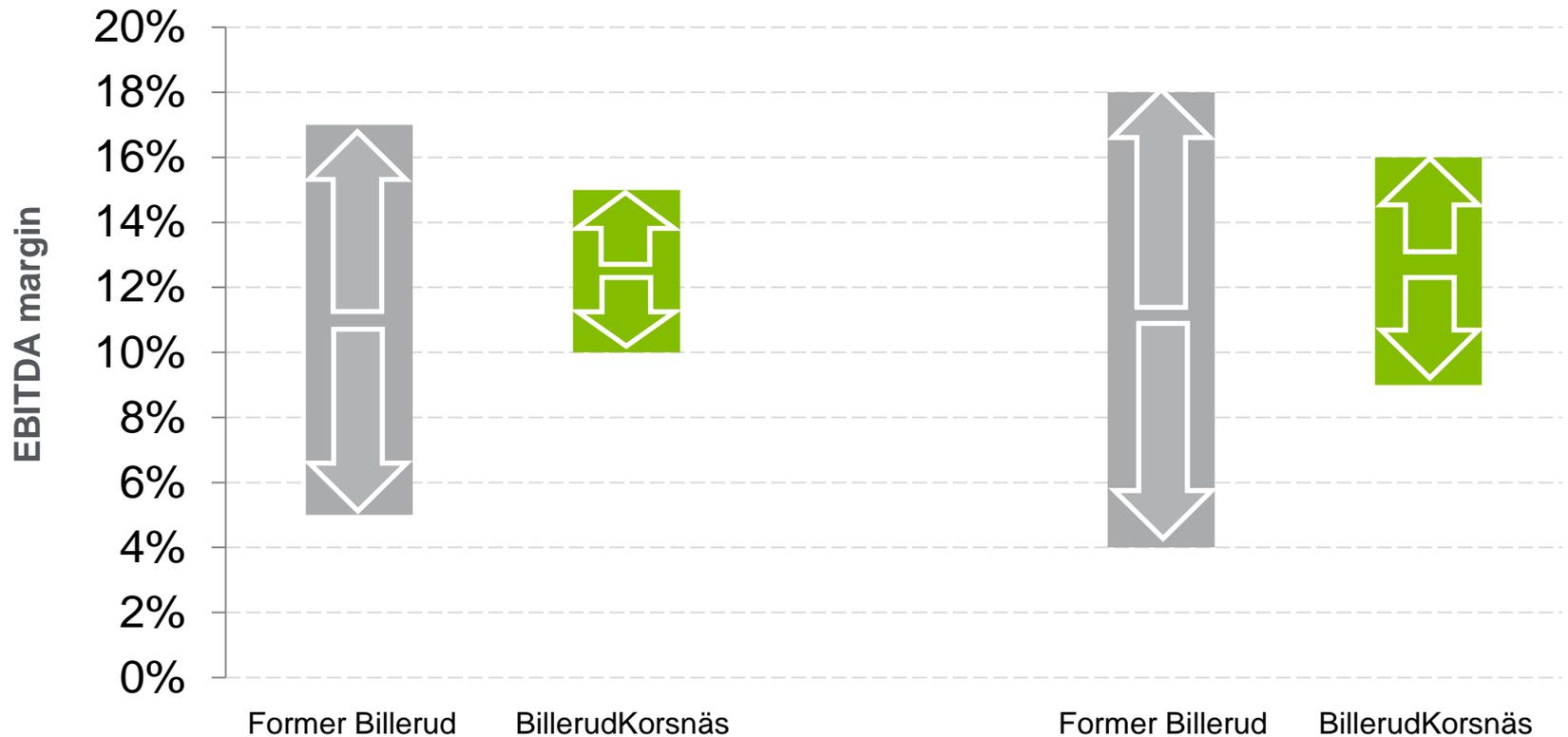
THE INITIAL PLAN WAS TO REACH TARGETS BY 2015





INCREASED STABILITY

BY SIGNIFICANTLY REDUCED MARKET PULP AND