



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

BAML Pan-European Paper & Packaging Conference 2017

Susanne Lithander, CFO



BILLERUDKORSNÄS IN BRIEF

PURE PLAY PACKAGING COMPANY

NET SALES



Europe 73%

Asia 17%

Africa 4%

South America 3%

Middle East 2%

Other 1%

EBITDA



17%

MARGIN

OTHER

PACKAGING PAPER

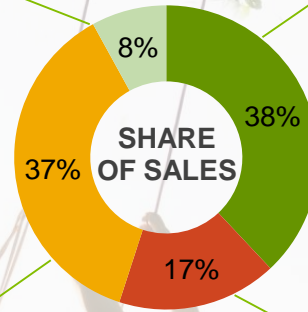
Kraft paper
Sack paper
Market pulp

CONSUMER BOARD

Liquid packaging board
Cartonboard

CORRUGATED SOLUTIONS

Fluting
Liner
Managed Packaging



8

PRODUCTION UNITS
(SWE, FI, UK)

3.0

PRODUCTION CAPACITY
(MILLION TONNES)

4,300

NUMBER OF EMPLOYEES

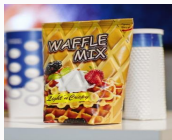


THREE BUSINESS AREAS

PACKAGING PAPER

Kraft and sack paper for customers with tough demands

- *Packaging for flour, sugar, carrier bags, medical packaging, building materials, chemicals and more*
- *Growth driven by population growth in emerging markets, ageing population, increasing environmental awareness and more*



SELECTIVE GROWTH

2-4% CAGR

- Asset transformation for increased profitability
- Development of new business models
- Expansion to growing markets

CONSUMER BOARD

Liquid packaging board and cartonboard with unique properties

- *Packaging for milk, juice, preserved foods, beauty and healthcare products, confectionary and more*
- *Growth driven by high urbanization rate, change in consumer behavior and more*



VOLUME GROWTH

4-5% CAGR

- Attractive market providing growth opportunities
- Investments for volume growth
- Innovation with customers and brand owners

CORRUGATED SOLUTIONS

Fluting and liner add value

- *Packaging for fruit and vegetables, white goods and electronics, exclusive drinks and more*
- *Supply chain solutions and packaging optimisations for brand owners*
- *Growth driven by increasing e-commerce and fresh food consumption, package differentiation and changing supply chains*



VALUE GROWTH

2-4% CAGR

- Strong product portfolio setting market standard
- Integrating new business model
- Increasing sales to brand owners



INVESTMENT HIGHLIGHTS

1.
Leading
position in
our
segments

2.
Growth
segments backed
up by global
megatrends

3.
Clear growth
strategy to
capture
market potential

4.
Clear innovation
focus for a
sustainable
future

5.
Stable earnings
and shareholder
returns



LEADING POSITION IN OUR SEGMENTS

Only **primary fibre**
in portfolio targeting customers and applications
requiring light, strong and pure materials

95%

packaging material in
product portfolio with
a growing share of
services and solutions

75%

of sales towards
consumer segment
with stable long-term
demand growth



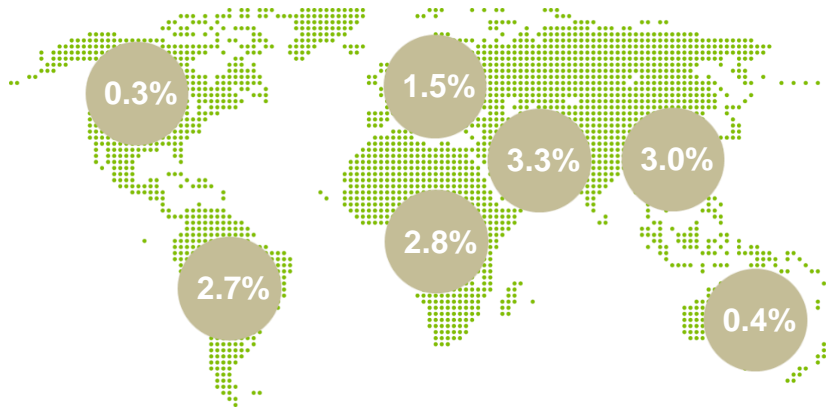
GROWTH SEGMENTS BACKED UP BY GLOBAL MEGATRENDS

- Global megatrends driving long-term demand for packaging material
 - Urbanisation
 - E-commerce

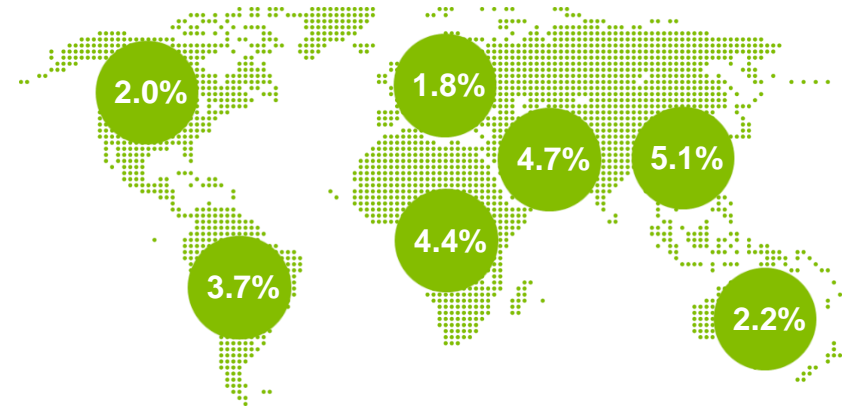
- Sustainability awareness is increasing demand for renewable packaging material



TARGETING THE GLOBAL PACKAGING MARKET



- Global market for packaging paper & board has a growth of 2.2%
- We aim to expand sales in the global packaging market...



- ...with a growth of 3.4%
- Key to success is new packaging solutions and sustainable products

CLEAR GROWTH STRATEGY TO CAPTURE MARKET POTENTIAL

POSITION

Expand geographically and in value chain.



INNOVATION

Increase industry lead.



SUSTAINABILITY

Drive throughout value chain.



EFFICIENCY

Improve continuously.



➤ Increasing sales of solutions to brand owners and expanding sales outside Europe

➤ Increasing innovation efforts to develop new packaging solutions expanding potential market segments

➤ Maximizing customer value by offering sustainable products challenging alternative materials

