



Interim Report January – June 2019

Solid underlying result

Q2 2019

KEY HIGHLIGHTS

- Strong sales performance
- Continued high fibre costs
- Ramp-up of KM7 proceeding according to plan
- Divestment of a majority share of Bergvik Skog Öst, to be completed in the third quarter

QUARTERLY DATA

- Net sales were up by 7% to SEK 6 293 million (5 898) as a result of positive currency effects, higher sales volumes and increased sales prices.
- Adjusted EBITDA* was SEK 539 million (671), impacted by higher costs for raw materials and start-up effects for KM7.
- Operating profit was SEK 194 million (-174).
- Net profit was SEK 182 million (-133).
- Earnings per share amounted to SEK 0.88 (-0.64).

Q3 OUTLOOK

- Market conditions expected to remain good for liquid packaging board and cartonboard.
- Weaker market conditions for some segments.
- Increased price pressure expected.
- Total cost for fibre is expected to flatten out at the current high level.

KEY FIGURES*

SEKm	Q2	Q2	Change	Jan-Jun	Jan-Jun	Change
	2019	2018		2019	2018	
Net sales	6 293	5 898	7%	12 797	11 795	8%
Adjusted EBITDA**	539	671	-20%	1 574	1 773	-11%
Operating profit	194	-174		834	503	66%
Adjusted operating profit	154	309	-50%	807	1 038	-22%
Net profit	182	-133		633	365	73%
Adjusted EBITDA, %	9%	11%		12%	15%	
Adjusted operating profit margin, %	2%	5%		6%	9%	
Adjusted ROCE, %	8%	12%		8%	12%	
Operating cash flow before strategic investments	88	38	132%	674	662	2%
Net debt/adjusted EBITDA, multiple**	3.87	2.15		3.87	2.15	

*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 22-23 and page 7 for operating cash flow before strategic investments.

** IFRS16 affected adjusted EBITDA positively by SEK 27 million in the second quarter of 2019 and SEK 54 million in the first half year of 2019, compared with if IAS17 were used, see note 1 on page 17.

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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. The information was submitted for publication, through the agency of the contact persons set out above, at 07.00 CET on 16 July 2019.

COMMENTS BY CEO

“We deliver a solid result despite continued high fibre costs and start-up effects for KM7”



SEK 6 293 million

Net sales

SEK 539 million

Adjusted EBITDA

9%

Adjusted EBITDA margin

High demand for sustainable packaging solutions continued to drive growth. Net sales in the second quarter improved by 7%, positively affected by currency, higher sales volumes and price increases. We deliver a solid result despite continued high fibre costs as well as start-up effects for KM7 of approximately SEK 190 million.

Production availability has been satisfactory during the quarter and sales volumes were up compared to same period last year. Operational efficiency is improving, supported by our production excellence programme and group-wide safety initiative, but lost production volumes have affected us during the first half of the year.

The ramp-up of the new board machine KM7 at Gruvön is proceeding as planned. During the second quarter we delivered on important milestones and since the end of June the machine is producing liner for customers. The next step will be to introduce coated material, and in October we aim to have certification material sent to customers. For the full year we estimate the negative start-up effects for KM7 on EBITDA to total SEK 500 million.

As communicated, we will divest a majority share of Bergvik Skog Öst to the pension company AMF and have agreed on a 15-year long agreement regarding the supply of wood corresponding to approximately one tenth of our total wood supply. We have thereby secured a long-term, competitive and stable wood supply from this forestland. The transaction is planned to be completed on 30 August and will result in a positive cash effect of around SEK 7.9 billion. The balance sheet will thereby be substantially strengthened, enabling investments and acquisitions for a continued profitable growth.

BillerudKorsnäs' market position and know-how offers fantastic opportunities to grow within packaging solutions. We are investing in innovation of new products and believe that the fastest way to market is through collaboration. An example of our way of working is the joint venture that we have formed with ALPLA, where we share the joint vision to develop a fully bio-based and recyclable paper bottle in the near future. Carlsberg and Absolut have already signed up to take part in the commercialisation of the paper bottle.

Long-term demand for fibre-based packaging is being driven by the mega trends of urbanisation, digitalisation, globalisation and sustainability. Country by country, decisions are being taken to reduce the use and litter of plastic. In Europe, our largest market, the EU has adopted a directive on single-use plastics which constitutes a great opportunity for us to replace plastic packaging in many applications and contribute to a more sustainable consumer behaviour.

For the third quarter we expect the market conditions for our liquid packaging board segment, constituting around one third of our sales, to remain good and within this segment we have secured a number of long-term contracts. However, uncertainty in the containerboard market has increased somewhat and we expect weaker market conditions and increased price pressure for some of our smaller segments. To mitigate the effects and safeguard our results we will continue to focus on growth in areas where we are strong and to continue our programmes for operational efficiency and cost savings. The total cost of fibre is expected to flatten out at the current high level in the second half of the year.

BillerudKorsnäs is well positioned to capture customer demand for innovative and sustainable packaging. Our strategy is based on profitable growth by challenging conventional packaging. We will continue to focus on a successful ramp-up of KM7, safety, production stability, efficiency improvements and innovation.

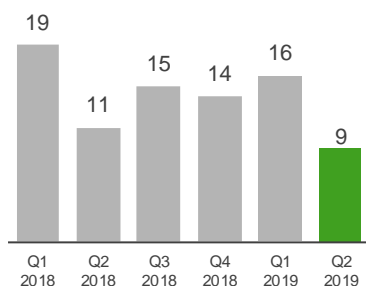
Petra Einarsson, President and CEO

The quarter in review

EBITDA was negatively impacted by higher fibre costs and start-up effects for KM7

Adjusted EBITDA margin

Target level >17%



SALES AND RESULTS

Net sales for the second quarter increased by 7% to SEK 6 293 million (5 898) as a result of positive currency effects, higher sales volumes and increased sales prices. The currency effect on net sales amounted to SEK 148 million.

Adjusted EBITDA decreased to SEK 539 million (671), negatively affected by higher raw material costs and start-up effects for KM7 of approximately SEK 190 million, partly offset by increased sales and lower scheduled maintenance shutdown costs compared with the second quarter last year.

The implementation of IFRS16 affected adjusted EBITDA positively by SEK 27 million in the second quarter, see note 1.

Costs affecting comparability amounted to SEK -40 million (483) and reported in Other, were related to released provisions for staff changes, demolition of old buildings and decontamination as well as costs for the new board machine in Gruvön. Costs affecting comparability for the second quarter of 2018 included provisions totalling SEK 452 million and were related to strengthened workplace efficiency and environment and unified accounting principles related to spare parts and consumables.