RELATIVE CURRENCY EXPOSURE



CURRENCY EXPOSURE

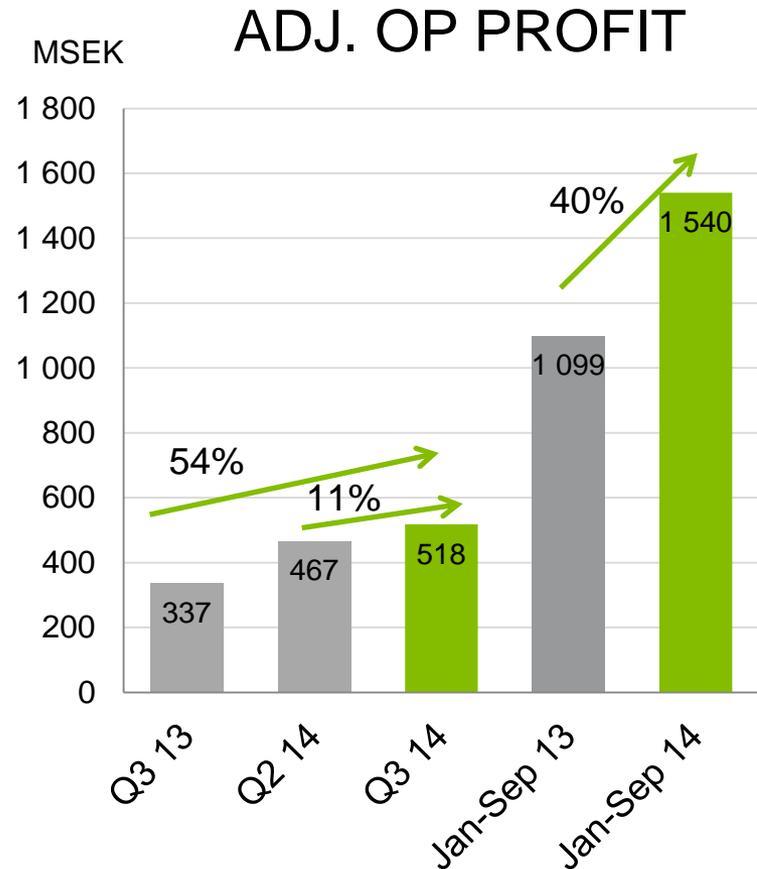
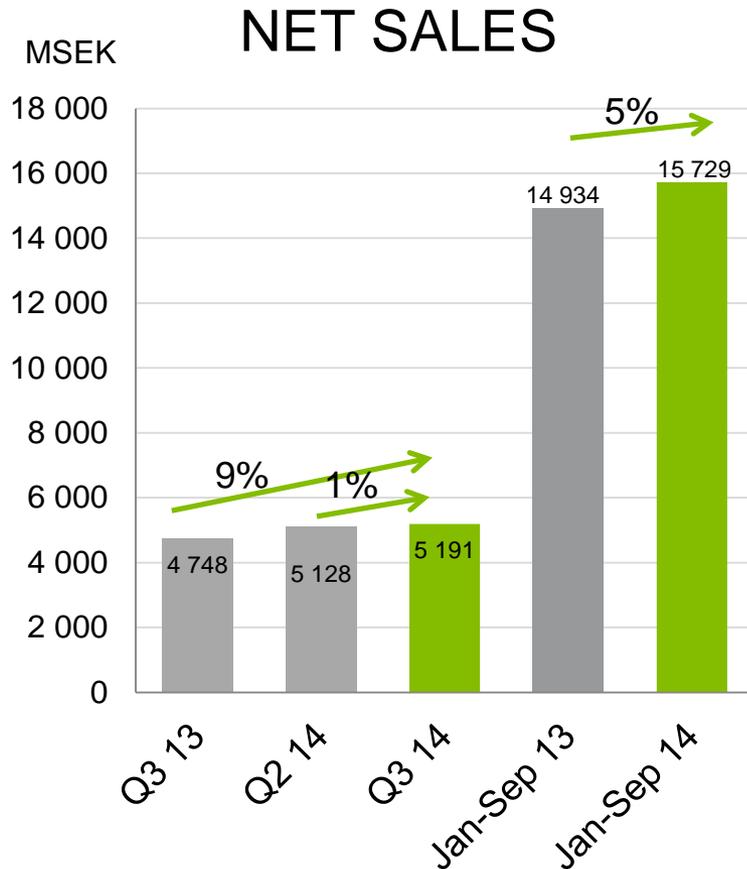
CURRENCY & PULP EXPOSURE