➤ Continuously improving production efficiency

Aim to reach profitable growth of 3-4% per year

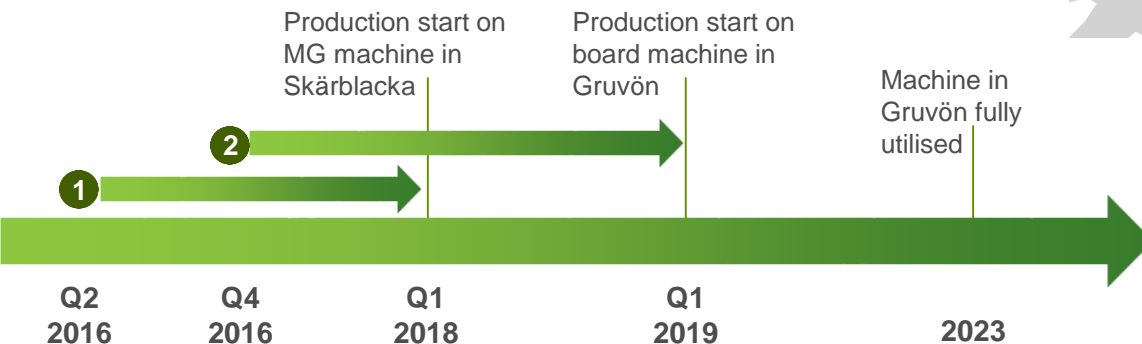
WE ARE INVESTING TO MOVE FURTHER UP THE VALUE CHAIN TOWARDS BRAND OWNERS



TWO MAJOR RESTRUCTURING PROJECTS

IMPROVING EFFICIENCY AND SECURING GROWTH

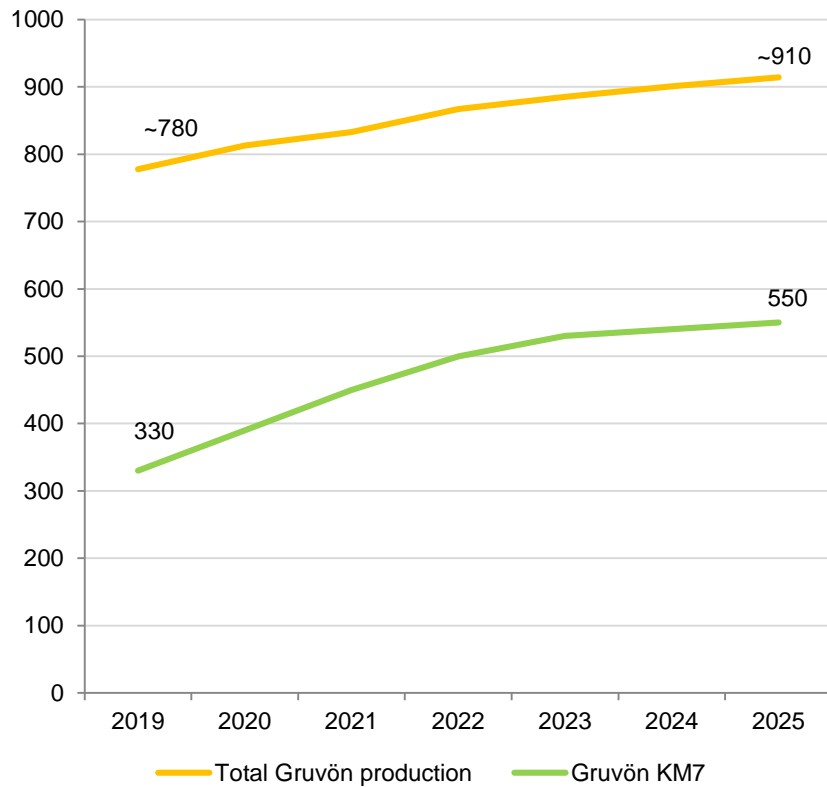
- 1 Moving unintegrated MG paper machine from Tervasaari, Finland to Skärblacka, Sweden and making it integrated to the pulp production. **SEK 1.3 billion investment.**
- 2 Building **new board machine** at the production unit in Gruvön with capacity of approx. **550,000 t/a** of liquid packaging board, cartonboard, food service board and white kraftliner. **SEK 5.7 billion investment.**



PRODUCTION AND CAPEX IMPACT

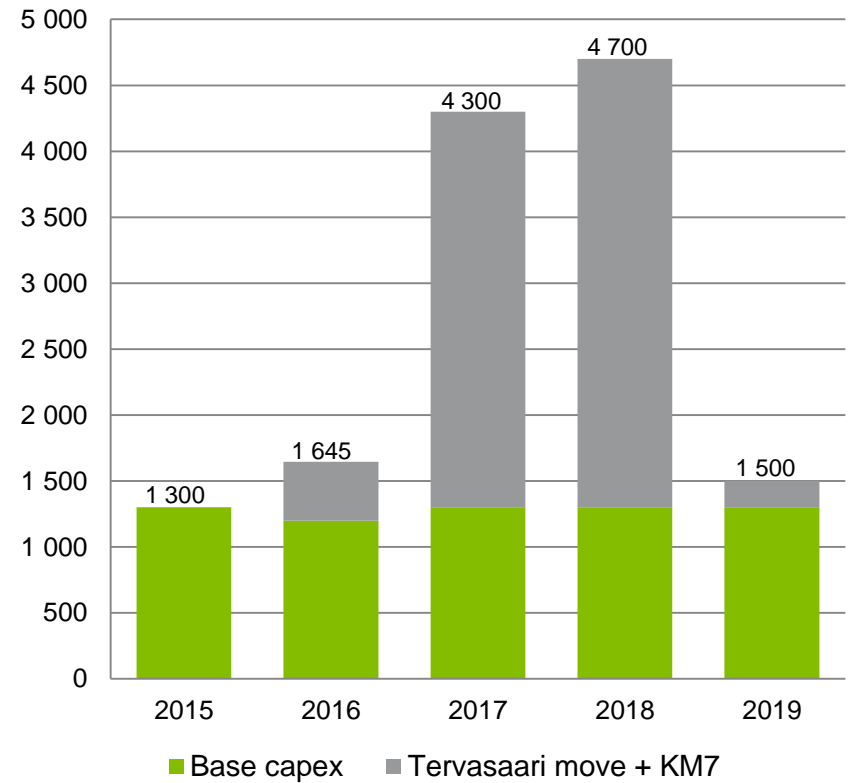
PRODUCTION

ktonnes



CAPEX

SEKm





INVESTMENTS TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

PACKAGING PAPER

Selective growth

- ▶ *Focusing on growth segments growing by 2-4% per year*
- ▶ *Decreasing volumes on oversupplied markets*

CONSUMER BOARD

Volume growth

- ▶ *Increasing volumes on growing Liquid Packaging Board and Cartonboard markets*

CORRUGATED SOLUTIONS

Value growth

- ▶ *Expanding solution based sales to brand owners*
- ▶ *Exiting oversupplied white liner market*

Improved underlying EBITDA > **+1 200 SEKm** when fully implemented
Continued growth with **3-4%** per year

Lower currency exposure
- SEK 2 bn

Reduced price volatility in product portfolio

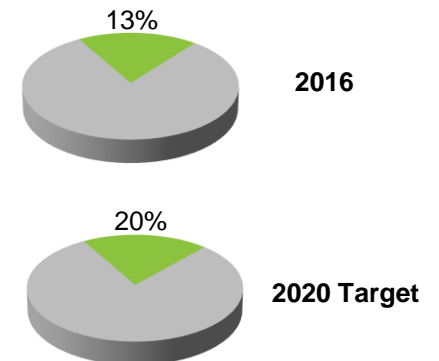
ROI well above our return target of 13%

Limited exposure to pulp market

CLEAR INNOVATION FOCUS FOR A SUSTAINABLE FUTURE

- Long history of award winning packaging innovations
- Challenging boundaries of fibre based packaging in order to reduce usage of fossil materials
- Innovation will strengthen top line and margins

Proportion of sales accounted for by new products



2013: Axello® ZAP



2014: D-Sack

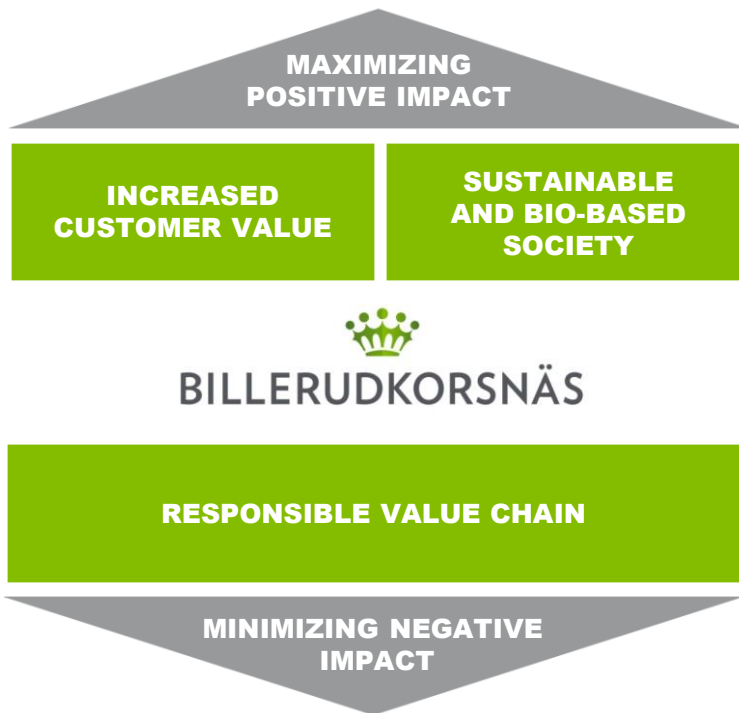


2015: FreeFormPack®

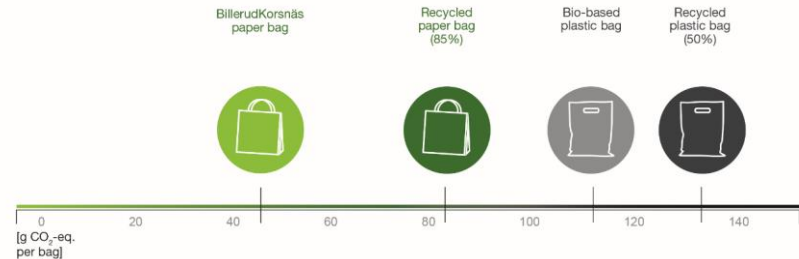


2016: QuickFill® Clean

WE PROVIDE SUSTAINABLE SOLUTIONS



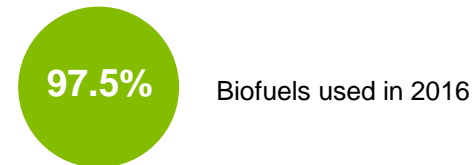
Paper bag* - Best choice for the climate