MARKET DEVELOPMENT AND OUTLOOK

Market conditions for liquid packaging board and cartonboard remained good during the second quarter, while the uncertainty in the global container market increased. The market for sack and kraft paper has weakened.

For the coming quarter, market conditions are expected to remain good for liquid packaging board and cartonboard, stable for semi-chemical fluting and white kraftliner and challenging for sack and kraft paper. The market pulp price index (PIX) has declined from USD 1 105 at the end of March to USD 1 000 at the end of June.

EVENTS IN THE QUARTER

BillerudKorsnäs completed the acquisition of Bergvik Skog Öst on 31 May 2019, according to the agreement that was announced in November 2018. On 24 June 2019, BillerudKorsnäs announced that it had entered into an agreement with pension company AMF on the sale of a majority share of Bergvik Skog Öst and that Bergvik Skog Öst and BillerudKorsnäs had agreed on a 15-year long agreement regarding the supply of wood. Bergvik Skog Öst has been accounted for as Discontinued operations. For more information, see page 9, note 3 and 4 on pages 19-20.

On 3 April 2019, BillerudKorsnäs announced its intention to form a joint venture with ALPLA to commercialize the paper bottle, developed by ecoXpac. See note 3 on page 19 for more information.

Helene Biström took office as Executive Vice President Division Paper, on 1 April 2019, and Ivar Vatne assumed his position as CFO on 1 June 2019.

In May 2019, the European Commission notified BillerudKorsnäs of its decision to close the competition investigation concerning several producers of bleached and unbleached kraft paper and manufacturers of industrial paper bags. With respect to BillerudKorsnäs, this procedure started in March 2017 with a site-visit investigation at the head offices in Solna.

EVENTS AFTER THE QUARTER

On 4 July 2019, the Swedish Competition Authority approved BillerudKorsnäs' sale of a majority share of Bergvik Skog Öst to AMF. See page 9 for more information.

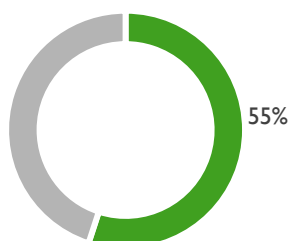
Following regulatory approvals such as merger control clearances, BillerudKorsnäs sold 44.6% of the shares in ecoXpac to ALPLA for a consideration of DKK 28 million on 9 July 2019. BillerudKorsnäs' shareholding in ecoXpac thereafter totals 44.6%. The remaining shares are owned by the founder family. See note 3 on page 19 for more information.



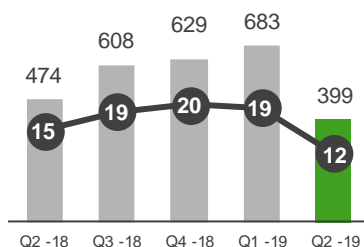
Division Board

The new board machine at Gruvön, KM7 is producing material for our customers since the end of June. Our focus for the remainder of the year is a continued successful ramp-up of KM7.

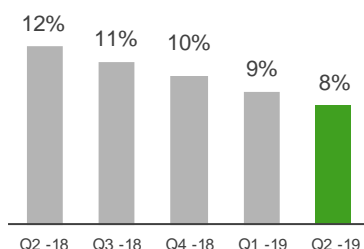
Share of Group's net sales for Q2 2019



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 the division. At Gruvön, BillerudKorsnäs has made a strategic investment under the Next generation programme in a state-of-the-art board machine. The board machine KM7 will have an annual production capacity of 550 000 tonnes premium material.

KEY FIGURES*

SEKm	Quarter		Jan-Jun		Full year
	Q2 -19	Q2 -18	2019	2018	2018
Net sales	3 463	3 079	6 999	6 233	12 679
of which liquid packaging board	1 860	1 798	3 849	3 652	7 154
of which cartonboard	373	329	719	637	1 279
of which fluting & liner	961	741	1 914	1 528	3 412
Net operating expenses, other	-3 064	-2 605	-5 917	-5 014	-10 223
EBITDA	399	474	1 082	1 219	2 456
EBITDA, %	12%	15%	15%	20%	19%
Operating profit/loss	155	225	596	719	1 469
Operating margin, %	4%	7%	9%	12%	12%
ROCE, %	8%	12%	8%	12%	10%
Sales volumes, ktonnes	457	417	911	857	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 IFRS16 are accounted on Group level.

RESULTS

Net sales for the second quarter increased by 12% to SEK 3 463 million (3 079). The increase is mainly due to increased sales volumes, but also due to positive currency effects and higher prices. The increased sales volumes, compared to the same period last year, was partly related to the transfer of production capacity from Division Paper due to the ramp-up of KM7.

EBITDA for the second quarter decreased to SEK 399 million (474). The decrease was mainly due to higher fibre costs, a negative change in product mix at Gruvön when ramping up KM7 and lost production volumes at Gävle, which were partly offset by increased sales and lower shutdown maintenance costs.

MARKET DEVELOPMENT AND OUTLOOK

Market conditions remained good for liquid packaging board and cartonboard during the second quarter. The uncertainty in the global containerboard market increased with price reductions mainly for recycled grades and brown kraftliner, and to a lesser extent for BillerudKorsnäs product segments. The customers' inventory levels have been normalized.

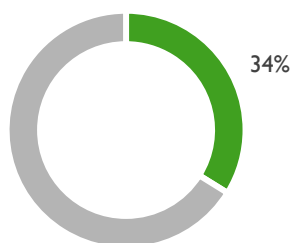
For the coming quarter, market conditions for liquid packaging board and cartonboard are expected to remain good with normal seasonal variations. The market conditions for BillerudKorsnäs' product segments semi-chemical fluting and white kraftliner are expected to be stable.



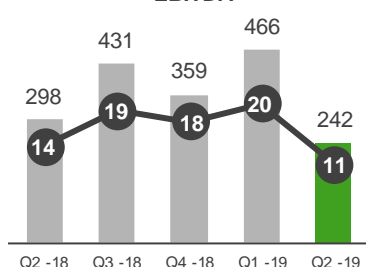
Division Paper

Sales prices increased and our market position remains strong. For the remainder of the year we will focus on adapting our production to the demand situation.

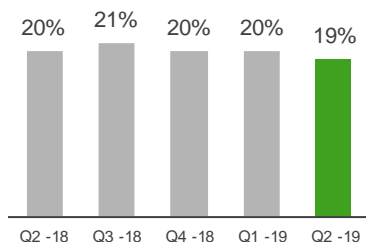
Share of Group's net sales
Q2 2019



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 the division.