KEY HIGHLIGHTS Q3 2014 INTERIM REPORT

NET SALES 5 191 MSEK

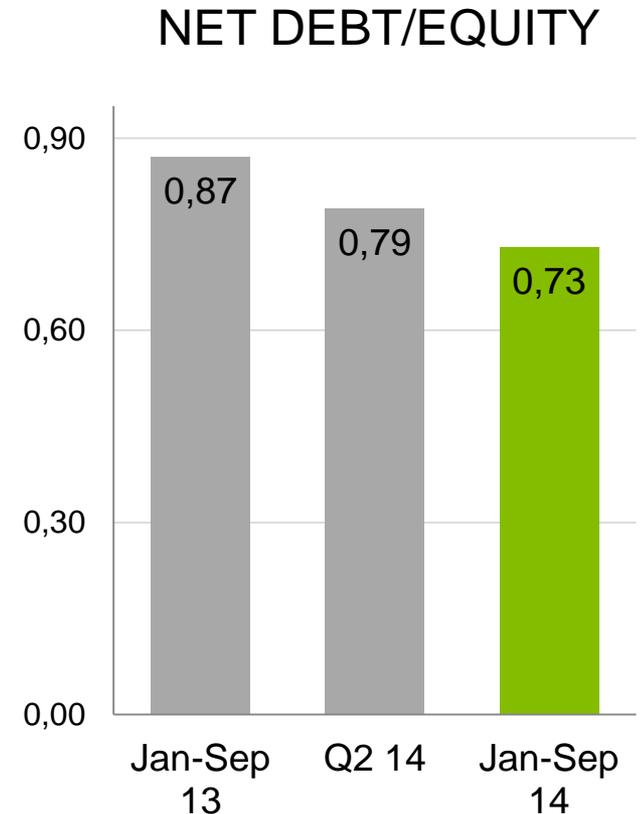
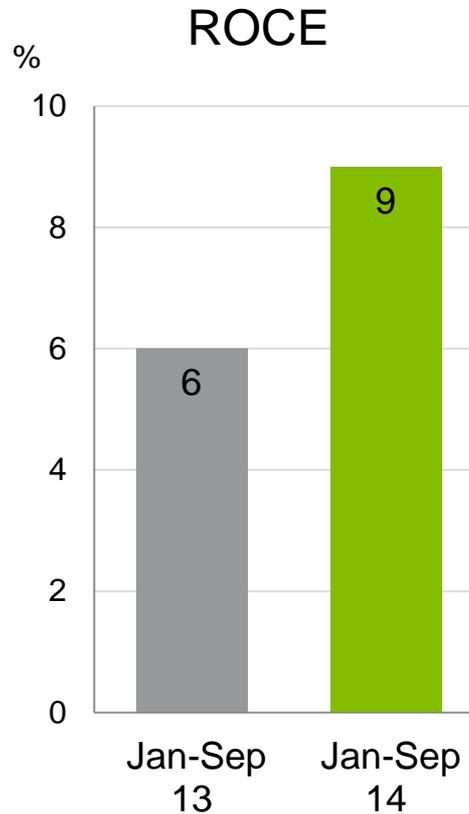
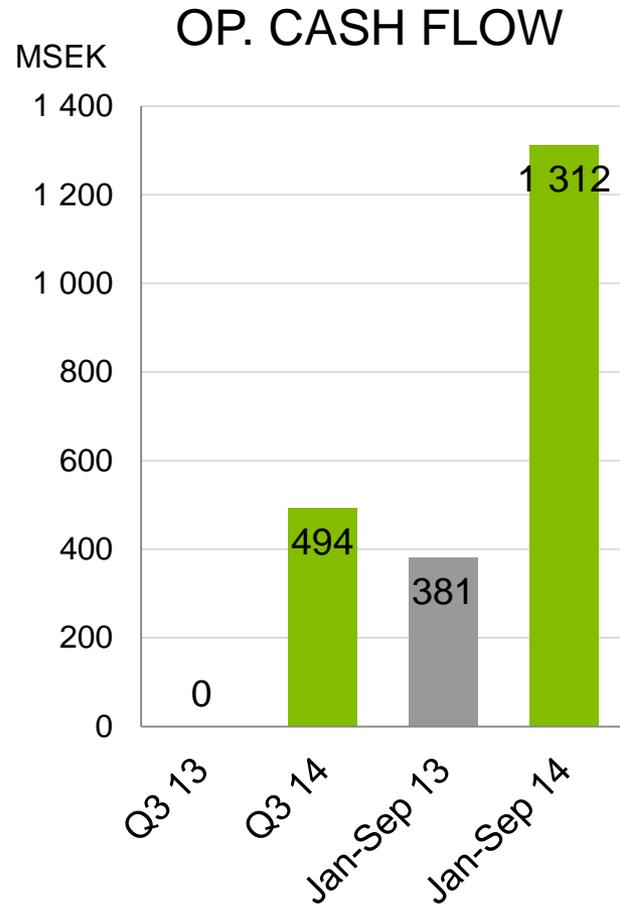
ADJUSTED OPERATING PROFIT +40% YOY