Walk the talk



Towards fossil-free production

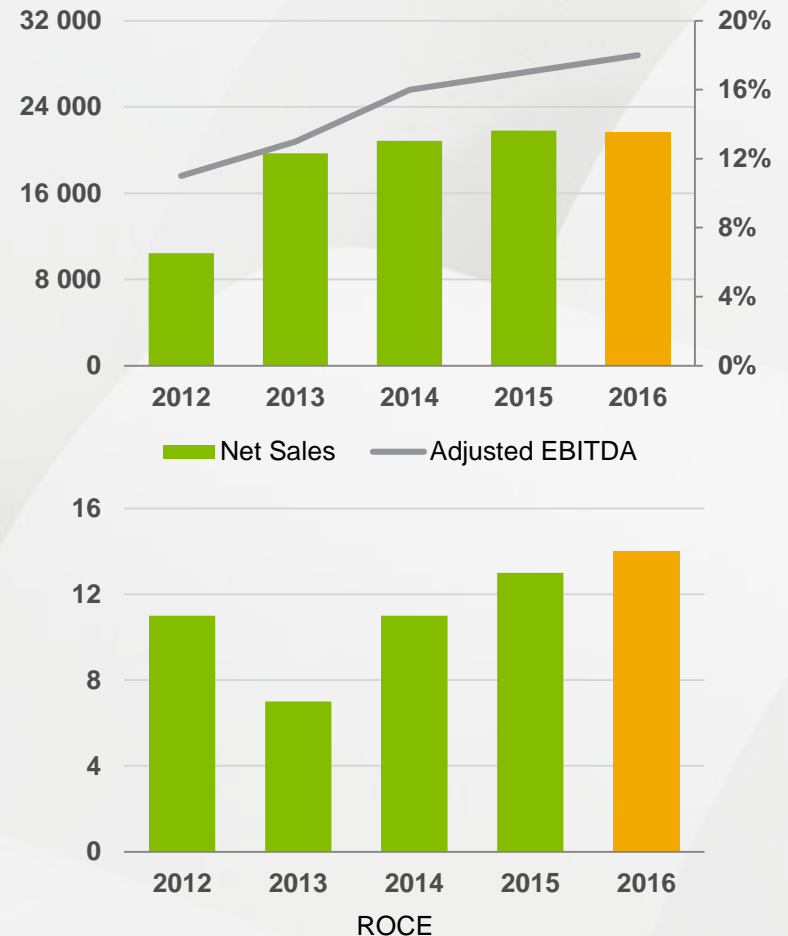


*BillerudKorsnäs paper bag from primary fibre, produced in Sweden



STABLE EARNINGS AND SHAREHOLDER RETURNS

- Stable underlying earnings over recent years
- Average ROCE of 13% during the history of the company
- Average TSR of 23% per year for past 5 years
- Proven track record of accretive investments





SELECTIVE M&A TO SUPPORT LONG-TERM GROWTH

- We have the financial capacity to add M&A growth to organic growth
- We have proven experience in merging businesses and extracting synergies
- Bolt-on acquisitions with synergy potentials are currently the most interesting candidates

FINANCIAL TARGETS AND TARGET FULFILLMENT

FULL YEAR 2016

Area	Target	Outcome 2016	
Growth	3-4%	0.3% ¹	
EBITDA	>17%	18% ²	✓
ROCE	>13%	14% ²	✓
Net debt/EBITDA	<2.5	1.1	✓
Dividend policy	50%	59%	✓

1. For comparable units (excluding divested and acquired operations)
2. Excluding non-recurring items



SUMMARY

- ▶ Focused product portfolio with leading global and regional positions in growing markets
- ▶ Global trends imply growth opportunities
 - ▶ Sustainability, demographic shifts, digitalization and changed consumer behavior
- ▶ We invest in all of our four strategic pillars:
 - ▶ Position expansion, Innovation, Sustainability and Efficiency
- ▶ Two major restructuring projects to increase profitability and secure long-term growth
- ▶ Strong financial position with low leverage and a well-balanced leverage policy



Q2 DEVELOPMENT



Q2 2017 RESULTS AT A GLANCE

NET SALES

5 600
SEK million

3%

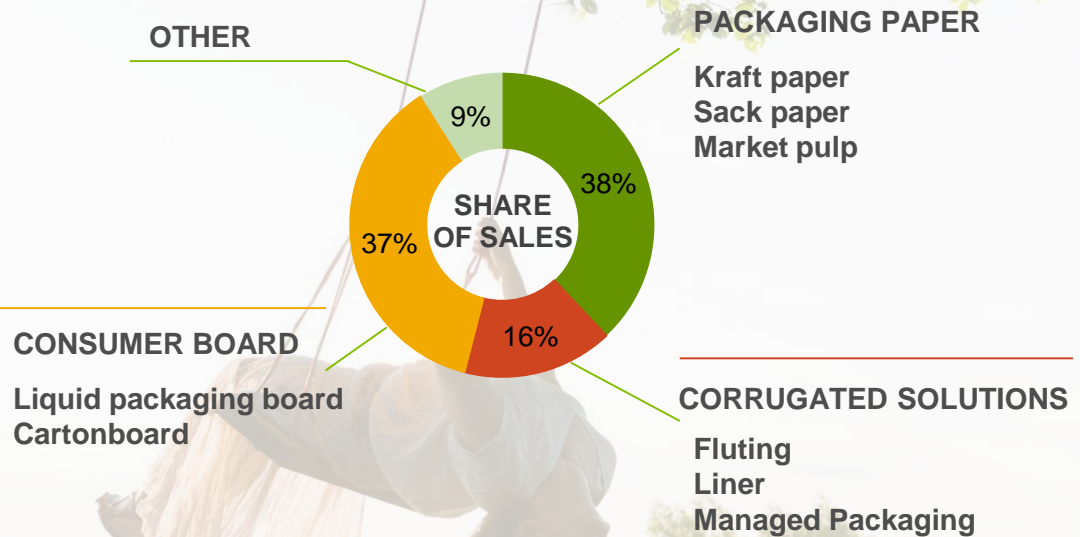
GROWTH

EBITDA

863
SEK million

15%

MARGIN





Q2 2017 KEY HIGHLIGHTS

- Continued high demand across all business areas
- Stable production volumes
- EBITDA affected by one-off and extra costs of SEK 55 million and maintenance shutdown costs of SEK 230 million
- Strong operating cash flow
- Favourable outlook on both short and long term