KEY FIGURES*

SEKm	Quarter		Jan-Jun		Full year
	Q2 -19	Q2 -18	2019	2018	2018
Net sales	2 129	2 127	4 434	4 231	8 523
of which sack paper	794	760	1 730	1 595	3 279
of which kraft paper	895	903	1 826	1 799	3 586
Net operating expenses, other	-1 887	-1 829	-3 726	-3 505	-7 007
EBITDA	242	298	708	726	1 516
EBITDA, %	11%	14%	16%	17%	18%
Operating profit/loss	132	191	488	522	1 090
Operating margin, %	6%	9%	11%	12%	13%
ROCE, %	19%	20%	19%	20%	20%
Sales volumes, ktonnes	223	233	456	484	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 IFRS16 are accounted on Group level.

RESULTS

Net sales for the second quarter were unchanged SEK 2 129 million (2 127). Positive currency effects and increased sales prices were offset by lower sales volumes. Compared to last year, production capacity has been transferred from Division Paper to Division Board.

EBITDA decreased to SEK 242 million (298). The decline was a consequence of higher fibre costs and lower volumes with a more unfavourable product mix.

MARKET DEVELOPMENT AND OUTLOOK

The market for sack and kraft paper softened in the second quarter on the back of a more uncertain global economy and high inventory levels at customers. The slowdown was mainly attributed to brown sack paper, driven by the Asian cement market. Price levels were still high.

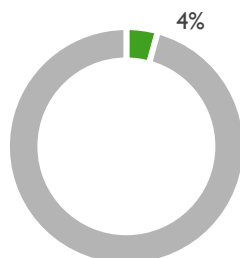
For the coming quarter, weaker market conditions are expected in some of our smaller segments, particularly brown sack paper, while the market for white sack paper is expected to be stable.



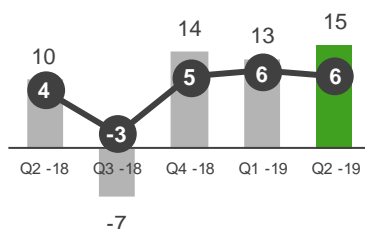
Division Solutions

We are pleased with the improved earnings. The focus going forward will be on continuously improving profitability and growth.

Share of Group's net sales
Q2 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		Jan-Jun		Full year
	Q2 -19	Q2 -18	2019	2018	2018
Net sales	268	279	474	467	980
of which Managed Packaging	229	243	404	395	839
of which Packaging Solutions	38	37	70	72	141
Net operating expenses, other	-253	-269	-446	-460	-966
EBITDA	15	10	28	7	14
EBITDA, %	6%	4%	6%	1%	1%
Operating profit	14	7	25	-	1
Operating margin, %	5%	3%	5%	0%	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 IFRS16 are accounted on Group level.

RESULTS

Net sales for the second quarter decreased by 4% to SEK 268 million (279), mainly due to lower sales to existing customers in Managed Packaging, although countered in part by sales to new customers. Sales in Packaging Solutions grew in the quarter.

The EBITDA improvement in the second quarter was related to higher prices in Packaging Solutions, favourable currency effects and good cost control.

MARKET DEVELOPMENT AND OUTLOOK

The market for Division Solutions' products and services remained stable during the second quarter. Managed Packaging continued to see customers beginning to move parts of their packaging programs out of China, and into South and Southeast Asian countries, in particular Vietnam, where Managed Packaging is well positioned to continue the packaging supply.

Growth within Division Solutions is expected to continue in the coming quarters through increased sales to new customers.



January – June, consolidated

SALES AND RESULTS

Net sales for the first six months increased by 8% to SEK 12 797 million (11 795), mainly as a result of higher sales prices and positive currency effects, but also increased sales volumes contributed to the growth. Net sales increased in all divisions with the highest growth within Division Board.

Adjusted EBITDA decreased to SEK 1 574 million (1 773). Higher costs for raw materials, start-up effects for KM7 and the impact from lost production volumes at Gävle were partly offset by increased sales and lower scheduled maintenance costs.

The implementation of IFRS16 affected adjusted EBITDA positively by SEK 54 million in the first six months, see note 1.

Costs affecting comparability amounted to SEK -27 million (535) and were reported in Other.

Cash flow and financial position

SUMMARISED CASH FLOW STATEMENT

SEKm	Quarter		Jan-Jun	
	Q2 -19	Q2 -18	2019	2018
Operating surplus, etc.	445	559	1 429	1 609
Change in working capital, etc.	-1	-140	-335	-223
Net financial items, taxes, etc.	-77	-83	-3	-244
Cash flow from operating activities	367	336	1 091	1 142
Current net investments, excluding strategic investments	-279	-298	-417	-480
Operating cash flow, before strategic investments	88	38	674	662

Operating cash flow before strategic investments amounted to SEK 839 million (38) for the second quarter and SEK 1 425 million (662) for the first half of 2019. Operating cash flow before strategic investments include current net investments excluding the investment in KM7 at Gruvön, the MG investment in Skärblacka and acquisitions and sale of subsidiaries, and the sale of Bergvik Skog Väst AB. 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.

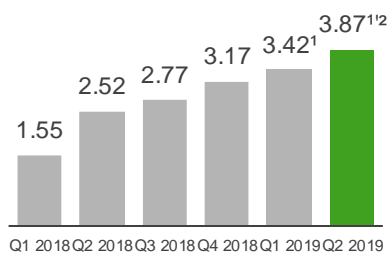
Change in working capital does not include accruals related to KM7 at Gruvön.

FINANCING

At 30 June 2019, interest-bearing debt amounted to SEK 15 808 million (7 746). At 31 March 2019 interest-bearing debt amounted to SEK 9 409 million. The increase compared with the previous quarter was mainly due to the acquisition of Bergvik Skog Öst AB and dividend pay-out in May 2019. The acquisition was financed with a term loan amounting to SEK 5 500 million. In addition, short-term debt, mainly comprising of commercial papers was raised during the quarter.



Net debt/EBITDA target level <2.5



¹Including lease liabilities according to IFRS16

²Excluding discontinued operations

Debt portfolio and maturity profile at 30 June 2019

Loan	Limit, SEKm	Maturity, years			Total utilised
		0-1	1-2	2-	
Syndicated credit facilities	5 500				-
Term loans		296	5 596	3 327	9 219
Bond loans within MTN program	7 000	400	800	3 500	4 700
Commercial paper	3 000	1 500			1 500
Term loan, Bomhus Energi AB		44	41	301	386
Other interest-bearing liabilities (excl. lease liabilities under IFRS 16)		2	1		3
Group total		2 242	6 438	7 128	15 808

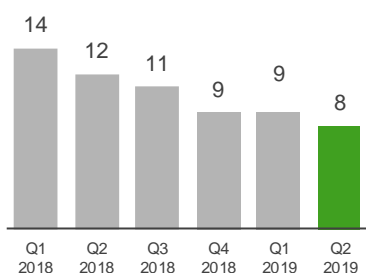
Interest-bearing net debt at 30 June 2019 amounted to SEK 16 163 million (8 166) including discontinued operations. Excluding the discontinued operations, the interest bearing net debt amounted to SEK 12 667 million (8 166).