KEY HIGHLIGHTS Q3 2014 INTERIM REPORT

CASH FLOW 494 MSEK. ROCE 9%. NET DEBT/EQUITY 0.73





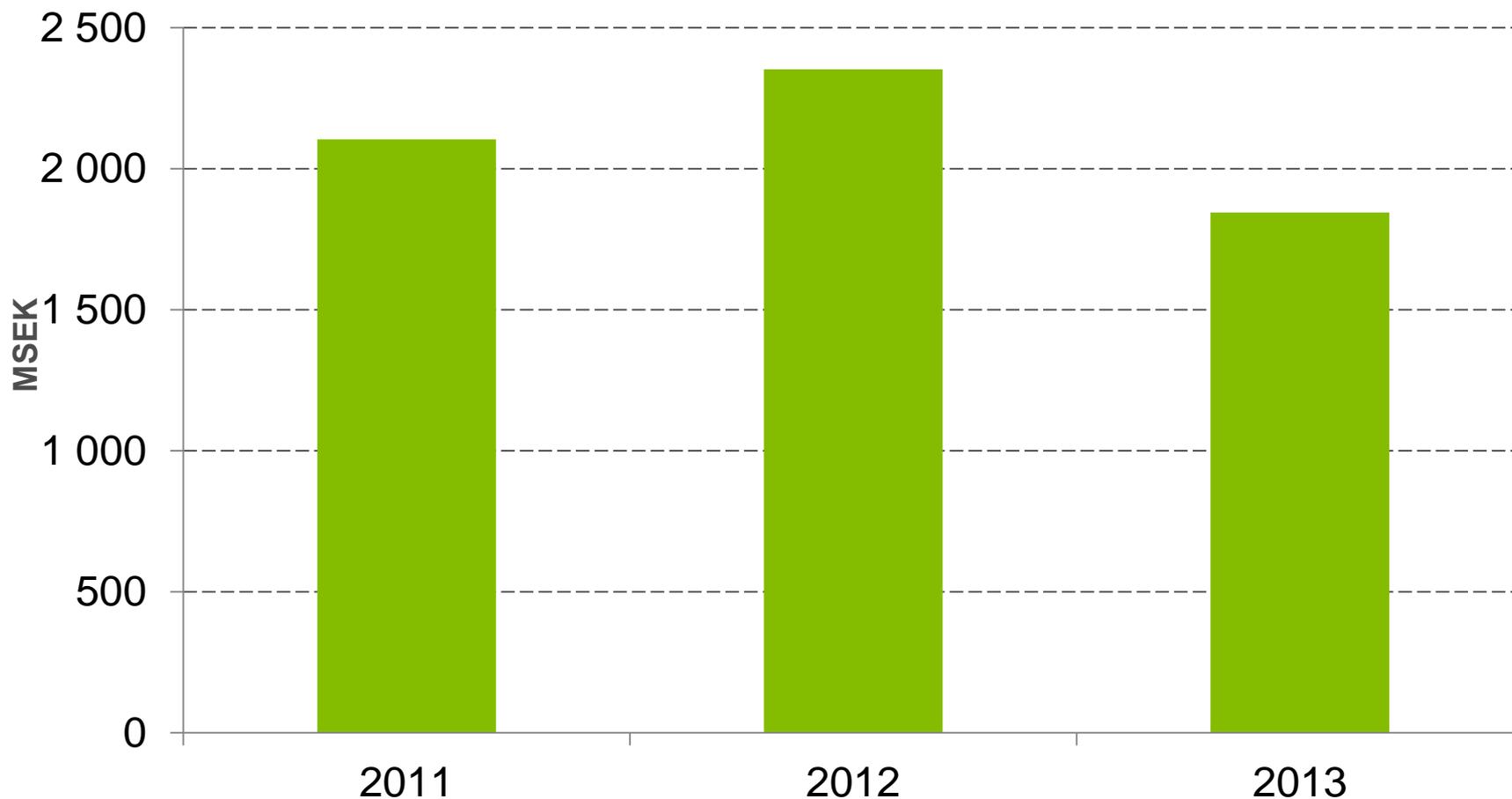
OUR COMMITMENT TO LONG-TERM SHAREHOLDER VALUE

	FULFILMENT	FOCUS AREAS
STATED DIVIDEND POLICY	SHORT-TERM	<ul style="list-style-type: none">Restore marginsPay down debt
	MID-TERM	<ul style="list-style-type: none">Achieve profitable growth
	LONG-TERM	<ul style="list-style-type: none">Achieve ROCE >13%