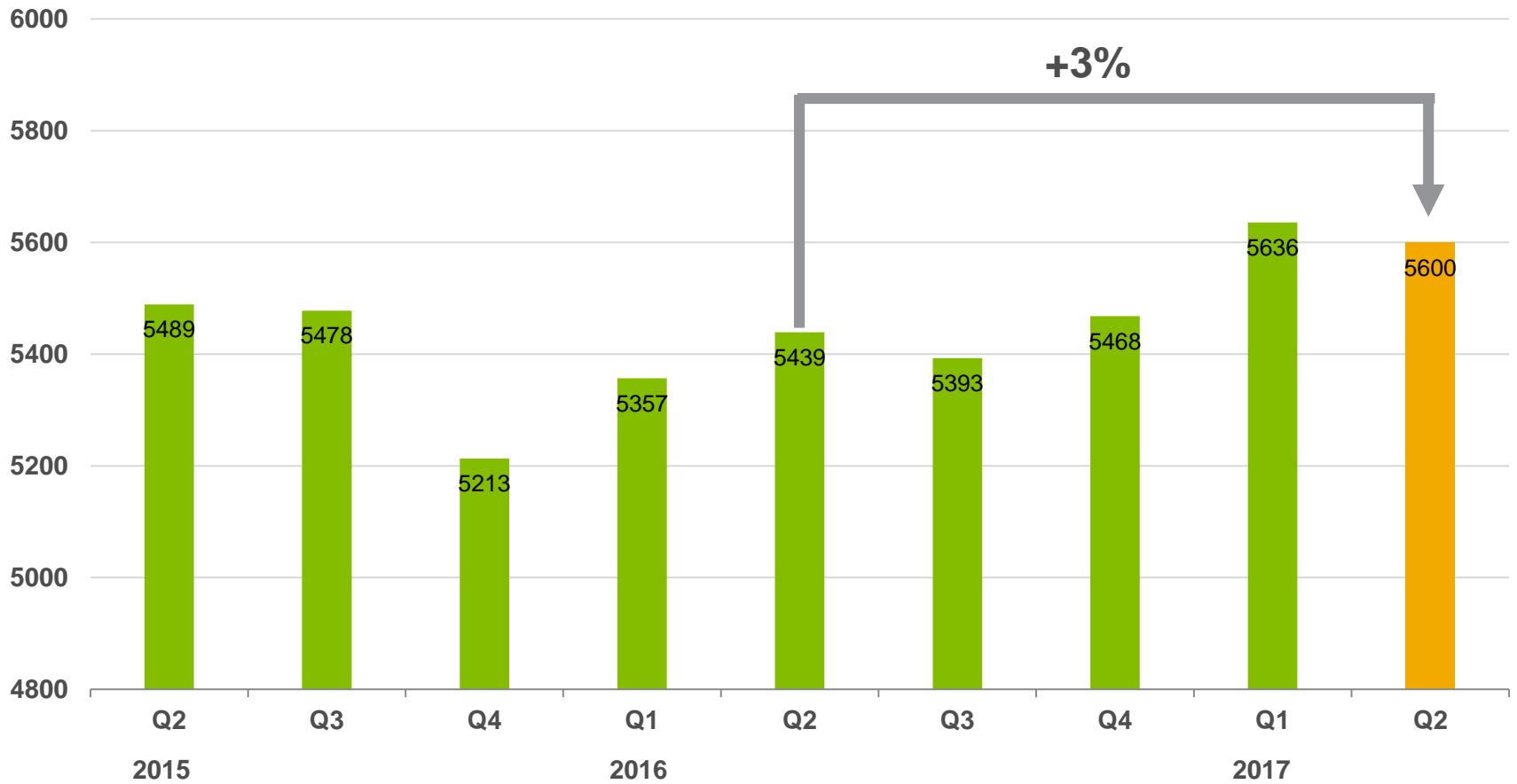


FINANCIAL DEVELOPMENT



NET SALES

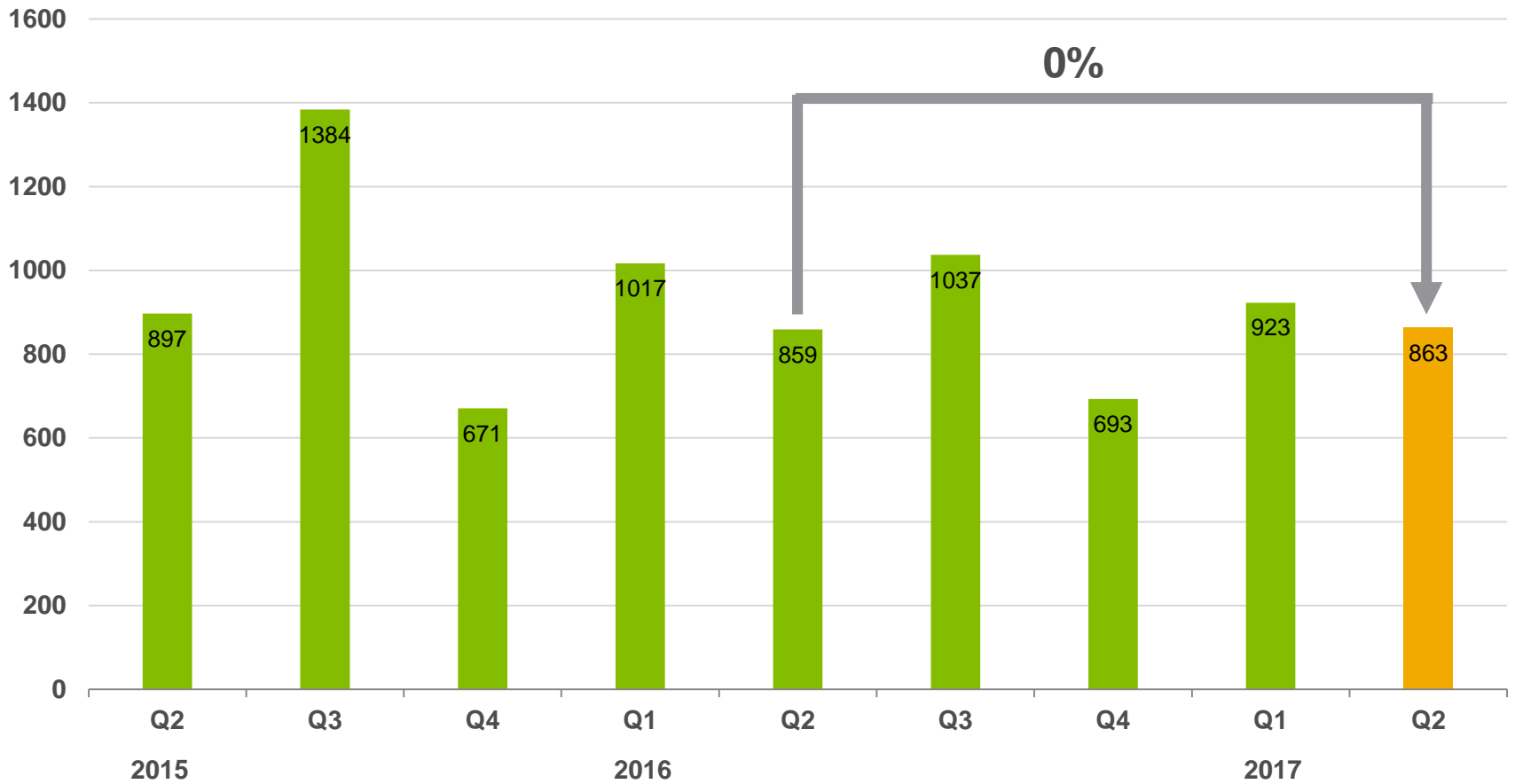
SEK MILLION





EBITDA

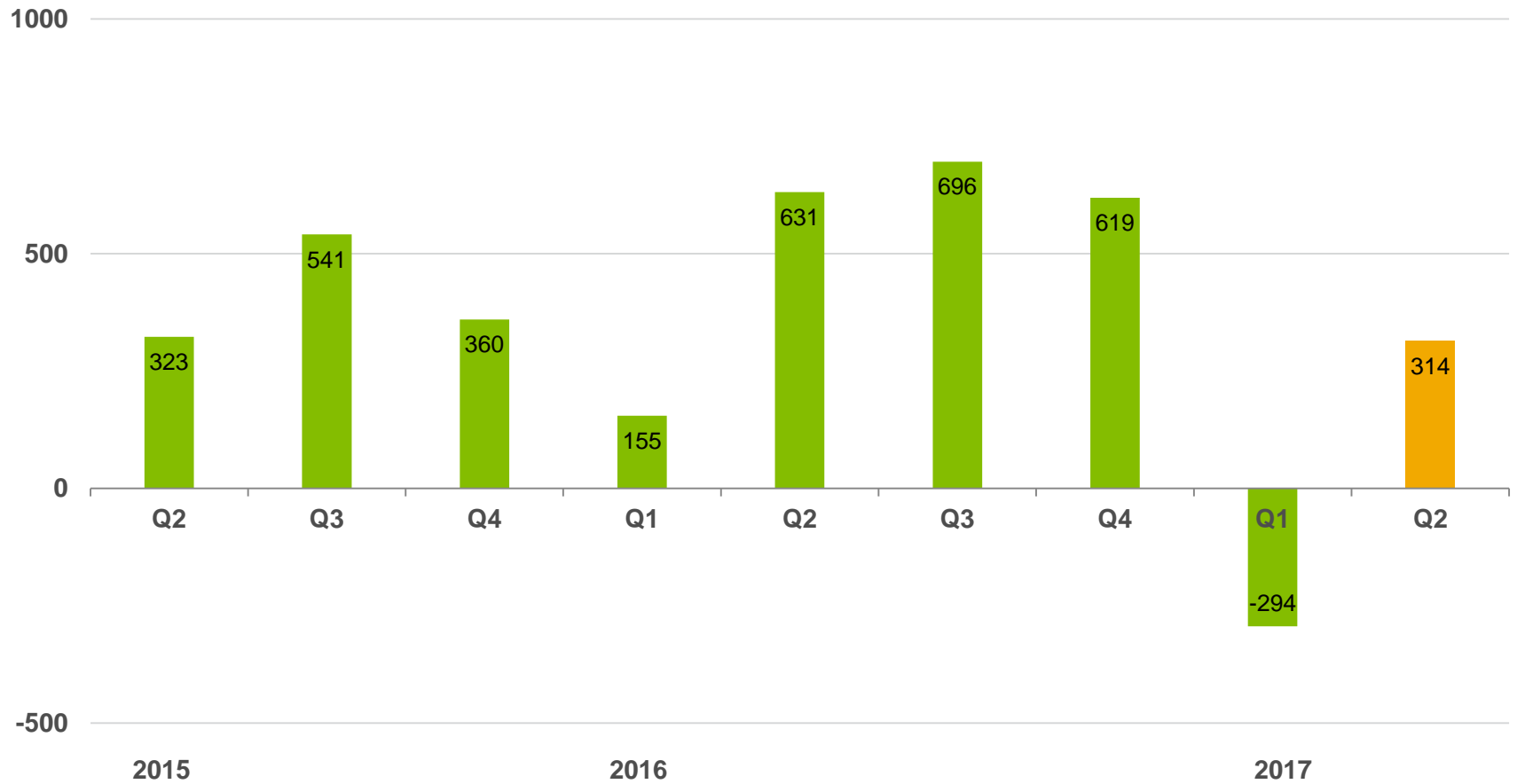