The Group's net interest-bearing debt in relation to EBITDA at the end of the period was 4.93 (2.52) including discontinued operations. Excluding the discontinued operations the ratio was 3.87 (2.52). Net interest-bearing debt (excluding discontinued operations) to adjusted EBITDA ratio was 3.87 (2.15).

After the sale of Bergvik Skog Öst in the third quarter of 2019, BillerudKorsnäs will have a net interest-bearing debt in relation to EBITDA for July 2018-June 2019 of approximately 1.5. The Group's long-term financial target is to have a ratio below 2.5.

The implementation of IFRS16 from 1 January 2019 increased the interest-bearing liabilities with SEK 250 million at 30 June 2019, whereof short-term liabilities with SEK 96 million and long-term liabilities with SEK 154 million. The impact on net debt to EBITDA ratio was by 0.00.

Adjusted return on capital employed Target level >13%



INVESTMENTS AND CAPITAL EMPLOYED

Gross investments amounted to SEK 2 415 million (2 665) for the first half of 2019. The investments were mainly related to the new board machine at Gruvön.

Capital employed at 30 June 2019 amounted to SEK 23 499 million (21 594). Return on capital employed (ROCE) for the last twelve-month period, amounted to 8% (9%). ROCE calculated using adjusted operating profit amounted to 8% (12%).

Return on equity was 9% (9%).

Next generation programme

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

Test runs of the new board machine started in April and on 8 June it had paper on pope. At the end of June the machine produced liner for customers. The ramp-up plan for the coming months include the introduction of coated material in August and delivery of certification material to customers in October. Throughout the ramp-up process, the machine's production capacity will be increased.

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

The changes in connection with the start-up of KM7 are estimated to have a negative effect on EBITDA of approximately SEK 500 million during 2019. During the second quarter the negative effect amounted to around SEK 190 million and for the remainder of the year the effect is estimated to be evenly distributed between the third and the fourth quarter. For 2020 the negative effect on EBITDA is estimated to



amount to SEK 200 million. From 2021, the KM7 investment will have a positive effect on earnings.

Acquisitions and divestments

BillerudKorsnäs announced on 27 November 2017 that it had entered into an agreement with all shareholders of Bergvik Skog AB to acquire Bergvik Skog Öst AB and to divest 5 per cent 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 5 per cent of the shares in Bergvik Skog Väst AB amounted to SEK 5.4 billion.

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

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

Bergvik Skog Öst will at completion of the sale own approximately 317,000 hectares of forest land and have a net debt of approximately SEK 3.5 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 to the current conditions.

On 4 July 2019, BillerudKorsnäs' sale of 89.9% of Bergvik Skog Öst to AMF was approved by the Swedish Competition Authority. The transaction is planned to be completed on 30 August 2019. The transaction will result in a positive cash effect of approximately SEK 7.9 billion. The capital gain will be recognised under the heading *Discontinued operations* in the income statement.

Currency hedging

Currency hedging had a net sales impact of SEK -52 million (-100) in the second quarter of 2019 and SEK -132 million (-162) for the first half of 2019 (compared with no currency hedging).

Outstanding forward exchange contracts at 30 June 2019 had a market value of SEK -82 million, SEK -18 million of which is the portion of the contracts matched by trade receivables that affected earnings in the second quarter. Accordingly, other contracts had a market value of SEK -64 million.

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

Currency	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Total 15 months
EUR Share of net flow	89%	88%	89%	78%	55%	79%
Rate	10.36	10.38	10.31	10.43	10.68	10.41
USD Share of net flow	63%	60%	63%	61%	56%	61%
Rate	8.79	8.74	9.03	9.11	9.25	8.98
GBP Share of net flow	25%	-	-	-	-	5%
Rate	12.18	-	-	-	-	12.18
Market value of currency contracts*	-29	-31	-22	-10	10	-82

*At 30 June 2019.

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

Taxes

The tax cost for the first half year of 2019 amounted to SEK 199 million (52), equal to approximately 23% (12%) of profit before tax. The increase in tax rate is mainly due to losses in Finland on which deferred tax receivables are not accounted for. The low tax rate last year was due to revaluation of deferred tax.

Parent company

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

Operating profit/loss for the first half of 2019 was SEK -136 million (-122). Operating loss reflects the effects of hedging contracts and revaluations of trade receivables.

The parent company hedges both its own and the Group's net currency flows. The parent company's earnings include the results of these hedging measures. These earnings were SEK -132 million (-162) for the first half year.

The average number of employees at 30 June 2019 was 129 (103).

Cash and bank balances, and short-term investments amounted to SEK 96 million (156).

Sustainability

Sustainability KPIs, rolling 12 months (R12M)

	Q2 -19	Q1 -19	2020 target
Energy efficiency ¹	5.29	5.27	<5,10
Fossil-free production ²	35.7	39.0	<25,0
Gender equality ³	23.0	22.8	>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 amounted to 35.7 kg/tonne and energy consumption was 5.29 MWh/tonne during the last twelve months.

GENDER EQUALITY

BillerudKorsnäs' aim is to increase the proportion of women in the group, both overall and at managerial level. This is challenging in an industry that is traditionally dominated by men. BillerudKorsnäs has undertaken several initiatives aimed at addressing the under-representation of women in operational activities and at senior levels within the Group. The share of female employees was 23.0% during the past twelve months.

QUARTERLY HIGHLIGHTS

In April 2019, BillerudKorsnäs was ranked as number one in the packaging industry by the global analysis company Sustainalytics. ESG Risk Ratings measures how listed companies perform in key areas for a sustainable business and is used by investors to assess global listed companies' sustainability work and risk exposure in the area and is an increasingly important component of investment assessments. The ranking shows that BillerudKorsnäs has a total low risk exposure due to strong management of significant sustainability issues.

In June 2019, the EU Parliament adopted the so-called Single Use Plastic directive on the reduction of the impact of certain plastic products on the environment. The directive will be implemented in all EU member states by 3 July 2021.

Long-term incentive programme

The 2019 Annual General Meeting resolved to introduce a long-term incentive programme ("LTIP 2019"), based on the same structure as the long-term incentive programmes adopted at previous Annual General Meeting and comprising up to 100 executive officers and other key personnel and talents in the BillerudKorsnäs Group.

The main objective with LTIP 2019 is to strengthen BillerudKorsnäs' ability to attract, motivate and retain the best individuals for key leadership positions. The aim is further that executive officers as well as other key personnel and talents within the BillerudKorsnäs group shall be given an incentive to increased efforts by aligning their financial interests with those of the shareholders.