CASH-FLOW GENERATIVE BUSINESS

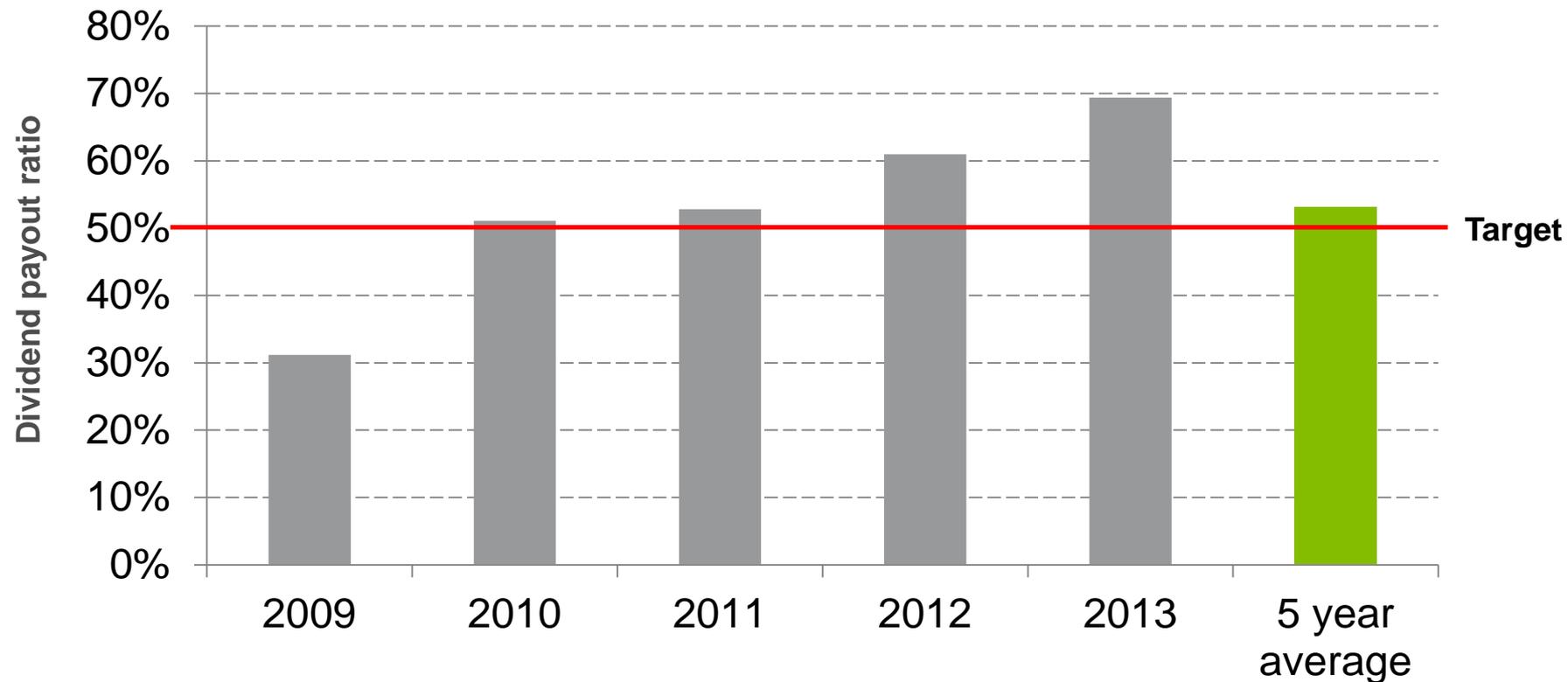
CASH-FLOW FROM OPERATING ACTIVITIES





SUPPORTING THE DIVIDEND...