SEK MILLION





OPERATING CASH FLOW

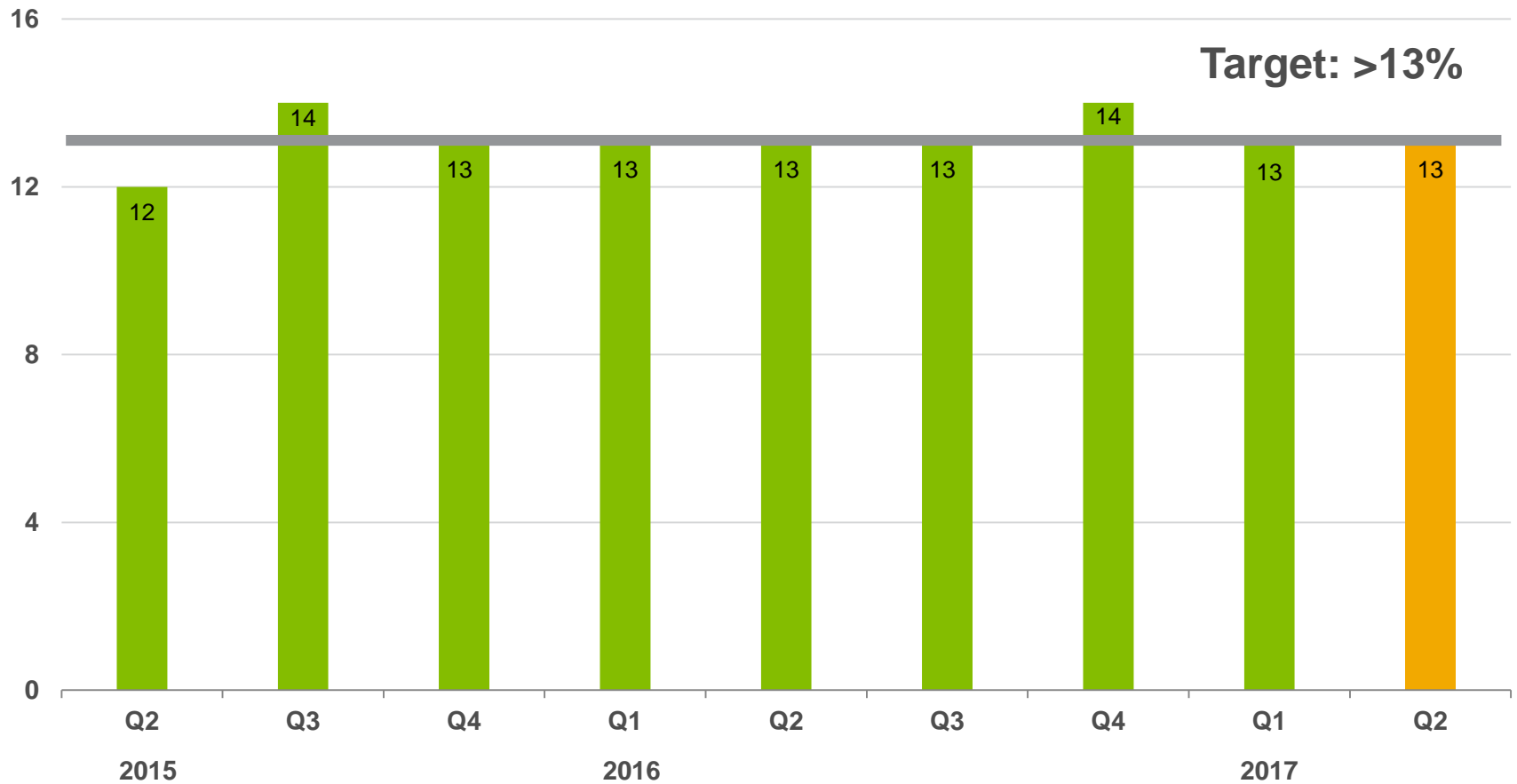
SEK MILLION





RETURN ON CAPITAL EMPLOYED

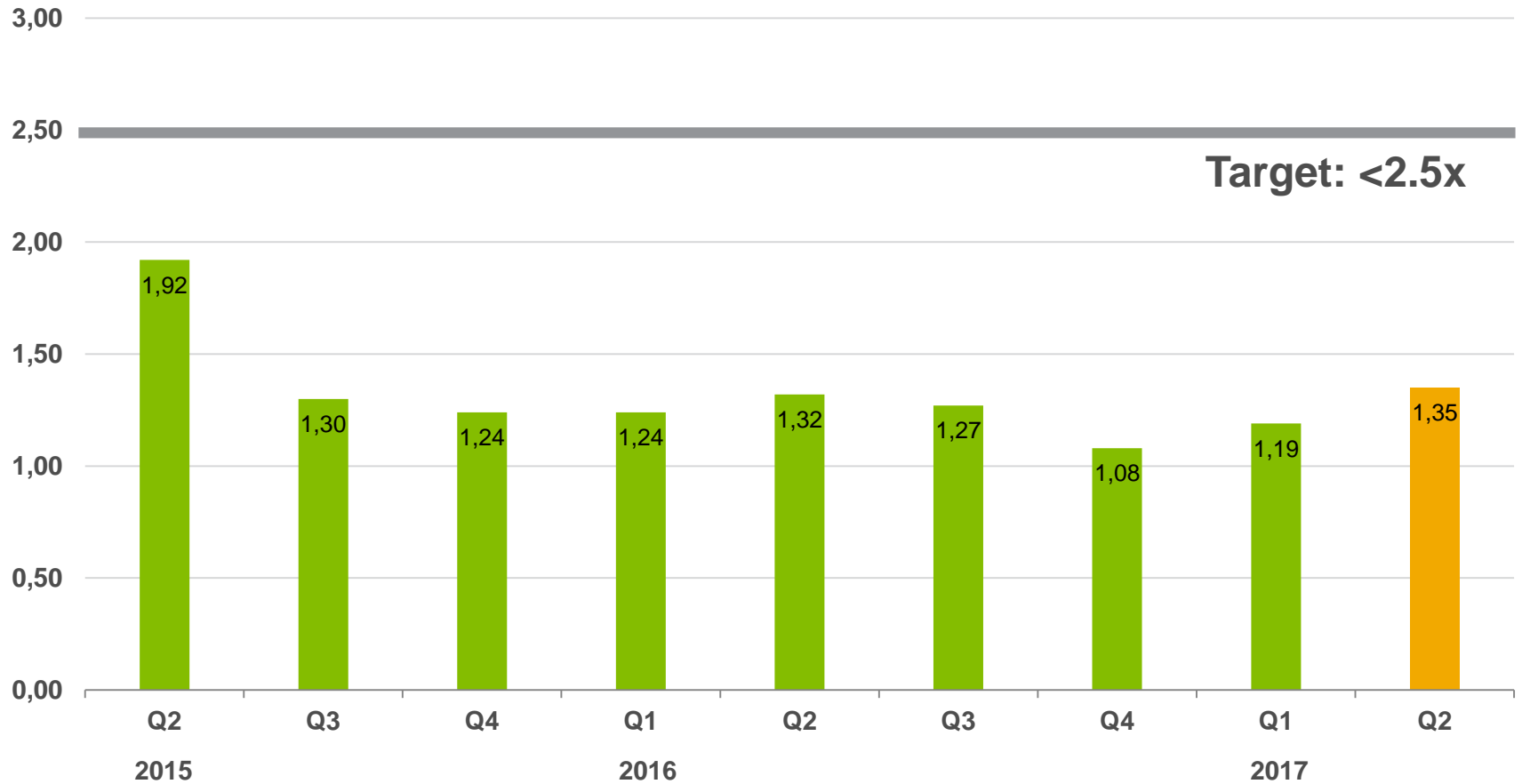
ADJUSTED, ROLLING 12 MONTHS (%)