LTIP 2019 comprises a maximum of 100 executive officers, other key personnel and talents within the BillerudKorsnäs group. A condition for participation in LTIP 2019 is that the participants must own BillerudKorsnäs shares. The shares could either be previously held (provided that they are not already allocated to the long term share based incentive programs adopted 2017 or 2018) or purchased on the market. Notification of participation in LTIP 2019 shall occur after the Annual General Meeting 2019. The participants will after a three year vesting period that ends in connection with the publication of BillerudKorsnäs' interim report for the period January – March 2022, be allotted BillerudKorsnäs shares, free of charge, subject to and in proportion to, the fulfilment of certain performance conditions and other conditions.

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 amount of treasury shares was 1 519 191 at the end of March 2019 and at the end



of June 2019, the holding of treasury shares amounted to 1 430 062 shares. The total number of shares in BillerudKorsnäs was 208 219 834 at 30 June, 2019.

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 for some time worked with measures to mitigate potential negative effects of different Brexit scenarios. Based on accumulated sales in 2018 the Group's net sales exposed to Brexit amount to SEK 1 168 million from the EU to the UK and SEK 200 million from the UK to the EU.

In the EU countries, the directive on single use plastic will mean 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

Q3 2019 report – 24 October 2019

The undersigned hereby confirm that this mid-year report provides a true and fair view of the parent company's and Group's operations, position and performance, and describes material risks and uncertainties faced by the parent company and Group companies.

Solna, 16 July 2019

BillerudKorsnäs AB (publ)

Lennart Holm
Chairman of the Board

Michael M.F. Kaufmann
Board member

Andrea Gisle Joosen
Board member

Bengt Hammar
Board member

Jan Åström
Board member

Kristina Schauman
Board member

Tobias Auchli
Board member

Victoria van Camp
Board member

Gunnevi Lehtinen Johansson
Board member

Nicklas Johansson
Board member

Petra Einarsson
President and CEO

This information constituted inside information prior to publication. This is information that BillerudKorsnäs AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. This report has been prepared in both a Swedish and an English version. The report has not been reviewed by the company's auditors.



SUMMARISED INCOME STATEMENT

SEKm	Quarter		Jan-Jun		Full year
	Q2 -19	Q2 -18	2019	2018	2018
Net sales	6 293	5 898	12 797	11 795	23 692
Other income	35	77	73	127	230
Operating income	6 328	5 975	12 870	11 922	23 922
Change in inventories	-205	16	-211	135	633
Raw materials and consumables	-3 195	-3 222	-6 616	-6 206	-12 556
Other external costs	-1 338	-1 588	-2 501	-2 717	-5 473
Employee benefits expense	-1 011	-978	-1 939	-1 878	-3 595
Depreciation and impairment of non-current assets	-385	-377	-767	-765	-1 513
Profit/Loss from participations in associated companies	-	-	-2	12	12
Operating expenses	-6 134	-6 149	-12 036	-11 419	-22 492
Operating profit/loss	194	-174	834	503	1 430
Financial income and expenses*	50	-46	16	-86	-89
Profit/Loss before tax	244	-220	850	417	1 341
Taxes	-44	87	-199	-52	-304
Profit/Loss from continuing operations	200	-133	651	365	1 037
Discontinued operations					
Profit/loss from discontinued operations, net of tax, note 4	-18	-	-18	-	-
Profit/loss for the period	182	-133	633	365	1 037
Profit/Loss attributable to:					
Owners of the parent company	182	-133	633	365	1 037
Non-controlling interests	-	-	-	-	-
Net profit/loss for the period	182	-133	633	365	1 037
Earnings per share, SEK	0.88	-0.64	3.06	1.76	5.01
Diluted earnings per share, SEK	0.88	-0.64	3.06	1.76	5.00

*Includes dividend from Bergvik Skog AB of SEK 91 million in Q2 2019 (12).

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Quarter		Jan-Jun		Full year
	Q2 -19	Q2 -18	2019	2018	2018
Net profit/loss for the period	182	-133	633	365	1 037
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains or losses on defined benefit pension plans	-	-	-61	-	-24
Change in fair value of shareholding in Other holdings	-167	-	-148	3	91
Tax attributable to items not to be reclassified to profit or loss	-	-	13	-	5
Total items never reclassified to profit or loss	-167	-	-196	3	72
Items that have been or may be reclassified subsequently to profit or loss					
Differences arising from the translation of foreign operations' accounts	12	17	37	84	60
Change in fair value of cash flow hedges	-73	151	-353	64	376
Tax attributable to items that have been or may be reclassified subsequently to profit or loss	15	-33	75	-14	-80
Total items that have been or may be reclassified subsequently to profit or loss	-46	135	-241	134	356
Total comprehensive income for the period	-31	2	196	502	1 465
Attributable to:					
Owners of the parent company	-31	2	196	502	1 465
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	-31	2	196	502	1 465

SUMMARISED BALANCE SHEET

SEKm	30 Jun 2019	30 Jun 2018	31 Dec 2018
Intangible assets	2 218	2 221	2 185
Property, plant and equipment, including Right of use assets	23 437	19 680	21 429
Other non-current assets	4 523	1 594	1 867
Total non-current assets	30 178	23 495	25 481
Inventories	3 562	3 088	3 633
Accounts receivable	2 786	2 845	2 807
Other current assets	929	1 436	1 337
Assets classified as held for sale	8 524	-	-
Cash and cash equivalents	328	349	456
Total current assets	16 129	7 718	8 233
Total assets	46 307	31 213	33 714
Equity attributable to owners of the parent company	13 660	13 427	14 355
Non-controlling interests	9	-	-
Total equity	13 669	13 427	14 355
Interest-bearing liabilities	13 720	6 900	7 130
Provisions for pensions	843	785	784
Other liabilities and provisions	272	322	284
Deferred tax liabilities	3 573	3 406	3 633
Total non-current liabilities	18 408	11 413	11 831
Interest-bearing liabilities	2 338	846	1 894
Accounts payables	3 577	3 622	3 825
Other liabilities and provisions	2 629	1 905	1 809
Liabilities associated with assets held for sale	5 686	-	-
Total current liabilities	14 230	6 373	7 528
Total equity and liabilities	46 307	31 213	33 714

SUMMARISED STATEMENT OF CHANGES IN EQUITY

SEKm	Jan-Jun		Full year
	2019	2018	2018
Opening balance	14 355	13 811	13 811
Changed accounting principles due to IFRS16	-5	-	-
Comprehensive income for the period	196	502	1 465
Share-based payment to be settled in equity instruments	3	4	10
Buyback of own shares	-	-	-41
Dividend to owners of the parent company	-889	-890	-890
Non-controlling interest through acquisition	9	-	-
Closing balance	13 669	13 427	14 355
Equity attributable to:			
Owners of the parent company	13 660	13 427	14 355
Non-controlling interests	9	-	-
Closing balance	13 669	13 427	14 355