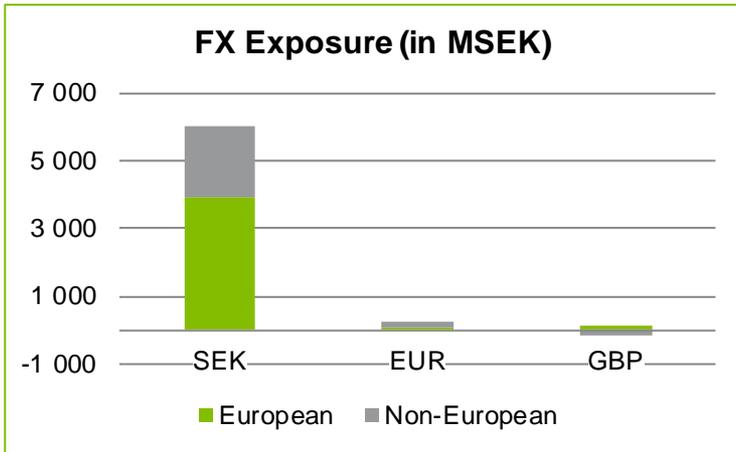
DIVIDEND POLICY TO PAY 50% OF NET PROFIT OVER A BUSINESS CYCLE



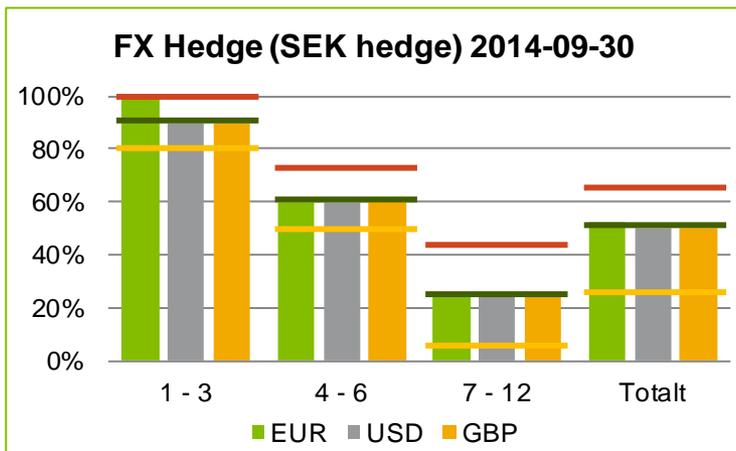


FX EXPOSURE

FX EXPOSURE, FX RATES, REVALUATIONS



- BK uses Swedish Riksbank's FIXING rate (Month End)
- During month Sales, AP, AR etc: End of month rate previous month
- AP and AR: revalued to at end of month using End of month rate.
 - Revaluation of AR booked in "Currency hedging etc"
 - Revaluation of AP in Business areas
- FX contracts: Market value at month end. Contracts due within two months in Sales ("Currency hedging, etc"), rest is booked in Balance Sheet (OCI).