LEVERAGE

NET DEBT/EBITDA (X)





BUSINESS AREAS



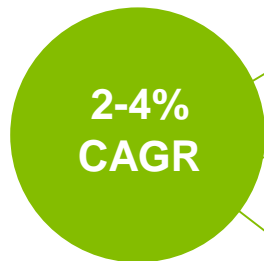
PACKAGING PAPER BUSINESS AREA

KRAFT AND SACK PAPER FOR CUSTOMERS WITH TOUGH DEMANDS



- *Packaging for flour, sugar, carrier bags, medical packaging, building materials, chemicals and more*
- *Growth driven by population growth in emerging markets, ageing population, increasing environmental awareness and more*

SELECTIVE GROWTH



Asset transformation for increased profitability

Development of new business models

Expansion to growing markets





PACKAGING PAPER BUSINESS AREA

Q2 DEVELOPMENT

- ▶ Continued strong performance
- ▶ Net sales +3% vs Q2-16
 - ▶ Improved FX and increased local prices
- ▶ EBITDA +17% vs Q2-16
 - ▶ Good sales mix, increased local prices and favourable FX
- ▶ Improved market for all kraft and sack papers
- ▶ Q3 sales expected to be on par with Q2
- ▶ Kraft and sack paper markets expected to remain stable with potential to increase prices in local currency

2 151

NET SALES SEK MILLION

312

EBITDA SEK MILLION

15%

EBITDA MARGIN



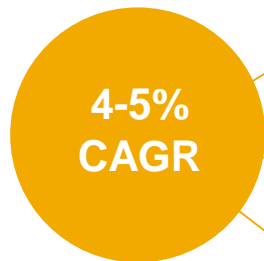
CONSUMER BOARD BUSINESS AREA

LIQUID PACKAGING BOARD AND CARTONBOARD WITH UNIQUE PROPERTIES



- *Packaging for milk, juice, preserved foods, beauty and healthcare products, confectionery and more*
- *Growth driven by high urbanization rate, change in consumer behavior and more*

VOLUME GROWTH



Attractive market providing growth opportunities

Investments for volume growth

Innovation with customers and brand owners





CONSUMER BOARD BUSINESS AREA

Q2 DEVELOPMENT

- Continued volume growth
- Net sales +4% vs Q2-16
- EBITDA +4% vs Q2-16
 - Increased sales volumes
- Continued growth in all parts
- Expected continued firm order situation for liquid packaging board with normal season varieties and further improved order situation for cartonboard

2 099

NET SALES SEK MILLION

498

EBITDA SEK MILLION

24%

EBITDA MARGIN



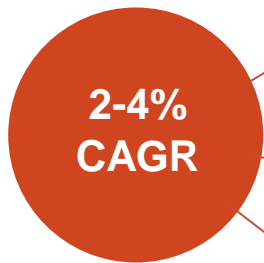
CORRUGATED SOLUTIONS BUSINESS AREA

FLUTING AND LINER ADD VALUE



- *Packaging for fruit and vegetables, white goods and electronics, exclusive drinks and more*
- *Supply chain solutions and packaging optimisations for brand owners*
- *Growth driven by increasing e-commerce and fresh food consumption, package differentiation and changing supply chains*

VALUE GROWTH



Strong product portfolio setting market standard

Integrating new business model

Increasing sales to brand owners





CORRUGATED SOLUTIONS BUSINESS AREA

Q2 DEVELOPMENT

- Net sales +8% vs Q2-16
 - Improved local prices and FX
- EBITDA +25% vs Q2-16
 - Lower maintenance cost
 - Negative impact from digester breakdown
- Strong order books and increased prices in Europe
- Expected continued strong demand for fluting and liner with potential for local price increases
- Managed Packaging is forecasted to continue delivering consistently strong sales growth

902

NET SALES SEK MILLION

163

EBITDA SEK MILLION

18%

EBITDA MARGIN



OUTLOOK



OUTLOOK

- Demand and order situation are expected to be strong in the third quarter with normal seasonal variances for all business areas.
- The Packaging Paper and Corrugated Solutions business areas see opportunities for local price increases in the next quarter.
- Longer transportation of wood is expected to have a 3% negative effect on wood costs in Q3 compared with Q2.
- The situation at the Port of Gothenburg could have an impact on the Group's delivery capacity and costs during Q3.
- Costs for planned maintenance shutdowns in the third quarter are estimated at SEK 215 million.



SKÄRBLACKA AND GRUVÖN WELL UNDER WAY

IMPROVING EFFICIENCY AND SECURING GROWTH



A Yankee cylinder of 160 tons on the move from Tervasaari to Skärblacka

- Investing in MG integrated to pulp production in Skärblacka, Sweden;
SEK 1,3 billion investment.
- New board machine in Gruvön, Sweden with capacity of approx. 550 000 t/a;
SEK 5,7 billion investment.



UNDERSTANDING SOLUTION SALES

CONCEPT DEFINITIONS

Packaging Solutions

Ready-to-use packaging solutions

- BillerudKorsnäs sells ready-made packaging
- May use BillerudKorsnäs material
- Examples:
 - **Managed Packaging**
 - **Sack Sales**



Systems Solutions

Product solutions including both materials and machine (and machine service)

- Products using BillerudKorsnäs material
- Examples:
 - **Axello ZAP**
 - **Formable Solutions**

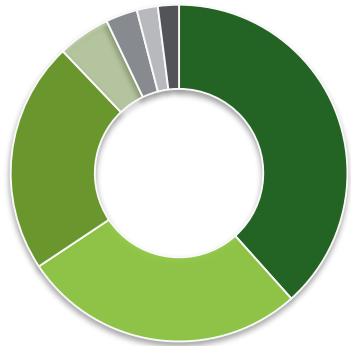




APPENDIX

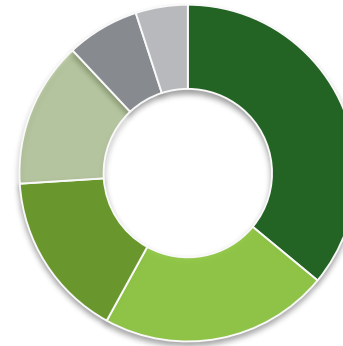
GLOBAL PACKAGING MARKET

GLOBAL PACKAGING MARKET,
BY REGION¹



- Asia, 38%
- Europe, 27%
- North America, 22%
- South and Central America, 5%
- Middle East, 3%
- Africa, 2%
- Pacific Region, 2%