SUMMARISED CASH FLOW STATEMENT, INCLUDING DISCONTINUED OPERATIONS

SEKm	Quarter		Jan-Jun		Full year
	Q2 -19	Q2 -18	2019	2018	2018
Operating surplus, etc. *	445	559	1 429	1 609	3 219
Net financial items, taxes, etc.	-77	-83	-3	-244	-450
Change in working capital, etc.	-1	-140	-335	-223	-267
Cash flow from operating activities	367	336	1 091	1 142	2 502
Investments in intangible assets, property, plant and equipment	-844	-1 527	-1 662	-2 649	-5 120
Acquisition of financial assets / contribution associated companies	-	-6	-2	-16	-22
Disposal of financial assets / other holdings**	935	5	948	5	5
Sale of subsidiary	-	-	-	-	-1
Acquisition of subsidiary, note 3	-3 734	-36	-3 779	-36	-36
Disposal of property, plant and equipment	-	1	7	1	2
Cash flow from investing activities	-3 643	-1 563	-4 488	-2 695	-5 172
Change in interest-bearing receivables	-	-	-	-	-3
Change in interest-bearing liabilities	3 748	1 389	4 088	2 583	3 863
Buy-back of own shares	-	-	-	-	-41
Dividend to owners of the parent company	-445	-890	-445	-890	-890
Cash flow from financing activities	3 303	499	3 643	1 693	2 929
Total cash flow (=change in cash and cash equivalents)	27	-728	246	140	259
Cash and cash equivalents at start of period	687	1 068	456	168	168
Translation differences in cash and cash equivalents	4	9	16	41	29
Cash and cash equivalents at the end of the period***	718	349	718	349	456

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

*** Including cash and cash equivalents from discontinued operations, SEK 390 million.

*RECONCILIATION OF OPERATING SURPLUS

SEKm	Quarter		Jan-Jun		Full year
	Q2 -19	Q2 -18	2019	2018	2018
Operating profit	194	-174	834	503	1 430
Reversed depreciation	385	377	767	765	1 513
Earnings from associated companies	-	-	2	-12	-12
Pension liabilities	-13	-	-12	-	-43
Other provisions	-78	191	-96	204	136
Unified accounting principles regarding spare parts and consumables	-	176	-	176	177
Net of produced and sold electricity certificates and sold emission rights	-31	-21	-47	-39	2
Incentive programmes	4	2	3	4	10
Scrapping of fixed assets	-1	36	-7	36	35
Discontinued operations	-15	-	-15	-	-
Revaluation of current holdings related to business combinations	-	-30	-	-30	-30
Capital gain/loss from sales of business	-	2	-	2	3
Revaluation of biological assets	-	-	-	-	-2
Operating surplus, etc	445	559	1 429	1 609	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 25 of this report.

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

IFRS 16 Leases

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

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

The right-to-use asset, amounting to SEK 244 million, is presented in the summarised balance sheet at 30 June 2019 as Property, plant and equipment. The lease liability, amounting to SEK 250 million, is presented under Interest-bearing liabilities (current and non-current). In the summarised income statement the leasing cost is not accounted for as Other external costs which was the case according to the previous standard IAS 17. Under IAS 17 the costs would have amounted to SEK 54 million for the first half year. Under IFRS 16 depreciation is now accounted for on right-to-use assets amounting to SEK 52 million, as Depreciation and impairment of non-current assets. The interest cost, an amount of SEK 2 million, relating to the lease liability is a part of the financial income and expenses.

NOTE 2 FINANCIAL ASSETS AND LIABILITIES

	Fair value through profit or loss - hedge accounting	Amortised cost	Fair value through other compre- hensive income	Financial liabilities measured at amortised costs	Total carrying amount	Fair value
<i>Valuation classification</i>	<i>Level 2</i>		<i>Level 3</i>			
Group 30 June 2019						
Other shares and participations	-	-	412	-	412	412
Long-term receivables	50	3 911	-	-	3 961	3 961
Accounts receivable	-	2 786	-	-	2 786	2 786
Other receivables	123	484	-	-	607	607
Cash and cash equivalents	-	328	-	-	328	328
Total	173	7 509	412	-	8 094	8 094
Non-current interest-bearing liabilities	-	-	-	13 720	13 720	13 748
Current interest-bearing liabilities	-	-	-	2 338	2 338	2 337
Accounts payables	-	-	-	3 577	3 577	3 577
Other liabilities	136	-	-	704	840	840
Total	136	-	-	20 339	20 475	20 502

	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

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 intends to 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 exoXpac 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.

As part of the intention to form 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%.

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

A preliminary acquisition analysis of the transaction is presented below.

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

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 5 percent of the shares in Bergvik Skog Väst AB to Stora Enso. The divestment did not result in any profit or loss effect.

The preliminary purchase price analysis is presented below. The group is in the process of reviewing the final values for the acquisition. Therefore, the allocation of the purchase price and the valuation of assets and liabilities are subject to adjustment. Any adjustments are not expected to be material.

Negative excess value of SEK 26 million has been accounted for as a revenue in Result from discontinued operations. The negative excess value occurred since the purchase price for the transaction was based on accounts for previous period, which have changed during the transaction.

The transaction implied that BillerudKorsnäs Skog & Industri AB took over an internal loan from Bergvik Skog AB amounting to SEK 2 615 million, which is included in the current liabilities of SEK 2 728 million below.

SEKm	
Group	2019
Acquired balance sheet	
Biological assets	7 718
Other non-current assets	381
Current assets	410
Total Assets	8 509
Deferred tax liability	1 597
Non-current liabilities	69
Current liabilities	2728
Total liabilities	4 394
Purchase consideration	
Purchase consideration	-4 085
Acquisition costs ¹	-31
Cash and cash equivalents (acquired)	381
Net effect on cash and cash equivalents	-3 735

¹ Acquisition costs of SEK 9 million was accounted for in 2018. Total transaction costs amount to SEK 40 million.

NOTE 4 DISCONTINUED OPERATION

On June 24, 2019 an agreement was signed to sell 89.9% of BSÖ Holding AB (parent company for Bergvik Skog Öst AB) to the pension company AMF. The sale corresponds to an enterprise value of SEK 12.2 billion on a debt free basis. At completion of the sale, Bergvik Skog Öst will own approximately 317,000 hectares of forestland and have a net debt of approximately SEK 3.5 billion.

The transaction is planned to be completed on August 30, 2019.

Results of discontinued operations

SEKm Group	2019
Income	17
Expenses	-25
Profit/Loss before tax	-8
Taxes	2
Result after taxes, before sale of discontinued operation	-6
Acquisition costs	-31
Negative excess value from the acquisition	26
Selling costs	-7
Result from sale, after tax*	-12
Total result from discontinued operation	-18

* Capital gain from the sale will be added when the transaction is completed.