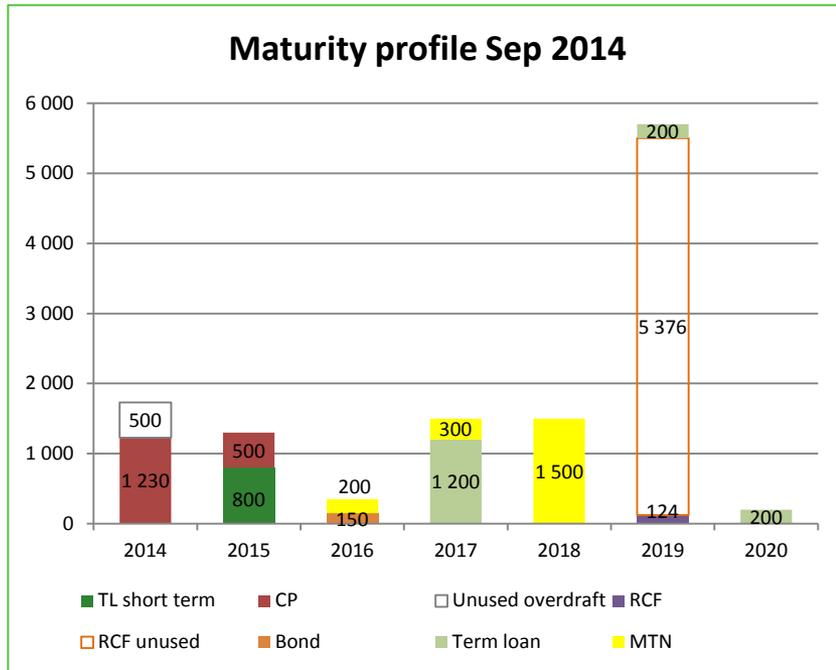


NET SALES QUARTERLY PER BUSINESS AREA AND FOR THE GROUP

SEKm	Q3 -14	Q2 -14	Q1 -14	Q4 -13	Q3 -13
Packaging Paper	2 058	2 016	2 068	1 758	1 820
Consumer Board	1 897	1 822	1 949	1 659	1 716
Containerboard	773	767	792	763	755
Other units	487	512	589	549	470
Currency hedging, etc.	-24	11	12	26	-13
Group staff and eliminations	-	-	-	-	-
Total Group	5 191	5 128	5 410	4 755	4 748



Debt maturity profile (SEKm)



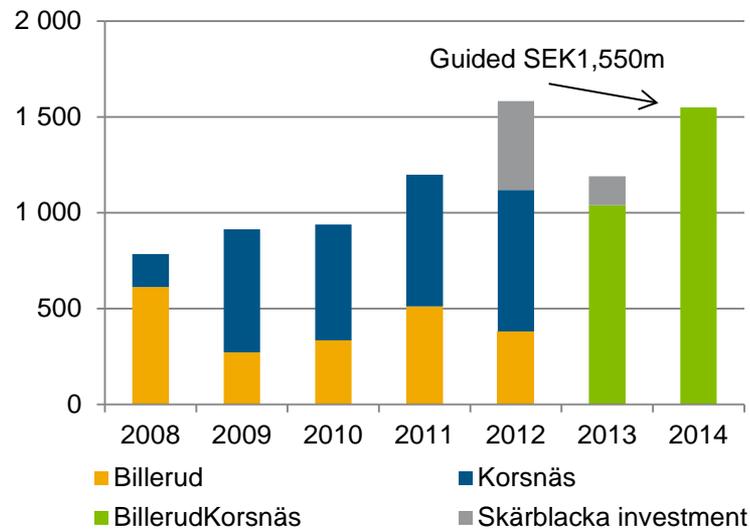
Funding

- **Syndicated credit facilities**
 - > SEK 5,500m RCF maturing June, 2019
- **Bilateral credit agreements**
 - > SEK 800m term loan facility maturing June, 2015
 - > Two SEK 600m term loan facilities with separate lenders maturing June, 2017
 - > Two SEK 200m term loan facilities, one lender, maturing June 2019 and June 2020
- **Bonds**
 - > One bond of SEK 150m maturing March 2016
 - > MTN Bond of SEK 1500m Maturing March 2018, where off 500m with fixed interest rate
 - > MTN Bonds of SEK 200m and SEK 300m maturing July 2016 and September 2017
 - > MTN program total SEK 5000m, issued SEK 2000m SEK
- **Commercial Paper**
 - > CP Program SEK 3000m, issued SEK 1730
- **Overdraft facility**
 - > Overdraft facility Cash pool of 500m SEK
- **Financial covenants**
 - > Net Debt / Equity <1.25 (2014 Q3 at 0.74)
 - > EBITDA / Net financial expenses >3.00 (2014 Q3 at 11.1)
- **Operating lease commitments payable within one year SEK 75 million and total commitment of SEK 265 million**
- **Financial target Net Debt / Equity < 0.90**
- **Diversified funding sources and an even maturity profile**