GLOBAL PACKAGING MARKET,
BY MATERIAL¹



- Paper and board, 36%
- Hard plastics, 22%
- Flexible materials excl. Paper, 16%
- Metals, 14%
- Glass, 7%
- Other, 5%



SALES PER REGION

PACKAGING PAPER



CONSUMER BOARD



CORRUGATED SOLUTIONS



SALES PER REGION

- Europe 69%
- Asia 15%
- Africa 7%
- South America 4%
- Middle East 1%
- Other 4%

SALES PER REGION

- Europe 70%
- Asia 22%
- Middle East 4%
- Africa 2%
- South America 2%

SALES PER REGION

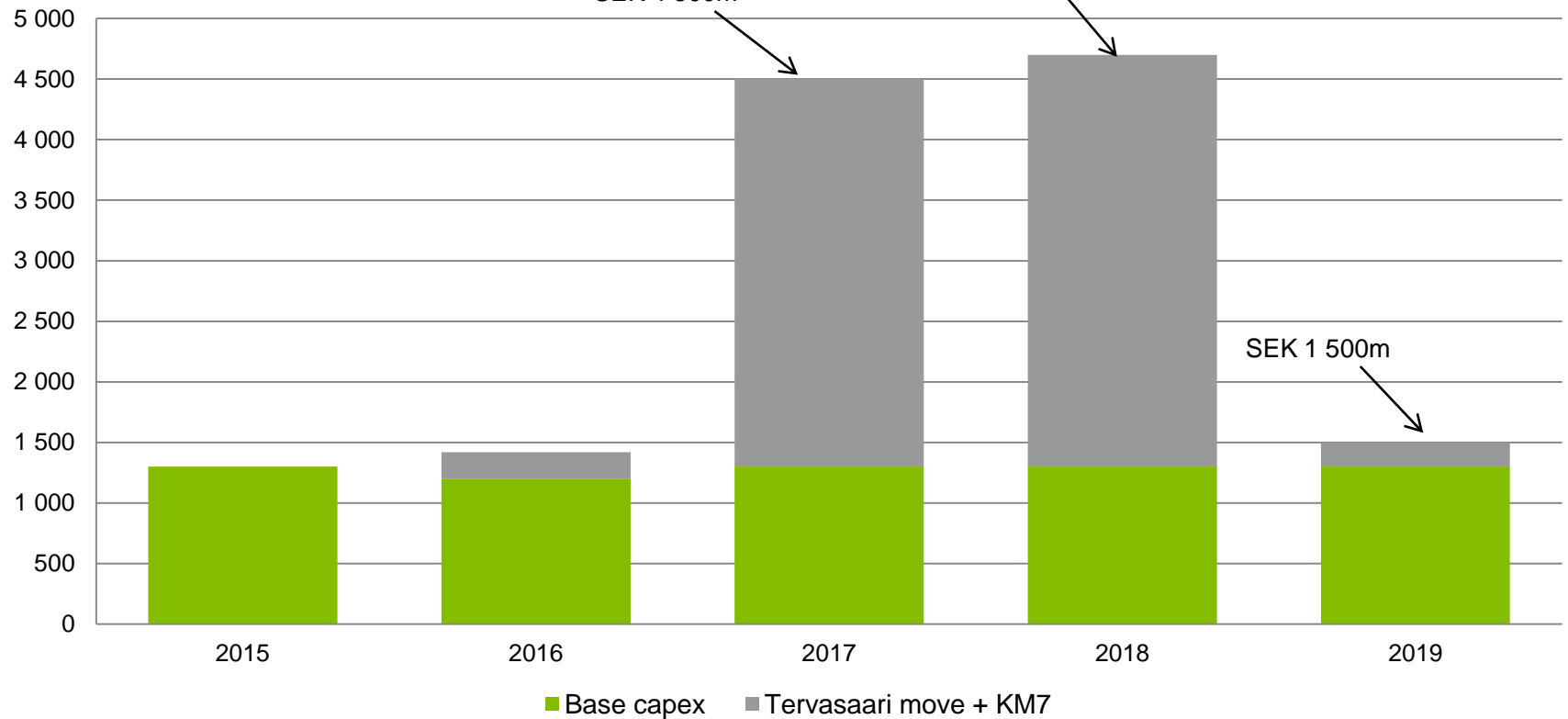
- Europe 69%
- Asia 21%
- Africa 4%
- South America 3%
- Other 3%



BILLERUDKORSNÄS CAPEX 2015-2019

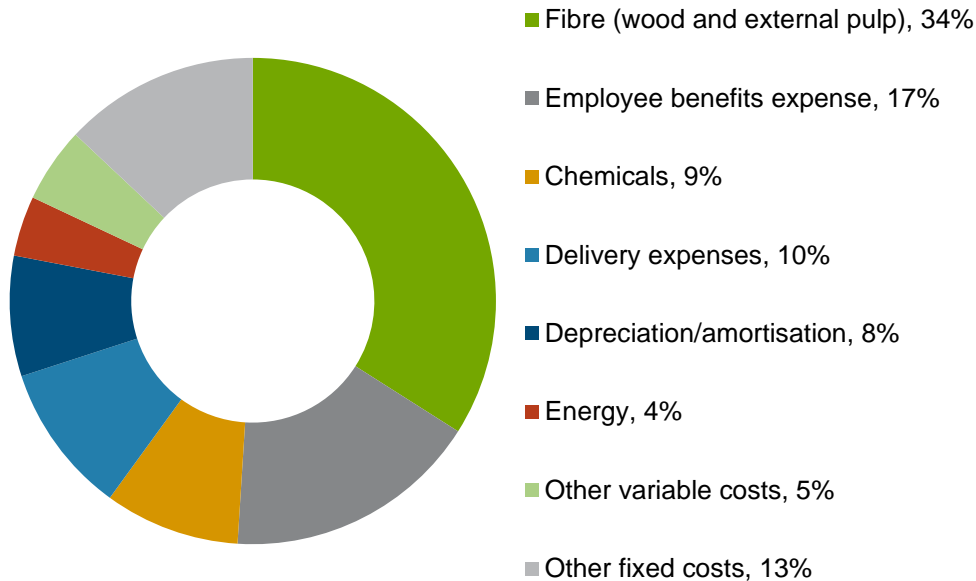
CAPEX

SEKm





COST STRUCTURE



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



SENSITIVITY ANALYSIS

IMPACT ON PROFIT/LOSS BEFORE TAX

Variable	Change	SEKm
Sales volume	+/- 10%	+/-900
Exchange rate, SEK ¹	+/- 10%	-/+640
Fibre prices	+/- 10%	-/+700
Price of electricity ²	+/- 10%	-/+30
Interest rate on loans ³	+/- 1 percentage point	-/+43

1 Excluding effects of currency hedging.

2 Excluding effects of electricity price hedging.

3 Excluding effects of interest hedging.



PRODUCTION UNITS

SWEDEN

Gävle, 725 ktonnes
Gruvön, 685 ktonnes
Frövi/Rockhammar, 470 ktonnes
Skärblacka, 420 ktonnes
Karlsborg, 300 ktonnes

FINLAND

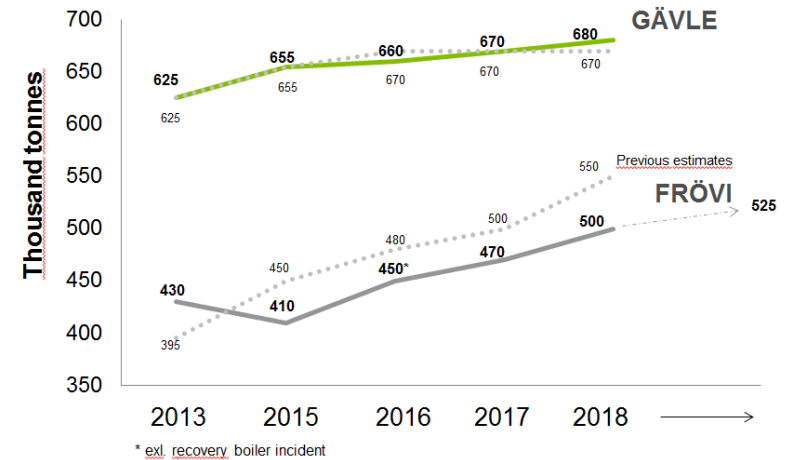
Pietarsaari, 200 ktonnes
Tervasaari, 100 ktonnes