NOTE 5 OTHER DISCLOSURES

Other disclosures in accordance with IAS 34.16A can be found on the pages prior to the income statement and the statement of comprehensive income. Information regarding divisions/segments can be found on pages 4-6, information regarding financing on page 7-8, seasonal effects on page 24 and events after the end of the quarter on page 3.

KEY FIGURES

	Jan-Jun		Full year
	2019	2018	2018
Margins			
EBITDA, %	13	11	12
Operating margin, %	7	4	6
Return (rolling 12 months)			
Return on capital employed, %	8	9	7
Return on equity, %	9	9	7
Capital structure at end of period			
Capital employed, SEKm	23 499	21 594	23 687
Working capital, SEKm	1 034	1 926	2 056
Equity attributable to owners of the parent company, SEKm	13 660	13 427	14 355
Interest-bearing net debt, SEKm ¹	12 667	8 166	9 333
Net debt/equity ratio ¹	0.93	0.61	0.65
Interest-bearing net debt / EBITDA, multiple ¹	3.87	2.52	3.17
Key figures per share			
Earnings per share, SEK	3.06	1.76	5.01
Dividend (for the financial year) per share, SEK	-	-	4.30
Other key figures			
Working capital as percentage of net sales, %	8	9	9
Gross investments, SEKm	2 415	2 665	5 142
Average number of employees	4 622	4 477	4 502

¹ Key figures refer to continuing operations. Including the discontinued operations Interest-bearing net debt amounts to SEK 16 163 million, Net debt/ equity ratio to 1.18 and Interest-bearing net debt/EBITDA 4.93 at June 30 2019.

RECONCILLATION OF ALTERNATIVE PERFORMANCE MEASURES

	Quarter			Jan-Jun		Full year
	Q2 - 19	Q1 - 19	Q2 - 18	2019	2018	2018
Adjusted EBITDA, SEKm						
Operating profit	194	640	-174	834	503	1 430
Depreciation and impairment of non-current assets	385	382	377	767	765	1 513
EBITDA	579	1 022	203	1 601	1 268	2 943
Items affecting comparability	-40	13	468	-27	505	533
Adjusted EBITDA	539	1 035	671	1 574	1 773	3 476
Adjusted Operating profit, SEKm						
Operating profit	194	640	-174	834	503	1 430
Items affecting comparability	-40	13	483	-27	535	591
Adjusted Operating profit	154	653	309	807	1 038	2 021
Adjusted earnings per share, SEK						
Profit attributed to owners of the parent company, SEKm	182	451	-133	633	365	1 037
Items affecting comparability, attributed to owners of the parent company, SEKm	-32	10	377	-22	417	461
Adjusted profit attributed to owners of the parent company, SEKm	150	461	244	611	782	1 498
Weighted number of outstanding shares, thousands	206 763	206 701	207 011	206 732	206 984	206 962
Adjusted earnings per share	0.73	2.23	1.18	2.96	3.78	7.24
Adjusted Return on capital employed (ROCE), SEKm						
Adjusted Operating profit over 12 months *	1 790	1 945	2 342	1 790	2 342	2 021
Average capital employed over 12 months	23 128	22 502	19 533	23 128	19 533	21 530
Adjusted Return on capital employed	8%	9%	12%	8%	12%	9%
Interest-bearing net debt / Adjusted EBITDA, multiple						
Interest-bearing net debt	12 667	9 822	8 166	12 667	8 166	9 333
Adjusted EBITDA over 12 months*	3 276	3 383	3 803	3 276	3 803	3 476
Interest-bearing net debt / Adjusted EBITDA	3.87	2.90	2.15	3.87	2.15	2.68
Items affecting comparability, SEKm						
MG Investment in Skärblacka (Operating expenses)	-	-	-	-	3	3
New board machine in Gruvön - additional costs (Operating expenses)	14	17	16	31	31	61
New board machine in Gruvön - restructuring (Operating expenses)	-20	-	-	-20	-	-10
New board machine in Gruvön - depreciation and impairment of existing non-current assets (Depreciation and Impairment of non-current assets)	-	-	15	-	30	58
Restructuring (Operating expenses)	-	-	-	-	19	27
Workplace environment (Operating expenses)	-32	-	159	-32	159	159
Unification of accounting principles - Spare parts and consumables (Operating expenses)	-	-	177	-	177	177
Acquisition costs Bergvik	-2	2	-	-	-	9
Other (Operating expenses)	-	-6	116	-6	116	107
Items affecting comparability	-40	13	483	-27	535	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.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES (CONT.)

	30 Jun 2019	30 Jun 2018	31 Dec 2018
Capital employed, SEKm			
Total assets	46 307	31 213	33 714
Assets classifield as held for sale	-8 524	-	-
Accounts payables	-3 577	-3 622	-3 825
Other liabilities and provisions	-2 901	-2 226	-2 094
Deferred tax liabilities	-3 573	-3 406	-3 633
Interest-bearing non-current assets	-3 905	-16	-19
Cash and Cash equivalents	-328	-349	-456
Capital employed	23 499	21 594	23 687
Working capital, SEKm			
Inventories	3 562	3 088	3 633
Accounts receivables	2 786	2 845	2 807
Other operating receivables	929	1 436	1 337
Accounts payables	-3 577	-3 622	-3 825
Other operating liabilities (excl provisions)	-2 585	-1 762	-1 683
Tax liabilities	-81	-59	-213
Working capital	1 034	1 926	2 056
Interest-bearing net debt, SEKm			
Interest bearing provisions	843	785	784
Interest bearing non-current liabilities	13 720	6 900	7 130
Interest bearing current liabilities	2 337	846	1 894
Interest-bearing non-current assets	-3 905	-16	-19
Cash and Cash equivalents	-328	-349	-456
Interest-bearing net debt	12 667	8 166	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 second quarter of 2019 planned maintenance shutdowns were carried out at Gävle and Skärblacka. The total cost amounted to approximately SEK 308 million, which was SEK 8 million more than estimated.

ESTIMATED MAINTENANCE SHUTDOWN COST

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

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

Definitions

ADJUSTED KEY FIGURES

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

ADJUSTED EBITDA

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

ADJUSTED EARNINGS PER SHARE

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

ADJUSTED OPERATING PROFIT

Operating profit adjusted for items affecting comparability.

CAPITAL EMPLOYED

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

EARNINGS PER SHARE

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

EQUITY

Equity at the end of the period.