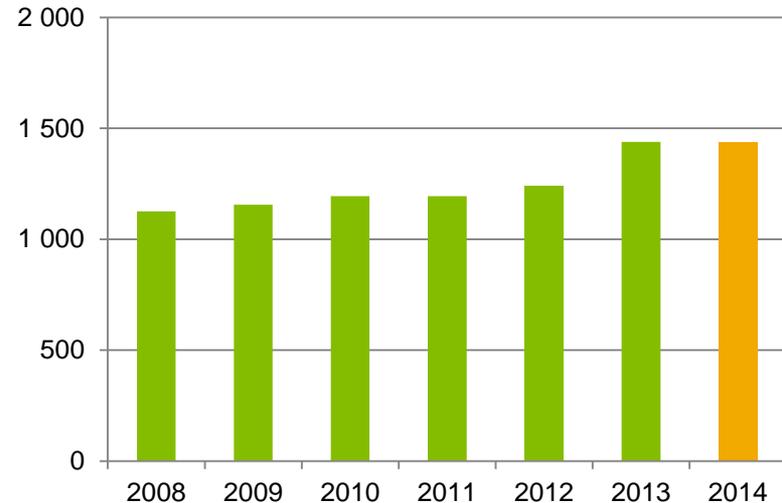


BILLERUDKORSNÄS CAPEX 2008-2014¹

CAPEX
SEKm



DEPRECIATION/AMORTISATION OF PPE
SEKm

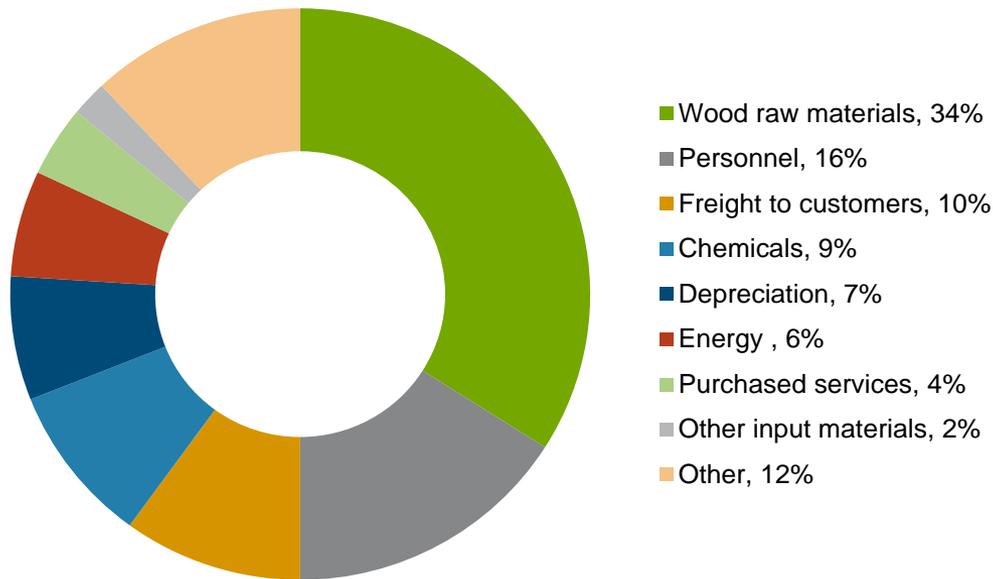


- CAPEX varies, but in line with depreciation/amortisation of PPE over time – SEK1,400M
- Minimum CAPEX invested in Billerud SEK 271m (2009) and Korsnäs SEK 171m (2008) during financial crisis.
 - > Baseline CAPEX roughly 600SEKm
 - > Capex above depreciation levels in the coming two years due to some announced investments
- Announced investments
 - > PM6 Gruvön – SEK180m
 - > Sustainability investment Gävle – SEK450m
 - > Frövi/Rockhammar – SEK900m
 - > PM9 Skärblacka – SEK 260m

1) Based on combination of figures from Billerud and Korsnäs Annual Reports 2008-2012. CAPEX from Finnish assets and Latgran not included



COST STRUCTURE



- No significant forest assets
- Purchases made from handful of major suppliers
 - Bergvik Skog, Holmen, Mellanskog, Stora Enso and Sveaskog
 - Large amount of private land owners in Central and Northern Sweden
- The majority of wood raw materials acquired locally
- About 20% of the wood requirement is imported
 - Majority from the Baltics

OWNERSHIP STRUCTURE



- Foreign shareholders, 32.9%
- Swedish mutual funds, 23.4%
- Swedish individuals incl. closely held companies, 21.9%
- Swedish institutions, 21.8%

Shareholder	Number of shares	Percent of votes
FRAPAG Beteiligungsholding AG	31 300 000	15.1
AMF Insurance & Funds	17 879 190	8.6
Swedbank Robur funds	12 581 643	6.1
Nordea funds	11 156 327	5.4
Fourth Swedish National Pension Fund	8 392 368	4.1
Lannebo Funds	8 252 855	4.0
Alecta	7 926 000	3.8
SHB Funds	5 890 114	2.8
Norges Bank Investment Management	5 284 142	2.6
DFA Funds (USA)	4 724 520	2.3
Total 10 largest shareholders	113 387 159	54.8
Total excluding share buy-backs	206 788 161	100.0
The company's own bought-back shares	1 431 673	0.0
Total	208 219 834	100.0



BILLERUDKORSNÄS