UNITED KINGDOM

Beetham, 45 ktonnes

Total production capacity 2 945 ktonnes

SLOWER RAMP UP IN FRÖVI THAN EXPECTED





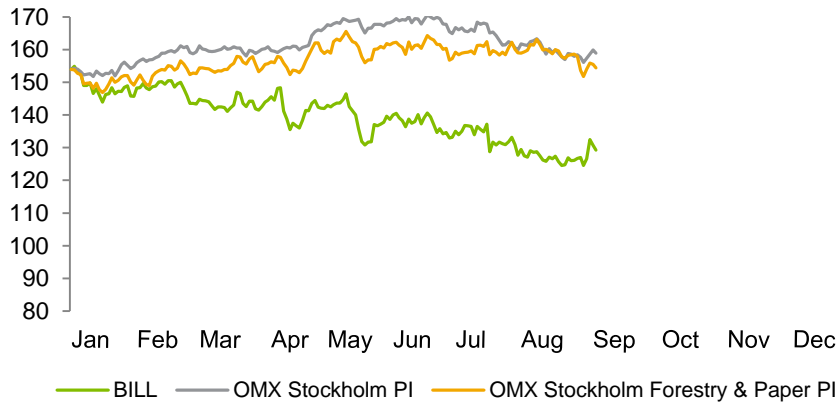
BILLERUDKORSNÄS SHARE

Symbol: BILL

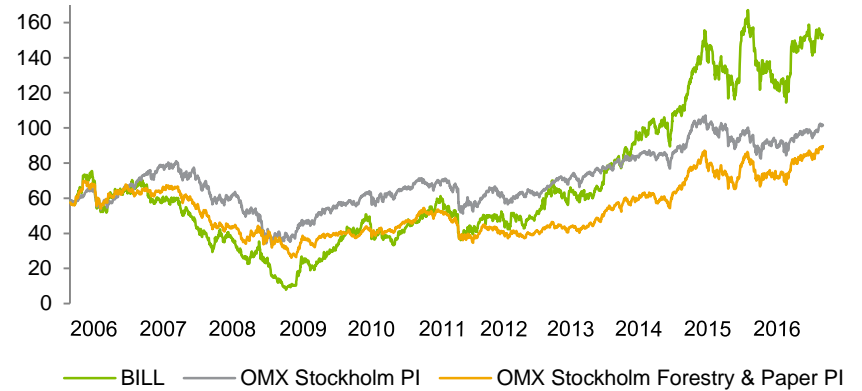
Trading platform: Nasdaq Stockholm

IPO: November 20, 2001

Share performance 2017



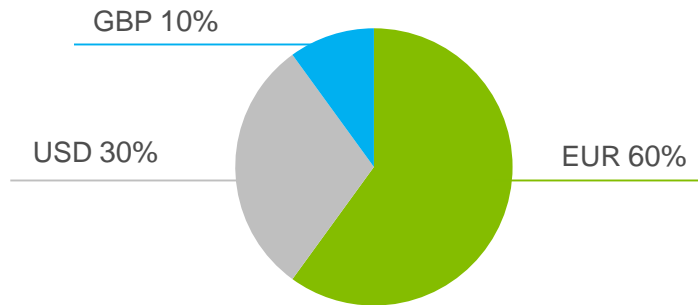
Share performance 2006-2016



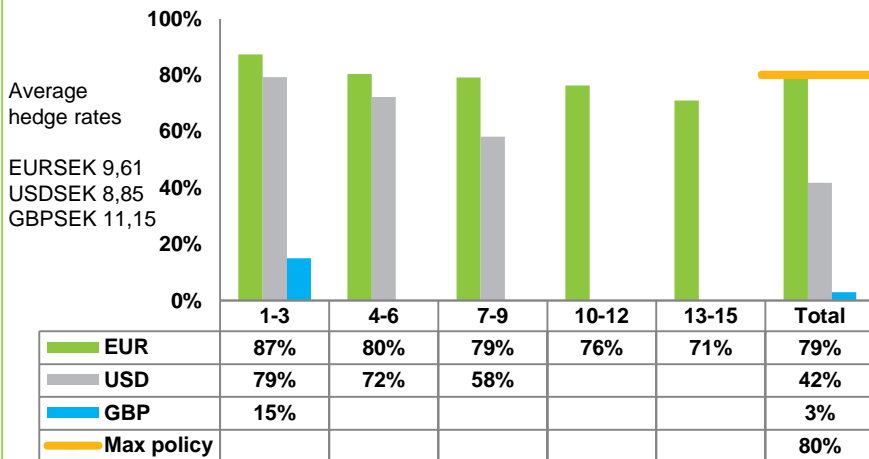


FX RISK

Total net currency exposure of SEK 6.4 billion



FX Hedge (SEK hedge) %



- ▶ 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

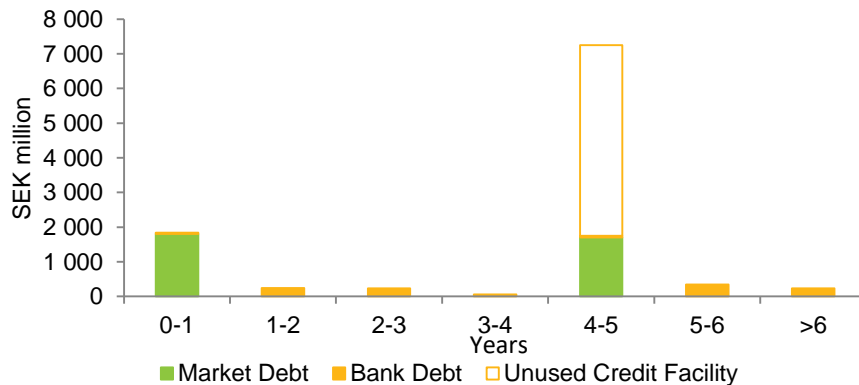
SEKm	Q2 -17	Q1 -17	Q4 -16	Q3 -16	Q2 -16
Packaging Paper	2 151	2 141	2 067	2 100	2 085
Consumer Board	2 099	2 128	1 988	1 975	2 028
Corrugated Solutions	902	931	989	913	839
Other	483	465	463	400	421
Currency hedging, etc.	-35	-29	-39	5	66
Total Group	5 600	5 636	5 468	5 393	5 439

- ▶ FX hedging policy
 - 0-80% of flows over coming 15 months
 - 0% is default hedge level
 - No speculation in FX movements



DEBT MATURITY AND FUNDING

DEBT MATURITY PROFILE



FUNDING

- Syndicated credit facilities
 - SEK 5,500m RCF maturing June, 2022 – back bone funding
- Bilateral credit agreements
 - Mix of short and long term funding
- Bonds
 - MTN Program frame SEK 5,000m of which SEK 3,500m issued
- Commercial Paper
 - CP Program SEK 3,000m, issued SEK 0m
- Financial covenants
 - Net Debt / Equity <1.25 (2017 Q2 at 0.36)
 - EBITDA / Net financial expenses >3.00 (2017 Q2 at 22.2)
- Lease commitments payable within one year SEK 99 million and total commitment of SEK 283 million (year end 2016).

STRATEGY

- Financial target Net Debt / EBITDA < 2.5
- Sources of liquidity in the coming 12 months to exceed uses by a factor of 1,20
- Diversified funding sources and an even maturity profile



OWNERSHIP STRUCTURE



- Foreign shareholders, 39.2%
- Swedish mutual funds, 24.6%
- Swedish individuals incl. closely held companies, 19.4%
- Swedish institutions, 16.8%

Shareholder	Number of shares	Number of votes, %
FRAPAG Beteiligungsholding AG	31 300 000	15,1
AMF Insurance & Funds	20 372 421	9,8
Sw edbank Robur Funds	9 273 858	4,5
Fourth Sw edish National Pension Fund	7 264 082	3,5
Alecta	6 948 000	3,4
Handelsbanken Funds	4 910 285	2,4
Norges Bank Investment Management	3 541 190	1,7
DFA Funds (USA)	3 311 170	1,6
Vanguard	3 277 494	1,6
Folksam	2 353 200	1,1
Total 10 largest shareholders	92 551 700	44,7
Total number of shares in the market	207 271 358	100,0



BILLERUDKORSNÄS