EBITDA

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

EBITDA, %

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

INTEREST-BEARING NET DEBT

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

INTEREST-BEARING NET DEBT/ EBITDA

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

INTEREST-BEARING NET DEBT/ADJUSTED EBITDA

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

MF KRAFT PAPER

Machine Finished kraft paper.

MG KRAFT PAPER

Machine Glazed kraft paper.

NBSK

Northern Bleached Softwood Kraft.

NET DEBT/EQUITY RATIO

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

OPERATING CASH FLOW BEFORE STRATEGIC INVESTMENTS

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

OPERATING MARGIN

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

RETURN ON CAPITAL EMPLOYED (ROCE)

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

RETURN ON EQUITY

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

WORKING CAPITAL

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

WORKING CAPITAL AS PERCENTAGE OF NET SALES

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



Parent company

SUMMARISED INCOME STATEMENT

SEKm	Quarter		Jan-Jun		Full Year
	Q2 -19	Q2 -18	2019	2018	2018
Operating income*	83	60	124	173	150
Operating expenses	-141	-148	-260	-295	-608
Operating profit/loss	-58	-88	-136	-122	-458
Financial income and expenses	-43	-80	-94	-149	-340
Profit/Loss after financial income and expenses	-101	-168	-230	-271	-798
Appropriations	-	-	-	-	756
Profit/loss before tax	-101	-168	-230	-271	-42
Taxes	22	24	49	48	-31
Net profit/loss for the period	-79	-144	-181	-223	-73

SUMMARISED BALANCE SHEET

SEKm	30 Jun	30 Jun	31 Dec
	2019	2018	2018
Non-current assets	10 668	10 743	10 678
Current assets	18 970	12 445	12 575
Total assets	29 638	23 188	23 253
Shareholders' equity	6 189	7 141	7 256
Untaxed reserves	1 526	1 586	1 526
Provisions	201	225	235
Liabilities	21 722	14 236	14 236
Total equity and liabilities	29 638	23 188	23 253

*Includes Currency hedging, etc.



QUARTERLY DATA

The Group's business is managed and reported according to BillerudKorsnäs' three divisions. Other includes results from wood supply, Nine AB (until Q4-17), Scandfibre Logistics AB, rental operations, tech centres, logistics, parts of strategic and project purchasing, dormant logistics companies, income from the sale of businesses, items affecting comparability and costs due to increased investments in the production structure. Other also includes Group-wide functions, Group eliminations (including IFRS16) and profit/loss from participation in associated companies. Currency hedging etc. includes results from hedging of the Group's net currency flows and revaluation of trade receivables and payments from customers. The portion of the currency exposure that relates to changes in exchange rates for invoicing is included in the Division's profit/loss.

Quarterly net sales per division and for the Group

SEKm	2019		2018				2017		2019	2018
	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Jan-Jun	Jan-Jun
Division Board	3 463	3 536	3 178	3 268	3 079	3 154	2 950	3 050	6 999	6 233
Division Paper	2 129	2 305	2 048	2 244	2 127	2 104	1 980	1 902	4 434	4 231
Division Solutions	268	206	257	256	279	188	225	203	474	467
Other	471	485	436	383	451	449	383	388	956	900
Currency hedging, etc.	-38	-28	-76	-97	-38	2	27	1	-66	-36
Total Group	6 293	6 504	5 843	6 054	5 898	5 897	5 565	5 544	12 797	11 795

Quarterly EBITDA per division and for the Group

SEKm	2019		2018				2017		2019	2018
	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Jan-Jun	Jan-Jun
Division Board	399	683	629	608	474	745	662	789	1 082	1 219
Division Paper	242	466	359	431	298	428	360	351	708	726
Division Solutions	15	13	14	-7	10	-3	-27	2	28	7
Other	-39	-112	-133	-53	-540	-107	-97	-93	-151	-647
Currency hedging, etc.	-38	-28	-75	-98	-39	2	25	2	-66	-37
Total Group	579	1 022	794	881	203	1 065	923	1 051	1 601	1 268

Quarterly EBITDA margin per division and for the Group

%	2019		2018				2017		2019	2018
	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Jan-Jun	Jan-Jun
Division Board	12	19	20	19	15	24	22	26	15	20
Division Paper	11	20	18	19	14	20	18	18	16	17
Division Solutions	6	6	5	-3	4	-2	-12	1	6	1
Group	9	16	14	15	3	18	17	19	13	11

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

SEKm	2019		2018				2017		2019	2018
	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Jan-Jun	Jan-Jun
Division Board	567	683	763	757	658	745	777	934	1 250	1 403
Division Paper	382	466	373	490	515	428	387	426	848	943
Division Solutions	15	13	14	-7	10	-3	-27	2	28	7
Other	-79	-99	-117	-41	-72	-70	-72	-69	-178	-142
Currency hedging, etc.	-38	-28	-75	-98	-39	2	25	2	-66	-37
Total Group	847	1 035	958	1 101	1 072	1 102	1 090	1 295	1 882	2 174
Costs for maint. shutdowns	-308	-	-148	-208	-401	-	-140	-215	-308	-401
Items affecting comparability	40	-13	-16	-12	-468	-37	-27	-29	27	-505
EBITDA	579	1 022	794	881	203	1 065	923	1 051	1 601	1 268

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

%	2019		2018				2017		2019	2018
	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Jan-Jun	Jan-Jun
Division Board	16	19	24	23	21	24	26	31	18	23
Division Paper	18	20	18	22	24	20	20	22	19	22
Division Solutions	6	6	5	-3	4	-2	-12	1	6	1
Total Group	13	16	16	18	18	19	20	23	15	18



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

SEKm	2019		2018				2017		2019	2018
	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Jan-Jun	Jan-Jun
Division Board	155	441	383	367	225	494	413	540	596	719
Division Paper	132	356	248	320	191	331	258	249	488	522
Division Solutions	14	11	11	-10	7	-7	-32	-2	25	-
Other	-69	-140	-152	-67	-558	-143	-143	-108	-209	-701
Currency hedging, etc.	-38	-28	-76	-97	-39	2	25	2	-66	-37
Total Group	194	640	414	513	-174	677	521	681	834	503

Quarterly operating margin per division and for the group

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

Quarterly sales volumes per division

ktonnes	2019		2018				2017		2019	2018
	Q2 -19	Q1 -19	Q4 -18	Q3 -18	Q2 -18	Q1 -18	Q4 -17	Q3 -17	Jan-Jun	Jan-Jun
Division Board	457	454	426	437	417	440	420	448	911	857
Division Paper	223	233	214	243	233	251	253	255	456	484
Other	-4	-6	-4	-5	-6	-5	-7	-4	-10	-11
Total Group	676	681	636	675	644	686	666	699	1 357	1 330

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. The target is to grow by 3–4% a year. Our strategy is based on four areas that all interact: **Position, Innovation, Sustainability and Efficiency**. 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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